



وحدة المعلومات المالية  
Financial Information Unit

# **AML/CFT Typologies Exercise Report 2019**

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## I. Introduction

The Joint Typologies Exercise held 11-14 November 2019, under the umbrella of QFIU's Forum of the Public-Private Dialogue, was attended by representatives from the reporting entities and their supervisors, law enforcement, and a pool of experts from other competent authorities, to discuss recent trends in the laundering of criminal proceeds and financing of terrorism, emerging threats, and effective countermeasures. This report focuses principally on the main risks of money laundering and terrorist financing, and on the identified prevailing money laundering (ML) and terrorist financing (TF) patterns in the State of Qatar.

## II. Methodology

Last 11-14 November 2019, QFIU conducted a workshop for 4 days. The workshop was facilitated by two (2) well known AML/CFT international experts and was organized as follows:

- a) Two concurrent sessions were held for financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) for 2.5 days. The sessions were attended by compliance officers from all types of reporting entities and their supervisors, as well as representatives from law enforcement agencies (LEAs) and the QFIU. In these two workshops, participants shared their operational experience on ML and TF trends and typologies they are seeing from their end, as well as the responses they developed to detect suspicious transactions that would be reported to QFIU, particularly those that have resulted in a criminal investigation or prosecution.
- b) Also a session of 1.5 days was held for the staff of the QFIU to study and examine the outcome of the above sessions, in order to identify and validate the typologies presented and discussed during the workshop and compare these with the ones that QFIU is witnessing at its end, in order to identify the patterns and typologies that best reflect Qatari's context. These patterns and typologies will be used for strategic analysis purposes and to enhance prevention and detection of STRs by reporting entities, as well as improve the quality of the STRs.

### III. Case Studies

During the sessions, reporting entities from different sectors made the following presentations on ML and/or TF typologies:

#### A. Banking Sector

##### CASE 1 – ATM Transactions

Customer only does cash ATM deposits which is followed by withdrawal of the fund in another jurisdiction within a short period of time. This gave the impression that the customer is trying to avoid face to face dealings with the bank staff.

##### ML/TF Indicators

- ATM deposits happening only at night (after 10pm)
- Deposits are typically non-round figure below the daily ATM limit
- No face to face transaction in branch
- Withdrawal through ATMs in high risk jurisdiction associated with money laundering and terrorism financing.
- Withdrawal within short time (1 hour) after deposit
- The total deposited amount is withdrawn
- Withdrawal facilitated with supplemental card



ATM Deposits in Qatar



ATM withdrawal in High Risk Jurisdiction

## **CASE 2 – Trade Base Money Laundering -Under/Over Invoicing**

Company X applied for Letter of Credit (LC) to import new and used cars from a neighboring gulf jurisdiction, while the port of loading is in another Middle Eastern country. The overall value of cars was reported around 23 Million QAR. Upon review of the underlying detailed invoice, it was noticed that all the cars were underpriced heavily compared to the prevailing market price.

### ML/TF Indicators

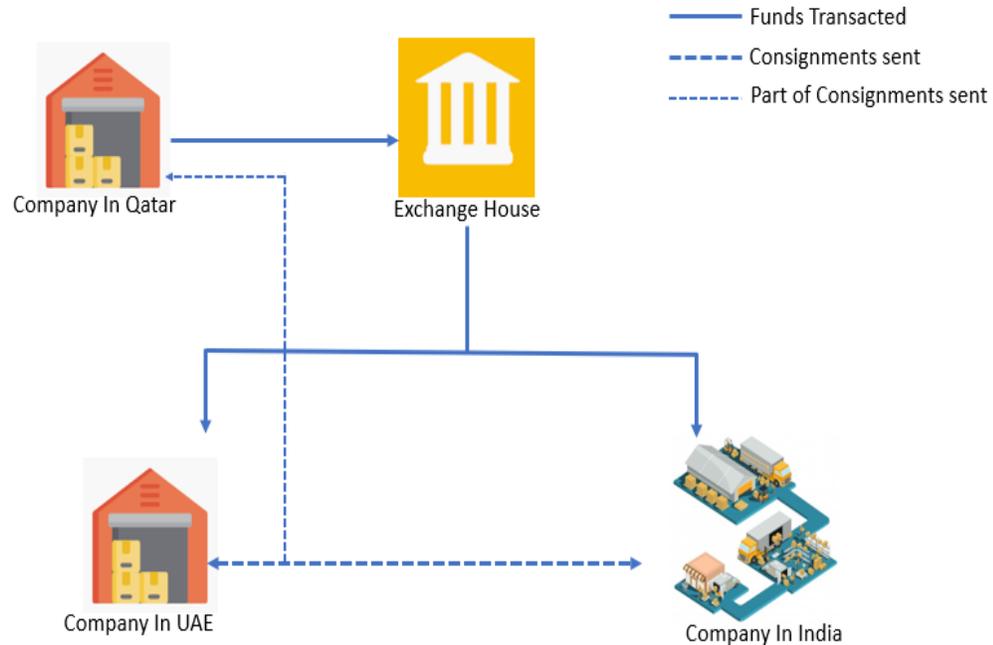
- LC requested in favor of beneficiary in one location, while the goods origin was in another location.
- The declared value of the cars imported are undervalued compared to the prevailing market price.
- Importer was not the authorized dealer of the mentioned car brand in Qatar.

