

Anti-money laundering and counter-terrorist financing measures

Kingdom of Morocco Mutual Evaluation Report



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Kingdom of Morocco

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Executive Summary

1. This report summarizes the AML/CFT measures in place in Morocco as at the date of the on-site visit (5-20 March 2018). The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system in Morocco and provides recommendations on how the system could be strengthened.

Key Findings

- a) Morocco has a limited understanding of ML risks based on the preliminary findings included in the NRA report and the discussions with LEAs, Judicial authorities, supervisory authorities and the private sector, while it has a good understanding of TF risks.
- b) There is a satisfactory cooperation among the authorities concerned with AML/CFT, which frequency has increased as a result of the preparation of the NRA. However, the coordination and cooperation efforts lack of comprehensive institutional framework that ensures the implementation of the AML/CFT policies. There is no coordination of policies and activities in relation to combating the financing of proliferation of weapons of mass destruction.
- c) UTRF has a key role in collecting and analyzing intelligence information, it has access to the databases of competent authorities through indirect channels which might affect confidentiality and speed of information, considering the increased number of STRs received.
- d) UTRF disseminates information and analysis results to the Royal Public Prosecutor and some other competent authorities, such as NSJP, but they are poorly using them in investigation process. The absence of feedback by the Public Prosecution to the UTRF is noticed, and so is the case with feedback between UTRF and reporting entities.
- e) LEAs do not have adequate understanding of the risks related to ML crime resulting from predicate offenses, particularly those which represent a real threat to Morocco, such as drug trafficking, trafficking in human beings and migrant smuggling. The investigation of ML crimes in Morocco faces a difficulty due to the lack of parallel financial investigations and a weak cooperation and coordination between authorities concerned with combating ML crime and those concerned with combating predicate offenses.
- f) The confiscation of criminal proceeds and property of equivalent value in predicate offences are pursued as a policy objective in Morocco. However, the amounts of proceeds of crime seized and confiscated are still low and not consistent with the country's risk profile. Also, Morocco's limited ability to effectively investigate and prosecute ML activity is affecting tracing and confiscating criminal proceeds.
- g) LEAs and judicial authorities have a good understanding of TF risks and terrorism-related crimes. However, they have a low level of understanding of the risks in the NPOs

sector. The Number of investigations, prosecution and verdicts TF cases is reasonable, compared to Morocco risk profile.

- h) Morocco has a deficiency in the legal framework for implementing TFS without delay under the (UNSCRs) related to TF. On proliferation financing, there is no mechanisms in place to implement TFS and prevent sanctions evasion.
- i) Morocco did not identify a subset of high risk NPOs for potential terrorism abuse. Yet, there are a number of restrictive obligations placed by BAM on all NPOs operating in Morocco, regardless of their identified risk profile. Also, there is no AML/CFT supervision on the NPOs sector.
- j) The licensing and registration controls applied by supervisors to most of FIs in Morocco can prevent criminals and their associates from entering the market, owning or controlling institutions or holding a senior management position. BAM and AMMC assess the level of compliance of their subjected entities as part of their inspection based on RBA, while ACAPS and the Exchange Office supervision is considered very simple. UTRF and MOJ did not conduct AML/CFT supervision on DNFBPs due to their insufficient resources.
- k) The CRC and Morocco Post do not provide any information on the creation and types of legal persons in Morocco, their commercial databases do not contain BO information to be accessed in a timely manner by the competent authorities. Authorities in Morocco did not make a comprehensive sectorial assessment to identify, assess and understand the vulnerabilities and the extent to which legal persons can be misused for ML/TF.
- l) Banks and MVTS have a good understanding of ML/TF risks, while others (i.e., the capital market companies, insurance companies, exchange companies, micro-finance companies) developed a limited-to no- understanding of ML/TF risks. Banks and MVTS are applying effective measures commensurate with the degree of risk, while insurance companies, capital market companies, exchange companies and micro-finance companies implement more limited measures in order to mitigate the risk. Concerning DNFBPs, the level of understanding of risks and the commitment to apply preventive AML/CFT measures are weak.
- m) MOJ can and does respond to the incoming requests for MLA, but there is delay in some requests. There is a lack of use by the investigation judges of international cooperation tools in such offences. There is a clear development of other forms of international cooperation in terms of exchanging ML/TF information whether at the level of the UTRF, BAM, AMMC or NSJP.

Risks and General Situation

2. The economy of Morocco, which is considered a free economy, is based on the country's abundance of natural, maritime and agricultural resources, as well as its touristic attraction. The GDP reached \$101.4 billion in 2016, which is equivalent to \$2850 per capita.
3. Moroccan financial sector is well integrated into the global financial system and on this note, Casablanca is considered as the center of trade and industry in Morocco and according to the report made by the (Global Finance Center Index) for 2016, its financial pole holds the first position at the

African level and the thirtieth at the global level. The main financial sectors in Morocco are the banking and insurance sectors, money transfer companies and exchange offices. The banking sector is developed and has 19 banks, 5 of which are owned by the public sector, 7 are private banks and 7 are owned by foreign groups or banks (mainly French).

4. The assessment team did not give the same weight for all sectors. When assessing the effectiveness of supervision and preventive measures, banks were given the highest importance, followed by MVTs. The stock exchange, insurance companies, exchange companies, real estate brokers and casinos were considered at a medium level of importance. Less importance was given to micro-finance companies and other DNFBPs.

5. Morocco is exposed to domestic ML/TF risks and ML/TF risks associated with customers and cross-border activities. In 2016, Morocco initiated NRA, following the formation of a national committee entrusted to supervise the national ML/TF risk assessment process and to prepare a report in this regard. The UTRF head was appointed as the project coordinator and the supervisor of the national committee which is in charge of following up NRA works and preparing the required reports. The technical assistance of the World Bank was used to this end.

6. The assessment team was provided with a copy of NRA report which has not been adopted yet, and the relevant final findings have not been disseminated to national authorities concerned with the AML/CFT, or to supervisory authorities, or to FIs and DNFBPs. The copy comprised a list of high risks which included the crimes of trafficking in narcotic drugs and psychotropic substances, followed by crimes associated with bribery. In parallel, NRA resulted in considering migrant smuggling and trafficking in human beings as low risk crimes.

7. Terrorism and its financing still pose a serious threat to Morocco despite the significant efforts exerted by competent authorities in combating terrorism; this threat mainly stems from Moroccan FTFs whose number is estimated to be around 1600. In addition to the risks resulting from terrorist organizations, such as Daesh and threats related to Al-Qaida, mainly its branch known as “Al-Qaida in the Islamic Maghreb”, despite their declining activity following the emergence of the terrorist organization Daesh, as well as the threats posed by the terrorist group “Islamic Movement of the Levant”.

Overall level of Compliance and Effectiveness

8. Morocco has implemented AML/CFT system that is effective in a several aspects, major improvements are needed to understand ML risks and strengthen supervision and implementation of preventive measures, confiscation and ensure that financial intelligence is fully used, the implementation of TFS related to terrorism, protecting the NPO sector from terrorist abuse and co-operating domestically and internationally.

9. Fundamental improvements are needed to strength the investigation and prosecution of ML, the implementation of TFS related to proliferation, and preventing misuse of legal persons and arrangements.

10. In terms of technical compliance, Morocco needs to strengthen its AML/CFT framework since its last evaluation in 2007. The legal framework is particularly weak which in need of fundamental improvements and measures, preventive measures requirements, implementing TFS and ML

investigations and prosecutions and cooperation among the national authorities. One important issue which is outstanding from the previous assessment is the need to enhance the resources and capabilities available to UTRF.

Assessment of risks, co-ordination and policy setting (Chapter 2; IO.1; R.1, R.2, R.33, and R.34)

11. The NRA process initiated in 2016 is the first of its kind in Morocco, since it helped to collectively consider ML/TF risks by engaging all stakeholders which provided the national committee entrusted with following up the NRA works with relevant information. However, the NRA has not been adopted yet by the official authorities, and its findings have not been disseminated to the AML/CFT authorities or FIs and DNFBPs.

12. Morocco has a limited understanding of ML risks. This conclusion is based on the findings included in the NRA report and the discussions with LEAs, Judicial authorities, supervisory authorities and the private sector. The Moroccan authorities have a good understanding of TF risks. However, NRA did not consider the risks of NPOs and their potential misuse in the financing of terrorism.

13. Accordingly, the present NRA needs necessary update in terms of approach and content, while taking into consideration the sectors which attract criminal proceeds such as the free zones in “Tangier” and “Casablanca” and over-the counter market which have not been placed under the ML risk assessment, since their establishment. The failure of authorities to proceed with the identification of the nature of threats posed by terrorist entities to NPOs represents one of the necessary requirements to establish a comprehensive understanding of TF risks in Morocco, mainly with the absence of analysis of how terrorist entities misuse these organizations.

14. Moroccan authorities consider UTRF as the focal point of the national AML system and it also constitutes an authority for coordination, under the AML law, whether through the composition of its board which includes concerned departments and institutions or through the various activities it carries out to support national coordination and cooperation and to enhance the capacities of reporting entities.

15. UTRF board includes 13 members which represent 9 competent authorities (MOF, MOJ, MOI, BAM, DGSN, Royal Gendarmerie, CAD, AMMC and Exchange Office). They deliberate on strategic tasks, along with UTRF head, like proposing necessary legislative, regulatory or administrative reforms in the AML/CFT field to the government, expressing opinions to the government on the content of relevant measures, and yet, there is no coordination of policies and activities in relation to combating the financing of proliferation of weapons of mass destruction.

16. The Systemic Risk Supervision and Coordination Committee, chaired by the governor of BAM, and established under article 108 of the law concerning the credit institutions and similar bodies, allows to promote coordination in the field of macro-preventive supervision of the financial sector, including issues related to combating ML and TF, and which aims at preserving the stability of the financial system.

17. UTRF, being the main authority in charge of coordinating AML/CFT policies, is not able to lead the efforts of competent authorities, given the deficiency in the legal text which enabled it to coordinate policies on ML only without TF.

Use of financial investigation (Immediate Outcome 6)

18. UTRF plays a key role in collecting, analyzing and disseminating financial intelligence, given that it receives STRs and other reports deemed useful for its work. UTRF forwards the results of its work exclusively to the competent Public Prosecution, while TF cases are shared with a mini committee headed by UTRF before dissemination, with the membership of concerned competent authorities.
19. The number of disseminated TF cases was low and there is no feedback at two levels, the first level among UTRF and reporting entities, which affected their ability to report and enhance the quality of the reports submitted. The second level being between UTRF and the Public Prosecution, given that UTRF is not informed of the outcomes of the report by the Public Prosecution.
20. UTRF depends on governmental and non-governmental sources to obtain information, in addition to databases of supervisors, such as the Exchange Office, BAM, AMMC. Information is also requested from LEAs, such as the Royal Gendarmerie and NSJP. UTRF requests are met within reasonable deadlines.
21. UTRF relies on the GoAML software to analyze STRs received from reporting entities (mainly from banks and MVTs), and that saves time and efforts in exchanging information on STRs. UTRF has given users accounts (for electronic reporting and exchange of information) to reporting entities, and supervisory authorities. As to DNFBPs, it appears that the use of the software was only limited to casinos.
22. Strategic analysis conducted by UTRF requires a deeper understanding and further procedures to derive methods and to contribute to setting recommendations and guidance that would improve the whole AML/CFT regime, especially in the absence of this type of analysis among other competent authorities.

ML offence (Immediate Outcome 7)

23. NSJP created an office for combating economic and financial criminality which is mandated to investigate ML offenses and to implement the decisions of the Royal Prosecutor regarding ML investigations and to refer the result of the investigation back to the Royal Prosecutor for dismissal or referral to the investigation judge or to the Rabat Court of First Instance to prosecute persons suspected of committing ML offenses.
24. Investigators' expertise in ML operations, financial investigation techniques, predicate offenses investigations and technical means and tools is weak; given that the investigators do not have adequate experience in financial investigation techniques, investigation approaches through which crimes associated with ML can be identified and ways used to trace illicit funds.
25. The investigative authorities do not have a sufficient knowledge of the types of ML cases, in terms of money self-laundering, and third-party laundering, and where the predicate offense actually occurred and the possibility to prosecute ML as a standalone offence irrespective of the predicate offence.

26. Despite the efforts made by Morocco and due to the low number of cases, investigating and prosecuting ML offences are not consistent with the national ML risks, this is determined as a result of the eight judgments for the period 2008-2016, all related to crimes of ML generated from drug trafficking. Out of 8 judgements, only 2 were convicted while the rest were acquitted.

Confiscation (Immediate Outcome 8)

27. Confiscation of criminal proceeds and property of equivalent value generated from predicate offenses is pursued as a criminal policy objective in Morocco, despite the absence of a written confiscation policy. Moroccan authorities provided statistics proving that they are taking legal steps to confiscate, pursue and freeze criminal proceeds, despite the limited number of criminal sentences on confiscation in ML offense, not exceeding two judgments.

28. Although Morocco provided evidence to prove the effective measures taken by its authorities for confiscating proceeds of foreign predicates, it does not have comprehensive statistics of confiscated proceeds of crimes committed outside Morocco, nor does it recover proceeds that are located abroad.

29. There are no statistics or cases related to efficiency and effectiveness of CAD in the implementation of confiscation as regards undeclared or falsely declared cross-border movement of currency and BNI and how well they are implementing confiscation as an effective, dissuasive and proportionate sanction.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39)

TF offence (Immediate Outcome 9)

30. The office for combating terrorism and the CBJI share responsibility for fighting terrorism and its financing and conducting investigations and inquiries on terrorist persons and elements associated with these crimes

31. Moroccan LEAs' understanding of terrorism and TF risks is good in their core function and the operational area (for examples: terrorism organizations and individuals, domestic and foreign FTFs, self-financing and cross borders). However, their understanding of other risks, such as NPOs, is limited due to fact that NRA has not been adopted and shared with relevant stakeholders.

32. Authorities responsible for TF investigation communicate with BAM to obtain statements of accounts from banks when financially investigating terrorism cases. Though, there is no clear evidence that authorities use wide range of financial information to conduct financial investigation in parallel to all terrorism cases they investigate to search for sources of funds

33. During the period 2013-2017, LEAs have conducted financial investigations on 225 individuals who had been suspected of TF activities, 195 of them have been criminalized and sanctioned of imprisonment. The Number of TF verdicts is considered reasonable compared to Morocco risk profile.

Preventing terrorism from raising, moving and using funds (Immediate Outcome 10)

34. The authorities concerned with the implementation of UNSCRs on combating TF were only limited to the Ministry of Foreign Affairs, MOI, BAM and UTRF, while the other supervisors and LEAs have a limited role in implementing these resolutions. The weakness of legal frameworks required for the implementation of TFS, the establishment of practical and effective mechanisms and

authority among national authorities to implement UNSCRs on terrorism, and the absence of a domestic list for the implementation of UNSCR No.1373 have significantly affected the implementation of these sanctions without delay.

35. UTRF decision No.6 clarifies the procedure for freezing property due to a terrorist crime, where MOFA receives the updated UNSC lists and forwards them to UTRF, which, in turn, publishes them on its website. This publication is regarded as an order to freeze the property of designated persons and entities and to terminate all the transactions they are involved in without delay.

36. BAM follows up the banking sector in terms of the implementation of TFS for combating terrorism, however, the remaining FIs and DNFBPs are not being monitored by competent supervisors in this regard, which would cause a potential misuse of these sectors in TF operations.

37. Morocco has provided a study related to NPOs sector. After reviewing the study, it was not based on quantitative information that could help Morocco in identifying the NPOs as being vulnerable to TF abuse in line with RBA. For example, the NPOs size, its activities, the size and source of foreign finance, the type of beneficiaries of the services, and the adequacy of NPOs legislations according to ML/TF risks.

Proliferation financing (Immediate Outcome 11)

38. MFA disseminates the resolutions on the financing of proliferation to the National Defense Administration, the MOI, the MOF and BAM, which plays its role among all the monitoring and supervisory authorities, by disseminating UNSCRs on proliferation to credit institutions operating in Morocco. While the other supervisors and LEAs had an insignificant role in implementing these resolutions.

39. The absence of legal frameworks required for the implementation of TFS to combat the financing of proliferation and the absence of practical and effective mechanisms among national authorities to implement UNSCRs on combating the financing of proliferation affected the implementation of TFS without delay.

40. FIs and DNFBPs have a weak compliance and understanding of their obligations, as regards TFS relating to financing of proliferation, except for some large banks, namely those which are deemed as a part of foreign banks or which have branches abroad and which follow up the resolutions on proliferation financing, based on their internal policy.

Preventive measures (Chapter 5; IO.4; R.9-23)

41. Morocco has a diverse financial sector, mainly dominated by banks. It is obviously that the level of understanding of ML/TF risks by FIs varies across the financial sectors, where banks and MVTS have a good understanding of ML/TF risks, while other reporting entities, (i.e., the capital market companies, insurance companies, exchange companies, and micro-finance companies) have a limited understanding. Also, the level of implementation of due diligence measures towards customers and beneficial owners varies among FIs; consequently, banks and MVTS companies are well implementing these measures, while there is a difference in the level of understanding of the BO and implementing of due diligence measures among insurance companies. As for capital market companies and exchange companies, they do not meet the required level.

42. Concerning DNFBPs, the level of understanding of risks and implementing of preventive AML/CFT measures is weak. On this note, DNFBPs have requested, that the country channels its efforts and capacities towards this sector with the aim of raising awareness and introducing ML/TF requirements.
43. Banks and MVTS are considered as key sectors in filing STRs, given that (14) banks have filed around 77 percent of the total STRs filed by the entire financial sector. The level and quality of reporting should be considerably improved. The quality of STRs received from banks is good, in general, while it is below standard for other FIs. The absence of feedback provided by UTRF on suspicious transaction reporting does not help these institutions in assessing the quality of their reporting and better understanding the reporting requirements. The assessment team expressed its concern on the very poor level of reporting by the DNFBP sector.
44. There is a confusion among some FIs between the procedure applied in the event where UTRF objects the processing of STR-related transactions, and the freeze that is implemented in accordance with UNSCRs. This is due to the fact that some FIs did not deal with the freezing cases previously.

Supervision (Chapter 6; IO.3; R.26-28, R.34, R.35)

45. The licensing and registration controls applied by most supervisors in Morocco are able to prevent criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function. Fit and proper requirements are appropriately and properly conducted with regard to national and foreign owners and managers. In addition, supervisors in Morocco have clear measures to identify BO.
46. There are no authorities for licensing and registration regarding real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies.
47. BAM and AMMC have a satisfactory understanding of ML/TF risks of their sectors. As for ACAPS and the exchange office, the identification of risks does not reflect a good understanding of sectorial risks. UTRF and MOJ, as supervisory authorities on DNFBPs, did not identify ML/TF risks of this sector.
48. BAM and AMMC assess the level of compliance of their subjected entities as part of their inspection based on RBA, while ACAPS and the Exchange Office supervision is considered very simple. UTRF and MOJ did not conduct any kind of AML/CFT supervision due to their insufficient resources.
49. BAM and AMMC have imposed sanctions to the FIs subjected to their supervision for the violations of AML/CFT obligations, but these sanctions are not effective, dissuasive and proportionate, while ACAPS and the Exchange Office didn't impose any sanctions for the violations of AML/CFT obligations.
50. UTRF and MOJ has not undertaken any on-site or off-site inspection missions in the context of its AML/CFT supervision of DNFBPs, no violations causing any type of penalties or remedial actions to be imposed against DNFBPs were detected.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24 and R.25)

51. The final draft of the NRA report has not been adopted yet, even though the report tackled vulnerabilities relating to the creation and domiciliation of companies in a descriptive manner without going into quantitative details and information that indicate that Moroccan authorities have a clear understanding on how to exploit in ML/TF operations, and Moroccan authorities have not provided any studies, including sectorial studies, prepared in this regard.
52. CRC holds all the basic information on basic information on natural and legal persons, who are engaged in activities of a commercial nature or which had a commercial structure in Morocco and disseminates necessary information on the legal persons through electronic portal (barometer on book) and website (DIRECTINFO). CRC does not provide any information on the creation and types of legal persons in Morocco to be publicly available.
53. The commercial databases do not contain BO information, nor is there any unit specialized in supervising registered companies and verifying the accuracy of their data, and what raises the concern of the assessment team is the issue of registering the self-contractors at Poste Maroc instead of GRC, which requires coordination between both entities in this regard.
54. There are no legal arrangements or trust funds in Morocco, but endowment (Waqf) is considered as similar legal arrangements, where the Ministry of Habous and Islamic Affairs oversees the development and enhancement of endowment revenues with the aim of disbursing them for charity and good deeds for which these revenues were donated. It was found that the endowment work method and assets donated in Morocco are considered as low risk, knowing that the NRA in Morocco did not cover the endowment in examining the risks.
55. Moroccan authorities did not provide any information on violations related to the provision of information or accuracy of information on violations of the company's law or on cases where sanctions were applied against FIs for failure to provide the appropriate information on legal persons. Also, no cases where sanctions were applied against FIs for failure to collect the appropriate information on foreign legal arrangements.

International co-operation (Chapter 8; IO.2; R.36-40)

56. MOJ is the central authority entrusted with the responsibility of coordinating international cooperation requests such as rogatory letters (the term "rogatory letters" is the synonym of MLA used by Moroccan authorities) or extradition. The execution is entrusted to the public prosecution.
57. Competent authorities have used other forms of international cooperation, including NSJP through the Interpol Office. The cooperation, through this Office took place in a daily basis. Supervisors, including BAM, AMMC, and UTRF, have used these forms of cooperation, thereby benefiting from MOUs and their membership to international organizations. Competent authorities rely on other forms of cooperation more than the MLA, particularly with neighboring countries.
58. Moroccan authorities did not send any MLA request regarding ML/TF or predicate offenses. Morocco stated that the reason behind this fact is not legal impediments but the weak understanding of the importance of this practice and investigation judges do not tend to use the international cooperation tools in such offenses.

59. Moroccan authorities do not have a case management system and mechanisms to prioritize and execute international cooperation requests, and to allows cases to be monitored from creation to closure, and afterwards.
60. Except AMMC, supervisors do not respond in a timely manner and as required to the foreign cooperation requests for the international cooperation purposes other than those relating to the published (available) data.

Priority Actions

61. The prioritized recommended actions for Morocco based on these findings are:

- a) Moroccan authorities should consider creating a dedicated committee to update 2018 NRA and all relevant sectorial strategies the soonest possible, and make the findings of the NRA available for the public and private sectors at a large scale
- b) Moroccan authorities should develop national effective coordination and cooperation policies and mechanisms for combating ML/TF and for preventing the financing of proliferation of weapons of mass destruction.
- c) UTRF should expand its abilities to enhance its access to intelligence more effectively, particularly the databases relating to the country's risk context, such as civil affairs, travel records, and integrating them with GOAML to support its analytical capabilities.
- d) NSJP and public prosecution should prioritize the investigation and prosecution of all types of ML in accordance with the country's risks. Specifically, investigating and prosecuting ML in line with its highest risk predicate offences.
- e) Public prosecution, NSJP, and the investigation judge should intensify using their legal powers to collect financial information from the FIs and UTRF in cases related to ML and TF.
- f) Morocco should seek to continue to promote the expertise of judges, LEAs and customs in the confiscation of criminal proceeds and property of equivalent value, by enhancing training courses.
- g) Morocco should adopt a declaration system for cross-border currency and BNIs on legal basis, such system should comprise effective, dissuasive and proportionate sanctions, thereby enabling customs authorities to confiscate such currency and BNIs when they are suspected to relate to ML/TF operations.
- h) Supervisory authorities should verify the FIs and DNFBPs compliance with all UNSCRs requirements during onsite and offsite inspections and impose appropriate sanctions against non-complying entities.
- i) Morocco should update the study on NPOs risks and identify the subset according to FATF definition and apply mitigating measures that are commensurate to the risks identified. It should conduct targeted outreach and provide guidance on how to identify, and prevent TF, with a focus on the subset identified.
- j) Supervisors should issue detailed directives to FIs and DNFBPs on the introduction of PEPs, high-risk countries, new technologies and determination of the required enhanced measures. Identifying and focusing on these are required during training courses.

- k) ACAPS should expand its licensing and registration controls to cover shareholders of insurance and reinsurance companies. Morocco should set an authority to license and register; real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies.
- l) ACAPS and Exchange Office need to classify the ML/TF risks of FIs under their supervision and consequently adopt mechanism to apply RBA supervision.
- m) Supervisory authorities should review the mechanisms for imposing sanctions on FIs and DNFBPs for non-compliance with their AML/CFT requirements, and ensure that the sanctions are effective, dissuasive and proportionate
- n) Morocco should undertake an assessment to identify, assess and understand the vulnerabilities of all types of legal persons, including the companies created in free zones, and the extent to which the legal persons can be or are being misused in ML /TF purposes in order to implement measures to prevent the misuse of legal persons.
- o) Moroccan authorities should enhance international cooperation by increasing and improving requests for MLA and extradition in order to support LEAs investigations.
- p) MOJ should, in coordination with relevant authorities, establish a case management system to provide alerts and reminders to speed-up responses and to adequately prioritize MLA.

Effectiveness & Technical Compliance Ratings

- **Effectiveness Ratings** (High, Substantial, Moderate, Low)

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6
Moderate	Moderate	Moderate	Moderate	Low	Moderate
IO.7	IO.8	IO.9	IO.10	IO.11	
Low	Moderate	Substantial	Moderate	Low	

- **Technical Compliance Ratings** (Technical Compliance Ratings (C - compliant, LC – largely compliant, PC – partially compliant, NC – non-compliant)

REC.1	REC.2	REC.3	REC.4	REC.5	REC.6
PC	PC	LC	PC	LC	PC
REC.7	REC.8	REC.9	REC.10	REC.11	REC.12
NC	NC	C	PC	LC	PC
REC.13	REC.14	REC.15	REC.16	REC.17	REC.18
PC	LC	PC	LC	PC	PC
REC.19	REC.20	REC.21	REC.22	REC.23	REC.24
PC	PC	C	PC	PC	PC
REC.25	REC.26	REC.27	REC.28	REC.29	REC.30
NC	PC	LC	PC	LC	PC
REC.31	REC.32	REC.33	REC.34	REC.35	REC.36
PC	NC	PC	PC	PC	LC
REC.37	REC.38	REC.39	REC.40		
LC	PC	LC	PC		

MUTUAL EVALUATION REPORT

Preface

This report summarizes the AML/CFT measures in place in the kingdom of Morocco (hereinafter referred to as Morocco) as at the date of the onsite visit (20/03/2018). The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the assessment team during its onsite visit to the country from 5 to 20 March 2018.

The evaluation was conducted by an assessment team consisting of:

- Mr. Ahmed AL SHANFARI, Care-taker CEO, National Center for Financial Information, Sultanate of Oman.
- Mr. CHAKIB ADIB, Senior Financial Analysis in Tunisian Committee of Financial Analysis, Republic of Tunisia.
- Mr. AL Sadiq OSMAN, Deputy Director in FIU, Republic of Sudan.
- Mr. Adel ALSIWI, President of the Appeals Court and a former Legal Advisor of the FIU, Republic of Egypt.
- Mr. Omar MODAD, Principal Compliance Examiner in Combating ML/TF, Republic of Lebanon.
- Mr. Firas MURAR, Deputy Director in Financial Follow up Unit, State of Palestine.

The team was supported by the MENAFATF Secretariat, represented by:

- Mr. Raid ALRAWASHDEH- Executive Officer / Technical Assistance and Typologies.
- Mrs. Maryam AL DHAEN- Senior Officer / Mutual Evaluation,
- Mr. Alaaeldin AWAD- Senior Officer / Technical Assistance and Typologies.

The report was reviewed by FATF, IMF and Kuwait.

Morocco previously underwent a MENAFATF Mutual Evaluation in 2007, conducted according to the 2004 FATF Methodology. The 2007 evaluation report and the 2013 follow-up report have been published and are available at <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-kingdom-morocco>. That evaluation concluded that the country was compliant with 3 Recommendations; largely compliant with 9; partially compliant with 9, and non-compliant with 26 Recommendations. Two Recommendations were assessed as not applicable to Morocco. Morocco was rated compliant or largely compliant with one recommendation of the Core and four of the Key Recommendations. Morocco was placed under the regular follow-up process by MENAFATF immediately after the adoption of its 3rd follow-up report and moved to biennial updates in November 2015.

62. Morocco is an Arab country. Its official language is Arabic. The Berber language is also considered official in the country. It is in the North West of Africa. Rabat is a capital and largest city is Casablanca which is considered as the economic capital. Morocco overlooks the Mediterranean Sea to the north, the Atlantic Ocean to the west, which are separated by the Gibraltar Strait; it borders Algeria to the east and Mauritania to the south. Morocco has a population of 35.3 million. Its GDP reached \$101.4 billion in 2016, which is equivalent to \$2,850 per capita¹.
63. The regime of ruling in Morocco is a social and parliamentary democratic constitutional monarchy regime. The King chairs the Council of Ministers which is formed of the Prime Minister and the Ministers, and appoints the Prime Minister from the political party which heads the elections of the members of the House of Representatives and based on relevant results. The executive power is exercised by the government with legislative power vested in both the two chambers of parliament, being the House of Representatives and the House of Councilors. The Prime Minister may propose draft laws. Opposition political parties are permitted by the existing political regime.
64. Moroccan parliament is formed of two chambers, 1) the House of Representatives whose members are elected by direct universal suffrage for a five-year term and their membership ends upon the opening of October session of the fifth year that follows the election of the House; and 2) the House of Councilors, whose members are elected by indirect universal suffrage for a six-year term and they represent subnational groups, professional chambers, professional organizations of employers and representatives of employees.
65. Morocco is a member of each of the UN since 1956, the League of Arab States since 1958, the Organization of Islamic Cooperation since 1969, and the International Organization of La Francophonie since 1981. It is a founding member of the Arab Maghreb Union since 1989, a member of the African Union which replaced the Organization of African Unity, in addition to other international and regional organizations.

ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML\TF Risks

66. The Moroccan economy is considered a free economy that depends upon the country's abundant natural, marine and agricultural resources, in addition to its touristic attraction. Morocco also benefits from its proximity to the European markets. Casablanca is considered as the industrial and commercial center in Morocco. The Moroccan insurance sector is among the fastest growing in Africa. Money transfer companies, are considered a high-risk sector, knowing that the size of the various incoming remittances in 2016 reached approximately \$6.5 billion according to the World Bank. Similarly, the currency exchange companies are also considered a high-risk sector since they rely primarily on cash-based transactions. Hence, Morocco maybe exposed to domestic and international ML/TF risks associated with cash-based and cross-border activities.

¹ <https://data.worldbank.org/country/morocco>

67. The main predicate offences for ML are drugs trafficking, human trafficking and migrant smuggling and corruption. The banking sector, money transfer companies, exchange companies and real estate sector are vulnerable and could be used as vehicles for laundering the proceeds of crimes.

68. Morocco is also vulnerable to TF; the understanding of this risk is evolving and includes FTFs whose number is estimated around 1600. The risk of abuse of money transfer companies and NPOs for TF purposes is a primary concern.

Country's risk assessment & Scoping of Higher Risk Issues

69. In 2016, Morocco initiated the NRA, following the formation of a national committee entrusted to supervise the NRA process and to prepare a report in this regard. It was supported by the technical assistance of the World Bank through a mechanism used for this purpose. UTRF head was appointed as the project coordinator and the supervisor of the national committee which is in charge of following up the NRA process and preparing the required reports. Four working groups were formed by representatives from the concerned national institutions and directorates to this end (working group charged with separate functions relating to ML threats and vulnerabilities, working group charged with TF threats and vulnerabilities, working group charged with vulnerabilities in the financial sector and working group charged with vulnerabilities in non-financial sector).

70. Morocco followed the framework set by the tool of the World Bank:

- In preliminary stage a coordination committee was formed that led to the creation of the aforementioned working groups. during this stage, a workshop was organized in May 2016 and attended by the World Bank experts. This workshop provided an opportunity to raise awareness on the importance of NRA among concerned entities.
- The second stage consisted of the collection of data and the identification of risks and vulnerabilities;
- The third stage consisted of the analysis and assessment of risks, and drafting the sectorial reports;
- The final stage was dedicated to the discussion the outcomes with the concerned authorities and the adoption of the national report.

71. At the end of the onsite, the NRA report was not approved by the official authorities in Morocco, and relevant final findings were not disseminated to the national competent authorities, supervisory authorities, FIs and DNFBPs.

72. Moroccan authorities have a general understanding of the ML/TF risks, based on conclusions derived from their expertise and not from in-depth analysis and studies of all weaknesses and threats facing Morocco.

73. The NRA report contains a list of high-risk crimes, including trafficking in narcotic drugs and psychotropic substances, and bribery. Also, the NRA resulted in considering migrant smuggling and trafficking in human beings as low risk crimes.

74. As to the FIs, the NRA report shows that the risks posed by the banking sector, the capital markets and insurance were considered low. Regarding DNFBP risks, the report did not provide an accurate analysis of the relevant level of risks. Additionally, the NRA highlighted the risks posed by the real estate sector and cash.

75. In general, the findings of the national and sectorial ML/TF risk analysis were limited in terms of inputs and scope (the risks of the NPOs sector, for instance, were not assessed in the NRA process), as they did not show a clear understanding of the national risks, given that the analysis relied on descriptive approach more than information and data related to vulnerabilities and threats which were not drafted using sectorial and national ML/TF risk matrices.

76. In order to identify the priority issues, the assessment team reviewed the information provided by Morocco on the national ML/TF risks, in addition to information available from reliable sources. On this note, there is a hint that the high or low ML/TF risk areas are not only limited to the issues set out in NRA document the country has submitted, but also include issues of significant relevance based on the conclusions reached before and during the on-site.

ML/TF Threats vulnerabilities

77. **Corruption:** The World Economic Forum Report² (2017-2018) set a list of the major risks that threaten the business and economic atmosphere in Morocco (the most problematic factors for doing business) where corruption ranked first, scoring a value of 15.1, among a total of sixteen threats. Despite the efforts made by Morocco in combating corruption, the afore-mentioned indicators raise concerns on the extent of these efforts.

78. **Illicit Drug Trafficking:** According to the UNODC³, Morocco is one of the top countries which produce cannabis resin that is considered a primary substance in the production of drugs and the subsequent trafficking therefor. According to the report of the US Department of State/Bureau of International Affairs on drugs and law enforcement issued in March 2017, the production of cannabis in Morocco is estimated at 700 metric tons, which is approximately equivalent to 23% of the gross product, and Morocco is also a transit country for cocaine trafficked from South America to Europe.

79. **Border control:** The geographical location of Morocco makes it an attractive spot for goods and cash smuggling, trafficking in human beings and illegal immigration. Therefore, the threat posed by drug cultivation and trafficking, domestically and internationally, remains an important threat that casts its shadow on border control aimed at combating threats of smuggling, trafficking in human beings and cash smuggling. In this context, the report of the US Department of State considered that the major threats to the AML system in Morocco are represented in drug trafficking and smuggling through international networks⁴ that are active between African and Europe, in addition to trafficking in human beings⁵, namely between unregulated immigrants.

80. **Real estate sector:** According to the data of the general population and housing census of 2014, the High Commission for Planning issued statistics⁶ on the housing stock in Morocco. These statistics revealed an increase of the vacant dwellings, by an overall percentage of 12.2%, while

² This report draws upon ten criteria, as follows: The political and legislative climate, the business and innovation climate, infrastructure, easy access, skills, individual use of information and communication technology, use in the business field, governmental use, as well as the economic and social effects. These criteria are grouped into four categories: Environment, availability, use and effect <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=MAR>

³ http://www.unodc.org/doc/wdr2016/WDR_2016_ExSum_arabic.pdf

⁴ UNODC Report - World Drug Report 2017

⁵ Office To Monitor And Combat Trafficking In Persons- U.S. Department of State

⁶ http://www.hcp.ma/Note-d-information-du-Haut-Commissariat-au-Plan-sur-le-parc-de-logements-au-Maroc-a-l-occasion-de-la-journee-mondiale-de_a2020.html

secondary and seasonal dwellings account for 8%. The same study showed in more detail that the vacant dwellings constituted approximately the quarter total of dwellings in some urban regions, reaching 24.1% in Casablanca. Based on the foregoing and according to the outputs of the national assessment document and the outcomes revealed by the on-site visit, it appears that the real estate sector represents a threat to the combating system, not to mention that it is also among the sectors that may attract criminal proceeds of ML operations.

81. **Free Zones:** There are seven free trade zones in Morocco. Most non-residing banks are located in Tangier free zone which are supervised by an inter-agency committee presided by MOF. Goods manufactured in these zones with the aim of exporting them are exempted from customs duties. Non-residing banks are governed by the requirements of law No.103.12 on credit institutions and similar bodies. Therefore, all the legislative and regulatory requirements as regards the monitoring system applied by BAM and the obligation to report suspicion according to the AML/CFT law No.43.05 are applied to these banks.

82. An international reference indicated that UTRF points out that the free zones (more specifically, Tangier)⁷ could be exploited in ML schemes. The risks identified in these zones are reflected in cash smuggling, spread of fictitious companies to cover financial operations not related to real business. These zones may be also exploited, and foreign exchange controls may be evaded as well, which would contribute to a ML problem in Morocco. Furthermore, a significant portion of the informal sector may use these free zones for ML purposes. The Casablanca free zone, even if it was able to enhance its position among the global financial markets, seven years following its establishment, has risen to the thirtieth rank, at the global level and to the third rank at the MENA region level. The absence of supervision and weakness of ML risk awareness by supervisors place these zones among the potential risks threatening the combating system.

83. **Cybercrimes:** Based on the data concluded from the 11th annual national survey on information and communication technology usage by households and individuals for 2014 which was conducted by the National Telecommunications Regulatory Agency⁸, Morocco recorded one million new Internet users, which reached to 17,3 million, as it is equivalent to 56,8% of the population. According to these positive indicators which placed Morocco among the primary African countries in the field of telecommunications and the use of new technologies, the spread of cybercrime such as online sexual harassment and other forms of cybercrime may constitute a serious threat to the combating system.

84. **Moroccan FIs and African markets:** The (FSAP) report indicated that the three major Moroccan banks and the primary insurance companies are exposed to some African markets. The US Department of State report⁹ referred to the risks resulting from the large size of money transfers

⁷ 2014 International Narcotics Control Strategy Report (INCSR):
<https://www.state.gov/j/inl/rls/nrcrpt/2014/supplemental/227954.htm>

⁸ <https://www.anrt.ma/publications/etudes-et-enquetes>

⁹ <https://www.state.gov/j/inl/rls/nrcrpt/2015/supplemental/239265.htm>

from Moroccans living abroad, which is a high-risk topic as regards money transfer operations. It also mentioned that the effectiveness of transfer operation system should be verified.

85. **Terrorism and terrorist financing offense:** Terrorism and its Financing still poses a serious threat to Morocco despite the significant efforts made by the competent authorities in combating terrorism and this threat mainly stems from foreign Moroccan terrorist fighters whose number is estimated at around 1600¹⁰. Due to its geographical position and the risks resulting from the location, such as the long stretch of land frontiers and the sea coast, and the desert climate in the south, these all together constitutes a threat that terrorists can take advantage of, given the presence of several terrorist organizations in the region, such as Al-Qaida in Maghreb and Daesh.

86. The ways used by the extremist groups to finance terrorism in Morocco depend on the following traditional methods: collection of donations; collection of zakat and alms; door-to-door sale, or to engage in a criminal activity that generates profits for self-funding, in addition to the using of money transfer companies in TF operations.

87. **The informal economy sector and cash-based¹¹ transactions constitute** are considered vulnerability at an estimated rate of 12.6% of the GDP. The size of informal businesses reached USD 42 Billion per annum, which is equivalent to approximately 425 Billion Dirhams, making this sector a source of weakness, thereby exposing the country to financial risks.

88. **Financial inclusion in Morocco remains a vulnerability that is reckoned by BAM**¹², as a result of the difference between the urban and rural societies and between both genders in terms of providing banking services, despite the efforts exerted by Morocco since 2007 and are translated through a comprehensive strategy to develop the financial sector by 2020.

89. **DNFBPs supervision and monitoring**, as regards DNFBPs, the legislative framework does not set the relevant AML/CFT preventive measures. DNFBPs are not implementing or partially implementing the AML/CFT requirements. Supervisors and self-regulatory bodies do not have a good understanding of the relevant ML/TF vulnerabilities, given the absence of supervision over most of the sectors that fall within the scope of the DNFBPs, which negatively affects the AML/CFT system.

90. **Transparency and BO of legal persons the Commercial Register provides information about owners**, shareholders and capital structure, whereas, there is a deficiency in understanding certain requirements on how to obtain BO information on legal persons and arrangements. The legal and regulatory framework in this field remains insufficient to meet the international standards.

Implementation of the TFS relating to TF and to the prevention of proliferation financing,

91. as regards UNSCR No.1267, the Moroccan system does not indicate that there are mechanisms for the identification and designation of terrorist persons or entities and there are no mechanisms for

¹⁰ <https://www.state.gov/documents/organization/272488.pdf>

¹¹ Report issued by the US Department of State in March 2017 under the title of “International Narcotics Control Strategy Report, Volume II ML and Financial Crime March 2017. The report is available on this link: <https://www.state.gov/documents/organization/268024.pdf>

¹² Same previous reference.

sending de-listing petitions to the UN Ombudsperson Office. As regards UNSCR No.1373, there are no relevant mechanisms or procedures.

92. Given that there are no legal authorities and procedures or mechanisms to de-list and unfreeze the property or other assets of the designated persons and entities. Morocco has not set up a national list according to the said resolution and no authority in the country has the legal powers to operate against a person or entity who has been identified and whose proposal for designation is being considered. As well as Morocco doesn't have mechanism to implement UN TFS related to proliferation.

Scoping of lower risks and focus

93. Notwithstanding the findings of the NRA which clearly identify that banking and capital market sectors involve a potential lower level of ML/TF risks, without ranking the risks of the sectors. The following sectors are considered as low risk:

- **Legal arrangements:** no legal arrangements or trust funds registered in Morocco, but endowment (Waqf) is considered as similar legal arrangements, where MEIA in Morocco oversees the development and enhancement of endowments revenues with the aim of disbursing them for charity and good deeds.
- **Capital Markets:** The number of brokerage firms on the stock exchange (is limited to 17 companies) .Most of them are subsidiaries companies to banks and are not allowed to conduct any cash transactions except through banking system. The modest size of operations in the capital markets which reaches USD1.04 billion, reduce the risks in this sector.

Materiality

94. Morocco has diverse financial and DNFBP sectors. The banking sector plays a predominant role in the financial sector while the DNFBPs represent no more than 2% of GDP, in addition when assessing the effectiveness of supervision on different sectors, banks were given the highest importance, followed by MVTs. The stock exchanges, insurance companies, exchange companies, real estate brokers and casinos were considered at a medium level of importance. Less importance was given to other DNFBPs. The financial sector in Morocco is well regulated and primarily relies on a group of banking institutions (83 institutions) divided between 19 banks, 33 financing companies, 6 offshore banks, 13 micro-credit associations and 10 payment institutions specialized in money transfer intermediation, in addition to the Management and Deposit Fund and the Central Guarantee Fund. The private shareholders structure represents the majority equity of Moroccan banks, given that it accounts for 70% and is mainly formed of private group holding companies, insurance companies, social reserve institutions and foreign banking groups.

95. The Moroccan economy has strength points represented in the country's abundance of natural, maritime and agricultural resources, as well as its touristic attraction. Morocco also benefits from its proximity to the European markets, particularly its closeness to Spain. According to the report prepared by (the Global Finance Center Index) for 2016, its financial pole holds the first position at the African level and the thirtieth at the global level.

Structural elements

96. The key structural elements for the effective AML/CFT control appear to be present in general in Morocco, such as the political and institutional stability and the rule of law. However, the informal economic sector and cash-based transactions are one of the major vulnerabilities which might affect the AML/CFT combating system¹³.

97. The Moroccan legal system covers, in general, the high-risk activities towards combating ML and TF . However, the scope of the implementation of the legal provisions remains unsatisfactory given the limited number of judicial convictions, particularly the criminal convictions of ML offences.

98. In addition, the low number of STRs filed and the failure of DNFBPs to engage in the AML/CFT combating system in a satisfactory manner are still among the challenges facing the Moroccan authorities.

Background and other contextual factors

AML/CFT strategy

99. Morocco implemented several strategies in many areas relating to anti-terrorism following the terrorist attacks against Casablanca in 2003 and 2007 and Marrakesh bombings against “Argana” cafe in 2011. The Moroccan government has also launched the national anti-corruption strategy which will extend from 2016 to 2025. In addition, it established a national strategy, in 2007, for the development of the financial sector by 2020, but these strategies are not linked, directly, to ML/TF threats and risks faced by Morocco.

100. There are other strategies and policies that may constitute a valuable source for the development of a national policy to address the risks of ML/TF, but they need to be updated in order to take in consideration all ML/TF threats and risks faced by Morocco, and to include measures to mitigate these risks, such as the promotion of the supervisory system, or enhancing investigation, conviction and sanctions.

101. The criminal prosecution authorities do not have the human and financial capacities as required, nor do they have the necessary expertise to carry out their functions as regards ML. This situation might hinder the examination of the financial aspects in the investigation of the predicate offense.

Legal and institutional framework

102. The authorities and entities in charge of combating ML/TF and Proliferation in Morocco are as follows:

- MOJ.
- MOI.
- MOF.
- MOFA.

¹³ International Narcotics Control Strategy Report Volume II ML and Financial Crimes March 2017: <https://www.state.gov/documents/organization/268024.pdf>

- UTRF.
- NAPPCC.
- CAD.

The Judicial institutions:

- The Court of Cassation as a high level of courts.
- The Courts of First Instance.
- The Courts of Appeal.
- The Courts specialized in ML/TF cases: The Courts of Rabat.

LEAs:

- The Public Prosecution presidency presided by the Royal Public Prosecutor at the Court of Cassation.
- DGSN
- The Royal Gendarmerie is a part of the royal armed forces in charge of keeping national security and order and implementing the laws.

Supervisory and monitoring authorities:

- BAM.
- AMMC.
- Exchange Office.
- ACAPS.

Financial sector and DNFBPs

103. The Moroccan financial sector is well integrated in the global financial system. It is largely dominated by the banking sector, which comprises 19 banks¹⁴, 5 of which are owned by the public sector, and 7 are owned by foreign groups or banks (particularly, French). This sector actually accounts for approximately thirds of the financial assets, followed by the capital market and the insurance sector.

104. The financial sector comprises financial asset managing companies (17 companies), brokerage companies (17 companies), life insurance and reinsurance companies (22 companies, 18 of which are commercial undertakings and 4 mutual insurances), in addition to licensed insurance brokers totaling 1879, varying between insurance agents (1432) and insurance brokers (447). The Moroccan insurance sector is among the fastest growing sectors in Africa with a premium rate of 3.1% of the domestic product. Exchange offices (664) began their activity on 1 December 2006, when Circular NO.13 issued by the office entered into force.

105. The financial sector offers various services and products. It has witnessed, over the last years, structural and strategic reviews which mainly covered the capital market and insurance sectors. Regarding capital market, a strategic plan for 2017-2020 was adopted, in the context of finalizing the structure of the AMMC, which was established in 2016 to replace the Deontological Council for

¹⁴ FSAP joint report between the world bank and the IMF dated February 2016

Securities (Conseil Déontologique des Valeurs Mobilières). This plan is based on four focal points, being the promotion of trust, the increase of supervision, the enhancement of the authority’s power and international impact, and the contribution to the capacity building among dealers and actors in the capital market in Morocco.

106. By virtue of law No.12.64 which entered into effect on 14 April 2016, the insurance sector in Morocco has experienced an additional phase of update for the Moroccan financial sector, by establishing ACAPS which replaced the Insurance and Social Reserve Directorate related to the Ministry of Economy and Finance. It is worth noting that the capital market and insurance sectors have recorded over 400 billion Dirhams in assets (approximately 42.5 billion dollar) and the premiums issued by the insurance sector in the beginning of 2016 reached a total of 1.35 billion Dirhams (approximately 0.143 billion dollar), while the contributions in social reserve systems reached 55 billion Dirhams¹⁵ (approximately 5.85 billion dollar).

107. DNFBPs sector suffers from the absence of a number of necessary measures by supervisory and monitoring authorities, thereby ensuring its compliance with the AML/CFT requirements, given that DNFBPs, except for some very few cases, do not report suspicious transactions to UTRF. Most of the DNFBPs do not have any understanding or awareness of the ML/TF risks, in addition to their weak engagement with UTRF and their lack of knowledge of their tasks and role in the AML/CFT field.

108. Over the past few years, the Ministry of Economy and Finance and BAM have adopted a long-term strategy to promote financial inclusion, which caused 160% of the Moroccans to hold accounts with FIs. Despite the absence of specific indicators showing that the informal sector is being misused in laundering proceeds of crimes or in the financing of terrorism, the existence and failure to regulate and monitor this sector by Moroccan competent authorities represent a threat of being potentially exploited by money launderers or terrorist financiers.

Preventive measures

109. FIs are governed by AML law No.43.05 and are subject to bulletins, circulars and directives issued by BAM, CAPS, AMMC and the Exchange Office. These legal provisions constitute the basis of the preventive measures for the various sectors, as regards the detailed requirements relating to the due diligence measures, record keeping, training, transactions monitoring and reporting, in addition to the role and functions of the officer in charge of reporting ML.

Financial institution	Number as end of 2017
Banks	19
Free zone banks	6
Financing companies	32
Money transfer companies	8
Small loans companies	13
Joint banks	5
Insurance companies	22
Exchange offices	664
financial assets management companies	17
Brokerage companies	17

¹⁵ Statistics mentioned in the 2016 annual report of ACAPS.

Table 2: Financial Institutions in Morocco according to the FATF Definition		
Type of financial activities or operations under FATF Definition	Types of FIs /AML law	AML/CFT Supervisor (s)
Acceptance of deposits and other repayable funds from the public.	Banks, free zone banks, holding companies, joint banks	BAM
Lending.	Banks, credit institutions and similar bodies	BAM
Financial leasing	Finance companies	BAM
Money or value transfer services	MVTS Companies.	BAM
Issuing and managing of payment (e.g. Credit and debit cards, traveler's cheques, cheques, money orders and banker's drafts, electronic money).	Banks, MVTS companies	BAM
Financial guarantees and commitments	Banks	BAM
Trading in: - Money market instruments (cheques, bills, certificates of deposit, derivatives).	Banks, Brokerage firms	AMMC, BAM
- Foreign exchange,	Currency exchange companies	The Exchange Office
- Exchange, interest rate and index instruments,	Currency exchange companies	The Exchange Office, BAM
- Transferable securities,	Banks, Brokerage firms, assets management companies, Financial investment advisors.	AMMC, BAM
- Commodity futures trading		
Participation in securities issues and the provision of financial services related to such issues.		
Individual and collective portfolio management.		
Safekeeping and administration of cash or liquid securities on behalf of other persons		
Otherwise investing, administering or managing funds or money on behalf of other persons.		
Underwriting and placement of life insurance and other investment related insurance	Insurance, reinsurance companies, insurance and reinsurance intermediaries.	ACAPS
Money and currency changing.	Currency exchange companies	The Exchange Office

110. DNFBPs sector in Morocco is governed by AML law No.43.05, the preventive measures set out in UTRF decision No.D5/12 issued in 2012 and the general guiding directive No.1 issued in 2014 for persons and professions subject to UTRF supervision and monitoring, except for lawyers, authenticators and notaries (legal professions) who fall under the authority of the MOJ as regards supervision. This sector in Morocco is formed of the following DNFBP:

Table 3. DNFBPs	
DNFBPs	Number
Lawyers	12212 (2017)
Authenticators	1702 (2016)
Notaries	3038 (2014)
Accounting experts	615 (2017)
Certified accountants	1581
Casinos	7

111. The MOJ did not issue any measures for the legal professions regarding the detailed requirements relating to due diligence obligations, record keeping, training, transactions monitoring and reporting, in addition to the role and functions of the officer in charge of reporting ML.

Type of DNFBPs	Types of DNFBPs /AML law	AML/CFT Supervisor
Casinos	Casinos, gambling institutions, Persons who exploit or manage casinos or gambling institutions	UTRF
Real Estate Agents	Real estate agents and intermediaries	
Dealers in Precious Metals	Dealers in Precious Metals, persons who usually trade in artefacts and works of art	
Dealers in Precious Stones	Dealers in Precious Stones,	
Accountants (including auditors)	external auditors, accountants and tax advisors	
Trust and company service providers	service providers who engage in the creation, organization and domiciliation of companies.	
Lawyers (including notaries)	lawyers, authenticators, notaries	MOJ

Legal Persons and arrangements

112. Morocco has an electronic system for the registration of legal persons which was established on 15 March 2012, after the signature of an agreement between the MOJ and the MOICP. The register of commerce is formed of CRC (managed by the Moroccan Office of Industrial and Commercial Property and fed by authorizations issued by commercial courts which keep local records) and the local registers of commerce.

113. This register allows the collection and tracking of basic information related to natural and legal persons who carry out commercial activities. The public and the economic actors can obtain reliable and current information on companies, through the internet, free of charge.

Types of legal persons	Registered numbers
Joint Stock Company	32429 Joint Stock Companies which constitutes 6.2% of the total number of companies in Morocco which reach up to 521580
Partnership Company	13269 Companies which constitutes 2.6% of the total number of companies in Morocco which reach up to 521580
Limited Liability Company	283799 Companies which constitutes 54.8% of the total number of companies in Morocco which reach up to 521580
Limited partnership company	184373 Companies which constitutes 35.6% of the total number of companies in Morocco which reach up to 521580
Al Mahasa Company, Simple Company and Equity Company	In the framework of other legal forms which constitutes 0.1% of the total number of companies in Morocco which reach up to 521580
Economically Beneficial Groups	In the framework of other legal forms which constitutes 0.1% of the total number of companies in Morocco which reach up to 521580

114. The Moroccan civil Law does not recognize Legal structures such as express trust funds or equivalent legal structures, on the pretext that they might limit the transparency as regards the beneficial owners and the ML/TF risk they might pose.

115. It should be noted that the self-contractors are registered in a special register called "National Registry of the Self-Contractors", which is different from the "Commercial Register". Morocco Post (Poste Maroc) holds the National Registry of the Self-Contractors on behalf of the State according to Law 13-14. Morocco Post has delegated some operations related to the National Registry of the Self-Contractors, such as the application for registration and the delivery of cards, to some banks. The availability of information related to this type of legal person is not clear and not well regulated.

Non-profit Organizations

116. There are around 148,000 NPOs in Morocco. They are divided into three types of organizations according to the Moroccan legal law, in application of the requirements of Dahir No.15/11/1958:

- a) The associations authorized under article 5 of Dahir No.15/11/1958 are as follow:
 - Micro-credit associations
 - Professional Association of Translators Approved by the Courts
 - Sports associations
 - Associations of water users for agricultural purposes
 - Professional association of mills owners
 - Associations of the chambers of agriculture, commerce, industry, services, handicrafts and fishing
 - Associations for the construction and expansion of mosques and other places for religious ritual practice
 - Professional association of stock exchange companies
 - Professional associations of credit institutions and similar bodies
 - Students associations
- b) The associations recognized as public utility are: NPOs which were granted privileges by virtue of a governmental decree for seeking to achieve a need that has a public interest. They may be recommended by the country, by using some of the benefits prescribed for them.
- c) Foreign associations: are non-profit associations whose headquarters are located abroad or in Morocco, whose managers or half of their members are foreigners, or are operated by them.

117. Moroccan authorities do not have a clear definition of NPOs, given that they did not identify which subset of organizations fall within the FATF definition of NPOs to identify their features and types.

118. Moroccan authorities did not identify the nature of threats posed by terrorist entities to the NPOs, as well as how terrorist entities abuse NPOs.

119. According to article 13.2 of the AML law, supervisors of NPOs or entities should ensure that they are not being used for TF or ML purposes, given that these NPOs also referred to as associations are subject to the requirements of decree No.376-58-1 issued on 15 November 1958 on the establishment of associations, as amended and supplemented. The Minister of Interior and the **GoSG** issued circular No.1/2010 on the public charity seeking operations, which required licenses to be obtained from the government's Secretariat for fund raising operations. However, these provisions are not sufficient to take proportionate and effective measures to address the identified risks.

120. There is no information on the Moroccan authorities evaluating the sector by reviewing new information on the potential vulnerabilities to terrorist activities.

Supervisory arrangements:

121. According to article 13.1 of AML law No.43.05, the supervisory authorities at BAM were designated for banks and similar bodies (including micro-finance associations, payment companies, offshore banks, the Central Guarantee Fund, the Management and Deposit Fund and financial companies), and ACAPS for insurance and re-insurance undertakings, and AMMC for management companies, stock exchange companies and holders of bond accounts, and the Exchange Office for currency exchange offices.

122. Supervisory and monitoring authorities of the financial sector draw their power from the above-mentioned AML law, which issue the bulletins, circulars and directives by virtue of powers entrusted to them, the obligation of organization, monitoring of the development of products and licensing and the exercise of regulatory supervision over these institutions, as well as the implementation of financial and administrative sanctions when violations are detected.

123. In application of the provisions of article 13.1 of law No.43.05, UTRF monitors subjected persons for whom no supervisory and monitoring authority is designated by the law. They consist specifically of all the DNFBPs, except for lawyers, authenticators and notaries (legal professions) who fall under the authority of the MOJ as regards supervision. The MOJ is about to approve a circular relating to the application of the requirements of law No.43.05 to these professions.

International Cooperation

124. Morocco is contributing to the regional and international efforts exerted to combat important crimes, such as terrorism, illicit drug trafficking, migrant smuggling and other crimes that threaten the international financial system. This was clearly manifested through the other forms of cooperation, through NSJP, Public Prosecution and UTRF.

125. Morocco has the legal basis to respond to the MLA and extradition requests. The MOJ- the Criminal Affairs and Amnesty Office - follows up the international judicial cooperation requests it receives in official ways, through MOFA ; however, Morocco suffers from the failure to give effect to the outgoing requests of rogatory letters concerning ML, TF or predicate offenses, due to reasons related to practice and to the lack of engagement by investigation judges to use international cooperation tools in such offenses; in addition to the absence of extradition requests made and their limitedness noticed in the requests received as regards ML and TF offenses or predicate offenses.

Key Findings and Recommended Actions

Key Findings

- a) **NRA process initiated by Morocco in 2016 is the first step towards engaging public and private sectors to better understand risks related to ML/TF and develop strategies and policies to mitigate such risks. However, the NRA has not yet been adopted, so Morocco did not disseminate its findings to the concerned authorities or the financial sector or DNFBPs.**
- b) **Morocco has a limited understanding of ML risks. This conclusion is based on the findings included in the NRA report and the discussions with LEAs, Judicial authorities, supervisory authorities and the private sector.**
- c) **The Moroccan authorities have a good understanding of TF risks. However, NRA did not consider the risks of NPOs and their potential misuse in the financing of terrorism.**
- d) **Morocco has not yet developed any national strategies or adopted national policies that will mitigate the ML/TF risks. Also, the objectives and activities of concerned authorities are not consistent with ML/TF risks, except for some LEAs regarding TF risks.**
- e) **Cooperation among relevant authorities is taking place to a satisfactory degree, through mechanisms such as MOUs, liaison officers. However, the coordination and cooperation efforts lack of the mechanisms to ensure the implementation of national AML/CFT policies at the operational level.**
- f) **Taking into consideration that the NRA report is not yet adopted, the cooperation and coordination activities did not rely on the findings of the AML/CFT risk assessments as a primary factor or as one of the factors for the allocation of resources in Morocco.**
- g) **There is no coordination of policies and activities in relation to combating the financing of proliferation of weapons of mass destruction.**

Recommended actions

Moroccan authorities should:

- a) **Make the findings of the NRA available for the public and private sectors at a large scale.**
- b) **Consider creating a dedicated committee to update 2018 NRA and all relevant sectorial strategies the soonest possible, by:**
 - **Providing a broader range of quantitative and qualitative data and information made available within supervisory authorities, LEAs, Public Prosecution and Customs.**
 - **Covering all other sectors which have not been analyzed by the current NRA, such as the free zones, in addition to over-the-counter markets and NPOs.**
 - **Considering the actual and potential ML/TF risks domestically and those coming from abroad.**
- c) **Develop national effective coordination and cooperation policies and mechanisms for combating ML/TF at the operational level by a national committee (such as UTRF Board) and for preventing proliferation financing.**

- d) **Ensure that the activities and objectives of all relevant AML/CFT agencies are consistent with the identified ML/TF risks and adjusted in line with evolving risks.**
- e) **MOJ should put in place a database in order to collect a wider range of comprehensive AML/CFT statistics on investigations, prosecutions, convictions, confiscation in addition to international cooperation requests.**

126. The relevant Immediate Outcome considered and assessed in this chapter is IO1. The Recommendations relevant for the assessment of effectiveness under this section are: R.1,2, 33 and 34.

Immediate Outcome 1 (Risk, Policy and Co-ordination)

127. Moroccan authorities did not set a time period of updating the NRA, but the national committee is mandated to follow up the works of the NRA process and still has to update the assessment at the soonest and regularly, particularly that there is no legal text that regulates the update of NRA.

Country's understanding of its ML/TF risks

128. In 2016, Morocco initiated the NRA. UTRF head was appointed as the project coordinator and supervisor of the national committee which is in charge of following up the NRA works. Morocco used the technical assistance of the World Bank.

129. NRA is the first of its kind in Morocco, since it helped it to collectively consider ML/TF risks by engaging stakeholders in the public and private sectors (FIs) and DNFBPs which provided the above-mentioned national committee with relevant information (such as questionnaires, reports and statistics), which were limited (refer to paragraphs 137-141).

130. The NRA focused on three issues: 1) ML risks at the national level, 2) Risks at the sectorial level, and 3) TF risks.

131. Morocco has a limited understanding of ML risks. This conclusion is based on the preliminary findings included in the NRA and the discussions with LEAs, Judicial authorities, supervisory authorities and the private sector.

132. UTRF, BAM and AMMC have a satisfactory understanding of ML risks, while the understating of the rest of supervisory authorities is limited. LEAs and judicial authorities' understanding of ML risks remains insufficient specially what related to of migrant smuggling and trafficking in human beings. MOF understanding of ML risks in free zones is weak.

133. The analysis of the predicate offenses committed domestically (2011 to 2015) revealed that the crime of trafficking in narcotics and psychotropic substances is on the top of the judiciary follow-up list, followed by crimes relating to theft and misappropriation of funds, and by financial corruption related to bribery and deception, and ultimately by migrant smuggling and trafficking in human beings.

Table 6. predicate offense under investigation (2011-2015)	
Predicate offences	Number of under investigation cases
Trafficking in narcotics and psychotropic substances	226718
Theft and misappropriation of funds	152214
Financial corruption related to bribery and deception	52544
Migrant smuggling and trafficking in human beings	28977

134. Trafficking in narcotics and psychotropic substances was ranked by Morocco as a significantly high-risk offense, followed by the crime of bribery and deception ranked as high risk. However, the crime of migrant smuggling and trafficking in human beings was ranked as low risk.

