Tunisia National Risk Assessment of Money Laundering and Terrorist Financing

Tunisian Financial Analysis Committee

April - 2017
In the name of Allah, Most Gracious, Most Merciful

On my behalf and 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
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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, FATF\(^1\) 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.

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\(^1\) 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.
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 decided in its ministerial meeting\(^2\), 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.

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\(^2\) 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.
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.

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 system rating, which was subject to the enhanced follow-up process after discussing the Mutual Evaluation Report in April 2016, in Doha, at the MENA FATF Plenary meeting. The following figures are given below:

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

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

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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](http://www.fatf-gafi.org) and in French on the official website of the MENAFATF: [www.menafatf.org](http://www.menafatf.org) and the official website of the Tunisian Financial Analysis Committee: [www.ctaf.gov.tn](http://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 effectiveness

<table>
<thead>
<tr>
<th>Immediate outcome</th>
<th>Effectiveness ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>six immediate outcomes</td>
<td>low level of effectiveness</td>
</tr>
<tr>
<td>five immediate outcomes</td>
<td>medium level of effectiveness</td>
</tr>
</tbody>
</table>

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\(^7\) 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.

\(^6\) 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.

\(^7\) It should be noted that before the issuance of the law No.48 of 2016 of 11 July 2016 on banks and financial institutions, the previous law adopted the term Loan Institutions which include leasing and factoring institutions. It will be covered in the section of The Banking Sector Risks.
- Effectiveness of control procedures and practices.
- Implementation of administrative sanctions by regulatory bodies and readjustment structures.
- 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**

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>National risks</td>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
<tr>
<td>Vulnerabilities</td>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
</tbody>
</table>
Vulnerabilities are detailed below according to the following breakdown pursuant to national assessment adopted approach in this report:

### Sector risks related to reporting entities

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Threats</th>
<th>Vulnerabilities</th>
<th>Risks level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>Relatively high</td>
<td>Medium</td>
<td>Relatively high</td>
</tr>
<tr>
<td>Insurance sector</td>
<td>Relatively low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Micro financing sector</td>
<td>Relatively low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Stock market sector</td>
<td>Relatively high</td>
<td>Medium</td>
<td>Relatively high</td>
</tr>
<tr>
<td>Jewelry profession</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Lawyers sector</td>
<td>Medium</td>
<td>Relatively high</td>
<td>Relatively high</td>
</tr>
<tr>
<td>Chartered accountants profession</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Real Estate sector</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

### Matrix Of Sector Risks Related to Reporting Entities

- **Gold Sector**
- **Real Estate sector**
- **Banking sector**
- **Stock Market Sector**
- **Lawyers Profession**
- **Chartered accountant**
- **Electronic payment transactions, technologies and intermediaries**
- **Micro Finance**
- **Insurance Sector**

- High: 5
- Relatively high: 4
- Fair: 3
- Relatively low: 2
- Low: 1

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

<table>
<thead>
<tr>
<th>Tools &amp; Incubators</th>
<th>Threats</th>
<th>Vulnerabilities</th>
<th>Risks Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>High</td>
<td>Relatively High</td>
<td>High</td>
</tr>
<tr>
<td>Association</td>
<td>Relatively High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>International trade companies</td>
<td>Medium</td>
<td>High</td>
<td>Relatively High</td>
</tr>
<tr>
<td>Electronic payments transaction</td>
<td>High</td>
<td>Relatively High</td>
<td>Medium</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Cash</th>
<th>High</th>
<th>High</th>
<th>Relatively high</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associations</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
</tr>
<tr>
<td>International trade companies</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
<tr>
<td>Electronic payment transactions, technologies and intermediaries</td>
<td>Relatively low</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>
### Risks Related To Terrorism Financing

<table>
<thead>
<tr>
<th>Threats</th>
<th>Identifying risks</th>
<th>Risk level</th>
</tr>
</thead>
</table>
|         | 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.  
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. | High           |

| Vulnerabilities | 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.  
The subcommittee arising from the leadership committee agreed that Tunisia suffers from relatively high vulnerabilities with respect to terrorism financing. | Relatively High |
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.
3. Reference concepts

In order to grasp the general framework of the national assessment of the risks of money laundering and terrorism financing, the reference concepts underlying the evaluation process will be determined according to the following:

3.1. Money Laundering

In general, money laundering means the operations through which money is transferred in order to hide or camouflage its truth, source, location, method of managing it, movement, rights or ownership, knowing that it is derived from a crime or crimes stipulated by law such as drug trafficking and tax evasion trafficking in persons, prostitution or theft.

Money-laundering requires, in principle, the existence of a previous crime (predicate offenses) that resulted in funds and proceeds and that the perpetrator or others intend to carry out certain operations with a view to legitimizing them.

In this context, the Tunisian legislator has defined the offense of money laundering in chapter 92 of the Basic Law No. 26 of 2015, of July 07, 2015, on combating terrorism and preventing money laundering as:

“Any intentional act intended, by any means, to falsely justify the illicit origin of movable or immovable property or income derived, directly or indirectly, from any crime or misdemeanor punishable by imprisonment for three years or more and all offenses punishable by the Customs code.

It is also considered as money laundering, any intended act to invest money arising, directly or indirectly, from crimes contained in the previous paragraph or to deposit, conceal, camouflage, manage, merge, save, attempt to do so, participate in or incite or facilitate or assist in committing it”.

In accordance with this definition, the Tunisian legislator chose to apply the crime of money laundering to all serious crimes, in order to cover the widest range of predicate offenses, including the application of the crime of money laundering, in its broad sense, including movable and real property that represents directly or indirectly proceeds of crime, pursuant to the definition of money in Chapter 3 of the Anti-Terrorism and Money Laundering Law:

"Funds: property of any kind obtained by any means, material or intangible, movable or immovable, and the income and profits resulting therefrom, bonds, documents and

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legal instruments, whether material or electronic, proving ownership of, or the right to, or related thereto."

With regard to the appropriate accessory crimes of the crime of money laundering, including participation, attempt, assistance, incitement, facilitation and advice on committing the crime, it is concerned by the text of the criminalization as described above.

Under the new legislation, a sophisticated definition of money laundering crime has been adopted by explicitly stipulating the independence of committing this crime from the original crime, where it is proved by the availability of sufficient evidence on the illegality of the money subject to laundering. Article 92 last paragraph states what follows:

"The crime of money laundering is independent in its conduct from the original crime, and it shall be proved by the availability of sufficient evidence and evidence of the illegality of the money subject to laundering ..."

The scope of the application of the provisions of Chapter 92 also extends to the crimes derived from the laundering of money that occurred in another State and constitutes a domestic crime, as follows:

"The provisions of the preceding paragraphs apply, even if the offense from which the proceeds of the crime are arising, are not committed within the territory of the Republic."

3.2. Financing terrorism

Terrorism financing means pursuant to the United Nations Convention for the Suppression of the Financing of Terrorism (New York, 1999) the undertaking by any individual, directly or indirectly, unlawfully and willingly, providing or collecting funds with the intention of using them or knowing that they will be used in whole or in part to carry out the prescribed acts in article 2 of the Convention and the treaties annexed thereto.

Article 36 of the Basic Law No. 26 of 2015 stipulates that an individual who commits a terrorist offense shall be punished by imprisonment from six years to twelve years and by a fine of fifty thousand dinars to one hundred thousand dinars, whoever intentionally by any means directly or indirectly, commits the following acts:

"1. Donate, collect, offer or provide funds knowing that they are intended to finance individuals, organizations or activities related to terrorism offenses provided for in this Law, regardless of the legitimacy or corruption of the source of such funds.

2. Donating, collecting, offering or providing funds, knowing that they are intended to finance the travel of individuals outside the territory of the Republic with a view to
joining a terrorist organization or an accomplice or committing a terrorist offense or with the intention of receiving or providing training to committing crimes thereof.

3. conceal or facilitate the concealment of the real source of movable or real estate, income or proceed belonging to individuals or entities of whatever form, or to accept their placement under a pseudonym or to incorporate them with the knowledge that they are intended to finance individuals, organizations or activities tied to terrorism offenses regardless of the legitimacy or corruption of the source of these funds."

This text constitutes a criminalization charge for the financing of terrorism. The legislator considered the financing of terrorism a terrorism offense and its material aspect is to intentionally, by any means, directly or indirectly, provide, collect, donate or provide funds or property, that will be used in whole or in part to commit a terrorism act or acts or the use of funds by an individual, group of people or organization to finance the travel of people outside the territory of the Republic with a view to joining a terrorist organization or an agreement or committing a terrorism offense or with the intention of receiving or providing training for committing such a crime; or provide assistance or advice with a view to concealing or facilitating the concealment of the real source of movable or real property, income or remuneration to individuals or entities of any kind, whatever form or acceptance of their deposit or trying to commit the mentioned acts.

Article 36 of Basic Law No. 26 of 2015 distinguishes between two types of funding. The first is to "donate, collect or provide funds," which is known as the physical financing of terrorism.

The second type is "concealing or facilitating the concealment of the real source of movable property, real estate, income or proceeds belonging to individuals or entities of any kind, whatever their form or acceptance of their deposit under a pseudonym or their incorporation".

Should the criminal conduct take a positive or negative aspect, the crime of financing terrorism can be conceived only through a positive act constituted by various material or financial aid provided to terrorists and terrorist organizations, or, as the first paragraph of chapter 36 states it, "anyone who intends whether directly or indirectly, to commit ... ".

These acts constituting the physical part of the crime of financing terrorism requires tackling two main points: the first concerns those who finance terrorist acts. While the second concerns the subject of terrorism crime.

The Tunisian legislator did not distinguish between individuals and entities in terms of the capacity to be criminally accountable, "anyone who deliberately", the financing is the same whether by an individual or an entity and on the other hand did not
specify the status of the financier and did not require him to be a member of the terrorist organization or outside this organization.

The Tunisian legislator gave the financing matter a broad concept in accordance with the provisions of Chapter III above, which included all money and property in order to avoid leaving any form of funding outside the circle of criminalization and punishment.

Money can be material or non-material, movable or real estate property, owned by an individual and the text does not require the transfer of ownership of the object considered to be money to the terrorist organization, so that the perpetrator of the crime of financing terrorism is the person who transfers the money transferred to the organization, or allows him to use it to achieve his objectives.

Such funds may also be in cash or in kind, including contracts or legal documents proving the ownership of the property or associated rights, regardless of their support, including electronic or digital, including but not limited to travel checks, bank checks and electronic transfer of funds, movable securities, bonds and promissory notes, and letters of credit.

The legislator did not require that these funds be illegal, but explicitly stated that such a crime is committed even if the funds and property were legitimate. On the other hand, no specific means of providing such financing has been defined, since it can be by any means, directly or indirectly, through donation or transfer of usufruct, with ownership remaining to the owner or other means.

The offense of financing terrorism in the meaning of chapter 36 is considered a formality, since it does not require that the money provided to terrorists be used to commit the terrorist act, but only by placing the money at the disposal of the terrorists. Even if the terrorist act did not occur.

In the same chapter, the legislator considered that the crime of financing terrorism was a deliberate crime and in its undertaking there is availability of willingness and knowledge of the material side of the crime by the accused. The offender's awareness must be based on all the legal elements of crime, as required by the principle of legality, namely, that the offender is aware of the legal aspect of the crime, that is, that he is fully aware that the conducted behavior is a crime pursuant to the law.

With regard to the crime of financing terrorism, the offender is aware that money, securities or property that have been provided, collected or procured will be used in whole or in part for a terrorism act whether the act is committed or not because the crime of financing terrorism is a formality and a precedent for the terrorism crime.
3.3. Risk Assessment (Threats, Weaknesses, Consequences)

The academic effort at the international level has produced a rich matter\(^9\) that dealt extensively with the concept of risk management in several areas of interest to the private and public sectors leading to reaching a research and scientific specialization taught in colleges and higher schools to develop methods that help to create practical decision-making measures to control risks.

The FATF adapted this knowledge accumulation to risk management in the field of money laundering and terrorism financing risk assessment at the national level, and in February 2013 issued a report for a group of users\(^10\) entitled "FATF Guidelines –The National Assessment of risk of money laundering and terrorism financing\(^11\)."

The general principles of these guidelines state that:

"There is no single or comprehensive methodology to carry out the risk assessment process. Therefore, these guidelines do not defend the use of any particular methodology or procedures but rather aim at providing a general explanation of the risk assessment process related to."

This guideline, however, attempted to establish a common understanding of the key concepts and terminology relevant to AML / TF financing assessment in an approach based on the following equation:

\[
\text{Risk R} = \text{Threats} \times \text{Vulnerabilities} \times \text{Consequences}
\]

Risks can be seen as indicating three elements\(^12\):  

**Threats:**  
A person or a group of persons or something or activity, likely to cause harm. In the context of money laundering and the financing of terrorism, this includes criminals, terrorist groups and those who facilitate their work and money, as well as money laundering activities or financing of past, present or future terrorism activities.

**Weaknesses:**  
Factors that could be exploited by the threat or which could support or facilitate its activities. In the context of the assessment of the risks of money laundering and the financing of terrorism, these factors represent the weaknesses in the regulations and controls combating money laundering and may also include financial proceeds or

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\(^9\) Reference can be made to the concept of risk management in accordance with ISO (2009b) - 2009a (2009c).

\(^10\) They are mainly: policy makers, law enforcement agencies, investigative authorities, FIUs, financial institutions, business and non-financial specific professions, AML / CFT assessment bodies in general etc.

\(^11\) The US Department of State has been authorized by the FATF Secretariat to translate the FATF Handbook into Arabic and the original version of the report is available at [www.fatf-gafi.org](http://www.fatf-gafi.org).

\(^12\) Definitions derived from FATF Guidance page 7.
kind of service, making them attractive for money laundering and terrorism financing purposes.

**Consequences:**

Refers to the impact or damage caused by money laundering and the financing of terrorism and includes the impact of criminal or terrorism activity on financial systems and institutions, as well as the economy and community in general. The consequences of money laundering and terrorism financing can be short- or long-term and can relate to specific populations, communities, business environments, or national interests.
4. **Approved evaluation process methodology statement**

The Leadership Committee in charge of the National Assessment of risks has developed an evaluation plan based on the international standard on the risk-based approach by combining quantitative and qualitative approaches that have provided a dual advantage:

- Analysis of objective based threats
- Providing a variety of sources of information to make the national assessment of risks comprehensive.

In general, the approach based on this combination of quantitative and qualitative approaches has provided a flexible framework for involving private sector actors and taking in consideration their contribution to risk analysis by enriching the evaluation process by their own experiences.

In order to reflect the reality of the risks of money laundering and terrorism financing in Tunisia, quantitative measures have been adapted to potential threats that have been provided through various sources. For this purpose, all relevant information have been adopted from international reports and national statistics, whether public or private or civil society associations and research centers that have worked on issues related to the risks of money laundering and the financing of terrorism, either directly or indirectly through legal studies, academic research or monitoring reports that focused on the analysis of some categories of predicate offenses.

The Leadership Committee has also focused on the risks associated with traditional instruments and incubators that attract money launderers and financiers such as liquid cash, modern technologies and intermediaries, non-profit associations and international trade companies according to their potential threats to the financial system and national economy in general.

On this basis, this systematic approach was adopted in accordance with a three-dimensional approach:

- **The empirical approach:** This approach undertook the working out of:
  - On site operation (Hannibal operation) aimed at the cash cross-border physical transportation, which is one of the most important methods used in money laundering and terrorism financing.
  - The strategic analysis of all STRs analyzed by the Tunisian Financial Analysis Committee and disseminated to the public prosecutor in order to reach a statement.
showing most important risks that threaten the national system in the field of money laundering and terrorism financing.

- Sector related studies resulting from the outputs of the strategic analysis that targeted activities of non-profit organizations, international trade companies, services and real estate sector.

  **The questionnaire approach:** aiming at involving the private sector (specific financial and non-financial professions) and the public one (law enforcement agencies, the Ministry of Justice and the supervisory authorities) in the national risk assessment process by adopting the results of the responses to the questionnaires sent to all mentioned parties.

  **The academic approach:** aiming at benefiting of all studies and reports that have been carried out in the field of financial and terrorism crimes in Tunisia at the national level (whether by official bodies or by representatives of the civil society) or international one (World Bank, Transparency International Organization ...) during the period 2011-2016.

The identification and understanding of risks in order to assess the national system were also based on analytical tools, the most important of which are the World Bank tool and some information applications related to information and data analysis. It has also been relied on qualitative evaluations within the framework of technical committees work specialized in the following:

### 4.1. Quantitative Approach

The quantitative approach allows the identification of the risks of money laundering and terrorism financing in Tunisia through questionnaires, data and statistics related to the predicate offenses, their geographical distribution and classification of suspects by age group, nationality, residence, occupation and gender. It also provides an identification of the risks of tools, proceeds, channels used in operations of money laundering or terrorism financing

### 4.2. Risk qualitative assessment matrix

In parallel, a risk matrix has been developed in accordance with the World Bank tool related to risk assessment of all those subject to the combating money laundering and terrorism financing system in order to reach a comprehensive assessment of all sectors. This was done on the basis of information provided by the private sector, as well as information relevant to the level and trend of threats, and the importance of weaknesses (current and future) in the concerned sector.
This allowed establishing a comprehensive risk assessment process that is reflected in a two-pronged matrix: the first concerns the level of threats and the other the weaknesses identified in the relevant sectors.

Vulnerabilities

Results have been classified pursuant to the following five levels of risks:

- low risks
- relatively low risks
- fair risks
- relatively high risks
- high risks

It should be noted that the quantitative assessment approach has been used mainly in the national risk assessment process for key reporting sectors, but not for other non-subject sectors. These were subject to qualitative analysis when attempting to adapt the quantitative analysis approach when accurate data and digital statistics were available and are related to conventional tools and incubators that attract money.
4.3. Dissemination of report findings and feedback

The results of the analysis and evaluation of the risks of money laundering and terrorism financing may be viewed as sensitive information that can not be disclosed to the public or may draw attention to the shortcomings of the AML / CFT system in addition to the information that may be subject to confidentiality requirements.

On the other hand, adequate information from private sector assessments should be made available to help address threats and identify registered weaknesses.

In this context, FATF recommendation 1 is a prerequisite for States to have mechanisms to provide appropriate information on evaluation findings to all competent authorities, self-regulatory bodies, financial institutions, businesses and non-financial professions.

However, the requirement to provide appropriate data on the results of the assessment does not imply the need for publication. In the midst of the heated debate within the FATF and its regional counterparts, including the interlinked international structures of assessments such as the World Bank and the International Monetary Fund (IMF), the FATF Guidelines has made some recommendations in this area:

"It may be useful to share information with the private sector, at least in relation to key factors that have taken into account the conclusions of the risk assessment process and when the sensitive nature of the information is not widely distributed to the full results contained in the risk assessment report, summaries after retrieval of the classified information or at the very least, providing information on the used technology, findings and conclusions".

Since the most important risk assessment objective may be to provide information to the public to enhance public understanding of government initiatives when incorporating structural AML / CFT reforms, the Leadership Committee has decided to follow a methodology consistent with international standards in publishing this report as a component of the national assessment process. We present its details as follows:

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### Report category

<table>
<thead>
<tr>
<th>Report category</th>
<th>Report symbol</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of a <strong>classified copy</strong> with respect to concerned government authorities</td>
<td>Copy bearing the circle symbol in red at the left side of the bottom of the report papers</td>
<td></td>
</tr>
<tr>
<td>Issue of an <strong>unclassified copy</strong> with respect to the public containing some adjustments</td>
<td>Copy bearing the circle symbol in blue at the left side of the bottom of the report papers</td>
<td></td>
</tr>
</tbody>
</table>
5. Information on the general framework of Tunisia

5.1. Economic and financial sector

The Tunisian economy is based on the ratio of value added in GDP to services, industry and then agriculture. Internal demand is a key factor for growth in light of the country's political and social difficulties. External demand, however, is limited to some agricultural products that have not been able to cover the ongoing deficit of the trade balance. On the other hand, these difficulties have affected the attractiveness of foreign direct investment, which had a negative impact on the unemployment rate.

5.1.1. Economic growth

Economic growth rate in the year 2015 was close to 0.8%, which came mainly from the agriculture sector which grew by 9.2%. As for the services sector, the slowdown in growth is due to the decrease in the profitability of non-marketed services by 2.8% for the year 2015 compared to 3.2% in 2014, in addition to the decrease of the activity of market services sector by 0.2% on the other hand due to the implications of security conditions that affected particularly tourism and transport, whose indicators have been sharply reduced. As for the industrial sector, the stagnation of manufacturing industries on the one hand and the decline of non-manufacturing industries by 4% on the other hand led to the decline of its growth rate by 1.7% in 2015.

The following figures show the growth rate of value added in these sectors and the contribution of these sectors to the total value of growth.

<table>
<thead>
<tr>
<th>Value added growth</th>
<th>Contribution in economic growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.2</td>
</tr>
<tr>
<td>Institutions</td>
<td>0.1</td>
</tr>
<tr>
<td>Non-Manufacturing</td>
<td>0.6</td>
</tr>
<tr>
<td>Institutions</td>
<td>0.5</td>
</tr>
<tr>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td>Institutions</td>
<td></td>
</tr>
<tr>
<td>Non-Marketed</td>
<td>-0.4</td>
</tr>
<tr>
<td>Services</td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Report of the Central Bank of Tunisia 2015
5.1.2. Inflation

Pursuant to law No. 35 of 2016 of 25 April 2016 relating to the articles of association of the Central Bank of Tunisia, the main objective of the Central Bank is to preserve price stability. The Bank also contributes to preserving financial stability in order to support achieving the objectives of the State's economic policy, including the areas of growth and employment, and works for optimal coordination between monetary policy and economic policy of the State.

In this context, inflation rate has been around 5% in 2015. The upward trend of the price index is also explained by the increase in wages (both public and private), the important decline in the dinar exchange rate against major foreign currencies such as the US dollar and the euro, and smuggling networks soared leading to an increase record of parallel economy since 2011.

![Trend in prices index](image)

Source: Central Bank of Tunisia

5.1.3. Financing the economy

A) Loans to the economy

Bank loans represent the main source of cash generation. It is used to give new impetus to the growth and development of the public and private sectors. It also contributes to the creation of jobs. In 2015, the volume of loans to the economy grew by 6.3%. Its upward trend can be explained in recent period by the dominance of non-performing loans.
B) Cash position

With regard to the monetary position of the country, the overall growth rate of money supply (M3) in its broad sense reached 5.3% at the end of 2015 compared to 7.8% in 2014. The pace of money circulation reached 1.43 in 2015 compared to 1.42 in 2014.
The following table contains indicators tied to macro-economy

**Trend in some macro-economic indicators**

<table>
<thead>
<tr>
<th>Issues</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average money supply M3 (in MTD )</td>
<td>56,959</td>
<td>59,798</td>
</tr>
<tr>
<td>Money supply M3 growth rate (in %)</td>
<td>7.7%</td>
<td>5%</td>
</tr>
<tr>
<td>GDP (in MTD )</td>
<td>80,816</td>
<td>85,243</td>
</tr>
<tr>
<td>Average inflation rate</td>
<td>3.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Money circulation velocity</td>
<td>1.42</td>
<td>1.43</td>
</tr>
</tbody>
</table>

Source: Annual Report of the Central Bank of Tunisia 2015

**C) Trend in banknotes and coins in circulation**

The ratio of (bank notes and coins in circulation / Gross Domestic Product) is used to analyze the behavior of economic actors in terms of the use of cash in Tunisia and compare it with those in other countries. The substantial rise in this index (10.4% in 2015 compared to 10% in 2010) showed that the volume of bank notes and coins in circulation rose at a faster pace than GDP growth. This shows the tendency of citizens to use banknotes and cash more than digital payment methods, which remain restricted to banking operations and some electronic business operations.

Accordingly, the list of notes and coins in circulation was up 4% or 342 million dinars in 2015 as shown in the following table. It should be noted that the pace of growth of the outstanding balance of banknotes varies according to seasons, where withdrawals increase in the summer season and holidays. The index also reflects the trend in means of payment, with developed countries accounting for a small percentage compared with developing countries such as Tunisia and Morocco. In addition, its rise represents a clear indication of its use as a means of payment in the parallel economy.
Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing

D) Contribution of the banking and financial sector to GDP

The banking sector occupies an important place in the Tunisian economic fabric as it provides the most important sources of financing. According to figures, the volume of "financing the economy" amounted to 66.193 million dinars, representing 77.8% of GDP at the end of 2015.

As for the financial sector, its added value during the year 2015 was estimated at 3298.9 million dinars, representing 3.86% of the gross domestic product of the same year. It is noteworthy that Tunisia's financial landscape is dominated by the banking sector, with the sector accounting for the largest share of the total of the value added of the financial sector\(^\text{14}\) at 94% in 2015.

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\(^{14}\) The contribution of Leasing sector in the creation of wealth is very low. Leasing transactions are less exposed to ML/FT risks than financial banking that is the reason why the leadership committee decided to assess Leasing sector risks at the first update of the NRA.
5.2. Policy and legal framework for combating financial crimes

Tunisia takes utmost care to combat financial crimes, specifically money-laundering, terrorism financing and related predicate offenses. Over the last few years, the legal framework for control has been progressively developed to make it a comprehensive and coherent framework by combining preventive and deterrent measures.

Tunisia enacted the first Anti-Money Laundering and Terrorist Financing Law in 2003, Law No. 75 of 10 December 2003, which was revised in 2009 following the joint evaluation process of the whole system. The 2009 law supplementing and completing the 2003 law was amended to implement the residents’ recommendations at the time.

Tunisia has also been involved in the international effort to combat money laundering and terrorism financing through the ratification of most international conventions adopted in the field, such as the Vienna Convention on combating Narcotic Drugs (1988), the New York Convention for combating the Financing of Terrorism (1999), the Palermo Convention on Organized Crime (2000) and Merida convention combating corruption (2003).

Less than two years ago, Tunisia issued its new law on combating terrorism and preventing money laundering, which is the Basic Law No. 26 of 7/8/2015, which introduced several improvements to the previous legislative framework in order to support international efforts to combat money laundering and terrorism and its financing and in line with the new recommendations of the FATF and Security Council resolutions on the financing of terrorism, including the criminalization of the financing of terrorism in Chapter 36 of the meaning of Security Council resolution 2178, which obliges States to criminalize the financing of transfer, transport and training.

5.3. Trend in counter-terrorism

Countering terrorism and its financing is a political priority in Tunisia. It has witnessed a rapid development under changing conditions and the development of this crime in a consistent manner since the events of September 11, 2001. Tunisia has witnessed in recent decades some terrorist acts. In recent years Tunisia has been subject to several terrorist attacks targeting the security forces, the military, politicians and civilians.

Under these circumstances, Tunisia has been able, thanks to the concerted efforts of all authorities and concerned parties, especially the security and military forces, to eliminate many terrorists and to dismantle terrorist cells and bring them to justice in accordance with the law into force.
Tunisia has also continued to develop its capabilities through regional and international cooperation in the field, which remains necessary and essential to confront this phenomenon across the border in nature.

Finally, the national strategy to combat extremism and terrorism was adopted in November 2016 by the National Security Council, a high-level commitment from Tunisia to stand up to terrorism and terrorists.

As for the legal aspect, since the 2003 law, Tunisia has followed the Basic Law of 2015 to criminalize terrorism and the financing of terrorism and to impose effective, deterrent and proportionate penalties.

5.4. Institutional Framework for Combating Money Laundering and Terrorism Financing

The main Tunisian institutions concerned with combating money laundering and terrorism financing are:

- **Tunisian Financial Analysis Committee**
  Established since 2003 and is the main pillar of the AML / CFT system in Tunisia, the Tunisian financial Analysis Committee is in charge of receiving and analyzing reporting on suspicious transactions submitted by those subject to the law and for transmitting the results of this analysis to the Public Prosecution. The Committee is entitled to authorize a temporary freeze on the funds that constitute the subject of the suspicious transaction. The Tunisian Financial Analysis Committee, pursuant to Government Order No. 1098 of 15 August 2016, has prepared and updated the national study to assess the risks of money laundering.

- **Ministry of Justice**
  Prepares criminal laws drafts and is in charge of the preparation of criminal policy on combating money-laundering and terrorism financing.

- **The public prosecutor and his assistants**
  Responsible for prosecutions and enforcement of sentences and for the implementation of requests for legal assistance and extradition.

- **Criminal Police**
  Investigate crimes and misdemeanors. The police have a branch office for economic and financial research dealing with financial and economic issues and combating smuggling.

- **General Directorate of the Customs**
  Responsible for controlling cross-border movements and illegal trade. All of its officers and some of its agents are officers of the judicial police.
**Ministry of Foreign Affairs**
Dealing with communications related to legal assistance and extradition and the dissemination of United Nations regulations with regard to the financing of terrorism.

**National Authority for Combating Corruption**
Is empowered to investigate corruption offenses committed by any entities or individuals and to refer the file to the judicial authorities.

**Economic and financial judicial pole**
Pursuant to Basic Law No. 77 of 6/12/2016, the Court of Appeal of Tunis is responsible for the investigation, pursuing and ruling on complex economic and financial crimes, which require "in-depth and accurate in-depth investigations using special or technical investigative techniques requiring the use of specialized expertise or structures Jurisdiction or resort to international judicial cooperation."

**The security pole for combating terrorism and organized crime**
Created in December 2014, it has the exclusive role of querying and evaluating threats.

**The judicial pole combating terrorism**
In accordance with the Basic Law No. 26 of 7/8/2015 on combating terrorism and preventing money laundering, it is specialized in investigating terrorist crimes provided for in the foresaid law and related crimes.

**The National Committee Combating Terrorism**
Under Law No. 26 of 7/8/2015, this special committee has been created to prepare a national study to assess the risks of terrorism and its financing and to implement Security Council resolutions relating to the freezing of terrorist funds.

**Confiscation Committee**
Established in 2011. Its tasks are to implement procedures for the confiscation of all movable and immovable property and property owned by former President Ben Ali, his wife and related people.

**The National Commission for the Recovery of Funds existing abroad and illicitly acquired**
Established by a decree issued in 2011 to coordinate and direct procedures for the recovery of property transferred, acquired, retained or seized abroad by former President Ben Ali and his family and people associated with them in illegal circumstances that adversely affected or could adversely affect the State's financial interests. Its duties were over in 2015 and the official in charge of State disputes became the expert in the follow-up of the file of the repatriation of funds.
5.5. Authorities and regulatory bodies

The regulatory authorities play an important and fundamental role in the system of combating money laundering and the financing of terrorism, especially in the establishment of preventive measures for the benefit of those subject to it, as mandated by the Basic Law No. 26 of 7 August 2015 to develop programs and practical measures to combat money laundering and terrorism financing and follow up the scope of commitment of compliance by those subject to them.

These programs and practical measures should include the establishment of a system to monitor processes and suspicious transactions, including the appointment of those who were commissioned by them and their employees to carry out the duty of reporting, and internal control rules to verify the scope of effectiveness of the set up system and ongoing training programs for the benefit of their employees.

Among most important regulatory bodies in the national anti-money laundering and terrorism financing system are the regulatory authorities in the banking and financial sector, namely the Central Bank of Tunisia for banks and financial institutions, and the Capital Market Authority for financial market operators from stock brokers, portfolio management companies for third parties and the General Insurance Authority for insurance companies Reinsurance and microfinance control authority for microfinance institutions.

All these regulatory bodies through their special laws have the authority to issue regulatory texts for the benefit of those subject to them and provide for the measures to be established in the field of combating money laundering and terrorism financing and the task of monitoring the extent of compliance with the obligations imposed on the subjects.

Law No. 26 of 7 August 2015 empowers the same parties with the same regulatory and monitoring functions.
5.6. Law enforcement agencies combating money laundering and terrorism financing

Law enforcement agencies concerned with combating money laundering are the Public Prosecution, the Criminal Police, the National Guard and the General Directorate of Customs.

- **Public Prosecution**
  Investigations are within the public prosecutor of the Republic and his representatives when the investigations are conveyed directly to him, while investigating judges representing the sitting judge do not report to the Public Prosecution. Investigative judges shall investigate the most complex facts and important crimes. The judges of the Public Prosecution share among themselves, such as investigating magistrates, the functions of the disciplinary and Customs departments in charge of the judicial unit, whose staff members are the officers of the judicial police under article 10 of the Code of Criminal Procedure. Therefore, the investigating judges supervise the investigations they conduct and thus play an important role in overseeing the work of the officers of the judicial police.

- **Judicial Police Department**
  The Judicial Police Department comprises five sub-departments: the Anti-Narcotics Sub-Department, the Social Protection Sub-Department, the Criminal Sub-Department, the Sub-Department for Studies and Follow-up, and the Economic and Financial Research Sub-Department, a specialized unit in charge of investigating crimes of economic and financial nature. Investigations of money-laundering offenses are under the control of the judiciary authority for investigations by the Public Prosecutor's Office or the Investigative Judge's Agency. If sufficient information is available on the presence of a suspected money-laundering suspect, this unit may report to the Public Prosecution and open an investigation.

- **The General Directorate of the National Guard**
  It was established in accordance with the law of 06/09/1956 and is part of the departments of the Ministry of Domestic Affairs and is in charge of especially preserving public security and protect land and sea borders and second-class intervention on the entire territory of the Republic and research in the economic and social fields and terrorism. In order to combat terrorist crimes, it has been established in 2014 under the supervision of the General Directorate of the National Guard a unit specialized in combating terrorism crimes.

- **The General Directorate of Customs**
  It operates under the supervision of the Ministry of Finance. It includes several departments notably:
- The Customs Research Department is a specialized department for complex investigations that may relate to organized crime. It is divided into two sub-departments: the Investigation Sub-Department and the Sub-Department for Investigations, Documentation and Prosecutions.

- The Department of the Customs Guard, a specialized department to combat smuggling, smuggling of cash and organized crime, throughout the entire territory of the Republic within the framework of its economic and security mission.
6. The overall context of money laundering and terrorism financing risks

The growing incidence of cross-border financial crime has become a growing international concern, particularly in recent years. The groups carrying out these operations have accompanied the technological development of our world today and are using modern technologies to carry out money-laundering and terrorist financing. Although it is difficult to determine the value of money laundered annually in the world economy, however international estimates indicate the importance of these operations compared to the global gross product and the trend of those responsible for these crimes to exploit advanced means of payment provided by the financial and banking sector to integrate dirty money into formal economy or finance terrorism operations that cause severe damage directly to the community and the economy, which facilitates the spread of corruption at the level of individuals in particular, weakens governments and undermines the transition to democracy that our country is experiencing.

The money laundering and terrorism financing system started in light of the new phase experienced by our country, by working more effectively starting from 2011. This has been noticed through activating the work of the Tunisian Financial Analysis Committee on the ground through the remarkable trend in the number of suspicion reporting received by the committee and thus, the number of referrals to courts reached 460 suspicion reporting during the period 2011 and end 2016, in addition to the setting up of the National Committee for Combating Terrorism under the new Basic Law No. 26 of 2015, which deals with combating terrorism and its financing, in particular the implementation of the relevant Security Council resolutions.

In light of the political change experienced by our country and the risks related to the structural and situational transformations of State institutions, terrorism and its financing have become one of the most important threats facing our country. Tunisia has been subject to a series of terrorism attacks since 2012, such as the attack on the US Embassy in 2012, and the ongoing, albeit slow, confrontations between the military forces and armed groups, especially in the mountains on the border areas in the western center of the country such as Kasserine and Kef in addition to terrorism attacks on one of the tourist sites and monuments in 2015 and finally the military confrontation that took place in the region of Ben Gardane in March 2016 with supporters of the organization "Daesh" which was completely defeated in the security and military victory in the confrontation with these terrorist organizations.

The situation in Libya has provided appropriate ground for the growing strength of terrorist groups in Tunisia, particularly at the level of training that these groups have
in Libya, as well as the ease of crossing the border (before the construction of the wall and the buffer zone that is currently under exploitation) which has facilitated smuggling through Libya, which is an important source of funding for these groups. The south-western border with Libya is also a sensitive and high-risk area, as many fighters willing to support the organization or joining the Islamic State start by settling in these areas.

In considering real or potential terrorist threats, it is obvious to think of the funding processes that have contributed or may contribute in one way or another to the success of terrorist schemes. However, the nature of the terrorist attacks that took place in Tunisia, at least for the most part, concludes that they were operations characterized by an individualistic nature, revenge and with minimum means, to terrorize armed forces and the community at large therefore causing economic losses in many sectors in the country, like the tourism sector, and instilling the idea among young people, especially the importance of this organization before temptation and polarization later.

In the same context, it is assumed that the nature of these operations does not require significant and huge funds to implement them, but may be limited to funds traded through the official system in small amounts to avoid monitoring or may be in cash or through charity organizations.

As for the corruption, and aware of the seriousness and aggravation after the political transition of 2011, which dictates the need to resist, our country has set up the National Anti-Corruption Commission, which is concerned with receiving complaints and notifications on cases of corruption and investigating and forwarding them to the concerned authorities, including the judiciary system and the proposed anti-corruption policies and follow-up of its implementing in liaison with concerned parties. In addition, important relevant laws have been ratified in the same manner as Basic Law No. 77 of 6 December 2016 on the establishment of a specialized financial pole for considering complex economic and financial crimes, and Basic Law No. 10 of 2017 of 7 March 2017 on reporting on Corruption and whistleblower protection.

In view of the above mentioned data, the banking system in Tunisia remains one of the most important sectors, due to the limited development of the financial markets and the insurance sector and the absorption of this system of foreign exchange operations and transfer of funds, which play a key role in monitoring suspicious financial operations within the framework of procedures relevant to the national Anti-Money Laundering and Terrorism Financing.

However, this effort may not be sufficient in light of existing and potential threats related to the financing of terrorism and the laundering of proceeds of corruption and parallel trade as a result of political and economic changes in the country and geopolitics in the region in general.
6.1. Assessment of national risks related to money laundering

After the political transition in 2011, our country experienced many changes and fluctuations, the most important of which was the security aspect. Tunisia has since experienced many security failures especially in the case of the escape of many of the criminal record holders from prisons.

There have been many insecurity situations and deterioration of the security situation, despite the efforts of the security and military institution in this regard, where the crimes of smuggling and the promotion of narcotic substances in addition to robberies on property has increased significantly. The fragility of the security situation has also contributed to political assassinations in the country.

