

Sectoral Risk Assessment summary of Illicit Finance Risks related to Designated Non-Financial Businesses and Professions (DNFBPs) under the Supervision of the Ministry of Commerce and Industry (MOCI)



May 2022

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Introduction

I. Objectives and background:

1. The Sectoral Risk Assessment (SRA) aims at developing a good understanding of the risks at the MOCI supervised entities to establish a Risk-Based Approach by identifying and understanding the ML/TF risks faced by those supervised entities, with a view to enhancing the combating related controls, ensuring efficiency of resource allocation, and understanding how the threat exploits the vulnerabilities and the extent to which criminals have access to the supervised entities, either to integrate, use or justify the source of their criminal proceeds when obtaining financial consultation or benefiting from the services provided to them for illegal purposes, thereby leading to the misuse of the supervised entities.
2. This report is an update of the ML/TF and financing of the proliferation of weapons of mass destruction Sectoral Risk Assessment 2020 conducted by the MOCI for its supervised designated non-financial businesses and professions (DNFBPs), including Dealers in Precious Metals or Precious Stones, Auditors and Trust and Company Service Providers.

II. Entities involved:

3. The current assessment included participants from the private sector to update the information provided by government employees, where questionnaires were disseminated to the supervised entities by the Assessment Team. The assessment has also involved the use of a significant number of international reports issued by the FATF or MENAFATF in the field of combating money laundering and terrorist financing, whether regarding the country's mutual evaluation or risk assessment report, as well as official reports of the Ministry of Commerce and Industry, the Planning and Statistics Authority, and Qatar Central Bank.

III. Reference period and sources of information:

4. Regarding the reference period for collecting information and data were gathered during the period (2015-2021), and the sources of such data and information that were used in the sectoral assessment are enlisted as follows:

- National statistics issued by the Ministry of Commerce and Industry and the competent authorities, including the General Authority of Customs and Qatar General Authority for Specifications and Standardization.
- Interviews with the relevant authorities and the private sector.
- Reports issued by the international organizations such as the United Nations, International Monetary Fund and World Bank.
- The relevant international normative bodies with jurisdiction to issuing lists, such as the OECD list of jurisdictions offering CBI schemes (CBI List), EU list of non-cooperative jurisdictions for tax purposes, IMF list of offshore financial centres, Financial Secrecy Index (FSI), and 2021 Corporate Tax Haven Index (CTHI).
- Mutual evaluation reports for countries and typologies' reports issued by the FATF and FATF-style regional bodies, including 2020 Sentry Annual Report.
- Reports issued by government agencies.
- Open sources such as press, internet and other published sources.

IV. The methodology adopted:

5. The ML/TF risk assessment for the MOCI supervised businesses and professions was based upon a methodology, that is consistent with the FTAF recommendations, and through which it calls on regulatory authorities to identify, assess and understand the MLT/TF/PF risks they are exposed to.
6. The approved methodology uses quantitative types of data and information such as publicly available statistics and data during the period (2015-2021) from the Ministry of Commerce and Industry (including draft sectoral assessment completed in 2020) or the other competent state authorities including the Financial Information Unit, Ministry of Finance, Ministry of Interior, regulatory authorities, or Planning and Statistics Authority.
7. Since the quantitative assessments appear to be considerably reliable, risk assessment, which relies heavily on available quantitative information, might be biased towards the risks that are easier to measure and may reduce the risks for which no quantitative information is available.
8. For these reasons, this sectoral assessment was supplemented with appropriate qualitative information related to the business risk of the supervised entities, which were provided through the questionnaires directed to the relevant sectors, meetings with the supervisory authority on the target sectors in this assessment, coordination meetings held with the competent authorities, in addition to the relevant international reports and workshops related to the target sectors.
9. In this context, the screening and scrutiny has indicated that the percentage of response to the questionnaires was varying across different sectors. The level of response from auditors was rated as “acceptable” making 50% of the total of participants, TCSPs were rated “below average, while DPMS achieved an approximate score of 30%.