## **CASE 3 – Trade Base Money Laundering**

Company X, a medium scale supermarket, operates in Qatar. Company X remits to (ABC Tea Corporation), a supplier, through an Exchange House. (ABC Tea Corporation) has a subsidiary in UAE. There was regular remittance (ranging from \$65,000 to \$85,000) to India and UAE on alternate days.

### ML/TF Indicators

- Amount involves similar sums.
- Transaction volume and frequency is not consistent with the company's business and size.
- Amounts remitted were not consistent or supported by invoices.
- Goods imported came or shipped from third country/party. Vessel Finder have shown that the goods were shipped from vessels from a port in Iran.



#### **CASE 4 – Attempt to Finance Terrorism through NPOs**

Customer X was receiving multiple credits into his account locally from different individuals through standing orders and local transfers in small denominations. These credits were consolidated, and a foreign transfer was attempted in favor of an educational institution in a South Asian country.

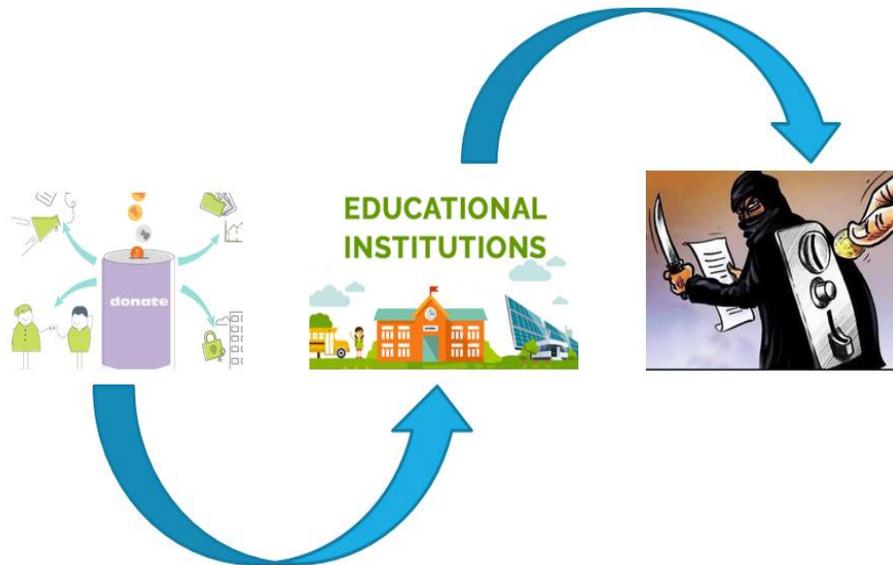
The bank screening system flagged a negative news article involving the beneficiary educational institution. The educational institution was reported in the news for hosting lectures from prominent professors who have been blacklisted for hate speeches and recruiting for a terrorist organization.

The transaction was rejected.

#### ML/TF Indicators

- The following transactional behavior of the customer indicated unregulated charity activity:
- Multiple remittance to a single account
- Remittance to an account not related to the beneficiary (third parties)
- Large number of small amounts of remittance

- A transfer/attempt to transfer the funds to a foreign non-profit organization
- Transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- A party to the transaction were reported in the news/open sources to be involved in a terrorist organization or activities.