While these figures have been relatively low compared to recent years, the number of crimes has continued to rise, along the lines of financial crimes and property assaults, in addition to drugs. The cases being considered by police departments in 2015 compared with 2014 as illustrated in this table:

**Criminal cases statistics during 2014-2015**

![Graph showing criminal cases statistics during 2014-2015]

Source: Statistics of Ministry of Domestic Affairs

In the first six months of 2015, the number of arrests in the ranks of wanted people compared to the same period of 2014 rose by 49%, as shown in the following diagram:
The situation in our country has contributed to the growth in the phenomenon of "crossing the border surreptitiously" in addition to smuggling. According to official statistics of the Ministry of Domestic Affairs, 1234 Tunisian people have been arrested who tried to pass the maritime border surreptitiously in 2016 while this number reached 1435 in 2015.

In this context, the National Guard units, in the framework of its activities in the field of public security and combating smuggling and passing the border surreptitiously, proceeded to many arrests and seizures between December 2014 and January 2015 as shown in the following illustration:

Source: statistics of ministry of domestic affairs
6.1.1. Threat assessment

Statistics on financial crimes committed in Tunisia allow us to take stock of the threats facing our country and thus determine the nature of the crimes whose proceeds are laundered when conducting money laundering. This enables a more realistic understanding of the threats related to money-laundering.

According to the statistics provided by the departments of the Ministry of Domestic Affairs, the Sub-Department of Economic and Financial Research was in charge, during the years 2015 and 2016, of several issues including the transfer, treason and fraud of the instruments in addition to financial corruption and electronic crimes, as shown in the following table:

<table>
<thead>
<tr>
<th>Cases Category</th>
<th>cases in 2015</th>
<th>cases in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and financial corruption</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Counterfeiting and its use fraud</td>
<td>215</td>
<td>152</td>
</tr>
<tr>
<td>Checks counterfeiting</td>
<td>1062</td>
<td>943</td>
</tr>
<tr>
<td>Abuse of confidence</td>
<td>186</td>
<td>138</td>
</tr>
<tr>
<td>Siber crimes</td>
<td>326</td>
<td>293</td>
</tr>
<tr>
<td>Embezzlement of public funds</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>Money laundering</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Embezzlement of private funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counterfeiting Tunisian currency</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Funds and marchandise smuggling</td>
<td>26</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: statistics of ministry of domestic affairs

These statistics indicate a slight decline in most cases considered by the Economic and Financial Research Department in 2016 compared to 2015, except for cases related to corruption, money laundering, seizing of third parties' money, the holding and promotion of counterfeit currency and smuggling. It is also clear that the cases of fraud remain one of the most important crimes that the departments of the Ministry of Domestic Affairs considered and amounted to 1062 in 2015 compared to 943 in 2016.

It is possible to understand the growing phenomenon of fraud in Tunisia, especially after the changes experienced by our country, characterized by economic and social
decline and violation of laws in addition to the growing culture of search for quick profit and partial change of values and concepts of the society, especially with regard to the concept of labor.

In the same context, the departments of Customs considered various cases during the years 2015 and 2016 resulted in seizures such as gold, drugs and weapons, which are fields that represent a clear threat to exploit their proceeds in money laundering.

It appears that the gold and drug sectors have become the preferred destination for the collection of criminal funds.

<table>
<thead>
<tr>
<th>Year</th>
<th>Seizures value in 2015</th>
<th>Seizures value in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gold</strong></td>
<td>Gold quantity equivalent to 15.387.220,000 dinars</td>
<td>Gold quantity equivalent to 13.872.352,000 dinars</td>
</tr>
<tr>
<td><strong>Coral</strong></td>
<td>721 Kg of coral equivalent to 2.987.910,000 dinars</td>
<td>2172.1 Kg of coral equivalent to 3.364.320,000 dinars</td>
</tr>
<tr>
<td><strong>Cigarettes</strong></td>
<td>Cigarettes amounting to 400.426,200 dinars</td>
<td>Cigarettes amounting to 1.059.203,500 dinars</td>
</tr>
<tr>
<td><strong>Drugs</strong></td>
<td>Drugs quantity equivalent to 11.998.900,000 dinars</td>
<td>3.105 Kg of cocaine equivalent to 765.250,000 TND and 700 Kg of hemp risk equivalent to 3.532.536,000 TND</td>
</tr>
<tr>
<td><strong>Weapons and ammunition</strong></td>
<td>Weapons and ammunition amounting to 87,000,000 TND</td>
<td>Weapons and ammunition amounting to 302,463,000 TND</td>
</tr>
<tr>
<td><strong>medicines</strong></td>
<td>28019 drug pills amounting to 2.225.846,000 TND</td>
<td>1884 drug pills amounting to 113.601,000 TND</td>
</tr>
<tr>
<td><strong>others</strong></td>
<td>192.053.495,920 TND</td>
<td>169.573.430,927 TND</td>
</tr>
</tbody>
</table>

Source: the customs general department

On the other hand, the results of the strategic analysis of suspicious reporting referred to the judicial authority and conveyed by the Tunisian Financial Analysis Committee
indicate that the breakdown of the type of predicate offenses used in money laundering is as follows:

Rate of predicate offenses noticed in suspicious reports referred to judicial authority

<table>
<thead>
<tr>
<th>Predicate Offense</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrupt schemes</td>
<td>20%</td>
</tr>
<tr>
<td>Smuggling</td>
<td>17%</td>
</tr>
<tr>
<td>Forgery</td>
<td>17%</td>
</tr>
<tr>
<td>Tax crimes</td>
<td>3%</td>
</tr>
<tr>
<td>Fraud</td>
<td>5%</td>
</tr>
<tr>
<td>Terrorism and its financing</td>
<td>8%</td>
</tr>
<tr>
<td>Trading in weapons</td>
<td>3%</td>
</tr>
<tr>
<td>Illicit trafficking in stolen goods</td>
<td>2%</td>
</tr>
<tr>
<td>Participation in organized crime</td>
<td>16%</td>
</tr>
<tr>
<td>Other crimes</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Statistics of the Tunisian Financial Analysis Committee

These statistics indicate that corruption crimes ranked first in the predicate offenses, representing 20% of the offenses examined in the suspicious reporting conveyed to judicial authorities. This percentage explains the high number of suspicious reporting received by the committee and related to individuals tied to the former regime. As for the crimes of smuggling and counterfeiting, each ranked second accounting for 17% of the crimes examined in these reporting.

On the aggravation of corruption crimes in Tunisia, this phenomenon experienced two basic periods:

- Former’s regime period where Tunisia, victim of a system of bribery and corruption, exceeding mere phenomena and isolated acts, this system tightened its grip on the State institutions and included political and social organizations and a number of media outlets leading to the appearance of behaviors and attitudes that became part of the community traditions in Tunisia. In this context, a World Bank report in 2014 on "Corruption in the Ben Ali Family" shows by taking a sample of the 220 companies related to the Ben Ali family and a number of presidential orders signed by the former president, that a set of legislation was used to protect Interests of a few people and protect their interests from competition.

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15 Report of the National Commission of Inquiry on Corruption and Bribery in 2011
- In the period after the political change, where there was a desire to set up structures and legal texts related to the fight against corruption. However, this desire has not been effective enough in view of the great spread of this phenomenon and the limited positive response to these efforts in the midst of politicians' concern with development, employment and combating terrorism.

On the current situation of corruption in Tunisia, recent statistics of the international organization of Transparency showed a slight improvement in the Corruption Perception Index in Tunisia in 2016 compared to 2015. Tunisia ranked 75th out of 176 countries after its 59th rank in 2010.

In this context, a national study was carried out on a sample representing some of the Tunisian Governorates, consisting of a total of 1003 people under the theme of "small corruption." 92% of the sample indicated that corruption and bribery were among the most common problems affecting the Tunisian administration. In addition, 76% of the samples surveyed believe that the phenomenon of corruption is high, and 27% of the sample agreed having provided a "one time" bribe at least as shown in the following diagram:

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Source: Tunisian Association of Public Observers
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The same study showed that most of these mentioned bribery operations were carried out at the request of the administrative officer, which indicates the prevalence of this phenomenon at the level of the administrative structures. The following diagram shows the breakdown of cases of bribery according to the culprit:
On the causes of the worsening of this phenomenon, especially in the Tunisian administration, a significant percentage of the sample pointed to weak supervision and transparency structures as well as the nature of the internal organization and complex procedures of the Tunisian administration, which help to spread this phenomenon at the level of the structures and institutions of the State. Although most of the files pledged by the Tunisian Committee for Financial Analysis between 2011 and 2016 were related to corruption, there are other crimes that have recently registered a marked increase in our country, such as "trafficking in human beings". A study by the International Organization for Migration (IOM) in 2013 on "Human Trafficking in Tunisia" led to the existence of many forms, such as the migration of children and women from inland to the capital and coastal cities, to exploit them, especially in domestic and forced labor, besides sexual abuse and participation in criminal acts, as shown in the following illustration:

Source: IOM Study on Human Trafficking in Tunisia in 2013.

The same study shows that Tunisia is used in some cases as a source country, where Tunisian victims are exploited especially in the Gulf, Lebanon, West Africa, and to a
lesser extent in Turkey, as a country, destination and transit for foreigners. The following are the routes followed by Tunisian victims before being exploited by international networks active in human trafficking.

On the dilemma of clandestine emigration, it is shown that Tunisia is being exploited by the Tunisians themselves against a payment of between $300 and $600 to cross the border surreptitiously into southern Europe. The geographical location of Tunisia is exploited by foreigners and used as a special transit point by African migrants, taking advantage of the freedom of movement between West African countries until they reach North Africa before heading to southern Italy as shown in the following illustration:

Source: IOM Study on Human Trafficking in Tunisia in 2013.

The results of the strategic and academic analysis have shown the seriousness of the threats facing our country regarding national and international crimes whose proceeds can be used in money laundering in or through Tunisia. Therefore, the committee of the leadership in charge of carrying out the national risk study agreed that Tunisia generally faces "relatively high" threats. This is due to several factors including:

Source: IOM Study on Human Trafficking in Tunisia in 2013.
The general framework: The nature of the political and economic situation in our country and the geostrategic changes that the region is experiencing. This provides an appropriate basis for the new financial crimes, especially in light of the growth of these crimes committed abroad.

The Special framework: The growing national sector related risks, notably the most important:

- The risks of exploiting the banking sector in money-laundering operations, considering its vital role in financing the economy, in addition to the size of the financial stake in files referred to the judiciary authority and related to money laundering: 10 billion dinars. The sector's threats are being aggravated in light of some non-residents using the banking system in money laundering operations.

- The risks of the stock market, in view of the development of its contribution to the financing of the economy and its exploitation in the laundering of money resulting from corruption during the period of the previous regime.

- The risks of the specific non-financial professions sector, such as chartered accountants and lawyers, where it has been noticed the involvement of some accountants in money laundering files that concerned particularly non-resident individuals and entities, including those registered in tax heavens, in addition to the size of the financial challenge that was examined in the money laundering files that were referred to the judiciary authority, which exceeded 4 million dinars. It also revealed the involvement of some lawyers in money laundering files related to non-resident individuals and entities through contributing to providing advice in order to set up companies in tax heavens.

- The risk of the gold and precious metals sector, and threats associated with this sector rose in light of the increase in the volume of cases related to the trade of goldsmiths and precious metals in addition to the importance of the financial value of the seizures in this sector and the exploitation of the Tunisian country as a transit country for important quantities of gold metal in the direction of Turkey and for the purpose of manufacturing and returning them through Tunisia to neighboring countries.

- The real estate sector risks in light of the importance of files referred to the judiciary authority, which related to money laundering through the purchase of real estate and the recent development of this sector.

- The risks of the physical transfer of money in Tunisia shown by the results of the on-site study “Hannibal”
6.1.2. Weaknesses

The Leadership Committee agreed that Tunisia suffers from weaknesses ranked medium level due to two main factors:

- **Limited national effort in the field of Money Laundering:**
  Money launderers usually exploit the fragility of the economic situation and the weakness of the supervisory systems to carry out their financial crimes. The opportunities for such operations are increased in the presence of national and sector related weaknesses that allow them to exploit the official national channels in money laundering. At the national level, the limited efforts are due to several factors,
  - Lack of capacity and research resources in predicate crimes.
  - Lack of adequate resources and incentives to ensure the independence and impartiality of investigators in financial crimes (investigators at the level of primary and judicial investigation) in light of limited financial compensation and absence of security protection for them and their families.
  - Lack of comprehensiveness of confiscation laws.
  - Lack of political stability.

- **Existence of vulnerability in several vital sectors:**
  As for the banking and financial sectors which are concerned with tackling money laundering and terrorism financing offenses, they also suffer from several shortcomings, the most important of which are:
  - Sector’s employees limited understanding of AML requirements
  - Limited availability of information about the real beneficiary and access to this information
  - Limited level as to the effectiveness of control systems and compliance systems
  - A discrepancy in the number of reporting issued by reporters
  - Insufficient effectiveness of control systems
  - Lack of statistics on the application of administrative / penal sanctions against non-compliance workers.

The specific non-financial professions, such as lawyers and chartered accountants, have significant weaknesses, such as limited understanding of the requirements of AML to counteract money-laundering, ineffective procedures for tracking and authorizing suspicious transactions, and access to information about the actual beneficiary in the absence of procedures that would set up or activate compliance officer in these professions.

As for the gold and precious metals sector, the related weaknesses may contribute to its exploitation by money launderers, the most important ones are that traders in precious metals don’t grasp fully their duties, especially developing programs and
practical measures to combat money laundering and financing of terrorism in addition to the absence of effectiveness of control tools on Gold and Precious Metals Sector.

The real estate sector highlights its weaknesses, especially in the absence of the duty for any real estate property developers subject to the reporting duty to contribute to the organization of the sector and prevent its exploitation in money laundering operations in light of its importance in terms of added value of the economy on the one hand and the importance of files referred to the judiciary authority and concerned by operations of Money laundering through the purchase of real estate on the other hand.

In light of what has been mentioned previously, we notice that Tunisia is facing "relatively high national risks at the level of money-laundering crimes due to the importance of the threats facing the country "the degree of relatively high threats "and the weaknesses of our Tunisian system in this area". The following is a comprehensive national risk matrix related to money-laundering offenses:

Matrix of comprehensive national risks

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vulnerabilities</td>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
</tbody>
</table>

6.2. The overall context of terrorism financing risk

- The phenomenon of terrorism:

Analyzing the terrorism phenomenon in our country, a study has been recently carried out by the Tunisian Center for Research and Studies on Terrorism entitled «Terrorism in Tunisia through judicial files» This study covered a sample of about 1000 accused of terrorism, after having considered more than 384 judicial files the
judicial proceedings of which concerned more than 2224 accused. It has been focused when selecting this sample on the accused whose joining the terrorist movements was proved either in confessions or in the trial stage or through seizures such as weapons, lists of targeted assassinations, or when they were trained on arms in Tunisia or abroad.

- General data on this phenomenon

The study showed that there is a disparity between Governorates in terms of the number of terrorists living in them, where the territory of Greater Tunis occupied the leading number of terrorists living in them by about 32%. This is explained by the concentration of many Salafist leaders in Tunis, while the governorate of Sidi Bouzid ranked second with 14%. This is due mainly to the rooting of the Salafist movements, including the Jihadists in this governorate, and their participation in combat operations for example in Soliman operation in December 2006. The following is the full breakdown of these terrorists in different regions of the republic:

![Map of Tunisian Governorates with terrorist concentration percentages](image)

Source: Inkyfada

One of the most important factors that contributed to the top ranking of Tunis governorate in holding the number of terrorism suspects included in this sample is related to the release of terrorist leaders following the general legislative amnesty and the escape of terrorist groups during the events of the revolution and fortification in the popular neighborhoods of Greater Tunis. Most of the terrorist leaders around Saifullah bin Hussein, nicknamed "Abu Ayyad" living in Tunis after his release in March 2011, contributed to the formation of the first leadership to organize Ansar al-Sharia.
The results of this study revealed that most of the terrorism suspects in Tunis are of Tunisian nationality, where they represented nearly 99%, mostly males, while a small number of Algerians and Libyan nationals were registered, which means that terrorism in Tunisia is essentially a "domestic industry. Two-thirds of the total number of terrorism suspects was found to be in a state of celibacy, while the remaining one-third was separated from the state of marriage and divorce. The following diagram shows these results:

<table>
<thead>
<tr>
<th>Selon la nationalité</th>
<th>Selon le sexe</th>
<th>Selon l'état civil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunisie</td>
<td>96,5% Hommes</td>
<td>68,45% Célibataires</td>
</tr>
<tr>
<td>Algérie</td>
<td>3,5% Femmes</td>
<td>30,52% Marié(e)s</td>
</tr>
<tr>
<td>Libye</td>
<td>0,5%</td>
<td>0,64% Divorcé(e)s</td>
</tr>
<tr>
<td>Sans réponse</td>
<td>0,1%</td>
<td>0,38% Veufs/Veuvés</td>
</tr>
</tbody>
</table>

Source: Inkyfada

It was found by questioning and recording answers to part of the sample that most of the terrorists are university graduates or at least those with university level (40%). The figures show that nearly half of the terrorism suspects in Tunis are "workers". Entrepreneurship ranks second with 15% of all terrorism suspects. The following diagram shows the breakdown of terrorists by level of education and occupation:

Source: Tunisian center on terrorism studies and research
**Factors related to impact and polarization**

The collapse of the former regime constituted an appropriate climate for the growing activities of terrorist groups, which benefited from the freedoms enjoyed by the country and its leaders enjoyed the general amnesty, in addition to the comeback of their supporters from abroad and their control of a large number of mosques. These groups have exploited the lifting of censorship in general, notably on the Internet to get access to websites disseminating terrorist Takfiri thought and the exploitation of the means of social communication, especially for the dissemination of Takfiri thought and spread widely among the society, especially with regard to youth, as shown in the following diagram:

![Diagram of terrorist thought influencing factors]

Source: Tunisian center on terrorism studies and research

By looking at this chart, it is clear that the vulnerability factor in people is the most important factors in terrorist thought with the rate close to the half, which means that the terrorist groups adopted part of their plans on figures known to belong to the extremist ideology. Associations and organizations created after the revolution organized conferences and seminars attended by advocates who adopt ideas that appear new to our society. The study showed that the age group between 18 and 34 years was the most affected by these factors also known as the phenomenon of polarization generally peak in the period between 2011 and 2012 before the gradual decline beginning in late 2013.

During this period, terrorist groups used mosques to preach inflammatory sermons and hold seminars and classes in which their Takfiri doctrine was spread. The youth were invited to attend classes to prepare them for terrorist attacks. Attendance is usually limited due to the secret nature of this activity.
These groups also used Friday sermons to join the hotbeds of tension, especially Syria, to participate in battles and fighting. These speeches are also used to link those who wish to join the battles and those who are attracted by them, as well as to raise funds, link the terrorists with the residents of the conflict zones and supervise the transfer process.

In the outer space of the surrounding mosques, these groups sought to draw attention to them through the sale of books and perfumes at low prices and distribution of brochures in addition to organizing seminars, awareness and polarization that contributed to the establishment of terrorist networks at the national level.

In order to achieve their goals, the terrorist groups immediately sought to extend their control over places of worship immediately after the revolution, which is of great importance in terms of propaganda and polarization. Mosques have been used to hold meetings to plan terrorist operations and organize secret meetings to achieve this purpose.

- **Appearances of belonging to terrorist groups**

The study showed that the mere fact of being influenced by people, speeches and lessons held in places of worship was not enough to classify these individuals as terrorists. Rather, there must be other elements that take an external form, especially violence, and the initiation of its implementation. A number of external indicators, which characterized the behavior of terrorists, were observed and showed that their terrorist behavior exceeded mere internal vulnerability and self-conviction to commit material acts in an attempt to apply those convictions and impose them on society.

It is clear from the sample included in this study that there are external indicators to these people that confirm their shift to the stage of building the terrorist character and seek to impose such convictions by force, such as training and joining the camps in addition to travel and transfer networks.

Terrorist organizations in Tunisia have moved to camps abroad after the revolution and it is shown from the study that many terrorist organizations moved to a neighboring country which resulted in the existence of links with regional terrorist organizations that have allowed their camps to be used to train Tunisian terrorists, followed by other groups that have joined the training.

Libya and Syria were found to have taken the lion's share in the arms training camps that Tunisian fighters joined in order to receive the necessary combat training and learn to use weapons of war. The following diagram shows the breakdown of Tunisian terrorists by training sites that a part of the sample joined.
The figures shown in this chart can be understood as the existence of an organizational link to the terrorist movement experienced by our country, regionally and internationally, where Libya occupied the first place as a destination for Tunisian terrorists, especially considering the geographical factor and its proximity to the Tunisian territory. Also the state of chaos that accompanied the battles in Libya is considered a suitable place to gather fighters and send them in a systematic and intensive manner to Syria.

Nearly half of the suspects accused of terrorism concerned by the study have joined the military wing of the terrorist organizations, compared with 10% who held leadership positions in these organizations. The breakdown of the remaining concerns secret wings, advocacy and media, as well as the wing responsible for logistic support, which represented 19% of Tunisians who are involved in terrorism, as shown in the following illustration:
Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing

It has been shown that there are terrorist groups of different ages and different professions who have tried to join open fronts to fight outside Tunisia. However, many attempts failed as "individual attempts" which did not receive sufficient support through "sponsorship", which is a condition for the acceptance of fighters in terrorist organizations outside Tunisia, in particular, that international networks of smugglers operate systematically and can only be reached by means of accurate paths and people.

- **Tunisian terrorist organizations at home and abroad**

Terrorist organizations that had been established on a national basis are indirectly subject to regional and international organizations that adopt the same project and therefore contribute to the fighting both locally, regionally and internationally.

It appears that the year 2013 represented the peak year for arms training in Tunisia, while the year 2014 represented the most important year for Tunisian jihadists who preferred to emigrate to receive the necessary training on the use of weapons.

This phenomenon can be understood by the fact that jihadist movements and extremist elements in Tunisia had previously enjoyed a certain degree of acceptance, which helped these movements to further emerge and begin to establish their camps in a number of Tunisian border areas.

And after the classification of the "Ansar al-Sharia" terrorist organization in August 2013, and the start of the pursuit of their leaders and the dismantling of the armed wing, joining external camps has become a preferred option for terrorists, especially with the emergence of the Organization of the Islamic state and the declaration of the establishment of the state of succession in part of the Iraqi and Syrian soil before this phenomenon had started its decline since 2014. The following chart shows the size of the Tunisian terrorists who trained and joined the terrorist organizations between 2011 and 2015.

Source: Inkyfada
In light of all these changes experienced by our country, the 2003 law on strengthening international effort to combat terrorism and prevent money laundering till its date of amendment in 2009, has not entrusted, Security Council resolutions, particularly (number 1267 and 1373), any national administrative or judicial authority with the task of implementing

In order to overcome this shortcoming, there was a focus in light of the new law No. 26-2015 dealing with combating terrorism and preventing money laundering on the setting up of the National Committee of combating terrorism entrusted with the task of supervising the follow-up and evaluation of implementing the decisions of relevant international structures related to the fight against terrorism in the framework of Tunisia meeting its international commitments, Especially Security Council resolutions 1267/2253 relating to Al Qaeda and Daech in addition to Resolution 1373.

During the political transition, Tunisia experienced a climate of turbulence characterized by the spread of Takfiri and ideological thought which called for social dissent, where the military and security institutions and politicians were targeted to try to overthrow the emerging democratic path. Some youth groups have also been affected by the fact that some sites on the Internet have made calls for jihad to seize power and establish the Khilafah state within the framework of the terrorist organization of the Islamic State to control some lands in North Africa.

As a result, there were terrorist organizations in Tunisia, the most prominent being the Ansar al-Sharia organization and the Oqba bin Nafie battalion, which were classified as terrorist organizations for the involvement of some of their members in terrorist crimes and the involvement of several others in fighting in the conflict zones of the Middle East.

It has been shown that the funding of these banned organizations is directly from the parent organization whether "Al-Qaeda in the Islamic Maghreb" or "Daech" organization, direct and from direct financing operations, and other hidden and unofficial ones.

The public funding of these two organizations includes the collection of donations and aid under the guise of advocacy and charity such as building mosques and medical aid. These groups also benefit from funds derived from real business activities such as commercial companies, call centers, distribution and sale of advocacy books and microenterprise projects such as kiosks.

To propagate and promote their ideas, these groups create social networking sites and exploit them in order to obtain financial donations for people who market them as having financial difficulties, but they are in reality a front for terrorists.
As for covert financing, these groups benefit from the assistance of smuggling activity, which provides huge financial returns and includes dangerous materials such as weapons. In many cases, secret weapons stores have been seized in southern Tunisian and other popular neighborhoods in Tunis.

These organizations also use the same methods used by international terrorist organizations to obtain money, such as hunting, by killing someone on charges of infidelity or apostasy in order to seize their money. The concept of treachery, limited to the ideology of the Takfiri groups, has broadened some of the public funds at the disposal of "rebelling" schemes by force and returned them to the "Muslims house of funds." They became bankrupt by stealing money and property; they also killed members of the population in order to confiscate their funds with the support of persons with criminal files.

- **Practical cases:**

  **Case number 1:**
  The investigating magistrate of the judicial pole combating terrorism issued detention orders against suspected to create a terrorist cell in a known area in Tunisia after seizing a large amount of raw material for the manufacture of explosives in their possession.

  It has been noticed that the head of the terrorist cell works as a shop owner. Cell members deliberately used cell phone chips with fake names, and recognized their links with terrorist elements that are falling back in mountains and are wanted by the Tunisian justice.

  Significant quantities of ammonite were seized along with explosives intended for the manufacture of explosives, TNT, which were tightly hidden and prepared for delivery to terrorist groups in the mountains. In the context of confessions, these elements have been involved in the theft of a number of luxury cars under the scheme of looting.

  (Source: law enforcement agencies 2016)

  **Case number 2:**
  The arrest of a person with a criminal record involved in robberies in Tunis confirmed that he had joined the lobbying cells that were financing terrorists and confirmed that he was a member of a terrorist cell specialized in financing terrorism.

  According to the source, this element knew during his first imprisonment a dangerous terrorist element that polarized him and proposed to him that he joins a cell to finance
the movements of terrorists and their plans in the capital, but this element rejected the proposal of the terrorist at first before agreeing later on this proposal provided that they share the loot and its revenues, as terrorists receive 3/4 of its value while the rest is for this Thief. The latter confessed to selling the stolen goods and then giving the terrorists their share in cash to be able to finance their schemes.

(Source: law enforcement agencies 2017)

6.2.1. Threat Analysis

Tunisia has been subjected to numerous attacks, that targeted particularly military and security personnel, as well as some politicians and civil persons. This coincided with the growing phenomenon of Tunisians travelling to the areas of conflict to participate in the fighting within the ranks of terrorist organizations, which amounted to 2929 people, according to an official communiqué issued by the Ministry of Domestic Affairs in late 2016. In an attempt to address this phenomenon, national structures were created to address this direct threat as the National Unit for Research on Terrorist Crimes and the Anti-Terrorism and Organized Crime Pole in 2014, which includes several anti-terrorist bodies, such as the Internal Security Forces, the National Army, the National Guard and the Customs brigades.

In November 2016, the National Security Council created the “National Strategy for Combating Extremism and Terrorism”, which includes 59 points in four axes: Prevention, Protection, Tracking and Response.

Aware of the need to fight terrorism by cutting off funding for terrorist groups, the National Counter-Terrorism Committee to combat terrorism, its financing and the implementation of relevant Security Council resolutions has been created in light of the new law dealing with money laundering and terrorism financing. The new law also preserves the role of the Tunisian Financial Analysis Committee as a national center to accept suspicion reporting for suspicious financial transactions and to refer them to the Public Prosecution in the event that investigations prove the validity of the suspicion.

Since understanding the risks of financing terrorism requires understanding the threat related to terrorism, law enforcement agencies conveyed to us in this regard statistical data detailed as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Received files</th>
<th>Files being considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015 – December 2015</td>
<td>931</td>
<td>507</td>
</tr>
<tr>
<td>January 2016 – October 2016</td>
<td>1624</td>
<td>966</td>
</tr>
</tbody>
</table>
- **Tunisian terrorist fighters in hotbeds tension**

<table>
<thead>
<tr>
<th>Number of Tunisians at hotbeds tension</th>
<th>Number of terrorists that come back to Tunisia</th>
<th>Number of terrorists that passed away</th>
<th>Number of Tunisians at Syrian jails</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2929</strong></td>
<td>877</td>
<td>760</td>
<td>43</td>
</tr>
</tbody>
</table>

Statistics show according to the same source that most Tunisian fighters in hotbeds of tension are between 20 and 30 years old. Their activities are distributed especially among students, laborers, agricultural activity and free activity as shown in the following diagram:

As for the breakdown of terrorist fighters heading to hotbeds of tension, it was found that 94 % of them are of the sex of males. Syria and Libya were the preferred destination for most of these fighters as shown in the following diagram:
Those referred to the judiciary pole to combat terrorism in terrorist cases

Since the anti-terrorism judiciary pole started working, about 5448 individuals have been referred to the judiciary pole for terrorist cases linked to them between October 2, 2015 and November 30, 2016. The number of jailed ones came in at 875.

Between May 15, 2011 and November 30, 2016, 2131 individuals were placed in various Tunisian prisons. The number of those released on provisional release or because of the end of punishment came in at 468.

As for the activity of those referred to the judicial pole combating terrorism, it was found that most of them are workers and students, and some of them are active in the agricultural and commercial fields in addition to free activities, as shown in the following diagram:

Source: security pole combatting terrorism and organized crime
As for the nationality of these individuals, it was found that most of them are of Tunisian nationality (99%) while the rest was made up of different foreign nationalities (identified in the classified copy).

The age group of most of these individuals was between 20 and 40 years old, including 4% of the female population. The number of female prisoners was 66 girls and a woman against the release of 17 out of 468 people.

- **Tunisian terrorists wanted internationally**

The number of internationally-wanted terrorists was estimated at 6095 in 53 countries. Tunisia ranked first with 1390 fighters, of whom 1349 were male. Most of these people were found to be workers and others active in the student and youth sectors, as well as in the commercial sectors and free activities.

On the level of information available to the Tunisian Financial Analysis Committee, the results of the strategic analysis related to suspicious reporting related to terrorism provided a clear understanding of the importance of real threats facing our country because of the exploitation of the financial and banking system, especially in terrorism financing operations.

As part of the adoption of a risk-based approach, suspicious reporting related to terrorism in general and its financing in particular enjoys highest priority in the work of the Committee, given the seriousness of these crimes and their negative impact on the economy and society.

However, the nature and number of suspicious reporting that have been processed by the Tunisian Financial Analysis Committee and referred to the Public Prosecution show a difference in the number of reporting related to money laundering and the number of reporting related to the financing of terrorism, as shown in the following table:

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of suspicious referred to public prosecution in the framework of money laundering</th>
<th>Number of suspicious referred to public prosecution in the framework of terrorism financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2016</td>
<td>410</td>
<td>46</td>
</tr>
</tbody>
</table>

The strategic analysis of reporting related to the financing of terrorism made it possible to identify the following points:

- Existence of increased awareness of institutions subject to the obligation of suspicious reporting on money laundering offenses compared to terrorist financing offenses.
- As part of the due diligence measures, institutions refrained to open accounts and start working relationship with people suspected of their relationship (work relationship, etc.) with people who are found to be involved in terrorist operations. This could result in terrorist groups having resort to cash rather than traditional financial channels sponsored by the State, which allows these groups to avoid being suspected.

- The limit and type of terrorist attacks on our country being as individual attacks that do not necessarily require significant funding and pass through the banking sector.

The assessment of the real threat related to terrorism financing crimes through the official system is not limited to counting the number of suspicious reporting related to them, but also includes an examination of the banking products used by people listed in the reporting as shown in the following table:

<table>
<thead>
<tr>
<th>Type of bank product or services</th>
<th>National transfer</th>
<th>international transfer</th>
<th>Paying in or withdrawal of money</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of reporting related to it (out of 46 reporting)</td>
<td>27</td>
<td>32</td>
<td>24</td>
</tr>
</tbody>
</table>

These figures show the importance of bank transfers, especially international ones, for sending and accepting funds for their use in terrorist financing operations. These bank products were examined in most of the reporting related to this type of crime (with an average of 64% of the suspicious reporting) particularly in the field of associations. This table also shows the risks of cash operations related to Terrorism operations, which was confirmed by the field study, which was overseen by the Tunisian Financial Analysis Committee during the months of July and August 2014, on the dangers of money laundering and terrorism financing through the physical transfer of money in Tunisia.

A) Threats related to financing

The Law Enforcement Sub-Committee charged with the preparation of this part of the National Risk Study agreed that the sources of funds related to the financing of terrorism in Tunisia are divided into two basic types: a legitimate source along the lines of self-financing, unregulated trade in areas close to mosques, donations, and contributions through associations and unofficial source being mainly parallel trade and smuggling.

Terrorist crime is generally based on its success on the funding element, regardless of the legitimacy or corruption of its source. The sources vary according to each
person's physical potential to include different forms such as consumer loans, bank savings, wages, and the sale of assets such as housing and cars ... or the sale of shares and companies as far as businessmen are concerned. Terrorist groups also rely on illegal sources to fund their operations, such as looting and smuggling proceeds.

As for the situation in Tunisia, attacks and aggressions against the country are characterized by their individual or limited collective nature, which makes that the financing of these operations have been through small amounts, which may complicate taking effective measures and policies that would cut them off.

On 19/05/2016, a closed-door workshop was organized between the financial analysts of the Tunisian Financial Analysis Committee and the law enforcement agencies on the "Methods of Financing Terrorism" in order to identify the patterns that have been identified in this field.

The specialized team showed that investigations and research conducted with elements and networks involved in terrorist cases or participating in the ranks of the fighters in the hotbeds of tension have produced some of the methods used by these elements to finance their terrorist operations, the most important of which are the following:

- **Use of cash**:

  - Seizure of amounts of foreign currency in possession of people linked to terrorism, and during investigations they stated that they were surreptitiously brought from a high risk neighboring country.

  - Seizure of amounts of 50 dinars\(^{16}\) banknotes held by terrorist elements as well as fighters returning from hotbeds of tension.

- **Exploitation of non-profit organizations**:

  - Monitoring financial assistance from associations for the benefit of terrorists after collecting them under the cover of various charitable activities such as building mosques

  - Suspicious bank transfers to some associations received from countries in the Middle East

  - The creation and funding of charity organizations working to attract young people who have been influenced by the output of some websites on the Internet calls for jihad, and these associations have been used as a cover to recruit young people and transfer them to hotbeds of tension.

\(^{16}\) This category represents the largest denomination in Tunisia
Looting:
-Money has been provided from robberies and looting carried out by people who adopted Takfiri thought through looting.

B) Physical transfer of money and its relationship with terrorism financing

In the framework of the national risk study in its experimental aspect, the Tunisian Financial Analysis Committee launched an on-site study (Hannibal process) on the reality of the transfer of funds in cash. This study has led to significant results that confirm the risks of the physical transfer of cash in terrorism financing.

Regarding this subject, the Judicial Authority, within the framework of regular meetings to prepare the national study on the risks of financing terrorism, stressed the difficulty of monitoring the financing of terrorism through the physical transfer of funds, especially those made under authorizations to import currency and their importance in financing terrorism operations compared to operations through the official banking system that leave an easily traceable impact, making them unpopular by terrorist groups.

One of the outcomes of these meetings was the seriousness of terrorism financing operations through charity organizations particularly in Muslim societies through collecting cash, which impedes tracing of their source, destination and management.

In this context, special operations were carried out by Customs departments which resulted in the seizure of significant amounts of national and foreign currency in 2015 and 2016, which are suspected of being related to smuggling and terrorism, as shown in the following table:

<table>
<thead>
<tr>
<th>Date</th>
<th>Value of seized currency and its equivalent in TND</th>
</tr>
</thead>
<tbody>
<tr>
<td>25/01/2015</td>
<td>2 681 332</td>
</tr>
<tr>
<td>25/01/2015</td>
<td>103 158</td>
</tr>
<tr>
<td>07/02/2015</td>
<td>4 827 836</td>
</tr>
<tr>
<td>08/02/2015</td>
<td>4 848 004</td>
</tr>
<tr>
<td>10/02/2015</td>
<td>565 840</td>
</tr>
<tr>
<td>27/03/2015</td>
<td>7 082 990</td>
</tr>
<tr>
<td>21/06/2015</td>
<td>249 380</td>
</tr>
<tr>
<td>03/08/2015</td>
<td>116 820</td>
</tr>
<tr>
<td>10/11/2015</td>
<td>4 500 000</td>
</tr>
<tr>
<td>03/12/2015</td>
<td>103 730</td>
</tr>
<tr>
<td>20/12/2015</td>
<td>155 883</td>
</tr>
</tbody>
</table>

Source: the Customs statistics

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17 Refer to the section on sector related studies
The table above shows the importance of the amounts seized in cash, which reached their peak on 27 March 2015, where a foreign currency amount has been seized corresponding to 7,082,990 dinars. A process that coincided with the growing number of terrorism attacks in Tunisia in 2015 compared to 2016.

According to the same source, other seizures operations have been carried out in 2016 during which a sum of 100,000 Libyan Dinars was seized, 46 tools of tracking vehicles and a Peugeot 406 car carrying forged documents with a total value of 171,800 dinars. Suspicious funds were also seized with a value of 495,000 dinars, in addition to 5 bank checks with a total value of 766,000 dinars and an amount corresponding to 1,678,940 euros, which was concealed in a car.

C) Associations

The sector of associations following the political change experienced by Tunisia registered a substantial increase, thus figures show that the number of associations in Tunisia exceeded 18,000 in the absence of a database containing data on these associations. This sector has become a clear threat and a direct link to terrorism. Several associations have been implicated in the suspicion of funding the activities or assistance of the families of foreign fighters, especially between 2011 and 2014, leading concerned parties to take preventive measures by suspending activities of more than 150 associations suspected to be linked to terrorism.

In order to limit the suspicious funding that may be used through the sector of associations, Decree No. 88 of 24/09/2011 imposed a set of measures on Associations such as dealing with bank instruments for transactions exceeding 500 dinars, declaring amounts received from abroad. These measures remain insufficient and have not been clearly activated.