V. Scope and main outputs of the sectoral assessment:

10. The Sectoral Risk Assessment presents the general contexts and variables which have an impact on the assessment, including the level of threat to which the reporting sectors are exposed, either it is a national or international threat, the structure and financial weightage for various sectors, inherent vulnerabilities and the quality of supervision, through analysing the strengths and weaknesses of the applicable policies and the legal and institutional framework of the Anti-Money Laundering and Terrorist Financing Regime.
11. Based on the assessment context, it was clear that the Ministry relies on an AML/CFT legal and institutional system that was enhanced with the enactment of the AML/CFT Law No. 20 of 2019 and other relevant laws, including the decisions and rules issued by the Ministry which will be further explained in detail in this assessment.
12. Building on a risk rating methodology, this assessment has described the level of AML/CFT/PF red flags and vulnerabilities (see the table below) for Dealers in Precious Metals or Precious Stones, Auditors and Trust and Company Service Providers.

| Sectors | Red flags | Vulnerabilities | Risk rating |
|---|-------------|-----------------|-------------|
| Dealers in Precious Metals or Precious Stones | Medium high | High | High |
| Auditors | Medium | Medium | Medium |
| Trust and Company Service Providers | Medium | Medium high | Medium high |

Part I

Analysis of the Overall Threats related to Money Laundering, Terrorism Financing, and the Financing of Proliferation of Weapons of Mass Destruction

13. This part examines the analysis of the existing and possible overall threat related to money laundering, terrorism financing, and the financing of proliferation of weapons of mass destruction, in order to understand how the threat exploits the vulnerabilities related to the targeted activities in this assessment and the extent to which criminals have access to these activities, either to integrate, use or justify the source of their criminal proceeds
14. In this regard, the measurement of the supervised DNFBPs risk depends on understanding and identifying the level of threat given several factors that will, in turn, be analysed in accordance with the threat criteria related to each sector, in order to develop a good understanding of supervision as per the risk-based approach.

I. The general indicators of crimes in Qatar according to the NRA outcomes

15. The initial outcomes of the National Risk Assessment, in which MOCI has participated in as a member of the NRA team, indicated that the rate of crimes in Qatar is very low and that most of the ML red flags facing the State are primarily external by nature, including fund movement channels associated with crimes committed abroad or via Qatar.
16. Qatar is among the most secured countries in the world with very lower rate of crimes in general, given that there is no evidence of trans-national criminal organizations with effective existence in the State. The measurement of the overall crime rate per individual showed lower rate of crimes, when compared the international rate.

17. The AML/CFT National Risk Assessment arrive at identifying a lit of the major crimes that generates monetary proceeds in Qatar. The table below shows the classification of these crimes as per its AML/CFT risk rating:

| Major crimes generating monetary proceeds | Level of threat |
|---|-----------------|
| Smuggling | Medium high |
| Electronic and fraud crimes | Medium |
| Drug crimes | Medium |
| Corruption | Medium |
| Counterfeiting and intellectual property crimes | Medium low |
| Prostitution | Medium low |

18. Based on the above, the supervised sectors are required to consider the level of the above-mentioned crimes, according to the following scope:

- **Smuggling crimes:** smuggling crimes include the illegal smuggling of goods that are often exploited in trade-based money laundering schemes, the intentional or misleading false declaration of shipments, the approved methods of tax evasion and refraining from paying customs duties, goods that are smuggled to, from or through Qatar, and the cash amounts, gold, alcohol, and tobacco. Excluded from this category are the crimes of smuggling illegal goods such as narcotics and counterfeit goods.
- **Cyber-crimes and other types of fraud crimes:** The most common types of cyber and fraud crimes in Qatar are cheque and credit card fraud, offenses that are often linked to forgery charges. Most of these fraud cases generate only small amounts of proceeds, although there have been some instances of larger and more organized scale.

- **Drug crimes:** there is a low rate of domestic drug consumption, although there are some indications of an increase in the consumption of some types of drugs in the recent years. The NRA did not indicate any involvement in the cultivation or manufacturing of illegal drugs in Qatar, or any activity of domestic network or organized criminal groups that facilitate the shipment to, and distribution of drugs in Qatar.
 - **Corruption crimes:** Qatar is one of the countries with lower levels of corruption. However, the country's wealth and its large-scale investment and infrastructure projects may make it more vulnerable to internal and external red flags.
19. **Regarding terrorism financing,** the National Risk Assessment concluded that the placement or movement of funds through legal persons and legal arrangements, including the abuse of TCSPs, presents low risk to Qatar, excluding the gold sector which has been classified as high risk due to the relevant high threat and vulnerabilities.
20. **With regard to the financing of the proliferation of weapons of mass destruction,** the National Risk Assessment concluded that the overall threat level is Medium. However, North Korea, Iran and their global present WMD proliferation finance threats to Qatar and although both jurisdictions' networks have been active in the region, there is no evidence that they have specifically targeted Qatar or its financial institutions. Additionally, Longstanding international sanctions targeting both the North Korean and Iranian regimes have prompted them to develop global networks of front and shell companies and employ complex and deceptive methods to conceal their proliferation finance activity. Their front and shell company networks, which are used in all stages of proliferation finance — fundraising, disguising the funds, and procurement — are at the crux of the threat that they pose to any jurisdiction, including Qatar. The geographic reach of these networks makes proliferation finance a truly global threat.