135. The comprehensiveness of the available information and data in the analysis of predicates offenses and remaining focal points of the assessment represented a vulnerability, given that there are no accurate and detailed statistics on the percentage of each offense and due to the lack of description for each offense (such as drug abuse, local or international trafficking in drugs through smuggling) or their usages at a large or narrow scale, the place where they were committed and the determination of their financial values.

136. On the other hand, the analysis did not have regard to statistical data as a whole, in a way that would, for example, illustrate the number of judicial follow-ups of the crime of trafficking in narcotics and psychotropic substances as to their link to the total number of cases which does not exceed 20% of the total number of cases under investigation.

137. Morocco did not achieve a good understanding of the crime of migrant smuggling and trafficking in human beings (identified in the NRA as low risk), due to the inconsistency with the general outputs this is partly as a result of the analysis of a limited-scope data (they did not have regard to the relevant international reports)¹⁶.

138. Morocco does not maintain accurate statistics on the types, judicial process, and geographical distribution of this crime. In parallel, important cases on the effectiveness of LEAs in facing the crime of migrant smuggling and trafficking in human beings were identified.

139. On sectorial risk assessment for FIs and DNFBPs, there is a difference in risks across various sectors, where the FIs understanding was satisfactory to a certain extent, unlike the DNFBPs which had a weak understanding of risks (see IO.4).

140. NRA needs to provide qualitative information in order to better understand the sectorial risks, particularly by developing the reporting levels among DNFBPs, where the filing of STRs is weak and by developing the strategic analysis of UTRF (see IO.6) in view of informing the risk study and using its results as means to identify and understand conventional or emerging risks, such as cybercrimes which were identified as one of the high-risk areas.

141. Regarding quantitative data, LEAs and judicial authorities should enrich sufficiently quantitative information by making detailed and accurate data and statistics on investigations, prosecutions,

¹⁶ Office of monitor and combat persons trafficking 2017, Department of US State

convictions, confiscation and requests for international cooperation available, in order to promote knowledge and good understanding of national risks.

142. The Moroccan authorities' understanding of ML risks is limited, for example free zones in Tangier and Casablanca, which are not included in ML risk assessment, nor supervised in AML/CFT field. According to US Department of State report, UTRF indicated¹⁷, in 2014, a suspicion of ML plans through the use of Tangier free zone.

143. As to the TF risk, Morocco has a good understanding of its terrorism and TF risks. The NRA addressed threats related to terrorism and its financing, at the international level which revealed that Daesh and Al-Qaida, (specifically its branch in the Islamic Maghreb) constitute a serious threat to Morocco's security and safety, as well as the "Islamic Movement of the Levant" which is active in the Syrian and Iraqi region.

144. At the national level, the analysis showed that Morocco is facing terrorist threats within its territories, given that between 2002 and 2017, Moroccan authorities have dismantled 172 terrorist cells, 52 of which are associated with "Daesh", resulting in the arrest of 2.938 persons, 277 of which have judicial precedents records. During the same period, Moroccan authorities succeeded in thwarting 350 terrorist projects targeting prominent personalities and critical centers and places.

145. According to IO. 10, and as to the relevance of the analysis outputs which took into consideration the general risk context, domestically, internationally and regionally, the absence of the NPOs risk analysis could constitute a clear shortcoming, even though the authorities consider this sector as low risk and that it cannot be misused by terrorists or terrorist organizations to raise and transfer funds, provide logistic support, encourage the recruitment of terrorists or support terrorist organizations and operations. To note that the total number of NPOs is close to 148.000 NPOs, and there is no information indicating that they are monitored by supervisors on RBA.

146. LEAs have introduced information on TF risks, trends and methods based on cases which have been/are being investigated and prosecuted. LEAs summed up the ways used by the extremist groups to finance terrorism in Morocco, as in the following traditional methods:

- Collection of donations from supporters of Salafi jihadism;
- Collection of zakat;
- Door-to-door sale, particularly compact discs and booklets with religious content

National policies to address identified ML/TF risks

147. Morocco implemented several important strategies in many areas relating to ML/TF risks, where a national strategy on anti-terrorism¹⁸ was set following the terrorist attacks against Casablanca in 2003 and 2007 and Marrakesh bombings against "ARGANA" cafe in 2011, After reviewing such strategy, it was focused upon terrorism, instead of TF risks.

¹⁷ See the US Department of State report which is available on this link: :
<https://www.state.gov/j/inl/rls/nrcrpt/2014/supplemental/227954.htm>

¹⁸ This strategy is based on the following points: 1) assessment of threats, 2) Morocco's commitment to the international community efforts aimed at containing and combating terrorism, 3) the granular follow-up of the evolving means and methods used by terrorists for recruitment and for planning acts of sabotage, 4) the adoption of a systemic approach that addresses the issue of human development, social inclusion, promotion of justice supremacy and the rule of law and protection of the human rights, in addition to reforming the religion field.

148. In addition, Morocco established a national strategy, in 2007, for the development of the financial sector by 2020, with the aim of promoting financial inclusion which remains a vulnerability reckoned by authorities, as a result of the difference between the urban and rural societies and between both genders in terms of providing banking services. The Moroccan government has also a national anti-corruption strategy which started from 2016 to 2025.

149. There are other strategies and policies that may constitute a valuable source for setting a national policy to address the risks of ML/TF, but they need to be updated in order to take into consideration all ML/TF threats and risks faced by Morocco, and to include measures to mitigate these risks, such as the promotion of the supervisory system (see IO.3), or enhancing investigation, conviction and sanctions (see IO.7).

Exemptions enhanced and simplified measures

150. There is no basis to justify exemptions from AML requirements or to support the implementation of enhanced and simplified measures. Moroccan authorities do not intend to exempt FIs and DNFBPs from implementing any of the FATF recommendations.

151. There are some legal texts that have been taken in the frame of implementing RBA, which allow to implement simplified measures for a specific category of the subjected entities but do not cover all DNFBPs¹⁹. As example, BAM issued a circular No. 5/W/2017 on the due diligence obligation of credit institutions and similar bodies, which allowed implementing some simplified CDD for a certain type of customers and applying ECD for the customers who representing high risks including some entities and DNFBPs which are not subjected to supervision in a sufficient way.

Objectives and activities of competent authorities

152. The objectives and activities of the competent authorities are not consistent with ML risks identified in Morocco even those mentioned in the NRA. Moroccan authorities did not prepare a National AML policy, which will set out actions for each relevant agency, to be reflected in their objectives and activities.

153. LEAs individually identified their strategic objectives to appropriately mitigate the terrorism risks and TF risks facing Morocco, while their objectives and activities were not directly focused on the risks of ML specially the proceeds of trafficking in narcotics and psychotropic substances, financial corruption relating to bribery and deception, and migrant smuggling and trafficking in human beings.

154. UTRF is not updating its ML/TF objectives and functions by relying on the findings of its operational and strategic analysis of STRs, AML/TF risks which Morocco face, or according to the NRA. UTRF has not practiced its supervisory role in terms of setting objectives and activities for relevant DNFBPS with the aim of developing AML/CFT policies and establishing the RBA supervision.

¹⁹ See the R.1 regarding criteria 1.7 and 1.8 in the Technical Compliance Annex

National co-ordination and co-operation

155. UTRF is considered as the focal point of the national AML/CFT system and is also the authority designated by AML law to coordinate and cooperate with the competent authorities.

156. The Systemic Risk Supervision and Coordination Committee, established under article 108 of the law concerning the credit institutions and similar bodies, allows to promote coordination in the field of macro-preventive supervision of the financial sector, including problems related to combating ML/TF, and aims at preserving the stability of the financial system and containing the systemic risks (see Rec 2).

157. On the same note, MOUs were signed between UTRF and several concerned national authorities and institutions, such as BAM, the CAD, the Exchange Office and ACAPS.

158. The frequency of the cooperation efforts in the AML/CFT field has significantly increased as a result of the preparation for the NRA which was supported at a high political level, namely by the Prime Minister. However, as the NRA report is not yet adopted, the cooperation and coordination activities did not rely on the findings of NRA as a primary factor or as one of the factors for the allocation of resources in Morocco.

159. UTRF, being the main authority in charge of coordinating AML/CFT policies is not able to lead the efforts of competent authorities in this field on one hand, given the deficiency in the legal text which mandates it to coordinate policies on ML only, without TF and on the other hand, because the original competence for the coordination of TF policies is vested with the MOI.

160. The role of the UTRF board members in terms of coordination and cooperation at operational levels is not promoted yet. However, the mini committee established include several authorities which coordinate their efforts regarding topics related to TF within UTRF.

161. In general, there is a satisfactory level of cooperation among competent authorities and has increased as a result of signing MOUs, nominating liaisons officers from competent authorities in addition to formulating working groups for the preparation of NRA; however, the coordination and cooperation efforts lack a more comprehensive institutional framework that ensures the coordination and implementation of the national policies and activities to combat ML/TF at the national and operational level.

162. Despite the limited efforts made by Morocco, there is no mechanism to coordinate policies and activities of combating the financing of proliferation (see IO.11).

Private sector's awareness of risks

163. FIs and DNFBPs participated in the NRA process by providing relevant information (such as filling in questionnaires, and providing reports and statistics), but they did not receive a feedback on the final report or findings of the NRA.

164. The level of understanding of the ML/TF risks by FIs varies across the financial sectors, where banks and MVTS have a good understanding of ML/TF risks, while other subjected entities, i.e., the capital market companies, insurance companies, exchange companies, micro-finance companies, have a limited understanding. Banks and MVTS are applying effective measures commensurate with the degree of risk, while the other FIs implement more limited measures in order to mitigate the risk (see IO.4).

165. As to DNFBPs, there is a poor awareness of ML/TF risks. DNFBPs are not aware of the findings of the NRA and have not obtained a copy or directives from the competent authorities regarding the AML/CFT obligations.

Overall conclusion on IO.1

166. Morocco has achieved a moderate level of effectiveness for IO.1.

Key Findings and Recommended Actions*Key findings**Use of financial intelligence (Immediate Outcome 6)*

- a) UTRF plays a key role in collecting and analyzing financial intelligence, through STRs and relevant reports it receives. UTRF has adequate legal basis to be able to perform its functions independently. Also, UTRF has access to the databases of competent authorities through indirect channels which might affect confidentiality and speed of information, considering the increased number of STRs received.
- b) UTRF adopted a special mechanism for processing and disseminating STRs related to TF which facilitates sharing of information effectively, through a mini-committee (chaired by the UTRF President with representative members from main LEAs and competent authorities).
- c) Financial information is used by the public prosecution, NSJP and the investigation judge in limited cases. The Analysis done by UTRF is poorly used by the investigators and prosecutors.
- d) The absence of feedback by the Public Prosecution to UTRF is noticed, likewise from UTRF to reporting entities. This will affect the improvement of the quality of STRs received by UTRF.
- e) UTRF relies on a specialized IT tool (GoAML) for conducting operational analysis which improve the analytical capabilities of the analysts. The quality of STRs received from banks and casinos has been improving since 2015, while STRs received from the other FIs and DNFBPs need improvement in terms of quality and quantity.
- f) The human resources needed to conduct the analysis are insufficient and disproportionate to the UTRF workload. A limited strategic analysis was conducted by UTRF and its result was not being used by competent authorities to identify vulnerabilities of ML/ TF risks.
- g) STRs received by UTRF from banks and MVTS appear to be consistent with the country's risk profile. However, there is a low number of STRs submitted by DNFBPs, even if the real estate sector is considered as high risk.
- h) Outreach actions taken by UTRF and BAM has led to an increase in the quality and the number of STRs submitted by banks and money transfer companies, while the dissemination to LEAs is still insignificant. The time taken to process STRs related to ML within the UTRF and the limited number of STRs submitted by all remaining FIs has had an adverse effect on the value and timeliness of financial intelligence shared with LEAs.
- i) Using GOAML system for receiving STRs from the reporting entities maintains the confidentiality of information, while the exchange of information between UTRF and LEAs and NSJP takes place via sealed envelopes which pose a risk to the confidentiality of information.

ML investigation and prosecution (Immediate Outcome 7)

- a) **LEAs do not have adequate understanding of the risks related to ML crime resulting from predicate offenses which occur inside Morocco. This causes weakness of the LEAs to identify ML activities.**
- b) **LEAs do not sufficiently conduct parallel financial investigations and do not identify where the criminal proceeds are hidden and how to link them to the ML offense, particularly those which represent a real threat to Morocco, such as drug trafficking, trafficking in human beings and migrant smuggling.**
- c) **The investigation of ML crimes in Morocco faces a difficulty due to the weak of cooperation and coordination between authorities concerned with combating ML crime and those concerned with combating predicate offenses within NSJP.**
- d) **The judgments rendered on ML cases are low, including those associated with drug trafficking, which does not enable to determine the extent to which the judicial authorities understand the various types of ML cases resulting from other offenses.**
- e) **There is a shortage in human resources dealing with ML investigations and prosecutions, as well as a lack of training sessions for LEAs in ML crimes.**
- f) **Considering the criminalization of ML as a misdemeanor and not as a felony, negatively impacted the effectiveness of the sanctions prescribed for the ML offense. Also, there is no prosecution or convictions for legal persons involved in ML offense.**
- g) **Public prosecution does not implement any alternative measures for criminal justice in cases investigated for ML where no conviction is secured.**

Confiscation (Immediate Outcome 8)

- a) **ML cases showed that the Moroccan confiscation of proceeds of crime and property of equal value is considered to be one of the general policy objectives in Morocco, despite the limited judicial trials and convictions, and the absence of a written confiscation policy.**
- b) **The amounts of proceeds of crime seized and confiscated are still low and not consistent with the country's risk profile. Deficiencies in Morocco's ability to effectively investigate and prosecute ML activity are limiting their ability to trace and confiscate criminal proceeds.**
- c) **The limited coordinated investigations with other countries are significantly limiting the confiscation and recovery of criminals' assets abroad.**
- d) **There is no guidance or procedures for the confiscation of proceeds, instrumentalities, and property of equal value. Also, no training courses were held related to dealing with confiscated cases as to raise the efficiency of judicial authorities or LEAs.**
- e) **Except the designated authorities responsible for the management of confiscated assets (Country properties directorate, the CAD, and the Management and Deposit Fund), there is no internal mechanism for the proper management of assets which are seized, frozen or confiscated.**
- f) **The deficiency mentioned in TC annex (see analyses of R.32) affect the ability of CAD to confiscate non-declaration or false declaration. No statistics were provided in this regard. Also, a limited cooperation between the CAD and other LEAs especially in the exchange of information in cases related to non-declaration or false declaration.**
- g) **The confiscation results did not reflect the assessment of ML/TF risks and were not reflected on the national policies and priorities aiming at combating ML/TF crimes.**

Recommended Actions

Immediate Outcome 6

- a) **UTRF should expand its abilities to directly access the intelligence information more effectively, particularly the databases relating to the country's risk context, such as civil affairs, travel records, and integrating them with GOAML to support its analytical capabilities.**
- b) **UTRF should develop its strategic analysis capabilities and use its result to identify and address ML/TF vulnerabilities and share them with the competent authorities.**
- c) **UTRF should have a mechanism to provide feedback to reporting entities and obtain it from the Public Prosecution, to allow sharing of information, and to enhance the cooperation between the mini committee and the public prosecutor with regard to TF/STRs**
- d) **The public prosecution, NSJP, and the investigation judge should use their legal powers to collect financial information from the FIs and UTRF in cases related to ML and TF.**
- e) **UTRF should develop using GoAML system in a way to secure the proper sharing and dissemination of information to LEAs and NSJP.**
- f) **UTRF should raise awareness for high risk sectors especially DNFbps such as real estate sector to increase STRs.**
- g) **UTRF should increase its human resources allocated to conduct operational and strategic analysis.**
- h) **UTRF should provide more frequent training programs to the Public Prosecution and investigation judges on how to benefit from information and STRs disseminated by UTRF, and which can be relied on to support investigations.**

Immediate Outcome 7

- a) **NSJP and public prosecution should prioritize the investigation and prosecution of all types of ML in accordance with the country's risks. Specifically, investigating and prosecuting ML in line with serious crimes and predicate offences with significant proceeds.**
- b) **Morocco should ensure that all units within NSJP that investigate predicate offences are referring cases of possible ML to office for combating economic and financial crime to investigate ML offenses. Similarly, cooperation between NSJP and UTRF should be used in wide range of cases to support their investigative needs.**
- c) **Morocco should establish a mechanism that allows conducting joint investigation (taskforce) related to ML crimes.**
- d) **Morocco should consider adopting a legislative amendment that would enhance the criminal sanction prescribed for the ML offense, through which it would change from being a misdemeanor to a felony.**
- e) **Morocco should create a legal mechanism which would give effect to the role of NSJP and public prosecution concerned with combating the predicate offenses for ML to conduct regularly a parallel financial investigation.**

- f) Moroccan investigation authorities should develop the necessary handbooks on the investigation and prosecution techniques and methods for ML crimes and prioritization of investigations.
- g) Morocco should allocate adequate resources to NSJP and public prosecution and focus investigations on significant and complex ML cases related to the major predicate crimes in Morocco.
- h) Morocco should regularly organize several training workshops for LEAs, in order to promote the expertise of such authorities to face the ML/TF risks Morocco is exposed to, and to increase their ability to identify the predicate offenses associated with the ML offense.
- i) Morocco should apply legal measures for criminal justice to act accordingly, in cases where it is not possible, for justified reasons, to secure a ML conviction.

Immediate Outcome 8

- a) Morocco should seek to promote the expertise of judges, LEAs and customs in the confiscation of criminal proceeds and property of equivalent value, by enhancing training courses.
- b) Morocco should further pursue the confiscation of proceed related to the high-risk offenses (drug trafficking, trafficking in human beings and migrant smuggling). Also, morocco should prepare a manual or procedures on the confiscation of proceeds, criminal instrumentalities, and property of equivalent value.
- c) Morocco should adopt a declaration system for cross-border currency and BNIs on legal basis, such system should comprise effective, dissuasive and proportionate sanctions, thereby enabling customs authorities to confiscate such currency and BNIs when they are suspected to relate to ML/TF operations.
- d) Morocco should continue to work with international partners to promote confiscation and recovery of criminal assets abroad.
- e) Morocco should establish comprehensive statistics on confiscated proceeds and instrumentalities and properties of equivalent value, in order to better understand the weakness in the system.

167. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.3, R.4 and R.29-32.

Immediate Outcome 6 (financial intelligence ML/TF)

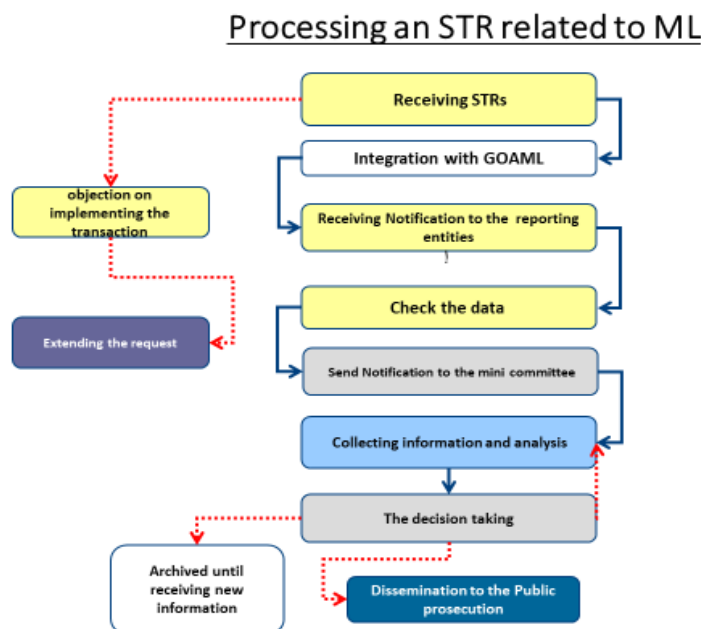
Processing an STR

168. Reporting entities are required to notify UTRF in case of suspicion of ML, or TF. Each STR submitted to UTRF is processed through stages of analysis and information gathering. The diagram below describes the process for ML/ TF STRs analysis.

169. Once UTRF receives STR related to ML, the following steps are followed:

- The analysis and registration unit at UTRF starts reviewing the quality of STR and the related data such as; the reasons of suspicion, description of the suspicious transaction and any information related to the suspected person(s).
- The same unit starts reviewing the financial transactions and bank accounts related to the files attached to the report.
- Once the report is reviewed and completed, the analysis and registration unit will transfer the report to the head of UTRF, in order to decide upon proceeding with the operational analysis after discussion with the head of analysis and registration unit.
- Once approval is granted by the head of UTRF as stated in the step above, the head of analysis and registration unit will transfer the report to one of the analysts' team to collect the required information from the available sources.
- At the stage of collecting information the sources of information are diverse, from the following authorities: basically from the subjected entities that maintain the remaining accounts, customs regarding cross border declaration reports ,companies regarding import and export information, judicial police regarding criminal records and any crimes related to the suspected person, Bank of Morocco considered a further banking database and capital market authority concerning any assets or related investments.
- Once the analysis is completed, the STR is referred to the Public Prosecution. when there are grounds to suspect the existence of ML or TF. Where there are no grounds for suspicion, the STR will be archived in the UTRF database. Should new information related to the case come to light at a later stage, further analysis will be conducted. However, the UTRF has no authorities to disseminate STRs to other relevant competent authorities such as LEAs or supervisory authorities in case of violations of any regulations or instructions or when STRs are related to crimes other than ML- TF crimes.

Figure1. processing ML- STR



170. UTRF has adopted a special procedure for processing STRs related to TF which require a fast and vigilant intervention in the context of the proactive approach adopted by Morocco in dealing

with files related to terrorism, which fall within the competencies of other sectors and institutions beside the UTRF.

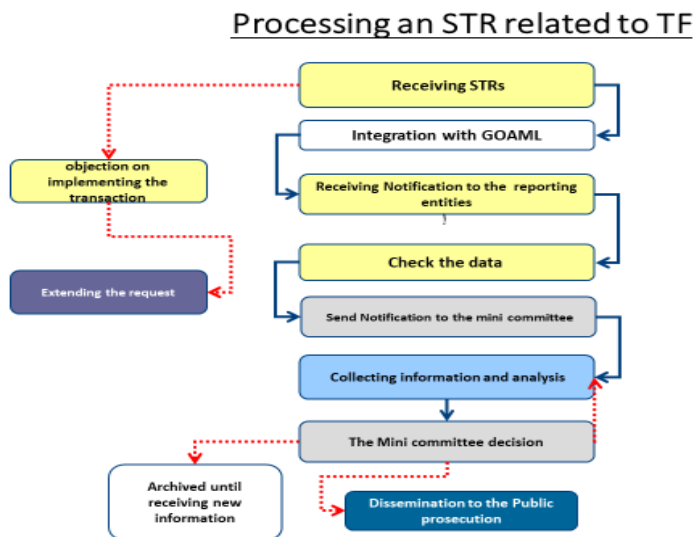
171. In this context, the processing of STRs related to the financing of terrorism goes through the following stages:

- Receipt of the STR by the UTRF from the subjected entities provided by Law through the GOAML system.
- Conduct the necessary financial analysis at UTRF level (use database, etc.).
- Study the file and exchange information thereon within the framework of a mini committee as specified in the rules of procedure of the UTRF, this committee is composed of the UTRF members, who represent LEAs in charge of terrorism issues, they are considered permanent and continuous partners at work and exchange information on all the cases related to terrorism and its financing.
- Based on the information that has been enhanced by the members of the Committee, the UTRF conducts the necessary analysis before referring the case to the public Prosecution.

172. Nature of the mini Committee: it is not a separate entity from the UTRF, which was created specifically to deal with TF files received by UTRF but is composed of the UTRF members themselves by virtue of their original administrations' jurisdiction in terrorism matters. It is not a committee established by law or by the Decree that created the UTRF but by its rules of procedure governing the relationship within the UTRF, that was signed and approved by the Head of the Government (First Minister at that time).

173. The aim of processing TF files within this committee is to essentially improve the effectiveness through exchanging information between the committee members during a period not exceeding 24 hours and taking quick measures as deemed necessary. It had dealt with 80 TF related STRs since the establishment of the UTRF in 2009 until February 28, 2018.

Figure 2. Processing TF -STR



Use of financial intelligence and other information

UTRF

174. UTRF plays a key role in collecting, analyzing and disseminating financial intelligence, given that it receives STRs regarding ML/TF and some reports from the Customs authorities and the Exchange Office regarding suspicious ML operation while performing its functions according to the provisions of the law.

175. UTRF has indirect access to a number of administrations, financial and law enforcement sources in order to obtain information, such as the Royal Gendarmerie, Customs, NSJP, the Exchange Office, BAM, AMMC, the MOICP, and the National Agency for Real Estate and Land Survey and Cartograph. The information sought by UTRF is obtained through a liaison officer depending on the type of suspicion.

176. UTRF should be granted access to the civil affairs, and travel records, directly which are important in detecting the suspicious information and enhance the value of operational analysis concerning the suspected persons. Also, the customs authorities do not share all the disclosures reports related to currency and bearer negotiable instruments with UTRF; it provides such information only upon request to UTRF. It is clear that there is a failure to understand the importance of providing the data held by the Customs to support the UTRF analysis effectively, due to the weakness of the UTRF awareness activities in this regard.

177. UTRF requests of information are met within reasonable deadlines. By reviewing a sample of these requests and relevant responses, it appears that the timeliness of the responses is consistent with the UTRF requests (within five days), see the table below regarding UTRF requests sent to some LEAs.

Table 7. Number of requests of information made by UTRF						
Authority	2013	2014	2015	2016	2017	Total
Royal Gendarmerie	278	392	126	464	773	2033
Judicial Police	169	366	453	509	761	2250
Customs	-	-	-	-	-	160

178. UTRF requests additional information on STRs from reporting entities within 5 business working days on average. These requests are mostly made before referring the STR to the Public Prosecution by UTRF. The nature of the information gathered varies because it is often related to the financial transactions of suspected persons, so as to determine the purpose of certain movements, with the nature of the relationship between the sender and the beneficiary of certain fund transfers by reviewing supporting documents such as invoices of goods and services. UTRF uses the information gathered to establish the necessary grounds for suspicion, before disseminating the results of its analysis to the Public Prosecution.

179. Officers in charge of the registration and Analysis unit asserted that the banking database should be made directly available for operational purposes of UTRF, in particular, the data allows for the search of the suspects' accounts at banks operating in Morocco, this would save time and efforts and expedite the operational analysis process, given that UTRF currently communicates with all banks to determine whether the suspects hold any bank accounts.

180. Subjected entities, mainly banks and MVTS, use the GoAML software, as an electronic communication channel, to send to UTRF the STRs and all files attached thereto. This software saves time and efforts in exchanging information safely on STRs. UTRF has provided subjected entities (namely FIs, Casinos and supervisory authorities), with users accounts so as to send STRs electronically.

181. As to the DNFBPs, it appears that the use of the GoAML software was only limited to casinos which reported transactions suspected of being related to ML. None of the other DNFBPs use this software in the reporting process. Some competent authorities, such as the customs authorities, MOF and BAM are using this software to exchange information.

182. The electronic access of UTRF includes the international ban lists of terrorist persons and entities designated in the Security Council list, in addition to the US Treasury list (OFAC), and the European list, which enables UTRF to verify the data of persons reported by the reporting entities, to verify whether they are listed or not listed; this is deemed as an indicator that could either increase or reduce the level of suspicion.

183. UTRF disseminated the results of its analysis regarding ML/TF crimes to the Public Prosecution whom refer these to the judicial police to be a base of investigation and field research , .The Royal Prosecutor has sources of information and also the investigation and prosecution authorities, which are considered broader than those available to UTRF,

184. NSJP rely on the financial information held by supervisors, such as BAM database and UTRF database. Additionally, they have the authority to request financial information directly from banking institutions and other institutions while investigating ML/ TF activities, including potential ML activities triggered by the investigation into the predicate offense.

185. The national office for combating economic and financial criminality is the specialized Unit at NSJP for investigating financial crimes including ML activities. There are 102 investigators, the total number of investigators is not considered sufficient in view of the large number of predicate offenses whose proceeds are subject of ML offense.

186. The office for combating terrorism related to NSJP and the CBJI at the Directorate for Territorial Surveillance shares responsibility for fighting terrorism and its financing and conducts investigations and inquiries on terrorists and any related crimes. The Moroccan authorities did not provide the assessment team with any information on the total number of officers in general, including those entrusted, with identifying and investigating TF crimes.

187. The type of information requested by the ML-TF investigation authorities includes; real estate or portion of properties, accounts statements since the opening date, balance sheet to identify assets and liabilities. Authorities have the powers to freeze accounts and confiscate properties and proceeds.

188. In addition to the above, authorities conduct a background check on the concerned persons, their personality, family members, social status and properties, whether moveable or immovable.

STRs received and requested by competent authorities

189. UTRF received between 2013 and 2018, a total number of 2168 STRs, 2091 were related to ML, while the remaining 77 STRs were related to TF. STRs submitted to UTRF were mainly received from banks, while those filed by DNFBPs remain very limited.

190. STRs are divided into four types, as follows: the STR being the reports concerning suspicious financial transactions related to ML; the STR-A being the reports concerning suspicious activity related to ML; the TFR being the reports concerning financial transactions involving TF; and the TFR-A being the reports relating to TF activities, as shown in the table below:

Table 8. Reports relating to ML activities								
STR type	Declaring sector	2013	2014	2015	2016	2017	2018	Total
STR	Lawyers				1		1	2
	Banks	181	220	229	250	263	65	1208
	Offshore banks	2		1				3
	Accountants		1					1
	Insurance companies		3				1	4
	Non-banking FIs				2			2
	Authenticators			3				3
	Casinos	5						5
	Consumer loan companies				1	1		2
	Real estate loan companies				1			1
	Money transfer companies	19	39	41	79	205	37	420
Total declarations of STR type		207	263	274	334	469	104	1651
STR_A	Other concerned persons subjected to the private law					1		1
	Banks	3	37	31	83	167	18	339
	Offshore banks				3	4	1	8
	Non-banking FIs					1		1
	Casinos					1		1
	Consumer loan companies					4	1	5
	Real estate companies		1					1
Money transfer companies					2	4	1	7
Total declarations of STR_A type		3	38	31	88	182	21	363
Total declarations related to ML		210	301	305	422	651	125	2014

Table 9. Reports relating to TF								
STR type	Declaring sector	2013	2014	2015	2016	2017	2018	Total
TFR	Banks	3	1	3	3	10	1	21
	Insurance companies					1		1
	Money transfer companies			8		6	5	19
Total declarations of TFR type		3	1	11	3	17	6	41
TFR_A	Banks		3	2	12	17		34
	Offshore banks						1	1
	Consumer loan companies					1		1
Total declarations of TFR_A type		0	3	2	12	18	1	36
Total declarations of suspicion related to TF		3	4	13	15	35	7	77

191. UTRF receives STRs on transactions suspected of involving ML/TF offenses. The case is pursued only after a session is held between UTRF head and the director of UTRF registration and Analysis unit, so as to assess the seriousness of the suspicion before bringing the case to the level

of operational analysis; the same approach is applied when deciding on archiving the STR until new information related to the case comes to light at a later stage, where further analysis will be conducted.

Table 10. Status of STRs received by the UTRF (2013-2018)	
Ranking	Total
Cases dismissed (archived)	50
Cases analyzed but where the level of suspicious was considered low. Pending other new information	1200
Cases under analysis	613
Total	1863

192. The files which were dismissed, in practice, remain open for re-consideration, whenever national authorities in the country find new developments concerning the same case and or regarding the concerned persons. By reviewing the statistic related to the STRs received from subjected entities and relevant to the associated predicate offences, for instance those related to illicit trafficking in narcotic drugs and psychotropic substances account around 6% of the total number of STRs, a link was found between some cases reported and processed and those ranked as threats in the NRA, see the figure below:

Table 11. STRs classified by the predicate offence					
Ranking	STR_A	STR	TFR_A	TFR	Total
Concealing items derived from a felony or a misdemeanor	1				1
Illicit trafficking in arms and ammunition		2			2
Illicit traffic in narcotic drugs and psychotropic substances	19	92			111
Kidnapping, restraint and hostage-taking		1			1
Sexual exploitation		7			7
Counterfeiting, forgery, impersonation involving jobs, titles, or names and using them unlawfully	63	86			149
Terrorist crimes	2	13	35	32	82
Bribery, deception, abuse of power, embezzlement of public and private funds	13	55			68
Theft and racketeering	3	37			40
Compromising the automatic data processing systems		4			4
Fraud	74	228			302
Forgery or counterfeiting of currency, public loan notes and other means of payments	10	2			12
Smuggling of goods	2	28			30
Migrant smuggling		3			3
Tax crime	24	68			92
Breach of trust	26	30			56
Other rankings	113	708			821
Total	350	1364	35	32	1781

Table 12. Number of STRs disseminated by UTRF						
Type of the STR	2014	2015	2016	2017	2018	Total
Disseminated to the Public Prosecutor	16	18	19	14	3	70

193. UTRF disseminates STRs to the Royal Prosecutor at the Rabat Court of First Instance that are related to ML and to the General Royal Prosecutor at the Court of Appeal those that are related to TF. The disseminated STRS reached approximately 3.3% of the total STRs received by UTRF.

194. The above percentage is low compared to the number of STRs received. The human resources needed to conduct the analysis are insufficient and disproportionate to the UTRF workload, given that six analysts process STRs.

195. NSJP conducted 50 ML investigations based on STRs referred by UTRF. 89 investigators are working in the field of combating ML, over the last 4 years; since then, it has held 12 training sessions, including 5 sessions in the field of financial investigations

196. It is important to strengthen the human resources in terms of number and competence given the increased number of STRs circulated and also given that there are entities that are not filing reports through the GOAML system. See the table below which clarifies the total number of persons working at UTRF according to each unit:

Table 13. Total number of employees working at UTRF	
Unit / department	Number of employees
Presidency and Secretariat	4
Information and Logistics Division	8
Authentication and Analysis Department	6
Legal Department	3
Studies and International Cooperation Department	0
Total number of UTRF staff	21
Guarding and cleaning agents	8
Total	29

197. The UTRF clarified that there are informal channels used between UTRF and reporting entities, particularly banks, mostly through phone calls, in order to discuss with the reporting entities, the preliminary aspects of the suspicious transaction, before the STR is filed with UTRF through GOAML software. Informative sessions could also be held with reporting entities in order to follow up the reporting process, while some reporting entities as banks mentioned that UTRF does not provide a feedback after a STR is filed. This kind of outreach between UTRF and reporting entities is important in promoting awareness and strengthening the reporting process.

198. A noticeable progress in the quality of STRs filed since the adoption of the GOAML Information Program in the reporting process. The UTRF affirmed having sent one handbook on reporting process through GOAML electronic system which included technical guidelines on the reporting process through the software and the mechanisms for the development of the required technical aspects.

199. It is noticed, by examining the data contained in the STRs saved in the program, that the quality of data has started to improve since 2015, given that the reporting requirements were clearly met by banks and that the reporting institution is sending the STR containing the required technical fields,

including the reasons and grounds for suspicion, the suspected transaction or activity, the data related to the suspect, in addition to an enclosed file on the suspicious financial movements.

200. UTRF has manually entered some STRs in the program for the period when reporting was not done electronically, in an effort to unify STRs in its main database. This step is important in promoting the effectiveness of archiving information associated with the filed STRs.

201. Although UTRF undertook training and awareness raising activities for some national authorities, FIs, and DNFBPs, it is still necessary to continue intensifying these activities on various topics, thereby serving the procedures for reporting suspicious transactions. Similarly, UTRF should seek to organize specialized activities which extend beyond the general awareness to address any existing vulnerabilities and threats facing the sectors.

Box 1: Case Study of an Operation of MLML Generated from an International Smuggling of Drugs

Case summary:

Press articles were issued about the arrest of P1, his wife P2 and his son P3 by the authorities in country C1 after thwarting a drug smuggling operation to its territories.

STRs on bank accounts held by the family members of P1.

Attempt made by the daughter of P1 to withdraw amounts from the accounts by using power of attorney.

Execution of the operations was rejected, and case referred to the Public Prosecution.

Details:

STRs stating that P1, P2 and P3 opened bank accounts, made cash deposits, then moved them to Morocco. P3 issued a power of attorney to manage the account in favour of P2.

The declarant gave information stating that P2 has the same name of a person who was convicted abroad for drug trafficking.

Another person P4 who followed the same pattern has emerged.

P1 and P4 made financial investments in the form of time deposits not exceeding 3 months.

Financial transfers made from the accounts of P2, P3 and P4 to the account of P1.

All the financial transactions were conducted under the same banking power of attorney, in the presence of P1, which infers that they are the beneficial owner.

Shortly after, P1 transferred the collected amounts to their bank account abroad.

The significant amounts were not linked to any specific economic activity in Morocco.

In the beginning, P1 operated alone before expanding their network which subsequently included other persons.

In the context of international cooperation among FIUs, including UTRF, it was found that the concerned persons had precedents involving drug trafficking and ML in 3 countries where they own many real estates.

Following the referral of the case, the Moroccan LEAs initiated an investigation and seized the property of the concerned persons.

In the context of international security and judicial cooperation, it was found that P1 headed a criminal network which was active in 6 countries across three continents to launder money derived from drug trafficking and other criminal activities.

LEAs in other countries arrested the members of this international network and froze their funds and seized their properties.

This was the result of an international cooperation that lasted around 4 years.

Operational needs supported by FIU analysis and dissemination

202. GoAML software is supported by the UNODC's Information Technology Section, which handles the full cycle of the UTRF operations: receiving STRs from FIs (especially banks) which is considered as a main sector that files STRs, analyzing the financial information, keeping the

information, providing a secured and encrypted channel for exchanging information and providing detailed statistics. UTRF started using effectively the GoAML in 2013.

203. The proportion of STRs analyzed and subsequently disseminated is low (around 5% in 2014, 5.7% in 2015, 4.3% in 2016 and 2% in 2017). As can be seen from tables 8,9, and 12, a low proportion of the reports disseminated resulted in formal investigations by the Public Prosecution.

204. By examining a number of cases disseminated by UTRF to the Public Prosecution, it appeared that the UTRF is reasonably conducting the necessary operational analysis, where all the financial movements associated with the persons are clarified, given that UTRF communicates with concerned banks, conducts analysis of such movements and links them to a group of persons implicated in the case. UTRF disseminated report include all the data obtained about the suspects, their addresses and personal details, and the companies associated with them, in addition to a description of the basis of suspicion on which UTRF relied.

205. It is necessary, on this note, to provide more training to the Public Prosecution and investigation judges on how to benefit from the STRs disseminated by UTRF and the scope of the information which they can use to support investigations; this approach may save the time and efforts required to do the work all over again following the dissemination of the case to NSJP agencies.

206. NSJP have the authority to access through the Public Prosecution the information held by UTRF. The following table provides a brief overview of the total number of investigations made over the last 4 years, including the number of investigations initiated based on UTRF disseminations.

Table 14. Number of investigations by judicial police based on the dissemination 2014-2017	
Indicators	Number
Investigations based on STRs issued by UTRF	50
Investigations based on instructions made by the Public Prosecution	85
Total	135

207. There is a variety of information available to the office for combating economic and financial crimes at NSJP squad that has a direct mandate to combat ML/TF crimes. In discharging its duties, the office relies on various sources of information through BAM , AMMC, the register of commerce, the Exchange Office, the authentication magistrates, the Tax Administration, Ministry of Transportation and Logistics, the customs information, the Social Security Institution, the Public Telephone Register, the insurance companies, the National Agency for Real Estate Registry, and the Moroccan Office for Commercial and Industrial Property; and these important sources also include the Interpol through the National Central Bureau and UTRF.

208. NSJP indicated that it relies on UTRF to obtain financial information, especially from the counterpart units in relation to suspected persons. The assessment team was not provided with statistics on the number of instances during which UTRF was approached to obtain information from counterpart units.

209. NSJP rely on UTRF analysis and financial intelligence, the following table shows the number of requests made by NSJP to UTRF, in an attempt to solicit financial analysis.

Table 15. Number of requests sent by Judicial Police to UTRF

Year	2013	2014	2015	2016	2017	2018
Number of requests	1	-	-	2	2	6

210. This direct channel of cooperation between NSJP and UTRF needs further development and enhancement, through more joint trainings, on the relevance of the information and analysis in supporting the operational needs of NSJP.

211. A case study was presented on laundering funds generated from corruption, and the second ML case on fraud by means of the pyramid marketing (Ponzi Scheme) and two TF cases. The sources used to support the investigations, including UTRF are diverse, and also cooperation is provided by NSJP at the international level with its counterparts, where two cases on international cooperation with more than one European country were presented and which resulted in seizure and confiscation.

Box 2: Example of operational needs of NSJP supported by UTRF in TF case

In the context of an investigation conducted NSJP on persons designated on the UN list pursuant to Resolution No.2253/1989/1267, pertaining to Al-Qaida and the Islamic State of Iraq and the Levant (Da'esh), the said department required UTRF to provide it with information on two persons holding foreign nationalities, in addition to a foreign company that is designated on the same list, which opened a case and started the operational analysis through requesting financial information from FIs and also related matters regarding the lands and Customs activities. NSJP has been provided with the findings of this analysis including the relationships with suspected person and the related financing channels.

It is worth noting that the afore-mentioned persons and as noted in the Security Council report, were involved in collecting funds for the benefit of the two terrorist organizations Al-Qaida and the Islamic State of Iraq, as well as the concerned company was involved in acting as an intermediary in the financing of other companies related to the two said organizations.

UTRF tools, and resources

212. UTRF has a budget of around 1.5 million dollar which is suitable somehow to cover operating costs, including human resources, salaries and related compensations and benefits. The budget has been at around the same level since 2014, 6 of the 29 employees across all of the departments of UTRF are analysts. UTRF should enhance its financial and human resources in order to better support the operational needs of the competent authorities, a greater proportion of the staff should be devoted to the financial analysis, considered the core function of the UTRF.

213. UTRF is using a secured software called GOAML for receiving, analyzing and processing STRs. It has analytical specifications that allow matching the financial relationships of the suspected persons and their accounts, and the comparison of the cash flow with similar bank accounts, to build a suspected ground.

214. Banks, MVTS and casinos are the main reporting entities and have been using the GOAML as a secure and confidential channel to file STRs. The GOAML has the ability to review, the extent of the completed information in the required fields of the STR. In case, any information is missing the system would impede filling the STRs before completing all the required mandatory fields.

215. UTRF has conducted limited strategic analysis, despite the evolution of the strategic analysis unit since its inception, which still needs a deeper understanding and enhancement of its human resources in terms of number and competence, to detect the methods and to contribute to producing AML/CFT guidance and measures, in the absence of this type of analysis handled by other competent authorities. For example, UTRF has studied some methods of STRs, such as the pyramid marketing phenomenon; this has led, in coordination with BAM to issuing a guidance on implementing enhanced due diligence in such cases.

Co-operation and exchange of information/ financial intelligence

216. UTRF requests additional information on STRs from reporting entities, as necessary, and UTRF is only required to submit the information it obtained and the outcomes of its analysis to the Public Prosecution. It appeared, that NSJP rely on UTRF information, particularly the information they obtain from counterpart FIUs. This information remains bound to the approval of the requested country for the purposes of investigation by Moroccan authorities.

217. UTRF signed some MOUs with the competent authorities, such as the CAD. This has improved the collaboration between both parties, given that UTRF received two spontaneous disclosure reports from the CAD which represent cases suspected of being related to ML/TF offences, in turn Customs responded to 160 information requests received from UTRF.

218. As to the confidentiality of the information exchanged with the reporting entities, the UTRF is taking the necessary measures to keep the exchanged data and information confidential by using the GOAML system, while the exchange of information between UTRF and LEAs and NSJP takes place via sealed envelopes which pose a risk to the confidentiality of information.

219. The UTRF is taking the necessary security measures to limit access to its premises and to limit access to files only to concerned staff, adding that it has in place an information technology system that ensures the protection of the information received and stored.

Overall conclusion on IO.6:

220. Morocco is rated as having a moderate level of effectiveness for IO.6.

Immediate Outcome 7 (ML investigations and prosecution)

ML identification and investigation

221. Morocco has an appropriate legal framework to investigate and prosecute the offenders accused in ML offenses. NSJP of Casablanca is the authority mandated to investigate all the crimes which occur inside Morocco, and more particularly ML offenses.

222. NSJP created an office for combating economic and financial criminality which is mandated to investigate ML offenses and to implement the decisions of the Royal Prosecutor regarding ML investigations and to refer the result of the investigation back to the Royal Prosecutor for dismissal or referral to the investigation judge or to the Rabat Court of First Instance to prosecute persons suspected of committing ML offenses.

223. The investigation process conducted by the office for combating economic and financial criminality relies on the texts relevant to provisions of the AML law No.43.05 and the Penal

Procedure Code; however, there are no written procedures on how to identify and prosecute potential ML offenses or any guidance on the methods used for investigation and prosecution of ML offenses.

224. There are 102 investigators at the national office for combating economic and financial criminality in addition to the members of the research and interventions division under NSJP. The number of investigators is not considered sufficient in view of the large number of predicate offenses whose proceeds are subject of ML offense.

225. The submitted statistics show that investigations conducted by authorities are prioritized based on the predicate offenses specified in article 574-2 of the AML law. This is corroborated by the number of ML investigations conducted by NSJP during over the past 10 years and totaling 270 investigations, although the number of investigations of the predicate offenses conducted by the office since 2015 is (321,586), where no link was established between the proceeds of the predicate offenses and ML in most cases, through parallel financial investigations.

226. This is attributed to the absence of a consolidated national strategy relating to ML investigations for all the authorities of NSJP and other investigative authorities, and to the weakness of effective coordination between LEAs and the office for combating economic and financial crimes, when investigating predicate offenses. For instance, NSJP provided a statistic on the number of predicate offenses it has examined over the last period, which was significantly higher than the number of offenses examined by the office for combating economic and financial criminality; however, these cases were not examined for the purpose of identifying the ML offense.

227. A large number of proceeds-generating offenses are committed in Morocco (such as drug trafficking, trafficking in human beings, migrant smuggling and corruption crimes), and there is weak cooperation between the various authorities among NSJP and the office for combating economic and financial criminality to investigate in the potential existence of operations of laundering money generated from these offenses which has led to a low number of ML investigations and convictions, as shown in the statistics.

228. The office for combating economic and financial crimes relies on information it receives from other competent authorities which are related to NSJP when conducting ML investigations. For instance, the office relies on the financial intelligence it obtains from the office for combating economic and financial criminality within NSJP when conducting an investigation of the offense of laundering money generated from crimes of drug trafficking, and it does not initiate an investigation in a ML offense based on the predicate offenses it examines by virtue of its jurisdiction. In addition, other predicate offense cases examined by other authorities are not referred to the office for combating economic and financial criminality in order to consider the investigation of the operation of laundering money generated from these offenses.

229. ML investigations which were conducted by NSJP over the past period were in general based on referrals made by the Royal Prosecutor. The national squad's information conducted 50 ML investigations based on STRs referred by UTRF.

230. Investigators' expertise in ML operations, financial investigation techniques, predicate offenses investigations and technical means and tools is weak; given that the investigators do not have adequate experience in financial investigation techniques, investigation approaches through which crimes associated with ML can be identified and ways used to trace illicit funds.

231. Over the last 4 years, 89 investigators attended 12 training courses in the field of combating ML including 5 courses in the field of financial investigations. LEAs, investigative and prosecutorial authorities in Morocco do not have sufficient training and practical experience which enable them to identify ML offenses and associated criminal activities.

232. There is no guidance to determine the timing to initiate the investigation of ML offenses. In addition to the weak cooperation and coordination between the various authorities of NSJP who are concerned with the predicate offense investigation and those charged with investigating the ML offenses.

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

233. The competent authorities' understanding of ML and associated predicate offences risks and threats, is insufficient.

234. Although the Moroccan security authorities agreed that there are predicate offenses that pose significant threats to Morocco, such as: drug trafficking, migrant smuggling, and trafficking in human beings, this knowledge is not really reflected in practice through the establishment of a link between the proceeds of these offenses and the ML offense.

235. Furthermore, the absence of statistical databases on proceeds derived from predicate domestic and foreign predicate offences does not assist the investigative authorities to better allocate capacities toward conducting investigations that would be consistent with ML risk profile and threats in Morocco, and prioritizing investigations accordingly.

236. NAPPCC created by virtue of Dahir No.1-15-65 issued on 9 July 2015, has made significant efforts to combat corruption. However, it is unclear whether it plays an effective role in combating crimes of bribery, deception and abuse of power, because it does not have the powers to investigate complaints it receives concerning such crimes, in addition to the ineffective cooperation between such Authority and NSJP or the Royal Prosecutor or UTRF concerning the offenses of ML generated from corruption related offenses.

237. Despite the efforts made by Morocco and due to the low number of cases, investigating and prosecuting ML offences are not consistent with the national ML risks, this is determined as a result of the eight judgments for the period 2008-2016, all related to crimes of ML generated from drug trafficking. Out of 8 judgements, only 2 were convicted while the rest were acquitted.

Types of ML cases pursued

238. The national office for combating economic and financial criminality with the assistance of other offices related to the national squad (national office for combating terrorism and organized crime, national office for combating illicit immigration and the national office for combating drugs) does not have the legal mechanisms to conduct investigations in all types of ML crimes in general, including third-party ML offenses, self-laundering and stand-alone ML offenses.

239. NRA shows that 215 ML cases were referred to judicial authorities during the last 5 years, this is not consistent with number of predicate offences investigations (totaling 321,586 during the last 3 years).

Table 16. ML cases referred to judicial authorities / by source							
	2013	2014	2015	2016	2017	2018	Total
Public Prosecution	17	21	31	24	27	4	124
UTRF	11	16	18	19	14	3	81
Complaints	1	3	3	2	1	0	10
Total	29	40	52	45	42	7	215

240. The table 16. below clarifies the final status of ML cases referred to the Judicial authorities:

Table 17. The status of ML cases							
	2013	2014	2015	2016	2017	2018	Total
Dismissal of cases	2	2	2	2	2	0	10
Lack of jurisdiction	3	3	4	6	2	0	18
Preliminary inquiries	9	17	29	27	35	7	124
Under investigation	15	17	13	9	3	0	57
Non-follow-up	0	1	1	0	0	0	2
Pending judgment	0	0	3	0	0	0	3
convicted cases	0	0	0	1	0	0	1
Total	29	40	52	45	42	7	215

241. Based on the table, the assessment team concluded that 84.65% of these cases are in the process of preliminary investigation or inquiry, pending judgments represent 1.4% of the cases, while there are no final judgments were rendered toward ML cases in the past five years; accordingly, most of the cases are still under investigation. This is due to the fact that the inquiries conducted by the officers of NSJP are being supervised only by the Public Prosecution of Rabat which has insufficient human resources to deal with all the cases which were referred by NSJP or UTRF.

242. The investigative authorities do not have a sufficient knowledge of the types of ML cases, in terms of money self-laundering, and third-party laundering, and where the predicate offense actually occurred and the possibility to prosecute ML as a standalone offence irrespective of the predicate offence.

243. NSJP presented a successful case where a conviction was rendered for embezzlement and waste of public funds, deception and bribery, but it has not pursued the investigation of the ML offence generated from the said predicate offence, although the two persons opened bank accounts and purchased real estates in their names and used their names and those of their dependents. This indicates the inadequate use of available information to link different types of predicate offences (other than drug trafficking) with ML offence in order to prosecute the accused and trace the illicit proceeds.

Effectiveness, proportionality and dissuasiveness of sanctions

244. As mentioned in Rec 3, Morocco considers ML offense as a misdemeanor and not a felony.

245. The greater portion (84% as mentioned above) of ML cases are still under inquiry or investigation, except for eight cases for which court judgments ordered only two ML convictions.

246. The sanctions set out in the two judgments rendered on the ML offenses, in addition to the property confiscated thereunder, as regards the judgment rendered on the first case: Proving the accused guilty of a ML misdemeanor and sentencing them to one year of effective imprisonment,

with a fine amounting to MAD 50,000.00, and ordering the confiscation of their real estates, communally or solely for the benefit of Morocco in addition to the funds deposited in their accounts at Moroccan banks, for the benefit of the Public Treasury.

247. As to the judgment issued on the second case: Proving the suspect guilty of the crime attributed to them and sentencing them to one year of effective imprisonment, with an effective fine of MAD 20,000.00 and ordering the confiscation of the house registered in the name of a family member, for the benefit of the Public Treasury.

248. Given the low number of ML cases (8) over the past 10 years, in comparison with the large number of predicate offense cases, indicate that Moroccan judiciary authorities only investigate the predicate offenses, and do not sufficiently consider the financial aspects of the predicate offense, and how the criminal proceeds are hidden and how to link them to the ML offense.

249. Considering the two convictions rendered on the ML offense, the sanctions imposed did not exceed a period of one year, given that the ML offense is considered as a misdemeanor and not a felony, therefore, the sanctions imposed are not effective, dissuasive and proportionate in light of the offense committed.

250. Moroccan authorities did not provide any statistics on the prosecution of legal persons involved in ML offense, although the AML law criminalizes and imposes sanctions against the legal person involved in the ML offense (see Rec.3).

Use of alternative measures

251. Morocco does not apply other criminal justice measures in cases where a ML investigation has been pursued but where it is not possible, for justifiable reasons, to secure a ML conviction.

Overall conclusion on IO.7

252. **Morocco is rated as having Low level of effectiveness for IO.7.**

Immediate Outcome 8 (Confiscation)

Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective

253. Morocco has the legal basis for confiscating criminal proceeds, and has specialized mechanisms for the proper management of assets which are seized, frozen or confiscated, given that the legal system permits freezing by temporarily prohibiting the transfer or replacement of property suspected to relate to the ML offense and seizing, disposition or movement of property owned by natural or legal persons suspected of being involved with persons, organizations or activities associated with ML offenses, through an order issued by the Royal Prosecutor or the investigation judge under article (19) of the AML law No.43. 05.

254. The investigation judge, the Public Prosecution and NSJP can decide, pursuant to an order issued by the Public Prosecution or the investigation judge, to initiate a financial investigation parallel to the criminal investigation with the aim of seizing and freezing funds, proceeds and property suspected to relate to ML offense until ordering their confiscation.

255. Confiscation of criminal proceeds and property of equivalent value generated from predicate offenses is pursued as a criminal policy objective in Morocco, despite of absence of a written

confiscation policy. Moroccan authorities provided statistics proving that they are taking legal steps to confiscate, pursue and freeze criminal proceeds, despite the limited number of criminal sentences on confiscation in ML offense, not exceeding two judgments (rendered by the court of first instance and the court of appeal).

256. Investigative authorities in Morocco do not rely on a clear policy to prioritize investigations in order to trace funds and to take measures to identify illegitimate assets that may be subject to confiscation.

257. NRA has not been adopted yet, and the findings have not been shared with the national stakeholders, in order to establish the necessary policies and strategies to mitigate risks and address the vulnerabilities. Also, the NRA does not make any reference to the confiscation of proceeds, instrumentalities and property of equivalent value. Additionally, there are no written strategies or policies that give effect to the confiscation procedures relevant to ML cases.

258. By examining confiscation cases, it is clear that investigative authorities have limited experience in financial investigation and the ways used to trace illicit funds and prosecute the accused. In addition, there is absence of any clear guidance or procedures on the confiscation of criminal proceeds, instrumentalities and property of equivalent value, and Morocco did not organize any training sessions in this regard.

259. The size of funds seized as a result of the investigations in 257 predicate offenses amounted to approximately (MAD 12,721,927,774 around USD 1,3 billion), divided by predicate offenses as set out below, in addition to seizures in, (4 ships), real estates (262), trade assets (13), luxury cars (19), commercial companies (33), as detailed bellow:

Predicate offense	Investigations	Follow-ups	Persons Followed-up	Value of assets seized
Drugs	118	56	241	MAD 10086221012 in addition to 198 real estates, 31 commercial companies and more than 50 bank accounts and 4 entertainment ships
Bribery, deception, abuse of power, embezzlement of public and private funds	11	6	34	MAD 18918205 in addition to 2 bank accounts and 2 commercial companies
Fraud	38	11	21	MAD 2551280228 in addition to approximately 24 bank accounts and 25 real estates
Breach of trust	4	1	10	5 bank balances and 12 real estates
Smuggling	18	12	42	MAD 32667767 in addition to 6 real estates, 8 bank balances and 5 luxury cars
Concealing things deriving from a felony or a misdemeanor	2	1	2	MAD 11765691 in addition to 1 real estate, 6 trade assets and 9 bank accounts
Theft and racketeering	3	1	6	2081648 in addition to 5 cars

Counterfeiting, forgery, impersonation involving jobs, titles, or names and using them unlawfully	12	6	27	MAD 1852000, 7 bank balances, 9 real estates and 5 commercial assets
Kidnapping, restraint and hostage taking	5	1	6	MAD 348800 in addition to 7 bank balances, 6 cars, 9 real estates and 5 trade assets
Compromising the processing systems and hostage taking	2	1	2	MAD 16792423
Suspicious money transfers	25	5	15	14 bank balances, 9 real estates, 9 trade assets
Total	238	101	406	<u>MAD 12721927774</u> , in addition to seizures of (4) ships, (262) real estates, (13) trade assets, (19) luxury cars and (33) commercial companies.

260. As statistics indicate, when LEAs initiate ML investigation, they implement their powers to seize illicit assets in order to prevent owners from disposition or movement of properties. In practice, a special institution or body is appointed by the Public Prosecution to carry out temporary guarding or monitoring of these properties (see Rec.4).

261. In addition to statistics above, Moroccan authorities have presented information on statistics of proceeds confiscated for predicate offences, the last 3 years, which totaled MAD 4,152,405 (around USD 0.5 million), mostly derived from drug trafficking.

262. For ML offences, Morocco has provided statistics showing that it confiscated 24 properties and 8 bank accounts during the last 3 years. Confiscations in this field seems reasonably consistent with ML verdicts (only 2 cases). While there is a management mechanism for frozen and confiscated assets (through the directorate of county properties, the CAD and the Management and Deposit Fund), it is not clear which authority is in charge of the recovery of property domestically and at the international level. Also, there are no statistics or case studies in support of the recovery of funds or property from abroad.

263. Property freezing is an effective tool at the outset of ML investigations. The Royal Prosecutor at the Rabat Court of First Instance has issued decisions to NSJP of Casablanca to impose seizure on funds and property owned by persons suspected of ML offenses, but there is absence of any statistics on freezing of property or assets by other competent authorities concerned with combating ML offenses during the stages of preliminary investigation and resulting judgments followed by confiscation.

264. During the preliminary criminal investigations, NSJP relies on the decisions of the Royal Prosecutor to freeze and seize funds and property suspected to relate to ML. However, the ability of NSJP is limited in order to decide, at the outset of a criminal investigation, to initiate a comprehensive financial investigation, with a view to seizing and freezing funds and proceeds and to implementing provisional measures at an early stage to secure the assets relevant to criminal activities without a relevant decision by the Royal Prosecutor.

265. Moroccan authorities have provided statistical evidence (for the period 2014 - Feb 2018) that show efforts made to confiscate instrumentalities used in different types of offences, including drugs trafficking, terrorism, TF and financial crimes. Most items confiscated are related for drugs trafficking crimes, which is one of the most offences generating proceeds in Morocco. Confiscated instrumentalities include the following:

Year	Vehicles	Trucks	Boats	Motorcycles	Cellphones	Jewelry-scale
2014	15	2	0	3	0	0
2015	11	2	0	6	3	0
2016	15	1	0	42	8	0
2017	31	4	3	51	14	1
Feb 2018	4	0	0	4	0	0
Total	76	9	3	106	25	1

266. Despite the relatively low value of confiscated instrumentalities, increasing, that influenced confiscation decisions in the last 2 years, this indicates that Moroccan authorities have been improving their confiscation system to cover all types of items used for crimes, as well as widening the scope of targeted instruments, which are shown in the table above.

Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

267. As shown in tables 17 and 18 above, Morocco keeps comprehensive statistics of seized proceeds and instrumentalities generated domestically. On the other hand, it is not clear if information on confiscation of foreign predicate offences are kept and regularly updated. Nonetheless, judicial authorities have presented cases where they have successfully issued confiscation decisions, and, consequently, competent bodies took the required measures to implement such judgments. Hereunder are some examples of measures:

Box 3: A case of confiscation for Drug Trafficking and Money Laundering

Based on a whistle-blower's trip, 2500 kilogram of cannabis in Mr. A's house in Chefchaouen, Morocco were seized. Then, NSJP were instructed to conduct a study on the validity of the allegations against Mr. An involved in the practice of international drug trafficking and possession and money laundering. The suspect denied all charges brought against them in this regard and stated that they are specialized in the trade of building materials and the purchase and of lands, and that the house where drugs were seized was used by his brother.

By checking the suspect's background, it was found that in 1999 they were convicted for drug trafficking. After their released, they founded a construction company with capital of MAD 2,000,000 (almost USD 211,000). During that time, they received a bank loan (MAD 40,000,000 almost USD 4.2 million) and began granting a family member some of their properties as gifts, which contradicted their need for the bank loan.

The suspect was convicted of ML and sentenced to one-year imprisonment and fined of 50,000 dirhams (almost USD 5,500), the court also ordered the confiscation of their 23 properties. The funds in their 8 bank accounts were also confiscated for the benefit of the General Treasury of Morocco.

268. As briefed above, LEAs and judicial bodies have taken sufficient provisional measures while conducting investigation by identifying and seizing assets until the confiscation order is issued. This has led to the confiscation of huge proceeds derived from the ML offence.

Box 4: A Case of Confiscation for ML

NSJP arrested a suspect for a driving violation. After inspecting his car, money packages of Euros were found hidden in the back doors and the back wings of the car trunk amounting to 155,420 Euros and MAD 17,600, in addition to 17 damaged packages of 50 Euros.

When interrogating them, he admitted that the seized sums were proceeds of drug dealing in a European country, that he had hidden in his car and smuggled to Morocco. He also confirmed that he was laundering his money through the acquisition of a range of real estate and commercial assets, in addition to depositing funds at banking branches.

The defendant was heard and prosecuted for ML and for the attempt to launder money. The judge ordered the inventory of the defendant real estate and securities property, bank statements and his bank accounts transactions since their opening and ordered the freezing and seizure of the custody of various properties and proceeds of the defendant and until further notice.

The suspect has been charged for all the offenses related to drug possession, trafficking, transport and other offenses of capital punishment and punished to 6 years imprisonment and a fine of MAD 96,875,180 (almost USD 10.3), and the confiscation of foreign currency for the benefit of the CAD and the confiscation of the Moroccan Dirham and the car for the benefit of the Treasury.

269. In practicing AML law (specifically what mentioned in Rec.3), Moroccan authorities pursue proceeds of predicate offences even if it is generated in a foreign state and take necessary actions to prevent suspects from disposing of assets (cash in this case) to secure confiscating them upon issuing the conviction.

270. Although Morocco provided evidence to prove the effective measures taken by its authorities for confiscating proceeds of foreign predicates, it does not have comprehensive statistics of confiscated proceeds of crimes committed outside Morocco, nor does it recover proceeds that are located abroad.

271. NSJP has the ability to timely access banking information, the competent bodies, including NSJP during the inquiry procedures, to take provisional measures to seize suspected assets related to ML, given that these measures were given effect in 78 cases over the last four years.