Regarding the origin and destination of the funds examined in the suspicious reporting tied to terrorism, it is clear from the strategic analysis of these files that most of the funds received on the surveyed accounts were of foreign origin from some countries in the Middle East and Europe and were mostly for the benefit of accounts held by associations located in Tunisia. Most of the reviewed financial transactions listed in the reporting were between 500,000 dinars and 3,000,000 dinars.

In addition, reporting institutions within 25 suspicious reporting indicated that they were unable to obtain more information about the source of funds. The results of the financial analysis at the level of the committee reveal the existence within the 30 files of a blurring of the source of the funds deposited in accounts.
6.2.2. Weaknesses associated with the risk of terrorism financing

A) Follow up and assessment of implementing UN specialized agencies resolutions related to combating terrorism

Pursuant to the Basic Law No. 26 of 2015, the National Committee combating Terrorism was established and was entrusted with many tasks, including the follow-up and assessment of implementing UN specialized agencies resolutions related to combating terrorism in the framework of the fulfillment of Tunisia’s international commitments, particularly Security Council resolutions 2253/1267 dealing with El Qaida and Daeech and resolution 1373 and the working out of a national study to identify the phenomenon of terrorism, its financing and the criminal phenomena associated with it, in order to identify its characteristics and causes, assess its risks and propose means of combating them and determining national priorities in addressing this phenomenon.

Although the legislator is aware of the importance of taking new measures tied to combating terrorism financing and the establishment of a specialized structure to consider this issue, the start of the real work of this structure remains one of the most important difficulties experienced by the system of combating terrorism financing in Tunisia particularly regarding the follow up and assessment of implementing UN specialized agencies tied to combating terrorism.

B) Decree No. 88 of 2011 regulating the work of associations

Following the political change experienced by Tunisia and aware of the importance of regulating the legal and institutional framework of the associations sector in Tunisia, Decree No. 88 of 2011 has been issued dealing with organizing the work of associations. However, this decree did not include operational mechanisms to ensure effective financial control that is consistent with the real threats posed by this sector arising from the political change that took place during the Tunisian revolution and the regulatory and legislative requirements of the transitional period, especially in view of the growing phenomenon of terrorism in Tunisia. In light of this financial control lack, infringements have been noticed related to carrying out deposits and cash withdrawals on associations bank accounts exceeding the 500 TND ceiling.

C) Lack of national coordination between structures dealing with combating terrorism

National effort combating terrorism in Tunisia required setting up security systems specialized in investigating terrorism crimes besides setting up a security pole combating terrorism and organized crime and a judicial pole combating terrorism in the appeal court of Tunis.
Setting up several structures and measures in charge of combatting terrorism and its financing represents the core of making this national effort a success, however the various number of these structures of combatting terrorism affects the coordination effectiveness between them mainly in the absence of a database and a system to get access online to the data which represents an important weakness that reduces the ability of security departments to discover terrorist plans before they occur.

D) Lack of human and financial resources earmarked to structures concerned with combating terrorism and its financing

At the level of the Tunisian Financial Analysis Committee, the growing number of non-processed reporting is mainly due to the lack of human resources. The number of financial analysts has recently reached 6, which remains under the foreseen number, considering the important challenges facing our country in combating terrorism. It also affects negatively the level of coordination with other structures involved in combating terrorism and its funding.

In the case of law enforcement agencies, it has been noticed recently\(^\text{18}\) that the number of judges on secondment to the pole combating terrorism came in at only eight and are in charge of considering more than 3000 terrorist cases. This is a major weakness within the judiciary authority, which limits the effectiveness of penal pursuits with respect to this type of cases.

In the same context, a report worked out by an independent Tunisian association specialized in governance\(^\text{19}\) pointed out to the existence of deficiencies at the level of organization charts of the security departments in Tunisia, such as the lack of human and material means and limited coordination, as is the case with the competent anti-terrorism teams in the National Security and gendarmerie in addition to the security pole to combat terrorism and organized crime. It also outlined the difficulties faced by the security establishment in general in dealing with financial crimes and terrorism in addition to the arms trade and electronic crimes via the Internet.

E) The role of the compliance function of the subject

The compliance function in banking or financial institutions is often known as non-vital and not entered in the profit side of these institutions, which may render them marginalized and secondary, and therefore won’t enjoy sufficient human resources means enabling them to monitor terrorism-related operations and convey reporting on them to the Tunisian Committee For financial analysis.

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\(^\text{18}\) Source: Law enforcement agencies 2017
\(^\text{19}\) Source: Tunisian Governance Association "Ann ual Report 2016"
**F) International cooperation limited effectiveness in combating terrorism financing**

The fight against the phenomenon of terrorist crime in Tunisia is not limited to strengthening coordination and national cooperation between various involved parties, but concerns also the field of international cooperation considering the nature of the international scope of these crimes. This cooperation includes a range of mechanisms, such as extradition procedures and requests for cooperation which enable security and judicial agencies to identify and prosecute those involved in terrorism.

Limited requests for international cooperation conveyed by judicial authorities in Tunisia regarding terrorism and its financing are considered as evidence of existence of shortcomings in this system due to the absence of many motives or necessary data to analyze and exploit them when conveying requests for international cooperation.

Thus, the number of requests for international cooperation reached 354, including 100 requests dealing with money laundering and 105 with corruption. As for terrorism, the number of requests for terrorism was limited to 3, while no request for international cooperation in the field of financing terrorism has been recorded.

Moreover, the judicial authorities in Tunisia have not received replies to many of the conveyed requests, which may indicate the limited information contained in these requests or have not been channeled through the accepted channels of the counterpart States or their failure to respect the principle of double laws. It may, in the end, indicate limited international cooperation.

**G) The geostrategic situation of Tunisia**

In the context of changes experienced by North Africa and the Arab region in general, Tunisia's geographic location has become a high threat to security and peace in the country, especially in view of the high frequency of terrorist incidents in Tunisia in recent years.

Changes in Libya have played a pivotal role in the growing terrorist threat to our country. Border control operations have diminished, enabling terrorist groups to import significant quantities of weapons through Libya, similar to what has been discovered in Medenine and Mnihla in 2013 with high quantities of heavy and light weapons stored.

This threat has increased in light of Libyan armed groups fleeing to the Tunisian border under the pressure of fighting, which could negatively affect security efforts and increase the risk of carrying out terrorist attacks in the Tunisian territory.

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20 Source: Tunisia Joint Assessment Report 2016
21 Source: Center for strategic and diplomatic studies 2015
especially in the presence of a significant number of supporters of the warring parties in our country.

The changes in Libya have also led to an expansion of smuggling activities, organized crime and proliferation of weapons, especially after the fall of the former Libyan regime. It is considered an appropriate environment for the activities of terrorist groups, including al-Qaeda, which used the region as a base to attack neighboring countries. And here the terrorist threat worsens. The return of Tunisians from the hotbeds of tension is the most important challenge facing our country. Despite the existence of plans to deal with this matter, such as physical penalties and strict security control under the anti-terrorism law. However, the effectiveness of these sanctions as part of the national effort to combat terrorism and its financing seems insufficient. On the other hand, the National Counterterrorism Strategy included a point on the working of programs for the rehabilitation and integration of terrorist combatants coming back to the country.

6.2.3. Summary and identification of the risk matrix related to terrorism financing

The methodology used to assess the risks of financing terrorism has led to considering two important aspects:

- **Threats:** These included studying the course of suspicious financial flows in terms of origin, source, flow and size, regardless of their legitimacy. Some methods and tools used to transport these funds were also mentioned. The sub-committee arising from the Leadership Committee has agreed that Tunisia faces high threats on the issue of financing terrorism, but the threat pace is declining.

- **Weaknesses:** The main ones concern the legislative aspects related to the setting up of associations and the multiplicity of structures concerned with combating terrorism and its financing, which limits the effectiveness of national coordination. In addition to the lack of suspicious reporting related to the financing of terrorism and the limited material and human resources of most structures concerned with combating in light of the increased risk of the geostrategic variables of the region. The Leadership Committee Subcommittee agreed that Tunisia had relatively high vulnerabilities on the issue of financing terrorism.

Accordingly, it is concluded that Tunisia faces high risks of financing terrorism as shown in the matrix of risks described below:
### Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing

**Matrix of Terrorism financing risks**

<table>
<thead>
<tr>
<th>Vulnerabilities</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Terrorism Financing</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
<tr>
<td><strong>Relatively high</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
<tr>
<td><strong>Fair</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
<tr>
<td><strong>Relatively low</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
<td>🟥</td>
</tr>
</tbody>
</table>
7. Sector related risk analysis related to reporting bodies
7.1. The Banking Sector Risk

7.1.1. The positioning of the Tunisian banking sector

The Tunisian banking sector is considered to enjoy good positioning compared to some Arab countries in terms of banking indicators. It is second only to Morocco, where the number of inhabitants for every bank branch amounts to 6000 compared to 6500 in Tunisia and 12,100 inhabitants per branch in Jordan.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of inhabitants per bank branch</th>
<th>Banking indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunisia</td>
<td>6.500</td>
<td>66.1%</td>
</tr>
<tr>
<td>Morocco</td>
<td>6.000</td>
<td>68%</td>
</tr>
<tr>
<td>Jordan</td>
<td>12.100</td>
<td>34%</td>
</tr>
</tbody>
</table>

At the employment level, this sector contributes to the creation of jobs, where the number of employees increased by 1.7% in 2015. This positive trend is explained by the opening of 124 banking branches in the same year in the framework of the policy of expanding the banking network in 24 governorates, in densely populated urban areas. Thus, the total number of bank branches reached 1701 branches at the end of 2015 compared to 1625 branches in 2014. The following chart shows the trend of the total number of employees in the banking sector.

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22 Bancarization rate = Number of bank accounts / number of residents
23 Bank Al-Maghrib - Rapport Annuel Sur La Supervision Bancaire Exercice 2015
Trend in the global number of workers in the banking sector

Source: Annual Report of the Tunisian Professional Association of Banks and Financial Institutions 2015

The following two tables below show the trend of the network of bank branches during the period 2013-2015 besides the trend in banking concentration during this period.

Trend in inhabitants number For each bank branch

Source: Annual Report of the Central Bank of Tunisia 2015

Network of bank branches

In terms of deposits raised by banks and loans granted by them, statistics indicate that at the end of 2015, resident banks monopolized 97% of total deposits and 98% of total loans. In terms of amounts, the figures shown in the following table refer to the share of resident and non-resident banks in collecting deposits and granting loans.
Resident and non-resident banks in collecting deposits and granting loans

<table>
<thead>
<tr>
<th>Deposits and loans at end 2015</th>
<th>Resident banks share</th>
<th>Non Resident banks share</th>
<th>Total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers deposits in MTD</td>
<td>52071</td>
<td>1511475</td>
<td>53582475</td>
</tr>
<tr>
<td>Customers loans in MTD</td>
<td>59604</td>
<td>1091238</td>
<td>60695238</td>
</tr>
</tbody>
</table>

Source: Annual Report of the Central Bank of Tunisia 2015

The following diagram shows the breakdown of raised deposits according to depositors category:

Source: Annual Report of the Central Bank of Tunisia 2015

On the other hand, with respect to payment systems, the statistics for 2015 indicate that the total number of clearing operations through electronic clearing platform[^26] amounted to 48,390,580 transactions with a total amount of 119,151,148 million dinars, distributed according to banknote denomination as follows, noting that the total amount of electronic clearing operations during the year 2016 amounted to 124,885,960 million dinars:

In the same context of payment systems, it has become clear that the operations carried out by “Tunisia Monetics” were limited during the year 2015, to 58 million transactions with a total amount of 7191 million dinars.

It is noteworthy that the number of bank cards²⁷ estimated in 2015 at 3 067 000 cards and the number of traders involved in payment service through bank cards at 13 661 merchants.

On the other hand, the analysis of the importance of the banking sector as a key player in the national anti-money laundering system can not be carried out in isolation from the geographical indications of the country in terms of its positioning in North Africa and its proximity to many European countries and the specificity of its relationship with Algeria and Libya In terms of the nature of the banking sector in the first country cited and the security and political reality in Libya and these are external elements that have a significant impact on the level of risk represented by the sector in terms of attractiveness of money laundering.

In order to consider the risks of the Tunisian banking sector and identify the level of threats in the field of money laundering and the experienced weaknesses, the World Bank's mechanism for assessing countries risks in the field of money laundering and terrorism financing has been adopted. This mechanism consists of a number of axes, including what is intended to assess general and sector related threats, and a set of axes to assess the sector related and public vulnerabilities of the country according to different factors that have an impact on the final level of risks and have been identified to suit the sector matter of the assessment.

7.1.2. The banking sector threats

The level of threats posed by the banking sector in the field of money laundering is highly correlated with the attractiveness of this sector to suspicious funds. Perhaps the most important figures that can reflect these threats are the importance of the number of reporting conveyed by this sector to the Tunisian Financial Analysis Committee since 2005 to the beginning of 2017, which represented about 97% of the total reporting conveyed to the Committee:

Although the importance of this figure is considered relative and may partly be explained by the limited awareness of the rest of those subject to the obligation of reporting the duties of their mandate in the field of combating money laundering, it is not impossible to deny that the ratio of banking institutions as an important source of suspicious reporting reflects the importance of resorting to the Tunisian banking sector as a channel to forward suspicious funds, the strategic analysis of reporting that have been referred to the judiciary authority by the Tunisian Financial Analysis Committee since 2011 showed that 47% of these referred reporting were related to files classified in the first and second phases of the stages of money laundering that is the phases of recruitment and camouflage, which supports the idea of exploiting the Tunisian banking center as a crossing platform.

On the other hand, the figures show that since 2005, 414 suspicious reports have been referred to the judiciary authority conveyed by banking institutions and related to money laundering operations, and for most of them an investigation has been opened because of strong evidence of using the banking institutions in the Tunisian financial center in real operations of money laundering. Thus, the suspicion at the beginning of the process rose to a charge of money laundering against operators involved in suspicious financial transactions that are subject of the files referred to, and an investigation has been opened for most of them.
On the other hand, considering money laundering calls for identifying the size of the amounts whose source is suspected to form a clearer idea on the size of the financial challenge facing the banking institutions, which may be a source of temptation for the employees working for them as the activity of these institutions is based on the acceptance of deposits and carrying out financial operations against commissions that increase in value as amounts allocated to them rise. In this context, we note that according to the strategic analysis of reporting declared by banking institutions, which have been referred to the judiciary authority since 2011 and until 2016, it became clear that the average volume of funds subject to files referred to the judiciary authority was estimated at 10 billion dinars.

For a clearer explanation of this figure, we mention that according to the analysis results, it was found that approximately 53% of the reporting referred to the judiciary authority were related to amounts exceeding 10 million dinars, followed by reporting related to amounts between what corresponds to 1 million and 10 million dinars representing 26% and ranked second. According to these figures, we conclude that more than 75% of the files conveyed by banking institutions, which have proven strong and concerted evidence that they are related to money laundering activity, have involved significant amounts worth millions of dinars, reflecting the attractiveness of the banking sector for money laundering engineers to exploit them as a link in the laundering path.
In the context dealing with the quantification of funds whose source is suspected and since the Basic Law No. 26-2015 on Combating Terrorism and the Prevention of Money Laundering empowered the Committee in chapter 131 with the freezing of funds subject to suspicious operations during 5 days within which the file is transmitted to the public prosecution which would either maintain or lift the freeze. In this context, the statistics indicate that since 2011, the Tunisian Financial Analysis Committee has frozen an amount equivalent to about 90 MTD.

In light of considering thoroughly the sources of threats surrounding the Tunisian banking sector in the field of money laundering, it is clear pursuant to statistics related to the nature of individuals intervening in suspicious operations which the investigation decided to refer to the Public Prosecutor's Office because of proven evidence linked to money laundering that more than 70% of referred to suspicious reporting concerned non-resident persons according to the definition adopted in foreign exchange regulations. In other words, most of the suspicious transactions were carried out in foreign currency, thus concluding that the accounts opened by banks in Tunisia were used as transit accounts for camouflage purposes and separating funds from their original illegal origin and endowing them with legal appearance with Tunisian stamps.
Breakdown of reporting brought to justice according to the status (resident or non resident)

As noted above, the Tunisian banking center looms very vulnerable to exploitation by money launderers, especially in the camouflage phase, the second stage of the traditional course of money laundering. Given the huge volume of funds frozen during the past five years, which annual average amounted almost to 18 million dinars. In addition to the huge volume of the financial challenge of the considered files, which is estimated at an annual rate of 2 billion dinars, or about 2% of Tunisia's gross domestic product, all these factors led to the classification of the threats of the Tunisian banking sector at a relatively high level as it turned out to be a preferred destination for non-residents.

7.1.3. Weaknesses of the banking sector

The identification of weaknesses of the Tunisian banking sector was based on two main axes. The first was based on the assessment of general indicators that had a direct impact on the quality of control of AML and the second on indicators related to banking services, which in turn affect the overall level of weaknesses of the banking sector.

According to the rating of the various factors, the weaknesses of the banking sector stood at a relatively high level as highlighted in the following diagram:
A) General indicators assessment

The relative increase in the rating level for the banking sector's weaknesses is mainly due to the overall increase in the rating of the following weaknesses:

- **Banks employees degree of understanding money laundering**

Regarding this indicator, it should be noted that the first line of defense in the anti-money laundering system in the banking sector is the employees working at branches who are directly connected with customers and who require because of the nature of their work to carry out due diligence measures to the customers in accordance with the requirements of the Anti-Laundering of money derived from international standards. This type of staff is one of the most important links that should be focused on to enhance the efficiency of the Tunisian banking sector in the field of combating money laundering. This objective is related to the extent to which the sector is able to provide the appropriate training for its staff so that it has sufficient knowledge to cope with different situations and to identify all types of Money laundering. The problem is that the number of training sessions in this field is still limited. In addition, these sessions often concerned a limited number of employees of banking institutions, and the beneficiaries often belong to the compliance departments of their institutions.

In this context tied with the extent to which the procedures for combating money laundering are respected by the employees of the banking institutions and according to the responses received by the Committee regarding a questionnaire sent to banking institutions containing a question about their scope of complying with the procedure requiring the approval of the Management when building relations with a high risk
Bank employees degree of understanding foreign exchange regulations and external trade procedures

In view of the threats mentioned above and related to the important movement of non-residents pursuant to the meaning of foreign exchange regulations in economic life in Tunisia, the banking sector in Tunisia suffers by contrast from many shortcomings in the level of understanding regulations related to foreign exchange and external trade procedures which helped criminals exploit this factor to carry out suspicious operations.

Procedures and Practices related to Banking Supervision

Although it has been created at the Central Bank of Tunisia, specifically at the General Department of Banking Supervision an on-site control team entrusted with the mission of carrying out on-site inspection missions to ensure that banking institutions are applying the duties entrusted to them in the field of combating money laundering. However, the effectiveness of this tool remains hostage to two factors: Weakness of human resources, where the number of this team members does not exceed 3 members in charge of more than 30 institutions of various kinds. The second factor is the limited number of oversight tasks that have already been completed, which did not exceed 7 tasks between 2015 and 2016, which weakens the role of this team in identifying and addressing the threats posed by the various banking institutions of the Tunisian banking sector.
**Compliance Systems within banks**

The effectiveness of compliance systems remains dependent on the availability of a number of inputs to this internal structure of banking institutions, the most important of which is providing the appropriate human resources in terms of personnel and training in the field of combating money laundering. However, many compliance departments complain from the lack of the required human resources and the tools and applications necessary to detect suspicious operations.

Responses to the risk assessment questionnaire indicate that human resources available to compliance departments do not exceed 5 employees with respect to 76.5% of banks.

### Number of employees at compliance units

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 employees</td>
<td>76.47%</td>
</tr>
<tr>
<td>Between 6 and 10</td>
<td>17.65%</td>
</tr>
<tr>
<td>Between 11 and 15</td>
<td>5.88%</td>
</tr>
</tbody>
</table>

In the framework of the same questionnaire, banking institutions stressed that limited human resources constitute a fundamental weakness in combating money laundering. However, 82.35% of banks believe that limited human resources are the most important weaknesses of their control system.

### Limited human resources

<table>
<thead>
<tr>
<th>Limited human resources</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>82.35%</td>
</tr>
<tr>
<td>No</td>
<td>17.65%</td>
</tr>
</tbody>
</table>
- The effectiveness of the follow-up of suspicious operations and their reporting

Although the banking sector accounts for the largest share of the reporting conveyed to the Committee, their number is considered to be limited compared to what it should be given the size of threats faced by the sector, especially external ones, as described above.

As highlighted by the strategic analysis carried out by the Tunisian Financial Analysis Committee, the breakdown of suspicious reporting conveyed by banks indicates clearly that there is a discrepancy at the level of reporting activity on suspicious transactions. Usually, some authorized banks resort to conveying reporting after the completion of the suspicious operations, which were supposed not to be carried out and consider severing the relationship in case there is a concerted evidence that the operations they have carried out are related to illegal acts according to the meaning of Law No. 26 of 2015 on combating terrorism and preventing money-laundering.

On the other hand, given the output of the Hannibal Process on currency cash flows across Tunisian territory, it is clear that some banks did not initially take care of the many transactions related to cash flows and did not comply with the duty of reporting in accordance with the provisions of the same law.

With regard to the duty of reporting to the Central Bank of Tunisia on cash operations equivalent or exceeding 5000 dinars and carried out by occasional customers, many banks have not yet complied with the duty of reporting

- Application of administrative and penal sanctions

Failure to issue administrative and penal penalties relating to non-compliance by banking institutions with the procedures and regulations for combating money laundering

- Availability and access to information dealing with the real beneficiary

Most important impediments to this indicator are the understanding of the term itself, where its concept is generally confused with the concept of entities and therefore the inability to provide data on real beneficiaries tied to banking sector customers to Authorities when appropriate.

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28 In accordance with the provisions of the Central Bank of Tunisia Circular No. 11 of 2012, addressed to Authorized intermediaries

29 Tunisian Financial Analysis Committee Decision No. 3 of 2017 of 02 March 2017 concerning real beneficiaries
B) Products weaknesses

On the other hand, the vulnerability index is explained in part by the classification of 6 banking services and products concerned by the assessment at a relatively high level while the remaining services are at an average level.

The Leadership Committee adopted to assess the level of weaknesses associated with banking products and services, the following factors as identified by the World Bank mechanism:

1. Total value
2. Volume of average operations
3. Risk overall level that the customers base represents
4. Existence of investment aspect
5. Activity based on cash
6. Frequency of international financial operations
7. Extent of use of the service without disclosure of identity / general use of the service
8. Existence of patterns / applications on the exploitation of the banking service in money laundering
9. Use of the banking service in tax evasion and embezzlement
10. Difficulty in getting the archive of operations
11. Using remote banking service
12. The possibility of providing banking services through intermediaries
13. Providing special and additional control mechanisms related to combating money laundering for banking services

The following are full results to assess the weaknesses of banking products and services based on the factors previously enumerated.

These results were obtained after sorting and analyzing the banks' responses to the questionnaires that were addressed to them within the questionnaire framework adopted by the national assessment of the risks of money laundering and terrorism financing.
As mentioned before, a list of 6 banking products and services classified as the most serious for the Tunisian banking sector has been identified by proving their eligibility to be used as money laundering channels according to the responses received from the banking institutions located in Tunisia, in addition to the opinion of the banking supervision on the matter. These services are as follows:

1. Private banking / money management: The definitive weakness level of this service is 0.72 which is relatively high. This rating explains that most received
responses indicate that the total size of this service has not been considered and data on average transactions volume are not available. The quality of customers who accept this service are classified as risk-holders since they own fortunes and it is easy to launder money through their accounts and transactions without finding out that the source is illegal.

2. **International Trade Services**: This service is considered as one of the most examined banking services in money laundering files that the Tunisian Financial Analysis Committee has considered and referred to the judiciary authority, most of which have been tied to very important sums that were denominated in foreign currencies. The results of the World Bank mechanism confirmed this conclusion by ranking it second with respect to their representing a weak point in the banking sector with a general level of 0.69 which is relatively high.

3. **International transfers**: This banking service is also one of the most examined tools in files referred to the judiciary authority by the Committee. The rating granted to this service is 0.68 that is a relatively high level. This rating is explained by the importance of both the overall size of the product and the rate of operations through this product in addition to the importance of monetary activity and the nature of this banking service, which is based mainly on international financial operations which raises the risk level tied to money-laundering or terrorist financing offenses.

4. **Money transfer services (Western Union / MoneyGram ...)**: The final level of the weak points of this service is 0.66, which is classified as relatively high. This level is explained by the importance of the cash activity associated with the service as well as the lack of data on the payment order when accepting funds in Tunisia. On the other hand, the nature of this product based on the transfer of funds between countries is one of the factors that contributed to raising the final level of weaknesses of this service.

5. **Services of renting steel safes**: The final level of this service weaknesses is 0.66; it is rated as relatively high level weaknesses and is explained by the fact that the total size of this service has not been considered and there is no available data on the average volume of operations in addition to the volume of Cash is considered very high due to the nature of the service and it is impossible for the bank to know the type of carried out transactions since the lease contract requires the bank to provide iron safes and insurance without knowing what the customers put in these safes, which may make it a haven for money launderers as it provides one of the most important factors of success of the money laundering operation which is absolutely secret especially since it has been proven internationally to exploit this service for illegal purposes.

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30 A section dedicated to this service has been allocated in Resolution No. 2 of the Tunisian Committee for Financial Analysis concerning the guidelines for the tracing of monitoring of suspicious operations or financial transactions and the reporting on them and related to financial professions.
6. Current accounts opened in the name of non-resident entities: The final level of this service weakness was 0.64 that is rated as relatively high. The overall volume of this service is relatively high and is characterized by the importance of international financial transactions due to the nature of the account denominated in foreign currency. In addition, the quality of the customers has been classified as risky due to their non-resident status according to foreign exchange regulations in Tunisia, which increases the risk of their exploitation in cross-border money laundering.

According to a survey of banks' views on the trend of financial crimes and the scope of attractiveness of services and products in their use of money-laundering offenses, the findings show that banks have no common perception of the threats they face and the weaknesses associated with their products and services.

As shown in the following diagram, only cash and international trade companies represent a relatively high risk for some banks. Other products such as documentary credits, payment cards, electronic payment methods and operations with Libya represent no significant risk except in the estimation of one bank for each product or service of the above products and services.
According to the various factors mentioned above regarding both threats and weaknesses, the risk index of the Tunisian banking sector stood at a relatively high level as shown in the matrix below:

Vulnerabilities

A careful consideration of the matrix shows that risk indicator positioning is very close to risk high level and that helps to conclude that there are many factors that must be considered to correct their trend to reduce weaknesses and weigh on threats to reduce the overall risk of exploiting the Tunisian banking sector in money laundering at the national and international levels.

Among weaknesses of absolute priority in terms of the necessity to find solutions to them to avoid them and reduce their impact on the overall level of the risk of the banking sector in attracting corrupt funds and exploit its system in laundering them, we mention the following elements, ranked with respect to priority in the following table:
Table: identifying priorities and their rating in order to reduce banking sector risks

<table>
<thead>
<tr>
<th>Priority identifying</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding of banking institutions employees of combatting ML</td>
<td>1</td>
</tr>
<tr>
<td>Effectiveness of measures and practices related to banking monitoring</td>
<td>2</td>
</tr>
<tr>
<td>Effectiveness of compliance systems</td>
<td>3</td>
</tr>
<tr>
<td>Effectiveness of the follow-up of suspicious transactions and reports on them</td>
<td>4</td>
</tr>
<tr>
<td>Availability and applying administrative sanctions</td>
<td>5</td>
</tr>
<tr>
<td>Availability and possibility of getting access to data related to real beneficiary</td>
<td>6</td>
</tr>
<tr>
<td>Availability of a system to identifying identity through a reliable one</td>
<td>7</td>
</tr>
<tr>
<td>Availability and applying penal sanctions</td>
<td>7</td>
</tr>
<tr>
<td>Availability of independent data source</td>
<td>9</td>
</tr>
</tbody>
</table>

All these elements will be addressed with respect to actions and recommendations to be taken immediately and others in the near and medium term in the action plan at the national level, which we will present at the end of this report.
7.2. Capital market risk

7.2.1. Presentation of financial securities sector

There are 23 brokerage companies which are active on the Tunisian Stock Exchange in 2015. The number of their commercial branches comes in at 31 branches broken down between several parts of the Tunisian country and whose capital is between 1 million and 10 million dinars.

In accordance with the quality of granted authorizations, brokerage companies are broken down as follows:

- 21 companies authorized to carry out the activity of managing individual securities portfolios.
- 10 brokerage companies in the stock exchange that carry out the activities of the sponsoring institution.
- 17 companies carrying out the activity of managing and keeping the accounts of securities issued by public shareholding companies.

The financial market sector is characterized by the availability of a comprehensive legal framework that gives control procedures an important role to be implemented by the Capital Market Authority as an independent and adjusting administrative body in charge of the follow up of the compliance of the sector's employees with the legislation into force to ensure savers rights.

On the other hand, within the framework of protecting the Tunisian capital market from the risks of exploiting it in laundering criminal proceeds, the departments of the capital market authority have taken a number of measures and procedures to activate the legal and regulatory framework related to the prevention of money laundering and terrorism combating.

In order to assess the risks of this sector in the area of money laundering, the approach based on two main axes, the first of which is to identify threats and the second axis is to extract the sector's weaknesses that can be exploited by criminals for money laundering, has been adopted.

7.2.2. Securities sector threats

The capitalization of the stock exchange reached at the end of 2015, 21.1% of GDP. This is mainly due to the capitalization of some public banks which have enabled the mobilization of exceptionally important resources, which is a weak rate when compared to the capitalization of stock exchanges in countries with similar

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31 Annual Report 2015 - Capital Market Authority
economies to Tunisia where the ratio reaches 50% and 75% as in Morocco and Jordan.

On the other hand tied to identifying amounts, the capitalization of the Tunisian Stock Exchange reached 19 300 million dinars at the end of 2016 and the volume of transactions on the stock market during the same year reached 1740.7 million dinars. Although these figures may reflect the low cost-effectiveness of the Tunisian Stock Exchange, these funds are in absolute terms and from the perspective of money laundering, important in terms of amount, which can be exploited as a haven to channel funds with illegal sources for the purpose of laundering, which is considered a threat to this sector.

In the context tied with research on statistical figures of the stock exchange sector in Tunisia, it should be noted that during the year 2016 the volume of foreigners acquisitions of shares listed on the Tunisian Stock Exchange was estimated at 142.8 million dinars, while the volume of shares sales by the same category of customers 262,2 million dinars and thus the contribution of foreigners in the capitalization of the Tunisian financial market is estimated at 24.45%, which is about one quarter.

According to the statistics of the Tunisian Financial Analysis Committee for the period 2005-2017, the number of suspicious reports conveyed to the committee by stock market brokers did not exceed 12 reports, that is a rate estimated at 0.58% of the total conveyed reports.

Source: CTAF statistics

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32 [Http://www.cmf.tn/indicateurs-sur-la-participation-%C3%A9trang%C3%A8re-4]

33 [Http://www.cmf.tn/indicateurs-sur-la-participation-%C3%A9trang%C3%A8re-4]
The time breakdown of the acceptance of the reporting shows that most of them were accepted in 2011, immediately after the revolution, that is most of them were related to operations related to the former regime, and the figure decreases again during the following years as shown in the diagram below:

Source: CTAF statistics

In the same context, it is worth noting that in the framework of considering the files conveyed to the Tunisian Financial Analysis Committee, a series of suspicious reporting were referred to the judiciary authority. The exploitation of the Tunisian stock exchange was examined in merging the proceeds of corruption, constituted mainly in accepting bribes valued at 300 thousand Dinars, noting that the reporting has been conveyed by a banking institution and not from brokers on the stock market.

According to the above, the weakness of the number of suspicious reporting conveyed by this sector is in itself an indicator that reflects an important threat in terms of the possibility of exploiting the Tunisian Stock market for criminal purposes. With regard to the nature of individuals with respect to the meaning of foreign exchange regulations, it is noted that among the files conveyed by intermediaries on the stock market, which have been referred to the judiciary authority to confirm the investigation of the existing suspicion regarding reports transactions, one of them is tied to a non-resident. According to all these data, a relatively high rating has been granted to threats on the stock market sector in the field of money laundering.

**7.2.3. Weaknesses of the securities sector**

According to the results of the assessment of a set of basic factors adopted in identifying the weaknesses of the stock market through the World Bank mechanism, the sector has been granted medium level with 0.57 out of 1 rating.
A) General indicators assessment

The average level of weaknesses is explained by the rating granted to the following points rated according to assessment degree:

- **Control procedures and practices**

  The task of monitoring the compliance of the sector's employees is entrusted to the Capital market authority as with the regulatory authority of the Tunisian financial market. Although this authority published a number of legal texts aimed at activating the legal and regulatory framework for combating money laundering, it did not create a specialized on site monitoring team, which is considered an important deficiency in the system. It has had a great impact on the number of reports conveyed by this sector in the absence of supervision and administrative sanctions.

  Accordingly, the assessors of the Sub-Committee on Capital Market Assessment considered that the effectiveness of the control was limited, which resulted in granting an average level rating of 0.5 out of 1 with respect to this factor.

- **Stock market staff degree of understanding money laundering combating**

  Professionals in this sector complain about the poor level of understanding combating money laundering and terrorism financing, which is the second of most important factors that had a significant impact on the number of reports conveyed by this sector, which are almost nonexistent, despite the importance of existing and potential threats.

- **Compliance Systems at Stock Brokers**

  In January 2017, the Capital market authority published a new regulation dealing with setting up compliance procedures preventing money laundering and combating terrorism financing which included a section on measures required with respect to
internal control and ongoing training. Due to the recent publication of this procedure, fundamentals are not available to determine the effectiveness of the compliance systems at stock brokers.

The weakness of human resources in charge of compliance department and the lack of legal references for their benefit in the field supports the average level rating of 0.5 out of 1 with respect to this factor.

**B) Product weaknesses**

The following are the full results to assess products weaknesses related to this sector, based on the following factors:

1. Total value
2. Volume of average operations
3. Risk overall level that the customers base represents
4. Existence of investment aspect
5. The level of activity based on cash
6. Frequency of international financial operations
7. Extent of use of the service without disclosure of identity / general use of the service
8. Existence of patterns / applications on the exploitation of the banking service in money laundering
9. Use of the banking service in tax evasion and embezzlement
10. Difficulty in getting the archive of operations
11. Using remote banking service
12. The possibility of providing banking services through intermediaries
13. Providing special and additional control mechanisms related to combating money laundering for the service

These results were obtained after sorting out and analyzing the responses of stock brokers to the questionnaires that were addressed to them within the framework of the adopted questionnaire by the national money laundering and terrorism financing risks assessment.
Variable capital investment companies which are from the category of mutual investment companies, have been granted relatively high level weaknesses of 0.62 out of 1. This low rating is due mainly to the following factors:

- This product acquires 87% of total assets.
- Clients can carry out their transactions in cash without going through a banking institution as long as the transaction value does not exceed 5000 dinars.
- Operations are characterized with high liquidity compared with remaining products.

While the mutual investment companies, which are common placement companies have been granted medium weaknesses level 0.53 out of 1 with respect to this product. This rating is due to the following factors:

- The total size of the assets of these funds is average.
- Clients can carry out their transactions in cash without going through a banking institution as long as the transaction value does not exceed 5000 dinars.
Operations are characterized with high liquidity similar to the operations carried out by variable capital investment companies.

In accordance with the level granted to all these threats and weaknesses of the stock market sector, the risk of this sector stood at a relatively high level as highlighted by the following risk matrix:

Matrix of stock market sector risks

<table>
<thead>
<tr>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threats</td>
<td>Stock Market Sector</td>
<td>Threats</td>
<td>Threats</td>
<td>Threats</td>
</tr>
<tr>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
<tr>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
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<tr>
<td>Fair</td>
<td>Relatively low</td>
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<tr>
<td>Relatively low</td>
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<td>Low</td>
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</tr>
</tbody>
</table>

Vulnerabilities
7.3. Insurance Sector Risk

7.3.1. Insurance sector positioning\textsuperscript{34}

The insurance sector in Tunisia is made up of 28 companies, including 6 non-resident reinsurance companies (2 representative offices and 4 branches of foreign companies). As for the resident companies, their breakdown is according to the terms of reference that they undertake as follows:

- 15 companies dealing with different types of insurance
- 5 companies specialized in life insurance
- A company specialized in the insurance of exports and loans
- A reinsurance company.

On the other hand, the insurance market is based on an important network of insurance intermediaries (1112 intermediaries in 2015), the most important of which are the "insurance representatives", whose number stood at 944 in 2015, distributed throughout the country in addition to brokerage offices, whose number stood at 80 offices. The number of "life insurance" producers working in life insurance market came in at 88 insurance products.

The share of this sector represents 0.02% of global insurance market turnover for the year 2015, while it stood at 0.07% in Morocco, 0.05% in Egypt, 0.03% in Algeria and 0.96% in South Africa. This percentage is very weak compared to developed countries such as the United States with 26.8%, Japan with 10.1%, the United Kingdom 7.4%, France 5.7% and Germany 5.3%.

7.3.2. Insurance sector threats

During the last five years, the activity of the insurance sector registered a continuous positive trend where the annual rate of growth of the activity of insurance companies during the period between 2011 and 2015 stood at 8.4%. The sector remained mainly linked to the auto insurance branch, which accounted for 45.8% of gross premiums issued for the year 2015, while the share of the life insurance and the making up of funds, which is usually targeted by money launderers, did not exceed 18%. It should be noted that it stood during the same year at 34.7% in Morocco and 46.9% in Egypt and the global average of this activity was estimated at 53% of gross reported premiums.

\textsuperscript{34} Annual Report of the Insurance Sector 2015
On the other hand, the rate of integration of the insurance sector in economic activity during the year 2015 was estimated at 2%, which is very low compared to other countries such as South Africa 14.7%, Britain 10%, Switzerland 9.2%, France 9, 3%, the United States, 7.3% and 3.05% in Morocco, against a global average of 6.2%. The insurance premium per capita is estimated at 151 dinars and this index falls to 27 dinars on per capita Life insurance and money making up. This level is especially low and the global level of insurance premium per capita was estimated in 2015 at 621.2 US dollars, or about 1243 dinars.