II. Overall threat Indicators at the regional and international level

21. A good understanding of the red flags related to MOCI supervised entities, particularly¹ auditors and TCSPs, makes it necessary to shed light on the ML/TF/PF risk resulting from the external red flags to which Qatar is exposed, in relation to illicit funds flows and movement to and from Qatar, compared to commercial and financial transparency controls and the Financial Secrecy Index (FSI), which indicates the countries in which funds can be hidden compared to other countries.
22. Inferences from the outcomes of international reports and approved international lists shown in the table below are usually used to determine the effectiveness of the commercial and financial transparency controls in Qatar and whether the threat can exploit Qatar's space as a final haven for illicit financing or as a transit point:

International blacklists and Qatar's relevant status

| No | International list | Description | Qatar's status |
|----|--------------------|--|----------------|
| 1 | FATFT List | The FATF's list is considered one of the most internationally recognised and has the highest weight alongside the below lists. | Not designated |
| 2 | EU list | In 2017, the European Union drew up an extensive blacklist of "non-cooperative countries and territories" of 19 states that it considered to be tax havens. However, this list never entered into force. After numerous objections and deletions, this list was whittled down to include only 5 countries by the end of 2018. In February 2019, the European Commission adopted a new list of third countries, now comprising 23 countries, which was again collapsed to about half in February 2020, and includes only a few entries. | Not designated |
| 3 | IMF List | The International Monetary Fund (IMF) avoids the term "tax haven" but summarises a rather similar list under the term "offshore financial centres", especially since this list is | Not designated |

¹ The second chapter of Part 4 related to DPMS was dedicated to the analysis of the risks facing this sector.

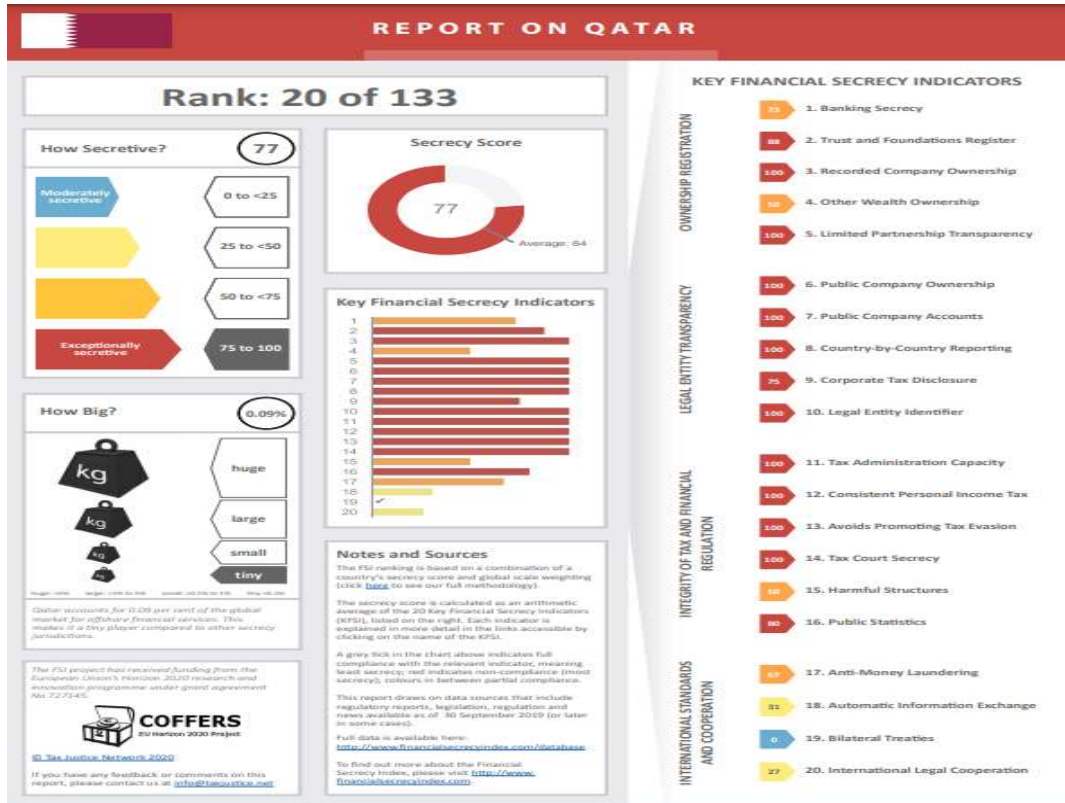
| | | | |
|---|-------------------------|---|----------------|
| | | intended to contain those countries whose financial strength extends considerably beyond their own economic performance. The IMF also makes a listing as an offshore financial centre a potential tax haven. | |
| 4 | OECD(CBI) list | <p>In its CBI list (citizenship by investment), the OECD lists several countries in which citizenship can be acquired through sufficiently high investments.</p> <p>The OECD also has its own blacklist of tax havens, which is actually just as important as all the others. Nevertheless, the OECD list has now only one entry: Trinidad and Tobago. All other countries of the former 41 have now made far-reaching concessions not to suffer sanctions. As a result, the banking secrets of Switzerland, Andorra, Liechtenstein, and Monaco have also been relaxed.</p> | Not designated |
| 5 | Financial Secrecy Index | The "Financial Secrecy Index" (FSI) measures the effectiveness of a country's laws in concealing money for a total of 133 countries. The index determines the degree of secrecy of capital and its owners, as well as the amount of money moved through these countries in relation to the global financial market. Very high on this list are also 2 countries, which are otherwise rarely mentioned: The United States (rank 2) and Germany (rank 14). | Designated |