Box 5: ML Case of seize and confiscation of bank accounts and real estates

On 05.05.2017, NSJP referred to the competent Public Prosecution, the inquiry proceeding it has conducted as regards a criminal band that succeeded in laundering a portion of the proceeds of their criminal activity consisting of trafficking in smuggled cigarettes and forged cars, where the inquiries conducted permitted to uncover a set of property owned by the members of this network, represented in 9 bank balances, 8 real estate registered in their name or the name of their relatives, two cars and two trade assets, and these constitute property placed at the disposal of the justice after being subjected to the seize and confiscation measures.

Box 6: Drugs trafficking / seizure and confiscation of bank accounts and immovable property

The same squad took seizure, freezing measures for the benefit of justice against 36 bank balances, 21 real estate, 8 cars, 11 commercial assets, 2 entertainment boats which are owned by members of a criminal network that is engaged in the international trafficking of drugs. The procedural inspection measures taken in this case were referred to the competent Public Prosecution on 08.03.2017.

272. Seize measures are applied by competent bodies in the context of the inspections they carry out at the national level, and they also apply them to requests for international cooperation they receive through approved channels.

Box 7: ML Case: seizure resulted by cooperation with French authorities

As a reference to these cases, for instance NSJP body of Marrakesh has seized, in June 2015, at the request of French judicial authorities, a luxury residence (a garden of a value of 5,250,000 Euros) acquired by a French national in fraudulent ways, and registered in the name of one of their assistants, the illegal money that was laundered through the property was derived from embezzlement of public funds and bribery, according to the inquiry conducted.

Box 8: Drug trafficking case: seizure of proceeds

In another instance, the national squad seized during March 2018, at the request of Belgian judiciary authorities, a set of property which appeared to be owned by a suspect monitored for drug trafficking in Morocco. This property consists of a financial deposit estimated at 241,900 Euros that was kept in a safe deposit box at a Moroccan bank, in addition to 3 real estate certificates.

Confiscation of falsely or undeclared cross-border transactions of currency/BNI

273. Morocco does not have effective measures to combat the cross-border movement of currency and BNIs that are not declared or falsely declared, despite of the declaration system through Moroccan border posts for the transportation of incoming and outgoing currency and BNI, has a mandatory characteristic that calls for declaration, whereas the transportation of incoming and outgoing currency and BNIs is monitored by virtue of the CAD memorandum No.400-00978 issued on 8 August 2013 [see Rec.32].

274. According to the afore-mentioned memorandum - Morocco has adopted the written declaration system for all the travelers who are carrying currency or BNIs of a value of MAD 100.000 (approximately USD 10.600) and the outgoing means of payment are subject to the obligation to provide justifications for exporting them abroad.

275. There are no statistics or cases related to efficiency and effectiveness of CAD in the implementation of confiscation as regards undeclared or falsely declared cross-border movement of currency and BNI and how well they are implementing confiscation as an effective, dissuasive and proportionate sanction.

276. There are no statistics for the previous years on the value of funds seized for violating the declaration system for transportation of currency and BNI or with any statistics on the confiscation orders on cases of non-declaration or false declaration, and no statistics were provided on currency and negotiable instruments.

277. The CAD reports some cases of non-declaration or false declaration to UTRF when they suspect that these cases may be potentially linked to ML offense. The assumption that these declarations are linked to the ML offense are subject to the absolute discretion of the CAD – and there is no existence of any mechanism for cooperation between the CAD and the other AML authorities on the implementation of the requirements relating to the control of cross-border transportations of cash and on the establishment of a link between these operations and the ML offense.

278. There is absence of evidence showing that UTRF has provided the CAD with any information obtained from the private sector FIs (for example, converting large amounts of foreign currency without reporting them to the customs), which indicates that the CAD is not aware about the importance of such cooperation, despite the risks that Morocco is exposed to, in view of its area and geographical location.

279. There is no evidence provided that they have an expertise in confiscations or that they have prepared training sessions for customs staff to develop their skills in this field.

280. There are no confiscation cases regarding non-declaration or false declaration, and Moroccan authorities did not provide information of the various types of conviction judgments rendered by the judicial authorities in Morocco. The competent authorities did not identify the trends which indicate a change in the methods used for laundering criminal proceeds.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

281. Moroccan authorities have not adopted the national ML/TF risk assessment yet, nor have they submitted adequate statistics on ML offenses; therefore, it cannot be said whether the confiscation outcomes reflect the ML/TF risks and the national policies and priorities aiming at combating such crimes or not.

282. The insufficient reliance of Moroccan authorities on the procedures and the approach followed by competent authorities in targeting criminal proceeds and instrumentalities, including major proceeds-generating crimes or those that do not originate domestically or have flowed overseas, and the limited parallel financial investigation of serious crimes in Morocco, mainly drug trafficking, migrant smuggling and corruption crimes, has decreased conferred the confiscation abilities of the Moroccan authorities.

283. The efforts Morocco has made to confiscate undeclared or falsely declared cross-border funds are not consistent with the risks the country is exposed to, in view of its area and geographical location, and this matter does not seem to constitute a priority objective for the Moroccan authorities.

Overall conclusion on IO.8:

284. Morocco is rated as having a moderate level of effectiveness for IO.8.

Key Findings and Recommended Actions

Key Findings

TF investigations and prosecution (Immediate Outcome 9)

- a) LEAs and judicial authorities have a good understanding of TF risks and terrorism-related crimes. However, they have a low level of understanding of the risks in the NPOs sector.
- b) LEAs and judicial authorities' capabilities have a good ability to collect useful evidence to prove and convict TF cases.
- c) Number of TF investigation and prosecution and verdicts cases are considered reasonable compared to Morocco risk profile.
- d) CBJI is a good example for disrupting potential terrorist activities where TF cases are involved. It also identifies TF cases while conducting terrorism investigation.
- e) Morocco has a strategy on terrorism and a study regarding terrorism and anti-terrorism financing. There is no evidence that LEAs have adequately integrated this study elements in their investigation process.
- f) LEAs conduct financial investigations in connection with terrorism crimes. The investigation techniques did not identify the specific role played by the terrorist financier.
- g) Sanctions imposed against individuals for TF offences are effective, dissuasive and proportionate.
- h) There are no alternative measures for criminal justice or regulatory or other measures to disrupt TF activities in cases where it is not possible to secure a TF conviction.

Immediate Outcome 10

- a) Morocco has a deficiency in the legal framework for implementing TFS without delay under the relevant UNSCRs.
- b) Moroccan authorities use the TFS to deal with TF risks, particularly the freezing of funds and assets of Moroccan terrorist fighters.
- c) Morocco has supported one request regarding designation of 6 individuals and 1 entity based on 1267 UN resolution. Regarding UNSCR 1373, Morocco does not have national list for that purpose despite the existence of Moroccan FTFs.
- d) BAM monitors the banking sector regarding the implementation of TFS for combating terrorism. However, nothing indicates that the remaining FIs and DNFBPs are being monitored in this regard.
- e) The absence of a clear understanding among FIs and DNFBPs, except for some banks, of their obligations related to the UNSCRs, and absence of guidance on the method of implementation, particularly the freezing of funds and assets of persons and entities designated on the relevant UN lists.
- f) As mentioned in IO.5, the failure to identify the BO of legal persons by the register of commerce, the failure to include the companies registrar among the authorities concerned with the implementation of UNSCRs, and to disseminate such resolutions to the said registrar might lead to the misuse of legal persons by designated persons and entities without being exposed to TFS.
- g) Morocco didn't identify a subset of NPOs according to FATF definition. Yet, there are a number of restrictive obligations placed by BAM on all NPOs operating in Morocco, regardless of their

identified risk profile. While these measures may help mitigating TF abuse of the NPO sector, they are not applied on an RBA.

- h) NPOs are supervised by MOI, General Secretariat of the Government and MOF but not in AML/CFT field.
- i) Moroccan authorities did not issue any guidance, nor did they take any raising-awareness measures among the NPO sector on ways and methods of misuse for TF purposes.

Immediate Outcome 11

- a) The absence of legal frameworks required for the implementation of TFS to combat the financing of proliferation and mechanisms among national authorities to implement SC resolutions on combating the financing of proliferation (see Rec7), significantly affected the implementation of TFS without delay.
- b) Despite the limited efforts made by Morocco, the absence of national cooperation and coordination mechanisms on implementing the UNSCRs on combating the financing of proliferation, and not disseminating the related UNSCRs to UTRF, LEAs and supervisors of FIs and DNFBPs, except BAM, limits the ability to identify and freeze the funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) and prevent them from making or carrying out financial operations relating to proliferation.
- c) There was no evidence indicating that any of the Moroccan competent authorities have exchanged intelligence information to investigate violations or breaches of sanctions relating to the financing of proliferation.
- d) The absence of the legal framework for the implementation of TFS related to the financing of proliferation, has significantly affected the understanding by FIs and DNFBPs of their obligations related to the UNSCRs 1718 and 1737, except for some large banks, namely those which are deemed as a part of foreign banks or which have branches abroad.
- e) that the supervisory and monitoring authorities have not monitored or followed up FIs and DNFBPs for their compliance with the obligations set out in UNSCRs on the financing of proliferation, in addition to the absence of any sanctions or remedial actions applied or imposed on FIs and DNFBPs in terms of the requirements for combating proliferation financing, in order to show the type and level of the sanction.
- f) There are no matches or cases of fund or asset freezing according to TFS related to the financing of proliferation in Morocco.

Recommended Actions:

Immediate Outcome 9

- a) Morocco should set up a planned mechanism or a written procedure to ensure parallel financial investigation and a better integration of TF in terrorism investigation.
- b) Morocco should increase the level of cooperation between the judicial authorities which handle the TF investigations with the prosecution of perpetrators in order to exchange information held by UTRF on these offenses or perpetrators.
- c) Morocco should put in place measures to disrupt TF activities in cases where it is not possible to secure a TF conviction.

Immediate Outcome 10

- a) Moroccan authorities should establish the necessary legal frameworks regarding implementing TFS without delay.
- b) Moroccan authorities should establish mechanism and authority to identify and designate persons and entities pursuant to UNSCRs 1373. As for 1267, Morocco should develop its mechanisms to ensure implementing adequately UNSCRs requirements.
- c) Supervisory authorities should verify the FIs and DNFBPs compliance with all UNSCRs requirements during onsite and offsite inspections and impose appropriate sanctions against non-complying entities.
- d) Supervisory authorities should raise the level of awareness among FIs and DNFBPs about their obligations to implement the UNSCRs. They should also prepare guidance on the implementation methods, namely as regards the freezing of funds and assets of designated persons and entities.
- e) Morocco should update the study on NPOs risks and identify the subset according to FATF definition and apply mitigating measures that are commensurate to the risks identified. It should conduct targeted outreach and provide guidance on how to identify, and prevent TF, with a focus on the subset identified.
- f) NPOs supervisors should adopt effective AML/CFT supervision RBA, along with a consolidated central database for all these NPOs, in order to facilitate the supervision and monitoring process.

Immediate Outcome 11

- a) Moroccan authorities should establish the legal frameworks for the implementation of TFS for combating the financing of proliferation and should also find the practical and efficient mechanisms among domestic authorities to ensure implementation of TFS related to the financing of proliferation, and including the UTRF, and all the supervisory authorities of FIs and DNFBPs sectors.
- b) Morocco should provide a training for LEAs on investigations of proliferation financing cases, such as investigations of violations of sanctions, cases of seizure or freezing, and promotion of cooperation with the UTRF on the request of information regarding the financing of proliferation in order to identify assets and funds of designated persons and entities or those acting on their behalf and to prevent them from conducting or carrying out financial operations related to proliferation.
- c) Morocco should establish the necessary frameworks and mechanisms to give effect to the supervisory role played by the supervisory and monitoring authorities of FIs and DNFBPs, in order to ensure that the obligations set out in the UNSCRs on the financing of proliferation are implemented by all FIs and DNFBPs, in addition to the imposition of sanctions or remedial actions against FIs and DNFBPs for failure to comply with the requirements for combating the financing of proliferation.
- d) Supervisory authorities should raise the level of awareness among FIs and DNFBPs about their obligations to implement the UNSCRs related to combating the financing of proliferation. They should also prepare guidance on the implementation methods, namely as regards the freezing of funds and assets of designated persons and entities.

285. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5 -8, 30, 31 and 39.

Immediate Outcome 9 (TF investigations and proceedings)

Prosecutions/convictions of types of TF activity consistent with the country's risk-profile

286. Terrorism poses a real threat to Morocco, considering the risks arising from its vast area and geographical location, the long stretch of its land and sea frontiers, in terms of transportation of funds, movement and hiding the terrorists, and liaising with terrorist and organized crime groups, as well as around 1600 Moroccan FTFs in terrorist organizations.

287. The General Royal Public Prosecutor at the Court of Appeal which handles terrorism cases relies in his investigations on NSJP bodies, particularly, the national office for combating terrorism under NSJP, considering the number of cases he processed and the exclusive jurisdiction of in these cases, before the recent creation of CBJI.

288. Moroccan LEAs' understanding of terrorism and TF risks is good in their core function and the operational area (for examples: terrorism organizations and individuals, domestic and foreign FTFs, self-financing and borders). However, their understanding of other risks, such as NPOs, is limited due to fact that NRA has not been adopted and shared with relevant stakeholders.

289. The Department of First Instance at the Rabat Court of Appeal has rendered 196 judgments on TF cases for raising, arranging and providing funds and aids with the intention or knowledge that they would be used to commit terrorist acts, and ordered custodial sentences. One of the judgments acquitted the accused of the crime of raising funds to commit terrorist acts due to lacked criminal intent.

290. It is noticed that authorities use a judicial style where TF offence is usually prosecuted as an ancillary offence to other terrorism-related crimes such as committing terrorist acts within a group aiming at dangerously compromising the public order and/or promoting acts considered as a terrorist crime. A single conviction was issued on a case of financing travelers where it was prosecuted for TF independently. The judgment was imprisonment for 4 years and a financial sanction of MAD 500,000 (almost USD 53,000) for financing traveling of an FTF's family to ISIS.

291. By dismantling a total of 168 terrorist cells by NSJP since 2003, LEAs have introduced information on TF risks, trends and methods based on cases which have been/are being investigated and prosecuted. The said squad summed up the ways used by the extremist groups to finance terrorism in Morocco in the following conventional methods:

- Collection of donations from supporters of Salafi jihadism;
- Collection of zakat and alms;
- Door-to-door sale, particularly compact discs and booklets with religious content;

292. Application of the principle of Istehlal (act of permitting what is lawfully forbidden) which consists of legitimizing the funds obtained from stealing under the pretense that they belong to infidels or to engage in a criminal activity that generates profits for self-funding.

TF identification and investigation

293. The office for combating terrorism and CBJI share responsibility for fighting terrorism and its financing and conducting investigations and inquiries on terrorist persons and elements associated with these crimes.

294. Authorities responsible for TF investigation communicate with BAM to obtain statements of accounts from banks when financially investigating terrorism cases. Though, there is no clear evidence that authorities use wide range of financial information to conduct financial investigation in parallel to all terrorism cases they investigate to search for sources of funds.

Box 9: Case of Financing Terrorist Acts

CBJI referred to the Public Prosecution at the Court of Appeal in Rabat, Mr. C, who was arrested by NSJP team in the security zone of Mohamed V International Airport in Casablanca after being arrested in November 2015 in Misrata city by the fighters of Fajr Libya and the rebel union In the State of Libya against the backdrop of his allegiance to the terrorist Libyan branch of ISIS, to be deported to Morocco through the Republic of Tunisia.

After listening to C, it was found that he settled in Libya in 2012 and joined his brother in 2013 after he found him a job contract, and he was religiously committed to the guidance of the Libyan named Mr. D who was expressing his sympathy and loyalty to the terrorist organization “Daesh”, what made him follow the news and situation of terrorist groups in Syria and Iraq. In addition, his brother had already told him when he was still in Morocco that he decided to join the Syrian-Iraqi region to join "Daesh" and that he even though sent him a sum of 6000 dirhams to finance his travel to Libya.

Based on these facts, the Public Prosecution submitted a request to the investigative judge for an investigation into the right of the concerned person because of having sufficient evidence that he committed crimes to provide cash to those who commit terrorist acts. The investigative judge decided to refer him to the primary criminal chamber and open a criminal primary case file number 176/ 2016/2628.

On April 24,2014, the Criminal Court issued a decision condemning the defendant for two counts and sentenced to two years imprisonment within one year and the execution of the rest and a fine of 20,000 dirhams. It was supported by an appeal.

295. By examining judgments issued in TF cases, the Court of Appeal uses financial information to determine their judgments, as well as financial investigations conducted by LEAs. However, judiciary does not rely on FIU to obtain further financial information when hearing a terrorism or TF case.

296. Based on TF methods identified by Moroccan authorities, the national squad has succeeded to link the method of “application of principal of Istehlal” with the offence of financing of terrorist travel as stated below:

Box 10: A Case involving terrorist financing/joining terrorist groups

In February 2016, NSJP dismantled a criminal band that has robbed a jewelry shop in the city of Dakhla, Morocco, which led to arresting some extremist members who were planning to travel to Syria to join one of the fighting groups.

297. In addition, Moroccan authorities used the formal cooperation to exchange information such as liaison officers, the quadripartite agreement between the competent Public Prosecutions (Morocco, France, Spain and Belgium), appoint liaison judges and bilateral agreements. As a result, a joint

operational unit was dedicated for the exchange of on-site information on judicial inquiries and investigations, which reached 44 rogatory letters received over the last 2 years related to terrorist crimes, thereby producing a successful experience in cooperation. See the case studies in IO.2.

Box 11: case involving terrorist financing/international cooperation

The case of the Moroccan national who was a resident in Italy who sympathized his friend who was from his hometown and gave him a significant sum of money to finance his travel to Syria to join the fighting groups there. The concerned person was arrested and brought him to be justice in the same year 2016. After that he underwent an accurate research that was coordinated with the Italian authorities.

298. During the period 2013-2017, LEAs have conducted 225 financial investigations on individuals who had been suspected of TF activities, 195 of them have been found guilty and been sanctioned of imprisonment. Number of TF verdicts is considered reasonable compared to Morocco risk profile.

Table 20. Judgments rendered on TF

Result	Number of verdicts
Effective imprisonment	195
Acquittal	1
Under trial (at the first instance)	5
Before the investigation judge	24

299. It is not clear to which extent LEAs have benefited from the private sector, particularly banks and other FIs, the forms of domestic cooperation between authorities concerned with combating terrorism and its financing, UTRF and whether there is a coordination between the various stakeholders to establish the links with other terrorist groups.

300. CBJI represent the efforts made by Morocco since 2013 to combat terrorism and its financing, and in particular, on the efforts of dismantling terrorist cells, as follows:

Table 21. Morocco efforts against terrorism and its financing

Number of terrorist cells dismantled	61
Cells associated with Daesh	46
Al Istehlal Cells	4

Box 12: Case of dismantling a terrorist cell

In March 2015, Soldiers of Youssef Bin Nastin (an ISIS affiliated cell) was dismantled. This cell was formed of 13 persons, based in nine different provinces, in the age range 19-35, most of their financing was self-funding, from their employment in liberal professions. Social media was used for communication and coordination among the members of the cell (WhatsApp, skype). Seized objects related to the crimes and consisting of 6 guns and several plastic handcuffs were confiscated. Investigations have been profiled that the cell was aiming at targeting touristic places, security officers and money transfer vehicles. As to the channels used for financing, it appeared that terrorists have used express transfer channels.

301. Regarding the structure of the office for combating terrorism or the CBJI, there is no available information on the number of working staffs in general and the staff specifically entrusted with identifying and investigating TF crimes.

TF investigation integrated with and supportive of- national strategies

302. In terms of domestic co-ordination on TF, Morocco has a mini Committee which was created specifically to deal with TF cases received by UTRF (refer to IO 6). This committee, composed of the most important LEAs, meets regularly to exchange information on potential terrorists and TF information including financial intelligence. Additionally, being under same directorate, CBJI and national office for combating terrorism are working together and coordinating all Terrorism cases including TF. However, CBJI is not, regularly, seeking information from UTRF.

303. Morocco has presented its anti-terrorism strategy which includes 6 main subjects as follows: set up policies on supporting state of right and law, construction the religious field and fighting radicalism, improvement of society and economy, combatting terrorism financing, intensify national security coordination and improving international cooperation.

304. Morocco has prepared a study regarding combating TF which identifies threats facing Morocco regarding terrorism and its financing, including the threats resulted from some nearby areas to the Moroccan Sahara as the presence of around 1600 Moroccan FTFs affiliated to terrorist groups such as Al-Qaida, ISIS and other terrorist groups spread worldwide.

305. Taking into consideration aspect mentioned above, LEAs have proactively dismantled an organized cell operating as a shell company which is dedicated to finance Moroccan terrorist individuals fighting in Syria. By extensively analyzing the situation in unstable countries, and investigating cases involving individuals abroad, Moroccan intelligence came to the conclusion that families of FTFs tend to financially support them to flee to surrounding countries under the cover of the shell companies. Since then, Morocco regularly considers these factors when investigating TF cases.

306. Also, Moroccan authorities have been monitoring more than 100 terrorist individuals in the nearby areas of Moroccan Sahara and track them. Moroccan authorities have dismantled more than 50 Al-Qaida, ISIL affiliated cells in Morocco. As well as practicing maximal monitor over the southern and eastern borders.

Effectiveness, proportionality and dissuasiveness of sanctions

307. The court judgments provided by Moroccan authorities have shown that the average of imprisonment for individuals who are convicted with TF offence is between 1 to more than 5 years, in addition to financial sanctions in some cases.

308. The assessment team considers such range of sanctions effective and proportionate as well as effective. Moreover, the assessment team has no concerns on prosecuting TF offence among other crimes as it is shown that even conviction of stand-alone TF crime has ordered 4 years in prison, and MAD 500,000 financial sanction for the perpetrator.

Table. 22 Distribution of custodial sentences in cases related to terrorism, terrorist financing and other associated crimes

Period of the imprisonment sanction	Number of accused
Less than two years of effective imprisonment	33
From two to five years of effective imprisonment	133
More than five years of effective imprisonment	29
Total	195

309. The court judgments provided to the assessment team revealed that the sanctions they ordered in terrorism, terrorist financing and other associated crimes were issued during the period from 2013 to 2017 and they were not only limited to TF offenses; and most of them were focused on the raising, arrangement and provision of funds and aids with the intention or the knowledge that they will be used to commit terrorist acts, without involving the other criminal forms of the TF offense.

Box 13: Effective sanctions on TF case involving other criminal activities:

In July 2015, the criminal chamber court in Rabat heard the case of two accused (Moroccan and French) for collecting funds with the knowledge that they will be used for terrorist activities and inciting others to join ISIS. These two suspects have established a website to podcast murdering videos and communicated with terrorist individuals through Facebook. They also, collected funds by committing fraud crimes in both France and Morocco (Istehlal principle).

The court has issued its conviction against the two criminals with imprisonments of 5.5 years in total and exile the French citizen from Morocco after serving the sentence.

Alternative measures used where TF conviction is not possible (e.g. disruption)

310. Moroccan LEAs are required to pursue crimes of terrorism and TF and to prosecute their perpetrators when they have sufficient evidence on their implication in these crimes. In case no legal evidence is available, LEAs are obliged to discontinue the legal prosecution.

311. Article 595-2 of the Penal Procedure Code authorized the Royal Public Prosecutor, the investigation judge and the governing authority (referred to in article 595-1 of the same law) to order the freeze or seizure of the funds suspected to relate to TF; including the request of BAM to implement these measures.

312. Moroccan authorities have not yet circulated administrative decision for freezing or seizing funds related to TF.

313. The Moroccan authorities have taken other alternative measures, such as the establishment of programs to fight radicalism in the prison institutions, by rehabilitating prisoners through their engagement and coping with life after prison. However, for example, Moroccan authorities did not take other measures, such as the repatriation of potential financiers, supervision and monitoring, infiltration or conviction of other crimes.

Overall conclusion on IO.9

314. Morocco is rated as having a Substantial level of effectiveness for IO.9.

Immediate Outcome 10 (TF Preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

315. The deficiency of legal frameworks required for the implementation of TFS to combat TF, the establishment of practical and effective mechanisms and authority among national authorities to implement UNSCR on terrorism, and the absence of a domestic list for the implementation of UNSCR No.1373 have significantly affected the implementation of these sanctions without delay. The authorities concerned with the implementation of UNSCRs on combating TF were only limited

to the Ministry of Foreign Affairs, MOI, BAM and UTRF, while the other supervisors and LEAs have a limited role in implementing these resolutions.

316. According to UTRF and its decision number 6, the publications of the 1267 lists are done within a period not exceeding 24 hours, except for the days when the issuance of the resolutions fall on official holidays in Morocco, where the publication, in such events, will take between 48 to 72 hours. However, this mechanism is not considered useful, nor does it guarantee that all the authorities have access to UTRF website, therefore UTRF decided to disseminate the UNSCRs to the FIs (banks, money transfer companies,) through the (GoAML) notification program, but nothing indicates that these resolutions are disseminated to all FIs and all DNFBPs..

317. UTRF presented one case study regarding the freezing of funds and property of a person listed, pursuant to UNSCR No.1267 within a period of 24 hours at the latest, but the case did not show the size and nature of the funds and property seized.

Box 14: Case study regarding the freezing of property of a person who was designated on the UN list (1267/1989/2253) list

- 29/02/2016: Publication of press release No.SC/12266 (to add 12 names to 1267/1989/2253 list).
- 01/03/2016: Upload and publication on the official website of UTRF and notification of the FIs.
- 01/03/2016: Immediate freezing of a bank account of a person newly designated on the list.
- 09/03/2016: Submitting an STR on the bank account and the recorded financial transactions.
- Conducting financial analysis and identification of the remaining property.
- 10/03/2016: Obtaining an updated list from MOFA.
- 11/03/2016: Confirming the freezing decision by the mini-committee and sending a notification to MOFA regarding the frozen properties in order to inform the UN Sanctions Committee.
- Conducting field investigations by LEAs regarding persons involved in financial transactions to determine the extent of their connection with terrorism and its financing.

318. The Moroccan authorities provided one case for a frozen bank account of one person listed in accordance with UNSCRs 1267, despite the fact that there were 30 similarities to names on that list. The assessment team was not provided with the number of rejected transactions in the country, based on TFS.

319. In April 2016, Morocco has supported USA request to designate 6 persons and one entity that were listed in UNSCRs 1267 because of their involvement in TF and recruitment of FTFs.

320. No statistics were provided either on the number of the natural and legal persons who were added to domestic lists or their assets frozen annually, in comparison with the number of names added to the 1267 list and Morocco risk profile.

321. As to the requirements for the implementation of UNSCR No.1373, Morocco does not have a national list, and has not designated any person or entity pursuant to this resolution. Also, there are no cases on the international requests received in this regard.

322. BAM follows up the banking sector in terms of the implementation of TFS for combating terrorism, however, the remaining FIs and DNFBPs are not being monitored by competent supervisors in this regard, which would cause a potential misuse of these sectors in TF operations.

Targeted approach, outreach and oversight of at-risk non-profit organizations

323. The number of NPOs in Morocco has reached 148000 NPOs in various fields, including regular and public utility NPOs with a total of 228 NPOs.

324. The NPO sector is supervised in Morocco by the MOI, the **GoSG** and the MOF, by virtue of Decree No.1.58.376 dated 15 November 1958. However, there is a lack of TF guidance issued, in addition to the remedial actions and sanctions applied against NPOs.

325. Morocco has provided a study related to NPOs , after reviewing it , it is clear that it was not based on quantitative information that could help Morocco to identify the NPOs vulnerable to TF abuse in the line with RBA. For example, the NPOs size, its activities , the size and source of foreign finance, the type of beneficiaries of the services and the adequacy of NPOs legislation based on ML/TF risks.

326. The assessment team was not provided with a statistic on the number of TF supervisory missions conducted by the MOI or the Government’s Secretariat General. Furthermore, nothing indicates that there is a risk-based supervision, given the absence of a ML/TF risk assessment in the sector. Also, the assessment team was not provided with any statistics on the number of TF sanctions and remedial measures taken against NPOs.

327. The follow up procedures upon the NPOs by the supervisory authorities in Morocco is as follows:

- **Internal financing of NPOs:**

328. Every organization should have a banking account. Funds may not be raised from the public without the approval of the **GoSG** which examines the disbursements made out of this bank account. The Ministry of Economy and Finance also monitors the support, allocated credits and direct / indirect subsidies and their transaction channels. These subsidies are subject, also, to the specialized accounting system which ensures the control of collected funds.

329. BAM, through FIs, applies due diligence measures to the NPO’s accounts, given that they are considered as high-risk customers. However, no STR related to NPOs was submitted to UTRF.

- **Foreign financing of NPOs:**

330. Any NPO shall be entitled to dispose of the aids that it may receive from foreign entities or international organizations, provided that they declare them to the Government's Secretariat General, specify the amounts received and its source, within a period of thirty days from the date of receiving the aid. Any violation of these requirements shall make the NPO liable to dissolution. The table below indicate the amount of funds from foreign financing that NPOs were authorized to receive during 2012-2017:

Years	Number of declarations	Number of NPOs	Territorial coverage			Total amount
			Local	Regional	National	
2012	718	154	30	38	37	244.775.296,65
2013	706	149	51	28	70	223.364.254,52
2014	768	156	43	22	91	202.792.046,62

2015	1077	219	39	23	157	314.540.175,33
2016	1416	229	25	-	204	911.473.496,80
2017	876	218	12	-	206	259.712.857,15
Totals	<u>5561</u>	<u>1125</u>	<u>200</u>	<u>111</u>	<u>765</u>	2.155.658.127,07

331. Despite the efforts made by the supervisory authorities, there is a lack of outreach programs to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse considering the high number of NPOs and absence of electronic centralized database.

332. There is 1400 administrative units in charge of issuing authorizations to create NPOs and sending a hard copy of the authorization to the Government's Secretariat General and the MOI to complete the licensing procedures.

333. The assessment team was not provided with any statistics on investigations, prosecutions, or convictions regarding misusing of NPOs despite their high number. Additionally, there is no STR involving NPOs, and despite the fact that BAM subjects, through FIs, all NPOs banking accounts to the CDD measures given that they are considered as high risk.

Deprivation of TF assets and instrumentalities

334. Moroccan authorities provided the assessment team with one case where a bank account of a person designated under UNSCR No.1267 was frozen, without specifying the size and nature of the funds and property frozen.

335. Moroccan authorities have supported keeping eleven persons in the sanctions list related to Al-Qaida and Daish (most persons were Moroccan nationals or have dual nationality Moroccan – European). Morocco has provided important information about the concerned persons. Also, Morocco has expressed its reservations towards delisting one person from Al-Qaida and Daish sanctions list, which has been reported to Ombudsman office.

336. Moroccan authorities have provided the Analytical Support and Sanctions Follow up Team, established according to UNSCR 1526 (2004), with information about the number of Moroccan terrorist fighters, the frequency of their return and the size of their threat. Morocco also prosecutes number of wanted terrorists through Interpol.

337. There is also a threat mainly stemming from Moroccan FTF which the number has been estimated at around 1600 fighters based in the conflict zones. The assessment team was not provided with the type of effective measures taken by Morocco to identify and freeze funds and property taking into account risks posed by these terrorist fighters, and the risks resulting from the large size of money transfer transactions conducted through money transfer companies and which involve high TF risks.

338. The weakness of judicial authorities in, regularly, conducting financial investigations relating to TF when investigating terrorist crimes, and the lack of cooperation between the Rabat court of appeal and the UTRF in terms of requesting TF information, as set out in IO.9, have significantly affected the tracing of assets and instrumentalities of terrorists, terrorist organizations or terrorist financiers.

Consistency of measures with overall TF risk profile

339. Moroccan authorities have a good understanding of their TF risks and consider CFT issues as high priority (see IO1 and IO 9).

340. Morocco has a legal framework for the implementation of TFS especially by FIs, but there are gaps in the application of TFS requirements on all natural and legal persons in Morocco, and there no mechanism for UNSCR 1373 (see R.6).

341. Moroccan authorities provided one case for a frozen bank account of one person listed in UNSCRs 1267 and supported a request to designate 6 persons and one entity in the same list. However, measures taken to mitigate the risks posed by terrorists and in particular terrorist fighters are not sufficient taking into account Morocco risk profile.

342. Morocco does not implement adequately a targeted and proportionate approach to overseeing NPOs of higher risk. Outreach to FIs, DNFBPs, and NPOs is not conducted on a risk basis.

Overall conclusion on IO.10

343. Morocco is rated as having a Moderate level for IO.10.

Immediate Outcome 11 (PF financial sanctions)

Implementation of targeted financial sanctions related to proliferation financing without delay

344. The absence of legal frameworks required for the implementation of TFS to combat the financing of proliferation and the absence of practical and effective mechanisms among national authorities to implement UNSCRs on combating the financing of proliferation (see Rec7), significantly affected the implementation of TFS without delay.

345. The MFA disseminates the resolutions on the financing of proliferation to the National Defense Administration, the MOI, the MOF and BAM, which plays its role among all the monitoring and supervisory authorities, by disseminating UNSCRs on proliferation to credit institutions operating in Morocco. while the other supervisors and LEAs had an insignificant role in implementing these resolutions.

Identification of assets and funds held by designated individuals/entities and prohibitions

346. There are no commercial nor financial dealings with Iran or North Korea, and there are no cases on assets which were identified, frozen or rejected pursuant to TFS related to financing of proliferation. Therefore, the Moroccan authorities do not have any statistics on the funds and assets of persons or entities designated pursuant to the UNSCRs on proliferation financing.

347. The deficiencies mentioned in IO.5, the failure to identify the BO of legal persons from the register of commerce, to include the companies registrar among the authorities concerned with the implementation of resolutions and to disseminate such resolutions to the said registrar might lead to the misuse of legal persons by the designated persons and entities in order to avoid detection.

348. The absence of national cooperation and coordination mechanisms on implementing the UNSCRs on combating the financing of proliferation, and not disseminating the related UNSCRs to UTRF, LEAs and supervisors of FIs and DNFBPs, except BAM, make difficult to implement these resolutions and to identify and freeze the funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) and prevent them from making or carrying out financial operations relating to proliferation.

349. No information was provided indicating that the Moroccan competent authorities are exchanging financial intelligence to investigate violations or breaches of sanctions related to proliferation financing.

FIs and DNFBPs' understanding of and compliance with obligations

350. The financial and DNFBPs have a weak compliance and understanding of their obligations, as regards TFS relating to financing of proliferation, due to the absence of a legal framework in Morocco (see Rec 7) except for some large banks, namely those which are deemed as a part of foreign banks or which have branches abroad and which follow up the resolutions on proliferation financing, based on their internal policy.

351. The banking sector is provided with copies of the UNSCRs on proliferation financing by BAM, which examine its customers database and screen all the banking transactions, including cross-border transfers, on an on-going basis, to verify that there is no matching between its customers data and the persons and entities designated on the relevant UN lists.

352. Banks notify BAM when there are any matching cases, but without having an understanding of the actions they should follow in cases where TFS are applied, so far banks have not notified any matching with designated persons and entities pursuant to the UNSCRs on proliferation or any cases of similarity.

353. As to other FIs and DNFBPs, the concerned monitoring and supervisory authorities have not taken any measures to urge them to apply the UNSCRs on proliferation financing and in general, the absence of a clear and detailed legal framework for the requirements of the UNSCRs on proliferation financing still constitutes a significant challenge for all FIs and DNFBPs to understand the requirements and engage with supervisors in this regard.

354. Nothing indicates that there is any communication or meetings between monitoring and supervisory authorities of the FIs and DNFBPs, to introduce the SC resolutions on proliferation financing and the requirements set out therein, given the absence of any statistics on the number of engagement and outreach activities with FIs and DNFBPs in the field of proliferation financing.

Competent authorities ensuring and monitoring compliance

355. No information or statistics have been provided to indicate that the supervisory authorities are monitoring the compliance of FIs and DNFBPs with their obligations regarding TFS relating to financing to proliferation.

356. It did not appear that there are any sanctions or remedial actions applied or imposed to FIs and DNFBPs concerning the requirements for combating the proliferation financing, to show the type and level of the sanction.

357. BAM during its monitoring functions did not detect any violations applied in this field, and therefore no penalties were lifted in this regard, but without providing any evidence indicating that this type of supervision was undertaken by BAM to ensure its effectiveness.

Overall conclusion on IO.11

358. Morocco is rated as having a Low level of effectiveness for IO.11.

Key Findings and Recommended Actions

Key Findings

FIs

- a) The level of understanding of the ML/TF risks by FIs varies across the financial sector, where banks and MVTS have a good understanding of ML/TF risks, while others (i.e., the capital market companies, insurance companies, exchange companies, micro-finance companies) developed a limited-to no- understanding of ML/TF risks.
- b) Banks and MVTS are applying effective measures commensurate with the degree of risk, while insurance companies, capital market companies, exchange companies and micro-finance companies implement more limited measures in order to mitigate the risk.
- c) The level of application of due diligence measures to customers and beneficial owners varies among FIs. While banks and MVTS are properly applying these measures, there is a difference noted among insurance companies in the level of understanding the beneficial owner and the application of due diligence measures. The understanding and the implementation of due diligence measures among capital market companies and currency exchange companies do not meet the required level.
- d) Banks and MVTS are properly applying enhanced due diligence measures, despite the fact that some of these banks apply enhanced measures that are not sufficiently commensurate to the different types and scale of risks posed by high risk countries identified by the FATF. The capital market companies, insurance companies, exchange companies and micro-finance companies have significant weaknesses in understanding the principle of high-risk countries and PEPs and in applying the required enhanced due diligence measures.
- e) Lack of adequate understanding of the TFS obligations and relevant procedures among some of the obliged entities significantly hinders the effective implementation. Based on a number of FIs understanding, freezing can be temporary as they tend to unfreeze assets unilaterally even though the names are not delisted from UN sanctions list.
- f) The level of reporting suspicious transactions by capital market companies, insurance companies, exchange companies and micro-finance companies is very low; in fact, most STRs are issued only by banks and money transfer companies.
- g) FIs are aware of the confidentiality and tipping off requirements, however, banks can apply measures such as, closing the account of a customer that is subject to an STR, which could trigger the risk of tipping-off.
- h) The capital markets and the exchange companies did not have in place proper control measures; while other FIs had control measures that could be considered satisfactory in general.

DNFBPs

- a) The level of understanding of risks and the commitment to apply preventive AML/CFT measures in DNFBPs are weak. These DNFBPs have requested that the country focuses its efforts on increasing this sector's level of awareness with regards AML/CFT requirements.

- b) DNFBPs are not implementing RBA to the identification of risks in AML/CFT measures, and they do not apply any effective risk mitigating measures.
- c) DNFBPs, except for casinos are not aware of the CDD measures and record-keeping requirements, except for some general notions applied, according to internal regulatory purposes.
- d) There is a weak understanding of the fundamentals of the preventive measures related to PEPs or the measures to TFS Including the UN terrorism lists.

Recommended Actions

- a) FIs and DNFBPs supervisors should disseminate to financial and non-financial institutions the findings of NRA which the latter should be obliged to consider when understanding the risks, they are exposed to and when applying mitigating measures commensurate with those risks.
- b) UTRF should provide FIs and DNFBPs with feedback on an on-going basis, to enable them to assess the quality of their STRs and better understand the requirements, thus increasing the number of STRs.
- c) UTRF and the supervisors should issue detailed directives to FIs and DNFBPs on the introduction of PEPs, high-risk countries, new technologies and determination of the required enhanced measures. Identifying and focusing on these are required during training courses.
- d) UTRF and supervisors should establish clear measures and guidelines to be disseminated to FIs and DNFBPs, through which they indicate how to apply TFS, immediate freezing of funds and the mechanism used to unfreeze funds of persons suspected of being designated on the UN terrorism lists.
- e) UTRF and Supervisors should issue directives which would prohibit entities subject to the AML law from closing a customer's account, after reporting a suspicious transaction to UTRF, in order to avoid tipping off the customer and track the suspicious funds.
- f) UTRF and supervisors should verify, through scrutinizing FIs and DNFBPs, that they are relying on effective AML/CFT policies and that they have sufficient human and technical resources to implement these policies.
- g) UTRF and supervisors should increase the number and frequency of training sessions for subject entities, in order to raise the level of awareness and expertise among the employees concerned with combating ML and TF.

359. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23.

Immediate Outcome 4 (Preventive measures)

360. Morocco has diverse financial and DNFBP sectors. The exposure to ML/TF risks of FIs and DNFBPs varies significantly in Morocco. The assessment team did not give the same weight for all sectors, when assessing the effectiveness of preventive measures, banks were given the highest importance, followed by MVTS. The stock exchange, insurance companies, exchange companies, real estate brokers and casinos were considered at a medium level of importance. Less importance was given to micro-finance companies and other DNFBPs.

361. Certain FIs, business and DNFBPs are characterized by the following characteristics which lead to mitigating the risks of ML/TF which they are exposed:

- Brokerage institutions do not accept cash payments directly from their customers, and they must carry out financial transactions related to their customers through banks.
- There are a limited number of insurance companies in Morocco dealing with life insurance investment features.
- Exchange companies' transactions are limited to currency exchange operations and are not entitled to carry out cash transfers of all kinds.
- DNFBPs sector forms only 2% of total GDP.
- It is prohibited for real estate dealers and brokers, as well as notaries, to receive cash payments from their clients, and they must carry out their financial transactions through banks.

Understanding of ML/TF risks and AML/CFT obligations

Financial Institutions

362. Banks and MVTS have a good understanding of ML/TF risks in general, and of their customers' risks in particular, these entities analyze their customers' risks periodically Banks adopted the RBA and ranked their customers, according to the degree of risk by relying on the criteria of the customer, country and activity. These banks differ in terms of the policies they adopt to rank the customers, i.e. some banks rely on circulars issued by BAM, while banks part of international groups rely on policies issued by the mother bank in this regard, knowing that all visited banks asserted that they adopted the RBA since 2012 which is continuously amended based on experience and case studies of the relationship with customers.

363. Capital market companies, insurance companies, exchange companies, and micro-finance companies, have a limited understanding of the ML/TF risks. Some institutions, which have been met by the team either they did not rely on RBA to rank their customers or they adopted an RBA that do not meet all the criteria nor reflected the level of risks. In this context, some brokerage institutions are not using the information obtained through the questionnaire on knowing the customer in order to rank their customers risks.

364. According to each of the exchange companies, micro-finance associations, and one of the insurance companies, the scope and nature of their work do not expose them to any type of ML/TF risks, which is inconsistent with the profile risk of insurance and exchange companies' sectors in Morocco. Few of these institutions do not know how to establish a link between the predicate offenses and ML, and how the criminal's proceeds are introduced to the financial sector.

365. All supervisors participated in the NRA, knowing that the NRA report has not been adopted in Morocco and the findings not disseminated to FIs. However, supervisors have assessed the risks at the sectorial level and informed subjected entities of the findings of this sectorial assessment. Nonetheless, there is no clear understanding of the risks among these entities, except for BAM, which does not contribute to the effective dissemination of such risks to subjected FIs.

366. The visits to FIs showed that banks are aware that the sectorial NRA identify ML/TF risk in the sector as basically related to cash transactions and namely deposits and use of the payment cards;

however, banks rely mainly on guidance and awareness from BAM who's understanding of risks is basically based on its sectorial analysis of risks which identify cash, correspondent money transfers, Tax heavens and countries with high level of corruption as high risk.

367. Banks are applying measures to mitigate those risks, while the other sectors except MVTs sector do not seem to have a sufficient understanding or awareness of the ML/TF risks and their potential misuse to commit those crimes.

DNFBPs

368. As to DNFBPs, there is a poor understanding of ML/TF risks. In particular, the lawyers, authenticators and notaries sector is considered as a low risk sector, because all the transactions go through banks, and despite the fact that indicators of misusing the legal professions in the real estate sector, and the consultancy services provided in favor of the residing and non-residing companies were among the high-risk sectors which the assessment team referred to in this report and which were also included in the NRA report for Morocco.

369. All DNFBPs were not aware of the findings of the NRA and have not obtained a copy or directives from the competent authorities regarding the AML/CFT obligations.

Application of risk mitigating measures

370. In general, banks apply effective measures that are commensurate with the degree of risks:

- First, regarding cash transactions, they are considered as high risk, given that due diligence measures are being applied on an on-going basis; in addition, customers may not deposit sums above /MAD 100.000, almost EUR 10.000/ without identity and producing the authorization to import foreign currencies issued by the Exchange Office.
- Second, banks obtain detailed information on the source of funds and wealth from high-risk customers. And the transactions limits for those customers are decreased and their account movement is being accurately monitored through specialized computer software.
- Third, the general policy of all banks is to continuously update the file of any of their customers and whenever there is a modification in the received information. As for the updating policy based on customer's risk; some banks update the files of high-risk customers within a period not more than one year, while the update at other banks is only made after 18 months. As to the files of low-risk customers, the update is made within a period of three years. The implementation of this measure in practice was not properly applied at one met bank due to the limited number of the staff at the compliance units compared with the huge number of customers.

371. As to MVTs, they mainly deal with occasional customers and due diligence measures are applied to them. These measures differ and the enhanced due diligence measures, which comprise information to be obtained on the source of funds and activity of the customer are applied, moreover a limit is set on the maximum amount and number of transactions the client is allowed to carry out during a period not more than one month, these measures also applies to foreign customers, particularly non-residents and any customer who uses financial transfers in an unusual way. It is worth noting that the companies covered by the visit and which are engaged in transfer operations have computer software that enables them to detect and analyze complex operations.

372. The insurance sector lacks more AML/CFT awareness and training, for instance, most insurance brokers do not know how to apply enhanced due diligence measures in cases considered as high risk. ACAPS considered that there are obstacles precluding the effective implementation of the AML/CFT requirements, including the low limit of transactions which require the implementation of enhanced due diligence measures, which leads to an increase in these operations. Therefore, the implementation of the measures effectively requires additional resources, which were not currently available at all the insurance companies.

373. The capital market company and the exchange company were not implementing measures commensurate with the degree of customer risks, but only implementing the basic due diligence measures, in addition to the analysis of the legitimacy of some transactions which are not justified.

374. As to micro-finance associations, the amount of dealing is determined at a limit ranging between USD 3000 and USD 5000, and is only allowed for the Moroccan nationals, having the purpose of financing small enterprises and which are periodically verified through the on-site visits. Consequently, the sector implements only the basic due diligence measures considering that the risks of this sector are low.

375. DNFBPs do not implement the RBA to the identification of risks in AML/CFT field and without understanding the ML/TF risks, and they cannot establish the effective risk mitigating measures.

Application of CDD and record-keeping requirements

376. In general, banks implement effectively due diligence measures towards customers and beneficial owners, and BO information is obtained through the basic due diligence measures. All visited banks apply due diligence measures, when establishing a business relationship, and they review periodically these measures according to the RBA. One visited bank does not apply CDD measures towards proxy holders but is only keeping a copy of their identities.

377. AMMC on-site supervision on capital market companies revealed a weakness, in terms of compliance with the due diligence measures, mainly represented in the incomplete customers files, absence of the customer identification questionnaire, reliance on legally unsound identification papers, which leads to poor or inaccurate customer and BO information. The visited company subject to AMMC follows a policy related to the due diligence measures and, the completion of the customer identification questionnaire, but it did not create an AML/CFT unit. Therefore, the assessment team considers that the absence of this central unit is negatively reflected on the proper implementation of the required due diligence measures towards customers and beneficial owners.

378. The understanding and implementation of due diligence measures differ among the visited insurance companies, where one company part of an international group apply mainly guiding policies as outlined in the 4th anti-ML directive of the EU. This company has in general an acceptable understanding with regard to the application of CDD measures along with the applied procedures to verify the BO. For other local companies, the due diligence measures applied are weak, and this weakness is mainly obvious in their understanding of BO in case of customers who are legal persons. According to the assessment team, this weakness is also attributed to a shortcoming in the legal texts addressed to insurance companies.

379. MVTS apply due diligence measures which are based on the verification of the customer identity and that the names of the originator and the beneficiary are not on the sanctions lists, in addition to the verification of purpose of the transaction for occasional customers. Where the customer engages in a business relationship, the MVTS applies due diligence measures which include information to be obtained on the activity of the customer, the source of funds, the purpose of the transaction and the relationship with the beneficiary. According to the financial transfer operation system in Morocco, these operations are limited to natural persons, and the operations conducted by legal persons for the benefit of natural persons are exceptional. In such case, the justifications and the purpose of the operation should be documented. Therefore, the difficulties that the transfer companies have in understanding and identifying the beneficial owner in the case of a legal person are due to the exceptional nature and infrequency of these transfers.

380. Services provided by exchange companies are limited to the exchange of currency and they are not entitled to carry out any other financial or banking transactions. The met exchange company's understanding of the implementation of due diligence measures is very basic, where only an identity card is required when carrying out transactions of a value above /MAD100,000/ (almost USD 10000), noting that the beneficial owner of the transaction is not identified. Moroccan authorities provided the assessment team with information that proves that one of the biggest exchange companies with 12 branches is properly applying due diligence measures. As to the visited micro-finance association, the assessment team noticed that it applies the basic due diligence measures and is rely on the diligence measures which are implemented at the parent bank level, since all the customers should open accounts with the bank.

381. All visited FIs have an understanding and a commitment to the AML/CFT requirements for keeping records and documents of customers and transactions for a period of 10 years. The assessment team noticed that most visited FIs apply a policy based on not establishing any business relationship or carrying out any transaction when the CDD measures are not taken. On this note, several banks have sent STRs to UTRF about similar cases, but the assessment team was not provided with any statistics in this regard.

382. As to DNFBPs, except for casinos which implement CDD measures and aware of record-keeping requirements. Most of the other DNFBPs are not aware of the CDD measures and record-keeping requirements, except for some general notions applied, according to internal regulatory purposes or in the context of the management which is based on the proper operation of the activity.

Application of EDD measures

383. Banks have a good awareness of PEPs and rely on screening tools to identify them, noting that the definition extends to the beneficial owner as well, but the deficiency is manifested through some banks which have stopped having regard to high-risk PEPs shortly after they resign from their positions, which mainly results from a deficiency in defining PEPs in the BAM circular (the definition set out in the circular was amended during the on-site visit). Enhanced due diligence measures are applied to the political persons identified as high risk by banks. These measures include the scrutiny of the sources of funds and the source of wealth, the on-going monitoring of the account's movement, the decrease of the transactions limits which require the approval of the compliance unit. In addition, to the update of the files within a period not more than one year (at

most banks) and obtaining the necessary administrative approvals to engage in the business relationship.

384. The capital market company, one of the insurance companies, MVTs and micro-finance associations have a clear weakness in understanding and identifying PEPs. Some FIs consider that the concept of PEPs was only applied to foreign PEPs, while this concept differs among other institutions, by only including domestic PEPs. The assessment team considered that this weakness stems from the failure of circulars issued by supervisors to include PEPs in detail. In parallel, one of the insurance companies' part of an international group relies on the definition of PEPs that the parent company adopts, according to the definition set out in the FATF Methodology.

385. As to foreign PEPs, some MVTs and insurance companies' part of international groups rely on the lists provided by the parent company to identify these persons; while some other insurance companies, just request a declaration from the customer in the questionnaire, whether he/she is a PEP or not when engaging in the business relationship. Therefore, since the identification of PEPs is not conducted according to the specified methodology, the application of enhanced due diligence measures by these FIs ought to be considered ineffective. The assessment team also noticed that the visited exchange company is not acquainted with the notion of PEPs.

386. As to TFS, visited FIs, except for the exchange company, have screening tools to examine their customers, based on the UN terrorism lists. The examination is conducted upon engaging in the business relationship and adding new names to the lists, and also when conducting electronic transfers. None customer of the met FIs happened to be included on these lists. The visited exchange company was not aware of the issued lists by the Security Council of the UN.

387. The table below shows the total received notifications from different FIs regarding a similarity in their clients' names with those listed in UN terrorism lists.

Table 24. Total notifications regarding a similarity in clients' names with listed names				
	2015	2016	2017	2018
Total notifications/ similarity in client's names with listed names in terrorism lists	5	3	3	2

388. Some FIs did not distinguish between the applied procedures, in case UTRF objected to the execution of a transaction subject of a STR, and that related to the freeze of account according to UNSCRs. This could be a result from not encountering such cases before. The lack of adequate understanding of the TFS obligations and STRs procedures, as some FIs thought that they can execute freezing, even though the names have been deleted from the UN lists related to terrorism.

389. It is worth mentioning that one bank (not visited by the assessment team) made an immediate freeze of a client's accounts within 24 hours of listing his name based on the UN resolution no 1267. Please review IO 10.

390. As to the new technologies' risks, all banks, insurance companies and MVTs which had been met have committees mandated to analyze the ML/TF risks relating to these technologies before being formally adopted. In addition, customers using financial products related to new technologies were ranked as high risk and enhanced due diligence measures are applied to them. The assessment team did not find any analysis of the new technologies risks or any enhanced measures adopted by the capital market companies which were met. As to the micro-finance company and the exchange

company which were visited, the nature of their limited activity and products did not permit the use of new technologies.

391. As to the measures taken for electronic transfers, the assessment team found that the visited banks have an understanding of the required information related to the originator and the beneficiary. These banks daily are dealing with foreign correspondent banks, had an effective role in raising awareness about these measures. Regarding the electronic transfers received by banks through MVTS, they were considered as transactions undertaken by occasional customers and they are subject to the appropriate due diligence measures.

392. As to foreign correspondent relationships, all banks are considered as high risk, therefore, the following measures should be taken, at a minimum, when establishing any business relationship: 1) to verify that the bank is not a shell bank. 2) to fill the questionnaire by the correspondent bank. 3) to verify that the bank is subjected to supervision. 4) to verify the reputation of the bank and that it was not subjected to sanctions. 5) to verify the persons who managed the bank. 6) to determine the type of the relationship. 7) to obtain the necessary administrative licensing before engaging in the business relationship.

393. For high-risk countries, visited banks have information systems that comprise all the lists of the high-risk countries identified by the FATF, knowing that banks part of international groups applies the policy of the parent company as regards the ranking of high-risk countries. Based on the above, the assessment team found that these entities' policy is not to perform any kind of financial transactions with jurisdictions or citizens of jurisdictions subject to FATF public statement; moreover, they apply proper enhanced due diligence measures as regards transactions and customers associated with high risk countries identified by FATF. Some compliance officers in the banking sector need to increase their awareness to better differentiate between high risk countries designated by FATF and those sanctioned by international groups.

394. Morocco operates a very tight control on the money that goes outside of the country, therefore international outbound remittances are mostly limited for family purposes and for small amounts, this procedure decreases the risk of ML/TF in MVTS sector. Moreover, all MVTS that are licensed to transfer money abroad are agents to international money transfer networks. Therefore, they apply the policy of the network as regards the ranking of high-risk countries which is compliant with FATF standard and consequently properly apply the required EDD. On another note the assessment team believes that visited MVTS same as few met banks lack awareness in order to better differentiate between high risk countries designated by FATF and those sanctioned by international groups. The remaining FIs face some difficulties in identifying the high-risk countries which are identified by the FATF. Therefore, the implementation of appropriate due diligence measures is not highly effective.

395. As to DNFBPs, there is a weak understanding of the fundamentals of the preventive measures, such as the notion of PEPs or of the measures relating to TFS including the UN sanctions lists related to terrorism or the immediate freezing of the assets of customers added to the terrorism lists. As an example, the representatives of these sectors proposed to submit a recommendation to Moroccan authorities to guide them by providing the necessary information to perform their functions, like clarifying the due diligence measures they are required to implement, providing them with the UN lists related to immediate freezing of designated customers. The same observation is applicable to

the issues related to the enhanced due diligence measures towards transactions and customers associated with high-risk countries.

Reporting obligations and tipping off

396. The FIs which had been met, except for the exchange company, were aware of the obligation to report suspicious transactions to UTRF, as set out in the law. However, the banking sector and the MVT sector were the only sectors which had been reporting suspicious transactions almost regularly, while the number of STRs in other sectors was considered low, as detailed in the statistical table below. As to exchange company, it appeared that it is not aware of the reporting obligations, given that it considers that the STR should be referred to the Exchange Office.

397. The following statistical table shows that over the last ten years, 14 out of 19 banks have reported suspicious transactions to UTRF, Banks, with weak STR reporting, have a special nature and limited number of clients and operations. For instance, two banks are investment banks specialized in selling the government treasury bills, another bank is an international bank specialized in financing clients of the mother company abroad. The risk scoring of these banks is low, moreover they have an effective AML/CFT system as per information provided by BAM.

398. The numbers reported in the statistical table below are very concerning and are very low as regards STRs filed by insurance companies and non-banking FIs, despite the nature of the operations of these companies and institutions, which indicates the weakness of the detection of suspicious transactions of the anti-ML officials in these institutions, and therefore the need to subject them to training and awareness programs to detect suspicious transactions. As to off-shore banks, there are only 3 STRs filed by one bank, and this low number of reporting is due to the fact that the total number of customers of the 6 off-shore banks is low with only 4,214, and a limited number of transactions, in addition to the fact that most of the customers of these banks have also accounts at commercial banks to which the off-shore banks are related.

Table 25. Number of STRS sent by reporting entities

Reporting sector	2014		2015		2016		2017		Total 2009 -2018	
	Number of STRs	Number of reporting entities	Number of STRs	Number of reporting entities	Number of STRs	Number of reporting entities	Number of STRs	Number of reporting entities	Number of STRs	Number of reporting entities
Banks	220	12	229	11	250	11	263	12	1,535	14
Offshore banks	0	0	1	1	0	0	0	0	3	1
Insurance companies	3	1	0	0	0	0	0	0	4	2
Non-banking FIs	0	0	0	0	2	2	0	0	2	2
MVTS	39		41		79		205		437	

399. The computer programs specialized in detecting and analyzing suspicious transactions in most of the banks which were met, had a role in the increasing number of STRs referred to UTRF. Red flags generated from these programs and pertaining to high risk clients were given the priority in the analysis. It is worth noting that in one met bank a number of old red flags (not pertaining to high risk customers), that extend to many months had not undergone any analysis yet. Thereby indicating that additional resources should be allocated to monitor suspicious transactions by this bank.

400. Most STRs sent to UTRF were related to fraud, illicit trafficking in drugs and forgery crimes, while the number of STRs related to corruption, migrant smuggling and cybercrimes is limited, noting that the risks posed by these crimes are high in Morocco, which permitted to conclude that subjected entities did not have the required knowledge concerning the detection of suspicious transactions associated with these crimes. In this context, it is worth noted that the largest number of non-banking FIs which had been met, need more guidance and awareness raising from UTRF on case studies and methods for the detection of suspicious transactions.

401. Almost all the STRs related to TF which reached a number of (44) over the last ten years, were filed by banks and MVTs, while only one STR was filed by one insurance company, which is consist with TF risks of banks and money transfer sectors.

402. The quality of STRs received from banks was good, in general, while it was below standard from other FIs. the absence of feedback provided by UTRF regarding reporting suspicious transaction, as confirmed by all FIs which had been met, did not help these institutions in assessing the quality of their reporting and better understanding of the reporting requirements.

403. Banks which had been met, have procedures followed in case of suspicion requires the legitimacy of the transaction to be verified, and in case the suspicion is not dissipated, they shall report it to UTRF. It is worth noted the time interval between suspicion and reporting varied, according to the type of information required for verification. For instance, this interval might last longer in case the information was requested from correspondent banks or customers residing outside the country.

404. All the FIs which had been met were aware of the confidentiality and tipping off requirements. However, the assessors did not find evidence of practical measures in place to prevent tipping off at some met banks, and this is demonstrated by the fact that a number of these banks operate a policy that as soon as a suspicion is formed and a STR is filed, the automatic policy is to close the customer's account without waiting for UTRF decision which presents a risk of tipping off, moreover, the closure of the account and the withdrawal of suspicious funds by the customer may undermine UTRF ability to trace and freeze the criminal proceeds.

405. Statistical tables indicated that a clear weakness in the number of STRs filed to UTRF by the DNFBP sector, which actually reflected the weakness of supervision of this sector and the absence of minimum training programs on compliance with the AML/CFT law.

Table 26. Number of STRs sent by DNFBPs

Reporting entities	STRs number	Number of reporting entities
Casinos	5	1
Notaries	5	5
Accountants	1	1

Internal controls and legal/regulatory requirements impending implementation

406. All the FIs which were met, except for the exchange company, had an internal control unit, which was mandated, inter alia, to verify that the AML/CFT entities at the institution are complying with the required requirements, the most important of which being those related to due diligence measures, record-keeping and supervision of customers transactions. In addition, all the banks which had been met have an external auditor who annually makes a report on the compliance of these banks with the AML/CFT requirements.

407. The table below reflect the significant improvement of 63% in the number of AML/CFT units at banks over the last 3 years, which highlight the interest of bank in combating ML-TF. BAM on-site and off-site auditing of banks showed that they had internal control measures in place and had AML/CFT units. The officers in charge of the units at met banks, have a good experience in the banking and AML/CFT fields, and the concerned employees received training sessions that were consistent with their functions. It is worth noting, that the number of staff in the AML/CFT unit at a limited number of visited banks in comparison with the large number of customers and banking transactions was not sufficient to adequately ensure the proper implementation of preventive measures, despite the increase in staff number over last years. Therefore, the assessors believe that more resources should be allocated for these units.

Sector	2015	2016	2017
Banks	149	177	243
Money transfer companies	15	17	19
Brokerage companies	18	18	20
Insurance companies	14	14	15

408. The capital markets company and the exchange company which had been met, did not have an AML/CFT unit; in addition, the exchange company did not have internal control measures in place, while other FIs had control measures considered good in general. The training programs at some non-banking FIs which had been met, were consolidated for all employees and do not take into consideration the various functions and hierarchy of employees.

409. Foreign Banks and insurance companies operating in Morocco, which are part of international financial groups are audited by the parent company, to verify that they are properly applying AML/CFT procedures of the group. As to the local FIs within groups, they were subjected to the group policy. These reviews were effective in ensuring that FIs applied internal controls and procedures effectively.

410. None of the FIs which were related to the groups and had been met, have legal or procedural obligations, that might hinder the implementation of AML/CFT procedures or the sharing of information on notifications, unusual operations and names of customers between the FI and the group it belongs to.

411. Concerning DNFBPs, they did not have measures and internal control in place to ensure compliance with the required requirements. The most important of which being those related to due diligence measures, record-keeping and monitoring of customers transactions.