According to these data, which clearly indicate that the insurance sector is not considered an important economic sector in terms of added value in the composition of GDP and the low rate of its integration into the national economy and thus the level of threats of this sector was assessed at a relatively low level. Knowing that the assessment team stresses on the need to follow up the level of these threats through further considering the methods of work and turnover of insurance intermediaries as they are subject to the duty of care of the clients pursuant to Law No. 26 of 2015 on money laundering and terrorism financing.

7.3.3. Insurance sector weaknesses

The level of insurance sector weaknesses stood at the average level:

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35 Sector’s integration ratio: Turnover figure / GDP
A) In assessing overall weaknesses indicators

- **Limited awareness of insurance companies’ employees** of their duties provided for in Law No. 26 of 2015 dealing with combating terrorism and preventing money laundering, which is directly reflected in the number of suspicious reporting conveyed by this sector, which are almost nonexistent.

Source: CTAF statistics

The responses to the Risk Assessment Questionnaire sent to insurance companies indicate that only 50% of the institutions apply for the approval of the Management before setting up a working relationship with a high risk classified customer and this rate goes down to 40% when the customer is among high risk politicians showing limited awareness of the sector employees of the duties they are entrusted with. Also
40% of insurance companies sometimes apply for the approval of the Management when initiating a working relationship with low-risk customers while 5% of the companies do so despite the fact that the customer is classified as low risk.

The following is a diagram that specifies the frequency of the request for approval of the Management before initiating a business relationship in accordance with the rating granted to the customer:

Source: CTAF statistics

It is also evident from the study of the responses received from insurance companies regarding the number of their clients who are politicians and risks representatives, the full lack of understanding of this type of customers and therefore the understanding of the procedural requirements that must be complied with when accepting them as customers at the company or when carrying out operations regarding them. The figures show that 55% of the companies did not answer this question while only 25% of the insurance companies answered that they are unable to identify this type of customer while other companies explained that this criterion does not apply to them. If these figures indicate anything, they indicate that these companies do not follow the risk-based approach through which customers are identified by the type of risk they represent.
Control procedures and policies: Despite efforts made by the General Insurance Authority, the supervisory side of the insurance companies in relation to combating money laundering and terrorism financing is still complaining about the many shortcomings due to the absence of field inspection sessions for insurance companies regarding their compliance with the procedures provided for in the law and the regulations into force in addition to the non-existence of an onsite monitoring team specialized in the field.

Compliance systems at insurance companies: Despite the setting up of compliance department at most insurance companies, complying with their own procedures remains very limited. According to the results of the risk assessment questionnaire for this sector, it was found that in 60% of insurance companies, the number of employees working at the compliance unit stands at 5 people as shown in the chart below:
The following diagram shows that 70% of those in charge of combating money laundering at insurance companies, their experience in the field does not exceed 3 years, while a number of these companies (15%) considered that they do not have such a unit in the organizational chart of the company which rose the level of risks at some companies of this sector:

Source: CTAF statistics

As for insurance products, they are various for the economic services they supply, and the degree of risk varies in the insurance sector from one product to another. In accordance with the methodology for identifying and understanding the risks adopted for this assessment, life insurance contracts represent the most important degree in weaknesses with respect to their use in money laundering compared to other products such as agricultural insurance or sickness insurance, for example.

**B) Product weaknesses**

The following chart shows full results of the assessment of the weakness of insurance sector products, depending on the following factors:

- Total value
- Average operations volume
- Overall level of risks represented by the customer base
- Existence of investment aspect
- Level of activity based on cash
- Frequency of international financial operations
- Extent of use of the service without disclosure of identity / general use of the service
- The existence of procedures / applications on the exploitation of the service in money laundering
- Use of the service in tax evasion and embezzlement
- Difficulty to obtain the archive of operations
- Using remote service
- Possibility of providing service through intermediaries
- Availability of special and additional control mechanisms to combat money laundering for the service.

These results have been obtained after sorting out and analyzing insurance companies' responses to the questionnaires that were addressed to them within the framework of the questionnaire adopted by the national assessment of risks of money laundering and terrorism financing.
Product "Life Insurance" is divided into:

- Insurance product on the making up of funds is the most exposed to exploitation in money laundering being considered as a product related to savings and being a type of investment, mainly based on the payment of financial premiums to the insurance company and collecting the amount to be withdrawn at the termination of the contract.

The contract period shall be determined according to the agreement between the parties, which is not less than 3 years. So it is easy to exploit this product for the purpose of investing money and cover up its real illegal source. The traditional method of its use in money laundering is to terminate the contract before the specified period and to recover the value of assets and exploit it in order to merge it into the purchase of real estate or any other investments in the absence of legal consequences.
Since the annulment of savings contracts in life insurance products runs counter to the expected primary objective which is enjoying tax incentives, such practices confirm that the primary purpose of such operations is to camouflage the illicit origin of such funds in order to launder, integrate and legitimize them.

- Proceeds of "death insurance" rated as one of the highest in terms of weaknesses. This proceed consists in the payment of capital or regular installments to the beneficiary in the event that the insured passes away during the duration of the contract considered as the closest to investment services in conventional insurance.

It is based on the principle of "anticipating the death risk" and its coverage by securing a close associate, which may lead to increased use for the purpose of money laundering. Payment in this case is usually through one premium amounting to a high amount. However, it should be noted that in most cases, these contracts are used as "collateral" for bank institutions to cover loans in case of the death of the beneficiary which relatively reduces the possibility of using them for the purpose of money laundering since lending institutions, for their part, take due diligence measures.

- "Life Insurance" proceed provides for the payment of money through premium or multiple installments to the beneficiary if the insured remains alive at the end of the contract.

- "Mixed Insurance" branch is a combination of the above mentioned contracts and means that they provide life insurance and payment of capital upon maturity in case of death.

According to the above mentioned, insurance sector risks stood at medium level as illustrated by the following risks matrix:
7.4. Risks of microfinance sector

7.4.1. Presentation of microfinance sector

Microfinance services provide a range of financial products to private individuals who are not eligible to banking institutions services because they lack necessary guarantees, enabling them to obtain micro-financing for the purpose of encouraging investment in handicrafts and small professions sector.

It is noteworthy that the institutional fabric of the microfinance sector consists of two types of institutions:

Public limited companies the capital of which is not less than 3 million dinars. There are 6 active companies.

Associations with associations minimum allocations set at 200 thousand dinars. Till now, just one association has been created in accordance with the provisions of Decree No. 88 of 2011 of 24/9/2011 dealing with the organization of associations, but on the other hand the figures indicate that the sector is made up of 289 associations established in accordance with the provisions of Law No. 67-99 of 15 July, 1999 dealing with micro loans granted by associations and is a pre-text of the decree on the regulation of microfinance institutions No. 117 of 2011.

This sector is supervised by a regulatory authority called the Microfinance Control Authority, which is set up by Decree No. 117 of 2011 of November 05, 2011.

The functions of the microfinance control authority are primarily to grant licenses to MFIs, to monitor these institutions and to apply disciplinary sanctions where appropriate.

Law No. 35 of 2016 of 25 April 2016 dealing with the articles of association of the Central Bank of Tunisia granted this authority, the status of member of the "Total Supervisory Board", whose task is to make recommendations on the measures to be taken by the financial sector regulatory authorities and their enforcement in order to Contributing to the stability of the financial system.

With regard to the activity of microfinance companies, statistics indicate that:

- The volume of current microfinance amounted to about 487 million dinars at end 2015 compared to 362 million dinars at end 2014, an increase rate of more than 34% as shown in the following diagram:
Trend in the volume of small financing with respect to micro-finance (in MTD)

Source: Microfinance monitoring authority annual report 2015

On the other hand, the total number of microfinance granted during 2015 is estimated at 329747 compared to 283711 in 2014, an increase of 16.2%. Microfinance loans account for 88% of total funding. The rest were granted to improve living conditions.

Trend in the number of granted micro funding

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small projects</td>
<td>250784</td>
<td>290798</td>
</tr>
<tr>
<td>Improving living conditions</td>
<td>32927</td>
<td>38949</td>
</tr>
<tr>
<td>Micro financing total</td>
<td>283711</td>
<td>329747</td>
</tr>
</tbody>
</table>

Source: Microfinance monitoring authority annual report 2015

It should also be noted that the tasks of commercial professions accounted for the largest share of microfinance with a total amount of 182 million dinars at the end of 2015. The following chart shows the classification of microfinance granted by type of activity:
7.4.2. Threats to the microfinance sector

The threats of the microfinance sector are relatively low. The level of this rating is mainly due to the following factors:

- The limited amounts allocated in the form of microfinance the ceiling of which has been set at 5000 dinars for associations and 20000 dinars for limited public companies. In this context, available statistics indicate that during the year 2015, the total amount of granted microfinance volume stood at 536,082 million dinars, the number of granted microfinance was estimated at 329,747 small funding, an average of 1626 dinars per financing, which is very limited from the perspective of money laundering.

- Microfinance is usually directed to finance the acquisition of equipment and tools, and the departments of microfinance companies monitor and follow up their customers when benefiting of the financing.

- Although the nature of microfinance activity is in itself risk reducing, the category benefiting of financing, including private individuals belonging to needy families and poor classes, may be targeted by luring them and using them for money laundering or terrorism financing. The latter does not require significant amounts and in some cases is limited to small amounts.

- On the other hand, the report of the banking supervision of the Central Bank of Tunisia for 2015 indicates that only 66.1% of the population have a bank account, ...
which means that the equivalent of one third of the population does not have access to banking services which is a relatively high rate and is likely to favor the resort of the latter to microfinance services. Therefore, the Financial Sector Assessment Sub-Committee of the Leadership Committee focuses, in particular, on the need to monitor closely the development of this sector size and to update and review the level of threats associated with it.

7.4.3. The microfinance sector's weaknesses

The overall rating of weaknesses in the microfinance sector stood at is the average level.

![Microfinance sector weaknesses level](chart)

This level is explained by the following factors:

- **Comprehensive legal framework:**

  Microfinance companies are subject to Basic Law No. 26 of 2015 dealing with preventing money Laundering and combating terrorism financing besides the Microfinance control authority issuing a memorandum No. 13 of 15 March 2017 related to the setting up of programs and procedures that reduce the risks of money laundering and combating terrorism financing in the sector.

- **Microfinance Control:**

  The microfinance control authority plays an important role in monitoring the activity of microfinance companies. Its role is to monitor the process of granting funding and to take punitive measures against those not complying with regulations.

The microfinance control authority organized a training session in February 2017 for Microfinance companies to tackle the duties they are entrusted with pursuant to Law No. 26 of 2015. Another training session was held for its inspectors in February 2017.
on the supervision in the field of combating money laundering and terrorism financing. On-site inspections were planned in 2017 to verify the extent to which microfinance companies comply with their obligations pursuant to the law combating terrorism and preventing money laundering.

- **Remote dealing with the product:**

Some microfinance companies allow their customers to settle their monthly installments using the phone based on the "mdinar" application or prepaid cards marketed by the Tunisian Post Office and in some cases allows them to collect funds through the phone in coordination with the Tunisian Post Office. This measure would support the financial integration of this type of clientele that was not covered by the banking sector and does not represent a major weakness in money laundering and terrorism financing.

- **Importance of transactions carried out in cash:**

This type of carrying out operation raises a problem with respect to the legitimacy of the source of funds.

- **Suspicious reporting:**

Microfinance companies have recently been included in the list of individuals subject to suspicious reporting in the Basic Law No. 26 of 2015, which may explain why the Committee did not receive such reporting from these companies due to the lack of awareness among Microfinance employees of the obligations entrusted to them in combating money laundering.

According to the above presentation, the risk of the microfinance sector stood at "average" level as indicated by the following risk matrix:

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>Relatively high</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Low</td>
</tr>
<tr>
<td>Relatively high</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Relatively low</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
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</tbody>
</table>

Vulnerabilities
In order to prevent the risk of exploiting the sector in money laundering, focus according to priority should be given to the following elements:

**Identifying priorities and their rating in order to reduce Micro-finance sector risks**

<table>
<thead>
<tr>
<th>Priority identifying</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding of banking institutions employees of combating ML</td>
<td>1</td>
</tr>
<tr>
<td>Effectiveness of the follow-up of suspicious transactions and reports on them</td>
<td>2</td>
</tr>
<tr>
<td>Effectiveness of measures and practices related to monitoring</td>
<td>3</td>
</tr>
<tr>
<td>Availability and applying administrative sanctions</td>
<td>3</td>
</tr>
<tr>
<td>Effectiveness of compliance systems</td>
<td>5</td>
</tr>
<tr>
<td>Sector’s employees integrity</td>
<td>6</td>
</tr>
<tr>
<td>Availability and effectiveness measures to join the profession</td>
<td>7</td>
</tr>
</tbody>
</table>
7.5. Lawyers profession risks

It is noteworthy that the number of lawyers registered at the end of February 2017, at the National Lawyers Council in Tunisia is estimated at 8 330 lawyers.

7.5.1. Threats surrounding the lawyers- profession

The identification of threats related to lawyers - profession is linked to investigating in many internal and external factors that may have a significant impact on the possibility of exploiting consultations within this profession in the legal engineering of operations through which there is money laundering of illicit origin.

Among these factors:
- Important number of the category of non-resident individuals and entities in Tunisia which have resort to lawyers services.
- The current geopolitical situation of Tunisia, which has been affected by the political and security situation in Libya as the result of the arrival of a significant number of Libyans to Tunisia to settle since 2011, that is more than 6 years and the crisis is continuing till this date.
- Acquisition of real estate and setting up of non-resident companies by foreigners, especially Libyans.
- The importance of cash flows and their use in the acquisition of property and real estate in Tunisia.

Regarding the acquisition of real estate by foreigners, in accordance with Decree No. 4 of 1977 of September 28, 1977 on real estate operations, which included one chapter stating that "every real estate transaction in which foreign parties are involved must be made under the prior authorization of the governor ". In the framework of supporting investment in the country, Law No. 40 was issued on 11 May 2005 which states in its article 7 that all foreigners have been exempted from the governor’s authorization with respect to the acquisition or rent of lands and shops built in industrial zones and lands in tourism areas.

It is noteworthy that the Tunisian legislator has granted citizens of the Arab Maghreb countries (Algeria, Libya and Morocco) privileges in this area by allowing them, in accordance with bilateral agreements concluded with these countries, to purchase residential properties without obtaining the governor's authorization (bilateral agreement concluded with Libya on 14 June 1961 and with Algeria on 26 July 1963 and with Morocco on 9 December 1964).

According to these measures, the statistics show that the number of Libyan properties in Tunisia is estimated at 200 thousand lodgings in 2015, or about 6% of the total number of lodgings.
According to the statistics of the Tunisian Financial Analysis Committee for the period 2011-2017, the number of suspicious reporting issued by the lawyers did not exceed 5 reporting or 0.24% of the received total number of reporting.

Source: CTAF statistics

The time breakdown of the acceptance of this reporting shows that acceptance of the first suspicious reporting from this profession dates back to 2012, more than 9 years after the promulgation of the law on money laundering. As shown in the chart below, the pace of acceptance of reporting from this profession is very weak at the rate of a reporting per year compared to the rate of 200 suspicious reporting from the banking institutions:

Source: CTAF statistics

In the same context and in the framework of considering the files conveyed to the Tunisian Financial Analysis Committee and a set of which has been referred to the judiciary authority, a number of these files revealed the resort of non-resident foreigners to the services of some Tunisian lawyers in the context of
providing advice on money laundering resulting from corruption crimes related to major transactions through the establishment of companies in Tunisia and in tax heavens and the exploitation of their bank accounts in channeling funds for the purpose of camouflage and warding off its illegal source.

According to these data, an average rate has been granted to threats of the profession of lawyers in the field of money laundering.

7.5.2. Lawyers profession weaknesses

On the assessment of the general understanding of the risks of money laundering and terrorism financing surrounding the lawyers profession according to the responses on a questionnaire that concerned 50 lawyers from different jurisdictions, we outline the most important digital and graphical conclusions as follows:

In connection with the obligation of reporting required from lawyers profession according to chapter 107 of Basic Law No. 26 of 2015 on combating terrorism and preventing money laundering, figures reveal that the equivalent of 36% are not aware that they are a reporting party.

Source: CTAF statistics

This result reflects the lack of clear understanding by one of the components of the control system in Tunisia and the severity of this finding is mainly that the profession

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36 A training study conducted under the supervision of the Tunisian Financial Analysis Committee
of lawyers is the guarantor of customers in the proper application of law and in guiding them to the proper ways in their transactions. It may be useful to recall that the profession of lawyers is a fundamental part of the system of justice and control alike, and therefore the legislator considered this equation to be included as a reporting body so as not to misuse the profession of lawyers in the development of methods and procedures aimed at setting up legal engineering to prevent illegal activities in the form of Panama Paper Case. Despite the existence of an explicit provision in the Basic Law of 2015, the lawyer is obliged to convey reporting on operations and suspicious transactions, and that "any individual who intentionally refrains from complying with the duty of reporting" as required by the first paragraph of chapter 136 is liable to legal pursuits of criminal nature. A set of Lawyers are not yet aware of this duty.

Regarding the specialized regulatory body in monitoring the degree of compliance of lawyers with the duty of reporting, figures show that 80% of the lawyers sample have no idea of the existence of a competent regulatory body, 12% gave the right answer in choosing the National Lawyers' Association, the rest of the responses are divided between the Public Prosecution and the Attorney General, a single answer.

**Monitoring party related to controlling the extent of lawyers complying with reporting duty**

![Graph showing the percentage of lawyers' awareness of competent regulatory bodies](image)

Source: CTAF statistics
According to various responses, the lack of knowledge of the profession on the existence of a regulatory body requires from the National Authority of Lawyers to intervene and coordinate with the Tunisian Financial Analysis Committee to set up an action plan in line with what is internationally recognized and therefore comply with international standards.

**Procedures of due diligence**

- Getting data + verifying real beneficiary identity
- Know your customer principle + getting data
- Collecting procedures
- Getting data to know businesses nature and relationship
- Checking the real beneficiary identity
- Know your customer principle

**Source: CTAF statistics**

Regarding the duty to take due diligence measures at the beginning of the relationship with the client, figures show that 20% of interviewed lawyers considered that all of them were within the scope of the due diligence measures, while the rest of the answers ranged according to the table above. Regardless of the motives and justifications of the lawyers profession for these obligations, these responses, if only including a small number of lawyers, may reflect the level of refusal of the sector for the duty of reporting due to considerations resulting from the inclusion of new obligations to the profession arising from the change in the professional relationship between the lawyer in terms of the known traditional role and a new role has not forgotten the moral considerations of the profession that requires the lawyer to take
precautionary and preventive measures that the legislator entrusted him with in order to maintain security and social peace by endowing him with an effective role in combating all forms of organized crime.

In relation to the lawyer's position on the reporting duty, the following chart shows the personal position of lawyers which varied between 19 for and 31 against.

**Lawyer personal opinion in complying with reporting duty or reporting on suspicious transactions**

![Chart showing lawyer personal opinion](image)

**Source: CTAF statistics**

For the lawyers who are against, opinions differed and most of the reasons were the breach of the professional secret which has nothing to do with this duty and the evidence is that the legislator has defined the scope of operations to report and which can not be attributed to the information that the lawyer has not to disclose.

The extraction of weaknesses of the profession of lawyer has been done in accordance with the elements adopted in the evaluation and based on the measurement of general indicators that have a direct impact on the quality of control related to money laundering in the profession and others related to the nature of the profession as such.
In accordance with the approved methodology, the general rating of the profession weaknesses stood at a relatively high level.

**Weaknesses of the lawyers- profession**

This relatively high rating is due mainly to the following factors:

- The position of lawyers-profession from the issue of subordination to the duty of reporting since the law 2003.

- Absence of a specialized supervisory structure in the field of combating money laundering in this profession.

- Almost inexistence of suspicious reporting from the profession.

- Cash occupies an important position as a means of settlement in the transactions concluded between operators in the profession and their clients, which raises a problem in pursuing the source of funds.

- Distance relationship between lawyer and client can facilitate exploiting money laundering.

- High-risk clients including risk representative politicians and the level of risk likely to rise when dealing with lawyers specialized in consulting or acting on behalf of their clients.

- Lack of training sessions and sensitization about the risks of money laundering.

According to the level granted for each of the threats and weaknesses of the lawyers-profession, the latter exposure to ML/FT risk is relatively high as highlighted by the following risk matrix:
Matrix Of Risks Surrounding The Lawyers-Profession

Vulnerabilities

As mentioned above, the focus is on finding solutions to the following factors in order to reduce the weaknesses of the profession, which would reduce the risk of money laundering:

**Table: identifying priorities and rating them in order to reduce risks surrounding lawyers-profession**

<table>
<thead>
<tr>
<th>Priority identifying</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting up monitoring self tool and compliance mechanism</td>
<td>1</td>
</tr>
<tr>
<td>Activating measures and practices related to monitoring</td>
<td>2</td>
</tr>
<tr>
<td>Follow up of suspicious transactions and reporting on them</td>
<td>3</td>
</tr>
<tr>
<td>Applying penal sanctions</td>
<td>4</td>
</tr>
<tr>
<td>Understanding of sector employees of combatting ML</td>
<td>5</td>
</tr>
<tr>
<td>Applying administrative sanctions</td>
<td>6</td>
</tr>
<tr>
<td>Sector’s employees integrity</td>
<td>7</td>
</tr>
<tr>
<td>System availability allowing checking safety of customers identity documents</td>
<td>8</td>
</tr>
</tbody>
</table>
7.6. Weaknesses of the profession of chartered accountants

In accordance with Law No. 26 of 2015 on Combating Terrorism and Preventing Money Laundering, the chartered accountants are explicitly included within those subject to the reporting duty by virtue of their designation in Chapter 107 within the specified non-financial professions and businesses in compliance with international standards in the field.

According to available statistics, the number of chartered accountants at the end of 2015 stood at 892 members registered at the Order of chartered accountants in Tunisia. It is noteworthy that this number has registered an important increase rate estimated at 123% compared to 2005, where the number was estimated at that time at 400 chartered accountants.

Chartered accountants constitute a part of the AML / CFT system. Chartered accountants in Tunisia are committed to the adoption of international accounting standards set by the International Federation of chartered accountants, which includes provisions on embezzlement and international auditing standards applied in Tunisia.

According to Law No. 26 of 2015, the chartered accountant must carry out due diligence measures. For the purpose and within the available technical capabilities, chartered accountants shall obtain information from customers and shall look into the commercial code and available sources for any additional information regarding operations and transactions. In case of doubt, the chartered accountant must carry out the reporting duty of suspicious operations in the framework of carrying out monitoring matching risks.

7.6.1. Threats surrounding chartered accountants- profession

The Sub-Committee in charge of the assessment of specific Non-Financial Professions established by the Leadership Committee, granted an average level to threats related to the chartered accountants sector, given the small number of suspicious reporting received by the Committee and conveyed by chartered accountants where the Committee received only one reporting in 2016, but on the other hand, the size of this sector is limited compared to other sectors, especially in terms of the number of annual turnover.

On the other hand, the strategic analysis of suspicious reporting for the period 2011-2016 revealed the involvement of some chartered accountants in the legal and financial engineering of certain suspicious transactions, which benefited private individuals and non-resident companies registered in tax heavens. And the amount of financial challenge that has been examined in the files of money laundering, which have been referred to the judiciary authority was estimated at 4 million dinars.
In some cases, chartered accountants deal sometimes with monitoring tasks on accounts and operations of companies and economic institutions.

As a result of the strategic analysis, a significant number of non-residents private individuals and entities usually resort to chartered accountants to seek advice on certain transactions or operations. In view of the adoption of international accounting standards by chartered accountants, the assessment team has granted average to the threat level. This graph reflects the absence of any reporting activity from this type of subject.

Source: Tunisian financial analysis Committee

7.6.2. The weaknesses of the profession of chartered accountants

The rating granted to the weaknesses of chartered accountants which stood at the average level, is mainly justified by the limited control activities carried out by the Order of Chartered Accountants, although the Board has been entrusted with the task of auditing the chartered accountants in accordance with Chapter 8 of Order No. 89-541 of 25/05/1989. However, to date, no specific AML / CFT inspection tasks have been planned, as required by Law No. 26 of 2015. On the other hand, the limited understanding of chartered accountants on AML / CFT requirements is a weakness in the sector. With respect to "Know Your Customer" obligations and taking due diligence measures, chartered accountants face the problem of lack of reliable databases or search engines to provide relevant information in real time and the limited training courses organized by the Order of chartered accountants in Tunisia, which did not exceed two sessions, are one of the obstacles to an optimal understanding by professionals of the requirements of AML / CFT.
It can also be explained by the low level of procedures for the pursuing of suspicious operations and reporting on them in accordance with the requirements of the law on combating terrorism and preventing money laundering. This is due to the absence of guidelines that enable chartered accountants to monitor and report on suspicious transactions and the limited understanding of the sector's requirements for anti-money laundering requirements, which reflects the ineffectiveness of the procedures for tracking and reporting on suspicious operations.

As of the date of the assessment, no regulatory text has been issued by the authority of self-monitoring of chartered accountants. The Tunisian Financial Analysis Committee has not issued any decision as to the date of assessment regarding the real beneficiary and due diligence procedures of the specific non-financial professions.

The final risk level has been determined and stood at an average level as shown in the matrix below.
Vulnerabilities
Thus, it should be focused on the following priorities to reduce weaknesses faced by this profession:

**Identifying priorities and their ranking to reduce risks surrounding the chartered accountants profession**

<table>
<thead>
<tr>
<th>Priority identifying</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector employees understanding of combatting ML monitoring activities effectiveness</td>
<td>1</td>
</tr>
<tr>
<td>Follow up of suspicious transactions and reporting on them</td>
<td>2</td>
</tr>
<tr>
<td>Availability and applying administrative sanctions</td>
<td>3</td>
</tr>
<tr>
<td>Availability and applying penal sanctions</td>
<td>4</td>
</tr>
</tbody>
</table>

Chartered accountants profession

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Dark red</td>
<td>Dark orange</td>
<td>Red</td>
<td>Green</td>
<td>Light green</td>
</tr>
<tr>
<td>Relatively high</td>
<td>Dark orange</td>
<td>Red</td>
<td>Green</td>
<td>Light green</td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td>Red</td>
<td>Green</td>
<td>Light green</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relatively low</td>
<td>Green</td>
<td>Light green</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Light green</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Matrix of Risks Surrounding Chartered Accountants Profession

High | Relatively high | Fair | Relatively low | Low

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Dark red</td>
<td>Dark orange</td>
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<td>Light green</td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td>Red</td>
<td>Green</td>
<td>Light green</td>
<td></td>
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</tr>
<tr>
<td>Relatively low</td>
<td>Green</td>
<td>Light green</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Low</td>
<td>Light green</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Sector employees understanding of combatting ML monitoring activities effectiveness Follow up of suspicious transactions and reporting on them Availability and applying administrative sanctions Availability and applying penal sanctions
7.7. Gold Sector Risk

7.7.1. Presentation of the gold sector

The gold sector is one of the most complex sectors in Tunisia due to the large number of people involved in it, among craftsmen and intermediaries, who are capital holders, industrialists and traders. This sector complains of many problems associated with rampant fraud.

The number of craftsmen is estimated to be about 6000 craftsmen, half of them working in an organized framework and the rest marginalized. Besides 400 whose task is to receive raw gold from the Tunisian Central Bank and distribute it to artisans to make it. It is noteworthy that the Central Bank of Tunisia is the only body at the national level entrusted with importing gold intended to craftsmen and distributing it to professional cooperatives in this area.

-Tunisia's gold reserves weight:

Tunisia's gold reserves stood at 6.8 tons, according to a statistical report issued by the World Gold Council\textsuperscript{37}, ranking Tunisia 78 internationally and 12 in the Arab world. Saudi Arabia ranked first in the Arab world and 16 in the world with a reserve of 322.9 tons. While Algeria ranked third in the Arab world and 25 in the world with reserves of gold estimated at 173.6 tons, and Libya stood at a relatively advanced rank in the 31st position internationally and fourth in the Arab World with reserves of 116.6 tons. Turkey's reserves stood at 516.7 tons of gold, securing the 12 in the world.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{gold-sector-risk.png}
\caption{Arab countries with highest quantities of gold (t)}
\end{figure}

\textsuperscript{37} World Gold Council March 2017
7.7.2. Threats associated with the gold sector

Threats of exploiting the gold sector in money laundering evolve mainly around the following elements:

- The size of the issues related to the trade of goldsmiths and precious metals: During the year 2016, the value of gold seized by the Customs departments was estimated at 13 872 352 dinars and in 2015, the value of seized gold amounted to 15 387 220 dinars, with a real seizure of 43 kg of gold and a seizure estimated at 189 kg.

- Exploiting Tunisia as a transit country for important quantities of gold metal towards Turkey and Asian countries for the purpose of manufacturing and bringing them back through Tunisia to neighboring countries. In this context, some open sources indicate that smuggling of gold between Turkey and Tunisia is very active where figures indicate that between 2012 and 2014 the value of gold surreptitiously imported to Tunisia is estimated at 19 tons and 400 kg.

- Important quantities from neighboring countries are traded in Tunisia.

- The seriousness of crimes related to this sector including the phenomenon of mixing gold with copper and iron and other metals such as silicon for manufacturing a model offered for sale as being pure gold, in addition to the frequency of fraud and false issues related to the official Tunisian stamp for gold.

The law No. 15 of 2005 regulating the profession stipulates that the merchant or craftsman shall provide the customer with a detailed invoice containing the characteristics of the piece of the coin (weight and carat) and the source of the goods and be recorded in an accounting book of the materials, to be appended by the departments of the Ministry of Finance, however according to Judicial investigations conclusions of law enforcement agencies these requirements are not complied with.

Thus, the assessment team considered that the gold sector is exposed to high threats related to the poor regulation of the sector and the geographical situation in the North African region and the Middle East and the outbreak of smuggling and transit of amounts of gold compared to the level of the State reserve of gold.

7.7.3. The weaknesses of the sector

According to the results of the assessment of a set of key factors adopted in identifying the weaknesses of the gold sector, this sector has been granted high level of weaknesses.

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38 A statement issued by this Council is enclosed to the appendix
It is noteworthy that among the most important weaknesses of this sector:

- Poor regulation of the profession and ineffective control mechanisms on the gold sector

- Lack of familiarity with the duties of the goldsmith and precious metals traders in terms of developing programs and measures to combat money laundering and terrorism financing.

- Lack of procedures to tracing and monitoring suspicious operations and reporting

- Lack of level of measures to verify the identity of the real beneficiary

- The importance of commercial operations carried out in cash, which hinders the attempt to tracing the source of funds

- Difficulty to refer to the archive of carried out operations

- Lack of reporting from dealers in jewelry

In light of these difficulties, the sector experienced several successive crises in recent years, in the absence of clear structures of supervision and dispersion of the sector, which led the Central Bank of Tunisia to issue a communiqué confirming that its functions in the field of jewelry is restricted, in accordance with the regulations into force to the acquisition of pure gold, whether through import or acquisition from the Ministry of Finance, and distribute it monthly to the cooperatives and craftsmen on the basis of stamped official documents and the Central Bank of Tunisia has no relationship with dealers in jewelry.

The bank pointed out that the price of selling gold to cooperatives and goldsmiths is determined on the basis of the gold price into force on international market and the exchange rate of the dollar against the dinar. The Tunisian Central Bank also sets
monthly delays for raising the required quantities from its headquarters and its branches in Sousse and Sfax by cooperatives and craftsmen.

In view of the gaps in the level of regulations governing this sector, parallel trade, differences in opinions of artisans and merchants, which are shaped according to each party interest, the fluctuations in the price of gold and the procedures for supplying gold and financing professionals activity, jewelry professional grouping is worried about the sector’s crisis at the Legal, structural and organizational level.

Professional jewelry grouping
Confederation of Tunisian Citizenship Institutions
9 September 2015

In view of violations and breaches that occurred in the ways of dealing with the manufacture and trade of precious metals and the sector of jewelry in particular.

In view of the harassment underwent by craftsmen because of complying with procedures and laws that were implemented in 1942 and 1969 by the previous legislator with minor changes in 2005 that concerned in particular corporal punishment that are complied with till the present day and which appear to limit activity, reduce production and productivity and hinder progress in the sector.

In view of what the sector faces in general, notably speculation and overbids between the parties operating in it and practices between intruders to the profession... these are preventing the expansion of the production cycle, employing more skilled workers and these lead to the stagnation of the market and the disappearance of creativity and innovation and lack of quality in the industry.

And in view of what the citizen feels in the absence of guarantees that protect him from fraud and injustice made by traders and sellers.

In view of repeated visits to Turkey, the most recent of which in last October and the working session held between members of the jewelry grouping from CONECT and the President of the Turkish National Chamber to consider the possibility of the Tunisian-Turkish partnership in the industry of jewelry, which met the support and appreciation of foreign investors who called for reconsidering the law adopted in the jewelry sector in our country. The sector is not open to international market as long as it does not secure investors when staking their money and investing it in our country. It will be easy for them to enter into partnership with us only when there is a determination to fundamentally change the regulations in this field.

In view of all these cases that emerge fully or partially on the market ... I think that we have, because we are concerned with the sector and on the basis of the spirit of patriotism and care about our future generations ... to present you with a number of proposals arising from a long experience in the field, which may serve to organize the sector and reform the ways to deal with.

Proposals:

First: liberalize gold domestically which means that it becomes like any raw material that can be processed, the gain of the manufacturer of jewelry being his manual skills.
**Second:** we require that the stamp used in stamping jewelry contains only the carat stamp and the owner stamp while the guarantee stamp remains optional, if needed the citizen has to request it from the security offices by showing only the purchasing invoice which must be used according to the law into force that deals with invoices and so we reduce opportunities of fraud in the sector.

And every trader should be a true master in assessing the carat and if he lacks experience, we propose offering a recycling opportunity in the training center relating to jewelry sector in Gammart to get a certificate certifying being a true master of assessing the carat so as to save the trader from being labeled lacking experience according to observers and therefore be fully in charge of all the displayed jewelry in his shop. This, in our view, reduces the cost and encourages foreign tourists and enables us to sweep the neighboring markets Libya in the long term and Algeria in the short term.

**Third:** Imposing the carrying of the purchasing invoice in the transportation of jewelry inside and outside commercial shops without taking into account quantities or bullion receipts in jewelry transportation.

**Fourth:** Exempting precious and non-precious stones from value added tax.

**Fifth:** setting up a bank of metals specialized in supplying artisans with gold and silver raw material instead of the central bank.

**Sixth:** The need to review the laws dealing with corporal punishment containing an insult to human being and substituting them by laws that sanction the offender materially through a fine or freeze of his activity for a certain period time and if he does not comply his license will be withdrawn and he will be permanently removed from the profession and so foreign investors will be encouraged to invest in our country.

**Seventh:** setting up a higher council of jewelry the task of which is to monitor the sector and those operating in it and will be endowed with the ability to take strict decisions against anyone who intends to infringe the sector through amending Law No. 15 of 2005.

With such proposals, we would have encouraged foreigners and made them aware of investing in our country, created partnership opportunities with Europeans and swept international markets with our products which will increase the number of jobs that could reach 20,000 jobs within five years.

With these observations and should their trend experience the practical application, we would have served our beloved country, developed our products and swept foreign markets with our products, especially Algeria, which is a flourish market for Turkey and Italy. Algerians are buying jewelry from these countries and cause an illicit entry of goods from Libya through Tunisia and the project of the border wall between Tunisia and Libya, the works of which have started will be a barrier to Algerian smugglers of jewelry form Turkey and Italy from the Libyan border through Tunisia, this will oblige the Turkish and Italian businessman to start partnership with Tuniscians making his product so close to the Algerian and therefore we hit two birds with one stone. We introduced the investor to Tunisia and attracted tourists-businessmen and others to a leisure and business visit at the same time. This supposes thinking setting up jewelry fairs in Tunisia similar to those in Dubai. This is only possible through organizing the sector, refining its atmosphere, filtering its channels and polishing its image so that it always remains pure and shining as its metal.
According to the above mentioned, this sector threats stood at high level as shown by risks matrix below:

<table>
<thead>
<tr>
<th>Gold sector</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threat</td>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
</tbody>
</table>

Vulnerabilities

And in accordance with the understanding of the Sub-Committee in charge of the assessment of the Specific Non-Financial Professions arising from the Leadership Committee threats relating to this sector in relation to money laundering and terrorism financing and weaknesses that would pose a high degree of risk to the profession of goldsmiths and gold traders, a number of priorities need to be identified and arranged for risk reduction as shown in the following table:
Identifying priorities and their ranking in order to reduce risks to gold sector

<table>
<thead>
<tr>
<th>Priority identifying</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector employees understanding of combatting ML</td>
<td>1</td>
</tr>
<tr>
<td>Monitoring activities effectiveness</td>
<td>2</td>
</tr>
<tr>
<td>Compliance managing effectiveness</td>
<td>3</td>
</tr>
<tr>
<td>Follow up of suspicious transactions and reporting on them</td>
<td>4</td>
</tr>
<tr>
<td>Availability and applying administrative sanctions</td>
<td>5</td>
</tr>
<tr>
<td>Sector’s employees integrity</td>
<td>6</td>
</tr>
<tr>
<td>Systems availability allowing checking the safety of customers identity documents</td>
<td>7</td>
</tr>
<tr>
<td>Availability and effectiveness of measures to join the profession</td>
<td>8</td>
</tr>
<tr>
<td>Availability of data on real beneficiary</td>
<td>9</td>
</tr>
<tr>
<td>Availability of independent data source</td>
<td>10</td>
</tr>
</tbody>
</table>
7.8. Real estate sector risk

The real estate sector is considered as one of the most important traditional money-laundering sanctuaries. It is an excellent option to merge and conceal significant sums obtained illegally, and at the same time is a successful investment as it generates significant and regular profits.

The real estate market in Tunisia represents a direct market for buying and selling transactions and can be segmented in different ways either according to geographic areas of real estate (regions, countries, cities, neighborhoods, rural areas etc.) or by type of property (houses, apartments, offices, industrial or commercial buildings, land etc.) or by property quality (old and new). Property prices are determined according to the law of supply and demand but are often influenced by other external factors (economic and political ...).