## B. Exchange Houses Sector

### CASE 5 – Drug Related Crime (Abuse)

Customers (Age group ranging from 19 to 35 years) remit money to a South Asian Countries known for Drug Trafficking. The justification given for the remittance is family maintenance transactions on behalf of domestic workers or drivers. The amounts are usually less than 500 QAR.

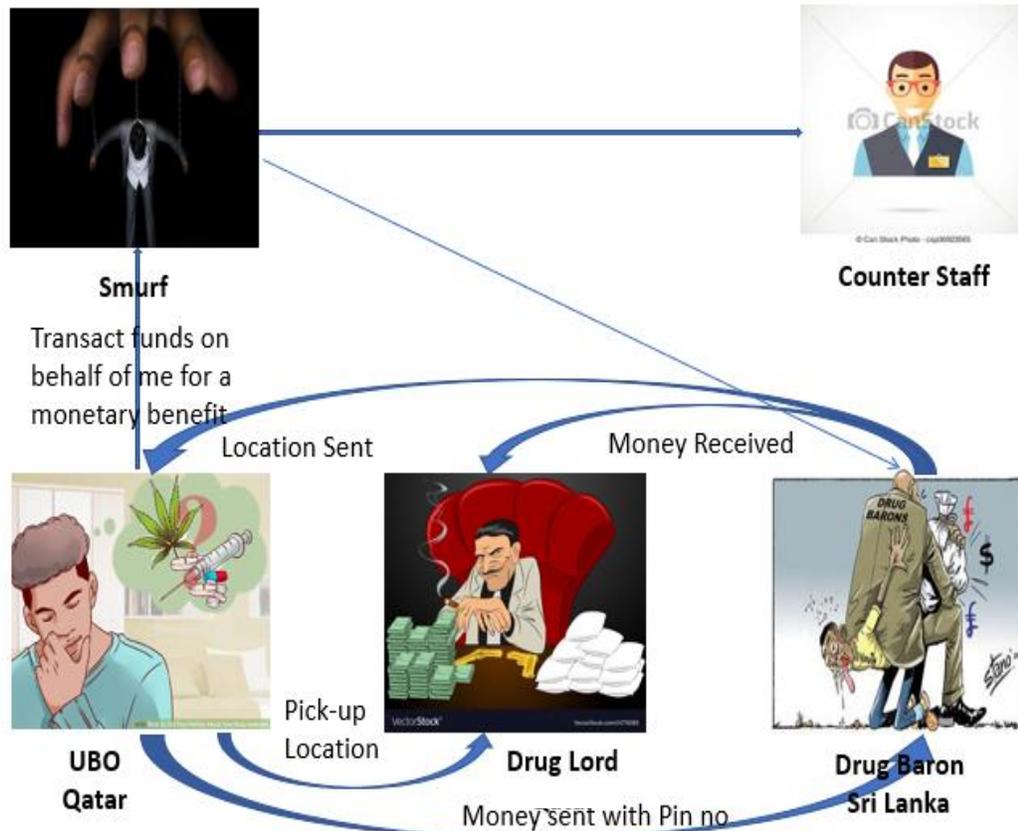
Multiple customers remitting to the same beneficiaries/accounts in South Asian Countries. Through post activity reviews, it was observed that these beneficiaries had different or multiple accounts.

Remitting money using third parties, such as a driver or a maid, who are of the same nationality of the beneficiary, to obscure the real purpose of the transaction. The purpose given in such circumstances is family purposes.

Through follow up with the Financial Information Unit and the Ministry of Interior, it turned out that most of the remittances are for purchasing and using drugs.

ML/TF Indicators

- Age of customers - between 19-35 years old
- Remitting funds to individuals not related to the customer himself, even though the relationship provided is family maid or driver
- The destination of the remittance are countries known for drug trafficking
- Transactions involves small amounts
- Multiple senders remitting funds to common beneficiaries/accounts
- Transaction amounts are in structured pattern to avoid the rules/limits set by the entities
- Smurfs are being hired to remit the funds