Overall conclusion on IO.4

412. Morocco is rated as having a Moderate level of effectiveness for IO.4.

Key Findings and Recommended Actions

Key Findings

- a) The licensing and registration controls applied by supervisors to FIs in Morocco can prevent criminals and their associates from entering the market, owning or controlling institutions or holding a senior management position. Fit and proper requirements are conducted for national and foreign owners and managers, except for the application of such measures by -ACAPS in respect to shareholders.
- b) The licensing and registration controls for casinos, certified accountant, lawyers, authenticators and notaries sufficiently assist in preventing criminals and their associates from entering the market, owning or controlling or being beneficial owner of these professions and businesses. However, the approval of licensing the casinos is lack of requesting the needed information of the owners.
- c) There are no authorities for licensing and registration regarding real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies.
- d) BAM and AMMC have a satisfactory understanding of ML/TF risks of their sectors. As for ACAPS and the exchange office, the identification of risks does not reflect a good understanding of sectorial risks. UTRF and MOJ as supervisory authorities on DNFBPs failed to identify and understand ML/TF risks of this sector.
- e) BAM and AMMC assess the level of compliance of their subjected entities as part of their inspection based on RBA, while ACAPS and the Exchange Office supervision is considered very simple. UTRF and MOJ did not conduct any kind of AML/CFT supervision due to their insufficient resources.
- f) Sanctions imposed by BAM and AMMC for non-compliance with AML/CFT obligations are not effective, proportionate and dissuasive. No other supervisory authorities have imposed any kind of financial or administrative sanctions for non-compliance with AML/CFT obligations.
- g) BAM supervision and follow-up improved the compliance level of subjected entities. However, the effect of measures and procedures taken by other supervisory authorities on AML/CFT compliance issues remain insufficient and limited.
- h) Efforts were made by FIs supervisors to promote the understanding of AML/CFT obligations. However, these efforts are not continuous and do not cover all aspects such as ML/TF trends and typologies. On the other hand, efforts made by UTRF and MOJ regarding DNFBPs are insufficient.

Recommended Actions

- a) ACAPS should expand its licensing and registration controls to cover shareholders of insurance and reinsurance companies.

- b) Moroccan authorities should set an authority to license and register; real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies.
- c) ACAPS and Exchange Office should build a comprehensive understanding of ML/TF risks of their sectors, by referring to the findings of the NRA and the practical expertise of supervisors.
- d) ACAPS and Exchange Office need to classify the ML/TF risks of FIs under their supervision and consequently adopt mechanism to apply RBA supervision.
- e) Supervisors should issue guidances for FIs and DNFBPs to promote a clear understanding of their AML/CFT requirements and the risks they are exposed to.
- f) Except BAM, supervisors should verify that FIs subjected to their supervision have a firm understanding of the AML/CFT requirements through engagement with subjected FIs on an on-going basis.
- g) supervisors should amend the provisions relating to sanctions so that they cover proportionate and dissuasive sanctions imposed on FIs and DNFBPs for non-compliance with the AML/CFT requirements.
- h) MOJ, MOI and the Association of Chartered Certified Accountants should establish the necessary mechanisms to ensure that there are licensing and registration controls that prevent criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function in any of professions or business subjected to their licensing and registration.
- i) Moroccan authorities should provide the necessary human and financial resources for UTRF and MOJ, to enable them to practice their role as regards AML/CFT supervision on DNFBPs.
- j) Instead of UTRF, Morocco should consider designating DNFBPs supervisory authorities based on their activity.

413. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.26-28 and R.34-35.

Immediate Outcome 3 (Supervision)

414. Supervisory and monitoring authorities of FIs in Morocco which carry out their AML/CFT supervisory functions, according to law No.43-05 are:

- BAM which is responsible for monitoring credit institutions and similar institutions.
- AMMC which is responsible for monitoring capital market companies and financial intermediary companies.
- ACAPS which is responsible for monitoring insurance entities and brokers.
- The Exchange Office which is responsible for monitoring currency exchange companies.
- UTRF which is responsible for monitoring; accountants, real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies, casinos or gambling institutions. while MOJ is monitoring lawyers,

authenticators and notaries. Both bodies have not carried out their supervisory role yet due to lack of financial and human resources.

415. Morocco has diverse financial and DNFBP sectors. The banking sector plays a predominant role in the financial sector while the DNFBPs represent no more than 2% of GDP. It became clear to the assessment team that BAM and AMMC are more effective than other financial supervisors while the AML/CFT supervision on DNFBPs is not activated.

Licensing, registration and controls preventing criminals and associates from entering the market Financial institutions

416. The licensing and registration controls applied by most supervisors in Morocco are able to prevent criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function. Fit and proper requirements are appropriately and properly conducted with regard to national and foreign owners and managers. In addition, supervisors in Morocco have clear measures to identify BO.

417. In order to prevent criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function in credit institutions, Moroccan law prevents any person from establishing, managing, directing or liquidating any institution, if he is irrevocably convicted under anti-terrorism or AML legislations, or if any of the crimes set out in the Commercial Law is committed or the provisions of the criminal law or the provision of law the credit institutions and similar bodies are breached.

418. There is a coordination mechanism between all supervisory authorities, in order to coordinate and exchange information between the relevant regulators, whether it is related to licensing procedures or registration, in view to prevent criminals from acquiring dominant or significant shares in the FIs. In addition, AMMC systematically request information related to licensing from the relevant regulatory authorities, regarding any transaction on transferring the ownership or dominant shares of FIs which are listed in the capital market.

419. BAM conduct fit and proper checks at the time of license application and periodically throughout the license period to ensure that the fit and proper criteria are always met. During the licensing process, criminal records from police are obtained. In case of foreign banks, BAM also obtains the opinion of home supervisors.

420. Accreditation is granted to credit institutions, microfinance associations, offshore banks and payment institutions (Article 34 of Law No. 12-103) by the governor of BAM, subsequent to a review by an accreditation committee which is formed of representatives from BAM and MOF which verifies, in the context of the accreditation procedure, the professional experience and the righteousness of the founders, participants in the capital, and members of the management, operation and administration bodies.

421. BAM considers this procedure as a condition to practice the banking business in Morocco and applies this procedure as well in the merging operations and in the acquisition of controlling interests, and in the event where the nature of the operations undertaken by the credit institutions changes.

422. The application for accreditation at BAM comprises many information and documents required for the purposes of including them in the accreditation request file, such as the type of the

accreditation applied for, the participants in the capital, the affiliation group, the governance regime, the risk measures, the strategic goals, the quinquennial business plan, including the prudential percentages and supervisory mechanisms, the external control, and the control of the parent company. In addition to a note that clarifies the system established by the institution to combat ML/TF.

423. In addition, BAM exchanges information with foreign supervisors as regards directors of banking institutions and applications for license, to verify that they meet all the conditions required, in particular the professional experience and righteousness. The presence of well-known reference shareholders is a primary and necessary condition in processing the applications for license.

424. BAM may object to the appointment of a person among the management, operation or administrative bodies of a credit institution, by virtue of a decision legally justified if it found that the said person did not fulfill the conditions of righteousness and not have the experience required for carrying out his functions.

425. As to ACAPS, it grants the license before engaging in the business and the applicant for the license submits all the documents set out in the insurance law. ACAPS may, with a justifying decision, object to the appointment of persons mandated to manage or operate an insurance and re-insurance companies, mainly if it considered that these persons did not fulfill the conditions of righteousness and competence and not have the experience required to carry out their functions. For this purpose, the insurance and re-insurance companies should submit to ACAPS, any change in the afore-mentioned persons.

426. The insurance and re-insurance companies send detailed personal resumes of the persons who were changed or appointed for the management or operation of the insurance and re-insurance companies or in the internal control and external auditing positions to ACAPS, such as the chairman of the board of directors, the general manager, the managing directors, the president of the collective board of directors and members of the collective board of directors who have the capacity of general manager.

427. Each founder, manager, administrative officer, director or liquidator of the insurance and re-insurance companies shall submit, before January 31 of each year, a copy of his criminal record not older than three (3) months or any equivalent document, and a declaration of honor attesting, that he was not subjected to any of the judgments or sanctions set out in article 227 of law No.17.99 of the insurance code.

428. The measures applied by ACAPS for obtaining the criminal records mentioned in the paragraphs above do not cover shareholders and are limited only to the categories set out above, the Authority provided documents by virtue of which it approved upon the change of shareholders however the procedures according to which the approval was granted were not indicated.

429. As to insurance agents and brokers, each person who wants to pass the insurance broker exam should submit a copy of the precedents card not older than three months or the declaration of honor.

430. Regarding AMMC, the fit and proper tests were the fundamental step for capital market entry and comprise the founders, shareholders and directors. The application for the license includes the

submittal of a file regarding the company capital and identities of the founders, and information on the integrity of the directors, members of the boards of directors or the managers.

431. Any changes in the ownership and control structure of the company required the approval of the AMMC, as is the case when merging or expanding the objects of the company.

432. In case a foreign person or a foreign capital applies for a license, many counterpart authorities will be referred to in the context of exchanging information on accrediting the licensing of foreign companies. In practice, no cases of new licenses entering the capital market were recorded over the last ten years.

433. As to the Exchange Office, the currency exchange companies are subject to procedures which are similar to those taken by BAM to verify fitness and properness where during the pre-licensing phase. The identity and good conduct of the owners and managers of company, who applied for the license to practice the Currency exchange activity, were verified by requiring their official documents, criminal and judicial records and their professional competence being also verified.

434. The legal file of the currency exchange companies includes; the list of shareholders, top managers and managers of the office with their signatures certified by the official responsible authorities; the criminal record of each one of them; copy of the ID card; Investigations when identifying the beneficial owner rely on the official documents delivered by the Trade register during the establishment of the company and the information provided by the local banks hosting the accounts of the currency exchange companies. The Exchange Office conducts field investigations in the vicinity of the company that applied for the license.

435. The Exchange Office requires these companies to inform it in advance of any change that might occur to these factors in order to decide on them, given than any neglect in this regard exposes the concerned currency exchange company to sanctions that might reach the withdrawal of the granted license.

436. The table below shows the number and causes of rejections made by the Exchange Office, for 2013-2015 knowing that the exchange office on 31 July 2015 decided to suspend issuance of new licenses for Currency exchange.

Table 28. Number of rejected applications for license by Exchange Office			
	2013	2014	2015
Number of rejected applications for the license	6	36	17
Cause of the rejection	Failure to fulfill the conditions set out in the terms of reference for the practice of the currency exchange activity		

437. The applications for the license which were rejected by the following supervisory and monitoring authorizes over the last years, are as indicated below:

- **BAM:** Over the past four years, BAM has rejected the approval upon a license application to practice the credit institution activities, due to the absence of an FI reference among shareholders. In addition, the data provided in the questionnaire accompanying the application for the license, was not sufficient and precise to verify the source of funds. Additionally, the experience of the shareholders and members of the senior management and operation bodies in the banking services was not up to the required level. (see below case study).

- **AMMC:** there is one case where the application was rejected in 2009, due to the existence of negative information on the applicant.
- **ACAPS:** no cases of rejection were recorded in the last years given the absence of doubts about the integrity of the persons who own or manage the insurance companies. The Authority has intervened and intercepted two share purchases by two companies subjected to its supervision, due to their failure to notify it of the selling operation.

Box 15: Case study On BAM licensing process

- BAM rejected an application for an accreditation license to establish a bank to practice its activities (at the financial pole in Casablanca), filed by a foreign natural person for two consecutive times in 2012 and in 2014.
- After BAM has examined the accreditation request file and sought more information from foreign counterpart supervisors, the analysis has concluded that there were doubts about the source of funds, which were supported by information provided by the counterpart supervisors.
- Based on the foregoing, the credit institutions committee decided to reject the application for accreditation, due to the absence of reference FIs among the shareholders and to the absence of sufficient safeguards to verify the source of funds.

DNFBPs

438. As to licensing, registration and controls preventing criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function, UTRF has no legal powers in this regard. These functions are the responsibility of specific supervisors, each within its competence. Therefore, the role of UTRF remains limited to the AML/CFT supervision.

439. MOJ undertakes the procedures of licensing and accreditation of lawyers, authenticators and notaries, where they are licensed after verifying their fitness and properness.

440. MOI also undertakes the licensing of casinos, where any employment, dismissal or resignation of any employee was reported, and the manager in charge should send an abstract of his criminal record and a certificate of good reputation not older than two months to DGSN, for employees before they assume their positions. On the other hand, these procedures are not applied to persons who have an interest in the casino as shareholders, partners and members of the board of directors.

441. Accountants are also subject to the conditions of registration and accreditation by the Association of Chartered Certified Accountants, through committees within the National Council of Chartered Accountants to study the registration file, where the applicant provided the committees with a judicial certificate stating that there were no previous judicial precedents against him, and accountants undergo professional exams. In addition to procedures to verify their integrity to prevent criminals from entering the market is observed.

442. MOJ, MOI, Association of Chartered Certified Accountants examined only the owners or managers of businesses and professions without examining and taking sufficient measures to identify

the BO, noting that the MOI did not take measures to verify the integrity of casino owners or shareholders or to obtain information on their security or criminal record.

443. Given the absence of a specific supervisor for licensing and registering of real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies, no adopted measures are found to prevent criminals and their associates from holding or being beneficial owner of a significant and controlling interest or holding a management function.

Supervisors' understanding and identification of ML/TF risks Financial institutions

444. Financial supervisors (BAM, ACAPS, AMMC and the Exchange Office) participated in the NRA process and they have also performed sectorial assessment for risks. Accordingly, BAM in its sectorial risk assessment identified the cash transactions and correspondent banking along with business relation with tax heavens and countries with high level of corruption as main ML/TF risks in the banking sector, while the AMMC identified the high volume of financial transactions as main ML/TF risk, as for ACAPS and the Exchange Office the identification of risks does not reflect a good understanding of sectorial risks .

445. BAM and AMMC have a satisfactory understanding of ML/TF risks in their sectors as they based on the assessment of the risks faced by each FI using a Risk Matrix Tool; SANEC for banking sector and Blue Suite for brokerage sector. The Risk Matrix Tool considers (i) the inherent risk (based on the size and nature of the customer base, sectors and activities and associated businesses), (ii) the internal controls (based on supervisory findings), (iii) the residual risk (based on the degree to which risks have been mitigated). This model seems to support targeted risk-based supervision for BAM and AMMC.

446. BAM held bilateral meetings with banks to conduct a self-assessment of risks and analyze the vulnerabilities, also BAM sought to mitigate the risks through the on-site and off-site supervision.

447. In supervising and focusing on risks and vulnerabilities, BAM relied on an internal system which was known as (SANEC), that helped score credit institutions. This system determined the consistency of supervisory operations, with the type of risks these institutions faced, and if necessary, it gave effect to appropriate preventive measures or remedial actions toward institutions, which had difficulties or had a ranking close to a specific limit.

448. The “due diligence” criterion was one of the assessment criteria in the credit institutions scoring system. Since 2012, this ranking relied upon 18 sub-criteria that comprised the following: regulation and management of the AML/CFT system, measures for the identification and ranking of customers, (reduced, regular and enhanced) due diligence measures applied, supervision and monitoring, mechanisms used in this context, the internal control system applied, STRs, record keeping and training and awareness sessions addressed to employees.

449. This assessment relied on a scoring system ranging from 1 to 5 ascending (where 1: represent the lowest risk, and 5 represent the highest risk) and the ranking reflects the level of legal and regulatory framework's compliance with the AML/CFT system. SANEC allowed the ranking of all banks, twice a year, and according to which tasks of on-site supervision were proposed. This scoring might be reconsidered if necessary, when there were changes that so require.

Table 29. SANEC Scoring Results															
Scoring level	1			2			3			4			5		
Sector	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Banks	2	3	4	8	7	11	3	5	1	4	4	3	2	-	-
Free zones banks	2	3	3	1	-	2	1	1	1	2	2	-	-	-	-
MVTS	-	-	-	-	-	2	4	6	6	1	2	-	2	-	-
Finance companies	-	-	-	24	25	27	2	2	1	2	1	-	-	-	--

450. ACAPS has assessed the ML/TF risks for the insurance sector under the NRA process. The assessment relied on general criteria related to combating ML, including the extent to which the texts and legislations of ACAPS were consistent with AML/CTF obligations, and the extent to which the insurance sector was ready to combat ML and TF, and the variables related to products. However, the assessment team was not provided with the risks based upon the findings of NRA.

451. ACAPS has established a risk map, that was based on two aspects, being the monitoring aspect as a vulnerability and the other aspect which was related to life insurance. The Authority detected a weak reporting of suspicious transactions and as a result, it held several awareness activities to address this vulnerability. The risk map didn't take in consideration the inherent risk (based on the size and nature of the customer base, sectors and activities of the Insurance, (ii) the internal controls (based on supervisory findings).

452. Therefore, ACAPS understanding and awareness of ML/TF risks remains incomplete and is limited only to life insurance and suspicious transactions reporting, while noting also that the ACAPS has not completed its organizational structures which are still under completion.

453. ACAPS is currently working side by side with and assisting the insurance sector in understanding its AML/CFT obligations. The phase of dividing the insurance and re-insurance companies and insurance brokers based upon the levels of risks is under completion, according to the type of subjected persons (insurance and re-insurance companies, insurance agent, ...), types of insurance practiced, type of products marketed, marketing channels, size of premiums issued and geographical region.

454. AMMC has adopted a methodology based on the risk analysis, many years ago, in order to monitor and rank companies according to their compliance with the legal and regulatory requirements. It has made significant efforts to automate the RBA through the (Blue Suite) electronic system, which was used to monitor ML/TF risks and to analyze the companies' level of compliance with the AML/CFT requirements.

455. The system primarily relied on many focal points to measure the companies risks, including the establishment of an internal control system, the establishment of AML/CFT policies, the ranking of ML risks, the effective implementation of the KYC process, and the preparation for the process of

monitoring unusual or complex transactions, in addition to the product and services, customers and geographical areas risks.

456. The foregoing reveals that AMMC has tools that enable it to measure ML/TF risks.

Years	High	Important	Moderate	Low
2015	10	14	11	13
2016	8	15	9	16
2017	5	10	10	23

457. On the other hand, the Exchange Office took into consideration the risks of large cash transactions, which were carried out without examining their link to ML/TF operations. The first draft of the NRA report reached several findings, the most significant of which being the identification of some high ML/TF risks associated with some transactions, which were carried out in a single transaction or divided into several transactions in order to evade the disclosure of the customer's identity.

458. The Exchange Office has also adopted simple and insufficient criteria to identify risks of currency exchange companies that basically rely on the number and amounts of transactions, as mentioned below. It is worth noting that the reliance of the Exchange Office on these criteria clearly indicates that this supervisory authority does not require subjected institutions to understand the identified risks they are exposed to:

Customer	Number of transactions completed in one month	Degree of risk
Occasional	1-3	Low
Regular	4-6	Moderate
	7-10	High

Amount / Frequency	1-5000 Dirhams	5001-30000 Dirhams	30001-60000 Dirhams
1-3	Low	Moderate	High
4-6	Moderate	High	Suspicious
7-10	High	Suspicious	Suspicious

	Degree of risk
The occasional customer who undertakes three (3) regular transactions at most, during the same month, for amounts less than 5.000 Dirhams per transaction;	Low
The occasional customer who undertakes three (3) regular transactions at most, during the same month, for amounts ranging from 5.000 Dirhams to 30.000 Dirhams per transaction; The regular customer who undertakes four (4) to six (6) usual transactions, during the same month, for amounts not over 5.000 Dirhams per transaction.	Moderate
The occasional customer who undertakes two significant transactions at most, during the same month, for amounts over 30.000 Dirhams per transaction; The regular customer who undertakes more than seven (7) transactions, regardless of the amount.	High

DNFBPs

459. In the context of the NRA process, risks posed by each sector were examined; once the national report is approved, an action plan would be adopted to take the appropriate risk mitigating measures. The NRA report would be the basis for supervision on which supervisors would rely. It is worth noted that UTRF is working on the establishment of a framework for supervision, that relies on the RBA. The IMF has provided technical assistance, that ended in 2013, on the supervision of DNFBPs.

460. As to other supervisors on DNFBPS, they have no understanding of their ML/TF risks that might be exposed to. In addition, their participation in the NRA process was limited.

Risk-Based Supervision of compliance with AML/CFT requirements

Financial institutions

Off-site inspection

461. All FIs supervisors undertook an off-site inspection of the entities subject to their supervision by using electronic software's, that enabled them to receive the required statements from FIs and to analyze and use them in proposing on-site inspection missions, particularly those held by BAM and AMMC. For the low risk banks which are not regularly visited by BAM, a questionnaire is sent to be filled by them, regarding any updates or new policies or procedures in AML/CFT Field. AMMC practices the same procedures in the brokerage sector.

On-site inspection

462. 42 on-site inspections were conducted during the five previous years (2012-2017) to assess the effectiveness of the AML/CFT system of institutions subjected to the BAM supervision. These operations were specifically addressed to institutions which were considered, over the last five years, as having a high or moderate level of risk according to the ranking system (SANEC). Some institutions ranked as high risk have been monitored 2 to 4 times during the same period. The table below indicates the number of credit institutions which were monitored by BAM according to RBA.

Table 34. Number of of AML/CFT examiners at the supervisory and monitoring authorities					
The supervisory and monitoring authority	Number of AML/CFT examiners at the supervisory and monitoring authorities				
	2014	2015	2016	2017	2018
BAM	41	43	46	44	NA
AMMC	NA	26	29	39	13
ACAPS	NA	21	23	23	30
Exchange Office	43	41	38	38	39
UTRF	NA	NA	NA	NA	NA

Table 35. Number of on-site AML/CFT inspections conducted by BAM	
Year	On-site AML/CFT inspections
2012	6
2013	4
2014	8
2015	7
2016	8
2017	9
Total	42

463. In late 2015, BAM established a function mandated to trace risks related to the “financial safety” of credit institutions, and its targets included: the provision of specialized expertise to contribute to the assessment of the AML/CFT systems, monitoring of relationships with UTRF in Morocco, practices associated with AML/CFT and the relationships with competent international authorities in this regard.

464. Since its establishment and in addition to its contribution to the off-site and on-site supervisory operations of credit institutions, this function has undertaken the following works:

- Effective participation in the periodical reviews of the credit institutions due diligence obligations;
- Providing consultations for credit institutions on AML/CFT;
- Holding meetings with banks and UTRF to study the ways to improve the exchange of information between both parties;
- Organizing several training and awareness workshops.

465. AMMC has witnessed a substantial change in its legal status over the last two years, through its transformation to an independent public authority with wide powers, in the fields of supervision and monitoring of violations committed, by the dealers in the capital markets.

466. AMMC has a risk matrix linked to an electronic software, where information received by AMMC is uploaded, through the periodical questionnaires. Such questionnaire contains information on the structure of the compliance function, internal control and efficiency of monitoring and reporting suspicious transactions, the knowledge of employees about the AML/CFT system, the sanctions for non-compliance, in addition to the periodical regulatory reports where the size of the institution and the number of customers.

467. The table below indicates the number of inspection missions conducted by AMMC (stock exchange companies and account holders) based on Bluesuit software from 2014 to 2017.

Table 36. Number of inspection rounds conducted by AMMC			
	2015	2016	2017
Total inspections	19	13	12
Number of inspections made according to the BLUESUIT	10 high-risk companies	8 high-risk companies	5 high-risk companies

468. A timeline for the inspection missions was established based on the ranking of risks above, where high-risk companies were prioritized, followed by those ranked as important risk, and finally by those ranked as moderate and low risk. High and important risk companies are subject to more frequent visits than the moderate and low risk companies, where the first category of companies was visited once a year, in comparison with the companies of the second category which are visited once every two years and more.

469. The ML/TF risk supervision, conducted by ACAPS, is under the general supervision, where compliance with the requirements of AML/CFT law is one of the points that are being monitored in general.

470. In 2016, ACAPS has changed into an independent authority, and a new organizational structure was adopted, which created a special AML/CFT function under the permanent supervision department and the insurance control directorate. This new function monitors the insurance and re-

insurance companies and insurance brokers for compliance with the requirements of the AML/CFT law No.43-05. The assessment team was not provided with any statistics on on-site AML/CFT inspections.

471. The off-site inspections conducted by the Exchange Office, was reflected in the daily monitoring of the detailed reports, related to the currency exchange operations, which were carried out by the exchange companies directly linked with the computer system of the Exchange Office. This link enables the Office to follow-up all transactions, including those suspected of violating the exchange law, or which do not comply with the AML/CFT law.

472. The Office also organizes inspection visits according to an approach relying on the risk map and which is mainly based on the following focal points:

- Not registering the sale and purchase of currency
- Illegal sale of currency
- Dividing the purchase of foreign currency into several operations in order to avoid the disclosure of the customer's identity
- Not complying with the requirements mentioned in the terms of reference for the currency exchange companies.

Table 37. Number of inspection missions conducted by the Exchange Office

	2014	2015	2016	2017
Exchange offices which were monitored	260	213	283	304
Cases settled through reconciliation	58	31	33	35
Cases which underwent a judicial follow-up	2	-	-	4

DNFBPs

473. UTRF and MOJ have not conducted any on-site inspection missions, and no procedures were implemented, regarding off-site or on-site inspection. The legal department at UTRF was mandated to execute this requirement, but the human resources are insufficient, given that only three employees are in charge of this task. Also, the team was not provided with any action plan related to conducting inspection missions. Furthermore, the adoption of the RBA by UTRF is still under development based on a technical assistance received from the IMF in 2013.

Remedial actions and effective, proportionate, and dissuasive sanctions

Financial Institutions:

474. Financial supervisors have the necessary powers to impose sanctions on the institutions subjected to their supervision, whether financial or administrative and which may reach the penalty of withdrawing the accreditation. However, the administrative sanctions are imposed by virtue of special laws, given that the AML/CFT law did not set out any type of these administrative sanctions and the level of giving effect to these sanctions varied among such authorities, particularly that the departments, within AMMC and ACAPS, concerned with supervising the insurance sector and the securities sector have been recently created.

475. BAM and AMMC have imposed sanctions to the FIs subjected to their supervision for the violations of AML/CFT obligations, but these sanctions are not effective, dissuasive and proportionate, while ACAPS and the Exchange Office didn't impose any sanctions for the violations of AML/CFT obligations.

476. Also, BAM has, from 2015 to 2018, imposed disciplinary sanctions which were financial and administrative sanctions, for non-compliance with the legal and regulatory AML/CFT rules. However, the number and size of these sanctions were low compared to the size of the sector and amount of its operations.

Table 38. Administrative sanctions applied by BAM for 2015-2017				
Year	Institution	Nature of sanctions	Field	References
2015	A	Administrative sanction "Warning"	Review some criteria adopted based on the risk map	Article 88 of law No.103.12 on credit institutions and similar bodies
	C	Administrative sanction "issuance of an order"	Update the criminal procedures handbook	Article 86 of law No.103.12 on credit institutions and similar bodies
2016	D	Administrative sanction "issuance of an order"	Update the criminal procedures handbook	Article 86 of law No.103.12 on credit institutions and similar bodies
2017	J	Administrative sanction "issuance of an order"	Increase human resources of the AML/CFT unit	Article 86 of law No.103.12 on credit institutions and similar bodies
	K	Administrative sanction "issuance of an order"	Develop some criteria adopted based on the risk map	Article 86 of law No.103.12 on credit institutions and similar bodies

Table 39. Financial sanctions imposed by BAM					
Year	Institution	Nature of sanctions	Value of sanction (MAD)	Field	References
2015	B	Financial sanction	200.000	Develop the information system to monitor the transactions	Financial sanctions were based on article 28 of the AML law No.43.05
2016	E	Financial sanction, with "issuance of an order"	300.000	Update the procedures handbook	Financial sanctions were based on article 28 of the AML law No.43.05
	F	Financial sanction, with "issuance of an order"	300.000	Update the procedures handbook	Financial sanctions were based on article 28 of the AML law No.43.05
	G	Financial sanction, with "issuance of an order"	500.000	Develop some criteria adopted based on the risk map	Financial sanctions were based on article 28 of the AML law No.43.05 Article 86 of law No.103.12 on credit institutions and similar bodies
2017	H	Financial sanction	200.000	Develop the information system to monitor the transactions	Financial sanctions were based on article 28 of the AML law No.43.05
	I	Financial sanction with issuance of an order	200.000	RBA	Financial sanctions were based on article 28 of the AML law No.43.05 Article 88 of law No.103.12 on credit institutions and similar bodies

	A	Financial sanction	300.000	Enhance detection, monitor and report suspicious transactions	Financial sanctions were based on article 28 of the AML law No.43.05
2018	L	Financial sanction	100.000	Develop the information system to monitor the transactions	Article 173 of law No.103.12 on credit institutions and similar bodies

477. The tables above show that the sanctions imposed by BAM ranged from (MAD100.000 to 500.000, almost USD 10,000 to 50,000) and they are not considered effective, dissuasive and proportionate, namely for the banking sector.

478. ACAPS has provided the assessment team with a sanction list represented in 20 warnings, 54 remedial actions and 13 reproaches imposed on insurance brokers and agents, based on the requirements of articles 278 and 279 of the insurance law but not related to AML Law.

479. In May 2017, AMMC issued a new procedure for disciplinary sanctions aimed at separating the power to endorse and implement the sanction from the power to study the facts, which had become within the remit of the disciplinary board, presided by a judge, where the president of the AMMC took the proposal of the board before referring the case to the competent judicial authority. AMMC provided the assessment team with the sanctions indicated in the following table and which are not effective, dissuasive and proportionate.

Table 40. of sanctions imposed by the AMMC	
Type of violation detected	Sanction imposed
Non-compliance of the AML/CFT procedures with the provisions of the Authority's circular	Financial sanction amounting to 40.000 MAD
Cases of incomprehensive use of the data collected from customers questionnaires	Warning
Incomplete customers files	Warning
Lack of some customers files Lack of the questionnaire about due diligence Failure to formalize the relationship with customers	Financial sanction amounting to 40.000 MAD

480. The Exchange Office practices its right to impose sanctions by issuing administrative sanctions (suspension or withdrawal of the license to practice), financial sanctions through the payment of fines in the context of reconciliations. In addition to the judicial follow up process.

481. The number and size of sanctions imposed by the Exchange Office, and which varied between administrative sanctions and financial penalties from 2014 to 2017 are related to violation Exchange Office Law.

DNFBPs:

482. Given that UTRF and MOJ have not carried out any on-site or off-site inspections in the context of the AML/CFT supervision of DNFBPs, no violations causing any type of sanctions or remedial actions to be imposed against DNFBPs were detected.

Impact of supervisory actions on compliance

Financial Institutions:

483. It was difficult to assess the improvement witnessed by banks, MVTs, micro finance companies with regard to their internal controls, especially given the fact that sanctions are considered neither

dissuasive nor proportionate. However, the improvement in the number and the quality of submitted STRs by banks and MVTS along with their proper implementation of CDD measures commensurate with the level of risks (see IO.4), is a good indicator that actions taken by BAM have a positive effect on these entities level of compliance and awareness.

484. There are action plans in place to pursue the remedial actions which includes; on-going follow-up of risks and vulnerabilities related to combating ML/TF by the board of directors of the institution; updating or replacing the operation tracing systems, redrafting procedures and measures; promoting training and awareness activities; enhancing the mechanisms for the detection and reporting of suspicious transactions.

485. Despite the efforts made by AMMC, the supervision system entered in force in 2017 still needs more time to demonstrate its effectiveness. Also, the sanctions were not originally imposed for non-compliance with the AML/CFT requirements.

486. Likewise, ACAPS has taken measures and developed procedures. However, ACAPS is still in the process of establishing its monitoring system to fully comply with AML/CFT requirements.

487. The exchange office has imposed sanctions, and taken measures by issuing circulars and guidelines, and organizing awareness workshops. However, as these sanctions are not related to ML/TF violations, the assessment team expressed its concerns on the sufficient impact of the office actions on the compliance level.

DNFBPs

488. The limited actions and measures taken by the supervisory authorities on DNFBPs to effectively comply with AML/CFT requirements, and absence of sanctions in this regard, led the assessment team to express its concerns regarding the impact on the compliance and the poor compliance culture of DNFBPs.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

Financial institutions:

BAM

489. BAM has organized several training workshops and sessions for FIs to address the supervisory obligations related to combating ML/TF. BAM also has regularly communicated with FIs by providing consultations, to give effect to the regulatory AML/CFT measures.

490. BAM also held bilateral meetings with the compliance officers at banks in order to conduct a self-assessment of risks and to analyze the vulnerabilities in the ML/TF field. These workshops and meetings were recently organized and conducted in 2017 and need to be held on a continuous and on-going basis in the future.

491. There is no guidelines issued by BAM on the AML/CFT obligations, or reports on ML/TF trends and typologies which would help FIs to better understand their AML/CFT obligations.

ACAPS

492. ACAPS has organized training workshops and seminars for insurance sector, aiming at introducing the obligations of the sector and the role of ACAPS in AML/CFT field. It also held outreach meetings with some insurance and re-insurance companies, during the first quarter of 2017,

with the purpose of clarifying the AML/CFT law. ACAPS has sent letters to the National Federation of Insurance Agents and Brokers in Morocco and the Moroccan Union of Agents and Brokers to urge insurance brokers to comply with the requirements of the AML/CFT law. On this note, issued a handbook that explained the internal due diligence measures to assist insurance brokers in understanding their AML/CFT obligations.

493. There are no reports issued by ACAPS on ML/TF trends and typologies which would help insurance sector to better understand their AML/CFT obligations.

AMMC

494. AMMC establishes outreach by regularly organizing meetings with subjected entities. In 2016, it held 5 meetings where several topics were discussed, including governance and development of regulatory texts for the market activities. It also held 22 meetings with Casablanca Stock Exchange where it discussed topics related to the activity of the AMMC. It has also submitted a minute of a meeting that brought together the Authority and the professional association and addressed several topics, including those related to the NRA process.

495. AMMC participates in seminars and conferences to which it is invited. In addition, it receives and replies to several questions from subjected entities. However, the nature and type of this outreach are not relating to AML/CTF.

Exchange Office

496. In 2016 the Exchange Office organized 13 AML/CFT training sessions, for more than 626 participants. On the other hand, the Exchange Office organized several meetings for the purpose of regulating and developing the AML activities. The Exchange Office issued a guidance to the currency exchange companies which includes two chapters; the first being on the basic concepts and the regulatory framework of currency exchange companies in the AML/CFT field and the second on the internal measures and the implementation of the RBA. Noting that the office did not take the NRA into consideration.

DNFBPs

497. The outreach of UTRF to the categories of DNFBPs subjected to its supervision was reflected in the issuance of a guiding note, inspired by the best practices and it contained practical guidance and indicators to manage and mitigate identified risks. Since UTRF establishment in 2009, it has organized several training sessions and awareness campaigns for the sectors placed under its supervision, whether in the context of national cooperation with national administrations and supervisory and monitoring authorities or in the context of technical assistance.

498. Therefore, the outreach between UTRF and the categories subjected to its supervision, was not sufficient. Noting that the MOJ didn't organize any training or outreach sessions with lawyers, authenticators and notaries about their AML/CFT obligations.

Overall conclusion on IO.3

499. **Morocco is rated as having a Moderate level of effectiveness for IO.3.**

Key Findings and Recommended Actions

Key Findings

- a) CRC keeps the information related to the creation and types of legal persons in Morocco, but this information is not available to the public.
- b) Basic information on all types of legal persons in Morocco can be easily obtained from the electronic portal, which has been established recently by CRC, however, this information is not kept updated.
- c) The process used to identify BO of legal persons is deficient. The commercial databases do not contain BO information to be accessed in a timely manner by the competent authorities.
- d) Authorities in Morocco did not make any sectorial assessment to identify, assess and understand the vulnerabilities and the extent to which legal persons created in Morocco can be or are being misused for ML/TF, accordingly no measures have been implemented by Morocco to prevent the misuse of legal persons for ML/TF purposes.
- e) Morocco doesn't have legal arrangements, but the endowment (Waqaf) is considered as similar legal arrangement, where MEIA applies effective measures to prevent the misuse of endowment in ML/TF activities by monitoring the development and enhancement of endowment revenues with the aim of disbursing them for charity and good deeds.
- f) There is absence of a specific body concerned with registration of self-contractors. Some are registered in the Commercial Registry and others in the National Registry of the Self-Contractor which is held by Morocco Post. The extent to which this information on this type of companies is available and provided to the public remains unclear.
- g) Moroccan authorities did not impose any sanctions on legal persons, as a result of non-compliance with submitting accurate and current information on the registered legal persons.

Recommended Actions

- a) Morocco should develop the electronic portal and website of CRC to include the information on the creation and types of all legal persons and ensure its availability to the public.
- b) Morocco should undertake an assessment to identify, assess and understand the vulnerabilities of all types of legal persons, including the companies created in free zones, and the extent to which the legal persons can be or are being misused in ML /TF purposes in order to implement measures to prevent the misuse of legal persons.
- c) Morocco should implement clear and accurate measures to determine the identity of the BO of a legal person and make the related information available to the competent authorities in timely manner.
- d) Morocco should establish and give effect to sanctions for the failure to comply with submitting accurate and current information on the registered legal persons.
- e) Morocco should raise awareness and provide training to CRC staff and provide them with indicators and methods through which legal persons can be misused in ML/TF operations.

500. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24 - 25.

Immediate Outcome 5 (Legal persons and arrangements)

Public availability of information on the creation and types of legal persons and arrangements

501. CRC holds all information on natural and legal persons, who are engaged in activities of a commercial nature or which had a commercial structure in Morocco and disseminates necessary information on the legal persons through electronic portal (BAROMETRE OMPIC) and website (DIRECT INFO). CRC keeps the information related to the creation and types of legal persons in Morocco, but this information is not available to the public.

502. It should be noted that the self-contractors²⁰ are registered in a special register called "National Registry of the Self-Contractors", which is different from the "Commercial Register". Morocco Post (Poste du Maroc) holds the National Registry of the Self-Contractors on behalf of the State by virtue of Law 13-14. Morocco Post has delegated some operations related to the National Registry of the Self-Contractors, such as the application for registration and the delivery of cards to the self-contractors, to some banks. But the extent to which information on the creation of this type of companies and its public availability is still unclear.

503. It is worth noted that an agreement was signed between the MOJ and the Moroccan Office for Commercial and Industrial Property, which enabled the public and the economic actors to obtain, free of charge, reliable and current information on companies.

Identification, assessment and understanding ML/TF risks and vulnerabilities of legal entities created in the country

504. The NRA report has not been adopted yet, it tackled vulnerabilities related to the creation and domiciliation of companies in a descriptive manner without going into quantitative details and information, to build a clear understanding of Moroccan authorities, on how to exploit companies in ML/TF operations. The Moroccan authorities have not provided any assessment studies for legal entities, even if sectorial. Also, the NRA did not cover the endowment in examining the risks.

505. There are 7 free trade zones in Morocco and most of the non-residing banks are located in Tangier free zone. The free zones are supervised by an inter-agency committee presided by MOF. Goods manufactured in these zones with the aim of exporting them are exempted from customs duties. According to the UTRF, there is a suspicion of exploiting the free zones (more specifically, Tangier) in ML schemes. The risks identified in these zones are related to cash smuggling and spread of shell companies to cover financial transactions not related to real business.

Mitigating measures to prevent the misuse of legal persons and arrangements

506. Morocco did not implement measures to prevent the misuse of legal persons and arrangements for ML/TF purposes on the basis of the results of the NRA, or sectorial studies.

²⁰ The self-contractor means, "any independent person who individually engages in an industrial, commercial or professional activity or provides services";

507. Morocco did not implement any measures to enhance the supervision and monitoring of companies created in the free zones of Tangier and Casablanca which have tax and customs privileges, and verifying that they are practicing their activities, through on-site visits by specialized teams, while focusing that banks are monitoring these companies accounts and reporting any relevant suspicious cases, given that they are considered as high risk.

508. There is no consolidated central register for the registration of the self-contractors, and how to monitor this type of companies by the Post, which is considered the concerned authority to handle the self-contractor of the national register on behalf of the country.

509. However, despite the absence of legal arrangements in Morocco, BAM took into account the possibility that banks may deal with foreign legal arrangements; as such, it has ranked the foreign legal arrangements which engage in business relationships with Moroccan Banks as high-risk entities that require the implementation of enhanced due diligence measures, and in particular, obtaining the permission of the general administration before entering into business relationships with them.. The classification was based on their non- presence in Morocco, in addition to the difficulty of identifying the real beneficiaries.

510. On the other hand, since the Waqf is considered as a similar legal arrangement, Ministry of Islamic Affairs and Waqf has indicated that the consideration of Waqf affairs is one of the King powers. Waqf in its all operations, financial system and controls is subject to special legislative texts. The Ministry of Islamic Affairs and Waqf oversees the collection its revenues and the disbursement of its expenses. The Waqf activities are limited to the provision of housing units and agricultural lands to small farmers, and therefore does not represent an attractive destination, which can be exploited in ML or TF operations.

511. Moroccan authorities did not provide any information on ML and TF- STRs, related to the misuse of legal persons and arrangements, investigations, prosecutions or convictions of legal persons or arrangements.

Timely access to adequate, accurate and current basic and BO information on legal persons created in the country

512. CRC provides to the public basic information on legal persons, none of which is related to beneficial owner. The officials that were interviewed said that the Moroccan legislator considers that the founders and shareholders who apply for the incorporation of any type of legal person are the beneficial owners. The procedures to access basic information on the beneficial owner of legal persons in Morocco does not exist. Therefore, its sufficiency, accuracy and dissemination to the public and to the institutions, non-financial businesses and professions and LEAs cannot be judged.

513. when a suspicion of ML operations had been reported to the First court, a letter was immediately addressed to NSJP to collect all the financial and non-financial information, including information on companies and shareholders, and information held by the central register. However, the information which would be obtained will lack the BO information, given its absence, originally, at CRC. There are no case studies where information on BO of legal persons held by FIs is requested by LEAs (whether the Royal Prosecutor or NSJP).

514. BO information was not identified, verified or accessed in a timely manner; there was no complete awareness of the BO concept and there were no guidelines or guidance on the BO concept.

Timely access to adequate, accurate and current basic and BO information on legal arrangements

515. The Moroccan civil law does not recognize legal structures such as express trust funds or equivalent legal structures, which might limit the transparency in terms of identifying the identity of the BO. However, despite the absence of legal arrangements in Morocco.

516. The possibility to access information of these funds is under the jurisdiction of the Royal Prosecutor, while there are no cases involving requesting information about beneficial owner of legal arrangements, because the BO concept among the LEAs is limited to owners or shareholders of the legal arrangement.

Effectiveness, proportionality and dissuasiveness of sanctions

517. According to the foregoing, CRC does not have a unit specialized in supervising and monitoring companies which were created. But an external auditor was rather relied upon, particularly in shareholding companies, and their work consists of verifying and publishing the financial data and to ensure distribution of the profits among the shareholders.

518. Accordingly, the Moroccan authorities did not provide any information on violations related to the provision of information or accuracy of information on violations of the company's law or on cases where sanctions were applied against FIs for failure to provide the appropriate information on legal persons. The team was not provided with cases where sanctions were applied against FIs for failure to collect the appropriate information on foreign legal arrangements; therefore, this aspect is not given effect by Moroccan authorities yet.

Overall conclusion on IO.5

519. Morocco is rated as having a Low level of effectiveness for IO.5.

Key Findings and Recommended Actions

Key Findings

- a) MOJ can and does respond to the incoming requests for MLA, but there is delay in some requests.
- b) Even though Morocco has a legal framework to issue MLA requests related to ML/TF or predicate offences, there is a lack of engagement by the investigation judges to use the international cooperation tools in such offenses.
- c) Absence of outgoing extradition requests related to ML/TF and predicate offences.
- d) There is a clear development of other forms of international cooperation in terms of exchanging ML/TF information whether at the level of the UTRF, supervisory authorities or NSJP.
- e) Morocco gives priority to terrorism and its financing in terms of international requests, through the juridical police and UTRF and also intelligence cooperation.
- f) Absence of case management systems limits the ability of Moroccan authorities to effectively provide international cooperation and to prioritize those requests.
- g) Limited international exchange of BO information on legal persons and arrangements.
- h) Inability to provide a statistic on the types of crimes regarding which information was accurately and clearly exchanged through legal assistance and extradition and the contradictory statistics on the cooperation by competent authorities.

Recommended Actions

- a) Moroccan authorities should enhance international cooperation by increasing and improving requests for MLA and extradition in order to support LEAs investigations.
- b) MOJ should, in coordination with relevant authorities, establish a case management system to provide alerts and reminders to speed-up responses and to adequately prioritize MLA requests.
- c) Moroccan authorities should continue to promote and develop other forms of international cooperation by engaging all relevant authorities in international cooperation process.
- d) Morocco should raise awareness and promote training to encourage stakeholders to properly execute and send MLA and extradition requests.
- e) Morocco should implement the recommended action regarding beneficial owner information (refer to chapter 7 on IO 5) to ensure adequate information is provided to requesting countries to determine the identity of the beneficial owner of a legal person.
- f) Morocco should enhance human resources and allocate them within the entities in charge of international cooperation.
- g) Morocco should keep and maintain accurate statistics on MLA & international co-operation (including details on the type of assistance provided, time spent on a request, number of pending, refused or withdrawn requests), and consider having a plan that comprises the promotion of keeping records and the use of technological tool to this end.

520. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40.

Immediate Outcome 2 (International Co-operation)

521. Morocco has the legal basis to respond to the MLA and extradition requests. International cooperation is considered as an important subject taking into consideration the context and reality of Morocco at the political, economic and geographical levels. Morocco contributes to the regional and international efforts exerted to combat some important crimes, such as terrorism and its financing (as a priority), illicit drug trafficking, migrant smuggling and other crimes that threaten the international financial system. This was clearly demonstrated by using other forms of cooperation, through NSJP, the Public Prosecution and the UTRF.

522. MOJ is the central authority entrusted with the responsibility of coordinating international cooperation requests such as rogatory letters (the term “rogatory letters” is the synonym of MLA used by Moroccan authorities) or extradition. The execution is entrusted to the public prosecution.

523. Since October 2017, the Public Prosecution was separated from MOJ. As a result, the Public Prosecution has a specialized department in international judicial cooperation, which has the powers related to MLA and extradition. At the end of the onsite, this department was not yet entrusted to implement international cooperation, instead MOJ is still the competent body of dealing with such requests.

524. Competent authorities have used international cooperation, including NSJP through the Interpol Office. The cooperation, through this Office took place almost daily. Supervisors, including BAM, AMMC, and UTRF, have used these forms of cooperation, thereby benefiting from MOUs and their membership to international organizations. Competent authorities rely on other forms of cooperation more than the MLA, particularly with neighboring countries.

Providing constructive and timely MLA and extradition

525. Morocco has the legal basis to respond to the MLA and extradition requests. The MOJ– the Criminal Affairs and Amnesty Office – follow up the international judicial cooperation requests it received in official ways, through MOFA. These requests are divided into three main parts, being respectively, the rogatory letters, the extradition requests and the official complaints.

526. The arrangements made by competent authorities in the international cooperation field with other countries are represented in bilateral, regional and multilateral agreements, MOUs and to the principle of reciprocity. According to the Moroccan legislation, in article (716) of the Penal Procedure Code, the agreements ratified by Morocco are given a priority, which was also confirmed by the Constitution. In the absence of agreements, other principles were referred to, such as the rules of reciprocity and courtesy.

527. Statistics provided by Moroccan authorities indicated that international cooperation channels are used through MLA, extradition and official complaints, during 2015-2017, according to the following table:

	ML				TF		
	2015	2016	2017	Total	2015	2016	2017
Incoming MLA	67	61	43	171	0	1	1
Incoming Extradition requests	1	2	5	8	0	0	2
Incoming Official complaints	3	1	1	5	0	0	0

528. Based on the above table, the following is noticed:

- **MLA/ML:** 109 MLAs were executed, 6 partly executed and 56 under completion. It was observed that there was a fluctuation in the required duration for execution these letters. The length for responding to the requests varies from a case to another. However, the average of processing such requests, according to the sample of requests during 2015-2016, is around 6 months. Most requests are received neighboring countries in cases of ML and associated crimes such as drug trafficking, which seems to be consistent with Morocco risk profile.
- **Incoming ML extradition requests:** 5 extradition requests were executed, 1 is under completion and 2 were rejected. The nationality was the ground for rejection in both cases, and these cases were pursued in Morocco.
- Morocco has received 5 official complaints from France and Netherlands related to money laundering. These complaints were processed within an average of less than one month.
- **MLA /TF:** the table shows very limited international cooperation related to TF cases.

Predicate offenses

529. Despite the absence of statistics on the forms of international judicial cooperation on predicate offenses, the assessment team reviewed a sample of requests, and noticed that the predicate offences were related to drug trafficking, terrorism crimes, forgery and theft crimes. These offences are consistent with the country risk profile.

530. The main reasons for rejecting the requests were related to the nationality. At the same time, when a request is rejected, Moroccan authorities send a letter to the requesting country on the possibility of sending an official complaint regarding the persons involved, in order to enforce the law against them and domestically prosecute them. The assessment team did not obtain accurate statistics on how well the requesting countries were responding to this procedure or on the conduct of a local investigation with the suspects in Morocco.

531. During the period 2015-2017, France was ranked as a first country requesting MLA by (26%), followed by Netherlands by (19%), Belgium by (16%), Spain by (13%) later Turkey by (6%), and Algeria by (3%). This ranking reflects that Moroccan authorities are cooperating with surrounding countries in consistency with the risk profile.

532. The responses to the questionnaire on the effectiveness of international cooperation show the following:

- a delay in the responses to the requests for international cooperation,
- pending (unanswered) requests. one of which has been pending for more than one year and a half and is related to confiscation of funds.
- response of the Public Prosecution to requests was better than the Moroccan police agency.
- negative comments on the sufficiency and comprehension of the information submitted.

533. Moroccan authorities do not have a case management system and mechanisms to prioritize and execute international cooperation requests, and to allow cases to be monitored from creation to closure, and afterwards.

Box 16: MLA case with Italian authorities during 2016

- MOJ received MLA issued by the deputy Public Prosecutor of the Republic of Italy at the court of Milan, dated 23 September 2016, against a group of persons, for a case relating to ML and TF.
- The investigation showed that many communications were detected between persons of various nationalities, including Libyans, Moroccans, Egyptians and Syrians, whom undertook several money transfers through the remittance system, and the suspects included a Moroccan national who was the coordination point of the network, the main member of a political organization, worked in Casablanca and assisted by a group of persons, one of them was a resident in Italy and was the owner of an Italian company, in addition to a third person who acted as cash courier between Turin and Milan.
- In order to obtain more evidence, Italian authorities sought from their Moroccan counterparts information on the identity of all the suspects and their precedents records, the positions and activities they were engaged in, the financial means they have, the identity of the users of the telephone numbers registered in the name of the mentioned persons or other persons who are related to the case.

Box 17: Execution of the MLA

- MOJ referred the MLA to the Royal Public Prosecutor at the Rabat Court of Appeal (the court specialized in cases of terrorism)
- After examining and verifying that the letter fulfilled all the conditions set out in the agreement on the mutual judicial cooperation, execution of court judgments and extradition which was entered into between Morocco and the Republic of Italy in Rome, on 12 February 1971. The Royal Prosecutor referred the rogatory letter to NSJP in order to conduct the necessary inquiries and investigations in the matter.
- After conducting the necessary inquiries, NSJP prepared a report on the matter and enclosed it with the minutes it made, along with the necessary documents, and referred them to the Royal Public Prosecutor at the Rabat Court of Appeal.
- After examining the minutes prepared and verified that they were consistent with the required tasks, the Royal Public Prosecutor at the Rabat Court of Appeal referred the minutes to MOJ/the Criminal Affairs and Amnesty Directorate.
- The Criminal Affairs and Amnesty Directorate, in turn, referred the MLA and the minutes to the Italian judicial authorities through diplomatic ways and the case was dismissed.

Box 18: Case of extraditing a French national (Algerian origin) to Algerian authorities

- On 01 February 2017, the Royal Prosecutor at the Marrakesh Court of First Instance issued an order to temporarily arrest the French national of Algerian origin according to the procedure of extradition, in implementation of the international order of search and arrest issued against him by Algerian authorities, on a case related to bribery and abuse of power and ML in the context of a transnational organized crime band
- On 28 February 2017, this Ministry received the original official documents of the request for the extradition of the concerned person and they were forwarded to the Royal Public Prosecutor with a view to present them to the criminal chamber at the Court of Cassation to give its point of view on the subject.
- On 05 April 2017, the criminal chamber at the Court of Cassation issued a decision to state the opinion on approving the request for the extradition of the concerned person to the Algerian judicial authorities.
- On 19 June 2017, decree No.274.17.2 on approving the extradition of the French national of Algerian origin to the Algerian government was issued and a copy of which was sent to the Director General of National Security for implementation.
- On 01 August 2017, the concerned person was extradited to the Algerian authorities.

534. The above boxes show that Morocco is able to cooperate with international counterparts to obtain proper evidence to be used to ensure conviction in predicate offences and facilitate counterparts' operations to combat such offences. Additionally, by examining a sample of international cooperation cases executed by Moroccan authorities, it is noted that priority is given to high risk offences threatening Morocco such terrorism and its financing, and corruption.

535. A Royal Decree was issued in 2011 regarding asset recovery. Moroccan authorities indicated a case where a court of cassation issued a judicial order to recover assets. After that the concerned person submitted request to OHCHR in UN. As result, the case was suspended till the decision is taken by the UN.

536. There is cooperation between the competent authorities on requests for MLA and extradition, but cooperation still varies in terms of quality and speed from one authority to another for structural reasons or due to limited resources, including human resources, and lack of training and raising awareness.

Seeking timely legal assistance to pursue domestic ML, associated predicate and TF cases with transnational elements

537. Despite the existence of legal basis for MLA requests, initiatives taken by Moroccan authorities concerning ML/TF and predicate offenses and assets existing abroad is weak as Moroccan authorities have issued only one request concerning extradition on ML case in 2017.

538. Moroccan authorities did not send any MLA request regarding ML/TF or predicate offenses. Morocco stated that the reason behind this fact is not legal impediments but the weak understanding of the importance of this practice and investigation judges do not tend to use the international cooperation tools in such offenses.

539. As for the extradition requests, the reason behind the limited number of requests is the insufficient qualified human resources who are aware of the significance of use of international judicial cooperation channels. Moroccan authorities' express efforts made to train Judges on international judicial cooperation and its importance to enrich investigations on crimes. Though morocco did not provide statistics on mentioned training activities for judges.

540. MOJ has taken an action to promote the effective completion of MLA at the end of each month. This action is part of the commitment of the Ministry to follow up the execution of the MLA on a case by case basis. The assessment team could not measure the feasibility of this action in expediting the frequency of response to these MLA.

541. The Moroccan authorities also indicated that the executed MLA coincided with the presence of counterpart competent authorities, which facilitated their execution.

542. The limited number of requests issued²¹ on ML/TF or predicate offenses is inconsistent with the country's risk profile, especially for transnational crimes, such as the illicit trafficking in drugs,

21 During the face-to-face meeting, Moroccan authorities provided new statistics on legal assistance requests, particularly the requests issued, which were different than the results reached by the assessment team on the existence of a weakness in using these channels. The assessment team highlighted that this result was reached during the visit and the relevant reasons were discussed with the central authority which is responsible for executing the

migrant smuggling, terrorist financing, or terrorist organizations as Daesh or Al-Qaida, particularly in view of the presence of around 1600 foreign fighters.

543. There is no use of international cooperation in this regard is sync with the reliance on other forms by the judicial research center and NSJP through their collaboration with counterpart authorities in other countries.

Seeking and providing other forms of international co-operation for AML/CFT purposes

544. Morocco uses a wide range of other forms of international cooperation with its counterparts in other countries, and exchange various types of information such as financial, law enforcement, regulatory and intelligence information, for the purpose of combating ML/TF.

545. MOI and UTRF have made significant efforts to provide international cooperation in several types of predicate offences and criminal activities including ML/TF, illicit drug trafficking, in particular with surrounded countries.

UTRF

546. UTRF exchanges information with its counterparts, by virtue of MOUs or based on reciprocity principle. Since its establishment until 3 November 2017, UTRF has signed 19 MOUs and joined the “Egmont” Group in July 2011. It exchanged information with its counterparts, members of this Group through the “Egmont Secure Web”. UTRF has exchanged information with 67 jurisdictions as showed in the below table:

Table 43. Number of requests issued by the UTRF to the counterpart FIUs								
Year	2011	2012	2013	2014	2015	2016	2017	Total
Number of requests for information sent to counterpart FIUs	06	20	11	19	20	05	05	86

547. During the on-site visit, it was found that some competent authorities, such as NSJP, rely on the cooperation of the UTRF with its counterparts but no relevant statistics were obtained. In this context, the assessment team was provided with a list of the major countries from which the UTRF sought information, as follows:

Table 44. Number of requests issued by UTRF classified by countries (2014-2017)	
Country of the counterpart UTRF	Number of requests issued by Morocco
Belgium	10
France	9
Netherlands	6
Italy	5
Strait of Gibraltar	5
Spain	3
Cyprus	3
United Kingdom	2
Monaco	2
Luxembourg	1
Switzerland	1
Hungary	1
Tunisia	1
Total	49

requests and that a reference will be made in the margin of the report about the provision of these statistics by the country.

548. UTRF presented a case study of international cooperation including two different cases. The first is related to bribery and use of real estate, and the second relates to international smuggling of drugs.

549. By reviewing these two cases, the assessment team concluded that UTRF relies on its counterparts to obtain financial intelligence and criminal records of the persons involved. This information was used to support investigations conducted by LEAs and UTRF activities.

550. UTRF also receives requests from counterpart FIUs through ESW as detailed below:

Table 45. Number of requests received from counterpart units (2013-2017)						
Year	2013	2014	2015	2016	2017	Total
Number of requests for information received from counterpart FIUs	82	77	132	113	87	491
Number of spontaneous notifications received from counterpart FIUs	4	6	424	505	195	1134

551. All the requests for information received from counterpart FIUs are considered and processed as STRs and they are also treated as confidential. UTRF has never rejected a request for information that it has received from a counterpart FIU. When the information requested is available within UTRF database the response is immediately processed in a short length as well as information obtained through FIs (in general 1 to 2 weeks). However, when the information is available within LEAs databases or other competent authorities, longer period is needed to execute such requests.

552. According to the responses to the international cooperation questionnaire, most responses expressed that UTRF cooperation is better than the rest of competent authorities but there is a relatively delay in responding.

553. The above table shows that there was a remarkable increase in requests of information and spontaneous notifications received in 2015 and 2016. UTRF justified this increase as a result of the UTRF joining to the working group to combat the financing of “ISIS” within the “Egmont” Group. UTRF received spontaneous notifications and disseminated these notifications to competent authorities after obtaining the approval of the requesting FIU. The following represents a matrix that showed these spontaneous notifications:

Table 46. Number of spontaneous notifications received by UTRF				
Year	2015	2016	2017	Total
Number of spontaneous notifications received as regards TF	409	492	188	1089

554. Requests received by UTRF from counterparts FIUs are shown in order at the table below:

Table 47. Number of requests received by Morocco through Egmont channels classified by countries	
Countries of the counterpart FIUs	Number of requests received
Netherlands	151
France	63
Belgium	60
United Kingdom	26
USA	14
Italy	9

Luxembourg	7
Russia	6
Bangladesh	6
Switzerland	4
Strait of Gibraltar	4
Philippines	4
Other FIUs	65
Total	419

555. Overall, the assessment team concluded that UTRF is developing its international cooperation with surrounding countries that share common risks such drug trafficking (refer to chapter 1). Frequent cooperation with certain countries as mentioned above indicate consistent international cooperation with Morocco risk profile.

Public Prosecution

556. The Public Prosecution made important efforts in the field of international cooperation, through other informal forms, and which were based on several main focal points, as follows:

- Use of cooperation for the exchange of information through the liaison officers and the quadripartite agreement between the competent Public Prosecutions.
- Appointment of liaison judges to facilitate communication, follow-up and execute bilateral agreements, and speed up the frequency of judicial cooperation.
- The quadripartite agreement (Morocco, France, Spain and Belgium) in the CFT field had resulted in the creation of a joint working unit for the exchange of on-site information on judicial inquiries and investigations, which has clearly affected the shortening of the required time to complete the TF files because of its importance.

Box 19: Dismantling a terrorist unit in coordination with the competent Public Prosecutions in Spain and Morocco

- A terrorist unit which was aiming to strengthen Al-Qaida in the Islamic Maghreb and operating under the leadership of a Spanish national and worked in Morocco (Al-Aaroui and Nador), was dismantled.
- The activities consisted of attracting volunteers, sending them to hotbeds of tension and engaging them in the formation of a terrorism project inside Morocco and Spain.
- Based on the coordination between the Public Prosecutions in Morocco and Spain, the accused were arrested in both countries at the same time.
- A mutual rogatory letter was addressed and executed in less than one month, in the presence of foreign judicial authorities, and this cooperation had a significant effect on the collection of evidence and detection of facts.

557. By analyzing this case, the assessment team concluded that international cooperation conducted by public prosecution with its counterparts is significant in terms of supporting LEAs to collect evidence and combat terrorist cells. Additionally, public prosecution proves that it is capable to collaborate with other judicial authorities to expedite trials and prosecute perpetrators of different nationalities in different jurisdictions.

BAM

558. BAM exchanges information at the international level, through a number of channels, such as supervisor's pools and conferences organized to exchange AML/CFT information with BAM

counterparts. This information particularly consisted of regulatory mechanisms, such as the national legislation, general information on the financial sectors, information on the activities of foreign branches and subsidiaries, and on their beneficial owners and members of their administrative bodies (information on fitness and properness), information on the AML/CFT systems, such as the information relating to the internal AML/CFT policies and procedures of their branches and the CDD measures.

559. In addition, BAM received reports of inspection missions undertaken by counterpart supervisors at the foreign branches and subsidiaries of Moroccan banking groups, including the assessment of the effectiveness of the AML/CFT systems established by such branches. BAM also participates in the joint on-site supervisory operations for banking subsidiaries or branches of credit institutions.

560. A set of MOUs signed by BAM with a number of African countries (9 MOUs including 19 countries), was examined, and they included articles referring to the exchange of information and cooperation in the AML/CFT field. The assessment team was not provided with statistics on the size of this exchange and the extent to which it supports the supervisory AML/CFT activities. The following table illustrates the methods of exchanging information at BAM.

Table 48. Methods of exchanging information at BAM	
Method of exchange	Frequency
Supervisors' Assemblies	12 meeting since 2014
Joint control	6 operations between 2014-2016
Periodic tele-meetings	8 meetings since 2016

Customs Administration

561. Despite the legislative deficiency (see Rec32) which might not allow the Customs to exchange information at the international level, the CAD has provided, some cases of cooperation with its counterparts (see the box below) particularly in combating smuggling and some other predicate offenses.

562. CAD has also signed several MOUs with counterparts, which were used in combating predicate offences related to ML. These MOUs covered the cooperation in the fields of combating ML.

Box 20: CAD in Morocco cooperate with their counterparts in the field of money smuggling

The Moroccan CAD is involved with several customs departments in order to intensify efforts and develop a unified strategy to reduce the spread of this phenomenon (money smuggling).

In this context, reference was made to Operation "Hannibal 1", which was organized within the framework of the 5 + 5 Dialogue Group (Morocco - Tunisia - Algeria - Libya and Mauritania + Malta - France - Spain - Italy and Portugal).

The objective of this operation is to identify illicit flows of funds among the Dialogue Group countries and to assess the capacity of CAD of participating countries to cooperate. And that's through:

- Developing monitoring of cash flows and exchange of experiences in combating money smuggling.
- Dismantling criminal networks in the area of money smuggling.
- Monitoring of new illegal threats and methods of transferring funds across borders.

The operational phase of Hannibal 1 lasted 11 days (from 01 to 11 February 2018). The focus was on (securities, currencies and instruments), which are transferred through the control points set by the participating customs authorities.