7.8.1. Threats surrounding the real estate sector

Despite the decline in the overall investment pattern in Tunisia since 2011 and the rise in inflation average, real estate investment continued at a rapid pace resulting in the boom of the total production of this sector during recent period, increasing from 15 thousand lodgings per year in the mid-seventies to 80 thousand in 2014 against a less pace rise in new households number which corresponds to 58,000 households which gave rise to an average of 1.53 lodging per additional household.

According to a study conducted by the Ministry of Equipment, Housing and Land Planning "Towards a New Housing Strategy in Tunisia" (September 2014), it revealed that annually 75.5% of the dwellings have been legally built by families (and 4.5 illegally) by contrast, the percentage of lodgings built by real estate property developers was estimated at 22% and the lowest percentage of investment, 2.5% from the public sector.

In the same context, the real estate price index registered an upward trend in both new housing and existing residential properties (homes and apartments) or land (land for residential use). The average annual increase of this index is 6% during 2011-2015. The chart shows the trend in prices rise.
On the other hand, between 2011 and 2013, prices of new apartments rose on an exceptional basis by 41%, or by almost 13.5% per annum, much higher than the 5.7% annual increase in the last 15 years. The rapid rise in this indicator can partly be explained by the shortage of land for construction, particularly in urban areas, and by high prices of building materials, which account for 60% of the cost of social housing. In addition to the emergence of a new class of foreign clients, mainly Libyan nationals with abundant resources.

According to the above, the analysis of this indicator trends reveals a pattern that cannot be explained by the law of supply and demand, which makes the upward trend in prices unjustified, especially if the purchasing power of local customers is taken into account. This may contribute to the concentration of an economic bubble based on the rapid increase in prices, which would lead to a large and continuous gap between prices in this market and the rise in the fundamentals of the economy.
seriousness of this speculation lies in the expectation of a sudden drop in prices with serious consequences on the economic and social level in terms of the importance of the losses that may arise.

On the other hand, according to a study carried out by the Ministry of Equipment, Housing and Land Planning, this sector represents 6.6% of GDP. The number of private companies operating in it is estimated at 29,422 companies and the volume of transactions of these companies at 5,175 billion dinars. The same study raises an important figure of 100,000, which represents the number of vacant dwellings that are not prepared for rent nor for sale and are not intended to be second homes.

On the other hand, it is noted that the Tunisian legislator allows foreigners to acquire real estate, provided that they are not of agricultural, industrial or tourism nature, meaning that foreigners can buy residential properties, provided that they obtain the governor’s authorization the duration of which to get it was three years reduced now to three months. We also note that the citizens of the Arab Maghreb countries (Algeria, Libya and Morocco) have been granted privileges by the Tunisian law allowing them, in accordance with bilateral agreements concluded with these countries, to purchase residential properties without obtaining the governor’s authorization.

One of the most prominent threats associated with this sector is its exploitation in money laundering. The acquisition of properties was examined in the framework of merging suspicious funds, according to a study of a series of suspicious reporting in the framework of the strategic analysis of the Tunisian Financial Analysis Committee.

According to the above, the threats of the real estate sector in the field of money laundering stood at a high level.

7.8.2. Weaknesses of the real estate sector

The analysis of the weakness of the real estate sector shows a high level of 0.95 out of 1.
The high level of rating granted to the real estate sector is mainly due to the following factors:

- Lack of awareness of real estate agents and the remaining in charge of working out contracts in the real estate market with the duties they are entrusted with in the field of combating money laundering.

- Absence of a supervisory authority to monitor the compliance of real estate agents with the provisions of Law No. 26 of 2015 on combating terrorism and preventing their money laundering.

- Lack of suspicious reporting due to the lack of awareness of real estate agents of the requirements of combating money laundering in their area of competence.

- The importance of using cash in transactions between real estate agents and their clients, especially foreigners and Libyans in particular.
Vulnerabilities

Thus, it should be focused on the following priorities to reduce weaknesses faced by this sector:

Identifying priorities and their ranking in order to reduce risks surrounding real sector

<table>
<thead>
<tr>
<th>Factors that should be focused on</th>
<th>Rating according to priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contacting the sector supervisory authority to consider threats and related weaknesses</td>
<td>1</td>
</tr>
<tr>
<td>Contacting the structure organising the real estate developers profession</td>
<td>2</td>
</tr>
<tr>
<td>Organizing a day on awareness and sensitizing of the profession</td>
<td>3</td>
</tr>
<tr>
<td>Adjusting structure to issue procedural text to comply with law n°26-2015 provision</td>
<td>4</td>
</tr>
<tr>
<td>Inciting sector employees to activate the follow-up of suspicious transactions and report on them</td>
<td>5</td>
</tr>
<tr>
<td>Inciting the adjusting tool on training, control and applying administrative sanctions</td>
<td>6</td>
</tr>
<tr>
<td>Availability and possibility of getting access to data related to the real beneficiary</td>
<td>7</td>
</tr>
<tr>
<td>Availability of systems allowing to check the safety of costumers identity documents</td>
<td>7</td>
</tr>
<tr>
<td>Availability of independent data source</td>
<td>9</td>
</tr>
</tbody>
</table>
8. Risk analysis related to traditional and innovative instruments and incubators for money laundering and terrorism financing

This part of the national assessment presents an analysis of the risks posed by traditional and innovative tools and incubators for money laundering and terrorist financing, such as cash, non-profit organizations, international trade companies besides electronic payment transactions and modern technologies and intermediaries.

In order to assess this category of risks, a typical field operation has been worked out on the physical transfer of cash, law enforcement agencies (the General Department of Customs and the departments of the Ministry of Domestic Affairs) and all Tunisian banks with both resident and non-resident branches participated in its carrying out.

In the same context, based on the results of the strategic analysis and the information contained in the databases of the Tunisian Committee for Financial Analysis or those arising from international cooperation, risk analysis of the sector of non-profit organizations and international trade companies and other sectors without forgetting to exploit national and international academic effort in the field, has been considered.
8.1. Physical transfer of cash

Within the framework of the national effort related to the assessment of the Tunisian system of money laundering and terrorism financing, an on-site operation has been worked out by law enforcement agencies (the Ministry of Domestic Affairs and the General Department of Customs) and all banks in the Tunisian financial sector presided over by the Tunisian Financial Analysis Committee in order to understand the physical transfer of funds across the Tunisian border and choosing as emblem for it the image of the historic military commander Hannibal;

As "Hannibal Process" title which extended during the period 20 June 2014 to 20 August 2014.

In parallel with the national risk assessment process, the Hannibal Process was simultaneously engaged in the joint typologies of the FATF and its counterpart in the Middle East and North Africa (MENAFATF) on money laundering and terrorism financing through the physical transfer of cross-border cash as a process typical of the reality of the physical transport of money in North Africa and the Middle East, and that the Tunisian Committee for Financial Analysis was selected in December 2013 as a joint leader with the UK for carrying out this project at the international level, which was launched during 2013 last quarter until October 2015, when the project has been presented in its last version to the FATF Plenary meeting.

8.1.1. Hannibal operation objectives

This process falls within the field track of the national risk assessment process and aims at:

- Understanding the scope and field of money laundering and terrorism financing based on the physical transfer of cash related to the operations of importing and exporting foreign banknotes.

- Monitoring the fate of reported funds at- import and disclosing the methods and adopted procedures in smuggling currency in cash at the national level.

- Tracing the trend of cash imported foreign currency after depositing it in the Tunisian banking sector or exchanging it against Tunisian dinars or withdrawing it in cash from bank accounts in order to exporting it
- Adoption of the results of the on-site operation when working out practical recommendations to combating aspects of organized crime (money laundering, terrorism financing, smuggling ...)

- working out practical recommendations at the national level based on the breakdown and directing of material and human resources adopted on the risk-based approach.

**8.1.2. Operational coordination**

A focal point for all interconnected structures (Ministry of Domestic Affairs, the Customs, the Banking Sector and the Post Office) has been set up to accommodate data and information.

Within two months, all communication units provided the required information to the Tunisian Financial Analysis Committee according to several models, including the model related to seizure operations and the one related to monitoring the fate of declared funds at import or export.

The flow of information to Hannibal base from focal points was carried out simultaneously and continuously through a secure information exchange system of the Central Bank of Tunisia "Système d'Echange de Données: SED".

**8.1.3. Hannibal Operation Database**

The working team supervising this process prepared technical specifications that included a practical view of the Hannibal base that included all phases of the trend of currency in Tunisia according to the banking sector regulations. This allowed the participating parties to get access to this base using the user name and password related to each intermediary to feed the database with required information according to 5 forms containing boxes related to specific data following the nature of the procedure and the targeted party.

The project team at the Tunisian Financial Analysis Committee provided additional specifications on terms of reference and technical elements for information processing and analysis, leading to the adoption of one of the advanced information applications in this field, which contains techniques based on converting primary data into useful information for assessment purposes and has the ability to handle high numbers of data to help with decision-making.

As preliminary data, the Hannibal Operation database accommodated within two months:

- Flows exceeding 16 thousand forms received from all overlapping parties that have been processed and analyzed through the mentioned software.
- Flows involving 15 cross border points for the most important air, sea and land ports in the north, center and south of the country.
- Flows involving 22 banking institutions in addition to the Tunisian Post Office.

8.1.4. Displaying results

“Hannibal process” was based on an approach its basis being the Understanding and analysis of legitimate money trends in terms of their quantitative, qualitative, source and destination so that they can later be distinguished from the money trends associated with the field of organized crime, and for this purpose the breakdown of this section axes is as follows:

A) The volume of foreign exchange flows

During the period taken by Hannibal operation, we managed to determine the first digital output that will be the central point in the analysis of all successive statistical indicators. The total amount of declared foreign currency operations at entry was estimated at about 777 million Tunisian Dinars (776,995,519,732). The volume of currency flows by border foreign exchange bureaux, type of currency, nationality, country of destination and gender will be presented below.

- The volume of foreign exchange flows by border offices

In order to determine the volume of foreign exchange flows by border offices, two criteria were introduced: the first is the size of the declared operations per border office and the second is the standard of the amount by each office. The first criterion helps to arrange the main border entry points for cash trend. This gives a priority arrangement of the border points according to the importance of the geographical flow of the currency, which may be offset by the criterion of the volume of the amounts declared in view of the objective not the geographical data.

- Quantitative output

The Hannibal operation database received 14976 declaration of importing foreign currency, which were distributed geographically over 15 border points which included almost the most important air, sea and land ports in the north, center and south of the country. The statistical data produced practical data related to the order of foreign exchange flows according to the category of border entrances as follows:

- Airports: a total of 9481 foreign currency transactions have been declared corresponding to 63% of the total number of reporting.
- Land ports: 4148 operations of foreign currency have been declared corresponding to 28% of the total number of reporting.
- Maritime Ports: a total of 1347 foreign currency transactions have been declared corresponding to 9% of the total number of reporting.
Based on these rates, this arrangement produced the following:

**Classification of foreign currency flows according to the category of border entrances**

It appears, based on further details related to these statistical data, that foreign currency import reporting concerned all border entrances as follows:

<table>
<thead>
<tr>
<th>Border Office</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>crossing border office Tunis Cartage</td>
<td>8414</td>
</tr>
<tr>
<td>crossing border office Ras Jdir</td>
<td>2931</td>
</tr>
<tr>
<td>crossing border office La Goulette</td>
<td>1347</td>
</tr>
<tr>
<td>crossing border office Skanes Monastir</td>
<td>528</td>
</tr>
<tr>
<td>crossing border office Malloula</td>
<td>485</td>
</tr>
<tr>
<td>crossing border office Nfidha</td>
<td>397</td>
</tr>
<tr>
<td>crossing border office Dhiba</td>
<td>292</td>
</tr>
<tr>
<td>crossing border office Tabarka Airport</td>
<td>127</td>
</tr>
<tr>
<td>crossing border office Babouch</td>
<td>125</td>
</tr>
<tr>
<td>crossing border office Kalaat Snan</td>
<td>92</td>
</tr>
<tr>
<td>crossing border office Hezoua</td>
<td>90</td>
</tr>
<tr>
<td>crossing border office Sakiaat Ezzi</td>
<td>73</td>
</tr>
<tr>
<td>crossing border office Bouchabella</td>
<td>60</td>
</tr>
<tr>
<td>crossing border office Sfax Airport</td>
<td>9</td>
</tr>
<tr>
<td>crossing border office Tozeur</td>
<td>6</td>
</tr>
</tbody>
</table>
It is clear from the foregoing that the most important border offices exposed to the risks of currency flow in terms of number and ratio are between three main border entrances located in the north and south of the country:

I. Customs border office at Tunis-Carthage Airport.

II. Border’s office in Ras jedir.

III. Border’s office in northern la Goulette.

- Qualitative output

The importance of value analysis is to overcome the geographical polarization of foreign exchange flows which does not highlight the necessity for the size of risks arising from the physical transfer of cash. For example, one of the border offices may occupy an advanced position in terms of currency flows in quantity, while being delayed to low positions in terms of the value of declared amounts.

Based on the above, the ranking in terms of the value criteria has been distributed to geographic areas that have not been ranked following the quantitative criteria in advanced positions such as some of the border offices located in Center west (Bouchabka) of the country on the Tunisian-Algerian border which shows real threats to the country’s security since the center west region of the country has represented since 2011 and till this date a hotbed of tension due to the positioning of terrorist cells in the area where terrorist activity was mixed with an important volume of cash inflows estimated at more than 11 million dinars within just two months except for non-declared ones.

In an analytical reading of some other data related to the flow of foreign currency, we note that the Border office in Ras Al-Jadir was ranked first in terms of currency amounts received at a high rate of 60.69% compared to the border office at Tunis Carthage Airport, which stood in terms of the volume of declared operations at the highest rate of 56.18%.

In general, these data and ratios reflect two things:

- The reality of the field in its interaction with the geopolitical data that Tunisia has experienced since the revolution.

- The size of the threats facing the country in relation to the growing aspects of organized crime in various categories such as the increase in the phenomenon of smuggling, terrorism, money laundering and arms trafficking….

Analytical Outcome # 1:

The adoption of these two criteria in the analysis is a methodological necessity in the working out of regulatory and security policies by decision makers in a manner that allows directing human and logistic resources in their true place in accordance with the risk-based approach in its comprehensiveness quantity and value.
**The volume of cash flows by type of foreign currency**

The "Hannibal Process" database has received 14976 foreign currency reporting on importing foreign currency including major currencies (US Dollar, Euro ...), Gulf and Scandinavian currencies, as well as Asian currencies (Japanese yen) and Maghreb (Algerian and Libyan Dinars). In total, 16 foreign currency types have been registered and their breakdown in terms of value is as follows:

![Currency Distribution Diagram]

In terms of ratios, it has been noticed that major currencies ranked first (94.2%) in terms of foreign currency inflows to the Tunisian country by a significant difference from the rest of other currencies, estimated at 731,954,054,531 Tunisian dinars, as shown in the following diagram:

![Main Currencies Ratios]

- **Euro**: 79.84%
- **American Dollar**: 13.03%
- **Sterling Pound**: 1.34%
The Gulf currencies ranked second with 3.53% of the total foreign currency inflows of 27,463,425,992 Tunisian Dinars, which highlights the importance of Gulf money during the last years following the revolution, regardless of the financial flows through bank transfers, or other financial institutions in the form of "Eurozone - Money Gram, Express money".

As for remaining currencies, it has been noted the import of significant amounts of Scandinavian currencies (Norwegian, Danish and Swedish krona) estimated at 3,484,080,076 Tunisian dinars representing 0.45% of the total number of foreign currency reporting.

In calculating the ratios, all foreign currencies declared to Customs departments through all border offices are as follows:

The statistical analysis of the financial statements presented above while being a systematic requirement to describe the level of phenomena related to the inflows of cash to Tunisia, the process of analysis in essence exceeds scientifically the level of description of research in the meaning of data in an analytical approach, its content is the following:

According to most important studies currently under way at international level, policymakers do think that crime has an identity and identification data and cash identity is among its most important elements whether it concerns major currencies (US dollar and euro) or other foreign currencies traded mainly within regional economic alliances such as The GCC currencies (Saudi Riyal, Kuwaiti Dinar, Qatari Riyal) currently into force in the GCC or the West African Monetary Union (CFU) countries known as CFA Franc.

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39 notably by (FATF), in which the "Hannibal Process" is embedded as a model for understanding regional monetary movements at the level of North Africa and the Middle East

40 CFA francs: the currency of West African countries consisting of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Senegal.
This approach is based on a number of fundamental variables in their interaction, negatively or positively, with geographical, economic and control indicators of the country of travel, transit and destination. For the purpose of simplifying the above, a practical model will be presented for situations that have been examined during the course of Hannibal's operation.

**Practical model**

<table>
<thead>
<tr>
<th>Identifying variables</th>
<th>Way of cash transport</th>
<th>Degree of indicators interaction with variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash identity</td>
<td>Sterling pound</td>
<td>Country issuing currency economic tie with involved countries</td>
</tr>
<tr>
<td>Country of origin</td>
<td>Libya and algeria</td>
<td>Country issuing currency geographical tie with involved countries</td>
</tr>
<tr>
<td>Country of monitoring cash</td>
<td>Tunisia</td>
<td>Regulatory system of cash movement in the currency issuing country</td>
</tr>
<tr>
<td>Country of final destination</td>
<td>Emirates and TURKEY</td>
<td>Bank transfer</td>
</tr>
</tbody>
</table>

By analyzing all elements included in the table, we reach the following conclusions:

- Most fundamental variables interacted negatively with most indicators which shows the real and logical justification for the movement of cash as a method adopted (physical transfer of cash) in relation to a clear economic background that combines all countries involved in the money movement.

- The Country of Money Issue (The UK) adopts a strict regulatory system aimed at limiting the method of financial dealing in cash to simple daily transactions of living type, which excludes direct monetary dealing in other economic fields, whether commercial, industrial or service.

- The Country of Money Issue (The UK) adopts, in accordance with international standards, a specific ceiling for currency exports not exceeding an amount equivalent to 10,000 Euros at export.

- The legal and regulatory system of money movement in the countries of origin and transit (Algeria, Libya and Tunisia) reflects the nature of their traditional economies based mainly on cash as a fundamental method in carrying out financial transactions.
The weakness of the financial and institutional system of the banking sector in the country of destination (Libya and Algeria) explains money transit through Tunisia for its subsequent exploitation in transfers to destination countries.

The weakness of the control system in the country of transit (Tunisia) resulting from the lack of awareness of the dangers of money laundering through the physical transfer of cash.

The legal system in the country of transit (Tunisia) is attractive to foreign investment in Tunisia, which produces a setting up of non-resident entities incubators of financial flows that may be suspicious through holding bank accounts in sterling pound usually fed through direct cash deposits that have no organic link to the Tunisian economic and financial fabric.

The collapse of institutions in Libya, the spread of terrorism and the escalation of smuggling on the Tunisian-Libyan / Tunisian-Algerian borders are crucial factors in the perception of corruption as an important part of the observed cash flows, especially in currencies other than the major currencies (the euro and the US dollar) such as the sterling pound, the Canadian dollar, the Gulf and the Scandinavian currencies, except for currency import through Tunis-Carthage airport by Tunisians residing abroad or by tourists.

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**Analytical outcome # 2:**

The identification of foreign currency within its analytical context set out above, provides effectively the possibility of distinguishing between legitimate cash flows and their illegitimate counterparts.

- **Foreign currency flows by nationality, country of origin and gender**

It is important to use data included in foreign currency declaration document, whether personal or other data related to the country of origin or nationality of the declaring party, especially that the process of evaluating regulatory systems effectiveness in understanding the risks of the physical transfer of cash is based on the content of its databases in terms of good formulating required data that are the cornerstone of any strategic approach aimed at uncovering regulatory gaps in order to develop concepts and processing that are appropriate in form and substance. In this context, we are going to analyze all these data according to the following details:

- **Foreign currency flows by nationality**

The breakdown of foreign currency flows by nationality in terms of the number of reporting and ratios is as follows:

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41 According to Basel AML index
Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing

- Tunisian nationality ranked first with 6478 reporting of importing foreign currency with 43% of the total reporting which is logical given the carrying out of the Hannibal process during the period of Tunisians residing abroad coming back home.

- The second place is to the Libyan nationality with 5207 reporting on importing foreign currency with 35% of the total reporting which highlights that Tunisia is also a privileged financial destination for Libyans that must be dealt with according to the methodology based on the identification of risks to distinguish between financial flows intended to trade and living expenses and other financial flows related to suspicious financial activities mainly since the declared amounts at the Libyan-Tunisian transit crossing stood at first rank with a high rate of 60.69% corresponding to 471 million dinars only during two months.

- The Algerian nationality came in at the third place with 1136 reporting on importing foreign currency with 8% of total reporting.

- French nationality stood at 573 reporting with 4%, Italian with 340 reporting or 2% and Mauritanian citizenship 153 reporting or 1%.

- The rest of nationalities together stood at 1073 reporting, representing 7% of the total number of reporting.

### Breakdown of financial flows according to the declaring party nationality

![Graph showing breakdown of financial flows]

- **Tunisian**
  - 6478 reports
- **Libyan**
  - 5207 reports
- **Algerian**
  - 1136 reports

### Foreign currency inflows by country of origin

This criterion is based on determining the origin of financial flows and this is of scientific importance in determining the security and economic strategies for decision makers. For methodological purposes, we have the following observations:
- This criterion is not necessarily necessary with the criterion of nationality. For example, foreign currency inflows from Libya do not include just travelers of Libyan nationality but also other nationalities.

- Identifying the origin of cash flows provides accurate data that can be used to determine some economic, security and political options for their ability to develop a geographic map of risks.

- Determining the origin of foreign currency flows illustrates the State's understanding of potential risks and their access to information according to their analytical capabilities, which is a fundamental requirement for measuring the capabilities of States in combating organized crime.

- Understanding this criterion helps regulatory structures to properly formulate the request for information in the framework of international cooperation by targeting specific requests from specific countries, thus contributing to the efficiency of decision-making.

Below we present the identity of the top ten countries in the ranking according to the origin of financial flows in cash within the following statistical data regarding the breakdown of the reporting according to the country of origin:

**Main countries of origin**

<table>
<thead>
<tr>
<th>Country</th>
<th>Reporting Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>262</td>
</tr>
<tr>
<td>Canada</td>
<td>270</td>
</tr>
<tr>
<td>UAE</td>
<td>397</td>
</tr>
<tr>
<td>Qatar</td>
<td>433</td>
</tr>
<tr>
<td>Germany</td>
<td>488</td>
</tr>
<tr>
<td>KSA</td>
<td>533</td>
</tr>
<tr>
<td>Italy</td>
<td>758</td>
</tr>
<tr>
<td>Algeria</td>
<td>1074</td>
</tr>
<tr>
<td>France</td>
<td>2560</td>
</tr>
<tr>
<td>Libya</td>
<td>5353</td>
</tr>
</tbody>
</table>

**Analytical Outcome # 3:**

Identifying the origin of foreign currency flows illustrates the State's understanding of potential risks and its access to information according to its analytical capabilities, a key request for measuring the capacity of the States to combating organized crime problem.
Foreign currency inflows by gender of declaring party

Analyzing statistical data in detail is consistent with Hannibal's on-site operation main objectives because of figures ability to show analytical output since it is important to determine the reporting party gender, whether male or female, especially to Customs structures so that the latter uses its human and logistic capacities at various border ports on a real basis and not on an arbitrary judgments.

In this context, the Hannibal database produced significant figures that exceeded the traditional classification of the concept of cash carriers in terms of limiting it to males, the number of declaring females stood at 1536 out of a total of 14976 declarations, more than 10% of the total of declaring operations in foreign currencies at all border offices.

Analytical outcome 4:

Determining the gender of the declaring party is a key request in activating the targeting mechanism within the risk-based approach for the proper recruitment of suitable human capacities.

B) Monitoring the movement of cash through legitimate channels

In order to trace cash inflows in Tunisia, the banking sector through its resident and non-resident branches in addition to the Post office have been involved in the Hannibal process. This approach derives its argument from the general legal framework governing the physical transport of money in Tunisia and which involves the Customs departments with respect to foreign currency inflows and outflows, banking institutions in the process of deposit or foreign exchange or re-export transactions in some situations that we will see successively according to the following cases:

First case: currency declaring for transit purposes
Second case: currency declaring for the purpose of transfer to an authorized intermediary to be re-exported later on

Third case: currency non-declaring at entrance

This situation gives the traveler the right not to declare the amounts of imported currency at entry in the limit of the equivalent of 10,000 Tunisian Dinars (in accordance with the provisions of Chapter 114 of the Basic Law No. 26 of 2015 and the Minister of Finance decision of 1/03/2016), but does not grant the holder the possibility of depositing it in a bank account or export it abroad and by contrast allows him to exchange it at a bank or at the Post office against Tunisian dinars.

Based on the above, the on-site “Hannibal Process" was worked out in accordance with this approach in order to reach:

- Conducting a real monitoring of the cash movement from its declaration at the border through the process of deposit or exchange at Tunisian banks till its later re-export.

- Determining amounts that remain in Tunisia, unlike legal formulas, which likely constitute the main source of suspicious financial activities in their relation to smuggling crimes and, in general, to organized crime.

**The volume of deposits in foreign banknotes at the banking sector**

The volume of inflows received from Tunisian banks regarding the cash deposits in foreign currency declared to Customs in the framework of Hannibal's operation stood at 1438 forms broken down among all Tunisian banks.

Deposits in foreign currency at banks amounted to a total amount of 66,572,193 Tunisian Dinars detailed as follows:
The rate of cash deposits at banks compared to the total amount of foreign currency declarations at entry (66,572,193 TND / 776,995,519 TND) was estimated at about 9%.

Hannibal operation database received 14,976 declarations in importing foreign currency while in the same period only 1,438 declarations have been deposited, that is 10%.

According to statistical data, major currencies (US dollar, euro, sterling pound) in terms of value ranked first in bank deposits with a total amount of 62,383,143 TND, accounting for 94% of total deposits.

Followed by Gulf currencies with a total amount of 2,389,965 TND, representing 4% of total deposits. The Scandinavian currencies were also notable in their presence at the level of bank deposits with a total amount of 480,070 TND representing 1% of total deposits.

Following what has been previously mentioned, "Hannibal Process" chart shows important currencies in the Tunisian banking sector which may provide a clear vision for decision makers in assessing the interaction and intersection of these financial statements with other relevant indicators.

- The volume of currency exchange operations at Tunisian banks and at the post office

Tunisian banks registered 901 foreign exchange transactions against Tunisian dinars (foreign currency exchange against Tunisian dinars at banks) with a total value of TND 8,052,668,366 broken down among 14 banks.

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42 It should be noted that foreign currency exchange operations referred to include operations carried out by the secondary commissioners of foreign exchange (hotels - traditional handicrafts shops ...) as being carried out in terms of accounting by the Tunisian banks.
The exchange of foreign currency at Tunisian banks compared to the volume of foreign currency declaration operations stood at a low rate not exceeding 1% during the same period, from 20/06/2014 to 20/08/2014, which is a very small rate.

It is clear from these statistical data that the polarization of Tunisian banks to the sale of foreign currency is very weak and is almost nonexistent, despite the lack of strict regulatory procedures in this field. Only an identity card is required in extreme cases when the amount of the currency to be sold exceeds 5000 TND or the Customs declaration on importing a foreign currency to be sold exceeds 10,000 Tunisian Dinars in accordance with the provisions of Chapter IV of the Minister of Finance's Decree of 1 March 2016.

However, and by contrast, Tunisia is experiencing a worsening of the foreign exchange parallel activity and smuggling operations and other Customs and banking offenses related to the Customs and foreign exchange smuggling which may explain the weakness of the official channels in attracting cash inflows of foreign currency.

Since this aspect has constituted a serious problem in recent years, the "Hannibal process", though spread over a short period of time, will not miss the opportunity of investigating in this problem according to statistical outputs available to us. For the purpose, we will focus on the most important observations that have been noticed:

- 91% of foreign exchange transactions (TND 7,318,618,664) were carried out in the framework of deposit of imported foreign exchange amounts at an authorized intermediary in accounts in Tunisian dinar belonging to Tunisians residing abroad, while the remaining rate of operations and estimated at 9% corresponding to 734,049,702 TND was carried out outside the framework of Customs declaration.
- The value of selling foreign currency to Tunisian banks outside the framework of Customs declaration estimated at 9%, the equivalent of 734,049,702 TND reflects in fact the lack of control by the current legal system and regulatory bodies on an important part of liquid cash in foreign currency which circulates within a system that we are witnessing its existence through the spread of parallel markets without being able to disclose the size of its figures or its spreading system.

- Admitting that the State’s supervisory authority has reached within two months a figure of transactions connected to manual exchange corresponding to 734,049,702 TND is itself a significant digital outcome at the assessment level proving the failure of official channels to attract foreign currency amounts, which reflects the size of foreign exchange parallel market.

Praising this important digital outcome shown by this on-site operation, it is necessary to assess the risks of the fallouts of foreign exchange parallel activity, which is the main and vital supporter of parallel economy and smuggling in particular.

First, parallel economy existence causes are derived from the alternative system it offers that goes beyond the existing system at different levels:

- **Legislative level**

- By providing market needs through targeting certain commercial activities subject to strict control regulations or subject to high customs duties or included in the list of forbidden activities or controlled by the State, such as tobacco and alcohol.

- Exploitation of the bureaucracy of the regulatory system related to Customs regulations, foreign exchange and external trade regulations by introducing an alternative system that allows prohibition as well as providing goods at low prices, thus achieving parallel profits that are not subject to taxation and the logic of collecting taxes due to the Treasury of the State.

- **Financial level**

- Providing currency liquidity of foreign currency inside and outside the country away from regulatory frameworks to protect activity from being pursued through exploiting institutional incubators (non-resident companies) and also associations and monitoring systems such as the system of declaring currencies adopted by the Customs, which though its importance has not yet reached its operational goals in

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43 The Tunisian Financial Analysis Committee has dealt with many suspicious reporting which proved the seriousness of these incubators, and referred a significant number of them to the judiciary authority, which charged law enforcement agencies with justice order to uncover smuggling networks of goods and cars and to transfer of people to the hotbeds of tension.

44 A joint international study between the FATF and its counterpart in North Africa and the Middle East, entitled Money Laundering Through Physical Transport of Money, warned of the danger of using the system of declaring foreign currency in money laundering and terrorism financing.
terms of analyzing its data and monitoring the phenomena associated with it and tracking the phenomena related to it and became accordingly one of the channels that can be exploited to legitimizing through declaring a part of the anonymous source of the cash and then re-integrating it in the Tunisian financial system or transferring it abroad with respect to flimsy and erroneous reasons\textsuperscript{45}.

- **Strategic economic orientations of the State**

The economic orientation of the country towards the European Community has been a strategic choice as a result of the partnership with the European Union and the pursuit of upgrading it towards the excellent partner, while the parallel economic system has actually and practically put forward an alternative economic option aimed mainly at commodities of Chinese origin, with a high turnover reflected by offered goods on the Tunisian market which directed consumers behavior towards it due to the fact of getting used to it for decades. The Customs departments can easily through SINDA application reveal the volume of trade transactions with Asian markets which became a tangible reality and a strategic choice for economic operators in the field of maritime transport (ship operators, the shipping industry), the manufacturing industries (the Chinese industrial technology and Chinese commodities, the most prevalent on the Tunisian market), as well as the spread of most important European industries in China represented a sharp contrast between the reality of the Tunisian market and the options of the State.

This reality due to the above mentioned discrepancy created a parallel financial system that is not monitored by the State within its organizational or legislative institutions, leaving that area to actors who are implemented within the institutional, economic and supervisory fabric of the State by virtue of temptations. These actors control and dominate the size of important financial flows that corresponds, according to the World Bank 2013 report, to the turnover volume controlled by the State.

Based on the above, the analytical reading of the data related to the weakness of Tunisian banks in attracting foreign currency liquidity stands at high risk threats, especially in its relation to the increase in the level of parallel commercial activities and terrorist operations in Tunisia during the revolution because of the existence of a parallel system ruled out by profit goals and easily infiltrated by terrorist organizations ideologically and materially.

\textsuperscript{45} The Tunisian Financial Analysis Committee dealt with suspicious reporting related to situations of using the cash declaring system in international money laundering operations that were referred to the judiciary authority.
Analytical Output 5:

The effectiveness of research is in fact based on the credibility of its figures in reflecting economic and criminal phenomena as a diagnosis of what exists in terms of understanding threats and finding out weaknesses so that their results can be presented to decision-makers to take practical steps within the framework of the reaction to re-adjust monitoring policies and strategies which is the core of international requirements that has been updated in February 2012 through the FATF recommendation 1 based on a risk-based approach.

- Estimates of export settlement operations

In accordance with foreign exchange regulations, foreign currencies at export are settled in two ways either through re-exporting the foreign currency amounts imported in accordance with the requirement of the Customs declaration handed out at entry by Customs departments or after obtaining a banking authorization to export foreign currency banknotes following their cash withdrawal from a bank account open in foreign currency.

- The volume of foreign currency export authorizations issued by Tunisian banks

Referring to Hannibal operation database, Tunisian banks authorized 59 foreign currency export operations for a total amount of 964,950,26 Tunisian dinars broken down to 7 Tunisian banks.

It is noticed that the volume of currency export authorizations operations represented about 0.12% of total foreign currency authorization operations during that same period, from 20/06/2014 to 20/08/2014.

Apart from Hannibal process framework, the Tunisian Financial Analysis Committee, through its follow-up of some financial transactions carried out in accordance with bank authorizations to export foreign currency notes, noticed the existence of a practical approach that confirms the control system infiltration by cash carriers due to the lack of a coordination mechanism and the absence of the awareness of its importance at the national level between different involved structures.

The danger of this practical pattern is the resort of money-carriers to exploit regulatory measures adopted by Tunisian customs authorities at several Tunisian

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46 In this context, it is necessary to distinguish between the banking authorization in the export of foreign currency, which substitutes the Customs declaration (targeted in this report) and which requires from the holder of the authorization the previous opening of bank account in foreign currency and the rest of the banking authorizations in the export of foreign currencies and related to travel allowances or Business allowances.
border crossings as an alternative measure when the information system breaks down consisting in issuing hand written manual currency import authorization.

Since these handwritten authorizations\(^{47}\) represent fertile ground for the fabrication of these documents or for the possibility of the diversion of some of the agents for the lack of follow-up and monitoring activities at the level of the central office\(^{48}\), these have been exploited by money smugglers (especially on the Tunisian-Algerian border, which is geographically located in the area of terrorist operations spread from kalaat Snan north west Tunisia to Hazoua border crossing south west Tunisia on the Algerian border) in the smuggling of funds displaying a legal nature, so how was that?

Initially, all hand written authorizations issued by Customs border offices are subject to special consideration by customs agents at the departure offices. Customs authorities in charge of monitoring foreign currency cash export operations usually consult the database to consider whether the hand written authorization in the system has been settled or not, discovering, thus, the forgery of the authorization if it did occur.

However, it turned out that some of the cash smugglers have well understood the control system in such a way that they resort to the exploitation of a monitoring gap consisting in the absence of coordination between involved parties in carrying out these financial transactions where they get hand written Customs authorization to import foreign currency instead of taking them directly to one of the Customs offices for exporting them, they have resort to their deposits at a bank and based on the hand written authorization and on the same day or the following day they apply for foreign currency export from a bank to be presented later to customs authorities upon departure.

This method or practical model aims at hiding the corruption of this process by exploiting the Tunisian banking system (banking export authorizations) in order to legitimize it. This led the Tunisian Financial Analysis Committee to notify the banks of such practices and report on them to concerned authorities.

\(^{47}\) In the framework of the Hannibal process, a number of hand written authorization in importing foreign currency have been examined and are probably fabricated.

\(^{48}\) Customs procedures require in this context to oblige all border offices that have handed over hand written authorizations to import a foreign currency to inform the concerned departments of the General Directorate of the Customs to settle them and enclose them to the information system.
Analytical Output # 6:

The lack of coordination between all involved agencies in monitoring the movement of cash, namely weaknesses of the control system which may allow the emergence of patterns and practical methods that threaten the integrity of financial transactions.

- Foreign currency amounts that have been re-exported directly through import authorization

By reviewing the Hannibal Process database, it has been noted that currency amounts that have been re-exported directly through import authorization were estimated at 375,472,690,480 TND representing 48% of the total imported amount during the course of the field operation.

Further analysis of data on foreign currency re-exports shows that the euro currency accounted for 97% of total re-exported amount, while the US dollar was second with 2.79% and the remaining 0.13% in different currencies (Canadian dollar, UAE Dirham, Qatari Riyal ...).

The most notable observation is that 48% of the imported amounts have been re-exported, which means that Tunisia is a country of transit for cash flows in foreign currency. However, this is important in order to require further analysis and research in the statistics related to the need to identify the country of origin of the cash coming to Tunisia in denomination and value to trace its trend so that we can assess the risks of these flows in our regulatory and financial system.

In order to identify the country of origin of these flows, cross-checks have been made between different financial statistics through monitoring main currencies trend (Euro, US Dollar, sterling pound) according to their flow level which led to the following:

- Euro currency

The Euro currency represented 97% of currencies that have been re-exported abroad, more than 364 million Tunisian dinars. Following its course, it turned out that it came mainly from Libya with an inflow of more than 360 million Tunisian dinars, coming from Ras Jedir the border crossing point then getting through the Tunisian territory till they are exported through Tunis-Carthage airport within a time period not exceeding 48 hours according to the comparison between import and export dates.

While the rest of the flows in terms of countries of origin are from Algeria totaling 1,579,592.14 Tunisian Dinars and from several other countries amounting to a total of 2,336,630.95 Tunisian Dinars.
US Dollar Currency

It ranked second with 2.79% of total re-exported amount. It came mainly from Libya through the border point in Ras Jedir, worth more than 9.4 million Tunisian Dinars and from other countries in the amount of about 986 thousand Tunisian Dinars.

Sterling pound

Although it did not occupy a significant rate in terms of value compared to other major currencies mentioned above (the euro and the US dollar), the importance of the reference is highlighted in the presence of a common denominator with the Euro and US dollars in terms of its import at a rate of more than 99% from Libya, mainly from the border point Ras Jedir.