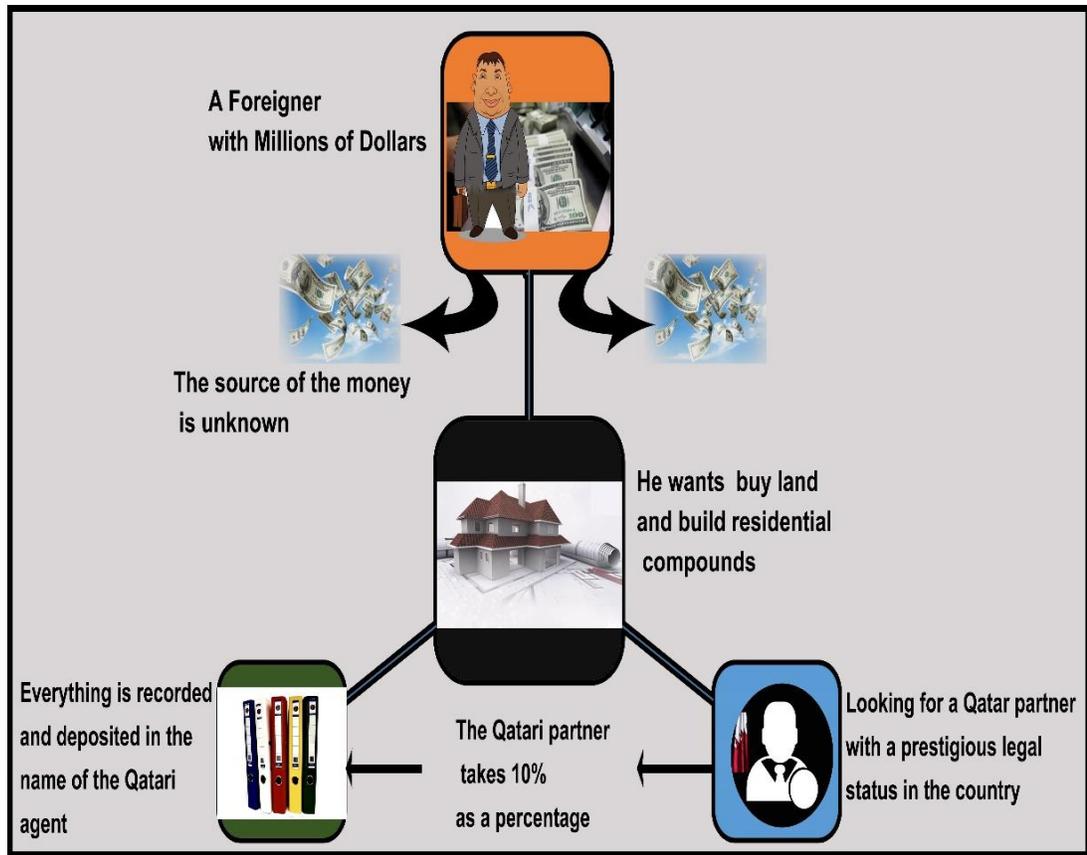
## C. Real Estate Sector

### **CASE 6 – Foreigner Looking for Qatari Business Partner as a Registered Owner**

A foreigner reached out to a real estate agent and said that he was looking for a Qatari business partner. The Qatari business partner should be known and have good standing in the community. The foreigner said he can invest millions of US Dollars to buy a land and build a housing complex in Qatar. All the investments will be in the name of the Qatari business partner. The Qatari will retain 10% of all investments as share/income in the business. The foreigner promised the real estate agent a big commission if they assist in facilitating the deal/transaction. The transaction was rejected by the real estate agent and was reported to the competent authority.

#### ML/TF Indicators

- a) Source of the fund/money is unknown.
- b) Attempt to conceal beneficial ownership by purchasing land/properties and register it in the name of the Qatari business partner, as the nominee owner.
- c) Conduct of the customer is suspicious – looking for a Qatari business partner, promising to give a big commission to facilitate the transaction.



## CASE 7 – Fraud by Renting and Sub-leasing a Residential Property

A foreigner rented a residential property without negotiating the rental price, and willingly paid the commission and the advance rent for the first month. The foreigner issued post-dated checks for future payment of monthly rent. The foreigner then subleased the property at a low price. The foreigner required advance payment of rent for one year from the sub-lessees. The foreigner left Qatar before the second month rent becomes due and defrauded the sublessees.

### ML/TF Indicators

- Lack of interest by the foreigner to negotiate a lower monthly rental price.
- Eagerness by the foreigner to complete the process and sign the rental agreement.
- Subleasing the property, immediately after concluding the rental agreement, at a price below market.
- Requirement to sub-lessees to pay rental dues in advance for one year

- Bouncing Checks - checks issued to pay the rent were unfunded. The checks were written against a bank account with no balance.