The results of this process have enabled the development of a list of some persons suspected of involvement in smuggling operations. In this regard, this list has been sent to the customs authorities of the partners - within the framework of mutual administrative assistance agreements - to obtain the following:

- Details of bank accounts and properties that may be in the possession of those persons;
- Declarations of the authorized currency during the past four years.

In this context, it should be noted that the administration is in the process of completing research and investigations in the light of the data obtained.

563. The CAD provided the assessment team with some cases that reflected the scope of international cooperation with counterpart customs authorities, one of them was the Spanish customs, which sent a notification about a group of persons who entered the Spanish territories during the period from 2014 to the beginning of 2018 from Morocco and they were carrying large amounts of money which were introduced to Spain in the form of payments. As a result, the CAD referred the case to the Royal Prosecutor at the Rabat Court of First Instance.

564. Despite the efforts made by CAD, the assessment team concluded that these efforts are limited compared to fundamental achievements made by other relevant authorities and given threats facing border control within Moroccan risk profile.

MOI /Police

565. The police in Morocco cooperates through several channels. Concerning the geographical scope, there were two levels of international cooperation between the Moroccan police agencies and their counterparts in other countries. The first being the south/north cooperation, where a practical cooperation mechanism was developed to promote cooperation between Morocco, Spain, France and Portugal, which was reflected in a regional coalition known as the (G4). While the second being the south/south cooperation, where all the possible forms of cooperation with the countries of the southern desert were supported, for instance, the countries with which Morocco shared the problem of international trafficking of cocaine, considering that these countries were the starting points for exporting it to Morocco or to Europe through Morocco.

566. Based on the south/ south level cooperation, Guinea Conakry police benefited from a training course between 28 May and 14 July 2017, at the Royal Institute of Police in Kenitra, with a view to promoting its capacities and efficiency in combating drug trafficking and associated ML more effectively, in addition to other criminal phenomena.

567. The necessary financial and logistic resources were provided to execute international cooperation, as required and in a timely manner. The efforts made in this regard include the creation by DGSN of a network of liaison officers approved abroad in France and Spain, and the establishment of the center of coordination of combating drug trafficking at Tangier port. Moroccan authorities tend to expand the scope of this network, as necessary and enhance capacities to ensure cooperation with other countries.

568. The Moroccan police made effective achievements to combat predicate offenses, such as migrant smuggling and the extent of joint cooperation with Spanish authorities, particularly in the maritime surveillance field and the conduct of joint Spanish-Moroccan inspection rounds, which had lead, over the last five years to a decrease in the rate of illegitimate immigration, by over 90%, the

dismantle of 120 networks for migrant smuggling and the thwarting of 650000 attempts of illegitimate immigration mostly by non-Moroccan nationals.

AMMC:

569. AMMC benefited from its membership to international organizations (IOSCO), in the international cooperation in the AML/CFT field. From 2013-2017, AMMC received 18 incoming international cooperation requests

570. These requests are related to multilateral MOU with IOSCO members and signed by AMMC in 2007. The objective of such requests is to conduct domestic investigations in requesting country or requesting information on identity of customers, related accounts and nature of transactions.

MOJ

571. MOJ has signed several multilateral agreements, their content include ML and TF crimes, and cooperate with its counterparts in other countries as through bilateral agreements, which 14 bilateral agreements have been signed with Arab countries, 14 with European countries, 2 with African countries, 3 with Americas and 4 with Asian countries.

International exchange of basic and BO information of legal persons and arrangements

572. Moroccan authorities provide information through CRC which comprised all the information which related to the natural and legal persons who were engaged in activities of a commercial nature, and through software that made the information publicly available such as (BAROMETRE OMPIC) and (DIRECT INFO) website through which all the information referred to in (IO.5) can be perused ,and which was considered available for international cooperation purposes, but there was a lack of some BO information, as mentioned in IO 5 (5.4).

573. The supervisors in Morocco have mechanisms that facilitate access to beneficiary information of legal persons. BAM provided examples of this cooperation (see the case study of the rejection of registration of a legal person based on information obtained from counterpart supervisors “IO.3”).

574. The assessment team was provided with a statistical survey showing the extent of the exchange of information at the international level, resulting in some investigation procedures - at the local level - in favor of the requesting foreign body. The request included information related to the identity of the holders of the bond accounts, the nature of the portfolios, and types and nature of transactions related to those accounts. This cooperation is carried out through the framework of the Multilateral MOU on Cooperation and Exchange of Information between the Members of the IOSCO, which was signed by Morocco in 2007. The table below shows the number of requests and the response time, which the assessment team consider to be relatively long.

Table 49. Number of requests and the response time		
Year	Requests	Average Response Time (Days)
2017	1	Under Process
2016	4	58
2015	3	38
2014	3	48
2013	7	53

575. ACAPS signed a number of cooperation memorandums of understanding in the field of surveillance, including the process of licensing and verifying the identity of the licensees, whereas the assessment team did not receive any statistics on the implementation in this regard.

576. Except AMMC, supervisors do not respond in a timely manner and as required to the foreign cooperation requests for the international cooperation purposes other than those relating to the published (available) data. The assessment team was not provided with any accurate statistics demonstrating that the competent authorities have made or responded to requests for international cooperation on the identification and exchange of basic and BO information. Therefore, the international exchange of BO information on legal persons and arrangements needs more efforts to be developed.

Overall conclusion on IO.2

577. Morocco is rated as having a Moderate level for IO.2.

1. This annex provides detailed analysis of the level of compliance Morocco with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the MER.

Recommendation 1— Assessing risks & applying a Risk-Based Approach

2. The requirements set out in this recommendation were added to the FATF recommendations when they were last revised in 2012; therefore, Morocco's compliance was not assessed during the first round of the mutual evaluation which was conducted in 2007.

Risk Assessment

3. **Criterion 1.1 (partly met):** By the end of the on-site visit, on 17 March 2018, the assessment team received copy of the national ML/TF risk assessment report, which has not been officially adopted yet by the authorities. The aim of this assessment is to identify the threats and vulnerabilities their national system faces, by adopting an appropriate and effective national strategy that takes into consideration its results. This evaluation used the technical assistance from the World Bank which proposed a work methodology and accompanied it with tools and mechanisms that the follow-up committee adopted under the supervision of the UTRF head.

Stakeholders from the public and private sectors (supervisory authorities, LEAs, judicial bodies and FIs) which provided the National Committee (mandated to monitor the NRA works) with relevant information (such as questionnaires, reports and statistics) were engaged. To this end, five working groups were formed, one in charge of threats and vulnerabilities relating to ML, one in charge of threats and vulnerabilities relating to TF, one, in charge of vulnerabilities in the banking and financial sector, one in charge of vulnerabilities in the non-financial sector and one in charge of financial inclusion risks.

However, the outputs of the assessment process were limited in terms of scope (they did not take into consideration the higher-risk areas identified in the scoping note) and inputs (lack of comprehensiveness of the data and information on the real and potential ML/TF risks in Morocco).

4. **Criterion 1.2 (met):** The UTRF head was appointed as project coordinator and supervisor of the national committee which oversees following up the NRA works and preparing the required reports, pursuant to the letter issued by the Moroccan Prime Ministry on 28 March 2016, who formed a coordination committee at the level of the UTRF, which includes representatives of concerned departments and authorities, such as the MOI, MOJ and Freedom, MOF and Economy and BAM.
5. **Criterion 1.3 (not met):** Moroccan authorities did not adopt their national ML/TF risk assessment in its final form, and there is no legal or administrative text on updating the NRA, and the assessment team did not perceive that there is a mechanism in the country for the update of the NRA.
6. **Criterion 1.4 (not met):** Moroccan authorities do not have mechanisms that allow the provision of appropriate information on the results of the risk assessments to relevant competent authorities, self-regulatory bodies, FIs and DNFBPs, except for the banking sector with which they shared some measures and action plans resulted from this assessment with credit institutions, in the context of a workshop intended for this purpose.

Risk Mitigation

7. **Criterion 1.5 (not met):** To date, Moroccan authorities have not provided an RBA resulted from the national assessment to allocating resources and implementing measures to prevent or mitigate ML/TF. The efforts made by the country to establish a RBA at the level of regulatory and legal texts do not cover all the requirements of criterion (1.5)
8. **Criterion 1.6 (not met):** At the banking sector level, articles 18 and 19 of circular No.5/W/2017 clearly stipulate that it is possible not to implement some FATF recommendations set out in paragraphs (a) and (b) in view of the lower level of ML/TF risks related to categories of customers, such as the Moroccan organizations which are subject to the supervision of the Moroccan Capital Market Authority or those subjected to the supervision of ACAPS, companies which undertake public underwriting or those listed in Casablanca Stock Exchange, as well as governmental authorities and institutions (article 19) or given that they are subject to an authority that requires them to observe controls such as the financial declaration that is subject to the threshold system applied to the two payment accounts which are less than USD 20 and USD 500, respectively (article 19), without having any evidence on the lower level of ML/TF risks or the conduct of a financial activity on an occasional or very limited basis, such that there is a low risk of ML/TF As to other FIs and all DNFBPs, the assessment team was not provided with anything evidencing that the requirements of this criterion is met.
9. **Criterion 1.7 (not met):** On the importance of the measures provided for in BAM (BAM) circular No.5/W/2017 on the due diligence obligation imposed on credit institutions (articles 20-31, 35-36-37-40), the AMMC circular (article V.1.6), the insurance sector circular issued on 4 July 2011 (article 7, paragraph 8), to date, Morocco has not adopted an approach to address and manage high risks in order to mitigate them, for all FIs and DNFBPs, in accordance with the requirements mentioned in paragraphs (a) and (b) of this criterion.
10. **Criterion 1.8 (not met):** At the level of regulations, Moroccan authorities have identified low risk areas where simplified due diligence measures for credit institutions and similar bodies (BAM circular No.5/W/2017) would apply, with the exclusion of other FIs and DNFBPs,; yet it has not been proven whether these risks are consistent with the real or potential risks, in Morocco, as per the NRA findings.
11. **Criterion 1.9 (partly met):** Moroccan authorities established legal texts and regulatory regulations that grant some supervisors the power to monitor the extent to which some FIs are implementing their obligations under Recommendation 1. However, the FIs, self-regulatory bodies and DNFBPs supervisors' dealing was very limited at a sectorial level, given that it has not covered the exchange sector and DNFBPs supervisors, in consistency with the requirements of Recommendations 26 and 28.

Obligations and Decisions for Financial Institutions and DNFBPs

Risk Assessment

12. **Criterion 1.10 (not met):** At the banking sector level (article 5 of BAM circular No.5/W/2017), at the AMMC level (article V.1.8) of the AMMC circular) and finally, at the insurance and social reserve sector level (article 6 of the Authority circular), despite the measures taken by Morocco to require FIs to identify, assess and understand ML/TF risks, these measures were limited in scope, given that they did not meet all the sub-criteria of the Recommendations. Furthermore, the measures taken regarding the adoption of the RBA by all FIs, such as the exchange sector and DNFBPs, were not determined.

This includes the identification of risks and the establishment of mitigating measures according to the requirements of paragraphs (a), (b), (c) and (d) of this criterion.

Risk Mitigation

13. **Criterion 1.11 (partly met):**

Criterion 1.11 (a): As regards credit institutions and similar bodies, articles 3 and 4 of BAM circular No.5/W/2017 provide for the establishment of a mechanism that includes policies and procedures to enable them to manage and mitigate the risks that have been identified and to document such procedures in a handbook that should be approved by the board of directors of the institution and that should be periodically updated. As to the capital market, article 2.1.V of the Moroccan Capital Market Authority required persons subjected to its supervision to establish a regulation that enables them to ensure that they have a comprehensive and accurate knowledge of their customers and beneficial owners and to trace the operations they conduct for them, without stipulating that this regulation is approved by the senior management.

Although article 13 of ACAPS provided for the establishment of an AML/CFT regulation that takes into consideration the size of the professional and that ranks ML/TF risks inherent to the activities of the professionals, while having regard to the importance of being exposed to such risks, it did not stipulate that this regulation should be approved by the senior management.

As to DNFBPs, article 8 of the UTRF decision No.5 stipulated that subjected persons should put in place permanent internal CDD procedures, namely those related to the procedures (paragraph “d” of article 8) on ML/TF risks, such as the establishment of the identity, assessment, risk mitigation, monitoring, and that the UTRF should be immediately informed of the same. This system should include written policies and procedures for internal control, including the monitoring of compliance, and should be approved by the superiors.

Criterion 1.11 (b): As to the supervision of the implementation and promotion of these controls, article 11 of BAM circular No.5/W/2017 on due diligence, stipulated that a permanent and periodical monitoring should be conducted as regards policies and procedures which enable to manage and mitigate the risks which have been identified, provided that the results of this monitoring and the action plans are subject of a report to be sent to the auditing committee. As regards other FIs subjected to the Capital Market Authority and ACAPS, Moroccan authorities have not submitted materials that meet this sub-criterion.

As to DNFBPs, article 24 of the UTRF decision No.5 stipulated that the UTRF verifies the appropriateness of the AML/CFT internal systems adopted by subjected persons and that they are implemented.

Criterion 1.1 (c): Moroccan authorities have not provided the assessment team with anything indicating that FIs and DNFBPs are required to take enhanced measures to manage and mitigate risks where higher risks are identified.

14. **Criterion 1.12 (partly met):** BAM permitted credit institutions and similar bodies to take simplified due diligence measures which were determined in a restricted list of specific categories of customers and identification elements. According to article 18 of the circular on due diligence, simplified measures should not be permitted whenever there is a suspicion of ML/TF.

The simplified measures taken by Moroccan authorities to manage and mitigate risks were limited to credit institutions and similar bodies. They were not determined based on a sectorial or national ML/TF risk assessment and they did not cover all FIs and DNFBPs.

15. *Weighting and Conclusion*

The NRA has not been officially adopted yet, which hinders the development of a national AML/CFT policy and strategy. The mechanisms which enable to provide various sectors with appropriate information on the results of risk assessment are not clearly determined. In addition, the approach based on the mitigation of risks was not the result of a national ML/TF risk analysis. The simplified and enhanced due diligence measures based on the relevance or weakness of the identified risks did not cover all FIs and DNFBPs. The legal system did not cover all FIs and DNFBPs (for example, the exchange sector), which would help in analyzing and assessing the overall ML/TF risks to identify the threats and vulnerabilities the system faces in Morocco, thereby allowing whether to enhance or reduce due diligence measures.

Recommendation 1 is rated Partially Compliant.

Recommendation 2 – National cooperation and coordination

16. During the first round of the evaluation process which took place in 2007, Morocco was rated partially compliant with Recommendation 31 on national cooperation, due to the absence of appropriate mechanisms which ensure coordination among various AML/CFT authorities.

17. **Criterion 2.1 (not met):** Morocco completed its NRA during the on-site visit, and which has not been adopted yet by the official competent authorities. Therefore, the assessment team established policies based on the risks identified.

18. **Criterion 2.2 (partly met):** Article 15 of the AML law No.43-05 charged the UTRF with the task of collaborating and participating with other concerned departments and authorities in the study of measures that can be taken to combat ML. It also entrusted it with the joint representation of national departments and authorities concerned with the fight against ML. In parallel, the assessment team was not provided with the coordination mechanisms put in place by the country, in implementation of the law.

In addition, the UTRF are not responsible for CFT policies at the national level, because the requirements of the above-mentioned article 15 entrusted the UTRF only with “the task of collaborating and participating with other concerned departments and authorities in the study of measures that can be taken to combat ML”.

19. **Criterion 2.3 (partly met):** The requirements set out in article 15 of law No.43-05 partly enable the UTRF to cooperate and coordinate at the national level on all issues relevant to AML/CFT, including the development and implementation of policies.

The UTRF signed MoU with several concerned national authorities (such as BAM, the Exchange Office and the CAD) with the aim of ensuring more effectiveness in exchange of information and cooperation in this field.

On the other hand, it ascertained that the establishment of the UTRF is one of the mechanisms that embody this cooperation through the representation of all authorities and institutions concerned with combating ML and TF at the UTRF. However, Morocco has yet to promote the role of the UTRF members in terms of coordination and cooperation on the one hand and to implement these mechanisms at the policy making and operational levels on the other hand. In terms of cooperation amongst supervisors, no evidence appears to indicate cooperation amongst these authorities at the operational level.

In general, the observation that the provisions of article 15 of law No.43-05 do not include the responsibility of the UTRF for the CFT policies might prevent Morocco from meeting an important element relating to this criterion.

20. **Criterion 2.4 (not met):** The assessment team was not provided with any evidence on the establishment of a coordination mechanism for combating the financing of proliferation.

21. **Weighting and Conclusion**

No national AML/CFT policies that take into consideration the risks identified have been established yet as the NRA has not been officially approved yet by Moroccan authorities. The assessment team could not perceive whether the UTRF is legally responsible for the national CFT policies. As to the national cooperation and coordination mechanisms, they were limited to the signature of some MOUs with several concerned national authorities on the one hand and to the formation or composition of the UTRF, on the other hand, without being able to understand the relevant effect on the existing form of cooperation or on the highlights of the mechanisms applied, which would ensure the development and implementation of policies and activities aimed at fighting ML and applying them at policy making and operational levels. In general, the cooperation and coordination mechanisms did not cover the field relating to combating the financing of proliferation.

Recommendation 2 is rated Partially Compliant.

Recommendation 3 - ML offense

22. The AML legal system in Morocco was assessed during the first round of the mutual evaluation which took place in 2007 and Morocco was rated partially compliant with Recommendation 1 due to the failure to criminalize the transfer of property, and the concealment of their source or location, as a form of ML, the failure to include all the categories of predicate offenses among the predicate offenses, and the failure to provide for the punishment of the accused of the offense of laundering the money generated from one of the crimes committed outside Morocco and which is considered as a crime even if committed inside Morocco at that time. Morocco was also rated largely compliant with Recommendation 2 due to the impossibility of measuring the effectiveness of the AML legal system given the recent issuance of the law, however, the law has subsequently adopted in its legislative regulation several positive aspects which met the criteria provided for in Recommendation 1, as follows:

23. **Criterion 3.1 (met):** The definition of the ML offense as set out in chapter 574-1 of law No.43.05 was in line with Vienna and Palermo conventions in terms of knowledge and intent elements of the ML offense and comprises all the forms of the physical behavior of the ML offense which are set out in the afore-mentioned conventions.

24. **Criterion 3.2 (largely met):** As provided for by article 574-2 of section 1 of the AML law No.43.05, Morocco follows the list system with regard to predicate offenses of ML, by covering most of the serious crimes. However, the Moroccan legislator does not refer to all the categories of predicate offenses mentioned in Annex 1 of the methodology and which the recommendation stipulated that they should be included in the Annex, being the illicit trafficking in stolen and other goods and the (direct and indirect) tax evasion crimes.

25. **Criterion 3.3 (not applicable):** The Moroccan AML law did not use the threshold approach or a combination of approaches that includes this approach in identifying the predicate offenses for ML crime, but a list comprising the set of serious crimes which can be relevant to ML was adopted.

26. **Criterion 3.4 (met):** Regarding the type of property to which the ML crime applies, according to article 1 of part 1 of chapter 2 of the Moroccan AML law, the ML crime extends to all properties regardless of their value or type, whether real estate or movable properties, where this article defined proceeds as being all the properties which resulted, directly or indirectly, from committing one of the crimes provided for in chapter 574-2 of the Penal Code. It also defines properties as being all types of funds and properties, corporal or incorporeal, movable or real estate, owned by one person or communal and the legal contracts or documents evidencing title to, or interest in these properties, regardless of their forms, including electronic or digital), whereby this definition includes movable and immovable property that is provided for in the article by the term (real estate).
27. **Criterion 3.5 (met):** The AML law did not stipulate in any of its articles that in order to convict the person who committed the ML offense, it should be necessary to convict him of a predicate offense.
28. **Criterion 3.6 (met):** As stipulated in article 574-2 of the AML law, the ML crime provided for in article 574-1 of part 6 of chapter 1 of the same law applies to all the predicate offenses provided for in this article, even if committed outside Morocco.
29. **Criterion 3.7 (met):** Chapter 574-1 of the AML law stipulated that the ML crime is applied regardless of whether the acts provided for in this chapter and considered as a ML crime were committed for the benefit of the perpetrator or a third party, which indicates that the ML crime applies to persons who committed the predicate offense. In addition, the penal code does not exclude the perpetrators of the predicate offense from the punishment of the ML crime.
30. **Criterion 3.8 (met):** The Moroccan judicial system permits the intentional element to be inferred from objective acts and circumstances, whereas, according to article 286 of the criminal code, “crimes may be established by any means of evidence, except in the events where the law stipulates otherwise, and the judge shall issue his order according to his core belief”. Thus, the law permits inference of the knowledge and intention elements to establish the ML crime from objective factual circumstances. All the judicial sentences recovered by the reviewer’s team from the Moroccan judicial authorities have demonstrated this point.
31. **Criterion 3.9 (not met):** Article 574-3 of the AML law stipulates that the natural persons who committed the ML crime shall be punished with imprisonment from two to five years and with a fine ranging between 20.000 and 100.000 Dirhams. Article 574-4 of the same law also stipulated that the sanctions of imprisonment and fine shall be increased twice the afore-mentioned sanctions when crimes are committed by using the facilities provided by practicing a professional activity, or when the person usually commits ML operations, or when crimes are committed in the framework of an organize crime band, or in the cases of recidivism and these criminal sanctions are not dissuasive and proportionate.
32. **Criterion 3.10 (met):** Paragraph 2 of article 574-3 of the AML law stipulated that the legal persons who committed the ML crime shall be punished with the sanction of fine ranging between 500.000 to 3 million Dirhams, without prejudice to the sanctions which can be issued against natural persons engaged and involved in the ML crime; article 574-4 of the same law also stipulated that the sanctions of imprisonment and fine shall be duplicated when crimes are committed by using the facilities provided by practicing a professional activity, or when the person usually commits ML operations, or when crimes are committed in the framework of an organized crime band, or in the cases of recidivism. Article 574-5 of the AML law also stipulated that the perpetrator of the ML crime can be sentenced with one or more of the following additional sanctions: Dissolution of the legal person, publication of the decisions of conviction by all appropriate means at the expense of the sentenced person, and

provisional or final prevention from directly or indirectly practicing the professions, activities or skills during which the crime was committed.

Article 574-6 of the AML law explicitly stipulated that the criminal liability of legal persons shall not prejudice the punishments that may be issued against their managers or employees who are involved in ML operations, when their personal liability is established; which shows that the AML law has imposed dissuasive, proportionate and consistent sanctions against the natural and legal persons who committed the ML crime.

33. **Criterion 3.11 (largely met):** Article 574-1 of the AML law provided for ancillary offenses to the ML crime, as follows: (aiding, facilitation of false justification, provision of assistance or counseling). Attempt to commit the ML crime was also criminalized (last paragraph of article 574-3). However, the Moroccan AML law only criminalized the provision of assistance and counseling without criminalizing the remaining forms of criminal contribution mentioned in the criterion and represented in conspiracy, abetting, and counseling the commission of ML crime.
34. **Weighting and Conclusion:** Morocco has met most of the criteria relating to the criminalization of ML provided for in Recommendation 3, except for the criminalization of the illicit trafficking in stolen and other goods and the (direct and indirect) tax evasion crimes, through the legal AML/CFT system which is represented in the AML law, the Penal Code, and the Code of Criminal Procedure. The Moroccan law does not cover all the ancillary offenses to the ML crime, represented in conspiracy to commit, abetting and counseling the commission of the ML crime.

Recommendation 3 is rated Largely Compliant.

Recommendation 4 - Confiscation and provisional measures

35. Based on the mutual evaluation of the legal system for confiscation and provisional measures as regards the ML and TF offenses in Morocco, during the first round of the evaluation which took place in 2007, Morocco was rated non-compliant with Recommendation 3, given that the report showed that it is possible to order partial confiscation in ML offenses, that confiscation sanction concerning TF offenses is not mandatory, that the property subject to confiscation does not include criminal proceeds related to the TF offense and that the provisional measure to freeze does not cover all properties which can be subject to confiscation, in addition to the absence of evidence on the effectiveness of the legal system as regards confiscation and freezing; however, Morocco has adopted, since, several legislative and procedural reforms which were positively reflected on the criteria included in this recommendation, as follows:
36. **Criterion 4.1 (partly met)**
- Criterion 4.1.a:** Article 574-5 of the AML law required to always order the total confiscation of the property used or intended to be used in committing the ML offense, in case of a ML conviction.
- Criterion 4.1.b:** Article 574-5 of the AML law required to always order the total confiscation of the objects and tools used or intended to be used in committing the offense and the resulting proceeds or the equivalent value of these objects, tools and proceeds, in case of a ML conviction, while preserving the right of bona fide third parties. However, the text of the AML law does not include the confiscation of proceeds or instrumentalities used or intended for use in predicate offenses.
- Criterion 4.1.c:** Article 218-4-1 of the Penal Code required the total confiscation of objects, tools and property used or intended to be used in committing the offense and the resulting proceeds or the equivalent value of these objects, tools, properties and proceeds, when ordering a ML or TF conviction, while preserving the right of bona fide third parties.
- Criterion 4.1.d:** Article 574-5 of the AML law required to always order the total confiscation of the

properties or the properties of equivalent value used or intended to be used in committing the ML crime, in case of a ML conviction, however, the text of the AML law does not include the confiscation of property of equal value used or intended for use in predicate offenses.

37. **Criterion 4.2 (largely met)**

Criterion 4.2.a: Article 19 of the AML Law allowed the Royal Prosecutor, during the searching stage and for a period which may not exceed one month, and renewable once, to order the following: freezing by temporary prohibition, of transferring, replacing, disposing of or moving properties; or the appointment of a special institution or body to carry out temporary guarding or monitoring of these properties; the financial province assesses the seized property and assets under law No.14.7 issued on 12/8/1993.

Criterion 4.2.b:

Article 19 of the AML law granted the Royal Prosecutor, during the search stage, the authority to freeze by temporarily prohibiting the transfer, conversion, disposition or movement of properties, for a period that may not exceed one month and renewable only once, which is not considered a sufficient period to conduct investigations in such crimes, knowing that the basic principles of the Moroccan domestic law does not allow to take measures to freeze or seize property without prior notice.

Article 595-2 of the Penal Procedure Code authorized the Royal Public Prosecutor, the investigation judge and the governing authority (both referred to in article 595-1 of the same law) to order the freeze or seizure of the funds suspected to be involved in TF; these authorities may also seek the assistance of BAM to implement these measures, provided that they notify BAM of the measures taken and the decisions made in their regard.

Criterion 4.2.c: The legislative AML/CFT system in Morocco which is represented in the AML law, the Penal Code, and the Penal Procedure Code lacked the legal texts which prevent or annul the measures which affect the country's ability to freeze, seize or recover the property subject to confiscation.

Criterion 4.2.d: Paragraph 1 of article 19 of the AML law granted the Royal Prosecutor, during the search stage, and for a period that may not exceed one month and renewable only once, the authority to freeze by temporarily prohibiting the transfer, conversion, disposition or movement of properties; and to appoint a special institution or body to carry out temporary custody or monitoring of properties; it also authorized the investigation judge to appoint a special institution or body to carry out temporary custody or monitoring of properties (article 19, paragraph 2). It exclusively authorized the Royal Prosecutor and the investigation judge to order the seizure of the properties of natural or legal persons suspected of being involved with persons, organizations or activities related to ML offenses, even if they were not committed inside Morocco (article 19, paragraph 3).

38. **Criterion 4.3 (met):** Article 574-5 of the AML law provided for the legal protection to the funds and properties owned by bona fide third parties, regardless of their possessor or owner. Article 595-8 provided for the legal effect that the approval upon the confiscation issued by the Royal Prosecutor has, however, it required that the rights of bona fide third parties be observed; which is similar to article 218-4-1 of the Penal Code which stipulated the need to preserve the rights of bona fide third parties when ordering total confiscation of objects, tools and properties used or intended to be used in committing the TF offense or for a terrorist crime, and the resulting proceeds or the equivalent value of these objects, tools, properties and proceeds.

39. **Criterion 4.4 (partly met):** Article 19/2 of the AML law granted the Royal Prosecutor the right to order, during the search stage, and for a period that may not exceed one month and renewable only once, the appointment of a special institution or body to carry out temporary custody or monitoring of properties, which is not considered a sufficient period to conduct investigations in such crimes, knowing that the basic principles of the Moroccan domestic law does not allow to take measures to freeze or seize property without prior notice. It also authorized the investigation judge to appoint a special institution or body to carry out temporary custody or monitoring of properties. However, none of the AML or the CFT laws, the Criminal Code, the Penal Procedure Code, or other relevant laws or

resolutions have provided for mechanisms for the management or liquidation of frozen, seized or confiscated funds, which does not fully and legally address all the aspects mentioned in criterion 4 of Recommendation 4.

40. **Weighting and Conclusion:** Morocco met most of the criteria relating to this recommendation through a well-established legal system; however, this system did not show the actions which would prevent or annul the measures that affect the country's ability to freeze, seize or recover the properties subject to confiscation, nor did it show the mechanisms for the management and disposition of frozen, seized or confiscated properties. In addition, the freezing period imposed by the Royal Prosecutor is not considered a sufficient period to conduct investigations in ML crimes.

Recommendation 4 is rated Partially Compliant.

Recommendation 5 – Terrorist financing offence

41. Based on the mutual evaluation of the legal system for the criminalization of TF in Morocco, during the first round of the evaluation which took place in 2007, Morocco was rated partially compliant with SRII (Criminalizing the financing of terrorism), given that the report revealed that Morocco has many deficiencies represented in the fact that the forms of TF are limited to the commission of a terrorist act, the failure to set a definition of funds that covers all the elements mentioned in the Convention for the Suppression of the Financing of Terrorism and the lack of evidence on the effectiveness of the legal system as regards the TF offense; however, Morocco has, since, adopted several legislative reforms which were positively reflected on its criminalization of TF and the increase of effectiveness of its combating, as follows:
42. **Criterion 5.1 (partly met):** Chapter 218-1, chapter 218-3, and chapter 218-4 of law No.03-03 of 2003 on the fight against terrorism which is set out in the Penal Code defined terrorist acts in consistency with the Convention for the Suppression of the Financing of Terrorism and TF was criminalized according to chapter 218-4 of the Penal Code, considering that it is a terrorist act, by covering all forms of TF as provided for in article (2) of the Convention for the Suppression of the Financing of Terrorism; however, the Penal Code did not contain a definition of the funds that includes all the elements provided for in the Convention. As to abetting, contributing and participating in terrorist acts, including TF, they were addressed in chapter 218-5 and chapter 218-6 of the same law.
43. **Criterion 5.2 (met):** According to chapter 218-4 of law No.03-03 on the fight against terrorism issued on 28 May 2003 and set out in the Penal Code, the financing of terrorism is considered as a terrorist act. It stipulated that any act, even if committed outside Morocco and regardless of whether the funds were actually used or not used, that is purposely intended, by any means, directly or indirectly, to provide, offer, collect or secure funds or properties, even if they are legitimate, with the intention that they shall be used or in the knowledge that they shall be used, in full or in part, to commit a terrorist act(s), whether the terrorist act occurred or not, or through a terrorist person or a terrorist group, band or organization or to provide assistance or counseling for this purpose, shall be deemed a financing of terrorism.
44. **Criterion 5.2 bis (met):** chapter 4-218 of the related law of combating terrorism no 03-03. criminalize TF even if committed outside Morocco, including criminalization of financing the travel of individuals to a country other than their country of residence or nationality for the purpose of committing, planning, preparing or participating in terrorist acts or providing or receiving terrorist training

45. **Criterion 5.3 (largely met):** Criminalization of the forms of TF was referred to in chapter 218-4 of the CFT law set out in the Penal Code as ‘funds, values or properties’ in general without setting a specific definition of ‘funds’ which includes all the elements provided for in the Convention for the Suppression of the Financing of Terrorism. As for the source of funds, the Moroccan legislator criminalized the funds, values, or properties, even if their source is legitimate, therefore, criminalization covers funds, values and properties deriving from a legitimate or illegitimate source.
46. **Criterion 5.4 (largely met):** According to chapter 218-4 of law No.03-03 on the fight against terrorism, Morocco criminalized any act that is considered a financing of terrorism, regardless of whether the funds were actually used or not, and whether terrorist operations occurred or not; however, the Moroccan legislator did not indicate, whether through this text or other texts set out in the law on the fight against terrorism, if the TF offense applies, regardless of whether the funds were linked to a specific terrorist act(s) or not.
47. **Criterion 5.5 (met):** On inferring the elements of intent and knowledge in the TF offense which are provided for in chapter 218-4 of the law on the fight against terrorism, this article stipulated the establishment of intent and knowledge on part of the accused of the TF offense that the funds will be used in committing a terrorist act, however, it does not require to punish him on the TF offense and specifically on his knowledge of the terrorist act. In addition, the Moroccan law takes into consideration the principle of the freedom of proof in criminal cases. According to article 286 of the Penal Procedure Code, crimes may be proved by any means of evidence, except in the events where the law stipulates otherwise, and the judge shall issue his order according to his core belief; thus, the law permits the intentional element of the TF offense to be inferred from objective factual circumstances.
48. **Criterion 5.6 (met):** Chapter 218-4 of law No.03-03 on the fight against terrorism provided for the punishment of natural persons who committed TF offenses with imprisonment from 5 to 20 years and a fine ranging between 500,000 and 2 million Dirhams. This article has enhanced the sanctions imposed as regards the TF offense by making the imprisonment sanction from ten to thirty years. It also doubled the financial sanctions, when crimes are committed by using facilities provided by the practice of a professional activity; or when crimes are committed in the context of an organized band; or in case of recidivism. These sanctions are considered dissuasive and proportionate.
49. **Criterion 5.7 (met):** Chapter 218-4 of law No.03-03 on the fight against terrorism punished legal persons who committed TF offenses with a fine ranging from one million to 5 million Dirhams, without prejudice to the sanctions which can be imposed on relevant employees and whose involvement in these crimes is established; the article also enhanced the sanctions imposed as regards the TF offense, and doubled the financial sanctions, when crimes are committed by using facilities provided through the practice of a professional activity; or when crimes are committed in the context of an organized band; or in case of recidivism. These sanctions are considered dissuasive and proportionate.
50. **Criterion 5.8 (largely met):** Chapter 218-4 of law No.03-03 criminalized the attempt to commit acts that are considered as forms of TF, regardless of whether the terrorist operations occurred or not. It also criminalized the provision of assistance or counseling for the TF act. Chapter 218-5 of the same law provided for the punishment (of anyone who convinces, incites or abets a third party, by any means, to commit any of the crimes provided for in the CFT law). However, it is not clear whether the Moroccan legislator criminalizes the contribution to the commission of a TF offense by a group of persons acting with a common purpose.

51. **Criterion 5.9 (met):** TF offenses are considered a ML predicate offense, given that article 32 of the Moroccan AML law provided for the criminalization of the operations of laundering properties or proceeds if the purpose of these operations or acts is the financing of terrorism.
52. **Criterion 5.10 (partly met):** Article 711 of the Penal Code provides for the punishment of a Moroccan person if he commits the TF offense outside Morocco, as a perpetrator, contributor or participant, as if the crime is committed inside Morocco. However, the said text does not explicitly stipulate that the TF offense applies in case the accused person is in a different country from the one in which the terrorist(s)/terrorist organization is located, or the terrorist act occurred/will occur.
53. **Weighting and Conclusion:** Morocco was able to meet several criteria provided for in Recommendation 5 on criminalizing the financing of terrorism, by adopting a well-established legal system represented in the AML and the CFT laws. But the CFT law did not contain a specific definition of funds that includes all the elements provided for in the Convention for the Suppression of the Financing of Terrorism, nor did it criminalize the financing of terrorism, regardless of whether the funds were associated with a specific terrorist act (s) or not. In addition, there is no explicit text stipulating that the TF offense applies regardless of the place of residence of the accused person, whether in the country where the terrorist person/organization/place targeted by the terrorist act is located or whether he lives in another country.

Recommendation 5 is rated Largely Compliant.

Recommendation 6 - Targeted financial sanctions related to terrorism and Terrorism Financing

54. Morocco was evaluated as regards this (former SRIII) in the first round of the mutual evaluation process which took place in 2007 and was rated partially compliant, given that there is no legal system that governs the measures for freezing funds and assets of the persons whose names are mentioned in UNSCRs. The Moroccan authorities have thereafter addressed a part of the deficiencies relating to the freezing of the funds of terrorists, under article (37) of the AML/CFT law No.43-05, which grants the UTRF the powers to receive and process requests for freezing properties due to a terrorist offense, issued by qualified international entities, and accordingly, the UTRF issued decision No. (6) to implement the requirements of UNSCR No. (1267)
55. **Criterion 6.1 (not met)**
- Criterion (6.1) a:** Moroccan authorities did not designate any competent authority or any court as having responsibility for proposing persons or entities to the UN committee pursuant to UNSCRs 1267/1989 and 1988 for designation.
- Criterion (6.1) b:** Moroccan authorities lack a mechanism for identifying targeted persons or entities for designation pursuant to the designation criteria provided for in relevant SC resolutions.
- Criterion (6.1) c:** Considering the absence of a mechanism for identifying targeted persons or entities for designation, no evidentiary standard of proof of “reasonable grounds” or “reasonable basis” is applied, when deciding whether or not to make a proposal for designation.
- Criterion (6.1) d:** Moroccan authorities lack the procedures for using standard forms for listing, as adopted by the relevant committee (the 1267/1989 and 1988 Committee).
- Criterion (6.1) e:** Considering that Moroccan authorities lack a mechanism for identifying persons or entities targeted for designation, they cannot provide as much relevant information as possible on

the proposed name; and a statement of case for the designation and the basis for listing cannot be provided, therefore, the designating country may not be made known.

56. **Criterion (6.2): (not met)**

Criterion (6.2) a: Moroccan authorities did not identify a competent authority or a court as having responsibility for designating persons or entities that meet the specific criteria for designation according to UNSCR 1373.

Criterion (6.2) b: Moroccan authorities lack a mechanism for identifying persons or entities for designation pursuant to the designation criteria provided for in UNSCR 1373.

Criterion (6.2) c: Moroccan authorities lack a mechanism, when receiving a request, for making a prompt determination that the request is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the person or entity meets the criteria for designation set out in UNSCR 1373.

Criterion (6.2) d: Considering the absence of a mechanism for identifying persons or entities for designation, no evidentiary standard of proof of “reasonable grounds” or “reasonable basis” is applied, when deciding a designation. Moroccan legislations did not cover the extent to which designations are conditional upon the existence of a criminal proceeding.

Criterion (6.2) e: There are no texts that determine the quantity of information to be provided when a request is made to another country and which would support the designation, as possible.

57. **Criterion (6.3) (not met)**

Criterion (6.3) a: The country has no legal authorities or mechanisms to collect or solicit information to identify persons and entities that meet the criteria for designation. However, pursuant to the request of local or foreign authorities, MOFA notifies the Moroccan or foreign authorities of the request to provide it with the required information.

Criterion (6.3) b: No authority in the country is authorized to operate *ex parte* against a person or entity who has been identified and whose (proposal for) designation is being considered.

58. **Criterion 6.4 (partly met):** Article 37 of the AML law No.43-05 gave the UTRF the power to process requests for freezing of property which are received from international authorities regarding a terrorist offense. Article (4) of decision No.6 indicates that the publication of lists by the UTRF is considered as an order to freeze the properties of persons and entities designated on the lists and to discontinue all the transactions they are involved in, provided that the UTRF notifies the subjected persons of its decision in a timely manner. This mechanism only handles the UNSCR 1267 and nothing indicates that it covers the UNSCR 1373, given the absence of a national list. The said decision did not refer to the implementation of TFS without delay.

59. **Criterion 6.5 (largely met)**

Criterion 6.5 (a): The UTRF decision No.6 stipulates that the publication of lists on the UTRF website is considered as an order to freeze the properties of persons and entities designated on the lists and to discontinue all the transactions they are involved in, and if the persons mandated to execute the freezing find, through their inquiries, properties in the name of a person or entity designated on these lists, they shall refrain from conducting any operation relating to these properties and they immediately informed the UTRF of all the relevant details. The UTRF notifies the persons mandated to execute the freezing of its decision and the persons and entities concerned with the freezing order are informed of this decision in a timely manner.

Criterion 6.5 (b): Freezing covers all the properties defined in the UTRF decision No.6, as follows: All types of corporal or incorporeal assets and properties whether movable or real estate, owned by

one person or communal and the legal contracts or documents evidencing title to, or interest in these properties, regardless of their forms, including electronic or digital. The definition of the properties covered by the freezing, in application of the UNSCRs, does not cover all the funds which are directly or indirectly controlled by the designated person or entity and does not cover the funds or other assets which are acquired or derived from funds or other assets owned, or directly or indirectly controlled by designated persons or entities, as well as the funds or other assets of persons and entities acting on behalf of, or at the direction of persons or entities.

Criterion 6.5 (c): According to chapter 218-4 of law No.03-03 on the fight against terrorism set out in the Penal Code, the financing of terrorism is considered as a terrorist act, even if committed outside Morocco and regardless of whether the funds were actually used or not used, that is purposely intended, by any means, directly or indirectly, to provide, offer, collect or secure funds or properties, even if they are legitimate, with the intention that they shall be used or in the knowledge that they shall be used, in full or in part, to commit a terrorist act(s), whether the terrorist act occurred or not, or through a terrorist person or a terrorist group, band or organization or to provide assistance or counseling for this purpose. Therefore, the provision of funds for the benefit of designated persons or entities; and entities owned or controlled by designated persons or entities is considered as TF by the Moroccan Penal Code

Criterion 6.5 (d): According to article (3) of decision No. (6), the authorities in charge should examine the said consolidated list of the sanctions committee directly from the UTRF official website (www.utrf.gov.ma). The UTRF website comprises a link that leads to the updated list of terrorists and terrorist groups identified in the UNSCRs on the financial sanctions imposed.

Criterion 6.5 (e): According to article 5 of decision No. (6), if it appears to the persons mandated to execute the freezing (they were defined in the same decision as being any natural or legal person subjected to the public or private law who interferes in depositing, transferring, replacing, selling, or moving properties), through inquiries, that there are properties in the name of any person or entity designated on these lists, the persons mandated to execute the freezing shall refrain from conducting any operation relating to these properties and should immediately inform the UTRF of all the relevant details. The UTRF communicates its decision to the persons mandated to execute the freezing in order to confirm the freezing of the property which has been identified, within two working days, however, nothing explicitly stipulates that FIs and DNFPs are reporting the assets which have been frozen or the actions taken to competent authorities, including the attempted operations in order to comply with the requirements of prohibition set out in the relevant UNSCRs.

Criterion 6.5 (f): The AML law in article 37 which is confirmed by article 10 of decision No.6 indicated that it is possible to appeal against the decisions issued by the UTRF before the administrative court of Rabat, in application of the requests issued by the international authorities, but there is no explicit text on the protection of the rights of bona fide third parties in the context of implementing the UNSCRs.

60. **Criterion 6.6 (partly met)**

Criterion 6.6 a: The Moroccan system did not determine special procedures to submit de-listing requests to the UN sanctions Committee concerned with the follow-up of relevant sanctions, in the case of designated persons and entities do not or no longer meet the criteria for designation, pursuant to the procedures adopted by the 1267/1989 Committee or the 1988 Committee.

Criterion 6.6 (b): The Moroccan system did not identify legal authorities and appropriate procedures or mechanisms to de-list and unfreeze the funds or other assets of persons and entities designated for the UN committee concerned with the follow-up of relevant sanctions, pursuant to UNSCR No. 1373 (2001).

Criterion 6.6 (c): Article (10) of decision No.6 indicated that it is possible to appeal against the decisions issued by the UTRF for the freezing prescribed in article 37 of law No.43-05, before the administrative court of Rabat. But there is no specific mechanism to request a reconsideration of designations, and Moroccan authorities did not set up a national list pursuant to UNSCR No.1373.

Criterion 6.6 (d): Moroccan authorities did not issue procedures to facilitate review by the 1988 Committee about designations under UNSCR 1988.

Criterion 6.6 (e): There are no procedures for informing designated persons and entities of the possibility to submit de-listing petitions with respect to designations on the Al-Qaida Sanctions List to the UN Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083.

Criterion 6.6 (f): Article (37) of the AML/CFT law stipulates that it is possible to appeal against the decisions issued by the UTRF before the administrative court of Rabat, and the UTRF can order the unfreezing of properties in case the name is de-listed from international lists or in case an error occurred in determining the identity of a designated person or entity.

Criterion 6.6 (g): According to article (8) of decision No.6, the UTRF orders the unfreezing of properties based on a de-listing made by the relevant UN committee or due to an error in identifying the name; therefore, the persons mandated to execute the freezing should refer to the consolidated list issued by the sanctions committee directly on the official website of the UTRF. However, it does not appear that there are publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities.

61. **Criterion 6.7 (met):** Article (9) of decision No.6 indicates that the UTRF partly unfreezes properties regarding which an order was issued by qualified international entities allowing access to these properties
62. **Weighting and Conclusion:** The Moroccan system addressed the UNSCR No.1267 through article (37) of the AML law and decision No.6 issued by the UTRF. Nothing in the Moroccan law indicates that there are mechanisms for sending de-listing petitions to the UN Office of the Ombudsperson, or mechanisms for identifying and classifying terrorist persons or entities and informing the UN sanctions committee about them. For the UNSCR No.1373, there are no relevant mechanisms or procedures. Given that there are no legal authorities and procedures or mechanisms to de-list and unfreeze the properties or other assets of designated persons and entities. The decision issued by the UTRF did not refer to the implementation of TFS without delay. The assessment team did not note that Moroccan authorities list any persons or entities on the relevant lists, and Morocco did not prepare a national list according to the said decision and no authority in the country has the legal authorities to operate *ex parte* against a person or entity who has been identified and whose proposal for designation is being considered, and it did not appear that there are publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities.

Recommendation 6 is rated Partially Compliant.

Recommendation (7) - Targeted financial sanctions related to proliferation.

63. Morocco has not been evaluated before regarding this recommendation given that it is recent, and it was added to the international standards (the FATF recommendations) in 2012.
64. **Criterion 7.1 (not met):** Morocco has no legal framework to implement TFS without delay to comply with UNSCRs related to the prevention and suppression of the proliferation of weapons of mass

- destruction and its financing. Yet these resolutions are dealt with by the Moroccan authorities, through MOFA which follow ups these resolutions with various sectors, by virtue of their legal authorities,
65. **Criterion 7.2 (not met):** There is no legal authority responsible for implementing TFS on proliferation.
- Criterion (7.2) a:** There is no legal framework that requires natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities.
- Criterion (7.2) b:** There is no legal framework requiring that the freezing obligation should extend to cover the requirements (1, 2, 3, 4) of paragraph (b) of the criterion.
- Criterion (7.2) c:** Moroccan authorities have no procedures ensuring that any funds or other assets are prevented from being made available by their nationals or by any persons or entities within their territories, to or for the benefit of designated persons or entities unless licensed, in accordance with the relevant UNSCRs.
- Criterion (7.2) d:** Moroccan authorities do not provide mechanisms for communicating designations to the financial sector and DNFBPs immediately upon taking such action, nor did they provide guidance to FIs and other persons or entities, on their obligations in acting under freezing mechanisms.
- Criterion (7.2) e:** There is no legal framework requiring FIs and DNFBPs to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs.
- Criterion (7.2) f:** In view of the absence of a legal framework and measures adopted by Moroccan authorities for the implementation of Recommendation 7, there are no measures which protect the rights of bona fide third parties.
66. **Criterion (7.3) (not met):** There is no legal framework for monitoring compliance by FIs and DNFBPs with the obligations related to Recommendation 7, as those obligations are not provided for in Morocco's legal framework, including the AML law. The Moroccan system also lacks texts which establish the imposition of civil, administrative or criminal sanctions for violations of the requirements of Recommendation 7 by FIs and DNFBPs.
67. **Criterion (7.4) (not met)**
- Criterion (7.4) a:** Moroccan authorities did not put in place procedures enabling listed persons and entities to petition a request for de-listing at the Focal Point for de-listing. And these designated persons or entities are not informed to petition the Focal Point directly.
- Criterion (7.4) b:** There are no publicly known procedures to lift the freeze against persons or entities with the similar name as designated persons or entities, who are inadvertently affected by freezing (false positives).
- Criterion (7.4) c:** There are no procedures put in place by Moroccan authorities authorizing access to funds or other assets, where countries have determined that the exemption conditions set out in UNSCRs 1718 and 2231 are met by the person or the entity.
- Criterion (7.4) d:** Moroccan authorities lack the mechanisms for communicating de-listings and unfreezing's to the financial DNFBP sector and there is no guidance to FIs and DNFBPs on their obligations to respect a de-listing or unfreezing action.
68. **Criterion (7.5) (not met)**

Criterion (7.5) a: In view of the lack of the legal framework for the implementation of Recommendation 7, there are no texts permitting the addition of interests or other earnings due on the accounts frozen or payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions of Resolutions 1718-2231.

Criterion (7.5) b: There are no provisions on the permission to make any payment due under a contract that arose prior to the listing decision.

69. **Weighting and Conclusion:** Morocco lacks a legal framework for the implementation of TFS pursuant to UNSCRs on proliferation, and the determination of the obligations imposed on FIs and DNFBPs. No legal texts were issued in this regard and there is no authority mandated to implement these resolutions.

Recommendation 7 is rated Non-Compliant.

Recommendation (8) - Non-profit organizations.

70. Morocco was evaluated during 2007 and the SRVIII was rated “non-compliant”, in view of the absence of a legal text that prevents the misuse of NPOs in ML and TF, the failure to require associations to report suspicious transactions and the absence of measures to verify the funds collected or transferred by NPOs.

71. **Criterion 8.1 (not met)**

Criterion 8.1 (a): Moroccan authorities lack a clear definition of NPOs, given that they did not identify which subset of organizations fall within the FATF definition of NPOs to identify their features and types.

Criterion 8.1 (b): Moroccan authorities did not identify the nature of threats posed by terrorist entities to the NPOs, as well as how terrorist actors abuse those NPOs.

Criterion 8.1 (c): According to article 13.2 of the AML law, supervisors of NPOs or entities should ensure that they are not being used for TF or ML purposes, given that these NPOs also referred to as associations are subject to the requirements of decree No.376-58-1 issued on 15 November 1958 on the establishment of associations, as amended and supplemented. The Minister of Interior and the GoSG issued circular No.1/2010 on the public charity seeking operations, which required licenses to be obtained from the government’s Secretariat for fund raising operations, however, these texts are not sufficient to allow appropriate and effective measures to be taken to address the risks identified.

Criterion 8.1 (d): There is no information on the Moroccan authorities reassessing the sector by reviewing new information on the potential vulnerabilities to terrorist activities.

72. **Criterion 8.2 (not met):**

Criterion 8.2 (a): There is no information on Moroccan authorities establishing clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs.

Criterion 8.2 (b): Moroccan authorities do not undertake outreach and educational programs for (NPOs) and (donors) about 1- the potential vulnerabilities of NPOs to TF abuse, 2- TF risks, and 3- the measures that should be taken for protection against such abuse.

Criterion 8.2 (c): Moroccan authorities did not work with NPOs to develop best practices to address TF risk and information on vulnerabilities.

Criterion 8.2(d): Moroccan authorities did not encourage NPOs to conduct transactions via regulated financial channels.

73. **Criterion 8.3 (not met):** Moroccan authorities are not conducting supervision or monitoring of NPOs, based on TF risks of this sector.

74. **Criterion 8.4 (partly met):**

Criterion 8.4 (a): Moroccan authorities do not monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures.

Criterion 8.4 (b): According to decree No.376-58-1 issued on 15 November 1958, chapter 8 stipulated the application of sanctions against associations for violations of the law, and the sanctions vary between dissolution of the association, to fines, and sentence of imprisonment; these sanctions are appropriate and dissuasive, if applied.

75. **Criterion 8.5 (not met)**

Criterion 8.5 (a): It is not clear whether there is a mechanism for co-operation, co-ordination and information-sharing among competent authorities that hold information on NPOs.

Criterion 8.5 (b): No information was provided by Moroccan authorities on expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organizations.

Criterion 8.5 (c): No information indicates whether Moroccan authorities can obtain all administrative and financial information on NPOs when conducting an investigation.

Criterion 8.5(d): There is no information on the mechanisms of Moroccan authorities to ensure that relevant information is promptly shared for taking preventive or investigative actions when there are reasonable grounds to suspect that an NPO is involved in TF, is being exploited by a terrorist organization or person, or is attempting to conceal the reason behind fund raising for TF.

76. **Criterion 8.6 (not met):** No information indicates that the Moroccan authorities are identifying appropriate points of contact and procedures to respond to international requests for information regarding NPOs suspected of TF.

77. **Weighting and Conclusion:** The monitoring and supervision mechanism applied to the NPO sector did not adopt the RBA. Moroccan authorities did not identify a subset of NPOs according to the FATF definition of NPOs, nor did they identify their features and types, neither the threats posed by terrorist groups to these NPOs or review all their measures - including the laws - to face the risks of misusing this sector by terrorists or terrorist organizations, and the risks of this sector were not assessed in order to identify relevant weaknesses. There are no policies to promote integrity for the management of these NPOs or awareness programs on TF risks for organizations and donors. There is no joint work with NPOs to develop best practices and to encourage them to use organized channels in their financial transactions. No supervision or monitoring of NPOs is conducted, based on TF risks and there are no legal texts for imposing sanctions on breaching organizations. There are no mechanisms for cooperation between concerned authorities which hold information on NPOs. And there is no sufficient expertise and abilities to conduct an investigation about NPOs, as well as the absence of mechanism on the prompt sharing of information. Moroccan authorities did not identify points of contacts in charge of receiving international requests on NPOs when they are suspected to relate to TF.

Recommendation 8 is rated Non-Compliant.

Recommendation 9 – Financial institution secrecy laws

78. Morocco was rated compliant with these requirements in the first MER, given that the requirements of this recommendation did not change. Based on the amendments made to the AML law No.43.05, Morocco clarified the procedures for requesting and exchanging information and designated and determined the supervisory or monitoring authorities.

79. **Criterion 9.1 (met):** The FIs professional secrecy does not seem to inhibit the implementation of the AML/CFT measures. According to a number of provisions in the AML law No.43.05, being articles 13, 22 and 24. Furthermore, articles 34 and 60 of law No.43-12 on the AMMC addressed the professional secrecy. So is the case with article 10 of the Exchange Office circular. Articles 16 and 17 of ACAPS circular require professionals to send any necessary document or information to the UTRF or the Authority to perform their tasks in the AML/CFT field.
80. **Weighting and Conclusion:** The legal texts on professional secrecy do not constitute any obstacle in the way of the UTRF, the supervisory and monitoring authorities or the subjected to the law to implement the AML/CFT obligations of Moroccan authorities.
- Recommendation 9 is rated Compliant.**

Recommendation 10 - Customer due diligence

81. In the first MER, Morocco was rated non-compliant in due diligence criteria in relation with customers verification, where 5 weaknesses were identified and represented in the failure to specify a threshold for occasional transactions in consistency with the methodology, absence of obligation requiring the institutions unqualified for opening accounts to obtain information on the nature and purpose of the business relationship, absence of a text requiring to identify beneficiary natural persons or persons controlling customers in institutions unqualified for opening accounts, absence of an obligation requiring FIs other than banking institutions to update the customers files and finally, absence of an obligation to terminate the business relationship with customers in the event of inability to implement due diligence measures. It is worth noting that Morocco has since made amendments to the legal texts pertaining to CDD.
82. **Criterion 10.1 (met):** The requirements of this criterion are provided for in article 6 (clause 4) of the AML law which requires persons legally qualified to open accounts to refrain from keeping anonymous accounts or accounts in fictitious names. In line with the requirements of the law, article 25 of BAM circular No.5/W/2017 prohibited credit institutions and similar bodies²² from maintaining anonymous accounts or accounts opened in fictitious names.

When CDD is required

83. **Criterion 10.2 (partly met):** Articles 4, 5 and 6 of the AML law No.43.05 determined the cases where FIs are required to undertake CDD measures, but these measures do not cover the conduct of occasional transactions above USD (15000), occasional transactions that are wire transfers or when the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data as set out in criteria 10.2/b, 10.2/c and 10.2/e. BAM circular No.5/W/2017 CDD cases which were limited to the establishment and verification of the identity of customers in the situations mentioned in criteria 10.2.a and 10.2.b, which is a measure that does not amount to compliance with all CDD measures.

Criterion 10.2 a: Article 5 of the AM law requires FIs to undertake CDD measures when establishing a business relationship. Article 13 of BAM circular No.5/W/2017 requires FIs to verify the identity and activity of customers before opening any account, while articles 14, 15, and 16 of the circulars

²² They refer to service institutions (money transfer companies), micro-credit institutions and offshore banks.

refer to the information which should be obtained before opening the account according to the type of each customer. Article 3 of the insurance circular stipulates that, upon subscription, professionals should establish and verify the identity of the subscriber, and the identity of the insured and when necessary, the identity of the beneficial owner. Article v.1.3 of the capital market²³ circular requires the verification of the identity of their customers when establishing a relationship. As for the exchange sector, the establishment of identity takes place in specific cases and is not undertaken through the implementation of due diligence measures.

Criterion 10.2 b: Articles 12, 14 and 15 of BAM circular determined the due diligence measures for occasional customers, in line with the requirements of this sub-criterion. It is worth noting that the due diligence measures are applied to all the transactions of the occasional customers, regardless of their type which includes also those carried out in several operations that appear to be linked. As to other FIs, the Moroccan legal texts do not provide for the obligation to implement due diligence measure when conducting an occasional wire transfer.

Criterion 10.2 c: Moroccan laws do not stipulate that FIs are required to undertake due diligence measures when carrying out an occasional wire transfer. It is worth noting that article 12 of BAM circular No.5/W/2017 provides for the establishment and verification of the identity of customers who carry out all types of operations, including occasional transactions, and not for the implementation of all due diligence measures.

Criterion 10.2 d: Article 8 of the AML law stipulates that subjected persons are required to examine every transaction which is carried out in unusual circumstances and do not seem to have a lawful purpose. Subjected persons are also required to question the customer about the source and purpose of the funds and the identity of relevant beneficiaries. Circulars issued by FIs supervisors do not provide for the provisions of the law, nor do they reflect them in their enforceable means towards the sectors they supervise, except for BAM circular which specified in article 34 the measures required by credit institutions and similar bodies in this case.

Criterion 10.2 e: According to the AML law (article 9), all subjected persons are required to submit STRs to the UTRF when they have doubts about the identity of the originator or beneficiary of the operation. The text does not cover due diligence measures in case of insufficiency of data. It also appears that what the article infers is the existence of a suspicion about the identity when conducting the transactions and does not include the identities previously maintained by FIs. Articles 12 and 26 of BAM circular No.5/W/2017 mention that it is necessary for credit institutions to refrain from completing any transaction for the benefit of customers, to terminate the business relationship and to file an STR to the UTRF, in case they fail to establish the identity of existing customers. This text does not cover the obligation to implement CDD measures. As to other supervisors, their circulars did not provide the details of this case.

Due diligence measures required for all the customers

²³ The capital market circular was amended during the on-site visit on 19/3/2018 after the approval of the MOF and Economy, however, it has not been published in the official Journal until the end of the on-site visit, so it can be considered in effect.

84. **Criterion 10.3: (partly met)**, the obligation to identify and verify the identity of permanent or occasional customers and beneficial owners by subjected persons, including FIs, is provided for in article 3 of the AML law.

Articles 14 and 15 of BAM circular No.5/W/2017 addressed to credit institutions indicated what are the official documents required to verify the identity of natural and legal persons and legal entities, including explicit trust funds or equivalent legal bodies. The same applies to the capital market, given that article V.1.3 of the capital market circular refers to the list of the documents needed to establish the customer's identity.

The obligation to identify and verify the customers identity is provided for in the insurance sector circular and the Exchange Office circular. It is worth noting that neither circular mentioned the necessity of verifying the customer's identity based on original data or information obtained from a reliable and independent source or determining the type of data.

85. **Criterion 10.4 (met)**: Article 3 of the AML law stipulates that if the customer is a legal person, subjected persons must verify the power granted to persons to represent him before third parties or to act in his name pursuant to a power of attorney. Article 5 of the law states that subjected persons should determine and verify the identity of persons acting on behalf of their customers pursuant to a power of attorney; which may be also considered to include the obligation to verify that the person is authorized to act on behalf of the customer. In completion of the obligations of the law, article 14 and 15 of BAM circular No.5/W/2017 required credit institutions to verify the identity of the agent who acts on behalf of the customer, whether a natural or a legal person of any type. As to the capital market, article V.1.3 of the circular stipulates that the customer's file should include the documents which establish his identity and activity, including the authorities of persons acting in his name when necessary. Article V.1.4 indicates that the obligations mentioned in the previous article do not exempt from undertaking additional measures to identify the persons who act on his behalf.

86. **Criterion 10.5 (partly met)**: The definition of the beneficial owner in the AML law is in line with the definition set out in the methodology. Article 3 of the law requires subjected persons to collect all the elements of information which can establish and verify the identity of their regular or occasional customers and beneficial owners. It also requires subjected persons to undertake reasonable measures to verify the identity of natural persons who control customers who are legal persons. It is worth noting that there is no text requiring FIs to verify the identity of the beneficial owner by relying on a reliable source.

Articles (3,7,12,14,15,16, 24, and 38) of BAM circular No.5/W/2017 accurately and comprehensively identify the obligations of credit institutions in terms of establishing and verifying the identity of beneficial owners, based on valid official documents submitted by a Moroccan qualified authority or a foreign authority, such that the financial institution is satisfied that it knows who the beneficial owner is.

The AMMC circular focuses on the AML law definition of the beneficial owner. In article V.1.3, there is a reference to the obligation of the concerned parties to verify, when necessary, the identity of the beneficial owner of the operations which should be carried out. The obligation to determine the identity of the beneficial owner, in this article, is required only in certain cases, and the texts do not require institutions to take reasonable measures to verify the identity of the beneficiary by relying on reliable sources.

Articles 3 and 4 of ACAPS circular tackle the requirements of this criterion, but these articles do not explicitly provide for the obligation to take reasonable measures to verify the identity of the beneficiary by relying on reliable sources.

As to the currency exchange offices, they are required, under article 2 of the Exchange Office circular No.9/2013 to establish the beneficial owner identity only in the case of transactions above a designated threshold (100,000 Moroccan Dirhams) or in cases of recurrent relationships. The obligation to establish the beneficial owner identity which is limited only to specific cases excludes a large portion of customers and consequently constitutes a deficiency in implementing the requirements of this criterion.

It is worth mentioning the difference in the obligations between the AML law and the circulars issued by the AMMC, ACAPS, and the Exchange Office. The law required subjected persons to establish and verify the identity of all beneficial owners, however, the circulars of the above-mentioned supervisors have identified the obligation to establish the beneficial owner identity only in some cases, which could create a confusion in implementing the measures.

87. **Criterion 10.6 (met):** Article 5 of the AML law requires subjected persons to verify the subject and nature of the proposed business relationship. The obligation of subjected persons to understand the purpose and nature of the business relationship before opening any account or engaging in a relationship with their customers is explicitly provided for in article 13 of BAM circular No.5/W/2017, article V.1.3 of the AMMC circular and article 4 of the Exchange Office circular No.9/2013. As to the insurance sector, the circular did not indicate that there is a text which elaborates on this measure provided for in the law.