It is clear that Tunisia has been clearly affected by the geopolitical changes that the region has experienced since 2011, especially by the Libyan situation since the fall of the Kaddafi regime, which made it a transit area for cash flows originating mainly from Libya, although this conclusion has its direct justification for Libya's exploitation of its geographical location with Tunisia in order to carry out its economic transactions in supplying the Libyan market with goods and commodities through direct cash settlement to its suppliers abroad through Tunisia, this conclusion does not in fact explain the reality of these flows for the following reasons:

First: political and security situation in Libya played a key role in making Tunisia a transit zone for cash. As a result of the worsening of the political situation in Libya, some areas were no longer subject to a unified central authority but to several centers. This prevented traders from exporting currency abroad from the Libyan air ports, which in a significant part of them, are subject to the control of military and political
parties in conflict, prompting many traders, especially those under the authority of the central authority in Tripoli to exploit the Tunisian border crossings in order to transfer their money and then export them abroad.

Secondly, this is in close association with some of the measures undertaken by customs authorities in Tunisia during the year 2012 under an internal administrative decision to limit the ceiling of foreign currency import operations from Algeria within the amount of € 12,500, which overshadowed the statistical data provided by the Hannibal operation, thus we haven’t registered foreign currency import above this ceiling.

To understand this figure, foreign currency inflows from Algeria before 2011 represented the highest and significant levels compared to registered flows from Libya. A statistical study worked out by the Customs Research Department during the period January - April 2008 showed that most important flows of currency from Tunisian and Algerian border crossings exceeded 80%, while cash flows from Libya did not exceed 15%.

Third: Data exchange between the Tunisian Committee for Financial Analysis and the Customs General Department in the field of monitoring the physical transfer of cash proved in several cases initiated by the Customs Research Departments that most important foreign currency in Euro of some Libyan smugglers belonged to Algerians cash carriers listed previously in Customs database SINDA for importing currency through the Algerian-Tunisian border offices, such as Haidara, Hzoua and Bouchebaka.

Analytical Output 7:

The deterioration of the security situation in Libya and Tunisian Customs Authorities double treatment of the neighboring countries Libya and Algeria in relation to foreign currency import- operations shifted the destination of an important part of these flows through smuggling from Algeria to Libya and introducing them from there to Tunisia in order to transfer them abroad.

C) Monitoring the movement of cash through illegal channels

It is important that this on-site operation traces the reality of crimes related to the physical transfer of money in Tunisia, whether at the border ports or within the national territory in order to familiarize with the methods and procedures adopted by money smugglers. In order to achieve the above, coordination with the departments

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49 Unpublished study.
50 The departments of the Customs are able through the database of foreign currency to confirm these data.
of the Ministry of Domestic Affairs and the Customs General Department has been carried out to convey to us all operations of Cash seizures during the period 20/06/2014 till 20/08/2014.

In this context, the Tunisian Financial Analysis Committee has made available to the mentioned above enforcement authorities, modern channels of communication consisting in working out a secure website which allows them to get access to the Hannibal database in order to register all cash seizures during the period of on-site operation. In addition, the Hannibal operation stood on amounts imported from abroad that have not been integrated into the banking sector.

- **Cash seizures at border ports**

The Hannibal database received from the Customs Department 29 notifications relating to the seizure of cash amounts in foreign currency found while carrying out their duties in the control of travelers departing or arriving on the national territory and estimated at 3,770,400.88 Tunisian dinars. In order to understand these operations in accordance with corresponding objectives required by the Hannibal on-site Operation, we will consider them in accordance with the following levels, allowing the Customs departments to conduct a monitoring process for passengers in accordance with the risk-based approach.\(^{51}\)

- **At the geographical level**

It is noted that foreign currency seizures operations at border offices were carried out geographically in most important ports in Tunis, namely Tunis-Carthage International Airport with an average of 21 seizures and the port of northern La Goulette with a rate of two seizures while the rest in Monastir International Airport (single operation) and Djerba Zarzis (two seizures) Nfidha International Airport (a single operation) and finally it has been recorded that most important operation in terms of value at the land border office Qalaat al-Sinan, located in north-western Tunisia with the Tunisian-Algerian border.

Contrary to what has been expected, there has been no record of any seizure on the border posts located on the Tunisian-Libyan border, namely the two crossing points of Ras Al-Jadeer, and Dhiba perhaps due to the security tension that characterized the situation of the border crossing during the course of the "Hannibal operation".

\(^{51}\) It should be noted that the rate of compliance of law enforcement agencies (security and customs departments) with providing information is one of the basic conditions in understanding the level of crimes related to the physical transfer of cash, however what has been reached within the framework of Hannibal process in regard to the seizure operations, though very few, helps to formulate scientific and strategic conceptions derived from the adopted analytical methods and the way in reading criminal phenomena and behaviors.
- **Statistics related to Destination**

Customs officers intervention hindered the ability of some passengers to smuggle foreign exchange currency to several destinations, the important percentage of which was broken down to European countries, Asian countries and neighboring countries. The following statistical data highlights most important figures and percentages related to cash seizures.

- **Personal data of offenders**

Offenders personal data represent the most important data that helps to formulate a control system based on a good understanding of risks resulting from the smuggling of cash. This raises security processing in combating crime to high techniques such as targeting which is compatible with the work of law enforcement agencies at border crossings in terms of achieving the equation between the efficiency of control and the smoothness of passengers flow.

Though statistical data importance are significant according to the breadth of the information base, "Hannibal process" provided sample is considered as a methodological model capable of reflecting analytical output that we seek to highlight as follows:

- **The nationality of the offenders**: was divided into four nationalities, the Tunisian nationality with a 69% rate, followed by the Libyan nationality 11%, the Algerian nationality 10% and the Italian citizenship 10%.

- **Gender of offenders**: The database of the Hannibal operation statistics confirmed the presence of female gender in the smuggling of money estimated at 7% of the total number of recorded seizures which corresponds to the data relating to the number of declaring females reaching 1536 out of the total of 14976 declarations or more than 9% of total foreign currency authorization operations at all border offices.

- **Age group**: verifying the age group of offenders, it has been noted the breakdown to four levels, as follows:
  
  ✓ 28% of the offenders from the age group between 1980 - 1990.
  ✓ 27% of the offenders from the age group between 1970-1980.
  ✓ 24% of the offenders of the age group between 1950-1960.
  ✓ 21% of the offenders of the age group between 1960-1970.

The age of male offenders ranged from 30 to 63 years old, while those of female offenders ranged from 56 to 67 years.

Overall, these statistics indicate that all age groups remain targeted by law enforcement agencies which leads to the need to deal with personal data in their entirety to identify travelers representing risks.
- **The profession of offenders:** most important occupations that have been considered were broken down by calculating ratios as follows:

  ✓ 28% of offenders are in trade activity.
  ✓ 27% of offenders are corporate representatives.
  ✓ 17% of the violators are Tunisian workers abroad.
  ✓ 14% of the offenders are doctors.
  ✓ 7% of offenders are employees.
  ✓ 7% of offenders have no professional activity.

**Analytical Output 8:**

Most important professions representing the risk of cash smuggling are those related to the business activity reflected by the reality of a significant part of economic operators in Tunisia involved in banking and customs offenses related to their commercial operations with abroad such as false declaration of the customs value or tariff or origin, which requires the carrying out of settlement operations through illicit means through the use of money smuggling or debt clearing or opening of bank accounts abroad, which are serious irregularities that cause heavy losses to tax revenues of the State resulting from payment of taxes and allowances owed to the Treasury.

As for indicators which proved the involvement of some liberal activities in cash smuggling operations such as doctors, this indicator must be dealt with seriously since the Tunisian Financial Analysis Committee has received several reports related to a suspicious financial activity in the health sector in Tunisia (clinics - pharmacies) that falls within important smuggling of money and their deposit in bank balances abroad contrary to legal procedures.

- **Data on seized cash**

We have already pointed out that the total amount of all the seizure operations at border crossings was estimated at 3,770,405.8 Tunisian Dinars distributed in different rates between three currencies where the euro occupied the highest percentage with 97% equivalent to 3.6 million Tunisian dinars and the US dollar with 7% corresponding to 95 thousand Tunisian dinars and finally the Tunisian dinar with a total amount equivalent to three thousand Tunisian dinars.

As for the category of seized banknotes, it turned out that they were divided into three main categories:
High-denomination banknotes, such as 500 Euros and 200 Euros, represent the highest percentage.

Banknotes that combine high denominations (500 Euros - 200 Euros - 100 US dollars) and medium ones of 100 Euros - 50 Euros - 50 US Dollars are ranked second in the category of seized banknotes quantitatively and qualitatively.

Banknotes with small denominations such as 5 Euros, 10 Euros and 10 US Dollars represent the lowest percentage in the seizure process.

All analysis mentioned above, reflect internationally accepted patterns and methods of cash smuggling whether those emanating from Customs World Organization or the Financial Action Group, which authorizes supervisory authorities to define smugglers according to the nature of seized cash as follows:

- Cash carriers: They are among professional smugglers who deliberately choose high denomination banknotes categories for the possibility of smuggling large amounts that are easily hidden and carried by travelers, such as the seizure by Customs departments in Kalaat Snen of smuggled amounts made up of high value denomination (500 Euro - 200 Euros).

- Smugglers from traders: this category relies on cash liquidity provided by parallel foreign exchange market.

- Other smugglers: these are a few who smuggles low amounts arising from the rest of travel allowances this is why the category of these banknotes is made up of small denominations.

Techniques used in concealment of seized amounts and methods of detecting them

It appeared from seizure operations that cash smugglers have used three methods in hiding foreign currency amounts, bags for travel use come first with 86% and then concealing amounts in one’s body with 10% and finally by means of transport for a single case related to the process of introducing a significant amount of currency then hiding it in a place for an intended purpose inside the car.

It should be noted in this context that data conveyed by Customs departments to Hannibal base showed that all seizure operations were based on the intelligence of the human being without using any method of detecting cash, such as targeting according to the methodology based on risks classification or the use of modern techniques such as radiography or dog teams though they are available at main border crossings.

This fact shows, in fact, the absence of a clear control strategy at Customs departments in controlling foreign currency flows according to analytical and scientific capabilities that go beyond the traditional methods based on the human
being decision that is likely to be right or wrong, as well as the possibility of infiltration through temptations.

- **The subject of irregularities in the smuggling of cash**

Most important registered irregularities concerned mainly customs and foreign exchange irregularities: a misdemeanor attempt to export amounts of foreign currency without informing and getting the authorization of the Central Bank of Tunisia and the misdemeanor of import without declaring foreign currency amounts.

The investigation of the tracking chapters related to cash smuggling operations is of great importance in combating this crime, considering that the legal rule with its effects remains a fundamental solution to the reduction of crime in general.

However, limiting the acts of tracking and criminal prosecution in specific chapters is only an exaggeration of the penal policy related to crimes of cash smuggling, which is in fact the most prominent feature that characterized the public prosecution in this area.

The Public Prosecution in Tunisia has always dealt with crimes of money smuggling in accordance with the requests of the General Department of Customs, which include, by virtue of its functions, only chapters that are limited to customs and foreign exchange irregularities. This approach direct impact is as follows:

- To consider all crimes of cash smuggling in the category of misdemeanors, which means that Tunisian repressive policy recognizes that the crimes of money do not rise to the category of crimes and therefore does not represent a serious threat to economic and social public security.

- The crime of smuggling money is a customs and foreign exchange regulations crime by excellence at the level of public prosecution and its practice.

- The criminalization of cash smuggling pursuant to customs and foreign exchange regulations limits the judiciary authority in determining the punishment (by virtue of its description as an offence) by virtue of the conciliation system into force which gives customs management full powers to settle the file and end up the public prosecution once the accused is reconciled with the Management.

- The last abrogation to customs regulations according to the law number 34 of 2008 of 2 June 2008, while noting this point, it did not rise to take measures to reflect the seriousness of these crimes, where only the recognition of the benefit for judges of the possibility of reducing financial fine to one third of customs requests.

- Article 114 of the Basic Law No. 26 of 2015 approved a special legal system relating to the physical transfer of money, where it explicitly states that travelers are required to declare upon entry, transit, or export of the amounts in their possession if they exceed 10,000 Tunisian Dinars. This resulted in jail confinement from one
month to Five years and a fine from three thousand dinars to three hundred thousand dinars pursuant to Chapter 138 of the law number 26 of 2015.

- The provisions of Chapter 114 of the Basic Law No. 26 of 2015 remain unapplied for two reasons. The first is the lack of harmony of the punitive system of these crimes, as special texts grant them the standing of customs and foreign exchange offense, while the Basic Law No. 26 of 2015 criminalizes it according to exceptional rules and procedures for its gravity and therefore the harmony had been affected at the level of sanctions policy regarding same acts, which has emptied this crime of its repressive content, so that the judicial deal with it became such as the following statement: a known mistake is better than an unknown truth.

**Analytical Output 9:**

The change in the risk map in recent years and the spread of organized crime, especially terrorism ones, calls on decision-makers to the necessity of working out a repressive legal system compatible with the seriousness of the actions committed in connection with the general economic system through thorough processing of criminal phenomena in its entirety.

- **The value of imported amounts, the impact of which has not been considered in the banking sector**

As long as financial data are available from customs departments and the banking sector, we have practically the ability to reveal the most important statistical figure for Hannibal's operation, which is determining the value of the amounts imported from abroad that we did not consider their impact on the Tunisian financial sector as required by relevant regulations.

In order to highlight the importance of this analytical output, let’s mention at the beginning the difficulty of monitoring the movement of material transport of cash for a main reason that liquid cash at the core of its inception has been and still is the easiest way to deal with between individuals in the transfer of value resulting in the impossibility of monitoring its movement (other than the possibility of detecting its safety from counterfeiting) being considered as a movable, its deed title is to the bearer.

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52 The Tunisian Financial Analysis Committee jointly chaired with the National Crime Agency (NCA) in the United Kingdom, the most important international joint venture, between FATF and its Middle East and North Africa counterpart, MENAFATF, the matter of which is “money laundering through cash physical transfer”. 
This distinctive character of currency has been a haven for those seeking to transfer wealth in secret away from financial banking pathways that are subject to obligations based on identification, nature of treatment, economic background and other indicators.

Therefore, most important international organizations dealing with this field, such as Customs World Organization and the Financial Task Force carried out academic and field research\textsuperscript{53} in order to understand the methods and means of physical transfer of cash to develop an effective strategy in monitoring it in order to prevent its risks related to money laundering and terrorist financing crimes.

While Hannibal process has been involved in this research context (at the national level in the framework of the national risk study and at the international level after being selected as a practical model for the reality of the physical transport of money in the Middle East and North Africa) the nature of the current legal system of foreign exchange regulations and the existence of a sophisticated information system at the Customs (the "SINDA" system for foreign currency) has allowed the Tunisian Financial Analysis Committee to raise the ceiling of its objectives for its operational ability to detect all amounts that have been diverted to illegal routes accurately from identifying the personal data of their holders, such as the identification of their value and source, in a manner that allows law enforcement authorities to conduct their work in the pursuit of offenders and to deal with huge potential files related to smuggling and terrorism and organized financial crime in general.

In order to explain the adopted methodology in determining data relating to amounts that have deviated from their legal course, we will present the adopted method as follows:

In explaining the adopted methodology in identifying data related to amounts that have deviated their legal trend, we will present the adopted method as follows:

\begin{center}
\textbf{Explaining the method at the level of the application}
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- The database has been fed with forms that included the request for specific information from all interlocutors, which provided accurate data with operational efficiency.

- Advanced information software has been provided in the processing of financial information through the adoption of a smooth technology in the process of cross-checking between personal and financial data.

\textsuperscript{53} The Athens International Operation has been carried out periodically on three occasions under the supervision of the Customs World Organization and other international organizations such as Interpol, Europol (2008-2010-2012) the matter of which is cash smuggling. The Tunisian Customs took part to this international operation in 2008.
At the level of compliance with legal requirements

The legal requirements for the physical transport of money in Tunisia and international standards have been the legal basis in the working out of Hannibal process as long as the legislative authority delineates permissibility limits from prevention.

At the level of adoption of the participatory approach

National coordination in the fight against organized crime is one of the recommendations adopted using international standards as best practices in the fight against organized crime. This is what Hannibal process put into practice when it involved the private sector in security affairs.

At the operational level

The analytical outputs of Hannibal's statistical data allow for the identification of:
- Total value of amounts declared at import.
- Real value of imported foreign currency amounts that have been deposited at banks.
- Real value of imported foreign currency amounts that have been sold at banks.
- Real value of imported foreign currency amounts that have been directly re-exported.

Reference financial data related to foreign currency amounts that deviated from official routes

- Total value of foreign currency amounts declared at import:
  776 995 519,732 Tunisian dinars
- Total value of imported foreign currency amounts deposited at banks:
  66 572.193 Tunisian dinars
  Equivalent to 9% of the total value of foreign exchange amounts declared at import
- Total value of imported foreign currency that have been sold at banks:
  8 052.668,366 Tunisian Dinars
  Equivalent to 1% of the total value of the foreign exchange amounts declared at import
- Total value of imported foreign currency amounts that have been re-exported:
  964,950,26 Tunisian dinars
  (Value of bank export authorizations)
Accordingly, total amount of foreign currency that deviated from the official routes is estimated at 325,933,017,626 Tunisian Dinars. This means that 42% of the foreign currency inflows declared to the Customs at import during the "Hannibal" operation were not incorporated into the Tunisian financial sector, a figure reflecting a high risk indicator.

However, the objective dealing with this figure requires at the method level to distinguish between two things:

First: 42% of foreign currency inflows that have not been incorporated into the financial sector arise from a statistical analysis approach that included all declared amounts, including those declared by tourists or Tunisians living abroad in the form of living expenses (residence and travel expenses ...)

Second: At the level of the description related to the risks of this indicator and according to the first observation, it has to be distinguished between living amounts and other amounts declared by passengers that exceeded the amount of 10,000 Tunisian dinars according to the ceiling specified by the Minister of Finance decision of 01/03/2016 relating to chapter 114 in the first paragraph of Basic Law No. 26 of 2015, which is likely to be targeted by the regulatory authorities by tracing the possibility of exploiting them in criminal activities related to smuggling or the financing of terrorism.
8.1.5. Assessing the risks of physical transport of cash according to the outputs of the Hannibal process

A) Assessing the control system for the physical transport of money in Tunisia

- The control system for the physical movement of cash from the technical compliance side

The FATF issued Recommendation No. 32 on cash carriers as a basic framework for monitoring and stopping money-laundering and terrorist financing operations through the physical transfer of cash. This Recommendation provides the following:

- States should apply procedures to enable them to detect the trans-boundary movement of currencies and negotiable instruments to their bearer, including the use of a recognition system or disclosure system.

- States should ensure that competent authorities have the legal authority to stop or seize currency or negotiable instruments to a bearer suspected of having links to the financing of terrorism, money-laundering or predicate offenses, or those that are falsely acknowledged or disclosed.

- States should ensure that there are deterrent, proportionate and effective sanctions to deal with individuals who disclose or acknowledge falsely what is in their possession.

- In cases where the currencies or negotiable instruments of which the bearer is a party to the financing of terrorism, money laundering or predicate offenses, States should adopt procedures enabling them to confiscate such currencies or instruments, including legislative actions in accordance with recommendation IV.

In accordance with the above, the Tunisian legislator, in accordance with Basic Law No. 26 of 2015, has been involved in this context, thus putting into force the provisions of chapter 114 of the foresaid law as the general framework for monitoring the physical transfer of cross-border money, the chapter in its first paragraph stating: "It has to be declared to Customs authorities upon the entry, exit or transit, any import or export foreign currency transaction equivalent to or exceeding an amount to be determined by a decision of the Minister in charge of finance."

In accordance with the content of the first paragraph of the mentioned chapter, the Minister of Finance issued the decree of 1 March 2016 concerning determining amounts provided for in chapter 114 of the Basic Law No. 26 of 2015. The third chapter of it states the following:

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Was previously known as Special Recommendation No. 9 on cash money Carriers added on 22 October 2004 to the Eight Recommendations on Combating Terrorist Financing and the Forty Recommendations on Combating Money Laundering.
"Considering the provisions provided for in foreign exchange regulations..., any import or export at entry, exit or transit of foreign currency equivalent to or exceeding the amount of ten thousand dinars shall be declared to the Customs."

Without considering other legal texts related to the compliance of Tunisian legislation with Recommendation 32 of the FATF (former Special Recommendation IX) above, especially with regard to the attributions of seizing suspicious or falsely declared funds or with effective and proportionate penalties with the declaration system, It is useful to refer to the Joint Assessment Report on Combating Money Laundering and the Financing of Terrorism of the Republic of Tunisia which states:

"Tunisia has a system allowing the control of cross-border currency circulation, the preventive arsenal being satisfactory and sufficient, whether for sanctions or confiscation."

However, this recognition by assessors that Tunisia is endowed with a system that allows it to control the movement of cash, did not hide a number of weaknesses mentioned in the assessment process at that time (2007). The following are its main axes, as stated in the report mentioned above:

✓ “Tunisia has customs controls allowing it, in cooperation with police departments, to ensure effective control in airport areas only.

✓ The use of informatics is really developed, but does not yet cover all border points.

✓ Cooperation in exchange of information must be done with the financial information unit in accordance with the wishes of the representatives of the concerned departments”.

Complying with the IX Special recommendation

<table>
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<th>Special recommendation IX</th>
<th>Compliance assessment</th>
<th>Summary of causes related to section 7-2 justifying compliance general degree assessment</th>
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<td>High complying extent</td>
<td>Data exchange between Customs and CTAF no longer effective or yet organized</td>
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55 The detailed assessment on AML / CFT in the republic of Tunisia has been prepared by the World Bank. The report shows the extent of compliance with the 40 recommendations on combating money laundering and the nine recommendations on countering the financing of terrorism based on the 2003 Money Laundering and Terrorist Financing Methodology of the Financial Action Task Force. The FATF Plenary meeting adopted this report as a joint assessment on 3 April 2007.

56 Refer to pages 68, 69 and 70 of the 2007 World Bank Joint Assessment Report.
The Tunisian system of the movement of physical transport of cash from the effectiveness side

Effectiveness is a language\textsuperscript{57} meaning "the ability to make an impact" where complying with methodology is not sufficient to reach the specific goal but rather the compliance helps achieving a result and thus the effectiveness, on the whole, means complying with achieving a result. As for the metaphor, the patient does not recover by taking medicine. The recovery is achieved through the effectiveness of the medicine prescribed by the doctor in light of the proper diagnosis of the disease and the general condition of the health condition such as age, sex and other chronic diseases in the sense that recovery is not resolved as a result of taking medicines but through the good choice of medicines.

In this context, the effectiveness of anti-money laundering and terrorism financing systems\textsuperscript{58} is not only met through the requirement of complying with technical standards but is met should the technical commitment be accompanied by operational conditions that are intertwined with these two criteria:

The question:

According to the results of the evaluation process carried out by international experts and approved in the framework of the follow-up by the MENAFATF, the Tunisian system related to the material transport of cash matter of recommendation 32 has been granted a very high degree of compliance. Does this mean that according to the criterion of efficiency, the State apparatus are in a position of controlling the risks of the physical transfer of money in relation to money laundering and terrorism financing?

\textsuperscript{57} Dictionary of meanings
\textsuperscript{58} AML / CFT
We have decided that we take from the question an input to analyze this subject as long as the working team which has worked on the elements of the answer is presiding over this study to carry out an on-site operation aimed primarily at reversing the reality of financial data and statistics of the movement of cash in Tunisia through an important sample that lasted two months where we monitored the cash flows of foreign currency to and from Tunisia after we have involved all relevant parties from the public and private sectors (within the framework of a legal system that is largely complying with international standard) so that we can see whether the analytical output of Hannibal process is hybrid to the system and denies its effectiveness or consistent with it which highlights its effectiveness.

- The effectiveness of the control system according to the reference output of Hannibal operation

The reference output of Hannibal process consists in the financial statements that have been detailed and analyzed in the first part of the report, namely:

- The total value of imported foreign currency that has been deposited at banks stood at 66,572,193 Tunisian Dinars equivalent to 9% of the total value of foreign currency amounts declared at imports.

- The total value of imported foreign currency that has been sold to banks was estimated at TND 8,052,668,366 equivalent to 1% of the total value of foreign currency amounts declared at import.

- The total value of imported foreign currency which has been re-exported 964,950,26 Tunisian dinars (the value of bank export authorization) plus the sum of 375,472,690,480 Tunisian dinars (the value of the amounts re-exported on the basis of the currency authorization) equivalent to 48% of the total value of foreign currency declared at import.

Foreign currency amounts that deviated from official routes were estimated at 325,333,017,626 Tunisian dinars. This means that 42% of the foreign currency inflows authorized by banks at import were not incorporated into the Tunisian financial sector, a figure that reflects a high risk index.

These digital outputs generally reflect a situation that translates:

- The lack of control of the control bodies in the State on the movement of cash in light of a general atmosphere characterized by high levels of financial crime and terrorism alike.

- Absence of analytical capabilities for the risks of physical transfer of cash.

- The size of parallel economy which may adversely affect the integrity of the financial system.
Threat to the official economic fabric in terms of encouraging national and foreign investment in accordance with the rules of fair competition and the fair climate for investment.

A huge loss to the treasury at the level of tax revenues.

The existence of a financial system accommodating by excellence high risk suspicious financial flows in connection with the crime of money laundering and terrorism financing.

Thus, it is clear that the system of control of the movement of material transport of cash in Tunisia, though its compliance with technical standards it did not raise to achieving effectiveness and without delving into detail or description, which may extend its negative effects to several other areas it is necessary to consider the reasons that prevented the monitoring by the control system in Tunisia on the movement of cash.

- The weaknesses of the control system of cash movement pursuant to Hannibal process output

To this end, the Task Force of the Tunisian Committee for Financial Analysis has been keen to establish a database and information programs that go beyond the quantitative analysis of the figures through the unloading process of statistical data on an information program to be presented later pursuant to crossings that resulted at the end in a set of warnings⁵⁹ through which immediate outcome⁶⁰ will be sorted out in assessing the weaknesses of the control system of cash movement according to the following approach:

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59 The warnings are analytical results of a set of intersections and their purpose is to examine the degree of compliance of declaring parties through all stages of cash movement with the procedures into force.

60 Immediate Outcome (IO): Immediate Outcome is a method adopted by FATF that helps to digitize the AML / CFT assessment.
Warning # 1

Consisting in carrying out crossings between data contained in foreign currency declaration (declaration number, declaring party identity, passport number, declared amounts ...) as registered in SINDA information system and data contained in Hannibal base, conveyed by banks and related to the same declaration.

The intersection process, matter of the warning N 1, resulted in the inspection of a significant number of breaches related either to submitting foreign exchange import declaration at banks which contained many defects in the original, form or the fabrication of relating others. Here the description of the results:

- Most of these samples concerned hand-written declarations from some inland and air border offices.
- The existence of hand-written declarations bearing numbers that have never existed in the official database has been noticed which gives a presumption of their fabrication, but despite this, their holders were able to deposit them at banks.
- Customs declarations related to foreign currency import have been used in bank deposit operations containing amounts that do not correspond to available ones at SINDA Customs system.
- Customs declarations have been used to import foreign currency for bank deposits operations containing identities that are not identical with those available at “SINDA” Customs system.

Immediate Outcome To Warning 1

Lack of channels of communication between the departments of the Tunisian Customs (as being the issuer of currency declaration) and the banking system (the entity that receives the declarations to deposit their amount in bank accounts)

The seriousness of this prompt result lies in:

First: cash smugglers exploit this regulatory gap that separates the issuer from the recipient, leading to a weakness in the process of tracking through the separation of the source of the currency corruption from its destination in a way that the banking system became a haven to legitimate suspicious amounts through their simple deposit in bank accounts thus legalizing them and transferring them easily abroad.

Second: absence of a clear strategy and perceptions in determining the risks of physical transfer of cash. This absence is due to the fact that hand written declaration which for many years have constituted a procedural gap, are still in use.
In a brief comment on the content of the prompt result No. 1 on the aspect of the lack of communication channels between the General Department of the Tunisian Customs and Tunisian banks, here is an important note.

Some may explain the lack of coordination or communication by the high cost of setting up communication channels to exchange data between Tunisian Customs and banks besides the complexity of this issue at the technical level which involves more than one party from the public and private sectors, however the team overseeing the Hannibal process proved that these arguments are flimsy and stubborn since it managed to establish a control system\(^{61}\) and secure information\(^{62}\) at no cost through which all Tunisian banks continued to communicate with their resident and non-resident branches for two months in the peak season (20 June-20 August 2014).

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\(^{61}\) The regulatory system according to flexible scenarios compatible with the legislation into force.

\(^{62}\) The Hannibal Informatics Database through the Web has been created under the terms of safety ensuring the immediate and easy exchange of information.
Warning 2

It consists in making intersections between the dates of issuance of foreign currency declarations as registered in the information system SINDA and entering the dates of the operations declarations at banks compared to the declaring party border movements.

This warning derives its legal status from the third chapter of the Minister of Finance's declaration published in the Tunisian official gazette on 3 February 2006 concerning the conditions for the re-export of currencies in the form of imported banknotes by non-resident travelers: “The validity of the declaration corresponds to the period of stay in Tunisia starting from the date of entry and can be used in any way only for one trip, provided that this period does not exceed three months”.

The intersection process described above resulted in the following:

- It has been noticed the entering of significant amounts of foreign currency at Tunisian banks using Customs declarations the validity of which expired, the declaring party did not use that declaration during the period between the date of the first entry and the subsequent date of departure.

- It has been noticed the entering of significant foreign currency amounts at Tunisian banks through the use of Customs declarations that exceeded the three months validity period from the date of the declaration.

Immediate Outcome To Warning 2

Weak legal background of banking institutions employees in charge of carrying out financial operations in bank accounts open on behalf of non-residents.

The lack of knowledge of some of Tunisian banks employees of the legal rules related to the control of financial operations, subject of bank accounts open in foreign currency to non-residents, which has resulted in allowing the carrying of important financial transfers illegally.

This immediate outcome highlights one of the shortcomings that regulatory regimes may generally have which is poor training and human capacity development.
Warning 3

It consists in making intersections between the identity of the declaring party as registered in SINDA information system and the identity of bank accounts holders that benefited from those declarations.

This warning derives its legal basis from Chapter II\(^6\) of the Minister of Finance's foreign Exchange notice, published in the Official Gazette of the Republic of Tunisia on 3 February 2006 concerning the conditions for the re-export of currencies in the form of imported banknotes by non-resident travelers, which states: “the declaration of importing foreign currency is personal and may not be transmitted in any form”.

The intersection operation subject of warning No. 3 resulted in:

-it has been noticed that several operations of foreign currency operations have been entered in bank accounts open to the identity of entities or individuals that do not have the same identity written on the declaration of importing foreign currency.

Immediate Outcome To Warning 3

The ease in penetrating the Tunisian banking sector by injecting significant amounts the source of which is unknown, arising from erroneous application of foreign exchange regulations, resulting in:

✓ Exploiting the Tunisian banking center in transit operations of huge financial flows of unknown source that have no link or economic background in Tunisia.

✓ Many non-resident companies (international trade - services and consultancy) have become incubators for suspicious financial operations.

Noticed practices have contributed to the establishment of the belief in the legality of the concept of "cash carriers", but as a matter of fact it is a high risk indicator in the field of combating money laundering and terrorism financing.

Weak legal background of some banking institutions in charge of carrying out financial transactions with bank accounts open on behalf of non-residents

\(^6\) Art 2: La déclaration d'importation des devises est personnelle en ce qui concerne la personne au nom de laquelle elle est établie et elle est non cessible.
Warning No. 4

Consists in monitoring the operational system of the Customs currency database “SINDA” by analyzing a set of intersections related to currency declaration and settlement at export.

The analysis resulted in a number of observations:
- The importance of the information database "SINDA" characterizing the control system of the movement of cash in Tunisia, however the lack of awareness at regulatory bodies of the risks of physical transport of cash made the system loose its usefulness and sharpness and deviate from its operational essence in such a way it has become a system of statistical purposes monitoring the processes of import and export and at the utmost its contents are generalized and conveyed monthly to the departments of the Ministry of Domestic Affairs and the Central Bank of Tunisia.
- The above description sharpened the database off track, making it incompatible with the system of reporting, as recommended by recommendation 32 of the FATF, how was that?

Investigations conducted under Hannibal process\(^64\) proved that most deposited amounts at the financial center in light of currency reporting have been returned directly to the countries where the amounts came from. The purpose is to legitimize the financial proceeds that were created in the countries of residence, contrary to the regulatory procedures and they were smuggled from the countries of residence through borders to declare them to Tunisian Customs with the purpose of depositing them in accordance with the legal procedures in Tunisia and then transferring them abroad in order to finally appear in a manner that shows the safety of their source.
- The absence of the analytical function of data related to the movement of foreign currency across borders illustrates a weakness the gravity of which worsened due to:

**First:** the absence of genuine national coordination with the rest of law enforcement agencies and various supervisory structures in the State.

**Second:** the weakness of training and upgrading in the field of combating money laundering and terrorism financing.

**Immediate Outcome To Warning 4**

- Absence of the analytical function of statistical data due to weak training and upgrading structure and the absence of a control strategy for risk analysis.
- The deviation of the system of reporting from its regulatory objectives, being exploited by some to prove suspicious financial operations.

\(^{64}\) The result has also been achieved through the process of strategic analysis carried out by the Tunisian Financial Analysis Committee on a sample that included all suspicious reporting that have been referred to the Public Prosecution.
- The absence of national coordination made the risks related to money laundering and terrorism financing hard to be determined and understood.

### Warning No. 5

A number of intersections have been carried out, targeting a specific group of declaring parties who obtained more than one declaration to import foreign currency during the course of Hannibal process.

This warning resulted in the following results:

Contrary to what is expected, it has become clear that the high rate of foreign currency declaration issued more than once on a single declaring party (passport number) has returned in a significant part of them to entities set up in Tunisia and deals with services.

This situation poses a legal problem:

- finds its support in the legislation regulating the document of the declaration of foreign currency import which is not granted pursuant to foreign exchange notice and the attached model issued by the Minister of Finance, published in the Official Gazette of the Republic of Tunisia on 3 February 2006 except for the benefit of private individuals.

- the impact of this reporting on the Tunisian banking sector has not been considered, the situation must be taken seriously with regard to the level of auditing companies resources derived from the proceeds of sales in foreign currency, regardless of their foreign exchange status.

Although the period of Hannibal's process did not exceed two months, a significant number of foreign currency transactions, which were issued more than once to a single declaring party authorized identity (593 inspection cases), have been reviewed. This situation is in fact related to what is called the cross-border money carriers. They are classified as high risk in the field of anti-money laundering and terrorism financing.

### Immediate Outcome To Warning. 5

- Providing Customs declaration in importing foreign currency, unlike legal procedures.

- Absence of the analytical function of statistical data due to weak training and upgrading and the absence of a control strategy to analyze the risks of cash carriers.
Warning No. 6
Consists in monitoring the most important inspection means in detecting the smuggling of cash in border offices according to the results of Hannibal process.

This warning concerns the assessment of the control capabilities in dealing with the smuggling of cash at the border crossings in terms of the good use of available logistical and human resources. Recalling the results detailed in the first part of this report, it has been noticed through seizures operations that cash smugglers have used three methods of concealment of foreign currency amounts. Travel bags come first with 86%, then body concealment second with 10% and finally means of transport for a single case related to the process of introducing a significant amount of currency hidden in a place intended for the purpose inside a car.

To achieve this purpose, a branch has been created related to the form regarding seizures operations occurring at the border offices in charge of the techniques used in detecting smuggled cash. The related analysis showed that all seizures operations were based on the human intelligence without using any method of cash detection such as targeting according to the methodology based on the classification of risks or the use of modern technologies such as radiographs or dog teams, although available at the main border crossings.

It was also noted in the same framework through communication with focal points at the Customs of the lack of awareness and knowledge of the risks of money laundering related to the physical transfer of cash by employees in charge of monitoring passengers at border points.

IMMEDIATE OUTCOME TO WARNING 6
Absence of a clear control strategy at the Customs departments in controlling foreign exchange flows according to analytical and scientific capabilities that go beyond traditional methods based on the decision of the human being that is likely to be right or wrong, as well as the possibility of being infiltrated through temptations.

B) Measuring the risks of the physical transport of cash in Tunisia

- Cash physical transport risk level

As long as financial data and statistics related to the physical transport of cash in Tunisia are available in accordance with the output of Hannibal process and as long as we assess the relevant regulatory system, we have fulfilled the terms of the formula proposed by FATF for the analysis and risk assessment (threats, -

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65 Form code ROPH S1.
deficiencies – fallouts or consequences related to risk achievement). Thus allowing the assessment of the level of risk of money laundering and terrorism financing through the physical transport of money in Tunisia.