#### **D. Non- Profit Organization Sector**

##### **CASE 8 – Unlicensed Collection of Donations**

A certain individual visited Qatari gathering places and introduced himself as a representative of a well-known NPO. The individual solicited donations from the crowds to support projects of the NPO. The NPO came to know the activities of the individual and reported the incident to RACA.

RACA reported the matter to other law enforcement agencies, and they took the necessary action to prevent the said individual from illegally collecting funds. After investigation, the collected funds were appropriated by the individual for personal use, and/or for the benefit of a designated or non-designated individual or entity.

##### ML/TF Indicators

- Solicitation of funds for charitable activities during social gatherings.
- The individual or entity does not give a donation collection receipt of the NPO for funds received.
- The individual or entity does not have a donation collection permit/license of the NPO which they claim to represent.

##### **CASE 9 – Collection of Funds and Abuse of Power**

Mr. X, a national of a high-risk country, works at an NPO. The NPO he works for received information that he is a social media activist and that he publishes material that show support to radical and terrorist activities and violence related content. The incident was reported to RACA, which reported this to law enforcement agencies and to QFIU.

Financial and on-site investigations uncovered that Mr. X uses his title and job at the NPO to solicit donations outside working hours. Investigations further showed that he transfers the funds collected to high risk areas neighboring his country of nationality.

LEAs have taken the necessary measures and the person has been stopped from continuing his illicit activities

#### ML/TF Indicators

- Radical views published on social media by an individual connected to an NPO.
- Transfers by individuals that are inconsistent with their lifestyle.
- Transfer of money by individuals to countries with no known links or relations, and such countries are adjacent to conflict zones.
- Use of informal sector to transfer funds to high risk countries.

### **CASE 10 – Embezzlement of Funds and Forgery of Documents**

Mr. X works in an NPO that has a partner in a country near a conflict zone. A contract was concluded between the NPO and its partner to carry out a project in a neighboring conflict zone, whereas a separate contractor was hired by the partner.

Mr. X reported to the NPO the project progress by showing photos. During on-site visits to review the project, it was noted that what has been constructed and reported progress is not commensurate with the amounts spent.

Further investigations revealed a suspicious relationship between Mr. X, the partner, and the main contractor, and that they embezzled some of the funds. Investigations further revealed that a real estate was bought purportedly from embezzled funds in a third country.

#### ML/TF Indicators

- The NPOs, project, and beneficiaries are located in high risk countries, and conflict zones.
- The expenditures are not consistent with the purpose and activities of the NPO.
- The use of personal accounts of employees for alleged activities of the NPO.
- Lack of documents to support disbursements/use of NPO funds.
- Transactions of the NPO and project with third parties are not considered arm's length.

#### **IV. Key Findings – Recurring Trends Identified**

The representatives of reporting entities exhibited overall very good knowledge of ML and TF typologies, particularly the representatives of financial institutions that reflected the type of STRs submitted by them to the QFIU, as well other information available it has access to, knowing that there was discrepancy of awareness among different sectors.

Based on the presentations made, there are common recurring trends among the different reporting entities, namely:

- a) Use of cash deposit through ATMs.
- b) Use of certain exchange services to transfer money for the purchase of drugs.
- c) Dealing with high risk countries and jurisdictions, known for certain predicate offences, such as drugs;
- d) Use of nominee owners and shareholders;
- e) Trade based money laundering, through under/over invoicing.
- f) Trade-base money laundering, using the accounts of the business entity in transferring money inconsistent with the activity of the entity.
- g) Misusing the names of certain NPOs for fundraising.
- h) Abuse of NPOs and use of the proceeds for purposes that may be related to terrorism financing.

As such, in light of the suspicious transactions indicators and trends identified, QFIU will use the above typologies to support its tactical analysis outputs and operations, enhance future strategic analysis work, combat money laundering/terrorism financing and predicate offences, enhance detection of suspicious transactions by reporting entities, and improve the quality of the STRs.

QFIU will work more closely with supervisors and conduct more trainings and outreach to DNFBPs, such as Dealers in Precious Metals and Stones, real estate dealers, lawyers and accountants to further strengthen their awareness of their AML/CFT obligations under the law.