88. **Criterion 10.7 (partly met)**

Criterion 10.7.a: Article 5 of the AML law requires subjected persons to verify that the transactions conducted by customers are fully consistent with their knowledge of the customers, their business and risk profile, to ensure that customers records are kept up-to-date, to inquire about the source of funds, to conduct a special supervision and to establish due diligence measures proportionate to the risks posed by customers and transactions. Article 2 of BAM No.5/W/2017 requires credit institutions to implement due diligence on an on-going basis. However, article 33 of the circular stipulates that credit institutions should verify that the transactions undertaken by customers are in line with the institution's knowledge of its customers, their business and risk profile. Article 6 of ACAPS circular requires professionals to verify that the transactions undertaken by their customers are consistent with their knowledge of their customers, their business and relevant risks. Article V.1.6 of the AMMC circular referred to the obligation to verify that the category of customers is consistent with the nature of the transactions undertaken or intended to be undertaken. Article 4 of the Exchange Office circular requires the exchange offices to verify that the transactions undertaken by their customers are consistent with their knowledge of the customers, their business and risk profile. It is worth noting that the legal texts of the insurance sector, the capital market and the exchange offices indicate that it is necessary to implement due diligence measures in the cases provided for by article 5 of the law, which is contradictory to the requirements of the criterion that indicates the necessity to implement due diligence on an on-going basis.

Criterion 10.7.b: BAM circular No.5/W/2017 (article 2 and 40), ACAPS circular (articles 6 and 7), the AMMC circular (article V.1.2) and the Exchange Office circular No.9/2013 (article 8) provide

for the obligation requiring FIs to update the documents, data or information, namely higher-risk customers.

Due diligence measures for legal persons and arrangements

89. **Criterion 10.8 (partly met):** For credit institutions, the requirements of this criterion are explicitly provided for in BAM circular No.5/W/2017, which determined, in articles 13 and 24, the procedures which must be undertaken before opening any account. For legal arrangements, including trust funds and equivalent legal arrangements, article 15 of the circular refers to the required procedures. For the insurance sector, the insurance companies are required to fill out annex No.2, which is a form for all customers, where a set of identification data is mentioned, knowing that this annex does not amount to legal texts. Clause V.1.3 of the AMMC circular refers to the due diligence measures which should be implemented towards customers, such as the verification of the customer's business and the authorities of the persons who act in his name when necessary. The texts show that the obligation to understand the ownership structure of legal persons is not mentioned. For the exchange sector, no legal obligation indicating the requirements of this criterion seems to exist.
90. **Criterion 10.9 (partly met)**
Criterion 10.9.a: Article 3 of the AML law requires subjected persons to verify the customers who are legal persons (including legal arrangements), through the necessary documents and data which include information on their name and legal form. But this article did not provide for *the obligation to prove the incorporation*.
For credit institutions and similar bodies, article 15 of BAM circular No.5/W/2017 determined the obligations and requirements for the establishment and verification of the legal person's identity, including the various legal entities, which also comprise the name, legal form and the obligation to prove the incorporation. On the other hand, the requirements of this criterion are not provided for in the Capital Market Authority circular, the Insurance Authority circular and the Exchange Office circular.
Criterion 10.9.b: Article 3 of the AML law requires subjected persons to verify the customers that are legal persons, through the necessary documents and data of their managers identity, but this article does not provide for the obligation to verify the regulations which regulate the business of the legal person. In consistency with the obligations of the law, article 15 of BAM circular required credit institutions to establish and verify the identity of legal persons by obtaining information on the names of members of the board of directors of the legal person. On the other hand, the requirements of this criterion are not provided for in the Capital Market Authority circular, the Exchange Office circular and the insurance companies circular.
Criterion 10.9.c: Article 3 of the AML law requires subjected persons to verify the customers that are legal persons, through information on the address of their place of business. Articles 15 and 22 of BAM circular refer to the requirements of this criterion. On the other hand, the requirements of this criterion are not provided for in the Capital Market Authority circular, the Exchange Office circular and the insurance companies circular.
91. **Criterion 10.10 (partly met):**
Criterion 10.10.a: Article 3 of the AML law defined the beneficial owner (referred to in criterion 10.5) and required subjected persons to collect all the information which can help establish and verify the identity of their customers and beneficial owners. It also provided for the obligation to verify the beneficial owner's identity through documents and data, in case the customer is a legal person.

Article 1 of BAM circular No.5/W/2017 defined the beneficial owners, in case of customers that are legal persons, who included, “the natural person who directly or indirectly owns more than 25% of the capital or voting rights, or the person who owns more than 25% of the legal person's properties”, which clearly refers to the controlling ownership interest. Article 15 of the circular required institutions to establish and verify the identity of beneficial owners that are natural persons, when the customer is a legal person.

The requirements of this criterion are referred to in articles 3 and 5 of the Insurance and Reserve Control Authority circular (whoever owns more than 25% of the legal person's interest). The AMMC circular tackles the necessity of establishing the beneficial owner identity only in certain cases, given the nature of the capital market work and the types of customers in this sector. A customer can be excluded from these cases in the event where it is a company listed in the stock exchange. For the exchange sector, no legal obligation referring to these requirements was found.

Criterion 10.10.b: The requirements of this criterion are addressed in article 1 of BAM circular No.5/W/2017 through the definition of the beneficial owners and through article 15 which requires institutions to establish and verify the identity of beneficial owners that are natural persons, when the customer is a legal person. It did not appear that other financial sectors have legal texts that address the requirements of this sub-criterion.

Criterion 10.10.c: For credit institutions and similar bodies, and in consistency with the requirements of this sub-criterion, article 15 of BAM circular No.5/W/2017 stipulated that it is necessary to establish and verify, on an on-going basis, the identity of members of the board of directors of the legal person and the persons mandated to operate the bank account. This article requires the verification of all the cases, regardless of the considerations relating to the sub-criteria (10.10.a) and (10.10.b). For the insurance sector, article 5 of the Authority circular refers to the obligation to identify and to take the necessary measures to monitor the identity of the natural person who owns the shares, but the circular did not cover the case where it is impossible to identify the natural person and the mechanism applied when this case occurs. On the other hand, it did not appear that the AMMC or the Exchange Office has a legal text on the requirements of this sub-criterion.

92. **Criterion 10.11 (partly met):**

Criterion 10.11.a: Article 15 of BAM circular No.5/W/2017 refers to the obligation of credit institutions and similar bodies to identify and implement reasonable measures to verify the identity of beneficial owners of trust funds, including the identity of the originator, the trustee, the custodian and the beneficiaries, and any other natural person who has an effective and actual control on the fund, on the other hand there is no text that stipulates the requirement to identify the identity of the natural person exercising control through a chain of control/ownership. For the insurance, capital market and exchange sectors, it did not appear that there is any legal obligation concerning the procedures for verifying beneficial owners, when customers are legal arrangements.

Criterion 10.11.b: Article 15 of BAM circular No.5/W/2017 indicates that credit institutions and similar bodies are required to identify and implement reasonable measures to verify them and to verify the identities of persons who occupy equivalent positions in other types of legal arrangements. For the insurance, capital market and exchange sectors, it did not appear that there is any legal obligation concerning the procedures for verifying beneficial owners, when customers are similar legal arrangements.

Due diligence toward the beneficiaries from life insurance policies

93. **Criterion 10.12 (largely met)**

Criterion 10.12.a: Article 3 of the insurance sector circular defined the beneficial owner of the insurance contract and stipulated that professionals should obtain all the information which enables them to establish and verify the identity of the subscriber and the insured and when necessary the beneficial owner of the contract.

Criterion 10.12.b: there is no legal obligation to obtain sufficient information concerning the beneficiary that is designated by characteristic or by class or by other means, which enables the financial institution to establish the identity of the beneficiary, at the time of the payout.

Criterion 12.10.c: Criterion 5 of the insurance sector circular requires professionals to comprehensively verify the identity of the beneficial owner of the insurance contract or capitalization before any payout.

94. **Criterion 10.13 (not met):** Article 5 of the AML/CFT law provides for the obligation to apply enhanced due diligence measures to higher risk customers, business relationships or transactions. Article 7 of the insurance circular requires professionals to take the comprehensive enhanced due diligence measures mentioned in the AML law when subscribing to a life insurance and capitalization contract, which would entail the payment of an annual premium or free payments over 60.000 Dirhams (approximately USD 6370) and when subscribing to a life insurance and capitalization contract entailing the payment of a single premium over 100.000 Dirhams (approximately USD 10.617). However, the circular does not consider the beneficiary of the life insurance policy - in general - as a risk factor in determining whether enhanced CDD measures are applicable. The insurance sector is not required to undertake enhanced due diligence measures to establish the identity of the beneficial owner of the insurance policy beneficiary, at the time of the payout, in case the beneficial owner is a high-risk legal person or arrangement.

Timing of the verification

95. **Criterion 10.14: (met)** The requirements of BAM circular No.5/W/2017 provided for the collection and review of information which enables to establish the business relationships, the occasional customers and the beneficial owners before opening any account or conducting any transactions (articles 12, 13 and 14). Article V.1.3 of the AMMC circular requires companies to verify the identity of their customers upon the establishment of the relationship and to create a file for each customer. For the insurance sector, articles 3 and 4 of the Authority circular require the insurance companies to verify the identity of the concerned persons when subscribing to an insurance or capitalization contract. Article 3 of the Exchange Office circular stipulates that no transaction shall be carried out if the verification of the identity of the concerned person is not possible.
96. **Criterion 10.15 (non-applicable):** The AML law does not permit the implementation of CDD measures following the establishment of the business relationship (articles 4 and 5).

Existing customers

97. **Criterion 10.16 (partly met):** Nothing in the laws and circulars issued by supervisory and monitoring authorities indicates that FIs are required to apply CDD measures to existing customers, from the effective date of the new national requirements based on materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have been previously undertaken and the adequacy of data obtained. It is worth noting that article 4 of BAM circular No.5/W/2017 only requires that FIs should collect and verify the information elements which enable to establish the identity of existing customers. Article 17 of the

circular also stipulates it is necessary to verify that the documents, data and information obtained in the context of implementing due diligence are updated; which can be considered that it covers the existing business relationships, and this article requires that data be updated in view of its relevance and of the type of risks.

Risk-Based Approach

98. **Criterion 10.17: (met)** The requirements of this criterion are provided for in article 5 of the AML law which requires subjected persons to apply enhanced due diligence measures to higher risk customers, business relationships or transactions.

In complementing the texts of the law, article 40 of BAM circular No.5/W/2017, article 7 of the Insurance Control Authority circular, article V.1.6 of the AMMC circular and articles 5 and 6 of the Exchange Office circular determine the nature of these enhanced preventive measures required from subjected persons. These measures are mainly represented in the following:

- Obtain senior management approval before establishing the business relationship or conducting the transactions,
- Establish the source of funds;
- Conduct enhanced ongoing monitoring on that business relationship.
- Report the operations conducted by high-risk customers, in writing and regularly, to their superiors.

99. **Criterion 10.18: (met)** The AML law did not include a provision that permits FIs to apply simplified CDD measures. In parallel, article 19 of BAM circular No.5/W/2017 permitted and identified simplified CDD measures in establishing the identity of customers, only about payment institutions, and this reduction of measures is due to the threshold system applied to the two payment accounts which are less than USD 20 and USD 500, respectively. As to the exchange sector, article 2 of the Exchange Office circular requires exchange offices to verify the identity of customers or beneficial owners in case of transactions over or equal to 100.000 Dirhams, equivalent to approximately USD 108000; which can be considered as a type of simplified CDD measures. However, these simplified measures are not associated with an adequate analysis conducted by the country or the financial institution, through which lower risks are identified. It is worth noting that the Exchange Office circular did not indicate any obligation that prevents the implementation of simplified measures whenever there is a suspicion of ML/TF. For the insurance or capital market sectors, it did not appear that there is any legal text permitting the application of simplified measures.

Failure to satisfactorily complete CDD measures:

100. **Criterion 10.19 (met):**

Criterion 10.19.a: Article 5 of the AML law prevents subjected persons from establishing or continuing a business relationship when it is impossible to establish and verify the identity of their customers and the beneficial owners, or to obtain information on the purpose and nature of the business relationship.

As to credit institutions, article 26 of BAM circular No.5/W/2017 requires credit institutions to refrain from carrying out transactions and from establishing business relationships or requires them to terminate the business relationship when they are unable to comply with CDD measures, or if the

identity of concerned persons is incomplete or seems to be false. The obligations set out in the insurance sector, capital market and Exchange Office circulars are consistent with the requirements of the law and focus on not carrying out the transactions in case the identity cannot be verified.

Criterion 10.19.b The AML law prohibits subjected persons from continuing business relationships when they are unable to establish the identity of their customers or the beneficial owners. In such case, subjected persons should report the suspicion to the UTRF (articles 5 and 9).

101. **Criterion 10.20: (partly met)** The requirements of this criterion are explicitly provided for in articles 39 of BAM circular No.5/W/2017. On the other hand, the AML law prohibits subjected persons from continuing business relationships when they are unable to establish the identity of their customers or the beneficial owners. In such case, subjected persons should report the suspicion to the UTRF. It is not clear whether these requirements permit not to pursue the CDD process if it will tip-off the customer. The requirements of this criterion are not provided for in any of the legal texts issued by the supervisors of the insurance sector, the capital markets and the exchange offices.

102. **Weighting and Conclusion:** The deficiencies are obvious in this recommendation, particularly in criteria (10-2, 10-3, 10-10, 10-13 and 10-16). There appear to be a lack in some due diligence rules amongst insurance companies, capital markets and exchange offices and there is no link between the implementation of CDD measures and the degree of risks.

Recommendation 10 is rated Partially Compliant.

Recommendation 11 – Record-keeping

103. Morocco was rated largely compliant with Recommendation 10 on record keeping, during the first round of the mutual evaluation. At that time, it did not appear that there was a requirement to ensure the provision of records to competent authorities in a timely manner.

104. **Criterion 11.1 (met):** The obligation of FIs to keep records on transactions is clearly provided for in article 7 of the AML law which requires subjected persons to keep the documents of the transactions undertaken by all customers for a period of ten years from the date of the transaction.

In addition to the legal text, article 45 of BAM circular No.5/W/2017, article V.2.1 of the AMMC circular, article 9 of the insurance sector circular and article 11 of the Exchange Office circular provide for the requirements of this criterion.

105. **Criterion 11.2 (partly met):** Articles 7 and 8 of the AML law refer to the obligation to maintain, for a period of ten years, the documents relating to the identity of all the customers, as at the date of their account closure or termination of the relationships, and to maintain, for the same period, the documents relating to the analysis of unusual transactions, knowing that the law does not require that account files and business correspondence be kept and it fixed the period for keeping the records, from the closure of the accounts, without regard to the date of the occasional transaction. In complementing the obligations of the law, articles 45 and 47 of BAM circular No.5/W/2017 addressed to credit institutions and similar bodies provided for all the requirements of this criterion.

106. **Criterion 11.3 (partly met):** Credit institutions and similar bodies are the only FIs subjected to the obligations of keeping transaction records sufficiently to permit reconstruction of individual transactions, under article 46 of BAM circular No.5/W/2017, however, no reference was made to provide them as evidence for prosecution of criminal activity. It did not appear that there is a clear text issued by the AMMC, ACAPS or the Exchange Office stipulating that transaction records should be sufficient to permit reconstruction of individual transactions.

107. **Criterion 11.4 (met):** Article 13 of the AML law requires subjected persons to inform the UTRF and the supervisory and monitoring authorities, upon request, and within the deadline they fix, of all the necessary documents and information to perform their tasks. The requirements of this criterion were also referred to in BAM circular No.5/W/2017 (article 46), the Insurance Authority circular (articles 16 and 17) and the Exchange Office circular (article 10). For the exchange sector, no clear text referring to the requirements of this criterion seems to exist.

108. **Weighting and Conclusion:** The obligation to maintain records is provided for in the law, but the deficiencies relating to this criterion are manifested through the absence of a clear legal obligation for all the financial sectors, requiring that the transaction records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity, and through the absence of a legal obligation referring to the requirement to keep account files and business correspondence.

Recommendation 11 is rated Largely Compliant.

Recommendation 12 - Politically exposed persons

109. Morocco was rated non-compliant with Recommendation 6 in these requirements in the 1st MER, given the absence of a legal text requiring FIs to put in place appropriate systems to deal with PEPs. The FATF criteria have changed since and Morocco has addressed these issues through new legislations.

110. **Criterion 12.1 (partly met):** The legal texts issued by supervisors define PEPs, however this definition, except for the definition set out in BAM circular, is considered incomplete, since the texts associated PEPs with public positions, while other positions such as party leaders, and senior military officials for example, are not covered, for instance, BAM circular defined PEPs according to the FATF definition which is set out in the methodology.

Criterion 12.1.a: Chapter 38 of BAM circular No.5/W/2017 stipulated that credit institutions and similar bodies are identifying and applying measures based on risk which enable them to determine whether a customer or the beneficial owner is a PEP. For the insurance and exchange sectors, article 7 of the insurance sector circular and article 6 of the Exchange Office circular indicate that appropriate measures should be taken to establish and verify the identity of higher risks customers, including PEPs, however, they do not mention the beneficial owner. Credit institutions and insurance companies rely on internationally recognized software and examination tools to verify if the customer is a PEP and this examination extends to the beneficial owner in case of credit institutions. As to the AMMC circular, the necessary measures require the verification of higher risk customers and do not indicate that systems should be put in place to identify these customers.

Criterion 12.1.b: The requirements of this sub-criterion are provided for in article 40 of BAM circular No.5/W/2017 addressed to credit institutions which indicates that the enhanced CDD measures required from institutions in relation to high-risk customers include senior management approval to be obtained before establishing or continuing the existing business relationship, knowing that the circular considered PEPs as high-risk customers. Article 6 of the Exchange Office circular stipulates that exchange offices should obtain the approval of the office management before engaging in a business relationship with PEPs, however, it does not indicate that the approval upon continuing the relationship with existing customers should be obtained. As to the AMMC circular, article V.1.6 stipulated that the managers approval should be obtained before establishing a business relationship

with PEPs, however, it does not indicate the obligation to obtain the approval upon continuing the relationship with existing customers. Article 7 of the insurance sector circular requires professionals to obtain senior officials' approval before engaging in a business relationship with any foreign PEP. Article 7 bis also indicates that this measure should be applied to existing customers.

Criterion 12.1.c: Article 14 of BAM circular No.5/W/2017 stipulated that it is necessary to obtain data on the source of funds before opening an account of any natural person and article 15 of the circular stipulated it is necessary to obtain data on the source of funds of any natural person who manages a legal person and the same also applies to beneficial owners. Article 7 of the insurance sector circular required professionals to identify the source of funds of high-risk customers, including PEPs, and article 6 of the Exchange Office circular stipulated that exchange offices should verify the source of funds of PEPs, while article V.1.6 of the AMMC circular required professionals to enhance the measures for the verification of the source of funds of all high-risk customers, including PEPs.

Criterion 12.1.d: The requirements of this sub-criterion are provided for in article 40 (clause 4) of BAM circular No.5/W/2017 for credit institutions, which requires to increase the number and frequency of supervisions and to select plans for the transactions which need an in-depth study in case of high-risk customers. In line with this sub-criterion, article 6 of the Exchange Office circular stipulates that exchange offices are required to undertake intensive and on-going supervision of business relationships with PEPs. Article V.1.6 of the AMMC circular stipulates that professionals are required to put in place a mechanism for undertaking enhanced and on-going monitoring of the business relationship with high-risk customers, including PEPs. As to the insurance sector, article 7 of the General Insurance Authority circular stipulated that professionals are required to apply on-going enhanced supervision for this type of business relationships.

111. **Criterion 12.2 (partly met)**

Criterion 12.2.a: The definition of PEPs as mentioned in BAM circular, the AMMC circular, and the Exchange Office circular covers Moroccan and foreign PEPs alike. Therefore, the requirements of this sub-criterion (12.1.a) which apply to foreigners shall also apply to domestic persons or those who have been entrusted with a prominent position in an international organization.

As a result, the deficiency is reflected in the measures for identifying PEPs which did not cover the beneficial owner, and which were only limited to the customer, in the insurance and exchange sectors, in addition to the absence of an obligation requiring the capital market sector to take sufficient measures to establish whether the customer or the beneficial owner is a domestic PEP or a person who has been entrusted with a prominent position by an international organization.

Criterion 12.2.b: The requirements relating to the sub-criteria 12.1/b, 12.1/c and 12.1/d are provided for in articles 14 and 40 of BAM circular No.5/W/2017 for credit institutions and similar bodies. Article 6 of the Exchange Office circular addressed to the exchange sector and article V.1.6 of the AMMC circular refer to the requirements of this criterion. As to the insurance sector, article 7 of the circular addressed to the sector indicates that measures should be taken to identify the source of funds and enhanced on-going monitoring of the business relationship should be applied. The article also mentions that a senior management approval should be obtained before establishing a business relationship with a foreign person who has occupied or still occupies senior public positions in Morocco or abroad or at an international organization, without making a reference to domestic persons.

112. **Criterion 12.3: (partly met)** The definition of PEPs by credit institutions and similar bodies, insurance companies and capital market covers family members and close associates, therefore, the

requirements which are required to be applied to PEPs also apply to family members and close associates, as detailed in criteria (12.1) and (12.2) above. However, the definition of PEPs by the exchange sector does not extend to cover PEPs' family members and close associates.

113. **Criterion 12.4: (partly met)** Article 7 of the insurance sector circular requires professionals to implement enhanced and comprehensive CDD measures for business relationships proposed or completed by or for the benefit of PEPs. In addition to the application of the measure requiring reporting the transactions conducted by high-risk customers, in writing and regularly, to their superiors. Article 5 of the circular stipulates that professionals should verify the beneficial owner identity before the payout; however, it did not explicitly require to verify whether he is a PEP. Articles 10 to 12 bis elaborate on the cases where professionals should consider filing a STR.

114. **Weighting and Conclusion:** The definition of PEPs by insurance companies, capital markets and exchange offices are considered incomplete. In addition, the definition of PEPs by the exchange sector did not cover family members and associates, which indicates that this definition is deficient. Furthermore, the obligations imposed on the capital market sector do not cover the establishment of systems to determine whether the customer or the beneficial owner is a PEP. The insurance and Exchange sectors are not explicitly required, either, to verify whether the beneficial owner is a PEP.

Recommendation 12 is rated Partially Compliant.

Recommendation 13 – Correspondent banking

115. Morocco was rated non-compliant in these requirements in the 1st MER, given the absence of any type of rules to deal with correspondent institutions. Some simple amendments have been made since to the FATF criteria, specifically criterion (13-3), and Morocco has addressed these cases through new legislations.

116. **Criterion 13.1 (partly met)**

Criterion 13.1.a: Article 42 of BAM circular No.5/W/2017 indicates that credit institutions are required to gather sufficient information about the nature of the respondent's business, and to assess its reputation and the quality of supervision it is subjected to, before opening any foreign correspondent bank account, without verifying whether the respondent institution was subject to a ML/TF investigation or regulatory action. It is worth noting that this article did not refer to the obligation to verify all this data from publicly available information.

Criterion 13.1.b: Article 42 of BAM circular No.5/W/2017 indicates the obligation of credit institutions to assess the AML/CFT supervisory measures put in place by the respondent.

Criterion 13.1.c: Article 43 of BAM circular indicates that it belongs to the senior management to approve upon establishing new correspondent relationships or continuing those already existing.

Criterion 13.1.d: The obligation to understand the respective AML/CFT responsibilities of each institution is referred to in article 42 of BAM circular No.5/W/2017. It is worth noting that the legal texts on correspondent banking in the capital market sector do not exist.

117. **Criterion 13.2 (partly met)**

Criterion 13.2.a: Article 44 of BAM circular No.5/W/2017 indicates that the institution should verify that the respondent bank has performed appropriate CDD obligations on its customers that have direct access to the payable-through accounts.

Criterion 13.2.b: Article 44 of BAM circular No.5/W/2017 also indicates that the institutions should verify that the respondent bank is able to provide them with relevant CDD information on customers that have direct access to payable-through accounts upon request.

However, these requirements are not provided for in correspondent banking relationships within the capital market sector.

118. **Criterion 3.13: (met)** The obligation to refrain from entering into, or continuing, correspondent banking relationships with shell banks and to be satisfied that respondent FIs do not permit their accounts to be used by shell banks is provided for in article 42 of BAM circular No.5/W/2017 which requires credit institutions to refuse to enter into or to continue a correspondent banking relationships with shell banks and to verify that respondent institutions do not permit their accounts to be used by shell banks. It is worth noting that the definition of shell banks in this article is in line with the definition of shell banks set out in the Methodology. In this context, article 6 of the AML law did not define shell FIs, therefore, the requirements of this criterion are not provided for as regards the capital market sector.
119. **Weighting and Conclusion:** The legal texts on credit institutions provide for most of the requirements of Recommendation 13. However, they do not require credit institutions to know whether the respondent institution was subject to ML/TF investigation or regulatory action, in addition to the absence of an obligation to verify all the requirements of criterion 13.1.a through information which is publicly available, and the deficiency is also reflected in the absence of legal texts relating to correspondent banking relationships in the capital market sector.

Recommendation 13 is rated Partially Compliant.

Recommendation 14 – Money or value transfer services

120. Morocco was rated non-compliant with SRVI relating to money or value transfer services in the 1stMER, given that the sanctions applied by supervisors on breaching persons are not clear, that natural persons in charge of managing subjected persons are not subjected to sanction in all cases of violations and that the informal transfer systems are not regulated. The FATF has made, since, amendments to the criteria and Morocco has addressed these weaknesses through new legislations.
121. **Criterion 14.1(met):** Money transfer transactions are part of the payment institutions, as contemplated by articles 15 and 16 of law No.103-12 on credit institutions and similar bodies. This law determines the conditions to banking practice activities and to grant authorizations. On this note, article 16 states that the methods of practicing money transfer transactions are determined in a circular issued by the governor of BAM, after consulted the Credit Institutions Committee, while article 34 determines the legal persons (including the payment institutions) that should be licensed by the governor of BAM, before they practice their activities.
122. **Criterion 14.2 (met):** Law No.103-12 on credit institutions and similar bodies indicated that payment institutions should be subjected to licensing by BAM, like other credit institutions. In addition, articles (182-183-184) of law No.103-12 specified the cases where MVTS are carried out without a license or registration, and they include any natural or legal person who unlawfully uses a trademark that leads to believe that he is approved as a credit institution or that he usually undertakes money transfer operations without being legally approved as a credit institution, or that he carries out operations for which no approval is granted, and in such cases, it is possible to apply a number of sanctions varying between financial penalty, imprisonment or closure of the institution by a court order. It is worth noting that the supervisory authority at BAM which is mandated to verify the proper implementation of the requirements of law No.130.12 is entrusted to take the necessary measures to identify the persons who carry out money or value transfer services without license or registration.

123. **Criterion 14.3 (met):** According to the requirements of the AML law No.43.05, credit institutions and similar bodies (including money transfer companies) are subject to the AML/CFT supervision and monitoring of BAM. In addition, articles 96 and 97 of the above-mentioned law No.103.12 granted BAM the power to determine the method for implementing and overseeing the implementation of the legal system in the ML/TF field.
124. **Criterion 14.4 (largely met):** The impediments provided for in article 38 of the banking law No.103-12 are applicable to payment agents. In addition, article 17 of BAM circular No.6/W/2016 on payment institutions, including money transfer companies, stipulates that BAM should be informed of any contracts entered into with payment agents, and BAM may object to one or more of these payment agents if it deems it necessary, this is considered as part of the registration process for agents, yet there is no explicit text requiring MVTS providers to maintain a current list of their agents.
125. **Criterion 14.5 (partly met):** Article 18 of BAM circular No.6/W/2016 on payment institutions stipulates that the relationship between the payment institution and its agents should be regulated, under an agreement that determines the obligations of those agents to comply with the AML/CFT regulatory requirements. Article 22 of the circular also stipulates that without prejudice to the powers granted to BAM under law No.103-12, to supervise credit institutions, payment institutions are required to ensure the compliance of their agents with the AML/CFT provisions, otherwise, the agreement between the payment institution and its agent shall terminate. It is worth noting that there is no legal text that requires MVTS providers to include their agents in AML/CFT programs.
126. **Weighting and Conclusion:** The deficiency in the criteria of this Recommendation is manifested in the absence of the legal text that requires MVTS providers to include their agents in AML/CFT programs.

Recommendation 14 is rated Largely Compliant.

Recommendation 15 – New Technologies

127. Morocco was rated non-compliant for the new technologies criteria in Recommendation 8, in the 1st MER, given that the Moroccan system did not comprise policies or measures applied to prevent the misuse of new technologies or to deal with risks relating to indirect transactions. It is worth noting that Morocco has also amended legislations relating to new technologies.
128. **Criterion 15.1: (partly met)** Article 5 of the AML law No.45.03 requires subjected persons to put in place measures to prevent risks relating to the use of new technologies for ML purpose. However, the law did not refer to the obligations also required from the country.
- Credit institutions and similar bodies are required to implement the requirements of this criterion, according to article 6 of BAM circular No.5/W/2017. In addition, article 98 of BAM circular No.4/W/2014 on internal control, requires credit institutions to create a system that can measure, follow up and monitor the new technologies risks, and they include the important changes in the existing products.
- As to the capital market sector, the required measures relating to new technologies do not cover all the requirements of this criterion, given that article V.2.1 of the Conseil des Valeurs Mobilières circular only indicated the internal control obligations imposed on market dealers who directly receive instructions from customers (...) include the detection of unusual or complex transactions and the prevention from risks of using new technologies for ML purpose. This also applies to the insurance sector, given that article 6 of circular No. *DAPS/EA/13/12* only provides for the obligation of

professionals to implement CDD measures, including the prevention of using new technologies for ML/TF purpose. As to exchange institutions, no legal text that addresses the requirements of this criterion seems to exist.

129. **Criterion 15.2 (partly met)**

Criterion 15.2.a: Article 6 of BAM circular No.5/W/2017 on credit institutions and similar bodies clearly indicates that a risk assessment should be undertaken before launching or using products, practices or technologies. As to other FIs, no legal text that requires them to implement the requirements of this sub-criterion seems to exist.

Criterion 15.2.b: Article 6 of BAM circular No.5/W/2017 on credit institutions and similar bodies clearly indicates that appropriate measures should be taken to manage and mitigate the new technologies risks. As to other FIs, no legal text that requires them to implement the requirements of this sub-criterion seems to exist.

130. **Weighting and Conclusion:** Morocco did not identify the ML/TF risks relating to new technologies. On the other hand, the legislative texts did not provide for any legal obligation imposed on the insurance sector, the capital market and the exchange offices to take measures to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices. FIs are not required either to undertake the risk assessment prior to the launch or use of products, practices and technologies or to take appropriate measures to manage and mitigate these risks. It is also worth noting that there is no legal text that determines the obligations required from the country to this end.

Recommendation 15 is rated Partially Compliant.

Recommendation 16 – Wire Transfers

131. During the 1st round of the evaluation process which took place in 2007, Morocco was rated non-compliant with SRVII on wire transfers rules, due to deficiencies relating to the failure to require FIs which carry out the financial transfers to implement the requirements of SRVII, in terms of obtaining and maintaining information on the transaction, imposing oversight by supervisors, thus, the absence dissuasive and proportionate sanctions for the violation of these requirements, in addition to the failure to require intermediary and recipient FIs in a serial payment chain to verify the transmission of all the originator information accompanying the wire transfer.

Ordering financial institution

132. **Criterion 16.1 (largely met)**

Criterion 16.1 (a): Article 27 of BAM circular No.5/W/2017 on due diligence determined the information which should accompany the cross-border wire transfers, issued or received in a manner through which they meet paragraph (a) of this criterion.

Criterion 16.1 (b): The same article 27 of the afore-mentioned circular satisfied the information required about the actual beneficiary which is the subject of paragraph (b) of this criterion and did not address the subject of the beneficiary but limited it to the actual beneficiary.

133. **Criterion 16.2 (met):** The same article 27 of the afore-mentioned circular determined the information which should accompany issued or received wire transfers, whether it is a single transfer, or several transfers issued by a single originator and bundled in a batch file. It also required that all this data is incorporated into an information system for easy use.

134. **Criterion 16.3 (Not applicable):** The Moroccan system does not provide for a de minimis threshold or a limit for the requirements of article 27 of BAM circular No.5/W/2017 on the due diligence obligation. Given that the circular did not provide for a specific de minimis threshold (no higher than USD/EUR 1000), the obligations are applicable to all cross-border wire transfers.
135. **Criterion 16.4 (met):** Articles 12 and 37 of the afore-mentioned circular cover the obligations of FIs to verify the information pertaining to their customers where there is a suspicion of ML/TF.
136. **Criterion 16.5 (met):** Article 28 of BAM circular No.5/W/2017 on the transmission of issued or received domestic transfers stipulates that they should include the same information provided for in article 27 of the same circular, unless it is possible to make this information available, through other means, to the beneficiary institution or competent authorities, upon request, within 3 working days of receiving the request. Article 29 of BAM circular No.5/W/2017 requires the beneficiary institution to put in place risk-based measures, in dealing with incoming transfers and remittances lacking the information provided for in article 27.
137. **Criterion 16.6 (partly met):** According to article 28 of BAM circular No.5/W/2017, the issued or received domestic transfers should include the same information provided for in article 27 which determines the information accompanying the issued or received cross-border transmissions and transfers of funds, unless it is possible to make this information available, through other means, to the beneficiary institution or competent authorities, upon request, within 3 working days of receiving the request. The same article requires the originating institution to include, as a minimum, the originator account number or, when necessary, a transaction reference number that will permit traceability, provided that this number also permits access to other required information. In parallel, we were not provided with legal material indicating that LEAs are able to compel immediate production of this information.
138. **Criterion 16.7 (met):** Article 45 of BAM circular No.5/W/2017 on the due diligence obligation has met this criterion by requiring credit institutions to maintain all information collected for a period of ten years, according to the requirements of the criterion. On the other hand, article 46 of the same criterion covered most of the requirements of Recommendation 11, particularly criterion 11.3 and criterion 11.4.
139. **Criterion 16.8 (met):** The provisions of article 26 of BAM circular No.5/W/2017 on the due diligence obligation stipulates that when a credit institution or a similar body is unable to observe the requirements of articles 12, 13, 14, and 15 of the same circular, particularly in terms of the information provided on money transfer transactions or when the identity of the concerned persons is not complete or true, it should refrain from establishing a business relationship and carrying out the transaction or terminate the business relationship.

Intermediary financial institution

140. **Criterion 16.9 (largely met):** As a result of the last amendment made on 8 March 2018 to BAM circular No.5/W/2017 on the due diligence obligation of credit institutions and similar bodies, and according to the requirements of article 27 thereof, it is required to ensure that all originator and beneficiary information that accompanies an electronic transfer is retained with it .
141. **Criterion 16.10 (met):** The provisions of article 45 of BAM circular No.5/W/2017 covered the requirements of this criterion where credit institutions are required to maintain for the originator and beneficiary information required for cross-border or domestic electronic transfers by all FIs, for a period of ten years.

142. **Criterion 16.11 (met):** As a result of the last amendment made on 8 March 2018 to BAM circular No.5/W/2017 on the due diligence obligation of credit institutions and similar bodies, Morocco has met the requirements of this criterion, by amending paragraph 4 of article 27 of the afore-mentioned circular which states that “... they (intermediary FIs) should also verify that all this information is met by putting in place information systems that can detect any relevant shortage”.
143. **Criterion 16.12 (largely met):** Because of the last amendment made on 8 March 2018 to BAM circular No.5/W/2017 on the due diligence obligation of credit institutions, Morocco has met most of the requirements of this criterion, by amending article 29 of the afore-mentioned circular, and requesting the beneficiary institution and intermediary institutions to put in place risk-based procedures in order to address transfers that lack the information set out in the instructions, however, this information exclusively includes information on BO and not the beneficiary.

Beneficiary financial institutions

144. **Criterion 16.13 (met):** Article 29 of BAM circular No.5/W/2017 on the due diligence obligation requires the beneficiary institution to put in place risk-based measures, in dealing with incoming transfers and remittances lacking the information provided for in article 27 of the circular.
145. **Criterion 16.14 (met):** The circular did not establish a threshold for the verification of the beneficiary of the wire transfers by the beneficiary financial institution, but it is rather mandatory in all the cases according to the provisions of article 27 of BAM circular No.5/W/2017 on the due diligence obligation, as regards the information accompanying the cross-border transmissions and transfers of funds, whether issued or received and to the provisions of article 28 of the same circular No.5/W/2017 on the transfer of issued or received domestic remittances.
146. **Criterion 16.15 (met):** Article 29 of BAM circular No.5/W/2017 on the due diligence obligation requires the beneficiary institution to put in place risk-based measures, to deal with incoming transfers and remittances lacking the information provided for in article 27 of the circular. These measures particularly comprise the implementation of gradual measures that specifically include (1) the suspension of the transaction and requiring the ordering institutions to provide the required information within a reasonable period, (2) the rejection of the transaction due to the failure to provide the required information within the determined periods and (3) the termination of the relationship with the bank correspondent in case the latter is unable to observe the conditions provided for in article 27 of the same circular.

Money or value transfer service providers

147. **Criterion 16.16 (met):** According to BAM circular No.6/W/2016 on payment institutions (including money transfer companies), and to circular No.5/W/2017 on the due diligence obligations, payment institutions should have an appropriate AML/CFT system in place. This system shall be subjected to the same conditions applied by banks.
148. **Criterion 16.17 (not met):** Morocco did not provide the assessment team with anything that meets paragraphs (a) and (b) of this criterion, on the pretense that the case of MVTs provider who controls both the ordering and the beneficiary side of a wire transfer does not exist in Morocco.

Implementation of the targeted financial sanctions:

149. **Criterion 16.18 (partly met):** Article 4 of decision N0.6 indicates that the publication of lists by the UTRF is considered as an order to freeze the properties of persons and entities designated on the lists

and to discontinue all transactions with them. This mechanism only handles UNSCR 1267 and not UNSCR 1373 (given the absence of a national list). The said decision does not make any reference to the obligation of the implementation of TFS without delay. There is nothing that indicates that the country verifies that FIs are mainly taking freezing measures, in the context of processing wire transfers, and that they comply with the measures to prevent the conduct of operations with designated persons and entities, according to the obligations provided for in the UNSCRs on the prevention and suppression of terrorism and its financing, such as UNSCRs 1267 and 1373 and successor resolutions.

150. **Weighting and Conclusion:** In general, Morocco has addressed core issues relating to the obligations of FIs in electronic transfers, and the last amendment of BAM circular made in 8 March 2018 covered the obligations of intermediary institutions and beneficiaries and the rules applied on money transfer service operators, except for the implementation of TFS. Moroccan authorities have yet to address them according to special measures and mechanisms based on the requirements of the FATF Recommendation 6.

For the above-mentioned reasons, Morocco is Largely Compliant with Recommendation 16.

Recommendation 17 – Reliance on third Parties

151. During the first round of the evaluation process which took place in 2007, Morocco was rated as not applicable in Recommendation 9 on third parties and intermediary entities, because at that time, authorities subjected to the law were not permitted to rely on third parties to perform due diligence measures. The legislations issued by Moroccan authorities since then did not address the reliance on third parties except for BAM circular No.5/W/2017 which covers banks, transfer companies and micro-finance institutions, and for specific sections of the AMMC circular.

152. **Criterion 17.1 (partly met):** The banking law (law No.103-12, articles 160-171) determined the general legislative framework which governs the use of third parties by credit institutions to carry out banking operations. Credit institutions use third parties to provide services according to the provisions of the circular on the internal control for credit institutions (circular No.4/W/2014, articles 100, 101 and 102) which stipulates that it is necessary to verify that the arrangements for using third parties do not diminish their ability to fulfill their obligations towards customers and BAM circular 4/W/2014, article 102, paragraph 5). As to the capital market, articles 11-1 and 14-1-2 of the AMMC circular regulate the possibility of using third parties to perform their tasks, and the concerned party may use third parties, at its own risk, to entrust them with certain tasks or a part of its activity and the project of using third parties should be submitted to the AMMC for licensing. This Authority shall verify that the said use of third parties does not affect the circumstances which resulted in granting the license. As to the insurance sector, exchange offices and other FIs, the assessment team was not provided with anything indicating that this criterion is met.

Criterion 17.1 (a): As to immediately obtain the necessary information concerning elements (a) to (c) of the CDD measures set out in Recommendation 10, circular No.5/W/2017 on the due diligence obligation imposed on credit institutions (article 16) requires that all these conditions should be fulfilled, such as the identification of the customer and the beneficial owner and understanding the business nature. As to the insurance sector, exchange offices and other FIs, the assessment team was not provided with anything indicating that this criterion is met.

Criterion 17.1 (b): On the provision of copies of identification data and other relevant documentation relating to CDD requirements by the third party upon request and without delay, Morocco has met this condition at the level of credit institutions, according to the requirements of article 16 of BAM

No.5/W/2017. As to the insurance sector, exchange offices and other FIs, the assessment team was not provided with anything indicating that this criterion is met.

Criterion 17.1 (c): The last amendment of article 16 of BAM made on 8 March 2018 covered the requirements of this criterion only regarding credit institutions and similar bodies, on reaching a self-satisfaction that the third party is regulated, and supervised, and on verifying that he has measures in place for compliance with CDD and record-keeping requirements. Moroccan authorities did not include the legal basis for requiring other various FIs to comply with the requirements of criterion 17.1 (c).

153. **Criterion 17.2 (partly met):** Article 16 of circular No.5/W/2017 on the due diligence obligation imposed on FIs explicitly indicated that the credit institution should have regard to the information available on the level of risks relevant to the country where third parties were created.

As to credit institutions, paragraph 6 of article 6 of the insurance sector circular does not explicitly refer to third parties but indicates in general that it is necessary to require professionals to verify that their foreign branches and representative offices are implementing the strictest CDD measures in case there is a difference, unless the domestic laws preclude the same. As to other FIs, the assessment team was not provided with anything indicating that this criterion is met.

154. **Criterion 17.3 (partly met)**

Criterion 17.3 (a): As to credit institutions, article 16 of circular No.5/W/2017 on the due diligence obligation imposed following its amendment on 08 March 2018 covered the requirements of this criterion, although we were not provided with anything indicating the application by all FIs relying on a third party that is part of the same financial group of CDD and record-keeping requirements, in line with Recommendations 10, 11, and 12, and programs against ML and TF, in accordance with Recommendation 18.

Criterion 17.3 (b): Article 16 of the circular on the due diligence obligation covers this requirement concerning the implementation by FIs that rely on a third party that is part of the same financial group of supervision requirements relevant to CDD, record-keeping, and AML/CFT programs at a group level by a competent authority. We were not provided with anything indicating that this sub-criterion is met, except for the reference made to some requirements related to monitoring issues that are relevant to the capital market, where article V.1.7 of the Authority circular stipulated the following: The concerned persons should ensure that their foreign branches and subsidiaries are adopting the highest AML/CFT standards in case the obligations provided for under the said law No.43-05 conflict with those applied in the host country". Or as mentioned in article 11, paragraph 7 of the insurance sector internal control circular No. DAPS/EA/08/11 D dated 26 August 2008, where it stipulates that it is necessary to take measures to monitor the management and the subsidiaries and to control the overseas activities and the methods of marketing the company products.

Criterion 17.3 (c) (partly met): Except for the requirements of articles 50, 51, 52, 54 and 55 of circular No.5/W/2017 on the due diligence obligation imposed on credit institutions, we were not provided with anything indicating that other FIs (the capital market and the insurance sector) that rely on a third party that is part of the same financial group are adequately applying requirements for the mitigation of any higher country risk through the group's AML/CFT policies.

155. **Weighting and Conclusion:** Except for credit institutions, all the afore-mentioned texts do not cover the third parties' compliance with the document and record keeping rules (such as the AMMC, and ACAPS) and they have addressed the obligations of the third party that is based in a country that does not comply with the FATF recommendations, only at a sectoral level (credit institutions).

Furthermore, the assessment mission has not reached yet a clear legal basis for the obligations of the financial institution where it relies on a third party of the same financial group.

Recommendation 17 is rated Partially Compliant.

Recommendation 18 - Internal controls and foreign branches and subsidiaries

156. In the 1st MER, Morocco was rated non-compliant with Recommendations 15 and 22 on internal controls, compliance, audit and foreign branches. This evaluation results from several weaknesses identified in the supervisory requirements, including failure to require FIs to put in place supervisory regulations, and internal AML/CFT policies and measures, and to create independent functions to test compliance, and the absence of training for FIs employees, in addition to other deficiencies. It is worth noting that Morocco has also amended legislations relating to this recommendation.

157. **Criterion 18.1 (partly met)**

Criterion 18.1.a: AML/CFT programs implemented by credit institutions and similar bodies, insurance companies, capital markets and exchange offices comprise the establishment of compliance management arrangements including the creation of a function or the appointment of an official to manage the internal due diligence system. These requirements are provided for in article 8 of BAM circular No.5/W/2017 for credit institutions and similar bodies, in article 14 of the Insurance Control Authority circular for the insurance sector, chapters I.1.21 and I.1.30 of the Capital Market Authority circular and article 9 of the Exchange Office circular.

Criterion 18.1.b: Article 11 of BAM circular No.5/W/2017 indicates that the institution should undertake permanent and frequent monitoring operations for the due diligence system to verify that appropriate high standards are in place when hiring employees concerned with AML/CFT. In parallel, it did not appear that other control authorities have legal texts indicating that FIs are required to include screening procedures in AML/CFT programs to ensure high standards when hiring employees.

Criterion 18.1.c: The requirement that AML/CFT programs should include an ongoing employee training program was referred to in article 9 of BAM circular No.5/W/2017, article 23 of the insurance sector circular, article II.1.40 of the Capital Market Authority circular and article 16 of the Exchange Office circular.

Criterion 18.1.d: for credit institutions and similar bodies, article 42 of BAM instruction No.1/W/2014 on governance and BAM instruction No.49/C/2007 address the requirements of this criterion. The same applies to the capital market, given that article IV.1.13 of its circular requires the market enterprises to put in place an internal control system to ensure compliance with laws and regulations. On the other hand, article 22 of the insurance sector circular indicates that insurance and reinsurance companies are required to incorporate the activities of due diligence obligations mentioned in the same circular into the internal audit report. For the Exchange Office, no legal obligation providing for the requirements of this criterion seems to exist.

It is worth noting that there is no clear text stating that FIs should have regard to the size of the business when implementing programs against ML/TF among all supervisors, except for BAM, given that article 3 of circular No.5/W/2017 stipulates that “the due diligence and internal control system is accommodated with the type of risks, size of the institution, and the nature, complexity and size of its activities”.

158. **Criterion 18.2: (partly met)** As to the implementation of this group-wide program, this requirement is imposed only on credit institutions and similar bodies. In this context, chapter 7 of BAM circular No.5/W/2017 (articles 48 to 55) addresses the requirements of the due diligence obligation within the group which provides for all the requirements of this criterion.

Criterion 18.2.a: The requirements of this sub-criterion are addressed in article 52 of BAM circular No.5/W/2017 which stipulated that credit institutions should, at group level, exchange the information required in the context of the CDD obligation and ML/TF risk management.

Criterion 18.2.b: Article 52 of BAM circular No.5/W/2017 stipulates that branches and subsidiaries should, at group level, provide customer, account and transaction information, within reasonable periods, to group-level audit and AML/CFT functions, if this information appears to be necessary for the CDD obligation. The deficiencies in this sub-criterion are manifested in the absence of a text stipulating the provision of analysis of reports or activities that seem unusual to group-level compliance functions, from branches and subsidiaries (in case this analysis is conducted), and also in the absence of the obligation stipulating that branches and subsidiaries should receive information from group-level compliance functions.

Criterion 18.2.c: The requirements of this sub-criterion are addressed in article 52 of BAM circular No.5/W/2017 which stipulated that credit institutions should, implement group-wide policies, to ensure that the laws regulating the professional secrecy and protection of personal data are observed.

159. **Criterion 18.3: (partly met)** Chapter 7 of BAM circular No.5/W/2017 on the group-level due diligence obligation requires credit institutions to verify that the requirements set out in the AML law, the banking law and the afore-mentioned circular are being applied by foreign branches and subsidiaries, and in the event where there is a difference between the minimum legislative or regulatory requirements imposed by laws and the regulatory texts in home or host countries. Institutions based in host countries should execute the strictest rules, but if the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, it is required, according to article 48 of BAM circular No.5/W/2017 to inform the UTRF and BAM. As to the obligation to apply appropriate additional measures to manage the ML/TF risks, it did not appear that there is any legal text referring to this measure.

According to paragraph 6 of article 6 of the insurance sector circular, professionals should verify that their foreign branches and representative offices are implementing the strictest CDD measures in case there is a difference, unless the domestic laws preclude the same. In this case, professionals should take risk management measures and inform the UTRF of the same. It is worth noting here that the obligation to exclusively inform the UTRF is not in line with the requirements of the criterion which indicate that it is necessary to inform the supervisory authority and the supervisory authority for the insurance sector and the Insurance Control Authority.

Article V.1.7 of the AMMC circular stipulates that “the concerned persons should ensure that their foreign branches and subsidiaries are adopting the highest AML/CFT standards in case the obligations provided for by the said law No.43-05 conflict with those applied in the host country. If the legislation of the host country conflicts with the implementation of these requirements, the concerned persons should apply appropriate measures to manage the ML/TF risks and to inform the UTRF about them in writing and without delay. "It is worth noting here that the obligation to exclusively inform the UTRF is not in line with the requirements of the criterion which indicate that it is necessary to inform the supervisory authority. As to the exchange sector, no legal text that addresses the requirements of this criterion seems to exist.

160. **Weighting and Conclusion:** The prevailing provisions are partly completed. The main shortage is reflected in the absence of an obligation requiring that group-wide programs against ML/TF to be applied by credit institutions, capital markets and the exchange sector, in addition to the absence of a

legal text at the exchange sector which covers the obligation to verify that foreign branches are applying the strictest measures.

Recommendation 18 is rated Partially Compliant.

Recommendation 19 – Higher-risk countries

161. In the 1st MER, Morocco was rated non-compliant in “special attention to higher risk countries”, given that the Moroccan system does not require FIs to give special attention to business relationships and transactions with persons, legal persons or FIs from or in countries which do not apply the FATF recommendations. It is worth noting that Morocco has also amended legislations relating to business relationships with higher risk countries.
162. **Criterion 19.1 (largely met):** Article 5 of the AML law requires subjected persons to give special attention to business relationships and transactions which persons belonging to high risk countries in the ML/TF field carry out or benefit from.
Article 31 of BAM circular No.5/W/2017 defines high risk customers or transactions as natural or legal persons from countries for which the FATF calls for enhancing due diligence measures and the transactions carried out by those residing (or in favor of beneficiaries) in higher risk countries in terms of ML/TF, and specifically, in countries designated by international authorities. Article 40 proceeds and requires institutions to apply enhanced due diligence on high-risk customers.
Article V.1.1 of the AMMC circular defines high-risk customers as natural or legal persons from countries known that they represent high ML/TF risks, namely countries designated on the lists established by international authorities qualified for this purpose. Article V.1.6 of the circular proceeds and stipulates that enhanced preventive measures should be put in place for high-risk customers.
Article 5 of the Exchange Office circular No.9/2013 indicates that it is necessary to apply enhanced due diligence measures to business relationships and transactions which natural or legal persons belonging to high risk countries and not to countries called for by the FATF.
Article 7 of the insurance sector circular stipulates that enhanced due diligence measures should be applied to business relationships established by or in favor of natural or legal persons belonging to countries featuring an increase in the ML/TF risk, namely the countries designated on the FATF lists. It is worth noting that the definition of legal persons in the Moroccan legislation comprises FIs.
163. **Criterion 19.2 (not met):** It did not appear that there is any legal basis for clear measures indicating that the country is able to apply countermeasures proportionate to the risks when called upon to do so by the FATF, and independently of any call by the FATF to do so.
164. **Criterion 19.3 (partly met):** Article 31 of BAM circular No.5/W/2017 designated, for credit institutions and similar bodies, the level of risks represented by customers and transactions in high-risk countries, in consistency with the requirements of this criterion. On the other hand, the UTRF publishes the FATF lists on countries which do not comply with the AML/CFT recommendations or which have a strategic deficiency in their systems. However, there are no measures taken to enable direct contact with all insurance companies, capital markets and exchange offices on concerns raised about deficiencies in the AML/CFT systems of other countries.
165. **Weighting and Conclusion:** The Exchange Office does not consider that the countries for which the FATF calls for the application of measures as high-risk countries and the possibility of applying appropriate countermeasures against other countries if they continue to insufficiently apply the FATF recommendations is not provided for in the legislations and laws. It did not appear either that there

are appropriate measures to transmit information to subjected FIs on concerns about weaknesses in the AML/CFT systems of high-risk countries.

Recommendation 19 is rated Partially Compliant.

Recommendation 20 - Reporting of suspicious transactions

166. During the first round of the evaluation process which took place in 2007, Morocco was rated non-compliant with Recommendation 13 on suspicious transaction reporting and SRIV, given that the predicate offenses suspected to relate to the transactions did not comprise the twenty predicate offenses specified in the recommendations and that there is no legal obligation to report attempted suspicious transactions, in addition to other deficiencies. Morocco sought to establish the UTRF and to amend the AML/CFT law by broadening the scope of predicate offenses and binding subjected persons to reporting.

167. **Criterion 20.1 (partly met):** According to article (9) of the AML law, subjected persons should file a STR to the UTRF as regards all the amounts, transactions or attempted transactions suspected to be related to one or more crimes referred to in chapters 574-1 and 574-2 of the AML law. Article (10) of the same law also stated that the STR referred to in article 9 above should be filed in writing, but in case of emergency, it may be submitted orally, provided that it should be confirmed in writing. As to article (11) of the same law, it required that the STR should be filed also as regards transactions which were executed in case it was impossible to discontinue this execution. The same provision applies when it is found, after the execution of the transaction, that the concerned amounts are derived from ML. However, the AML Law does not require the subjected persons to report promptly to the UTRF when they have reasonable grounds to suspect that funds are the proceeds of a criminal activity or are related to TF.

168. **Criterion 20.2 (met):** Article 9 of the AML law No.43-05 met this criterion on requiring subjected persons to report all suspicious transactions, including attempted transactions, regardless of the amount of the transaction

169. **Weighting and Conclusion:** Although Morocco has met the most important requirements of criterion 20.1 on reporting suspicious transactions by FIs when they suspect or have reasonable grounds to suspect that funds are the proceeds of a criminal activity, or are related to TF, on one hand; and the requirements of criterion 20.2 on the attempted suspicious transactions according to the provisions of article 9 of the AML law No.43-05, on the other hand, it still has to fulfill a fundamental condition of criterion 20.1 represented in prompt reporting.

Recommendation 20 is rated Partially Compliant.

Recommendation 21 –Tipping-off and confidentiality

170. During the first round of the evaluation process which took place in 2007, Morocco was rated compliant with Recommendation 14 on disclosure of confidential information and secrecy.

171. **Criterion 21.1 (met):** According to the articles of the AML law No.43-05, Morocco met the condition of this criterion by stipulating that FIs and their directors, officers and employees should be protected by law from both criminal and civil liability (articles 25 and 27), if they report their suspicions in good faith to the UTRF. It also stipulated to provide this protection even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity occurred (articles 26 and 32).

172. **Criterion 21.2 (met):** This criterion was met by explicitly stipulating in the AML law that FIs and their directors, officers and employees should be prohibited by law (articles 20 and 29) from disclosing the fact that an STR or related information is being filed with the UTRF.

173. **Weighting and Conclusion:** Criteria 21.1 and 21.2 were met, according to the requirements of the methodology concerning tipping-off and confidentiality.

Recommendation 21 is rated Compliant.

Recommendation 22: DNFBPs : Customer due diligence

174. During the first round of the evaluation process which took place in 2007, Morocco was rated non-compliant with Recommendation 12 on DNFBPs, given that real estate agents, dealers in precious metals and dealers in precious stones were not subjected to the AML law requirements, in addition to trust and company service providers; that there are no instructions comprising the implementation of the due diligence conditions provided for in the law and which should be applied by DNFBPs that have a different nature than FIs and that they are required to obtain information on the purpose and nature of the business relationship and to apply on-going due diligence throughout the period of their relationships; and that they are not required to regularly update their customer files, in addition to other deficiencies.

175. **Criterion 22.1 (partly met):** Article 2 of law No.43-05 determined the list of persons subjected to the AML law and comprised the DNFBPs. It required them to implement the due diligence obligations provided for in Recommendation 10 and which include several articles of law No.43-05.

Criterion 22.1 a (Casinos): Persons who manage casinos and gambling houses were designated among the list of persons subjected to the AML law. The UTRF general directive No.DG.1/2014 stipulates that persons who manage casinos and gambling houses are subjected to the implementation of due diligence obligations required as provided for in Recommendation 10, when customers carry out financial transactions equal to or above 30.000 Moroccan Dirhams.

Criterion 22.1 b (Real estate agents): The general text (article 2 of law No.43-05) and article 3/a of decision No.D5/12 designated real estate agents among the list of persons subjected to the AML law and bound them to obligations, when entering into transactions for customers concerning the buying and selling of real estate. The UTRF general guiding directive No.DG.1/2014 included a provision on this obligation to comply with the requirements of Recommendation 10 in general, without elaborating on the issues specifically related to the purchaser and sellers of real estate properties.

Criterion 22.1 c. (Dealers of precious metals, and dealers of precious stones): Article 2 of law No.43-05 defined dealers of precious metals or stones, among subjected persons, when the transaction is conducted in cash and its amount is above 150.000 Dirhams (USD 15000 approximately), and the persons who usually trade in artefacts and works of art. The implementation scope of article 3 of decision D5/12 referred to the dealers of precious stones and metals, when they carry out a single cash operation or several operations that appear to be linked, above 150.000 Dirhams (USD 15000 approximately).

Criterion 22.1 d (Lawyers, notaries, and other legal professionals, and independent accountants): Article 2 of the AML law required this category of DNFBPs (persons engaged in an independent legal profession), when they prepare for or carry out financial transactions for their customers concerning the buying and selling of real estate, management of client money, securities or other assets, management of bank, savings or securities accounts, organization of contributions for the creation, operation or management of companies, and finally, creation, operation or management of legal persons or arrangements, and buying and selling of business entities. But in parallel, the

general directive No.DG.1/2014 and decision D5/12 did not determine the requirements referred to in Recommendation 10 on lawyers and notaries.

Criterion 22.1 e (Trust and company service providers): This category of non-financial professions was partly listed under the law among those subjected to the requirements of the AML law, being “the service providers who engage in the creation, organization and domiciliation of companies” without listing the trust funds. We did not note that due diligence measures pertaining to this category of professions were determined, as provided for in criteria 10.8 to 10.11, when they prepare for or carry out transactions for a customer, concerning the activities conducted according to the conditions set out in point (e) of this criterion.

In general, the UTRF general guiding directive No.DG.1/2014 did not contain several requirements set out in Recommendation 10, specifically as regards the implementation of reasonable measures to verify the identity of beneficial owners of legal persons (10.10) and legal arrangements (10.11), and the timing of verification of the identity of the customer or the beneficial owner (10.14). In addition, this directive did not address the failure to complete the CDD measures, given that article 7 of the UTRF guiding directive did not bind the subjected persons to the requirements of paragraph (b) of criterion 10.19, and article 7 needs to be edited due to a typing error where instead of stating: “when the subjected person is unable to observe the determined obligations..., he should (not) establish or continue a business relationship...”, it was mentioned that he should establish the relationship.

176. **Criterion 22.2 (partly met):** In application of article 7 of law No.43-05, subjected persons maintain documents related to the transactions carried out by their customers for ten years from their date of execution. They shall also maintain the documents related to the identity of their regular or occasional customers, for ten years, from the date of closing their accounts or terminating the relationships with them and also the documents related to the ordering and the beneficiary sides of the transactions. This obligation concerning professions subjected to the UTRF supervision was incorporated into articles 19 and 5 of the UTRF decision No. D5/12. The record-keeping requirements that the transaction should be sufficient to permit reconstruction of individual transactions to provide, if necessary, evidence for prosecution of criminal activity is yet to be addressed. It is also not clear whether supervisors of other designated non-financial professions, such as lawyers and notaries, have issued decisions to this effect.
177. **Criterion 22.3 (partly met):** Article 5 of the AML law provided for a general text requiring the application of enhanced due diligence for higher risk customers, business relationships, or transactions, particularly the transactions carried out by non-residing persons or for their account...” but this article did not explicitly refer to PEPs. Articles 16, 17 and 18 of the UTRF decision No.D5/12 which only covers a part of the non-financial professions subjected to the UTRF supervision provided for in article (3) of the same decision provided for some measures set out in Recommendation 12, without meeting all the requirements of criteria 12.2 and 12.3.
178. **Criterion 22.4 (partly met):** Article 5 of law No.43-05 stipulated that measures for the prevention of risks relating to the use of new technologies for ML purpose should be put in place. Article 14 of the UTRF decision No.D5/12 required the persons subjected to the UTRF (external auditors and accountants, tax advisors, real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies) to identify and assess ML/TF risks provided

for in Recommendation 15. However, there are no guidelines addressed to sectors which are not subjected to the UTRF supervision such as lawyers and notaries.

179. **Criterion 22.5 (not met):** This criterion on DNFBPs compliance with the reliance on third-parties requirements set out in Recommendation 17 is not met.

180. **Weighting and Conclusion:** Although law No.43-05 meets several measures concerning the criteria of this recommendation, these measures were not reflected in specific circulars, executive texts or guidelines particularly addressed to certain non-financial professions (legal professions), such as the due diligence requirements. The same observation is applicable when using new technologies for casinos for example, and to the necessary requirements when relying on third parties.

Recommendation 22 is rated Partially Compliant.

Recommendation 23 – DNFBPs: Other measures

181. During the first round of the evaluation process which took place in 2007, Morocco was rated partially compliant with Recommendation 16 on DNFBPs, given that the scope of ML and TF predicate offenses did not extend to comprise the reporting of suspicious cases which are at a minimum associated with the twenty categories of predicate offenses provided for in the FATF Recommendations and that persons subjected to the AML law are not required to report attempted suspicious and other transactions, in addition to other deficiencies.

182. **Criterion 23.1 (partly met):** According to the legal articles submitted to the assessment team, it appears that Morocco has provided for the general requirements to report suspicious transactions²⁴ set out in Recommendation 20, in article 9 of law No.43-05 and these requirements are imposed on all DNFBPs without providing clarifications on the conditions mentioned in paragraphs (a, b, c) of this criterion, as regards designated non-financial professions which are not comprised in the UTRF decision No.D5/12, such as lawyers and notaries. It is not clear whether legal professionals are exempted from the reporting requirements, particularly in circumstances where they are subject to professional secrecy or legal professional privilege.

183. **Criterion 23.2 (partly met):** Morocco has partly addressed the requirements of this criterion at the level of the general texts set out in the law and in the UTRF decision No.D5/12 (articles 8 to 14), which does not cover all the designated non-financial professions, considering that it is related to the obligations imposed only on the persons subjected to the UTRF supervision (external auditors and accountants, tax advisors, real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art and service providers who engage in the creation, organization and domiciliation of companies) and there are no legal texts that require other DNFBPs to comply with the international control requirements set out in Recommendation 18.