**Cash physical transport risk**

| Threats                                                                 | All money laundering predicate offenses through cash physical transport (money smuggling, feeding parallel market, terrorism financing, weapons trading, corruption proceeds…)
|------------------------------------------------------------------------|
| **Weaknesses**                                                         | Mechanisms tied to monitoring which did not target money laundering as main objective
|                                                                        | Absence of national and international coordination
|                                                                        | Poor training
|                                                                        | Poor analytical capacities
|                                                                        | Lack of necessary logistic means at border crossings

| **Consequences**                                                      | Losses for national community and gains for criminals
|                                                                      | Consumption volume deterioration
|                                                                      | Investment and savings deterioration
|                                                                      | False rise in prices
|                                                                      | Unfair competition
|                                                                      | Impact on growth averages
|                                                                      | Threatening privatization
|                                                                      | Change in demand on money amounts, foreign currency rates and interest rate
|                                                                      | Rise in foreign currency rates and the rate in interest averages
|                                                                      | Credibility of financial sector
|                                                                      | Polluting official trade with unofficial trade
|                                                                      | Economic statistics
|                                                                      | Rise in crimes averages
|                                                                      | Rise in terrorism

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66 Illustrative examples on the implications of money laundering issued by the FATF as part of the 2013 guideline.
## Rating Base

<table>
<thead>
<tr>
<th>Structural risk indicators and control measures</th>
<th>Report and destination</th>
<th>References related to rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of national coordination</strong></td>
<td>Hannibal Process - Tunisian Committee for Financial Analysis</td>
<td>Analytical output RQ6 + immediate outcome of warning R1 + 4 + 5 m</td>
</tr>
<tr>
<td><strong>Analytical capacity level</strong></td>
<td>Hannibal Process - Tunisian Committee for Financial Analysis</td>
<td>Analytical output RQ1 + 2 + 3 + 4 + 5 + + immediate outcome of warning 4+5m</td>
</tr>
<tr>
<td><strong>Seizures and cash-intensive financial transactions</strong></td>
<td>Strategic Analysis - Tunisian Committee for Financial Analysis 2015</td>
<td>55% of the analyzed reporting and referred to the Public Prosecution was based on the intensive cash deposit operations and 28.8% of the total files referred to the judiciary authority its financial transactions ranged between the amount of 1 million dinars to 10 million dinars, while the proportion of financial operations that exceeded 10 million dinars has been estimated at 15%.</td>
</tr>
<tr>
<td><strong>Percentage of risk representative customers</strong></td>
<td>Annual Reports of the Tunisian Committee for Financial Analysis 2010-2011-2012-2013-2014-2015</td>
<td>Refer to statistics on the percentage of non-resident clients and associations matter of suspicious reports</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Level of Awareness of the Risks of Money Laundering</td>
<td>Hannibal Process - Tunisian Committee for Financial Analysis</td>
<td>Analytical output RQ5 + 10 + immediate outcome of warning RQ2 + 3</td>
</tr>
<tr>
<td>Standards of Professional Integrity</td>
<td>Tunisian Institute for Competitiveness and Quantitative Studies</td>
<td>Association of Public Monitors</td>
</tr>
</tbody>
</table>
8.1.6. Results

A) Analytical outputs

- Rise in the degree of structural risk indicators for cash physical transport to high levels "H" with respect to law enforcement agencies and the banking center.
- Decrease of monitoring procedures indicators to low levels "L" with respect to law enforcement agencies and to a lesser extent banks.
- Imbalance between structural risk indicators and monitoring procedures indicators resulting in high risk failures with respect to regulatory system "and high risks with respect to money laundering and terrorism financing through the physical transport of cash.

B) Matrix of the level of risk of cash physical transport

Vulnerabilities

According to this matrix, the risks of money laundering and terrorism financing through cash physical transport are high risks, which means that the likelihood or
possibility of occurring of criminal consequences of money laundering or terrorism financing remains high.

- **Compatibility of analytical results to measure risks (quantitative standard) with key characteristics (qualitative standard) of high risks**
  
  - Legal system attractive to suspicious foreign investments (creating complex entities to hide the owner of the assets and the real beneficiary).
  
  - Poor law enforcement and border control capabilities (during the revolution)
  
  - Low taxes on foreign income (code of Investment incentives)
  
  - High level of corruption. (Report of the National Committee on Corruption)
  
  - Large economies of parallel markets. (World Bank Report 2013)
  
  - A cash-intensive economy. (Analytical Outcomes of Hannibal Process)
  
  - State of transit for legitimate and illegal goods (Libya - Algeria).
  
  - Increased phenomenon of terrorism and smuggling.
  
  - Poor awareness of the dangers of money laundering and terrorism financing.

**Risks high levels** require, according to the FATF Guidance, immediate action by decision-makers to implement urgent measures to contain proven threats and, more importantly, to counteract what has been achieved through capacity supporting and building.

- **Countries that pose high risks** to Tunisia in the field of material transport of money

  The scope of the risks of money laundering through the physical transport of money goes beyond the regional dimension of the State to react positively or negatively with international community that governs the movement of cash to and from Tunisia. For the purpose, it is useful to consider these interactions through setting a "checklist of indicators and main characteristics that affect the country's risk profile being considered as a country of origin or destination or transit of suspicious funds."

  Analytical Output of the Hannibal Process and the Strategic Analysis Report of the Tunisian Committee for Financial Analysis provides an important material of data and indicators that may allow a list of high-risk countries to Tunisia in the field of study according to three categories:

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67 The FATF guideline noted that the national risk assessment may include countries that constitute high risks to the State due to the common use in official circles and Australia has worked on crystallizing this concept, refer to page 50 of the "FATF guideline"
### Category I: Source Countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Digital indicators</th>
<th>Main qualities</th>
</tr>
</thead>
</table>
| ***       | Accounted for 35% of total foreign currency declaration | - Poor organization in the registration of companies, financial markets and foreign currency (cash-intensive economy)  
- Internal ideological and political conflicts  
- Low law enforcement and border control capabilities  
A huge economy for parallel markets |
| ***       | Accounted for 8% of total foreign currency declaration | Poor organization in the registration of companies, financial markets and foreign currency (cash-intensive economy) |
| ***       | Accounted for 4% of total foreign currency declaration | - Strict system for money laundering  
- strict rules of the tax system  
- Digital economy is developed and weak in terms of the use of cash intensive economy. |

In this context, reference should be made to two things:

**First:** the characteristics related to weak supervision and economies with monetary density constitute a typical environment for the high risk of money laundering through the physical transfer of money both within the financial space of the country itself or to the countries of destination.
Second: The strict systems related to money laundering and tax control on income that characterizes most developed economies constitute a high risk threat to money laundering through the physical transfer of cash to countries of destination with less stringent or effective measures.

Thus, the polarization of suspicious operations is a result that may be achieved either by the weakness of the measures and regulatory systems or by the strictness and efficiency of those measures in the source countries.

- **Category II: transit country**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Digital indicators</th>
<th>Main qualities</th>
</tr>
</thead>
</table>
| ***       | 48% of the foreign currency inflows to the Tunisian country have been re-exported in cash abroad, a significant part of which comes from *** | - Poor organization of registration of companies, financial markets and foreign currency. (Heavy cash economy)  
- Internal ideological and political conflicts  
- Low law enforcement and border control capabilities  
A huge economy for parallel markets |
| ***       | 48% of the foreign currency inflows to the Tunisian country have been re-exported in cash abroad, a significant part of which comes from*** | Weak regulation of corporate registration, financial markets and foreign currency. (Heavy cash economy) |
- Category III: Countries of destination

<table>
<thead>
<tr>
<th>Countries</th>
<th>Digital indicators</th>
<th>Main qualities</th>
</tr>
</thead>
<tbody>
<tr>
<td>***</td>
<td>A significant proportion of the imported foreign currency inflows has been re-exported in cash to *** to carry out settlement of commodity operations for Asian market suppliers. The same result was produced by the Strategic Analysis of the Tunisian Committee for Financial Analysis 2015.</td>
<td>Financial space attracting cash flows</td>
</tr>
</tbody>
</table>
| ***       | A significant proportion of imported foreign currency inflows were re-exported in cash to *** to settle goods imported from *** | financial space attracting cash flows mainly from *** one of important exporting country of goods to North African countries (food industry, white meat, textile, ...)

It is therefore clear following what has been mentioned above that the risks of material transfer of money in Tunisia are high risks resulting from the existence of a severe imbalance the features of which emerged in the analysis of Hannibal process results and was confirmed when evaluating the system of control of the movement of cash in Tunisia which can only be addressed by balancing the available capabilities and the size of threats and vulnerabilities within a corrective approach that we will tackle successively from this report with respect to recommendations.
8.2. Risk Assessment of associations sector and suggested recommendations

Approved assessment methodology:
In evaluating the risks of the financial activity of associations in Tunisia, the Committee relied on a number of analytical outputs and technical standards adopted nationally and internationally to form a national understanding of the risks of money laundering and terrorism financing in relation to charity associations based mainly on:
- Evaluation of technical compliance with international standards
In light of the World Bank's evaluation reports published in this regard and follow-up reports issued by the FATF in the Middle East and North Africa,
- Assessment of effectiveness based on the output of analytical analysis of suspicious declaration referred to the public prosecution with respect to charity organizations.
- Measuring risks level according to risks table and matrix.

8.2.1. Assessment process results

A) Assessing technical complying with international standards
In light of assessment reports issued in this regard by the World Bank and follow up reports issued by the financial task force in the Middle East and North Africa, the regulatory system for associations experienced the first assessment in 2007 in the framework of assessing the national system for combating money laundering and terrorism financing from the World Bank which published a report in this regard highlighting the extent of complying with the IX recommendations on combating terrorism financing based on the method of combating money laundering and terrorism financing in 2003 published by the financial Task Force. The plenary meeting of MENAFATF adopted this report as common assessment on 3 April 2007.

It is noteworthy that the aforesaid evaluation process included Law No. 80 of 26 July 1993 on the setting up of non-governmental organizations in Tunisia and Law No. 154 of 1959 of 7 November 1959 concerning associations in order to consider the extent of its complying with international standard subject of Special Recommendation III which is now recommendation VIII following the amendment by the Financial Action Task Force (FATF), and reads as follows:
International Standard
Recommendation VIII of the Financial Action Task Force

Non-profit organizations:

States should review the appropriateness of laws and regulations relating to entities that can be exploited for the purposes of terrorism financing. Non-profit organizations are particularly vulnerable, and States should ensure that they can not be abused:

(A) By terrorist organizations appearing as legitimate entities;

(B) To exploit legitimate entities as instruments for the financing of terrorism, including escaping assets freezing procedures;

(C) To conceal or cover the transfer of funds related to legal purposes to terrorist organizations in secret.

According to the Joint Assessment Report of the Republic of Tunisia in 2007, the evaluation process referred to above granted Tunisia the degree of complying with international standard subject to Special Recommendation III (currently Recommendation VIII), as long as the report of the evaluation led to the following:

“The provisions of the Public Law No. 154 of 1959 of November 7, 1959 on Associations, amended in 1992, establish a framework for organizing non-profit organizations, which has been carefully detailed and drafted to avoid their misuse for terrorist purposes or deviate the transfer of funds under their control from their goals. Authorities stated that the Ministry of Finance imposed the setting up of necessary systems to achieve control, which raises its competence”.

While the legal system on associations sector was terminated by Decree No. 88 of 2011 of 24 September 2011 on the organization of associations, the opportunity was again available in February 2015 to evaluate this system by experts from the World Bank and the Middle East and North Africa Financial Action Task Force.

The mutual evaluation of the Tunisian Anti-Money Laundering and Terrorism Financing System adopted in April 2016 referred to the risks related to non-profit organizations in the system of combating the financing of terrorism and money laundering in Tunisia, despite efforts exerted by State official authorities to avoid the shortcomings of Decree No. 88 of 2011 as for the resort to activating the administrative control mechanism (the governor authority) to freeze the activity of
some suspicious associations, as long as this decree did not allow the supervisory authority to benefit of the mechanism of freezing activity and activate the provisions of Chapter 94 of the law of 10 December 2003, which enables the Attorney General of The Court of Appeal in Tunis to issue an order to freeze the funds of the associations, especially since the aforesaid decree did not allow the Tunisian Committee for Financial Analysis to freeze the accounts of associations pursuant to Chapter 87 of the 2003 law.

In general, the reference with respect to Decree No. 88 of 2011 on its importance in terms of activating the contribution of civil society in the political, cultural, practical and social action, it has not, by contrast, sufficiently complied with international standards contained in the eighth recommendation of the Financial Action Group, which stressed on the necessity that States shall take all measures and procedures that prevent the possibility of misuse of non-profit organizations in terrorist activities or acts resulting in the Mutual Evaluation Report of 2016.

**B) Evaluate effectiveness based on the outputs of the strategic analysis**

The Tunisian Committee for Financial Analysis worked during the years 2013 and 2014 on the associations sector, based on the suspicious declaration conveyed by private individuals subject to the duty of declaring (mainly banks) regarding some associations and the national coordination with the competent judicial authorities and law enforcement authorities (departments of the Ministry of Domestic Affairs) Related to suspicious financial activity of some associations.

The analysis of these files and reporting provided a rich material that formed the nucleus of the strategic analysis of associations activity in Tunisia. It included considering hundreds of bank accounts, legal files and thousands of financial transactions. This enabled the committee to obtain important statistical data and practical patterns in the way of financial and regulatory management and understanding of risks related to this sector, which are presented below according to the following topics

- **Statistical data**

  One of the most important digital outputs that can be examined is that the associations sector has not previously been suspected of involvement in financial operations related to crimes of public order or terrorist crimes except under Decree No. 88 of 2011. This was achieved through the strategic analysis of all reporting which have been analyzed by the committee and decided to refer to the Public Prosecution. It has been noticed that predicate offenses related to suspicion of terrorism and its financing represented 20% of the total of these reporting
Underlying infringements: terrorism including its financing

<table>
<thead>
<tr>
<th>Infraction sous-jacente : le terrorisme, y compris son financement</th>
<th>Effect</th>
<th>Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valide Infractede</td>
<td>16</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Infraktion non détectée</td>
<td>94</td>
<td>80.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

This digital output is statistically important. It highlights one of the shortcomings of the legal system of Decree No. 88 of 2011 which did not provide in practice operational guarantees required to prevent the risks of exploiting associations’ activity in charitable, social or cultural purposes.

The following are the most important statistical indicators that have been examined when analyzing the reporting mentioned above:

- Most of the associations were either of a religious nature or of a charitable social nature, where we did not examine suspicious financial activities related to associations of a scientific, research or sports nature.

- The volume of registered bank transactions varied between 100 thousand TND and more than three million TND.

- Most important sources of funding of associations arises, first, from external sources (from the Gulf states and to a lesser degree European ones).

- The financial suspicion of the reporting has been limited to predicate offenses such as terrorism and its financing, party and electoral funding, and transfer to hotbeds of tension.

  ▪ Financial and regulatory management process

The decree No. 88 of 2011 did not include operational mechanisms to ensure effective financial control that is consistent with real risks that may be posed to law enforcement authorities by the associative sector due to the political change of the Tunisian revolution and the organizational and legislative requirements of the transitional period (party funding, electoral funding, the growing phenomenon of terrorism in North Africa and the Middle East ...).
One of the direct effects of this basic weakness is discovering serious methods of financial management in the bank accounts of these associations, which in general has weakened the ability of the supervisory structures to monitor and prevent suspicious transactions. These methods are based on two basic types:

- Division of bank accounts of the Association under different names, which prevents the possibility of conducting effective surveillance in effective time manner and content. The process of fragmentation of accounts was accompanied by a legal architecture that adopted the geographical fragmentation of the same association in a manner that we notice the existence of the same association in several regions of the national territory but pursuant to independent fundamental laws from each other in structure and legally and the gravity of this procedure lies in the fact that in the absence of an information database, it is difficult to monitor due to many entities made up of extended list of operators.

- Relying heavily on cash deposits that do not include the identity of donors, whether individuals or entities or the donated financial value which prevents the possibility of identifying the real sources of funding and its subject in the absence of financial data that indicate the identity of their owners.

C) Measuring the risks level of the associations sector

**identifying concepts related to measuring the risks of the associative sector**

In order to identify the risks of the associative sector in Tunisia according to international standards and methods, we present the following table:

<table>
<thead>
<tr>
<th>Associations Sector Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td><strong>The consequences</strong></td>
</tr>
</tbody>
</table>
**Associtative sector risks level degree**

The requirements of the risk analysis and assessment, as a reminder (threats, weaknesses, fallouts or consequences related to the achievement of risks), may allow an objective assessment of the level of risk in Tunisia given the challenges related to national security in general.

We summarize hereafter the main results:

- Structural risk indicators of the associations sector rose to high levels
- Control procedures indicators decreased to Low levels
- Imbalance between structural risk indicators and control procedures indicators.

Resulting in high-risk deficiencies in the regulatory system and high risks in money laundering and terrorism financing through associative activity.

At the level of the risk matrix, the outcome related to the risk assessment was consistent with the description above:

![Risk Matrix](image)

**Vulnerabilities**

The purpose of this approach is to highlight the decline in the rating of the compliance with international standard (FATF recommendation VIII) resulting from the decline of the State control over this sensitive sector. It is likely that the regulatory system, which was abolished at the time of the issue of Decree No. 88 of 2011 which was believed to be containing efficient monitoring guarantees that, helped the State to control the dangers of the associative sector. In fact, it is a misconception because the previous legislation of the current decree was based on
the principle of risk rejection, in other words it has undertaken a main goal from control measures of the associative activity to the detriment of the spreading of associations and charity organizations that has deprived its positive role in the political, social, economic and cultural act.

On the other hand, the legislator's intention in light of the current law is to activate the association's activity by lifting restrictions on its practice and launching the initiative without placing in its concerns a solid basis for the supervisory procedures in order to resist to the risks of deviation from this sector or its misuse in illegal purposes.

Therefore, controlling the risks of this sector while ensuring its positive contribution to social, economic and political life is a basic condition that can only be ensured through a risk-based approach that allows for the adoption of a range of flexible measures to channel resources more effectively and apply appropriate preventive measures compatible with the nature of risk, used by the FATF, when it issued in June 2015, a report on best practices to prevent the risk of non-profit organizations.

8.2.2. Proposed Recommendations

"The objective of developing legislation regulating the work of associations is not to reduce or limit its work or to put obstacles on its way. On the contrary, the goal is to contribute to the preservation of the vitality and integrity of the charitable work sector and to enhance the confidence of the community in these institutions and its continuity and through sound financial transparency and registered data, thereby increasing their activities in a strong and diverse manner."

As such, MENAFATF has issued a guide on best practices to protect against the dangers of the charity sector. In order to formulate practical recommendations on best practices, we will adopt the accreditation, as well as the results of the evaluation process referred to above, on two reference documents:

- The study issued in September 2005 by the Working Group for the Middle East and North Africa entitled Best Practice for Combating Money Laundering and Terrorism Financing on the subject of Charitable Associations.


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68 This study has been prepared as a guideline and technical assistance to the countries of the group in order to familiarize the member countries of the MENA Financial Action Task Force with the best practices that can be applied and implemented to achieve charitable objectives and purposes in line with standards of combating money laundering and terrorism financing. This study provides a general framework that can be adapted and applied by States in accordance with their domestic legislation and regulations, and the specific circumstances and the appropriate methods of each country.


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Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing
The proposed recommendations under the risk-based approach concern the following:

**Recommendation I**

**Strengthening the regulatory role of the supervisory bodies on charity institutions and associations**

To follow up the work of the associations and to verify their compliance with the relevant regulations and instructions, several mechanisms should be followed, including field visits and office supervision, and requiring them to prepare annual accounting financial statements that will be published to the public after being audited and reviewed by accredited external auditors, appointed to this regard.

It is also possible to oblige charity associations with large activities to set up internal control departments in charge of the follow up of the work of these institutions and carry out periodic reports on them to be submitted to the supervisory bodies.

Assisting associations to work out a model of their articles of association as well as accounting guidelines including records, documents and preparation of budgets.

**Recommendation II**

**Enhancing standards of transparency and reporting**

The association's work is a non-profit voluntary work that is based mainly on the trust gained by charity associations and organizations and those in charge of them. These associations collect and use funds from donors and benefactors for specific charitable purposes or deliver them to certain beneficiaries that needed them.

Therefore, the standards of transparency and reporting are especially important in this activity and are considered among the most important criteria, not only to help the supervisory authorities to achieve their supervisory functions, but also to strengthen and increase the confidence of community members and donors of these charity organizations that the donated funds are disbursed only in accordance with their basic purposes and are not misused by the members of such associations or disbursed to beneficiaries or activities other than those declared upon the collection of the funds.
Recommendation III

Applying specific criteria for the selection of those working in charity institutions and organizations

The good selection of those in charge of charity organizations and institutions is one of the most important factors for the success and safety of charitable work. As it contributes mainly to the safety and increase of charitable activity as a result of the confidence of the members of the community. Supervisory authorities responsible for supervising charitable work can set specific appropriate criteria that must be complied with when selecting managers in charge of these institutions in a manner that ensures the selection of the right people to work in this sector, as well as the establishment of executive rules for these people when carrying out their work.

Financial aspects:

Collection and disbursement of funds is the main activity on which most charity associations and organizations are based. Therefore, controlling this aspect is essential to prevent abuse of this sector. The relevant supervisory authorities in the State can do so by establishing mandatory controls to regulate these operations through the total suspension of cash collection and disbursement in cash, replacing it with the use of bank accounts, through which foreign exchange mechanisms can be controlled from charity accounts, register carried out transactions and its follow up when needed. It is possible to establish special controls on the organization of fund-raising and disbursement operations and the mechanisms for opening and managing the bank accounts of these associations through coordination between the supervisory bodies in charge of charity sector and the supervisors in charge of the banking sector. Among the most important regulations to be observed in this regard, the following:

Stop the collection and disbursement of cash by charity associations and institutions and obligate them to use bank accounts in all their operations and activities. The foreign exchange operations are limited to checks that are disbursed only to the first beneficiary by depositing them in his bank account.

Consolidate the bank accounts of each association or charity with only one major aggregation account through which the disbursement process is carried out in order to facilitate the process of monitoring and follow up with the possibility of opening sub-accounts from the main account when needed for purposes of donation rather than for disbursement purposes.
The management of bank accounts related to charity associations or organizations is through the joint signature of two persons authorized by the Board of Directors of the Association after the completion of their identity and personal data and personal data of the members of the Board of Directors.

To collect the identity data of the donors or beneficiaries of funds deposited or withdrawn from the association account.

Directing banks towards implementing the requirements of the "Know Your Customer" policy, adopting approved policies and procedures to comply with the conditions set by supervisors to deal with the accounts and operations of accounts belonging to charity and fundraising accounts, and applying policies and procedures for monitoring operations, reporting suspicious transactions, and applying high risk criteria on these accounts.

Establish a mechanism to monitor foreign financial flows

All of these recommendations will be summarized, to reduce risk, in an action plan which will be discussed later in this report.

**8.3. Risks of international trade companies and proposed recommendations**

In order to establish a national understanding of the risks of money laundering / terrorism financing in relation to the activity of international trade companies, the Committee based its assessment of the risks of international trade companies in Tunisia on a set of analytical outputs that were mainly based on the presentation of the legislative framework governing the activity of international trade companies and strategic analysis output on suspicious reporting transmitted to the attention of public prosecutors related to international trade companies and risk level according to risk matrix.

**8.3.1. Risk Assessment of International Trade Companies activity**

**A) Presentation of the legislative framework governing the activity of international trade companies**

Activity

Chapter II of Law No. 42 of 1994 defines the activity of international trade companies in the export and import of goods and products and in all types of international handling and brokerage operations.

With regard to the conditions of carrying out international trade activity, the legislator defined it in the following axes:

- **Capital:** In accordance with the decision of the Minister of National Economy of 12 April 1994, international trade companies are created with a minimum capital of 150,000 TND and must be fully paid-up when they are created. According to law no. 102 of 1998 of 30 November, 1998, dealing with the completion of Law No. 42 of 1994 of 28 April 1999, the minimum capital is reduced to 20,000 TND for young promoters and this privilege is granted once for each promoter. A young promoter with a Tunisian nationality who meets the following conditions shall be: a university graduate, less than forty years old at the time of submitting the application to start a project and will be in charge of managing the project in full time and possess at least 51% of the capital.

- **Submitting investment declaration:** international trade companies activity is subject to an investment declaration to be submitted to the Center of Export Promotion which gives the concerned company a submitting certificate containing all data related to the project.

- **Minimum exports:** According to Chapter 2 of Law No. 42 of 1994 of 7 March 1994, are considered international trade companies those that achieve at least 50% of their turnover of exports of goods and products of Tunisian origin. However, companies that deal with totally exporting companies are not subject to the requirements of minimum export sales.

Handling and brokering transactions by international trade companies of goods and products of Tunisian origin are included in export operations. The value of handling and brokerage operations is also calculated at the lowest level of annual turnover when exporting goods and products of Tunisian origin, which is equal to the difference between the value of sales of foreign goods abroad and the amount of purchases related to international handling and brokering.

On the other hand, the value of handling and brokerage operations is calculated based on the lowest annual turnover at export of goods and products of Tunisian origin which is equal to the amount of the collected commission that really came back to Tunisia with respect to those operations. In accordance with the decision of the Minister of Tourism, Trade and Handicrafts of 03/12/1998, annual sales of non-resident international trade companies cover imports made by foreign trade operators directed to consumption on the local market as well as the exports of goods and
products of Tunisian origin at the end of each accounting activity according to the provisions of the code of Trade. By contrast, annual sales do not include the following operations: imports of goods and products intended to storage under the control of the Customs with the purpose of its re-export and the import of goods and products through the transit system.

- **The system of tax incentive granted to international trade companies**

International trade companies can be fully exporting. International trade companies are entirely exporters when they carry out at least 80% of their sales at export and the rest can come from import operations.

- **Preference system**

Fully exporting international trade companies enjoy full exemption from the payment of customs duties and taxes due to the import of materials and products necessary for their activities and exemption from the payment of value added tax when purchasing materials, products and services for their activities at the domestic level.

It should be noted that these exemptions do not include private cars and maintenance and repair costs, while they include utility cars if their import is necessary for the activity of the company.

Foreign agents employed by international trade companies, as well as investors or their representatives from foreigners who are managing the company, enjoy total exemption from payment of the required customs duties and taxes when importing their personal belongings and a private car for each person.

Conditions for enjoying the preference system: In order to enjoy tax incentive system when importing materials and equipment necessary for their activity, international trade companies must submit an incentive tax application in the category (41.3.6) at the tax concessions office (General Department of Customs) with the commitment of not selling the goods and equipment matter of the incentive application.

- **Foreign Trade and Foreign Exchange System for International Trade Companies**

International trade companies can be resident or non-resident. They are considered as non-resident companies when their capital is owned by non-resident Tunisians or foreigners and comes from the process of importing a convertible foreign currency in the limit of 66% of the capital.

Resident international trade companies, whether fully or partially exporting company, must be subject to the provisions of Order No. 1743/94 of 29 August 1994 on the conditions of commercial operations.
Enjoying the warehouse system

International trade companies can benefit in the framework of their activity of the warehouse system which allows them to operate in the warehouse area under the control of the Customs to store the goods imported with the exemption from customs duties and taxes, and then re-export or sell them to fully exporting companies.

In order to make use of the warehouse system, an application must be submitted to the Customs general manager stating the economic importance of the project, accompanied by the following documents: Certificate of submitting an investment declaration delivered by the Center of Exports Promotion and a list of materials that will be subject to the warehouse system and an ownership deed or lease contract for the shop to be prepared for storing products, materials and subject to prior authorization from the customs departments related to the Office of prior to exportation.

B) Outcome of strategic analysis

The activity of international trade companies and services is one of the most important channels that can be exploited by many criminal organizations in the fields of money laundering and terrorism financing, so international standards have given special attention to this area to avoid its risks to the global financial system. In this context, international standard matter of recommendation 24 of the Financial Action Task Force stated the following:

**International Standard**

**Recommendation XXIV of the Financial Action Task Force**

**Transparency and real beneficiaries of entities**

States shall take appropriate measures to prevent the misuse of entities in money laundering or terrorism financing. States should ensure that timely and accurate information is available, on the real beneficiary and the control of entities that competent authorities can obtain or get access to in a timely manner.

In particular, States with entities capable of issuing shares to their bearer or securities to the holders, or allowing nominal shareholders or nominal managers, should take effective measures to ensure that they are not misused in money laundering or terrorism financing. States should consider working out procedures to facilitate getting access to data on the real beneficiary and control of information reaching financial institutions and specific non-financial businesses and professions responsible for implementing the requirements contained in recommendations X and XII.
During the period from 2011 to 2016, the Tunisian Financial Analysis Committee worked on the activity of international trade companies based on suspicious reporting conveyed by individuals subject to the duty of reporting (mainly banks) and international coordination with the counterparts of the Committee abroad (financial investigation units) and nationally with the departments of the Customs in many files related to suspicious financial activity of an important number of international trade companies.

The analysis of these files and reporting constituted the nucleus of the strategic analysis of the activity of international trade companies and services in Tunisia. This allowed the committee to obtain important statistical data and practical patterns of financial and legal management and understanding of the risks related to these sectors, which are presented below according to the following axes:

- **Statistical data and method of financial and legal management**

  The growing volume of smuggling during the last five years, which according to the World Bank estimates stood at between 38% to 53% of GDP has been financed mainly through financial flows in cash and through bank transfers and the opening of documentary credits from Libya within institutional incubators formed mainly by International Trade companies.

  An important proportion of this financing has been traded outside the banking system to feed the parallel foreign exchange market with important foreign exchange currency resources, producing parallel foreign exchange rates for the Libyan dinar, the Tunisian dinar, the US dollar and the euro. It attracted many economic agents from both countries (Tunisia - Libya) for speculation purposes and financing organized imports and smuggling as well.

  Financing most of the operations of importing goods and services by economic agents has been carried out at the expense of Libya's hard currency reserves through non-resident international trade companies and services under the control of Libyan people through clearing operations against the Tunisian dinar or Tunisian goods. For the purpose, documentary credits from Libyan banks have been opened and it has been conveyed for some of them more than 130 suspicious reporting and the amount of declared funds is estimated at about 3 billion Tunisian dinars in the period 2011-end 2015.

  Most of the suspicious indicators conveyed to the committee have used documentary credits, including false or fictitious commercial documents such as invoices, cargo data and certificates of origin.

  As for the indicators related to these files, they were constituted by:

  - Setting up of non- resident international trade companies in Tunisia or abroad.
- Opening one or more accounts in foreign currency on behalf of the company as well as personal accounts related to the company agents.

- Exploitation of these companies to collect documentary credits based on fabricated documents.

- Adoption of the same suppliers and the same categories of goods.

- Adoption of the same methods of fabrication that were usually related to the manifestation of load data and inventive commercial invoices or false certificates of origin.

- Managing credits proceeds is distinguished by the majority of companies feeding their accounts reciprocally as if it were a closed financial market between them.

- The existence of a network of foreign companies benefiting from transfers the names of which are repeated in many files.

- The overlap of some Tunisian companies in the financial engineering of operations.

The outcome of the strategic analysis shows that more than 3 billion Tunisian dinars (equivalent to approximately 1.5 billion US dollars) have been collected by Libyan companies through false documentary letters of credit collected through the Tunisian banking space, this shows the weakness of the banking sector in dealing with payment means related to collecting these credits governed by agreed international standards pursuant to rules of Uniform Assets and Credentials of documentary credits issued by the International Chamber of Commerce\textsuperscript{70} which established the universally accepted guidelines (UCP600) on international banking practices, namely letters of credit and request of payment guarantees between banks.

In this context, the Libyan Accounting Office\textsuperscript{71} (as the Tunisian Accounting Court) published an important report in the 2015, in which it pointed out clearly to this phenomenon and to the typical method adopted by many Libyan companies to smuggle money. Consequently, the following violations occurred:

- Depleting the Central Bank of Libya reserves in foreign exchange.

- Allowing continued depletion of reserves of foreign currency for speculation purposes without corresponding goods and services for the State benefits will lead to a rapid collapse of the State in light of the crisis.

\textsuperscript{70} International Chamber of Commerce (ICC) is a global trade organization and a representative body of tens of thousands of companies and member associations from more than 120 countries. ICC has three main activities: rule-making, policy advocacy and arbitration. The Chamber has an unparalleled power to set rules governing the conduct of business across borders. Although these rules are voluntary rules, they are complied with in thousands of transactions every day and have become part of the fabric of global trade and transactions. \textit{Explanatory Note to the UN General Assembly Resolution of 15 August 2012.}

\textsuperscript{71} Refer to the report of the Libyan Audit Bureau for the year 2015 from page 219 to page 239.
- Harmful damage to the national economy the impact of which extends over many years.

- Low revenues from sovereign revenues.

As for the typical method, the same report pointed out that the manipulations have been carried out through the opening, carrying out and closing of credits, importing from importers and banks opening of credits and Customs department through the carrying out of the following:

- Providing forged Customs declarations by some companies and importers and accepting them by banks employees opening the documentary credits without being careful when examining the prices of the goods and their items. Also, it is not verified that they are identical to the declaration and documents related to them at the settlement, and without verification of their financial positions and authorizations and their compliance with credit opening conditions where manipulated documents contain clear indications of fraud.

- Provide incorrect invoices and import documents to reduce the value of imported goods and avoid the payment of customs duties, which are accepted by customs officials despite unreasonable prices, due to weak acceptance procedures, numbering and statement of goods.

- A number of certificates related to transport and insurance documents regarding imported goods are false.

- Suspicion in weight at some ports, where a large number of empty containers have been discovered, the value of which was transferred abroad without the import of goods as a counterpart (according to the report, at the port of Tripoli the number of empty container stood at 118 by 2015, and 51 empty containers at the port of Khoms in addition to the port of Misrata with 139 empty containers)

On the Tunisian side, financial operations considered by the Tunisian Financial Analysis Committee and the departments of the Customs (Customs Research Department) showed that most exports of goods and services from Tunisia to Libya have been settled in cash in Tunisian dinars without the relevant export files at banks according to procedures in use. The process of settlement at the Customs by Libyans when leaving Tunisia is through false documents and invoices mainly provided by Tunisian companies in Ben Guerdane against small amounts with respect to unauthorized customs intermediation

Thus, the demand for the Tunisian dinar on the black market has increased, resulting in cross exchange rates between Libya and Tunisia and its official counterparts, which led to significant profits derived from foreign exchange profession and the speculation in currency.
In view of the current prices in the parallel foreign exchange market, the strategic analysis noticed the existence of a "real monetary unit" between the traders in Tunisia and Libya which led to Libyans holding an important reserve of Tunisian banknotes for what it provides in real value of the dinar on the Libyan economic place where it corresponds to 1.6 American dollar

The following is an illustrative example of two models of speculation:
C) Risk level of international trade companies

For the purpose of identifying the risks of international trade companies in Tunisia, the following outputs have been obtained:

**Threats:** Exploitation of international trading companies mainly non resident ones in pursuant to foreign exchange regulations as a pretext for money laundering and terrorism financing, under the guise of a commercial activity, in order to hide and disguise the real purpose behind the transfer of funds to criminal organizations or terrorist organizations.

**Weaknesses:**

- Poor control over the activity of international trade companies and the multiplicity of structures concerned with monitoring them without coordination among them (Ministry of Commerce, Central Bank of Tunisia, the Customs).
- Lack of awareness of the risks of the activity of international trade companies at reporting bodies.
- Lack of information programs and databases related to the activity of international trade companies.
Consequences:

- Financial space attractive to suspicious foreign investment.
- Damage to the reputation of the Tunisian banking center.

The analytical outputs described above revealed significant weaknesses, including regulatory and organizational procedures, resulting in threats that could be addressed and controlled by capacity-building and awareness-raising among sector supervisors by clearly defining the functions of regulatory departments.

Relatively high level risks according to the following matrix:

<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International Trade Companies</strong></td>
<td>High</td>
<td></td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>Relatively high</td>
<td>Fair</td>
<td>Relatively low</td>
<td>Low</td>
<td></td>
</tr>
</tbody>
</table>

Vulnerabilities

8.3.2. Proposed recommendations

**Recommendation 1**

**Raising awareness among banking institutions about the risks of the activity of International Trade Company**

1. Recall reporting agencies, especially banking institutions with their resident and non-resident branches, of the need to effectively implement the Guideline No. 20 of 2017 of 02 March 2017 on tracing and reporting on suspicious financial transactions and operations.
2. Recall banking institutions with their resident and non-resident branches of international standards that have been agreed upon in accordance with the Uniform Assets Rules and Documentary Credits issued by the International Chamber of Commerce which established the universally accepted guidelines (UCP600) on international banking practices, in particular letters of credit, and the request for interbank payment guarantees.

### Recommendation II

**Determining control tasks**

The necessity to determine control functions in order to prevent the so-called negative conflict that pursuant to it, two concerned parties or more give up their functions for the benefit of another party may constitute a monitoring gap.

Accordingly, it is recommended to determine a procedural paper be drawn up through which the functions of each regulatory body will be defined in specific areas in order to ensure effectiveness and to ensure that these entities are not used as incubators for illegal purposes.

### Recommendation III

**Review of foreign exchange system for companies operating in the service sector**

It is recommended that the legislation relating to international trade companies subject to the provisions of Law No. 42 of 1994 be reviewed. This review is to raise the minimum capital of these companies and to withdraw the status of the resident thereof, including those whose capital consists in foreign participations financed through currencies import equal to or exceeding 66%.

The purpose of this procedure is to make these companies subject to foreign exchange regulations and foreign trade that govern resident companies with respect to economic transactions and the conditions for opening and managing bank accounts authorized to be opened in foreign currencies at local banks, thus preventing them from carrying out commercial and banking operations and investing their funds outside regulated markets and depriving them of the statue of non-resident which grant them the absolute freedom to transfer funds through such accounts without

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72 A proposal issued by the General Department of foreign exchange operations at the Central Bank.
submitting, contrary to their resident counterparts, the minimum required documents with respect to all their transactions.

All these recommendations will be illustrated in the national work plan to reduce risk and which will be dealt with in the report later on.
8.4. The risks of electronic payment transactions and the use of modern technologies and modern intermediaries and virtual currencies in the field of money laundering and terrorism financing

Electronic payment transactions are a direct product of technological development. They have been developed to be suitable for the nature and requirements of e-commerce. The customer can benefit from banking services such as paying bills of goods and services through telephone and electronic means.

However, despite the many advantages provided by electronic banking, it posed many risks, since there is a close correlation between electronic processes and information security that may lead to piracy of customer balances or criminal innovative processes that may be attractive tools to attract terrorist organizations.

In order to assess the risks of modern technologies and electronic media at the national level, it was necessary to consider the legislative and regulatory policy adopted in Tunisia to address the existing or potential threats posed by this sector. In this framework, a sector related report from the Ministry of communication technologies and digital economy has been received and contained three principal topics:

8.4.1. The legal framework governing electronic payment transactions

The Tunisian legislator has established an arsenal of laws related to electronic financial transactions in an equation based on the gradual integration into the digital economy by developing electronic financial transactions and consolidating financial integration while taking all precautionary measures, such as establishing control on electronic payment systems and other intermediaries and developing special programs in managing operational risks of these new technologies. The following are the most important laws and regulatory texts issued in this field:

- Law No. 83 of 2000 of 9 August 2000 on transactions and electronic commerce, whereby the National Agency for Electronic Authentication was established to issue, deliver and preserve electronic certificates of authentication. Subsequently, two regulatory decisions were issued by the Minister of Communication Technologies, the first of 19 July 2001, determines technical specifications related to the setting up of electronic signature system and the second of 19 July 2001 concerns determining technical data related to electronic authentication reliability.