184. **Criterion 23.3 (partly met):** Article 5 of law No.43-05 applies to subjected persons in relation to giving special attention to business relationships and transactions which persons belonging to high risk countries in the ML/TF field carry out or benefit from. Beside the UTRF efforts to publish the FATF lists on the countries which do not comply with the AML/CFT recommendations or which have a strategic deficiency in their systems, the DNFBP supervisory authority still has not issued any

²⁴ Kindly take into consideration the outputs of the technical analysis of Recommendation 20.

instructions to enforce the implementation by subjected entities of the EDD measures as set out in recommendation 19.

185. **Criterion 23.4 (met):** The obligations provided for in Recommendation 21 are applied to DNFBPs, as set out in article 2 of the AML law.
186. **Weighting and Conclusion:** On the relevance of the obligations provided for under the AML law and the relevant regulatory texts concerning DNFBPs, we did not note the endorsement of specific measures by all supervisors to address the situation for each of the sectors of activities conducted within the DNFBPs.

Recommendation 23 is rated Partially Compliant.

Recommendation 24: Transparency and BO of legal persons

187. During the first round which took place in 2007, Morocco was assessed and rated largely compliant with Recommendation 33 and the main deficiency was reflected in the absence of specific measures to prevent the misuse of bearer shares.

188. **Criterion 24.1 (partly met)**

Criterion 24.1 (a): According to article 27 of the Code of Commerce, Morocco has a commercial register which consists of domestic records and a central register. Law No.17.95 on shareholding companies provides a detailed description on the form, features and procedures of establishing public shareholding companies. The same applied to the economic utility associations according to the law No.13.97 on economic utility groups. Articles (2, 3, 4, 5, 23, 31, 45, 50) and other articles provided for in law No.5.96 on the partnership company, simple partnership company, limited share partnership company; limited liability company, and joint undertaking company (holding company) clarify the basic features and describe the processes for their creation and establishment. The self-contractors are registered in a special register called "National Registry of the Self-Contractors" in Morocco Post (Poste Maroc) according to Law 13-14. But the extent to which information on this type of companies and its public availability is not covered.

Criterion 24.1 (b): The same Articles mentioned above clarify the general features and the procedures for establishment and the information required for each type of the various legal persons, while no information was provided on the procedures taken to obtain and register BO information. The requirements of article 32 of the Code of Commerce, even if they provided for the principle of making this information publicly available, they have restricted it in parallel, provided that the officer in charge of keeping the register is present. The basic information on legal persons is publicly available and easy to access through electronic service known as "directinfo", without any information on BO.

189. **Criterion 24.2 (not met):** Moroccan authorities did not provide the assessment team with anything indicating that an assessment was conducted for the risks of misusing legal persons in ML/TF operations, whether a sectoral assessment or as part of a large-scale ML/TF risk assessment in the country.

Basic Information:

190. **Criterion 24.3 (largely met):** Texts of the Code of Commerce require that natural or legal persons, whether Moroccan or foreigners, who are engaged in a commercial activity in Morocco, should be registered, according to article 37 of the afore-mentioned Code, and article 32 of law No.17.95 on shareholding companies stipulates that shareholding companies should be registered in the commercial register according to the conditions provided for in the legislation relating to this register,

in addition to article 2 of law No.5.96 on joint partnership companies, simple partnership companies, limited share partnership companies and limited liability companies. Articles 42/45/46/47/48 of the Companies Law require the provision of information on the company's name, headquarters, purpose of establishment, the activity that the company intends to engage in, the legal form of the company, the capital, personal and family member names, addresses of members of the management, administration or operation and the persons charged with monitoring the operation.

The central register is considered a public register, but access to it is conditioned by the presence of the officer in charge of keeping it, and it is not clear the extent to which it is made publicly available. According to Moroccan authorities, the Moroccan Office for Industrial Property and Central Commercial Register has launched the service known as "directinfo" which is publicly available, and the Office has also developed an application under the same name, to this end. These services and applications enable the public to access this information.

191. **Criterion 24.4 (not met):** The assessment team did not note that there are legal texts requiring companies to maintain the information set out in criterion 24-3, or to maintain a register of their shareholders or members, including details on the type and number of owned shares, the name of the registered shareholder and the voting rights, in addition to all the relevant information on the transmissions of shares.
192. **Criterion 24.5 (not met):** Moroccan authorities did not provide any information on the existence of mechanisms ensuring that the information referred to in criteria 24-3 and 24-4 is accurate and updated on a timely basis; where the response of Moroccan authorities only mentioned the references of the legal articles in general without elaborating on them according to the requirements of the criterion.

BO Information

193. **Criterion 24.6 (not met):** The team did not note that there are texts requiring company registries to obtain or take reasonable measures to obtain and hold up-to-date information on the companies' BO; or requiring companies to take reasonable measures to obtain and hold up-to-date information on the company's BO or to use information obtained by FIs or DNFBPs (as called for in article 3 of the AML law that requires subjected entities to verify the beneficial owner's identity through documents and data, in case the customer is a legal person) or held by other competent authorities on the legal ownership of companies or information held by the company, or the available information on companies listed on a stock exchange.
194. **Criterion 24.7 (partly met):** There are no texts requiring company registries to keep BO information accurate and as up to date as possible. However, article 3 of the AML law requires subjected persons (FIs and DNFBPs) to collect all the elements of the information which enable to establish and verify the identity of regular or occasional customers and the BO and to take reasonable measures to verify the identity of the natural persons who control the legal persons. It is worth noting that there is no text requiring the subjected persons to verify the identity of the BO by using a reliable source.
195. **Criterion 24.8 (a)(b)(c) (partly met):** Moroccan authorities did not provide any information indicating that companies co-operate with competent authorities in determining BO, and it did not appear that companies are requested to have a natural person resident in the country or to have a DNFB in the country that is authorized by the company, and accountable to competent authorities, for providing all basic information and available BO information, and giving further assistance to the authorities to determine BO, except as mentioned in article 3 of the AML law which requires

subjected persons (FIs and DNFBPs) to collect all the elements of the information which enable to establish and verify the identity of regular or occasional customers and the beneficial.

196. **Criterion 24.9 (partly met):** Moroccan authorities did not provide any texts on requiring persons, authorities and entities to maintain the information and records for five years at least, except as mentioned in articles 7 and 8 of the AML law which required persons subjected to the law (FIs and DNFBPs) to maintain the information on the identity of the customers and BO for a period of ten years, from the date on which their accounts are closed or the relationships are terminated.

Other Requirements:

- **Criterion 24.10: (partly met)** According to the provisions of the Moroccan Penal Procedure Code, namely articles 57 and 59 et seq, the inquiry and investigation bodies (NSJP) may conduct search and inquiries at any entity or institution from the public of private sector and may seize any documents, papers and properties they deem necessary to search. The law also grants them the right to obtain information on the property of persons subject of inquiry and no entity may invoke professional secrecy to challenge the inquiry and investigation authorities. However, NSJP do not have the power to request this information directly from FIs and DNFBPs and other legal persons, or to have access to these documents, but this is undertaken pursuant to a judicial order issued by the Royal Prosecutor or the investigation judge including BO information obtained by (FIs and DNFBPs).
- Article 13 of the AML law requires subjected persons to inform the UTRF and the supervisory and monitoring authorities, upon request, and within the deadline they fix, of all the necessary documents and information to perform their tasks but it did not refer to the LEAs.

197. **Criterion 24.11 (a)(b)(c) (partly met)** On the prohibition of bearer shares and share warrants, a system that serves this purpose was created and it defines the dematerialization of bonds, under law No.96-35 on the establishment of a central securities depository and the establishment of a general system for recording the accounts in the name of shareholders, and evidencing title to securities is no longer associated with the material title only but also to the registration in the securities account at the Moroccan central depository. This system is mandatory for securities which are broadly traded for the public (shares traded in the stock exchange, special bonds, treasury bonds, shares or portions of the collective securities investment entities for securitization, but this measure remains optional for other securities.

In parallel, however, although the legal persons in Morocco are able to issue bearer shares, the team did not note any measures taken by Moroccan authorities to overcome the obstacles which prevent companies, including bearer shares, from being transparent

198. **Criterion 24.12 (a)(b)(c) (not met)** Moroccan authorities did not provide any information ensuring that the legal persons who have nominee shares and nominee directors are not misused in ML/TF operations.

199. **Criterion 24.13 (not met)** Moroccan authorities did not provide any specific information or legal texts on subjecting legal or natural persons that fail to comply with the requirements to liability and proportionate and dissuasive sanctions.

200. **Criterion 24.14 (not met)**

Criterion 24.14.a Morocco provided general obligations on the exchange of information at the international level, without clarifying the requirement of the criterion in terms of basic legal persons

information. On facilitating access by foreign competent authorities to basic information held by company registries in relation to legal persons, the texts of the Code of Commerce did not include anything indicating the same, and the authorities did not clarify the possibility of relying on rogatory letters in case requests are received from foreign authorities concerning the access to basic, shareholders and BO information.

Criterion 24.14 (b) On exchanging information about shareholders at the international level, the assessment mission did not receive any response from Moroccan authorities in this regard.

Criterion 24.14 c: On using the competent authorities' investigative powers, in accordance with their domestic law, to obtain BO information on behalf of foreign counterparts, the assessment mission did not receive any response from Moroccan authorities in this regard.

201. **Criterion 24.15 (not met)** The assessment team was not able to examine any texts or measures taken by the authorities in Morocco to monitor the quality of assistance they receive from other countries in response to requests for basic, shareholders, and BO information. Therefore, no verification was conducted for the assessment of information obtained from foreign counterparts on the quality and accuracy before use, and there is no official mechanism to monitor the quality of assistance received.
202. **Weighting and Conclusion:** No assessment was made to the risks of misusing legal persons in ML/TF operations were not assessed whether at a sectorial level or as part of a large-scale assessment of the ML/TF risks in the country. The assessment team did not note any appropriate measures in place to know, register and maintain BO information, except for the texts set out in law No.43-05 .The Moroccan Penal Procedure Code authorized criminal prosecution authorities to access information on legal persons but did not precisely determine if this right expands to cover the request of BO information. The assessment team was not able to identify any mechanisms or measures taken by Morocco concerning bearer shares and international cooperation in relation to basic and BO information.

Recommendation 24 is rated Partially Compliant

Recommendation 25: Transparency and BO of legal persons

203. Trust funds do not exist in Morocco neither in form nor in concept and accordingly, Recommendation 34 became not applicable to Morocco, as mentioned in the MER of Morocco in 2007.
204. **Criterion 25.1 (not met):** The concept of trust funds does not exist in the Moroccan law, but there are legal arrangements that have a structure and a function that is similar to trust funds, such as endowment. Therefore, the requirements of this recommendation remain applicable concerning this criterion and other subsequent criteria to trusts and other foreign legal arrangements which carry out their activities in Morocco and to other local legal arrangements. It is worth noting that Moroccan authorities have not provided any information on meeting criterion 25.1 (a/b/c).
205. **Criterion 25.2 (not met):** The assessment team did not obtain any information stating that this criterion which requires countries to keep any information accurate and as up to date as possible is met.
206. **Criterion 25.3 (not met):** Article 15 of BAM circular stipulates that credit institutions should obtain identification information and data on trusts and determine the identity of beneficial owners, when engaging in a business relationship. The circular did not address the necessity for FIs to obtain the necessary information when carrying out occasional transactions above the designated threshold. The team was not provided with anything indicating that Moroccan authorities have taken measures to ensure that trustees disclose their status to FIs and DNFBPs when forming a business relationship or

- carrying out an occasional transaction above the designated threshold, according to the requirements of the criterion.
207. **Criterion 25.4 (met):** there are no laws that prohibit trustees from providing information to the competent authorities with any information relating to the trust. Or from providing FIs and DNFBPs, upon request, with information on BO of the trust to be held or managed under the terms of the business relationship.
208. **Criterion 25.5 (not met):** On the powers necessary for competent authorities and in particular LEAs, to be able to obtain timely access to information held by trustees, FIs and DNFBPs, including beneficial owners, Moroccan authorities provided general obligations mentioned in article 57 et seq of the Penal Procedure Code, but this legal grounds does not cover the requirements of this criterion which necessitates measures that are relevant to this category of information.
209. **Criterion 25.6 (not met):** Article 715 of the Penal Code enables Moroccan authorities to execute international rogatory letters received from abroad in the same way adopted to execute rogatory letters issued within the territories of Morocco and according to the Moroccan legislation. On this note, the Minister of Justice may allow representatives of a foreign authority to attend the execution of rogatory letters as observers. However, it is not clear that there are texts that support the access by foreign competent authorities to information held by registries. No information was provided concerning the provision of information on BO of legal arrangements by the authorities to their counterparts in the context of implementing Recommendation 40.
210. **Criterion 25.7 (not met):** On trustees which are legally liable for any failure to perform their duties relevant to meeting their obligations; and on imposing proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to comply, Moroccan authorities did not provide any information indicating that it has met this criterion.
211. **Criterion 25.8 (not met):** Moroccan legislations have no indications that there are dissuasive and proportionate measures applied if competent authorities are not given timely access to the information on the trust fund. Moroccan authorities stated that if a financial institution that is subjected to the AMMC supervision was able to establish the identity of the beneficial owner of a trust fund and hides this information from the authority upon request or during an on-site supervision, it would be exposed to disciplinary and financial sanctions without prejudice to the criminal sanctions provided for in law No.43-05, in the event where the crime of concealing a ML/TF offense is concerned. The same applies to BAM which has the powers to request information from credit institutions within a specific period of time, according to the banking law; but the statements made by these authorities did not comprise the requirements of the criterion, nor do they include the competent authorities
212. **Weighting and Conclusion:** There is a hint that legal arrangements should not be acknowledged by the law to be recognized. The endowment system is an example and yet, compliance with the requirements of Recommendation 25 remains in force even if there is no legal system for trust funds, considering the potential existence of foreign trusts and local legal arrangements in Morocco. There are no obligations indicating how to obtain and keep adequate, accurate and current information. There are no measures either on the disclosure by trustees of any information to FIs and DNFBPs when forming a business relationship.

Recommendation 25 is rated Non-Compliant

Recommendation 26: Regulation and supervision of financial institutions

213. The AML/CFT system in Morocco was evaluated during the first round of the evaluation process which took place in 2007, based on the AML/CFT methodology for 2004, where Morocco was rated partially compliant with Recommendation 23 on supervision, given that effective supervision measures or the competent supervisory authority mandated to verify the compliance of subjected authorities were not explicitly provided for, in addition to other deficiencies.
214. **Criterion 26.1 (met):** The AML law No.43/05 determined the FIs supervisory and monitoring authorities as mentioned in article 13-1 of the law, given that this article grants them responsibilities and authorities on subjected persons who work in their fields of competence. These authorities are: BAM which is in charge of supervising and monitoring credit institutions that include banks and finance companies; and the scope of supervision extends to other institutions that are engaged in banking activities, such as the Management and Deposit Fund, the Central Guarantee Fund, offshore banks, micro-finance institutions and payment companies. Bank Al—Maghreb also supervises the accreditation of micro-finance institutions, offshore banks and participative banks.
- The Insurance and Social Reserve Authority: The Authority monitors persons subjected to the public or private law who are engaged in insurance and re-insurance operations, retirement, compulsory basic insurance. The mutual cooperation associations and the National Pension and Insurance Fund are subjected to the supervision of the Authority. The Authority may also place any person who underwrites a life insurance contract without prejudice to the supervision provided for in the legislation the said person is subjected to, when necessary.
- The Exchange Office: It is in charge of enacting measures relating to the exchange regulation, in addition to the verification of the operations delegated to banks in order to detect any illegal transfer of funds abroad. It also monitors the repatriation of the revenues of exported goods and services, with the aim of ensuring the recovery of monetary reserves
- The Moroccan Capital Market Authority: Exercises its supervision of management companies, stock exchange companies and holders of securities accounts.

Market entry:

215. **Criterion 26.2 (partly met):** BAM: BAM law No.103-12 on credit institutions and similar bodies regulates the conditions of practice and licensing. On this note, banks, micro-finance associations, offshore banks and payment institutions (including money transfer companies) should request a prior approval from the governor of BAM after taking the opinion of the credit institutions committee, pursuant to article 34 of the law; and circular No. W/5/15 issued by the governor of BAM determines the information which should be included in the authorization request file.
- The AMMC: FIs subject to the supervision of the AMMC are subjected to registration and authorization, where article 40 of law No.19.14 on the securities stock exchange, stock exchange companies and financial investment advisors provides for the creation of an authorization committee chaired by the president of the AMMC and mandated to state its opinion on the authorization requests filed by stock exchange companies. Article 41 of the same law requires founding members or managers of stock exchange companies to address the authorization requests to the committee.
- ACAPS: According to the provisions of article 15 of Dahir No.1.14.10 of 2014 on the implementation of law No.64.12 concerning the establishment of the Insurance and Social Reserve Control Authority,

it was decided to grant accreditation to insurance and re-insurance undertakings and to ratify the memorandums of association of the pension institutions, after obtaining the opinion of the rationing commission which is set out in article 27 as of the same law. The Exchange Office (what is the legal grounds which entitles to license or register exchange offices): The conditions which must be fulfilled by the office which will engage in the currency exchange activity are reflected in the legal file which should be provided before granting the license to practice this activity and the legal file includes the following documents: A copy of the memorandum of association of the company, which should determine that currency exchange is its unique activity, a certificate of registration in the commercial register, a bank statement evidencing that the minimum amount of the capital is blocked, a certificate of the competent court register evidencing that the company shareholders are not under attachment or liquidation, and a list of the company's shareholders, managers and directors;

It is worth noting that Moroccan authorities did not provide the team with any texts on the prohibition of establishing or approving continued operation of shell banks.

216. **Criterion 26.3 (partly met): BAM:** No one can form, run, operate or liquidate a credit institution if a final sentence is rendered against him for a misdemeanor or a felony; if a final sentence is rendered against for violating the legislation relevant to exchange or to combating terrorism; if his commercial capacity is lost; if a sentence is rendered against him for breaching the provisions of the Code of Commerce; if a final sentence is rendered against him as a result of breaching the provisions of BAM; if he is subjected to definitive de-listing for disciplinary reasons; or if a final sentence is rendered against him, in application of the AML legislation, according to article 38 of law No.103-12 on credit institutions and similar bodies. According to articles 93 and 94 of the law, the approval of BAM should be obtained upon the percentages of contributions over 5% for individuals and for the persons who have ties to each other or who are legal persons who want to acquire 10%, 20% or 30% of the company's capital. But these two articles did not explicitly provide for any measures to identify the beneficial owner, and there are no measures to examine the competence and righteousness of these shareholders, which would ensure that they are prevented from acquiring controlling interests.

AMMC: Moroccan authorities did not provide the legal grounds for complying with the requirements of the criterion, except for the provision of the application for the license of intermediary companies to the team, through which the Authority verifies the professional experience and good reputation of founders and capital providers, and the judicial records of managers among the documents required.

ACAPS: According to article 227 of law No.99-17, no one, in whatever capacity, can form, run, manage, operate or liquidate an insurance or reinsurance companies if a criminal sentence is rendered against him; if a sentence that cannot be appealed is rendered against him by reason of a violation of the legislation relevant to exchange; if a sentence of judicial liquidation is rendered against him or against the insurance company he is managing in Morocco or abroad without being rehabilitated; or if he is de-listed from a regulated profession for a disciplinary reason. Or if a sanction is imposed on him under a sentence that cannot be appealed, in application of article 28 of the AML law No.43.05, however, no measures were provided on the prevention of criminals or associates from being the beneficial owners of significant or controlling interests in insurance undertakings.

The Exchange Office: Shareholders, directors, officers and natural persons of currency exchange companies are required to submit official documents stating that no final sentence is rendered against them in Morocco or abroad, for violation of the exchange law or for any of the crimes provided for and punishable under the Penal Code, or for violation of the AML/CFT law or for any of the crimes

provided for in the Code of Commerce. However, the assessment team was not able to verify which authority issued these requirements and to determine the extent to which they are binding or their relevant legal grounds, nor was the assessment team provided with information on any measures relating to the identification of the beneficial owner and the controlling interests.

Risk-based approach

217. **Criterion 26.4 (partly met).**

Criterion 26.4.a: BAM: According to the report on the assessment of the financial sector²⁵ in Morocco issued in February 2016, the banking supervision is effective and improving; and the regulations on governance and internal controls are consistent with the new Basel criteria. In addition, BAM is operationally independent to take supervision-related decisions and the governor of BAM may impose sanctions, such as appointing a temporary director, withdrawing the license, initiating liquidation. But no information provided if the regulation and supervision in line with core principles relevant to AML/CFT including the application of consolidated group supervision for AML/CFT purposes.

AMMC: Based on the report, Morocco has achieved a good progress in implementing of the principles issued by the International Securities Committee, by adopting the capital markets law which filled the regulatory gaps in many areas. However, there are still deficiencies reflected in ensuring that the AMMC is regulating and supervising all the entities engaged in the securities activities and is implementing a risk-sensitive supervisory program for the entities. No information provided if the regulation and supervision in line with core principles relevant to AML/CFT including the application of consolidated group supervision for AML/CFT purposes.

ACAPS: The report mentioned that a new insurance authority was established in 2015 and it will become fully operational upon the appointment of its president and board of directors. At that time, it should enhance the new internal regulations and ensure its independence, in terms of supervision and monitoring. The assessment team did not notice that this authority is using this power or adopting a risk-sensitive supervisory approach, and no information provided if the regulation and supervision in line with core principles relevant to AML/CFT including the application of consolidated group supervision for AML/CFT purposes.

Criterion 26.4.b: As to money transfer institutions, they are subjected to the supervision of BAM, as previously indicated in criterion 26.1, where article 9 of circular No.6/W/2016 stipulates that institutions are required to develop an appropriate AML/CFT system. As to FIs which provide money or currency exchange services, they are subjected to follow-up systems on AML/CFT compliance by the Exchange Office.

218. **Criterion 26.5: (partly met).**

Criterion 26.5.a: BAM: BAM supervision was established based upon risk-based, through adopting an internal system that helps rate credit institutions and which is known as (SANEC). This system determines the consistency of supervisory and monitoring operations with the type of risks to which

²⁵ Financial Sector Assessment Report, the International Monetary Fund, 2016

institutions are exposed, and if necessary, gives effect to appropriate preventive or corrective measures for institutions which have difficulties, or which have a rank close to a specific threshold. It is worth noting that this system can rate all the banks, twice a year and according to this rating, missions for on-site supervision are proposed

AMMC: The supervisory methodology adopted by the AMMC comprises several criteria, including products and services provided to customers, analysis of ML/TF risks of FIs, in addition to the list of the categories of customers and transactions which are rated by the FI as high risk and the customers in countries which do not have laws regulating the combating of ML.

ACAPS: A special function in the field of supervising AML/CFT compliance was created. However, the regulatory issues relating to the supervisory and monitoring role of the authority, particularly regarding the on-site and off-site supervision and relevant frequency and intensity associated to ML/TF risks, and the internal policies, controls and procedures of the institution or the group are not completed yet.

The Exchange Office: Authorities in Morocco did not provide texts requiring the Exchange Office to adopt a risk-based supervisory approach, through which on-site and off-site inspections conducted by the Office are identified.

Criterion 26.5.b (not met): BAM and AMMC supervisory programs are compatible with ML/TF risks, in terms of their frequency and intensity, while ACAPS and the exchange office supervision are not consistent with ML/TF risks present in Morocco.

Criterion 26.5.c: Nothing indicates that BAM, the AMMC, ACAPS, and the Exchange Office have the ability to conduct on-site and off-site AML/CFT supervision based on the characteristics of the FIs or groups, and on the diversity and number of FIs and the degree of discretion allowed to them under the RBA.

219. **Criterion 26.6 (not met):** BAM, the Insurance Control Authority and the Exchange Office did not provide any texts indicating that they are reviewing the risk profile periodically, based on major changes or events in the FIs subjected to their supervision, while the AMMC stated that it is analyzing any event that might have a positive or negative impact on the performance or activity of those subjected to its supervision, without legislative texts supporting the same.

220. **Weighting and Conclusion:** There is a legislative framework that ensures entry to the market, through texts which require licenses to be obtained and fit and proper tests made for efficiency and integrity. But there are no such texts for the Exchange Office. There are many activities subjected to the supervision of the AMMC, such as the trade in securities, the regulation of investment subscriptions and portfolios, which were not subjected to supervision based on the Basel Core Principles and the principles of the International Organization of Securities Commission (IOSCO). The results of the national ML/TF risk assessment were not disseminated to relevant authorities in Morocco to rely on these results somehow in an RBA to supervision, and in determining the frequency and intensity of the on-site and off-site inspections. BAM, the Insurance Control Authority and the Exchange Office have not provided any texts indicating that they are periodically reviewing the risk profile based on any substantial changes or important events which occur to FIs subjected to their supervision.

Recommendation 26 is rated Partially Compliant.

Recommendation 27: Powers of supervisors

221. Based on the first round of the mutual evaluation process, Morocco was rated (non-compliant) with Recommendation 29 (formerly), given the failure to explicitly provide for the role of supervisors or the UTRF in compelling persons subjected to the law, to the requirements of the law, in addition to the lack of clarity of the sanctions these authorities can impose on the subjected persons for violation of the provisions of the law.

222. Criterion 27.1 (met):

BAM

Article 1-13 of the AML law determined the role of BAM as a banking supervisory authority in the AML/CFT field. By this authority, BAM ensures compliance of credit institutions and similar bodies subjected to its supervision with the legal and regulatory AML/CFT provisions.

Exchange Office

The Exchange Office exercises its supervisory powers over the exchange companies, according to the afore-mentioned article.

ACAPS

ACAPS also exercises its supervisory powers according to the article above and to article 8 of the law No.64-12 on the establishment of ACAPS. Accordingly, the Authority verifies the compliance of persons subjected to its supervision (insurance and re-insurance companies and insurance intermediaries).

AMMC

According to article 5 of law No.12-43, AMMC is monitoring and supervising the capital market in Morocco to ensure that all subjected persons and entities including the assets management and brokerage companies are complying with its laws and regulations.

223. Criterion 27.2 (met):

BAM

BAM holds its authority to monitor the credit institutions for compliance with the provisions of the law and the texts adopted for its implementation, based on article 80 of law No.103-12. Accordingly, BAM conducts on-site and off-site inspections through its officers or any other person the governor delegates for this purpose. Inspections cover these subsidiaries and legal persons they supervise, according to the provisions of article 43 of the same law.

AMMC

AMMC has the powers to conduct inspections, according to article 5 of law No.12-43, where it is possible for the Authority to request the persons subjected to its supervision to provide it with documents and the necessary information to perform its tasks. It may also conduct, at any time, on-site supervision. It may also examine the documents pertaining to these persons or entities to verify their compliance with the legislative or regulatory provisions their activities are subjected to.

ACAPS

ACAPS has powers to conduct inspections, based on article 8 of Law No.64-12, and article 242 of decree No.1.16.129 stipulates that the Authority shall control the documents that this law requires to be produced, in addition to the documents required by the Authority, if they are necessary for the supervisory task. On-site supervision is conducted according to the conditions provided for in article

246 of the same decree and which stipulates that (on-site supervision provided for in article 242 of this law is conducted by certified employees that the said Authority delegates for this purpose. Those employees may, at any time, undertake an on-site examination of all the operations conducted by the insurance and reinsurance companies).

Exchange Office

The Exchange office has powers based on the requirements of the decree issued on 30 August 1949 on the detection and prevention of the exchange law violations, where the Office inspectors conduct research as regards the conformity of the activity of the currency exchange offices with the requirements of the exchange law which is in effect. The Exchange Office was also mandated in its capacity of a supervisory and monitoring authority for persons subjected to its competence, pursuant to the AML law No.43-05.

224. **Criterion 27.3 (met):**

BAM

BAM requests from institutions subjected to its supervision the provision of all documents and information which are necessary to conduct its tasks. It determines the relevant lists and templates, and deadlines for submission, according to article 82 of law No.103-12; FIs submit a report on the AML/CFT supervision activities at least once a year. When necessary, BAM may request to shorten the interval periods between the reports submitted to it.

AMMC

AMMC may require persons or entities subjected to its supervision to produce all the necessary documents and information to perform its tasks. The Authority determines the list of documents, relevant content and templates, including the request to disclose any information the Authority may deem useful in monitoring compliance with the AML/CFT requirements, according to article 5 of law No.43-12.

ACAPS

Professionals subjected to the supervision of ACAPS should send to the Authority, upon its request, any necessary document or information to perform its tasks as a supervisory and monitoring authority, except for the declaration of suspicion which should be exclusively reported to the UTRF, according to article 17 of the insurance circular No.12/13.

Exchange Office

Article 10 of the Exchange Office circular No.2013/9 stipulates that currency exchange offices should submit, upon the request of the Exchange Office and within the deadlines it fixes, the necessary documents and information which enable it to perform its AML/CFT tasks.

225. **Criterion 27.4 (partly met)** The AML law No.43-05 imposes financial sanctions, on persons subjected to supervision, under article 28. These sanctions range from 100.000 Dirhams to 500.000 Dirhams, and they are issued by the Authority against those who work under its supervision for violation of their duties or the professional ethics. Article 29 of the law stipulates the following:“ Unless the criminal acts are punishable with a more stringent sanction, the operators or agents of the persons covered by the law will be subject to the sanctions stipulated in Article 446 of the Penal Code, in the event where they intentionally tip off the concerned person, or others, of a suspicion report or information on decisions taken in its regard or where they intentionally use the information obtained for other than the stipulated purposes.

- According to article 88 of BAM law No.103-12, sanctions may be imposed, such as warning, arresting one or more managers, preventing or restricting some operations conducted by the credit

institution, appointment of a provisional director; in addition to the withdrawal of authorization. The assessment team did not perceive the possibility of applying these sanctions for violations of AML/CFT legislations or whether their implementation is predicated on violations relevant only to banking legislations.

- The AMMC applies sanctions, and according to articles 8 and 9 of law No.43-12, it applies disciplinary sanctions reflected in warning and reprimand, or financial sanctions not more than 200.000 Dirhams in case subjected persons violate the ethical rules or the professional practices provided for in the circulars issued by the Authority and when profits are generated, the sanction might reach five times the amount of the profits made. If the president of the Authority is provided with certain facts, he may impose, based on their significance, the sanction to arrest the members of the management and administration body for a specific period or may withdraw the authorization. Articles 10/11/12/13 of the law also impose a set of administrative sanctions but it remains unclear whether these sanctions are applied in case of violations relevant to the ML and TF.
- ACAPS applies the sanctions provided for by articles 28 and 29 of the AML law, given that it is considered as a supervisory and monitoring authority. Article 21 of the insurance sector circular stipulates that the Authority should apply sanctions against professionals in case it is notified by the UTRF of a breach of due diligence or a shortage in the internal system.
- The Exchange Office applies the sanctions provided for in articles 28 and 29 of law No.43-05 and the assessment team was not able to examine any other texts that explain in detail the list of sanctions the Office can apply.

Based on the above, it is not clear if supervisory authorities have powers to withdraw, restrict or suspend licenses for each category of FI for failure to comply with the AML/CFT requirements.

226. **Weighting and Conclusion:** The supervisory and monitoring authorities designated under the AML law have powers enabling them to perform their supervisory tasks related to ensuring compliance by FIs subjected to their supervision with the AML/CFT requirements. They can also request all the information from the FIs subjected to their supervision and there are sanctions specified for those who fail to comply with this requirement. However, these sanctions are only imposed on violations not related to compliance with AML/CFT requirements, and law No.43-05 did not cover a wide range of sanctions in line with the significance of the violation and only determined financial sanctions, although BAM, the AMMC and the Insurance Control Authority law comprised administrative sanctions, starting with warning and ending with the withdrawal of license.

Recommendation 27 is rated Largely Compliant.

Recommendation 28 Regulation and supervision of DNFBPs

227. Morocco was evaluated in regard to the requirements of this recommendation, during the first round of the mutual evaluation process (Recommendation 24 formerly), where it was rated “non-compliant”, given that casinos are not subject to a comprehensive supervisory and monitoring system and that other DNFBPs are not subject either to AML/CFT supervision.

Gambling Houses (casinos)

228. **Criterion 28-1 (partly met):** Persons who exploit or manage casinos or gambling institutions, including e-casinos or e-gambling institutions are subject to supervision according to article 2 of law No. (43-05) and article 3 of decision No. D5/12 on the obligations of persons subject to the UTRF

supervision. It is worth noting that casinos on board of cruise boats are subject to ML/TF supervision, according to article 11 of the Penal Code, which considers boats and aircrafts as part of the national territory.

Criterion 28.1.a: The supervisory authorities of casinos are: the MOI, the Exchange Office, and the UTRF, each within its competence, where licensing is made by the MOI pursuant to the terms of reference which contain several requirements that should be fulfilled.

Criterion 28.1.b: Article 16 of the casinos terms of reference stipulates that before the employee assumes his function, the manager in charge should send his criminal record, a certificate of good conduct not older than two months and a copy of the employment contract to the General Directorate of National Security, however, these procedures are not applicable to shareholders, partners and members of the administration committee. It did not appear to the team what are the measures taken to identify beneficial owners.

Criterion 28.1.c: According to article 2 of law No. (43-05) and article 3 of decision No. D5/12 on the obligations of persons subject to the UTRF supervision, persons who exploit or manage casinos or gambling institutions, including e-casinos or e-gambling institutions are subject to the UTRF supervision as regards their compliance with AML/CFT requirements. Moroccan authorities clarified that the persons who exploit casinos refer to the legal persons or the companies which are licensed to exploit the casino activity. They were referred to as such, given that casinos are exploited by the terms of reference; therefore, casinos are governed by the provisions of the AML law.

DNFBPs other than casinos:

229. **Criterion 28.2 (met):** Pursuant to article 13-1 of law No.43-05, the UTRF is the supervisory and monitoring authority of the subjected persons who are not placed under the supervision of any of the designated authorities. Pursuant to article 3 of decision No. D5/12 related to the obligations of the persons subject to the UTRF supervision, the following parties are subject to UTRF supervision, when carrying out a single operation or several operations that appear to be linked, above 30000 Dirhams (almost USD 3260):

- External auditors and accountants and consultants in the tax field,
- Real estate agents and intermediaries, dealers in precious stones or metals, persons who usually trade in artefacts and works of art; and
- Service providers who engage in the creation, organization and domiciliation of companies.
- The UTRF is charged with the task of ensuring the compliance of subjected persons with the requirements of the law and determine how to apply the requirements of the articles 3 to 8 and 12 of this law.

230. **Criterion 28-3 (met):** Categories of DNFBPs are subject to the UTRF supervision, according to article 1-13 of law No.43-05; article 3 of decision No. D5/12 indicates that the categories which are not placed under the supervision of any of the designated authorities are subject to the UTRF supervision,

231. **Criterion 28-4 (partly met)**

Criterion 28.4.a: Article 1-13 of law No.43-05 granted the UTRF powers and authorities to perform its tasks related to following up DNFBPs for compliance with the requirements, given that the UTRF is charged with supervising subjected persons for their compliance with the requirements of this law and determining how to apply the requirements of articles 3 to 8 and 12 of this law.

Criterion 28.4.b: Article 3 of law No.32.09 on the regulation of the notary public profession specifies a set of conditions the candidates should fulfill to practice the notary public profession and

authenticators, where the candidate should be Moroccan, having his national and civil rights, and a good reputation and conduct. He should not be sentenced for a misdemeanor or a felony, except for unintentional felonies, even if he is rehabilitated, and no final, disciplinary or administrative sanction is issued against him; he should not be convicted with any of the sanctions provided for in the Code of Commerce, and he should successfully pass the test of engaging in the notary public profession. Law No.28.08 regulates the practice of the law profession in Morocco, where article 2 of the law stipulates that the law profession can be only practiced by a lawyer who is registered at one of the bar associations in Morocco. Article 5 regulates the conditions for engaging in the law profession, which include that a lawyer should not be convicted whether on judicial or disciplinary grounds for committing acts against honor, reputation or good conduct, as well as other conditions relevant to eligibility and capacity to practice the profession.

Accountants are also subjected to the conditions of registration and accreditation by the Association of Chartered Certified Accountants, according to article 20 of the law organizing the certified accountant profession No.12.127.

As to the real estate agents, dealers in precious metals and stones, service providers who engage in the creation, organization and domiciliation of companies there are no legal or regulatory measures to prevent criminals and their associates from holding controlling or significant interest or holding functions in them.

Criterion 28.4.c: Without prejudice to structured criminal sanctions, and to the sanctions provided in the legislations applied on them, the UTRF and the governmental authority entrusted with justice issue, under article 28 of law No.43-05, financial sanctions ranging from 100.000,00 Dirhams to 500.000,00 Dirhams against subjected persons, and when necessary, against their managers and agents who violate their legal and regulatory AML/CFT obligations. Authorities in Morocco did not provide any information on administrative sanctions such as a warning, or restriction of work, or license withdrawal.

232. **Criterion 28.5.a, b (not met):** Moroccan authorities did not provide anything indicating that UTRF and MOJ should supervise DNFBPs on a risk-sensitive basis, including determining the frequency and intensity of the supervision and that the risk profile of DNFBPs is considered. It is worth noting that authorities in Morocco received, 2013 are working in the context of the IMF technical assistance on establishing an approach for the categorization of DNFBPs based on the risks they represent within each sector, in preparation of supervising them.

233. **Weighting and Conclusion:** The power to license and register DNFBPs is exercised by supervisors by virtue of their respective laws, while UTRF undertakes supervisory and monitoring role in the field of AML/CFT. The assessment team did not perceive the approach adopted to supervision, in view of the large number of authorities which undertake this role. In addition, considering the failure to publish and disseminate the results of the NRA and the failure to conduct any studies to assess the DNFBPs risks, it is difficult to identify which RBA to supervision is used. Still it is not clear whether on-site supervision of DNFBPs is performed on a risk sensitive basis.

No information on any legal or regulatory measures had been provided in terms of preventing criminals and their associates from holding, or being the beneficial owner of, a significant or controlling interest or a management function in DNFBPs, except for lawyers, notaries and casino employees. The sanctions imposed are limited only to financial penalties and do not extend to cover any other administrative sanctions.

Recommendation 28 is rated Partially Compliant.

Recommendation 29 (Financial intelligence units)

234. Recommendation 26 on the Financial Intelligence Unit was rated (non-compliant) during the mutual evaluation which took place in 2007, given that the UTRF was not established at that time, the independence of the UTRF and training of its employees could not be determined, and its effectiveness and all the other relevant criteria in this recommendation could not be established. The follow-up report indicates that the said deficiencies were addressed by establishing the UTRF by decree No.2-08-572 as an administrative entity. The UTRF also joined the (Egmont) Group in July 2011. The 1st update report dated 10/11/2015 indicated that operational activities of the UTRF has witnessed a remarkable progress over the last two years.

235. **Criterion 29.1 (largely met):** The UTRF having an administrative characteristic was established at the Council of Ministers, pursuant to decree No.2.08.572, according to article (14) of the AML law No. (43-05) and according to articles (15,18) and articles (32, 33, 34) of the same law. The UTRF is mandated, among its functions, to collect, process and solicit information on acts suspected to relate to ML, predicate offenses referred to in the law, or TF, to decide on the results of the cases submitted to it; to establish a database on ML operations; and to refer the matter to the Royal Prosecutor at the court of first instance of Rabat in case of a ML suspicion and to the Royal Public Prosecutor at the court of appeal of Rabat in case of a TF suspicion.

Despite that the law did not include explicitly to process or analyze reports on TF, it was issued a ministerial decision regarding formatting a special committee to handle TF reports by the competent authorities, the law did not include the receipt of reports on some associated predicate offenses, such as illicit trafficking in stolen and other goods and the tax evasion crimes (related to direct and indirect tax), (see analysis of Recommendation 3).

236. **Criterion 29.2 (met)**

Criterion 29.2 (a): The UTRF is the authority empowered to receive declarations made by the reporting entities, according to article (9) of law No (43-05), whereas they include all the amounts, operations or attempts of carrying out operations suspected to relate to ML/TF crimes, or any of the predicate offenses referred to in the law. Decision No.D.11/4 on the declaration of suspicion and communicating information to the UTRF was issued. It clarifies all the situations which should be suspected and reported to the UTRF (particularly articles 4, 5 thereof) and which cover the content of Recommendations (20 and 23).

Criterion 29.2 (b):

Article (22) of law No. (43-05) gave the UTRF the authority to examine documents and information which may facilitate the performance of its tasks. The texts set out in the law do not indicate that the UTRF receives reports other than STRs, except that the CAD communicates financial intelligence on violations of the legislation regulating the AML law to the UTRF.

237. **Criterion 29.3 (met)**

Criterion 29.3 (a): The UTRF has the authority to obtain all the documents and information which would facilitate the performance of its tasks. Subjected entities should give the UTRF access to all the documents and information needed to perform its tasks, upon its request and within the periods it fixes, according to articles 13, 22 of the AML law, which would meet this part of the criterion.

Criterion 29.3 (b): Article (22) requires public institutions and other legal persons subjected to the public or private law to grant the UTRF access to all the documents and information which would

facilitate the performance of its tasks. Based on the foregoing, it appears that the UTRF can access the information, in such a manner that it is able to adequately enforce the law, including open sources, such as the commercial register database, which would meet this part of the criterion.

238. **Criterion 29.4 (largely met)**

Criterion 29.4 (a): The UTRF has a department for documentation and analysis, that is responsible for receiving and processing STRs and inform them through requests for information from subjected persons or from public departments and institutions, and other legal persons subjected to the public or private law, and for referring cases to the competent public prosecution when there is sufficient evidence for suspicion. There are also clear and explicit standard work procedures for the operational analysis of the ML/TF reports conducted by the UTRF, in consistency with this part of the criterion; however, there remains a deficiency related to the analysis of predicate offenses.

Criterion 29.4 (b): On 13/10/2015, the UTRF created a cell for strategic studies that reports to the documentation and analysis department, pursuant to note (No.DDA-7411-2015) and the GOAML software for processing information promotes the capacities to electronically conduct strategic analysis, and there are written procedures²⁶ that refer to the conduct of the strategic analysis and its phases, or to the study of patterns and trends.

239. **Criterion 29.5 (partly met)**

Articles (18, 34) of the AML law clarified the authority of the UTRF to refer the matter to the Royal Prosecutor at competent courts, in case it obtains information revealing acts that may constitute a ML/TF offense; however, no reference was made to the existence of an explicit technical obligation on disseminating, upon request, this information to all the relevant competent authorities, and on using dedicated, secure and protected channels for the dissemination; which is regarded as a deficiency in technical compliance with this criterion.

240. **Criterion 29.6 (largely met)**

Criterion 29.6.(a): Articles (20, 21) of the AML law required UTRF staff members and all the persons who have access to information, in whatever capacity, to keep this information confidential, according to the terms and conditions of chapter 446 of the Penal Code and not to use it other than for the purposes provided for in the law, even after leaving office. Decision No.D.4/11 required the subjected person to observe the rules of confidentiality of the correspondences addressed to the UTRF; the documentation and analysis department has internal regulations in place for controlling the access and sharing operational information, in addition to processing, storing and dissemination, in consistency with the national legal requirements on the protection of data and on compliance with professional secrecy and in line with the Egmont Group charter and principles on the maintenance and protection of information. The said department uses the GOAML software which is developed by the UNODC and which provides a high degree of security, tracking of operations and maintenance

²⁶ Moroccan authorities provided a procedure manual for strategic analysis in French following the on-site visit. It was adopted by the team after the verification of its content following the translation into Arabic.

of data; and access to the headquarters of the documentation and analysis department requires a special authorization that is only granted to the department employees.

Criterion 29.6.(b):

UTRF and public governmental authorities staff members should have the necessary security clearance levels and understanding of their responsibilities in handling and disseminating sensitive and confidential information, like the remaining government employees, according to the Moroccan civil service law.

Criterion 29.6.(c): The UTRF has the GoAML information software through which the authorities in the context of the analysis process and the tasks relevant to the access and follow-up of STRs are clearly divided among staff members, through a guide on the relevant work procedures, and there is also limited access to the UTRF facilities.

241. **Criterion 29.7: (largely met)**

Criterion 29.7 (a): Despite the administrative characteristic of the UTRF, the unit has the powers to implement its responsibilities independently including its decision to analyses and disseminate the STRs or ask for any additional information as mentioned in article (2, 3) of decree No.2-08-572 have indicated concerning the performance by the UTRF of its tasks under the AML law, including the determination of the conditions for the collection, processing and request of information on acts suspected to relate to ML and for deciding on the results of the cases submitted to it.

Criterion 29.7 (b): Articles 24 and 32 of the AML law give the UTRF the authority to exchange financial intelligence on ML/TF with foreign authorities that have similar functions, by virtue of international agreements signed by Morocco and published legally or subject to the principle of reciprocity. At the domestic level, although article (9) considered the UTRF as the authority which is authorized to receive STRs and despite articles (13, 22) on the UTRF authority to obtain all the documents and information which would facilitate the performance of its tasks and on the obligation of entities subjected to the law to give the UTRF, upon its request, and within the deadlines it fixes, access to all the documents and information needed to perform its tasks, and although article (15) which provided for the tasks of the UTRF, including cooperation and participation with the other concerned bodies and authorities in studying the measures which can be taken to combat ML, the law did not mention the availability of explicit texts indicating that the UTRF is able to make arrangements or engage independently with other domestic competent authorities on the exchange of information, given that the afore-mentioned articles only referred to the right of the UTRF to obtain information and not exchange it with all the competent authorities, except for the Royal Prosecutor; therefore, the assessment team considers that this part of the criterion is not fully complied with.

Criterion 29.7 (c): According to decree No. 2-08-572, the UTRF was established by the Prime Minister. The decree indicates that the UTRF exercises its functions by virtue of the requirements of the AML law and establishes its own internal law which determines the UTRF methods of operation, which means that the mandates of the UTRF are different from those of the Prime Minister; which ensures compliance with this criterion.

Criterion 29.7 (d): According to article 11 of decree No.2-08-572, the resources used for the accommodation and operation of the UTRF are included in the budget of the Prime Minister. According to article (31) of the UTRF internal regulation, based on the Prime Minister decision No.10-05, it appears that the UTRF is using these resources on an individual or routine basis and that the UTRF head orders the disbursement.

242. **Criterion 29.8 (met):** The UTRF is a member of the Egmont Group since July 2011; which indicates that the criterion is applicable.
243. **Weighting and Conclusion:** Despite the establishment of the UTRF and its capacity to carry out its operational functions, it is noted that there are minor deficiencies in the compliance with Recommendation 29, in some parts of criteria (1, 5, 6, 7) in terms of the failure to identify the quality of financial intelligence provided by the reporting entities, including reporting of all the associated predicate offenses, the dissemination of information and results of analysis to relevant competent authorities, upon request, except for the Royal Prosecutor. No assertion could be made on the ability of UTRF to obtain the necessary budgets without any interference.

Recommendation 29 is rated Largely Compliant

Recommendation (30) Responsibilities of law enforcement and investigative authorities

244. Recommendation 27 (LEAs) was rated “partially compliant” in the MER for Morocco, during the first round of evaluation, since the report revealed that there is no designated authorities responsible for investigation of ML/TF offenses; there is no evidence on the effectiveness of competent authorities in implementing the law and there are no statistics; however, Morocco has adopted, since, several legislative and procedural reforms which were positively reflected on the criteria of this recommendation, as follows:

245. **Criterion 30.1 (met):** Article 18 of the AML law stipulates that once the information collected by the UTRF reveals facts that may constitute a ML offense, the UTRF shall refer the matter to the Royal Prosecutor at the Court of First Instance of Rabat, specifying, if need be, the administrations, public institutions and other legal persons subjected to the public or private law that provided the UTRF with the relevant information or documents. The Public Prosecution shall notify the UTRF of all the decisions taken regarding the cases referred to it in accordance with the provisions of paragraph 1 of this article)

The court of appeal of Rabat has responsibility for following up, investigating and rendering sentences on terrorist crimes (article 7 of law No.03-03) and accordingly the Royal Public Prosecutor at the court of appeal of Rabat has responsibility for filing and pursuing public lawsuit. Chapter 218-4 of the Penal Code considers TF as a terrorist act, which grants the investigation judge at the court of appeal of Rabat the power to investigate TF crimes.

Article 38 of the AML law stipulates that notwithstanding the jurisdictional rules of the Penal Procedure Code or other laws, the courts of Rabat shall be competent for the prosecution, investigation and judgment of acts constituting ML offenses. The said courts may, for reasons of public security and exceptionally, hold their hearings in the headquarters of other courts.

246. **Criterion 30.2 (partly met):** Article 595-1 of the Penal Procedure Code stipulates that the Royal Public Prosecutor may, during a judicial proceeding, request information on operations or movements of funds suspected of being linked to the financing of terrorism by a legal person who is usually engaged in receiving money from the public, distributing credits and making various methods of payment available for customers or managing such money, and by (offshore) banks. However, the Code does not provide for mandating any authority to open a parallel financial investigation, and despite the establishment of an office for combating financial and economic criminality and an office for combating terrorism at NSJP, these two offices are not legally authorized to conduct a parallel

financial investigation without an order issued by the Royal Prosecutor for ML offenses and by the investigation judge at the court of appeal for terrorism offenses.

247. **Criterion 30.3 (met):** Article 19 of the AML law granted the Royal Prosecutor, during the inquiry stage, and for a period that may not exceed one month and renewable only once, the authority to freeze by temporarily prohibiting the transfer, conversion, disposition or movement of properties; and to appoint a special institution or body to carry out temporary custody or monitoring of properties, which is a period that is not sufficient to conduct investigations in such crimes.

248. **Criterion 30.4 (not met):**

Nothing in the AML law or any other law indicates that other authorities (which are not LEAs) which pursue investigations in predicate offenses are authorized to conduct financial investigations of predicate offenses.

249. **Criterion 30.5 (not met):** The NAPPCC is the authority which is concerned with corruption cases, as per decree No.1-15-65 dated 9/6/2015 and not assigned yet to replace the Central Body for the Prevention of Corruption; however, there is no legal text whether the NAPPCC nor the Central Body for the Prevention of Corruption permits either of them to investigate ML/TF offenses arising from, or related to, corruption offenses; Consequently, nothing indicates that there is a link between investigation of ML/TF offenses arising from, or related to, corruption offenses and that any of them has sufficient powers to identify, trace, freeze and seize assets in such type of cases.

250. **Weighting and Conclusion:** Morocco was able to meet some criteria provided for in Recommendation 30, by adopting a well-established legal system represented in the Penal Procedure Code, the AML and the CFT laws. However, these laws did not contain the following:

- The assessment team did not perceive whether LEAs are authorized to conduct a parallel financial investigation during an investigation of predicate offenses or to refer the case to another agency authorized to conduct the required parallel financial investigations.
- As to other authorities (which are not LEAs) which pursue financial investigations of predicate offenses; it did not appear that they are authorized to conduct financial investigations of predicate offenses.
- There are no sufficient powers to identify, trace, freeze and seize assets in ML/TF offenses related to corruption offenses.

Recommendation 30 is rated Partially Compliant.

Recommendation (31) Responsibilities of law enforcement and investigative authorities

251. The first round of mutual evaluation of Morocco took place in 2007 and Recommendation 28 (powers of competent authorities) was rated “compliant”.

252. **Criterion 31.1 (largely met):**

Criterion 31.1.a: According to the articles of Section II of Chapter II of the Penal Procedure Code, under the title of NSJP officers, those who have this capacity and whom are entrusted to inquire about all the crimes can search the premises intended for professional use and occupied by a person bound to keep the professional secret under the law, after notification of the competent public prosecution, while taking all the measures ensuring that the professional secrecy is kept, as provided for in article 59 of the Penal Procedure Code. Therefore, NSJP have the authority to solicit this information directly from FIs, DNFBPs

and other natural or legal persons or to have access to these documents, pursuant to a judicial order issued by the Royal Prosecutor or the investigation judge.

Criterion 31.1.b: The Penal Procedure Code allows NSJP officers to search persons and premises, as set out in articles 78, 79, 80, 81, 82.

Criterion 31.1.c: According to articles 65, 66 and articles 117-132 of the Penal Procedure Code, NSJP can ask persons to take their statements, arrest them or place them under police custody.

Criterion 31.1.d: According to article (59) of the Penal Procedure Code and following articles, NSJP has the right to have access to and seize records, objects and documents needed to establish the misdemeanor or the felony.

253. **Criterion 31.2 (partly met)**

Criterion 31.2.a: The AML law or the Penal Procedure Code did not authorize LEAs to use investigative techniques relating to secret operations, for the investigation of ML, TF and predicate offenses.

Criterion 31.2.b: The Penal Procedure Code authorized, by virtue of the articles provided for in Chapter V under the title of (interception of calls and communications made through remote means of communication) - starting from article 108 until the end of its articles - the investigation judge, if relevant inquiry is needed, to order in writing the interception, record and make copies or seizure of telephonic calls and all communications made through remote means of communication. The Royal Public Prosecutor may, if inquiry is needed, request, in writing, from the First President of the court of appeal, to issue an order to intercept, record, and make copies of or seize telephonic calls or communications made through remote means of communication, if the crime subject of inquiry affects national security, or it is a terrorist offense or it is related to criminal bands, murder, poisoning, kidnapping and hostage taking, falsification and counterfeiting of cash or public loan notes, to narcotics and psychotropic substances, to arms, ammunition and explosives or to health protection (which are all predicate offenses of the ML crime); however, these articles did not indicate whether the Royal Public Prosecutor is entitled to issue an order for the interception, record and making copies or seizure of telephonic calls and all communications made through remote means of communication in the ML offense and other predicate offenses provided for in chapter 574-2 of the AML law.

Criterion 31.2.c: The Penal Procedure Code, the AML law or the CFT law did not comprise any provision authorizing LEAs to directly access a computer system without obtaining a judicial order.

Criterion 31.2.d: By virtue of article 82-2 of the Penal Procedure Code, NSJP are entitled, pursuant to an authorization by the Royal Public Prosecutor, to initiate controlled delivery provided for in article 82-1 of the same law.

254. **Criterion 31.3 (not met)**

Criterion 31.3.a: Article 595-1 of the Penal Procedure Code authorized the Royal Public Prosecutor, in the course of a judicial proceeding, to request information on operations or movements of funds suspected of being linked to the financing of terrorism, from the banks subjected to the provisions of law No.34.03 on credit institutions and similar bodies and from offshore banks which are governed by the provisions of law No.58.90 on free financial zones. The information provided for in paragraph 1 of this article may be also requested by the investigation judge or by the court panel if a procedure linked to a terrorist crime is referred to them.

Article 595-4 of the Penal Procedure Code required banking institutions indicated in the aforementioned article 595-1 to provide information requested within at most 30 days from the date of the request being communicated. It also stipulated that banks may not confront the authorities mentioned in article 595-1, or BAM, with the principle of banking secrecy; which is confirmed by article 80 of law No.34.03 on credit institutions and similar bodies

The authority of the Royal Public Prosecutor did not extend to obtain information on persons who own or control bank accounts, when conducting a judicial inquiry on a TF case, within 30 days, and the law does not explicitly grant this authority for ML and predicate offense cases, in addition to the fact that the period of 30 days given to provide the information requested is somewhat long.

Criterion 31.3.b: By virtue of article 595-2 of the Penal Procedure Code, the judicial authorities mentioned in the previous article (the Royal Public Prosecutor - the investigation judge and the court panel) may order the freezing or seizure of the funds suspected to relate to TF; these authorities may also seek the assistance of BAM to implement such measures. The said authorities inform BAM of the measures taken and relevant decisions; however, the said text does not explicitly stipulate that the concerned authorities are directly entitled to take measures enabling the identification of assets without prior notice to the Royal Prosecutor or the investigation judge specialized in terrorism and TF cases.

255. **Criterion 31.4 (partly met):** Article (21) of the AML law No.43-05 permits the UTRF to give the Royal Prosecutor or the investigation Judge, upon their request and for the performance of their tasks, access to the documents and information it has obtained during the performance of its tasks, except for the STR. However, this article did not permit NSJP mandated to conduct ML/TF investigations to do so.

256. **Weighting and Conclusion:** Despite the powers granted to the LEAs, the Moroccan law does not entitle them to use secret operations and access computer systems. The authority to use the method of communication interception was limited to TF cases without covering the ML and predicate offense cases. The authority of the Royal Public Prosecutor to request information on bank accounts is also limited to TF cases and his authority did not extend to obtain information on persons who own or control accounts; in addition, the period fixed to meet these requests is long and takes 30 days. Furthermore, there is no explicit text that requires concerned authorities to adopt specific mechanisms enabling the identification of assets related to ML and/or TF cases without notification to the Royal Prosecutor or the investigation judge specialized in terrorism and TF cases, and the LEAs do not have the power to ask for information from the UTRF.

Recommendation 31 is rated Partially Compliant.

Recommendation (32) Cash Couriers

257. The MER for Morocco during the first round which was prepared in 2007 revealed deficiencies in the implementation of SRIX (Cross-border declaration or disclosure); therefore, it was rated “non-compliant”. The deficiencies were reflected in the absence of a declaration/disclosure system for currency according to the criteria of the recommendation; the absence of forms of cooperation between the customs and the UTRF; and the absence of specific procedures for the exchange of information between the customs and the UTRF and other LEAs. The Customs and Indirect Tax Department has since issued several legal measures to regulate the declaration of cross-border currency and BNIs.

258. **Criterion 32.1 (not met):** Morocco applied the declaration system for the cross-border transportation of currency and BNIs, whether by travelers, or through mail or cargo, by virtue of the Customs and Indirect Tax Department Memorandum No.000978-400 dated 8 August 2013, which requires all cross-border travelers to submit a declaration to the customs offices for incoming and outgoing bank notes and/or bearer negotiable means of payment when its value of 100.000 Moroccan Dirhams (approximately USD 10.600);

However, the Moroccan system did not legally issue the declaration system for the cross-border transportation of currency and BNIs of travelers; and the memorandum of the Customs and Indirect Tax Department which endorsed the declaration system was not issued pursuant to a provision in the exchange law or to a legal text in the customs and indirect tax law. Therefore, customs authorities lack the legal framework that requires the implementation of the declaration system for the cross-border transportation of currency and BNIs from and to Morocco.

259. **Criterion 32.2 (not met):** According to the **afore-mentioned** customs memorandum - **and in the absence of a legal text** - it is found that Morocco has adopted the (written declaration system for all the travelers who are carrying amounts above a designated threshold), whereby all travelers carrying currency or BNIs of a value of 100.000 Moroccan Dirhams (approximately USD 10.600) are bound to declaration and the outgoing payment methods are subjected to the obligation to provide justifications for exporting them abroad.
260. **Criterion 32.3 (not applicable):** Morocco does not take the disclosure system but applies the written declaration system for travelers carrying amounts above a designated threshold.
261. **Criterion 32.4 (not met):** The Moroccan law did not authorize customs or other concerned authorities to request further information from the carrier with regard to the origin of the currency or BNIs, upon discovery of a false declaration.
262. **Criterion 32.5 (not met):** The exchange law or the customs law do not stipulate for proportionate and dissuasive sanctions, for a person who does not submit or who submits a false declaration of currency or BNIs; and the customs memorandum on the obligation of declaration did not comprise proportionate and dissuasive sanctions for a person who submits a false declaration when carrying cross-border currency or any BNI.
263. **Criterion 32.6 (partly met):** According to the provisions of article 22 of law No.43-05, the CAD notifies the UTRF of the violations of the provisions of the AML law which they detect during the exercise of their functions and they do not include the provision of information obtained through the declaration process.
264. **Criterion 32.7 (not met):** The assessment team did not perceive any legal mechanism for cooperation between the Customs Department and other concerned authorities to implement the requirements on controlling the transportation of currency and BNIs across the Moroccan borders.
265. **Criterion 32.8 (not met):** According to the requirements of article 22 of the exchange law, the customs authorities may stop or restrain currency for a reasonable time to verify whether the legal controls of the exchange law and not the declaration system of cross-border currency and BNIs are observed. This matter can be investigated by these authorities within the scope of their authorities granted to them according to the said text; according to the customs memorandum on the declaration system - and not by virtue of the exchange law or the customs law - customs authorities are entitled to stop currency or BNIs in order to verify their legal transportation; however, there is no explicit provision on cases where currency should be stopped when there is a suspicion of ML/TF or where there is a false declaration.
266. **Criterion 32.9 (not met):** The legal system adopted by Morocco for monitoring the cross border movement of funds and BNIs did not contain any information on the existence of a mechanism for international cooperation between the authorities concerned with this system and other authorities at the international level; however, the Customs Department retains, in the context of implementing the requirements of the exchange law - and not the declaration system - separate data on operations

relating to declarations or disclosures containing false information, but the Customs Department does not retain documents on other transactions which comprise the declaration which exceeds the designated threshold or those which contain a suspicion of ML/TF

267. **Criterion 32.10 (not met):** The exchange law, the customs law or any other law did not comprise preventive controls or strict safeguards to ensure proper use of information or data collected through the system for monitoring cross border transactions, without restricting the trade payments between countries for goods and services or the freedom of capital movements in any way.

268. **Criterion 32.11 (not met)**

Criterion 32.11.a: According to paragraph 1 of chapter 574-1 of the AML law, the transportation of currency or BNIs when such currency or instruments derive from a predicate offense shall be criminalized, given that this act is considered as “the acquisition, possession, use, replacement, conversion or transfer of property or its returns... for which the perpetrators that are natural persons are punished with the sanction of imprisonment from two to 5 years and with a fine from 20,000 to 100,000 Moroccan Dirhams (2.113 – 10.569 USD) and the perpetrators that are legal persons are punished with a fine from 500,000 to 3 million Moroccan Dirhams (52.845 – 317.070 USD); which are not proportionate and dissuasive sanctions for perpetrators of the ML offense, and there are no sanctions in the event where the cross-border transportation of currency and BNIs is related to TF or predicate offenses.

Criterion 32.11.b: As to cross-border currency or BNIs that are related to ML/TF or predicate offenses; they are subject to the penalty of confiscation prescribed for the ML offense and provided for in chapter 574-5 of the AML law (considering that they are regarded as a ML offense according to article 574-1), without having anything that refers to confiscation in case the cross-border transportation of currency and BNIs is related to TF or predicate offenses.

269. **Weighting and Conclusion:** The memorandum issued by the Customs Department, on the declaration of cross-border funds, has no grounds in the law or pursuant to a legal text that entitles the CAD to issue it, and the Moroccan system did not establish a clear definition for cross-border funds and for BNIs; and there are no legal mechanisms for cooperation between customs authorities and other authorities concerned with the cross-border declaration system, in addition to the absence of legal texts which entitle customs authorities to obtain further information from the carrier with regard to the origin of the currency or BNIs, upon failure to declare or discovery of a false declaration. In addition, the Customs Department does not retain transactions on submitting a declaration of an amount that exceeds the designated threshold and transactions that contain a suspicion of ML/TF, as well as the absence of a legal text covering the proper use of information collected through the application of the declaration system.

Recommendation 32 is rated Non-Compliant.