- Law No. 1 of 2001 of 15 January 2001 concerning the issue of the Telecommunications code.
- Law No. 5 of 2004 of 3 February 2004 on information safety, which aims at regulating the field of information safety and determining general rules for the protection of information systems and networks

- Order No. 1250 of 2004 of 25 May 2004 related to determining information systems and networks of structures subject to periodic mandatory audit of information safety and standards relating to the nature and periodicity of the audit and follow-up procedures to implement the recommendations contained in the audit report.

-Law No. 51 of 2005 of 27 June 2005 relating to the electronic transfer of funds, which arranged penal sanctions in violation of its provisions to be complied with by agents of the judicial and juridical agents and sworn agents of the Ministry of Finance and sworn agents of the Ministry of Communication Technologies and the National Agency for Electronic Authentication.

In 2011, the legislative pace of the sector has been continued through the issuance of regulatory texts supporting the Tunisian State's strategy towards the option of establishing a digital economy:

- Order No. 4506 of 2013 of 6 November 2013 relating to the establishment of the Technical Agency for Communications and determining its administrative and financial organization and its operating modes.

- Order No. 412 of 2014 of 16 January 2014 relating to the setting of the conditions and procedures for assigning an authorization for the carrying out of a communication virtual network.

- Order No. 4773 of 2014 of 26 December 2014 relating to the conditions and procedures for assigning the authorization of Internet service provider.

- Circular to Banks No. 01 of 2011 of 06 January 2011 concerning the conditions for the provider of mobile payment services.

- Circular addressed to authorized intermediaries No. 9 of 2016 of 30 December 2016, relating to the carrying out of a transfer by means of a nominal international payment card called "International Technology Card".

8.4.2. Projects and programs being implemented in response to suspicious transactions and transfers and strengthening confidence in digital transactions and responding to cyber attacks

This report outlines, first and considering the Tunisian Post Office as an institution dealing with communication technologies, some weaknesses of this institution in its relations with financial transactions.

The Tunisian Post Office is considered as an authorized establishment that carries out deposit and transfer transactions and is subject to money laundering and terrorism
financing exposure and on these bases the basic law number 26 of 2015 stated that it’s subject to due diligence measures and duty to report on suspicious transactions. The Tunisian Post Office started by the setting up of a compliance unit to prevent money laundering and terrorism financing risks and though its setting up of applications in this unit, weaknesses have been noticed regarding complying with due diligence measures regarding costumers including the fact of not being sure of the origin and destination money amounts and the identity of the transfer sender and the beneficiaries and real beneficiaries and mainly those carried out internationally through money transfer services providers such as western union and nationally through bank draft service.

Some of the previously noticed weaknesses arises from the absence of monitoring authority on the Tunisian Post Office carried out financial transactions and a system of combatting money laundering and terrorism financing at its departments.

As for the remaining programs that communication technologies ministry presided over, we mention the following:

- The National Agency for Electronic Certification received in 2015 a certificate of conformity to the system of governance and management which endows it with the certificate of electronic authentication of public keys according to the standards and criteria "ETSI 102042" on the certification of the validity of electronic signature.

- A project carried out by the National Agency for Computer Safety in cooperation with the Tunisian Professional Association for Banks and Financial Institutions was designed to establish a mechanism for the detection and prevention of risks aimed at strengthening the vigilance and the ability to confront cyber-attacks on the level of equipment and information systems of the financial market. This will enable financial institutions to be able to respond effectively to cyber-attacks and suspicious operations that may mask money laundering.

- As for tracking threats related to cyber crimes, the Ministry of Communication Technologies and Digital Economy commissioned the National Agency for Information Safety to complete the project "Countering Cyber Terrorism and Strengthening Digital Confidence". The project aims at three main objectives:

  - A short-term goal is to protect the administrative network and digital administrative services from disruptive attacks.

  - In the medium term, ensuring a Tunisian private cloud computing.

  - In the long run, Tunisia will become a focal point for Tunisian-African cooperation in the areas of protection from denial-of-service attacks.

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73 CERT = Computer Emergency Response Team
74 Availability of the Tunisian private cloud
75 Protection from denial-of-service attacks
76 Tunisian Financial Analysis Committee 2017 © CTAF -2017©
8.4.3. **Topics of the National Strategic Plan "Tunis digital 2020"**

This strategic plan aims at re-positioning national economy in global value links by focusing on promising activities that have great potential and important investment opportunities that have not yet been exploited in terms of the expected way such as communication devices and electronic payment systems.

The new Investment Law No. 71 of 2016 of 30 September 2016 states in its first chapter that among its objectives "the promotion of value added, competitiveness, export and technological content of national economy at the regional and international levels and the development of priority sectors, including the ICT sector and digital economy."

For this purpose, the political will is reflected in this trend. At the Presidency of the Government, a new strategic council for digital economy has been created and oversees the development of the national strategy for the digital economy and its follow-up, including consideration and approval of proposals aimed at updating and developing them. This Council also periodically evaluates the strategy and provides the necessary support for the success of its implementation, as well as considering all public and private projects and initiatives that will develop digital economy. This Council is composed of representatives from the public sector, the private sector and civil society (Decree No. 4151 of 2014 of 3 November 2014 and completed by Decree No. 1544 of 2015 of 23 October 2015).

In this context, the Strategic Council for Digital Economy, chaired by the Chief of Government has endorsed, since its first meeting on 22 May 2015, the Tunis National Digital Plan 2018 and its governing mechanisms and recommended linking the Tunisian Digital Strategy 2018 with the Development Five-Year Plan (2016-2020). The current official designation is the National Strategic Plan for the ICT Sector "Tunis 2020".

Several axes are in keeping with this plan and are related to:

- Strengthening communication infrastructure.
- Developing open governance and e-governance.
- Promoting the transport of the services sector outside the country of origin, particularly within the framework of Tunis Smart Program.
- The development of services and support for the renewal and expansion of uses in the framework of digital economy.

The project includes several projects aimed at developing trade, electronic exchange and the development of payment by mobile phone - the development of the use of the

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55 Point of presence
56 DDOS: Denial of Service
international technological card and monitoring and development of uses of digital electronic money\textsuperscript{77}.

\begin{quote}
Technological means are not considered goals in themselves but rather a means to achieve more comprehensive goals. These means are the main pillars in the work of the Ministry of Finance in Tunisia to prepare the national strategy for financial integration, relying on the widespread especially of mobile phone to accommodate people who are active outside the financial banking system and attracting current financial transactions within parallel economy, which would achieve two main objectives consisting in the follow up of the movement of funds on the one hand and the strengthening of state resources from the collection of taxes on the other hand.
\end{quote}

\section*{8.4.4. Real or potential threats arising from the use of modern technologies and electronic intermediaries and virtual currencies in money laundering / terrorism financing}

For more than a decade, Tunisia has been aware of the risks associated with the products of modern technologies and electronic intermediaries, especially with the spread of social networking sites (Facebook, Twitter ...), which have had a significant impact on the political and security scene as well.

At the end of 2005, Tunisia experienced the first terrorist attack through communicating via the Internet. It was known as the "Soliman's Operation" in relation to the city of Soliman, located on the outskirts of the southern suburb of Tunis. At that time, the parties to this terrorist cell communicated through the Internet to overthrow the regime. At the end of 2006, sentences ranging from death to 5 years imprisonment have been sentenced for participants in the events of Soliman. One of the consequences of Soliman's operation was the imposition of strict censorship on the Internet. The result was the imprisonment of many journalists and other activists in social networking sites and the blocking of all public opinion sites. These measures were exacerbated by the 2008 mining site upheaval and then the Tunisian revolution during which social networks played a pivotal role in overthrowing the former regime.

However, these new methods, while forming a pressure force in the service of public opinion issues and contributed to the overthrow of the tyranny system, are not free from the high risks that emerged during the revolution through the spread of the pages of Takfiri thought, which had a key role in attracting youth groups to join terrorist cells and organizations transfer plans to fight with the hotbeds of tension:

\textsuperscript{77} Digital currency
Security forces confronted five people in the southern Tunisian governorate of Kebili in 2015, accusing them of having committed a terrorist organization on the Internet. In the same context, the Okba Ibn Naffaa battalion, stationed in the Shaam Mountains on the Tunisian-Algerian border, informed their supporters not to use Facebook but rather use "Twitter" to propagate the jihad and fight against the State system through connecting via "Tor".

With regard to cyber crimes such as piracy of bank accounts, the statistics issued by the Anti-Crime Division of the Economic and Financial Research Sub-Department of the Tunisian Police Department with respect to 2014 and 2015 show that 24 judicial cases were raised and tracked in 2014 and 15 cases in 2015. Among these most important cases:

<table>
<thead>
<tr>
<th>Creation of a wireless network without authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the purpose of making international calls at the price of local calls and benefiting of their financial revenues</td>
</tr>
<tr>
<td>In this case, a person called &quot;A&quot; requested from an person called &quot;B&quot; to mediate for his interest in buying a large quantity of calling chips of a Tunisian Telecom Corporation against obtaining a significant financial commission for each chip he obtains,</td>
</tr>
<tr>
<td>In the wake of the research it has been noticed that B had a relationship with a person called &quot;C&quot; who was in possession of a SIM BOX machine (that has been seized in a city on the coast), which was exploited by placing the telephone chips and using them later to hack telephone networks and divert international calls to local phone calls. The proceeds of these calls are credited in a personal bank account that has been opened to receive from phone call providers who deal with them the amounts arising from the sale of international calls at local call rates.</td>
</tr>
<tr>
<td>In this case, 1215 chips have been seized belonging to different people that have been collected by a small group, three young men and a girl.</td>
</tr>
</tbody>
</table>

| Piracy of foreign bank cards and their use in suspicious settlement operations via the Internet using the technology "Phishing" |
| "M" has sent mails to several people as bank statements. These mails often contain a warning that the victim’s account will be closed if it is not activated and then direct the victim to a counterfeit page asking him for information about his credit card and whatever the victim will write will be received by the latter in his e-mail and then he will purchase several valuable things for himself and for the benefit of a group of friends such as booking tickets for travel abroad and bookings at hotels and stays abroad. |
The company “Tunisie monétiques” has been mobilized in order to identify the beneficiaries of the purchases through pirated bank cards according to the notifications received from Visa and Master card, this group was seized and the rest who escaped are wanted.

The Tunisian Financial Analytical Committee dealt with a suspicious reporting in 2015 issued by a Tunisian bank concerning a newly formed non-resident company called "A" to consider significant financial flows estimated at 20 million euros that their owner wants to transfer urgently to several countries abroad.

The carried out financial investigation revealed that this amount was collected on two occasions from a company with a global reputation in a European country and in the investigation with the financial information unit the counterpart of the Tunisian Financial Analysis Committee, we have been informed that the foreign company that authorized the transfer of funds has filed a complaint with its judicial authorities for a piracy process of its bank account in the same amount referred to above, where the network hacked e-mail to the executive director and financial director of the company and sent an email to the bank they deal with to transfer important amounts from its account to settle suppliers abroad. Accordingly, the Committee authorized the freezing of funds and referred the file to the Public Prosecution for the undertaking.

As for other virtual currencies, notably “Bitcoin”, they have no physical presence and are traded only online and are different from traditional currencies because they

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78 Bitcoin is not the only virtual currency currently present in virtual markets. Thanks to the success of Bitcoin, a variety of so-called "altcoins" or alternative virtual currencies highly praised in the market. This list includes six alternative digital currencies:

- **Lightcoin**: If the bitcoin is gold, the light coin is silver, as people say. Lightcoin’s currency has seen a surging popularity in recent times. Light coin is based on the Bitcoin protocol, but unlike Bitcoin, Lightcoin has been designed to make exploration relatively cheap and easy, and is faster in transactions than Bitcoin.

- **Doggycoin**: The electronic coin of the dog contains the image of a dog in its logo and its most important features are the speed of currency production.

- **Novacoin**: It is a virtual encrypted digital currency based on open source code and peer-to-peer IP. It is different from most of the alternative digital currencies of the bit coin as they integrate protection programs within the coin nucleus, which deter attacks by exploration groups.

- **Nemcoin**: A million is the sum of the Nemcoin. This means that Nemcoin will be relatively rare, exactly the same as the rarity level of the Bit coin. This helps Nemcoin to create an unregulated Internet and denies government control. It is a versatile platform that can be used for a decentralized and unorganized DNS, a kind of its own Internet. It can also be used to send messages, vote, and login system.

- **Berkcoin**: Berkcoin is another currency of the principle of digital encrypted virtual currency such as Bitcoin. Berkcoin is based on the peer-to-peer Internet protocol, the Berk coin offers increased exploration efficiency, as well as improved security and safeguards to avoid abuse by the exploration group. The Berkcoin has a market value that is the fourth among alternative currencies.
are not subject to a central regulator, but can be used as any other currency to buy online or even convert them into traditional currencies.

Their most important features are speed and are non-subject to fees, where there is no need for a broker between the customer and trader\textsuperscript{79} to transfer money, such as the traditional bank and guarantees confidentiality, the sale and purchase can not be monitored or interfered besides it is not linked to a geographical location so it can be treated as a Local currency.

Paradoxically, the advantages of the virtual currency are at the same time negative in terms of attracting criminal proceeds and an alternative financial system for money laundering and terrorism financing. It constitutes a safe haven for suspicious operations on the Internet, especially in the deep network.

Some studies\textsuperscript{80} show that only about 4\% of the Internet can be accessed online. Other studies\textsuperscript{81} show that any investigation process reveals only 0.03\% of information on the internet the remaining lie on the bottom that search engines can not get access to their data, including Google and then be archived and indexed.

As for the deep network space, some estimates\textsuperscript{82} reveal that they are about 550 times greater than the Internet we are dealing with.

The deep Internet consists in a set of networked computers but does not use known protocols, which complicates getting access to them, and does not use the usual domain extensions such as .com, dot.net, or.org. But the deep Internet uses other domains, for example, (onion) and (.bit), which are closed domain extensions. To reach them, the search engine must use other technologies that some deep Internet search engines have been able to use to get access to this hidden side of the network besides traditional browsers such as Google Chrome, Fire Fox, or Explorer will not help much if they are used to reach this depth of the network, but the browser known as "Tor\textsuperscript{83}" is the most popular to get access to the deep network.

The deep Internet has seen great popularity for illegal activities, which have been able to make huge profits through this network through several well-known sites, including Silk Road Hansa, Grams, Dream Market.

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Vizer coin: It is also a virtual encrypted digital currency like the Bitcoin, which often identifies the difficulty of exploration. Unlike some other digital currencies, the vizer coin is regularly updated to incorporate new features and improvements, including protection from abuse and branching through mass explorations. \url{https://en.wikipedia.org/wiki}

\textsuperscript{79} Peer-to-peer (P2P)

\textsuperscript{80} Http://www.fikrmag.com/article

\textsuperscript{81} The same source is http://www.fikrmag.com/article

\textsuperscript{82} The same source is http://www.fikrmag.com/article

\textsuperscript{83} "TOR" is a service run by volunteers, providing privacy and anonymity on the Internet by disguising the user and hiding the sites you visit. The Tor browser offers an easy and fast way to connect to the deep Internet for people who may sometimes need privacy and anonymity when opening websites. Tor works like the rest of the Internet browsers, and the difference is that it sends your connection through Tor, making it difficult for regulators to know your online activity, and it is hard to tell where you're connected.
These sites expose legally criminal activities such as trafficking in human beings, drugs and weapons, the various prostitution trade, including sex of minor children, as well as networks of murder with active pay on the network, and proscribed promoters of books, stories, novels, videos and so on. Through only Bit coin.

Based on the above, threats and vulnerabilities posed by virtual currencies (especially Bit coin) at the national level consist in:

- Promotion of criminal activities and their uses for the transfer of proceeds of crime, which constitute high risks that, do not exclude any financial system or jurisdiction because it is not linked to a particular geographic location.

- Restricted understanding of the use of digital currency for the purpose of money laundering or terrorism financing though there are some reports\(^8^4\) that referred to the use of virtual currency as the publication by a website linked to the organization “Daeech” of proposals calling for the use of Bit coin to fund efforts of terrorist organizations.

On the other hand, the use of Bitcoin in Tunisia is not clear, but the relevant administrative authorities are cooperating in the collection of information and there is a follow up of international typologies reports in the field and a study of the possibility to establishing counter measures if need be.

The real threat to virtual currencies such as Bitcoin is low in Tunisia, especially since there are no financial institutions that offer payment services in virtual currencies so the risk of this sector is medium risk given the size of vulnerabilities and low threats.

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<table>
<thead>
<tr>
<th>Threats</th>
<th>High</th>
<th>Relatively high</th>
<th>Fair</th>
<th>Relatively low</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vulnerabilities</strong></td>
<td><strong>Electronic payment transactions and modern intermediaries</strong></td>
<td></td>
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<tr>
<td>High</td>
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<tr>
<td>Relatively high</td>
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<tr>
<td>Fair</td>
<td></td>
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<tr>
<td>Relatively low</td>
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<tr>
<td>Low</td>
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</tr>
</tbody>
</table>
9. Action Plan: Necessary measures to avoid identified weaknesses in the national assessment of the risks of money laundering and terrorism financing

<table>
<thead>
<tr>
<th></th>
<th>Short term</th>
<th>Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt carrying out</td>
<td>July 2017</td>
<td>December 2017</td>
</tr>
<tr>
<td>Short term carrying out</td>
<td>December 2017</td>
<td>Mai 2018</td>
</tr>
<tr>
<td>Medium term carrying out</td>
<td>Mai 2018</td>
<td>March 2018</td>
</tr>
</tbody>
</table>
### 9.1. Financial sector, business and non-financial professions

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The concerned body or authorities</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awareness for the subjects</strong></td>
<td>Regulatory authorities and self- regulatory authorities.</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>- Preparation of a guidebook on combating money laundering and financing of terrorism in the banking and financial sector, and specific non-financial businesses and occupations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Commitment to organize ongoing training programs for the benefit of the agents, especially those who have direct relationship with the clients and their implementation and provide records to the regulatory bodies to see the proper implementation of this procedure.</td>
<td>Subjects and professional associations under the supervision of the Tunisian Financial Analysis Committee.</td>
<td>Immediate and continuous implementation (December 2017)</td>
</tr>
<tr>
<td>- Studying the possibility of ratifying the possibility of certifying the expertise and certification of the officials on compliance and internal control system in the field of money laundering and terrorism financing</td>
<td>-The professional Association of Banks and financial institutions and regulatory authorities</td>
<td>Immediate and continuous implementation (December 2017)</td>
</tr>
</tbody>
</table>
## Control systems

- **Supporting the professional capacity of observers (on documents and on field) through the organization of continuous training courses.**
  - Preparation of a three-year joint work program (Banking Academy, Central Bank Institute, Tunisian Financial Analysis Committee)
  - Immediate and continuous implementation (December 2017)

- **To strengthen the human resources responsible for oversight and recommend the formation of teams specialized exclusively in risk-based control.**
  - Supervisory authorities and regulatory bodies
  - Immediate Implementation (December 2017)

- **More support of human resources for the Tunisian Committee for Financial Analysis**
  - Central Bank of Tunisia
  - Near Term Implementation (December 2017)
- **Prepare a risk map** that takes into account the nature, importance, complexity and different tools and processes of each sector.
  
  Supervisory authority  Near term implementation (May 2018)

- **Establish an annual monitoring program** in light of the risk-based risk map prepared for the purpose and based on the risk-based approach.
  
  Supervisory authority  Near term implementation (May 2018)

- **Call on the Ministry of Communication Technologies and Digital Economy to appoint a regulatory authority on the Tunisian Post Office in the field of complying with the provisions of Basic Law No. 26 of 2015 on combating terrorism and preventing money laundering under the supervision of an amendment authority.**
  
  Tunisian Committee for Financial Analysis, Ministry of Communication Technologies and Digital Economy  Near term implementation (May 2018)

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### Support national cooperation

- **Establish a mechanism for cooperation and exchange of information between the Tunisian Financial**
  
  Tunisian Committee for Financial Analysis, Supervisory Authority, Law Enforcement Authorities  Near term implementation (May 2018)
<table>
<thead>
<tr>
<th>Analysis Committee and the regulatory authorities. (Concluding agreements with law enforcement authorities for the purpose)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application of administrative penalties</strong></td>
</tr>
<tr>
<td>To activate the application of the administrative bodies of administrative penalties in the event of monitoring violations and violations related to money laundering and providing statistics thereon.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information on the real beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Revising the Commercial Code Law for the purpose of making it contain the obligation to include the identity of the shareholders and the managers of the companies, with the necessity to set a ceiling for the contribution in the capital to limited companies.</td>
</tr>
<tr>
<td>- The possibility of organizing all the participants so that they acquire a common system that enables them to know the identity of the actual beneficiary.</td>
</tr>
</tbody>
</table>
### Penal sanctions

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsible Authority</th>
<th>Implementation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening the human and technical capabilities of the judicial and financial pole and the judiciary pole to combat terrorism.</td>
<td>Ministry of Justice</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>Urge the Ministry of Justice to call on the courts to inform the Tunisian Financial Analysis Committee of the penal provisions related to money laundering and terrorist financing issues.</td>
<td>Ministry of Justice</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>To require the Tunisian Financial Analysis Committee to inform the regulatory authorities of these provisions in the context of feedback.</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Immediate implementation (linked to the previous action)</td>
</tr>
<tr>
<td>Introducing necessary revisions to the Code of Criminal Procedure to reduce the time limits for criminal cases related to money laundering and terrorist financing.</td>
<td>Ministry of Justice</td>
<td>Immediate implementation as the draft amendment to the Code of Criminal Procedure was prepared since a period of time (December 2017)</td>
</tr>
<tr>
<td><strong>Verify the integrity of the documents relating to the identity of the customer</strong></td>
<td>Ministry of Justice</td>
<td>Medium Term implementation as it is linked to the enactment of a new law.</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td><strong>Supporting the initiation of a law on the adoption of a unique national identifier that is used in all financial and non-financial transactions.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Compliance management within institutions</strong></td>
<td>Supervisory Authorities</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>- Involving those who are involved in extending the amendment bodies to the reports of compliance and internal control officials regarding the prevention of money laundering according to a model prepared for the purpose.</td>
<td>The Management at banks and financial institutions</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>- To extend the compliance and internal control function with the necessary powers, resources and expertise, and to provide them with all relevant information.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 9.2. Associations

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitization and guidance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuing guidelines from the Tunisian Financial Analysis Committee concerning the risks related to associations</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Medium term implementation (May 2018)</td>
</tr>
<tr>
<td>Regulatory systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Amend the legal and regulatory provisions relating to the financial provisions of the Association Decree and stipulate explicit provisions relating to the freezing of suspicious funds and the penalties imposed in violation of the provisions of the texts.</td>
<td>General Directorate of Political Parties and Associations (Presidency of the Government), Ministry of Relations with Constitutional Bodies, Civil Society and Human Rights.</td>
<td>Immediate implementation since it requires re-activating the draft of reviewing Order issued in 2011</td>
</tr>
<tr>
<td>- Supporting the regulatory bodies with material, human and technical resources to monitor the associations sector</td>
<td>General Directorate of Political Parties and Associations (Presidency of the Government)</td>
<td>Immediate implementation (December 2017)</td>
</tr>
<tr>
<td>- Modifying the texts by stipulating the duty of reporting to regulatory authorities any amendment that occurs on the article of associations of the association and</td>
<td>General Directorate of Political Parties and Associations (Presidency of the Government)</td>
<td>Immediate implementation (tied to reviewing the Order issued in 2011)</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Responsible Authority</td>
<td>Implementation Period</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Updating the information and data that were deposited at the setting up.</td>
<td>General Directorate of Political Parties and Associations (Presidency of the Government)</td>
<td>Short term implementation (December 2017)</td>
</tr>
<tr>
<td>Establishing a comprehensive database of all associations that contains the</td>
<td></td>
<td></td>
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<tr>
<td>necessary information and data related to associations and updating the</td>
<td></td>
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</tr>
<tr>
<td>database periodically, enabling all concerned parties (FIU, financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutions, law enforcement agencies) to get access to this database.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call on the Tunisian Financial Analysis Committee to hold working sessions</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Immediate implementation (December 2017)</td>
</tr>
<tr>
<td>under the auspices of the Presidency of the Government to follow up on these</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recommendations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 9.3. Physical transportation of cash

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorization system to Customs</td>
<td>Ministry of Finance, Central Bank of Tunisia, The Customs General Directorate</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>- Modifying the Customs declaration form in order to obtain more information and data regarding the declared funds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- To expedite the establishment of the Hannibal platform for monitoring the physical transfer of cash to the relevant structures (the Tunisian Financial Analysis Committee, the Customs and Security Authorities and the banks) by expediting the funding procedures of the European Union in support of the development of the security sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Setting up foreign exchange bureaux to absorb the foreign exchange resources in the parallel market through the official channels.</td>
<td>Central Bank of Tunisia</td>
<td>Near Term Implementation (December 2017)</td>
</tr>
</tbody>
</table>
- **Abolition of the system of transit in cash in the national territory and oblige the cash transporters to deposit the declared funds at foreign exchange bureaux or banks for transfer abroad.**

<table>
<thead>
<tr>
<th>Capacity and sensitization</th>
<th>Central Bank of Tunisia, Department of Public Administration</th>
<th>Near Term Implementation (December 2017)</th>
</tr>
</thead>
</table>

**Organizing continuous training programs in the fields related to cash, transit, foreign exchange and foreign trade**

| The steering committee of the Tunisian Financial Analysis Committee, the Customs, the Central Bank of Tunisia | Immediate and continuous implementation |
### 9.4. International Trade Companies

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awareness of financial institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Revision of Central Bank Circular No. 15 of 2013 of 7/11/2013 and the designation of international trade companies as a high-risk customer group requiring the application of strict due diligence measures.</td>
<td>Central Bank of Tunisia</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td>- Organizing workshops for banks to raise their awareness of the risks related to international trade companies</td>
<td>Tunisian Financial Analysis Committee, Central Bank of Tunisia, Professional Association of Banks and Financial Institutions</td>
<td>Immediate and continuous implementation (December 2017)</td>
</tr>
<tr>
<td><strong>Control system</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Amend the legal and regulatory texts to ensure effective control over international trade companies</td>
<td>Central Bank of Tunisia, Ministry of Commerce, Ministry of Finance</td>
<td>Near term implementation (May 2018)</td>
</tr>
<tr>
<td>- Preparation of a manual of procedures concerning the control of international trade companies between all concerned parties: the Ministry of Finance (tax department), the Central Bank of Tunisia, the Customs and Export Promotion Center (the authority in charge of monitoring, the control periodicity, the type of supervision,</td>
<td>Central Bank of Tunisia, Ministry of Finance, Export Promotion Center</td>
<td>Medium term implementation (May 2018)</td>
</tr>
</tbody>
</table>
## 9.5. Real Estate Sector

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awareness and sensitization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Organizing meetings between the Tunisian Financial Analysis Committee and the</td>
<td>Tunisian Committee for Financial Analysis, self-</td>
<td>Near Term Implementation (December</td>
</tr>
<tr>
<td>supervisory bodies responsible for the drafting of contracts (the lawyers</td>
<td>regulatory bodies</td>
<td>2017)</td>
</tr>
<tr>
<td>Association, the Association of Real Estate) to study and raise awareness of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>threats and weaknesses related to the sector.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Organizing a study day and awareness with the profession</td>
<td>Tunisian Committee for Financial Analysis, regulatory</td>
<td>Near Term Implementation (December</td>
</tr>
<tr>
<td></td>
<td>bodies</td>
<td>2017)</td>
</tr>
<tr>
<td>- Issuance of guidelines by the Tunisian Committee for Financial Analysis for</td>
<td>Tunisian Committee for Financial Analysis, regulatory</td>
<td>Medium term implementation (May</td>
</tr>
<tr>
<td>the benefit of subjects related to the profession in connection with the duties</td>
<td>bodies</td>
<td>2018)</td>
</tr>
<tr>
<td>entrusted with in combating money laundering and the financing of terrorism</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Control system</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Contact the structure of the profession of real estate agents</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Immediate Implementation (December</td>
</tr>
<tr>
<td>- Informing the structure of the amendment to issue regulatory texts for the</td>
<td></td>
<td>2017)</td>
</tr>
<tr>
<td>purpose of complying with the provisions of law No. 26-2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reporting Suspicious Operations</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Urging sector employees to activate the follow up and reporting on suspicious transactions</td>
<td></td>
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</tr>
</tbody>
</table>
9.6. **Electronic payment transactions, technologies and modern intermediation**

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criminalization</strong></td>
<td>Ministry of Communication Technologies and Digital Economy, Ministry of Justice</td>
<td>Near Term Implementation (December 2017)</td>
</tr>
<tr>
<td>Accelerate the enactment of the law on cybercrime.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Awareness and sensitization</strong></td>
<td>The Tunisian Financial Analysis Committee</td>
<td>Medium term implementation (May 2018)</td>
</tr>
<tr>
<td>- Issue by the Tunisian Committee for Financial Analysis of guidelines on risks related to the use of modern communication technologies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Workshops on risks related to the use of modern communication technologies</td>
<td>The Tunisian Committee for Financial Analysis, the regulatory authorities, the Ministry of Communication Technologies and the Digital Economy</td>
<td>Short term and continuous implementation (December 2017)</td>
</tr>
<tr>
<td>the issue of any technological means or modern technologies in the transport and transfer of funds must comply with provisions contained in recommendation 15 of the Financial Action Task Force as a risk assessment measure prior to the release of such products or new professional practices or the use of new techniques or being developed</td>
<td>Central Bank of Tunisia</td>
<td></td>
</tr>
</tbody>
</table>
### 9.7. Financing Terrorism / Terrorism

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mechanism for the freezing of terrorist funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Accelerate the governmental order for the freezing of terrorist funds pursuant</td>
<td>National Counter-Terrorism Committee, Presidency of</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td>to the Security Council resolutions provided for in Article 103 of the Basic</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>Law No. 26 of 2015 of 7/8/2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Establish a mechanism of cooperation and communication between the National</td>
<td>National Counter-Terrorism Committee</td>
<td>Immediate and continuous (September 2017)</td>
</tr>
<tr>
<td>Committee for Combating Terrorism and those subject to it.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Institutional framework in the field of combating terrorism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Strengthening the material and human capacities of the National Counter-</td>
<td>Presidency of Government, National Counter-Terrorism</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td>Terrorism Committee and all those involved in combating terrorism (law enforcement</td>
<td>Committee</td>
<td></td>
</tr>
<tr>
<td>agencies, the Financial Investigation Unit, the National Counter-Terrorism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investigations and consequences</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publication of a memorandum for investigative judges on</td>
<td>Ministry of Justice</td>
<td>Near Term Implementation (December 2017)</td>
</tr>
</tbody>
</table>
ways to investigate terrorism financing cases.

### National cooperation

<table>
<thead>
<tr>
<th>Description</th>
<th>Responsible Authority</th>
<th>Implementation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Enhancing national cooperation through the conclusion of information exchange agreements between concerned authorities</td>
<td>Tunisian Committee for Financial Analysis, Security Authorities</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
</tbody>
</table>

### The mechanism for suspicious transactions reporting

<table>
<thead>
<tr>
<th>Description</th>
<th>Responsible Authority</th>
<th>Implementation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>- To sensitize those subject to the necessity to report on suspicious transactions of being linked to the financing of terrorism</td>
<td>The Tunisian Committee for Financial Analysis, persons subject to Article 107 of the Basic Law No. 26 of 2015</td>
<td>Immediate and continuous Implementation</td>
</tr>
<tr>
<td>- Preparation for the E-STR</td>
<td>The Tunisian Committee for Financial Analysis, persons subject to Article 107 of the Basic Law No. 26 of 2015</td>
<td>Medium term implementation (May 2018)</td>
</tr>
</tbody>
</table>

### Monitoring and follow up of financial operations

<table>
<thead>
<tr>
<th>Description</th>
<th>Responsible Authority</th>
<th>Implementation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The setting up of a sophisticated information system at financial institutions that enables tracing suspicious transactions</td>
<td>Banks and financial institutions</td>
<td>Immediate Implementation (December 2017)</td>
</tr>
<tr>
<td>- Amend the circular of the Central Bank of Tunisia No. 15 of 2013 by adding provisions related to electronic transfer and remittances through money transfer agents</td>
<td>Central Bank of Tunisia</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td>Call for money transfer services providers by banks to disclose the identity of the remittance sender and their beneficiaries and to provide their data upon request.</td>
<td>Banks</td>
<td>Immediate Implementation (August 2017)</td>
</tr>
</tbody>
</table>
## 9.8. Gold Dealers

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awareness and sensitization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Organizing meetings between the Tunisian Financial Analysis Committee and the supervisory authority for goldsmiths and precious stones to follow the threats and weaknesses related to the sector.</td>
<td>The Tunisian Financial Analysis Committee, the regulatory body</td>
<td>Near Term Implementation (December 2017)</td>
</tr>
<tr>
<td>- Organizing a study day and awareness with the profession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The issuance of guidelines by the Tunisian Committee for Financial Analysis for the professions related to the duties charged in combating money laundering and the financing of terrorism</td>
<td>Tunisian Committee for Financial Analysis, regulatory bodies</td>
<td>Near Term Implementation (December 2017)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Control system</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Getting in touch with the structure organizing the profession</td>
<td>Tunisian Financial Analysis Committee</td>
<td>Medium term implementation (May 2018)</td>
</tr>
<tr>
<td>- Inform the structure of the amendment to issue texts for the purpose of complying with the obligations of law No. 26-2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Suspicious Transactions Reporting

| Urging sector employees to activate the follow up and reporting on and suspicious transactions | Tunisian Financial Analysis Committee | Medium term implementation (May 2018) |
### 9.9. At the national level

<table>
<thead>
<tr>
<th>Proposed measures</th>
<th>The entity or entities concerned with the implementation</th>
<th>Execution Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of capabilities, resources and means of research and investigation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Accelerate the enactment of the implementing texts of the Basic Law No. 77 of 6/12/2016 concerning the economic and financial judicial pole</td>
<td>Ministry of Justice</td>
<td>Immediate Implementation</td>
</tr>
<tr>
<td>- Enhancing the material and human capacities of the economic and financial judicial pole to combat terrorism (the training of judges, the assignment of specialized technicians ..., the judicial police and all concerned parties)</td>
<td>Ministry of Justice, Ministry of Interior</td>
<td>Immediate and continuous implementation (September 2017)</td>
</tr>
<tr>
<td><strong>Mechanism of confiscation of funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Establish a comprehensive mechanism for the confiscation, seizure and follow-up of funds</td>
<td>The Ministry of Justice, Confiscation Commission and Ministry of Finance</td>
<td>Immediate Implementation (September 2017)</td>
</tr>
<tr>
<td><strong>Strategies and policies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Activating the national strategy to combat corruption and to combat extremism and terrorism</td>
<td>The National Counter-Terrorism Committee and those responsible for the implementation of the Strategy</td>
<td>Immediate Implementation</td>
</tr>
</tbody>
</table>
### Development of rehabilitation and reintegration programs for foreign fighters

National Counter-Terrorism Committee  
Immediate Implementation

### Training

- Organizing training courses and training courses for trainers  
Ministry of Higher Education and Scientific Research, Institute of Financing for Development of the Maghreb  
Medium Term Implementation (March 2018)

- The inclusion of study programs and Master in the fight against money laundering and the financing of terrorism  
- Reviewing the programs of the Financing for Development Institute of the Maghreb related to combating financial crimes  
- Considering the university training mechanism in the field of compliance and supporting the capacity of banks to employ graduates

### Central statistical system

Working with the National Institute of Statistics to develop a complete system of statistics related to cases, sentences and confiscated funds in the  
Ministry of Justice, Ministry of Domestic Affairs, National Institute of Statistics, Tunisian Committee for Financial Analysis, the Customs.  
Medium Term Implementation (March 2018)
crimes of money laundering, terrorism and the financing of terrorism and to consider a financing program such as the World Bank grant program and the StAR initiative in this area.
10. Sources

- **International standards:**

- **International Reports:**
  - Joint evaluation report of the Tunisian system for the year 2007 and its follow-up reports and the draft report of the World Bank for the year 2015.
  - Report on the Banana Market and the smuggling reality for the year 2013 - World Bank
  - An international report of the FATF entitled "Money laundering through the physical transfer of money" (November 2015), led jointly by the Tunisian Financial Analysis Committee for the Republic of Tunisia and the British Agency for the Prevention of Crime (NCA) for the United Kingdom.

- **National reports:**

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85 The Tunisian Institute of Competitiveness and Quantitative Studies (formerly the Institute of Quantitative Economics) is a center for economic and social studies and competitiveness. The Institute was established in 1973 and is a public institution of a non-administrative nature supervised by the Ministry of Development, Investment and International Cooperation.
Tunisia National Risk Assessment Of Money Laundering and Terrorist Financing

- Annual Report on Banking Supervision 2015
- Insurance Sector Annual Report 2015
- Report of the Tunisian association for governance

  ▪ **Studies:**

- Elaf organization study on associations in Tunisia 2013.
- IOM Study on Human Trafficking in Tunisia in 2013.
- Study of the Ministry of Equipment, Housing and Land Planning "Towards a New Housing Strategy in Tunisia" (September 2014)
- Study of the Central Bank on the mechanisms of the transition of the effects of monetary policy in the Tunisian country - December 2014
- A study on small corruption in Tunisia, ie, small bribery in 2014, Association of Public Observers
- Study of the Central Bank on the development of banknotes and coins traded in the Tunisian country - October 2016
- Study of the Tunisian Forum on Economic and Social Rights on Terrorism in Tunisia from Judicial Files 201

  ▪ **Statistics:**

- Statistics Security Counterterrorism and Organized Crime 2015-2016 (Ministry of Interior)
- Statistics of the Sub-Directorate for Economic and Financial Research 2015-2016 (Ministry of Interior)
- Statistics of the Customs 2015.
- Center for diplomatic and strategic studies 2015
- Ministry of domestic affairs open data site.
- Tunisian Financial Analysis Committee sources:
  - Committee annual reports 2010-2015
  - Study on associations sector risks
  - Study on cash physical transport risks
  - Study on strategic analysis
  - Study on typologies and models through decisions committees works terminations.