Recommendation (33) – Statistics

270. During the first round of the evaluation process which took place in 2007, Morocco was rated non-compliant with Recommendation 32 relating to statistics, due to the absence of appropriate mechanisms ensuring that adequate statistical information is obtained and provided in a regular and detailed manner that helps review the effectiveness of the AML/CFT system.

271. **Criterion 33.1 (partly met):**

Criterion 33.1 a:

The UTRF has prepared statistics on STRs and other operational indicators which it publishes in its annual reports and also keeps statistics on referrals.

Criterion 33.1 b: MOJ has a statistics department within the Criminal Affairs and Amnesty Directorate that handles the management of database and statistics on all the crimes. It also has a financial crime department that is only charged with statistics on corruption, ML and economic crimes. The law required the public prosecution clerk office and the investigation judges to retain all the documents of the case and to include all the data and information in records prepared for this purpose. DGSN (NSJP) also provides statistics in this field.

Criterion 33.1 c, d: Moroccan authorities did not meet the sub-criteria (c) and (d), in terms of keeping statistics on property frozen, seized and confiscated and on MLA requests.

272. **Weighting and Conclusion:** Even if provided information to the assessment team indicate that provision of information about the work of the authorities through statistical data, some types of additional data should, nevertheless, been considered to cover a wide range of ML/TF information, such as providing details on the number of investigations initiated on the basis of such offenses, in comparison with the prosecutions and convictions. As to frozen, seized or confiscated funds, Moroccan authorities did not provide information indicating that they fulfilled the requirements of the recommendation relating to the maintenance of relevant data, as is the case and Morocco did not provide information on these issues concerning the requests for MLA which were made or received.

Recommendation 33 is rated Partially Compliant

Recommendation 34 - Guidance and feedback

273. During the first round of the evaluation process which took place in 2007, Morocco was rated non-compliant with Recommendation 25 on guidance and opinion, due to the absence of any type of guidance addressed to subjected persons in the AML/CFT field.

274. **Criterion 34.1 (partly met):** The UTRF issued a general guiding note No.DG1/2014 to the subjected persons placed under its AML/CFT supervision and monitoring, whereby it gives necessary clarifications to assist them in applying effective CDD measures; however, there are no guidelines or feedback for FIs or DNFBPs which are subject to the UTRF supervision, to assist them in applying national AML/CFT measures, particularly in detecting and reporting suspicious transactions.

In parallel, except as mentioned above, other competent authorities, supervisors and self-regulatory authorities did not establish guidelines or provided feedback to subjected persons according to the requirements of this Recommendation.

275. **Weighting and Conclusion:** Except for the UTRF to a certain extent, other competent authorities, supervisors and self-regulatory bodies did not issue anything that could assist FIs and DNFBPs in implementing national AML/CFT measures, namely in detecting and reporting suspicious transactions.

Recommendation 34 is rated Partially Compliant

Recommendation (35) - Sanctions

276. During the first round of the evaluation process which took place in 2007, Morocco was rated non-compliant with Recommendation 17 relating to sanctions, given that the sanctions applied by supervisors on breaching persons are not clear, and the natural persons in charge of managing subjected persons are not subject to sanctions in all the cases of violations, in addition to other deficiencies.

277. **Criterion 35.1 (partly met):** The AML law enables to impose sanctions, according to articles 28, 29 and 30, given that subjected persons (legal persons), their managers and agents (natural persons) who breach their obligations provided for in the law may be sentenced, when necessary, to a financial

sanction ranging from 100.000 to 500.000 Dirhams (USD 10000 to USD 500000 approximately) which is not sufficient and not considered a dissuasive and proportionate sanction. According to article 29 of the law, managers or agents of subjected persons who intentionally tip off the concerned person or a third party whether about a STR or related information on decisions relating to this STRs or who intentionally used the information collected for a purpose other than those provided for in the law, shall be subjected to the sanctions provided for in article 446 of the Penal Code. It is worth noting that the AML law did not provide for any administrative sanctions that can be imposed on the subjected entity despite the existence of provisions in the legislations of supervisors; however, there remains a limitation given that the administrative sanctions cannot be considered as targeting those who fail to comply with the AML/CFT requirements.

278. **Criterion 35-2 (partly met)** Directors and senior managements of FIs and DNFBPs are punished under article 28 of the AML law, given that the subjected persons, their managers and agents whom has breached their obligations which was provided by the law may be sentenced, when necessary, to a financial sanction ranging from 100.000 to 500.000 Dirhams (USD 10000 to USD 500000 approximately) which is not sufficient and not considered a dissuasive and proportionate sanction. .

279. **Weighting and Conclusion:** The AML law enables to impose sanctions according to article 28 of the law, however, these are only financial sanctions (USD 10000 to USD 500000 approximately) and do not extend to cover any other type of administrative penalties, which makes them neither proportionate nor dissuasive.

Recommendation 35 is rated Partially Compliant.

Recommendation 36 (International instruments)

280. During the mutual evaluation which took place in 2007, Recommendation (Former 35) was rated (largely compliant), due to the deficiency reflected in the failure to fully implement the Vienna Convention and the Convention for the Suppression of the Financing of Terrorism in the Moroccan legal system. Former SRI was also rated (partially compliant) given that the recommendation was not implemented regarding the Security Council resolutions 1267 and 1373.

281. **Criterion 36.1 (met):** Morocco joined the agreements mentioned in this recommendation, according to the following table:

The agreement	Date of depositing the ratification documents of the agreement	Decree relevant to the publication of the agreement	Publication in the official Journal
The UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic	5 November 1992	Decree No.1.92.283 issued on 29 January 2002	Official Journal No.4999 issued on Monday, 29 April 2002-
The UN Convention against Organized Crime	20 September 2002	Decree No.1.02.132 issued on (4 December 2003)	Official Journal No.5186 issued on Thursday, 12 February 2004
The UN Convention against Corruption	9 May 2007	Decree No.1-07-58 Issued on (19 Dhu'l-Qa'da 1428)	O. J. dated 17 January 2008
The International Convention for the Suppression of the Financing of Terrorism	19 October 2002	Decree No.1.02.131 issued on (12 December 2002)	Official Journal No.5104 issued on Thursday, 1 May 2003

282. **Criterion 36.2 (largely met):** Morocco gives priority to the international agreements at the expense of domestic laws. The priority of implementation is given to the agreements ratified by Morocco and this principle was referred to in the Constitution of Morocco. Moroccan authorities working on

aligning its legal system with the agreements mentioned in criterion (36.1). The latest of these amendments is the draft penal code which is currently under consideration by the Parliament.

283. **Weighting and Conclusion:** The legislative system in Morocco still requires some amendments in penal code in order to meet the requirements of criterion 36.2.

Recommendation 36 is rated Largely Compliant.

Recommendation 37 (Mutual legal assistance)

284. According to the MER for 2007, Recommendation (36 and SRV) were rated (largely compliant), given that no mechanisms were established and implemented to determine the best venue for the prosecution of defendants in the interests of justice, in cases that are subject to prosecution in more than one country, and given that the factors on the basis of which Recommendation 1 and SRII were underlined affect the level of MLA (Recommendation 36) and due to the failure to criminalize all the twenty offenses as predicate offenses for the ML crime which would also affect the effectiveness of the recommendation.

285. **Criterion 37.1 (largely met):** Concerning judicial cooperation with foreign countries, it appears that Morocco gives priority to the international agreements at the expense of domestic laws, this is evident in article (713) of the Penal Procedure Code. The priority of implementation is given to the agreements ratified by Morocco and this principle was referred to in the Constitution of Morocco. The provisions of Moroccan legislation are used only in the absence of an international agreement, whether bilateral or multilateral. Even in the absence of international agreements, Morocco implements MLA requests based on the rules of reciprocity and courtesy.

Accordingly, it appears that the country has provided evidence on the legal basis for the exchange of information and the wide scope of investigations into ML, associated predicate offenses and TF; but the related proceedings need supporting texts. However, the promptness in providing this information remains unclear.

286. **Criterion 37.2: (partly met):** According to article 714 of the Penal Procedure Code, it appears that MLA requests can be issued by the Moroccan judiciary for implementation outside Moroccan territories. MLA requests are addressed to the Minister of Justice to communicate them through diplomatic channels, unless there are agreements that require otherwise; in case of emergency, they can be directly addressed to the competent authority to implement them. It appears that MOJ, through the international cooperation division, is the central authority mandated to request MLA through diplomatic channels.

It appears that there is a central authority to send and execute requests; there are also approved measures for this purpose; however, there is a deficiency relating to the failure of Morocco to establish clear processes for the timely prioritization and execution of requests and to maintain a case management system according to the requirements of the criterion.

287. **Criterion 37.3 (met):** There is no impediment for the provision of MLA or no need to make it subject to unreasonable or unduly restrictive conditions, such as compromising the Moroccan sovereignty, security or public order. Accordingly, Morocco is considered compliant with the requirements of this criterion.

288. **Criterion 37.4. a and b (met):** Article 715 of the Penal Procedure Code specified the impediments for executing MLA and did not refer to tax issues or professional secrecy requirements; therefore, it appears that this part of the criterion is met.

289. **Criterion 37.5 (met):** Pursuant to article (15) of the Penal Procedure Code which stipulates that “the proceeding conducted during inquiry and investigation shall be confidential, and each person who contributes to this proceeding shall be bound to keep the professional secrecy, under the conditions and subject to the sanctions prescribed by the Penal Code”, the assessment team considers that this article comprises the confidentiality of the legal assistance requests received and the information contained in them.
290. **Criterion 37.6 (met):** The Penal Procedure Code or the AML laws do not stipulate that dual criminality should be made a condition for rendering any type of MLA and does not make it as a condition for executing them. Therefore, it appears that dual criminality does not affect the MLA process.
291. **Criterion 37.7 (not applicable):** Moroccan legislations do not stipulate that dual criminality is required for providing any type of MLA.
292. **Criterion 37.8 (partly met).**
Criterion 37.8.a: Moroccan authorities stated that all the powers indicated in Recommendation 31 are undertaken by inquiry and investigative authorities for the execution of cooperation requests, that the powers given to NSJP officers, as set out in Recommendation 31, remain available in the context of conducting inquiries relevant to an international rogatory letter under the supervision of the competent judicial authorities; however, nothing indicates that there are legislative texts allowing concerned authorities to use the powers provided for in Recommendation 31 for the purposes of MLA.
Criterion 37.8.b: No legislative texts covering the issue of a broad range of other powers and investigative techniques were found, which causes this criterion to be deficient even in case of compliance with Recommendation 31.
293. **Weighting and Conclusion:** There are some deficiencies relating to criterion 37.1 on the legal basis that allows the authorities to rapidly provide MLA, criterion 37.2 on having processes for the prioritization of requests and a case management system for monitoring progress on MLA requests, and criterion 37.8 on using powers and investigative techniques provided for in Recommendation 31 for MLA purposes and on the availability of a broad range of other powers and investigative techniques.

Recommendation 37 is rated Largely Compliant.

Recommendation 38 (Mutual legal assistance: freezing and confiscation)

294. Recommendation (38) on legal assistance was rated (largely compliant) during the mutual evaluation which took place in 2007, given that the judicial cooperation agreements did not comprise any provisions relating to the recognition of criminal verdicts rendered by foreign judicial authorities having responsibility for confiscating funds and proceeds from or instrumentalities used in ML crimes or verdicts allowing the same.
295. **Criterion 38.1 (partly met)**
Criterion 38.1.(a): Articles (595-6, 595-7 and 595-8) of the Penal Procedure Code which are applied to TF and also in the ML field as indicated by article (31) of law No. 43-05, stipulated that a decision issued by a foreign judicial authority may be executed through the Royal Prosecutor. Several actions

can be taken such as the freezing, seizure or confiscation of property. The legislations did not indicate that these actions should be expeditious.

Article (37) of law No. (43-05) granted the UTRF the power to order the freezing of properties due to a terrorist crime by virtue of a request issued by international agencies qualified to do so, and also granted it the power to receive and process requests for freezing properties due to a terrorist crime issued by those agencies.

Criterion 38.1 (b): Despite the reference made in chapter 574-5 of the AML law, concerning the confiscation of proceeds deriving from a ML crime, the existing documents did not indicate that the implementation of this article for the purposes of international cooperation is provided for and no provisions were found on the implementation of measures to identify, freeze, seize, and confiscate criminal proceeds generated from ML, TF or predicate offenses for the purposes of international cooperation.

Criterion 38.1.(c, d): No provisions were found on the application of expeditious actions to identify, freeze, seize, and confiscate instrumentalities used or intended for use in ML, predicate offenses, or TF, for the purposes of international cooperation.

Criterion 38.1 (e): Although article (595-7) of the Penal Procedure Code stipulated that the freezing, seizure or confiscation decision should be related to the property which was used or intended for use in committing the crime and should be located within the country and that such decision should aim to impose the obligation to pay a cash amount corresponding to the value of the said property, there were no explicit texts that grant the country the power to take expeditious action in response to requests by foreign countries to identify, freeze, seize, or confiscate property of equivalent value.

296. **Criterion 38.2 (not met):** The Moroccan law considers confiscation as a sanction or a preventive measure, therefore, it cannot be ordered unless in the case of conviction. Article 574-5 of the AML law states that the domestic law requires a conviction for the confiscation. Nothing in the law referred to the provision of assistance to requests for co-operation made on the basis of non-conviction-based confiscation proceedings and related provisional measures, or at a minimum in circumstances when a perpetrator is unavailable by reason of death, flight, absence, or the perpetrator is unknown.

297. **Criterion 38.3 (not met)**

Criterion 38.3 (a): the answers of Moroccan authorities and the texts provided to the assessment team did not show that there are any provisions that cover the requirements for compliance with the criterion, due to the absence of clear arrangements and measures for coordinating seizure and confiscation actions with other countries.

Criterion 38.3 (b): Responses given by Moroccan authorities did not indicate whether there is a provision stipulating the creation of a national agency for managing and confiscating seized funds, and no relevant official documents, papers or texts were provided, given that there are no mechanisms for managing, and when necessary disposing of, property frozen, seized or confiscated, as required by the criterion.

298. **Criterion 38.4 (not met):** Article (595-8) of the Penal Procedure Code (applicable to TF and ML) authorizes the Royal Public Prosecutor to transfer, without prejudice to the rights of third parties, confiscated property to the Moroccan state, except otherwise agreed upon with the requesting country, or in the context of implementing an international agreement or based on the principle of reciprocity. The decision of the Royal Public Prosecutor to authorize the seizure or freezing of funds only entails the transfer of the funds subject of the decision and prohibit their disposal throughout the validity period of the seizure or freezing decision. The assessment team considers that these texts do not

explicitly provide for sharing confiscated property with other countries, according to the requirements of this criterion.

299. **Weighting and Conclusion:** The legal basis for the criteria of this recommendation is incomplete in the Moroccan legislative system. There are deficiencies in criterion 38.1 and the existing legal articles did not indicate any provisions concerning certain requirements of the criterion, given that the aforementioned articles only focused on the freezing, confiscation or seizure of property, and did not clarify that these actions should be expeditious. In addition, the condition to have a conviction for confiscation constitutes an obstacle for compliance with the requirements of criterion 38.2. There is also a deficiency in the requirements of criterion 38.3, where there are no legal evidence on the existence of mechanisms for managing, and when necessary disposing of, property frozen, seized or confiscated, as set out in the criterion and there are no texts that enable the country to share confiscated property with other countries, according to the requirements of criterion 38.4.

Recommendation 38 is rated Partially Compliant.

Recommendation 39 (Extradition)

300. During the mutual evaluation which took place in 2007, Recommendation (39) on extradition was rated (largely compliant) because the factors underlying the determination of Recommendation 1 and SRII affect the level of extradition.

301. **Criterion 39.1 (largely met)**

Criterion 39.1 (a): The Penal Procedure Code regulates the provisions on the extradition of criminals in articles 718 to 745 ML is considered an extraditable offense. By reverting to article (720) of the Penal Procedure Code, the said article listed the acts which can be invoked either to request or approve extradition. Given that the financing of terrorism is considered as a criminal offense, these acts can be invoked whether to request or to approve upon an extradition. As to ML, it is a felony punished with imprisonment from two to 5 years, thereby falling within the scope of acts which can be invoked whether to request or to approve upon an extradition.

Criterion 39.1 (b): Articles (726 and 727) of the Penal Procedure Code regulated the procedures which should be followed when submitting an extradition request to the Moroccan authorities, the documents which should be enclosed therewith and the procedures it goes through; this indicates that Morocco adopts procedures enabling it to deal with extradition requests and procedures in general without delay; however, the assessment team was not provided with texts explicitly referring to the case management system and prioritization of extradition requests.

Criterion 39.1(c): Articles (721 to 725) of the Penal Procedure Code provided for the terms, conditions and restrictions for extradition, and article 721 stated that extradition shall not be granted, if for instance, the person requested for extradition is a Moroccan citizen or the act for which extradition is sought is considered to be a political crime

Extradition is only accepted on the condition that the person extradited shall not be prosecuted, tried, arrested, or subjected to any other measures which would curtail his personal liberty, on account of any act made prior to the date of extradition, apart from the act for which he is being extradited, according to article 723.

302. **Criterion 39.2 (largely met).**

Criterion 39.2.a, b:

- Article 721 of the Penal Procedure Code imposes a restriction on the extradition of Moroccan nationals.
- Article 749 of the same law states that when a formal complaint is received from a foreign country, it is possible to prosecute in Morocco a Moroccan citizen who has committed an offense inside or outside Morocco. This requirement is equally applicable to ML and terrorism financing crimes.

Although the legal text might assist in the necessary judicial prosecution inside Morocco, based on the crimes specified in the request, there is no information on any obligation to refer the case to competent authorities without undue delay, for the purpose of prosecuting the criminal for the offenses set out in the extradition request in case the country refuses to extradite the criminal solely on the grounds of nationality .

303. **Criterion 39.3 (met):** Dual criminality is required for the extradition of criminals provided for in articles 718 to 745 of the Penal Procedure Code; article 723 of the same law stipulates that that this principle is achieved if the elements which constitute the crime are available and not the category, denomination or ranking of the offense in each penal system.

304. **Criterion 39.4 (met):** According to article 735 of the Penal Procedure Code, Moroccan authorities may take simplified measures in the extradition process, in case the criminal waives the official enforcement of the extradition procedure.

305. **Weighting and Conclusion:** Based on the foregoing, it appears that Morocco has satisfied most of the requirements of this recommendation, except for some deficiencies relating to criterion 39.1.b which are relevant to the absence of a case management system and the prioritization of the extradition requests and to criterion 39.2.b: Given that no information was provided on Morocco being required to refer the case to its respective competent authorities without undue delay, in case the country refuses to extradite the criminal solely on the grounds of nationality.

Recommendation 39 is rated Largely Compliant.

Recommendation 40 (Other forms of international cooperation)

306. During the mutual evaluation which took place in 2007, Recommendation (40) relating to other forms of international cooperation was rated (partially compliant), due to the lack of cooperation between the financial sector supervisors and their foreign counterparts. Morocco took many steps to reinforce the level of compliance with this recommendation, by signing a number of agreements on international cooperation, with a number of supervisory authorities worldwide and by accessing to financial groups which allow the exchange of information and cooperation in the supervision field

307. **Criterion 40.1 (partly met):** According to articles 24, 32 and 34 of the AML law, the Moroccan UTRF may exchange financial intelligence on ML or TF, with foreign authorities which have similar functions. It did not appear that there is a clear text on providing international cooperation in relation to predicate offenses. As for BAM, AMMC the MOUs signed with counterparts provided for the international cooperation in the AML/CFT field. ACAPS, given the same authorization on the signature of agreements for the purpose of cooperation, and so is the case with NSJP which has powers to exchange information through the Interpol channel, however, there is no evidence that there are conditions on rapidity and provision of the widest range of cooperation, spontaneously and upon request to all competent authorities including UTRF.

308. **Criterion 40.2 (partly met)**

Criterion 40.2.a: Several competent authorities in Morocco have the lawful basis for providing cooperation. According to articles 24, 32 and 34 of the AML law, the Moroccan UTRF may exchange financial intelligence on ML or TF, with foreign authorities which have similar functions.

According to article 112 of law No.103-12 on credit institutions, BAM is qualified to conclude bilateral agreements with authorities entrusted in foreign countries with a similar function to that entrusted to the Bank, for several purposes, including on-site supervision, which also covers joint on-site supervisions.

As to AMMC, article 3 of law No.43-12 referred to “the representation of AMMC before international institutions which was created in order to promote international cooperation in the supervision of capital markets, within the competences granted to it under this law”.

Article 59 of the same law authorized the signature of agreement for the purpose of cooperation under the condition of reciprocity. The same applies to ACAPS, given that article 5 of law No.64-12 on the creation of the Authority authorized the signature of agreements for the purpose of cooperation.

As to the exchange of information by the General Tax Administration, the law on the right to access and exchange information was amended by reducing the response period and improving the quality of information collected.

Criterion 40.2.b: The Moroccan law left the door open for international agreements to regulate the process for the exchange of information, and there are no impediments to use the most efficient means to cooperate. In addition, a set of memorandums of understanding signed by BAM with its counterparts, which number is 11 agreements, was examined, and it appeared that they included articles clearly referring to the exchange of ML/TF information.

Criterion 40.2.c: Given that Morocco is a member of the Egmont Group and the Interpol, the safe mechanisms and channels of such organizations are being used by the Moroccan competent authorities, and concerning the exchange of information by the General Tax Administration, it has created, at the regulatory level, a function specialized in the exchange of information, to reduce the response period and improve the quality of information collected; however, no information was found on the existence of laws or explicit texts indicating that other competent authorities have clear and secure gateways, mechanisms or channels for the transmission and execution of requests for information in relation to international cooperation.

Criterion 40.2.d: No information was provided on competent authorities having clear measures in place for the prioritization and timely execution of requests.

Criterion 40.2.e: The UTRF protects the information exchanged based on the principles of the Egmont Group, and NSJP, through the Interpol. The Memorandums of understanding signed with BAM provided for the protection of the information exchange and its confidentiality.

309. **Criterion 40.3 (largely met):** Morocco signed several bilateral agreements through the UTRF, BAM and AMMC. Given that the agreements were signed, this means that there is a certain mechanism through which bilateral agreements are signed; and although competent authorities have the legal basis for signing agreements as indicated in the previous criterion, there is still a deficiency relating to the lack of information on the signature of agreements in a timely manner, with the widest range of foreign counterparts, for all competent authorities and not only those mentioned above.

310. **Criterion 40.4 (partly met):** Although the UTRF and AMMC are members of international organizations (Egmont and ESCO), respectively, which entails the implementation of requirements

ensuring the provision of feedback during cooperation, the assessment team did not perceive any information indicating the provision of feedback in a timely manner to the authority from which assistance is requested by other competent requesting authorities, on the use and usefulness of the information obtained,

311. **Criterion 40.5 (largely met)**

Criterion 40.5.(a) UTRF exchanges information according to the charter and fundamental principles of the Egmont Group. The Moroccan laws does not indicate whether there are impediments for receiving mutual assistance on the grounds that the crime involves fiscal matters (except for extradition), and at the same time, ML predicate offenses do not involve fiscal crimes and BAM and AMMC information without this restrictive condition. In addition, the response of the country did not infer that this criterion is met as regards other competent authorities.

Criterion 40.5.(b) Laws that require FIs to maintain confidentiality, privacy and data protection do not affect in the cooperation between the authorities

Criterion 40.5.(c): There are no provisions prohibiting or unreasonably and unduly restricting the provision of assistance in case of an ongoing enquiry or investigation

Criterion 40.5.(d): The legal basis for signing foreign agreements for all competent authorities stipulated that the jurisdiction of the foreign entity is similar to that of the local authority and does not focus on the nature of that authority.

312. **Criterion 40.6 (partly met)**: The accession of the UTRF to the Egmont Group promoted the guarantee for the UTRF to use the information according to the conditions of the counterpart UTRF which provided the information. The memorandums of understanding signed by the UTRF and BAM included texts stating that the exchanged information is only used for the purpose it was sought for, but no texts were provided and which explicitly confirm that controls and safeguards are established to ensure that information exchanged is used only for the purpose, and by other competent authorities, for which the information was sought or provided; therefore, this is a deficiency in the compliance with this criterion.

313. **Criterion 40.7 (largely met)**: Article 21 of the AML law stipulates that the information gathered by UTRF and the supervision and control authorities from the subjected persons cannot be used for purposes other than those stipulated in this chapter. It appears that competent authorities should protect information obtained from their foreign counterparts in the same manner as they would protect similar information received from domestic authorities.

Article 595-5 of the Penal Code stipulated that it is prohibited to use the information obtained for other than the purposes provided for in this section, and the provisions of the memorandums of understanding signed by BAM and the UTRF stipulated that the confidentiality of the information exchanged should be maintained and protected.

Article 112 of law No.103-12 on credit institutions stipulated that bilateral agreements may not be concluded with authorities entrusted in foreign countries with a similar function to that entrusted to them under this law regarding the supervision of credit institutions, if the foreign authority supervising credit institutions is not subject to similar conditions as those provided for by the Moroccan legislation concerning the maintenance of professional secrecy.

314. **Criterion 40.8 (partly met)**: According to article 59 of law No.43-12, AMMC may conduct an inquiry or an on-site supervision or a supervision related to documents, in application of the said agreements, at the request of foreign authorities which exercise functions similar to its functions, subject to reciprocity, and according to the same conditions and procedures, and subject to the same

sanctions provided for, in order to carry out its function under this law; as to ACAPS, article 5 of law No.64-12 on the establishment of the Authority permits the conclusion of bilateral or multilateral agreements, with authorities entrusted in foreign countries with a similar function to that entrusted to it under this law, having the purpose to specify the conditions under which each of the parties may send and receive useful information to exercise its function. Since the laws granted these authorities the power to sign agreements with foreign authorities, under the same conditions and within the same limits domestically available to them under this law.

Notwithstanding the foregoing, and in addition to some supervisors' membership, including the UTRF, of the international organizations, which apply their principles in the cooperation process and which could meet the criterion, Moroccan authorities did not provide anything that meets the requirements of the criterion, as regards other competent authorities, including other supervisors and LEAs.

Exchange of information between UTRFs

315. **Criterion 40.9 (largely met):** According to articles 24, 32 and 34 of the AML law, the Moroccan UTRF may exchange, by virtue of international agreements accessed by Morocco and published legally or subject to the principle of reciprocity, and in the context of observing the legal requirements currently in force, financial intelligence on ML or TF, with foreign authorities which have similar functions. Although no text explicitly provides for the nature of the counterpart authority or the form of the inquiry unit, the failure to determine its nature and focusing on the authorities which have competences could be sufficient, and consequently, the said articles cover the cooperation by the UTRF on ML and TF offenses only, without the predicate offenses, as required by the criterion.
316. **Criterion 40.10 (met):** UTRF provides feedback upon request, given that the UTRF is a member of the Egmont Group and it is therefore governed by its principles which include principle No.19 on the provision of feedback, this part of the criterion is considered met.
317. **Criterion 40.11 (met)**
Criterion 40.11.(a): the legislation allows UTRF to exchange all information available under R.29.
Criterion 40.11.(b): The exchange of all other information available domestically is subject to the principle of reciprocity.

Exchange of information between financial supervisors

318. **Criterion 40.12 (largely met):** In addition to criterion 40.9 on the role and nature of status of the UTRF as a supervisor of some authorities, and the legal basis it has for providing cooperation, according to article 112 of law No.103-12 on credit institutions, article 59 of AMMC law No.43-12 and article 5 of law No.12-64 which establishes ACAPS, the supervisors (the UTRF, BAM, AMMC and ACAPS) are considered to have fulfilled the legal basis which enable them to cooperate with counterparts, consistent with the applicable international standards for supervision, in particular with respect to the AML/CFT field. There are examples of the signature of memorandums of understanding that cover those purposes, but there is still the deficiency relating to the failure of Moroccan authorities to provide information stating that the criterion is met by other supervisors, such as the Exchange Office.
319. **Criterion 40.13 (largely met):** As mentioned in the previous criterion 40.12, the UTRF, BAM, AMMC, and ACAPS exchange information with foreign authorities by agreements, and nothing impedes the exchange of the information held by FIs, in a manner proportionate to their respective

needs; however, Moroccan authorities did not provide anything indicating that the criterion is met, with respect to other supervisors, such as the Exchange Office.

320. **Criterion 40.14 (met)** Depending on the legal basis referred to in criterion 40.12, there is no legal provision to prevent the exchange of information described in this criterion.
321. **Criterion 40.15 (not met):** Nothing refers to the ability of financial supervisors to conduct inquiries on behalf of foreign counterparts and to authorize or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country in order to facilitate effective group supervision.
322. **Criterion 40.16 (partly met):** No information was provided on the implementation of the criterion, except for the memorandums of understanding which were submitted by BAM and which it has signed and some provisions of which stipulated that requesting supervisors should have a prior authorization for the use of that information without referring to the nature of the use.
323. **Criterion 40.17 (met):** Morocco's membership of the Interpol allows the exchange of information with its counterparts worldwide. It also exchanges information through internal communication divisions of the Arab Interior Ministers Council, where the exchange of information is made with counterparts for intelligence or investigative purposes. Moroccan authorities provided some statistics on international exchange over the last three years, concerning MLA requests, requests for information, publication of search warrants received from the Interpol, relating to ML/ TF, and predicate offenses.

All the powers indicated in Recommendation 31 are undertaken by inquiry and investigative authorities for the execution of cooperation requests, the powers given to NSJP officers, remain available in the context of conducting inquiries relevant to an international rogatory letter under the supervision of the competent judicial authorities.

324. **Criterion 40.18 (largely met):** DGSN uses its powers, including any investigative techniques available for all crimes, including, ML/TF and associated crimes, in accordance with the domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts. It uses the Interpol channel, the internal communication division of the Arab Interior Ministers Council or the foreign liaison officers approved in Morocco or their Moroccan counterparts approved abroad. The response of Moroccan authorities did not indicate that this criterion is met, as regards other LEAs; which is considered a deficiency in the requirements of this criterion.
325. **Criterion 40.19 (not met):** It is noticed that there are no explicit texts or rules indicating that LEAs are able to form joint investigative teams to conduct cooperative investigations, or to establish bilateral or multilateral arrangements to enable such joint investigations; which is considered a deficiency in the requirements of the criterion.

Exchange of information between non-counterparts:

326. **Criterion 40.20 (not met):** No explicit texts or rules were found permitting the competent authorities to exchange information directly or indirectly with non-counterparts, which implies that the competent authority that requests information indirectly always makes it clear for what purpose and on whose behalf the request is made.
327. **Weighting and Conclusion:** In the absence of technical compliance information submitted by the country, which would demonstrate the compliance of its competent authorities of all types, as defined in the assessment methodology adopted by the FATF, with the requirements of most of the criteria, it appears that there are clear deficiencies in the criteria relating to international cooperation of competent authorities as set out in criteria 40.4 on the absence of feedback in a timely manner and

40.8 on the ability to conduct inquiries on behalf of counterparts, and significant deficiencies in criteria (14 to 16) on the exchange of information by supervisors with their counterparts, and in criterion 40.19 on conducting joint investigations by LEAs, and also as regards the exchange of information with non-counterparts, in criterion No.40.20.

Recommendation 40 is rated Partially Compliant.

Table of Compliance According to the FATF Recommendations

Recommendation	Rating	Factor (Factors) Underlying the Evaluation
1 Assessing risks and applying a RBA	PC	<ul style="list-style-type: none"> • NRA report has not been finally adopted yet. • There is no legal or administrative text on updating the NRA, and the assessment team did not perceive any mechanism the country has in place to update the NRA. • Moroccan authorities do not have mechanisms to provide appropriate information on the results of the risk assessments to all relevant competent authorities, self-regulatory bodies, FIs and DNFBPs. • Moroccan authorities have not provided yet a RBA resulted from the national assessment to allocating resources and implementing measures to prevent or mitigate ML/TF risks. • Not all enforceable measures on FIs or DNFBPs arising from the failure to implement some FATF recommendations mentioned in paragraphs (a) and (b) of the criterion 1.5 were provided, except for some sectoral texts which did not meet the requirements of this criterion • Morocco has not yet adopted an approach to address and manage to mitigate high risks, for all sectors, self-regulatory bodies, FIs and DNFBPs • At the regulations level, Moroccan authorities have put in place simplified due diligence measures as regards lower risks for credit institutions, with the exclusion of other sectors and DNFBPs • The legal texts and regulatory bylaws issued for supervisors of FIs, such as the exchange sector and DNFBPs, did not cover the power to monitor the extent to which institutions are implementing their obligations in consistency with the requirements of Recommendations 26 and 28. • T measures taken regarding the adoption of the RBA by all FIs, such as the exchange sector and DNFBPs, were not determined, including the identification of risks and the establishment of mitigating measures according to the requirements of paragraphs (a), (b), (c) and (d) of criterion 1.10. • Absence of texts that meet the requirements (a, b and c) of criterion 1.11.

		<ul style="list-style-type: none"> The simplified measures taken by Moroccan authorities to manage and mitigate risks do not cover all the concerned sectors (all FIs and DNFBPs)
2 National cooperation and coordination	PC	<ul style="list-style-type: none"> The assessment team was not provided with policies based on the identified risks as required by national policies. The assessment team was not provided with the coordination mechanisms put in place by the country, in application of the AML law It is not clear whether the UTRF oversees CFT policies at the national level The assessment team was not provided with evidence showing that these mechanisms are being implemented at the policy making and operational levels. In addition, nothing indicates that there is cooperation amongst supervisors and LEAs s at the operational level. The assessment team was not provided with any evidence on the establishment of a coordination mechanism to combat the financing of proliferation of weapons of mass destruction.
3 ML crime	LC	<ul style="list-style-type: none"> The AML law does not refer to all the categories of predicate offenses such as, the illicit trafficking in stolen and other goods and the (direct and indirect) tax evasion crimes. The Moroccan AML law only criminalized the provision of assistance and counseling without criminalizing the remaining forms of criminal contribution represented in conspiracy, abetting, and counseling the commission of ML crime. The ML sanctions are not dissuasive and proportionate.
4 Confiscation and temporary measures	PC	<ul style="list-style-type: none"> Confiscation does not include proceeds or instrumentalities used or intended for use in predicate offenses. Confiscation does not include property of equivalent value used or intended for use in predicate offenses. The freezing period imposed by the Royal Prosecutor is not considered enough period to conduct investigations in ML crimes. The AML law, the CFT law, the Criminal Code, the Penal Procedure Code, or other relevant laws or resolutions have not provided for mechanisms for the management or liquidation of frozen, seized or confiscated funds.
5 Criminalizing terrorism financing	LC	<ul style="list-style-type: none"> The CFT law did not contain a definition of the funds that includes all the elements provided for in the Convention for the Suppression of the Financing of Terrorism.

		<ul style="list-style-type: none"> • The law on the fight against terrorism did not indicate whether the TF crime applies regardless of whether the funds were linked to a specific terrorist act(s) or not. • It is not clear whether the Moroccan legislator criminalizes the contribution to the commission of a TF offense by a group of persons acting with a common purpose. • There is no legal text that explicitly refers to the application of a TF offense applies regardless of whether the accused person is in a different country from the one in which the terrorist /terrorist organization organization/is located, or the terrorist act occurred/will occur.
6 TFS related to terrorism and terrorism financing	PC	<ul style="list-style-type: none"> • Moroccan authorities did not identify any competent authority or any court as having responsibility for proposing persons or entities to the UN committee pursuant to UNSCRs 1267/1989 and 1988 for designation. • Moroccan authorities lack a mechanism for identifying targeted persons or entities for designation based on the designation criteria forest out in the relevant SC resolutions. • Considering the absence of a mechanism for identifying targeted persons or entities for designation, no evidentiary standard of proof of “reasonable grounds” or “reasonable basis” is applied, when deciding whether or not to make a proposal for designation. • Moroccan authorities lack procedures for using standard forms for listing, as adopted by the relevant committee (the 1267/1989 Committee and 1988 Committee). • Moroccan authorities cannot provide as much relevant information as possible on the proposed name; and a statement of case for the designation and the basis for listing, therefore, the designating country may not be made known. • Moroccan authorities did not identify a competent authority or a court as having responsibility for designating persons or entities that meet the specific criteria for designation according to UNSCR 1373. • Moroccan authorities lack a mechanism for identifying persons or entities for designation based on the designation criteria forest out in UNSCR 1373. • Moroccan authorities lack a mechanism, when receiving a request, for making a prompt determination that the request is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the person or entity meets the criteria for designation set out in UNSCR 1373.

		<ul style="list-style-type: none"> • Considering the absence of a mechanism for identifying persons or entities for designation, no evidentiary standard of proof of “reasonable grounds” or “reasonable basis” is applied, when deciding to make a designation. Also, Moroccan legislations did not cover the extent to which designations are conditional upon the existence of a criminal proceeding. • There are no texts that determine the quantity of information to be provided when a request is made to another country and which would support the designation, as possible. • The country has no legal powers or mechanisms to collect or solicit information to identify persons and entities that meet the designation criteria. • There are no legal powers for any authority in the country to operate ex parte against a person or entity who has been identified and whose designation is being considered Nothing indicates that TFS are implemented without delay. • There is no explicit text on the protection of the rights of bona fide third parties in the context of implementing the UNSCRs. • The Moroccan system did not determine special procedures to submit de-listing requests to the UN Sanctions Committee concerned with the follow-up of relevant sanctions • The Moroccan system did not identify legal authorities and appropriate procedures or mechanisms to de-list and unfreeze the funds or other assets of persons and entities designated for the UN committee concerned with the follow-up of relevant sanctions, pursuant to UNSCR No. 1373 (2001). • There is no specific mechanism to request a reconsideration of designations, and Moroccan authorities did not set up a national list pursuant to UNSCR No.1373. • Moroccan authorities did not issue procedures to facilitate review by the 1988 Committee with regard to designations pursuant to UNSCR 1988. • There are no procedures for informing designated persons and entities of the possibility to submit de-listing petitions with respect to designations on the Al-Qaida Sanctions List to the Un Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083. • It does not appear that there are publicly known procedures to unfreeze the funds or other assets of persons or entities
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		with the same or similar name as designated persons or entities.
7 TFS related to proliferation	NC	<ul style="list-style-type: none"> • Morocco is non-compliant with all the requirements of Recommendation 7.
8 NPOs	NC	<ul style="list-style-type: none"> • Morocco is non-compliant with all the requirements of Recommendation 8.
9 Financial institution secrecy laws	C	-
10 Customer due diligence	PC	<ul style="list-style-type: none"> • Articles 4, 5 and 6 of the AML law No.43.05 determined the cases where FIs are required to undertake CDD measures, but these measures did not cover the situations where occasional transactions above USD (15000) are carried out, or where occasional transactions that are wire transfers are carried out or when the financial institution has doubts about the veracity or adequacy of previously obtained customer identification data. In addition, the circulars of supervisory authorities did not address these cases, except for BAM circular No.5/W/2017. • Absence of a text requiring FIs to verify the identity of the beneficial owner using a reliable source. • The legal texts of the insurance sector, the capital market and the exchange offices indicate that it is necessary to implement due diligence measures in the cases provided for by article 5 of the AML law, which is in contradiction to the requirements of the criterion that indicates the necessity to implement due diligence on an on-going basis. • The obligation to understand the ownership structure of legal persons is not mentioned in the Capital Market Authority circular. • , it did not appear that there is a legal obligation for the exchange sector and insurance sector indicating the understanding of the customer business and ownership and control structure. • The obligations and requirements for the identification and verification of the identity of the customer which is a legal person, or a legal arrangement are not set out in the Capital Market Authority circular, the Insurance Authority circular and the Exchange Office circular. • It did not appear that there is a legal text on the requirements for the identification of the relevant natural person who has a senior management position in the Capital Market Authority or the Exchange Office

		<ul style="list-style-type: none"> • It did not appear that there is any legal obligation for the insurance and the exchange sector concerning measures to verify the identity of beneficial owners, for customers that are legal arrangements or similar legal arrangements. • It did not appear that there is any legal obligation for the insurance sector to obtain sufficient information on the beneficiary who is designated through his capacity or family ties, or by other means, which enable to establish the identity of the beneficiary, at the time of the payout. • The insurance sector is not required to undertake enhanced due diligence measures to establish the identity of the beneficial owner of the insurance policy beneficiary, at the time of the payout, in case the beneficial owner is a legal person or a legal arrangement that presents a higher risk. • Nothing in the laws or the circulars issued by supervisory and monitoring authorities indicates that FIs are required to apply CDD measures to existing customers, except for BAM circular. • The requirements of criterion 10.20 are not set out in any of the legal texts issued by supervisors of the insurance sector, capital markets and exchange office.
11 Record keeping	LC	<ul style="list-style-type: none"> • The absence of a clear legal obligation for all the financial sectors, requiring that the transaction records should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity. • The absence of a legal obligation referring to the requirement to keep account files and business correspondence.
12 Obligation to determine the identity of the politically exposed persons	PC	<ul style="list-style-type: none"> • The definition of PEPs by insurance companies, capital markets and exchange sector are not consistent with the definition set out in the methodology. • The definition of PEPs by the exchange sector does not cover family members and close associates. • The obligations imposed on the capital market sector do not cover the establishment of systems to determine whether the customer or the beneficial owner is a PEP. • The insurance and exchange sectors are not explicitly required, either, to verify whether the beneficial owner is a PEP.
13 Correspondent banking	PC	<ul style="list-style-type: none"> • The absence of legal texts relating to correspondent banking relationships in the capital market sector.

		<ul style="list-style-type: none"> • Absence of the obligation to verify information about the nature of the activities of the correspondent and assess its reputation and quality of supervision and whether it has been subject to a ML/TF investigation or regulatory action. It is worth noting that all this data should be verified through publicly available information
14 Money or value transfer service providers	LC	<ul style="list-style-type: none"> • Texts on MVTS do not include an explicit text that requires MVTS providers to maintain a current list of their agents, • Absence of the legal text that requires MVTS providers to include their agents in AML/CFT programs.
15 New technologies	PC	<ul style="list-style-type: none"> • Morocco did not identify the ML/TF risks relating to new technologies at the national level. • On the other hand, the legislative texts did not provide for any legal obligation that requires the insurance sector, the capital market and the exchange offices to take measures to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices. • These FIs are not required either to undertake the risk assessment prior to the launch or use of products, practices and technologies or to take appropriate measures to manage and mitigate these risks.
16 Wire transfers	LC	<ul style="list-style-type: none"> • The information required from the ordering FI did not address the subject of the beneficiary but limited it to the beneficial owner. • There is no text that grants powers to LEAs to compel immediate production of information held by the ordering financial institution according to criterion 16.6. • There are no texts that meet the requirements of criteria 16.18 (a) and (b), on the pretense that the case of MVTS provider who controls both the ordering and the beneficiary side of a wire transfer does not exist in Morocco. • Failure to verify whether the FIs, in the context of processing wire transfers, are taking freezing actions and complying with prohibitions from conducting transactions with designated persons and entities as per the obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and TF, such as UNSCRs 1267 and 1373, and their successor resolutions.
17 Reliance on third parties	PC	<ul style="list-style-type: none"> • Nothing in the legislation refers to the ultimate responsibility for CDD measures which remains with the financial institution relying on the third party, to perform elements of

		<p>the CDD measures set out in in Recommendation 10, except for the credit institutions and other similar bodies.</p> <ul style="list-style-type: none"> • FIs are not required to provide copies of customer identification data and other relevant documentation relating to CDD requirements by the third party upon request and without delay, except for credit institutions and similar bodies. • FIs are not required to satisfy themselves that the third party is regulated, supervised or monitored and has measures in place to comply with CDD and record keeping requirements, except for credit institutions and similar bodies. • There are no instructions that require to have regard to information available on the level of country risk in countries where the third party which meets the conditions can be based. • There are no legislations which indicate that financial groups are required to apply CDD and record-keeping requirements, in line with Recommendations 10, 11, and 12, and programs against ML and TF, in accordance with Recommendation 18, when the third party is part of the same financial group. • No supervision on the implementation of CDD, record-keeping requirements, and AML/CFT programs at a group level by a competent authority, except for the credit institutions and similar bodies. • No obligation requiring FIs that rely on a third party that is part of the same financial group to apply requirements to adequately mitigate any higher country risk through the group’s AML/CFT policies, except for the credit institutions and similar bodies.
18 Internal controls and foreign branches and subsidiaries	PC	<ul style="list-style-type: none"> • Absence of a legal requirement for exchange offices which provides for an independent audit function to test the AML/CFT system. • Financial groups are not required to implement group-wide programs against ML/TF, according to the requirements of criterion (18.2), except for credit institutions and similar bodies. • It did not appear that there is a clear text indicating that FIs should have regard to the size of the business when implementing programs against ML/TF, except for credit institutions and similar bodies, • The Insurance and Capital Market circular did not include the obligation to inform the supervisor in the home country,

		<p>if the host country does not permit the proper implementation of AML/CFT measures consistent with the procedures of the home country.</p> <ul style="list-style-type: none"> As to the exchange sector circular, no legal text that addresses the requirements of criterion 18.3.
19 Higher-risk countries	PC	<ul style="list-style-type: none"> The Exchange Office circular does not consider countries for which the FATF calls to take measures against them as higher-risk countries. The possibility of applying appropriate counter measures against other countries if they continue to insufficiently apply the FATF recommendations is not provided for in the legislations and laws It did not appear either that there are appropriate measures to ensure sharing of information with subjected FIs on concerns about weaknesses in the AML/CFT systems of higher-risk countries.
20 Reporting suspicious transactions	PC	<ul style="list-style-type: none"> Moroccan laws and legislations did not provide for the prompt reporting by subjected entities if they have reasonable grounds to suspect that funds are the proceeds of a criminal activity or are related to TF.
21 Tipping-off and confidentiality	C	-
22 DNFBPs - Customer due diligence	PC	<ul style="list-style-type: none"> The UTRF general guiding directive No.DG.1/2014 included a provision on the obligation to comply with the requirements of Recommendation 10 in general, without elaborating on the issues specifically related to the purchaser and sellers of real estate properties. The general directive No.DG.1/2014 and decision D5/12 did not set out the requirements referred to in Recommendation 10 for lawyers and notaries. There is no provision for CDD requirements for trusts and company services providers set out in recommendation 10. DNFBPs are not required to keep records of the transactions that should be sufficient to permit reconstruction of individual transactions to provide, if necessary, evidence for prosecution of criminal activity. The UTRF decision No. D5/12- which only covers a part of the DNFBPs subjected to the UTRF supervision- is limited to the application of enhanced due diligence measures to PEPs, without meeting all the criteria of Recommendation 12.

		<ul style="list-style-type: none"> • There are guidelines addressed to lawyers and notaries requiring them to comply with the new technologies' requirements. • DNFBPs are not required to comply with the reliance on third-parties requirements set out in Recommendation 17.
23 Designated non-financial businesses and professions: Other measures	PC	<ul style="list-style-type: none"> • Morocco has provided for the general requirements to report suspicious transactions which are imposed on all DNFBPs without providing clarifications on the conditions mentioned in paragraphs (a, b, c) of criterion 23.1. • The UTRF decision No. D5/12 did not include lawyers and accountants as regards compliance with internal control requirements set out in Recommendation 18. • There are no measures that require compliance with the higher-risk countries requirements set out in Recommendation 19.
24 Transparency and BO of legal persons	PC	<ul style="list-style-type: none"> • There are no legal texts requiring companies to maintain the information set out in criterion 24.3, or to maintain a register of their shareholders or members, including details on the type and number of owned shares, the name of the registered shareholder and the voting rights, in addition to all the relevant information on the transmissions of shares. • There are no mechanisms to ensure that the information referred to in criteria 24.3 and 24.4 is accurate and updated on a timely basis. • There are no texts requiring company registries to obtain or take reasonable measures to obtain or take reasonable measures to obtain and hold up-to-date information on the companies' BO. • There are no texts requiring company registries to keep BO information accurate and as up to date as possible. • Moroccan authorities did not provide any information indicating co-operation among companies and competent authorities in determining the BO. • There are not texts on requiring persons, authorities and entities to maintain the information and records for five years at least. • There are no provisions on granting powers to competent authorities, in particular law enforcement, to obtain in a timely manner basic and BO held by the relevant parties. • There are no measures taken by Moroccan authorities to overcome the obstacles that prevent the transparency of

		<p>companies, including bearer shares, to ensure that they are not exploited in ML or financing of terrorism.</p> <ul style="list-style-type: none"> • Moroccan authorities did not provide any information ensuring that the legal persons who have nominee shares and nominee directors are not being misused in ML/TF operations. • Moroccan authorities did not provide any specific information or legal texts on subjecting legal or natural persons that fail to comply with the requirements to liability and proportionate and dissuasive sanctions. • The provisions of the Code of Commerce did not indicate facilitating access by foreign authorities to basic information held by company registries. • The Moroccan authorities have no reference to the exchange of information on shareholders and the use by the competent authorities of the investigative powers, in accordance with their domestic law, to obtain BO information s on behalf of their foreign counterparts. • There are no provisions or measures taken to enable the authorities in Morocco to monitor the quality of assistance they receive from other countries in response to requests for basic information on legal persons and their shareholders and BO information.
25 Transparency and BO of legal persons	NC	<ul style="list-style-type: none"> • Absence of legislations and measures required to implement the requirements of Recommendation 25, except criterion 25.4.
26 Regulation and supervision of FIs	PC	<ul style="list-style-type: none"> • There are no texts on the prohibition of establishing or allowing continued operation of shell banks. • Law No. 103-12 on credit institutions and similar bodies did not explicitly provide any measures to determine whether the beneficial owners who hold significant or controlling interests in any financial institution are criminals, and there are no procedures to examine the competence and integrity of shareholders to ensure that they are prevented from holding controlling interests. • The Capital Market Authority and the Exchange Office do not have a legal text that prevent criminals or their associates from holding or being the beneficial owners of a significant or controlling interest or holding a management function in any financial institution, the assessment team was only provided with the license application form. • The Moroccan Capital Market Authority does not regulate and supervise all entities engaged in securities activities and

		<p>does not apply a risk-based monitoring program to all entities.</p> <ul style="list-style-type: none"> • ACAPS and the Exchange Office do not use a RBA to supervision in the AML\CFT field. • It is difficult to verify if the risk-based supervision is consistent with the country's ML/TF risks because the final report of the NRA has not been adopted yet. • Nothing indicates that BAM, the AMMC, ACAPS, and the Exchange Office are conducting on-site and off-site AML/CFT supervision based on the characteristics of the FIs or groups, and on the diversity and number of FIs and the degree of discretion allowed to them under the RBA. • BAM, the Insurance Control Authority and the Exchange Office do not have texts indicating that they are regularly reviewing the ML/TF risk profile for the institution or financial group on a periodical basis and when there are major events or developments in the management and operations of the financial institution or group.
27 Powers of supervisors	LC	<ul style="list-style-type: none"> • The powers of the supervisors to impose sanctions on FIs are limited to violations that are not related to compliance with AML / CFT requirements. Also, Law No. 43-05 did not include a wide range of sanctions in line with the severity of the offense and only determined financial sanctions.
28 Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> • The assessment team did not perceive the approach adopted for AML/CFT supervision, in view of the large number of authorities which undertake this role.
29 Financial Intelligence Unit	LC	<ul style="list-style-type: none"> • The AML / CFT did not explicitly refer to the power to process or analyze reports on the financing of terrorism, or that the UTRF has received reports relevant to some associated predicate offenses. • Nothing indicates that there are rules or texts requiring UTRF staff members to have the necessary security clearance levels and understanding of their responsibilities in handling and disseminating sensitive and confidential information.
30 Responsibilities of law enforcement and investigative authorities	PC	<ul style="list-style-type: none"> • LEAs are not conducting a parallel financial investigation during an investigation of predicate offenses or referring the case to another agency authorized to conduct the required parallel financial investigations. • Nothing in the AML law or any other law indicates that other authorities (which are not LEAs) which pursue investigations in predicate offenses are authorized to conduct

		financial investigations of predicate offenses There are no sufficient powers to identify, trace, freeze and seize assets in ML/TF offenses arising from corruption offenses.
31 Powers of law enforcement and investigative authorities	PC	<ul style="list-style-type: none"> • LEAs do not have the power to request information directly from FIs, DNFBPs and other natural or legal persons or to have access to the documents. • The AML law or the Penal Procedure Code did not authorize LEAs to use investigative techniques relating to undercover operations, for the investigation of ML, TF and predicate offenses. • No indication on the extent to which the Royal Public Prosecutor is entitled to issue an order for the interception, record and making copies or seizure of telephonic calls and all communications made through remote means of communication in the ML offense and other predicate offenses. • The Penal Procedure Code, the AML law or the law on the fight against terrorism did not comprise any provision authorizing LEAs to directly access a computer system without obtaining a judicial order. • The Panel Procedure Code does not explicitly grant the power to identify whether natural or legal persons hold or control accounts, in ML and predicate offense cases, in addition to the fact that the period of 30 days given to provide the information requested is somewhat long. • The Penal Procedure Code does not explicitly provide for the right to take measures enabling the identification of assets without prior notification to the owner. • The authority of the Royal Public Prosecutor did not extend to obtain information on persons who own or control bank accounts • There are no powers that enable NSJP mandated to conduct ML/TF investigations to ask for all relevant information held by the UTRF.
32 Cash Couriers	NC	<ul style="list-style-type: none"> • Customs authorities lack the legal framework that requires the implementation of the declaration system for the cross-border transportation of currency and BNIs from and to Morocco. The Moroccan law did not authorize customs or other concerned authorities to request further information from the carrier with regard to the origin of the currency or BNIs, upon discovery of a false declaration. • The exchange law or the customs law do not provide for proportionate and dissuasive sanctions, for a person who

		<p>does not submit or who submits a false declaration of currency or BNIs; and the customs memorandum on the obligation of declaration did not comprise proportionate and dissuasive sanctions against a person who submits a false declaration when carrying cross-border currency or BNIs.</p> <ul style="list-style-type: none"> • The assessment team did not perceive any legal mechanism for cooperation among the CAD and other concerned authorities to implement the requirements on controlling the transportation of currency and BNIs across the Moroccan borders. • There is no explicit provision on cases where currency should be stopped when there is a suspicion of ML/TF or where there is a false declaration. • The legal system adopted by Morocco for monitoring the cross-border movement of funds and BNIs did not contain any information on the existence of a mechanism for international cooperation among the authorities concerned with this system and other authorities at the international level • The exchange law, the customs law or any other law did not comprise preventive controls or strict safeguards to ensure proper use of information or data collected through the system for monitoring cross border transactions. • There are no sanctions of any type in the event where the cross-border transportation of currency and BNIs is related to TF or predicate offenses.
33 Statistics	PC	<ul style="list-style-type: none"> • Moroccan authorities did not provide information indicating that they have fulfilled the requirements of the Recommendation on maintaining statistics related to frozen and seized funds. Similarly, they did not provide information in matters related to MLA requests made or received.
34 Guidance and feedback	PC	<ul style="list-style-type: none"> • Competent authorities, supervisors and self-regulatory bodies did not issue anything to assist FIs and DNFBPs in applying national AML/CFT measures, and in particular, in detecting and reporting suspicious transactions.
35 Sanctions	PC	<ul style="list-style-type: none"> • Financial sanctions set out in the AML law only represent non-proportionate and non-dissuasive financial sanctions and do not extend to cover any other type of administrative penalties.
36 International instruments	LC	<ul style="list-style-type: none"> • The legislative system in Morocco still requires some amendments in penal code in order to meet the requirements of criterion 36.2.

37 MLA	LC	<ul style="list-style-type: none"> • The promptness as regards legal assistance requests in relation to ML, associated predicate offenses and TF investigations and the related prosecutions need supporting texts, except for DGSN. • Absence of processes for the prioritization of requests and a case management system for monitoring progress on MLA requests. • Nothing indicates that there are legislative texts allowing stakeholders to use the powers provided for in Recommendation 31 for the purposes of MLA. • No legislative texts covering the issue of a broad range of other powers and investigative techniques were found.
38 MLA: Freezing and confiscation	PC	<ul style="list-style-type: none"> • The Moroccan legislations did not indicate that the actions in response to requests by foreign countries to identify, freeze, seize or confiscate what is set out in the clauses of criterion 38.1 should be expeditious. • No provisions were found on the implementation of measures to identify, freeze, seize, and confiscate criminal proceeds generated from ML, TF or predicate offenses for the purposes of international cooperation. • No provisions were found on the application of expeditious actions to identify, seize, freeze, and confiscate instrumentalities used in ML, predicate offenses, or TF, for the purposes of international cooperation. • No provisions were found on the application of expeditious actions to identify, seize, freeze, and confiscate instrumentalities intended for use in ML crimes, predicate offenses, or TF, for the purposes of international cooperation. • There were no explicit texts that grant the country the power to take expeditious action in response to requests by foreign countries to identify, freeze, seize, or confiscate property of equivalent value. • The legal texts did not indicate that assistance to requests for co-operation can be provided on the basis of non-conviction-based confiscation proceedings and related provisional measures, or at a minimum in circumstances when a perpetrator is unavailable by reason of death, flight, absence, or the perpetrator is unknown. • The absence of clear arrangements and measures for coordinating seizure and confiscation actions with other countries.

		<ul style="list-style-type: none"> • No mechanisms for managing, and when necessary disposing of, property frozen, seized or confiscated. • There are no texts that enable the country to share confiscated property with other countries, according to the requirements of criterion 38.4.
39 Extradition	LC	<ul style="list-style-type: none"> • No texts explicitly referring to the case management system and prioritization of extradition requests. • Nothing indicates that Morocco is required to refer the case to its respective competent authorities without undue delay in case extradition is rejected on the grounds of nationality, in case the country refuses to extradite the criminal solely on the grounds of nationality.
40 Other forms of cooperation	PC	<ul style="list-style-type: none"> • There is no clear text on providing international cooperation in relation to predicate offenses, and the information on fulfilling the conditions of promptness and the provision of the widest range of cooperation, spontaneously and upon request to all the competent authorities is not clear • Absence of legal basis for exchanging information with foreign counterparts, investigative or judicial authorities. • There are no explicit texts indicating that the other domestic authorities are using the most efficient means of international cooperation, except for BAM and the UTRF. • There are no laws or explicit texts indicating that other competent authorities have clear and secure gateways, mechanisms or channels for the transmission and execution of requests for information in relation to international cooperation, except for the UTRF and security agencies. • Competent authorities do not have processes provided for as regards the prioritization and timely execution of requests. • Competent authorities do not have processes provided for as regards safeguarding the information received in terms of international cooperation, except for the UTRF. • There is no text evidencing the signature of agreements in a timely manner, with the widest range of foreign counterparts, for all competent authorities • There is no information on the provision of feedback in a timely manner to the authority from which assistance is requested by other competent requesting authorities, on the use and usefulness of the information. • ACAPS and exchange office do not have any legal text allowing to exchange information when the request involves fiscal matters.

		<ul style="list-style-type: none"> • The UTRF does not have texts explicitly confirming the establishment of controls and safeguards to ensure that information exchanged is used only for the purpose it is requested for or provided for to all the relevant authorities. • Supervisors and LEAs have no legal texts that ensure appropriate confidentiality for requests for cooperation and exchange of information. • The absence of texts that explicitly assert that the UTRF, the supervisor and monitoring authorities and other competent authorities are able to refuse requests which do not fulfill the condition for the protection of information by competent counterparts. • There are no powers for LEAs and supervisors, except the Capital Market Authority to conduct inquiries on behalf of foreign counterparts and exchange all information that may be obtained as a result of a domestic inquiry. • UTRF does not have an explicit text on the provision of an international cooperation related to the predicate offenses. • There are no texts allowing the Exchange Office to exchange information with foreign counterparts through conventions the and use of information domestically obtainable for exchange purposes. • There are no explicit texts or rules that provide for the exchange of regulatory information such as information on the domestic regulatory framework and general information on financial sectors among financial supervisors and counterparts. • There are no explicit texts or rules that indicate the possibility of exchanging prudential information among financial supervisors and counterparts. • There are no explicit texts or rules that indicate the possibility to exchange AML/CFT information such as the internal AML/CFT procedures and policies of FIs, CDD information, customer files and samples of accounts and transaction information. • There texts indicating that financial supervisors are able to conduct inquiries on behalf of foreign counterparts and to authorize them or facilitate their ability to conduct inquiries themselves in the country. • The absence of texts or rules that ensure that for the requesting supervisors should obtain the prior authorization of the requested supervisors for any dissemination of information exchanged or use of that information for
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		<p>supervisory or non- supervisory purposes, or even inform them in advance if there is a legal obligation to disclose or report the information.</p> <ul style="list-style-type: none">• LEAs do not have powers to conduct inquiries and obtain information on behalf of foreign counterparties, except for DGSN.• No explicit texts or rules that indicate the ability of LEAs to form joint investigative teams to conduct cooperative investigations, and establish arrangements or multilateral arrangements, to enable such joint investigations.
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Acronyms list:

ML	Money Laundering.
FT	Financing Terrorism.
AML	Anti-Money Laundering.
CFT	Combating Financing Terrorism.
FATF	Financial Action Task Force.
NRA	National Risk Assessment
DNFBPs	Designated Non-Financial Businesses and Professions.
UN	United Nation.
GOAML	The software Program used by UTRF to analyze the STRs.
GDP	Gross Domestic Product.
MAD	The Moroccan Currency (at the onsite visit time 1 \$ = 9.4 Dirham).
EU	European Union.
CDD	Customer Due Diligence.
PEPs	Political Exposed Persons.
STRs	Suspicious Transaction Reports.
NPOs	Non-Profit Organizations.
UTRF	The Financial Information Processing Unit (the Moroccan FIU).
BAM	The Central Bank of Morocco.
AMMC	The Moroccan Authority for Capital Markets.
MLA	Mutual legal assistance.
LEAs	Law Enforcement Agencies.
MLRO	Money Laundering Reporting Officer.
MOI	Ministry of Interior.
MOJ	Ministry of Justice.
UNSCRs	United Nations Security Council Resolutions.
BNIs	Bearer Negotiable Instruments.
FTF	Foreign Terrorist Fighters.
FIs	Financial Institutions.
Waqf	Endowment/ legal arrangements known in Morocco, but specific for donations.
UNODC	United Nations Office on Drugs and Crime.
SANEC	An Internal System that is used by (BAM), That Helped Score Credit Institutions.
Blue Suite	An electronic system used to monitor ML/TF risks and to analyze the companies' level of compliance with the AML/CFT requirements.
KYC	Know Your Customer.
RBA	Risk-Based Approach.
Conseil des Valeurs Mobilières	Securities Council (an internal body control and impose obligations on market dealers).
MER	Mutual Evaluation Report.
MEIA	Ministry of Endowments and Islamic Affairs.

MOFA	Ministry of Foreign Affairs and International Cooperation.
MOF	Ministry of Finance.
DGSN	Directorate General of National Security.
MOU	Memorandum of Understanding.
BO	Beneficial Ownership.
TFS	Targeted Financial Sanction.
ACAPS	Supervisory Authority of Insurance and Social Welfare.
NSJP	National Squad of The Judicial Police.
CBJI	Central Bureau of Judicial Investigation related to the General Directorate for Territorial Surveillance.
GDNS	General Directorate for National Security
GoSG	Government's Secretary General
MOICP	Moroccan Office of Industrial and Commercial Property
NAPPCC	National Authority for Probity and for the Prevention and Combating of Corruption
CAD	Customs Administration
CRC	Central register of commerce