23. It is evident from the above that the financial and business climate in Qatar **does not effectively make it an attractive destination for criminal proceeds**, given the patterns of committed criminal activities and the outcomes of the major relevant international lists.

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24. The outcomes of the 2020 Financial Secrecy Index² (FSI) report³ may trigger off concerns about the legal system resilience related to financial transparency and beneficial ownership, since Qatar was ranked 22nd globally out of 133 countries at the Financial Secrecy Index.
25. The FSI report revealed that an estimated \$21-32 trillion of private financial wealth is neither taxable nor subject to light taxes. DNFBPs and banks constitute are havens for establishing complex and sophisticated legal and financial systems, including especially accounting firms and service providers specialized in providing Multinational legal structures, to ensure the confidentiality of their customers who are tax evaders and fugitives.
26. As for the analysis of financial secrecy index for the State of Qatar, the FSI report indicated that Qatar ranked 20th in the financial secrecy index of 2020, with a high secrecy score of 77, and a tiny market share in offshore financial services of 0.1% (see the below data included in the report for the State of Qatar).

² <https://fsi.taxjustice.net/PDF/Qatar.pdf>

³ The Financial Secrecy Index ranks jurisdictions according to their secrecy and the scale of their offshore financial activities. A politically neutral ranking, it is a tool for understanding global financial secrecy, tax havens or secrecy jurisdictions, and illicit financial flows or capital flight.



27. It is worth mentioning that the results of this report reflect the Qatar's legal status for the years before 2020, thereby these results would be placed in light of the in-depth legislative reforms and amendments that have been taken by Qatar starting 2020. The Ministry of Commerce and Industry has been working on introducing some legislative amendments to the applicable laws, enacting new laws, or issuing decisions, instructions and rules to develop the AML/CFT regime, enhance transparency and effective implementation of the international standards, by engaging AML/CFT experts. However, the most important legal texts prepared by, or contributed to, by the Ministry are as follows:

- Law No. (1) of 2020 on the Unified Economic Register.

- Decision of the Council of Ministers No. (12) of 2020 on the Implementing Regulations of the Unified Economic Register issued by Law No. (1) of 2020.
- Decision of the Minister of Commerce and Industry No. (48) of 2020 Promulgating the AML/CFT Compliance Rules for Auditors, Dealers in Precious Metals or Precious Stones, Trust and Company Service Providers.
- Circular No. (5) of 2020 on Dealers in Precious Metals or Stones in Terms of Implementation of Enhanced Customer Due Diligence for Non-Face-to-Face Transactions.
- Circular No. (6) of 2020 for Auditors, Dealers in Precious Metals and Stones and Trust and Company Service Providers About High-Risk Jurisdictions Subject to A Call for Action by the Financial Action Task Force and Jurisdictions Under Increased Monitoring.
- Circular No. (7) of 2020 on the Implementation of the AML/CFT Compliance Rules for Auditors, Dealers in Precious Metals or Precious Stones, Trust and Company Service Providers.
- Circular No. (6) of 2021 on the Implementation of Targeted Financial Sanctions by the Implementing Parties at the Ministry of Commerce and Industry.
- MOCI Circular No. (3) of 2022 on the Subscription to the NCTC Electronic Notification Platform for the Implementation of the Designation Order on the Sanctions List (UNSC and National) and Implementation of Freezing.

Part II

The Risk Assessment for Dealers in Precious Metals and Precious Stones

I. Analysis of the vulnerabilities of DPMS:

28. Based on the data and information that were used in the sectoral risk assessment such as questionnaires and on-site inspection visits to the supervised entities, the assessment-identified weaknesses at a ***high level!*** The analysis below presents the inherent weaknesses of the sector:

❖ Compliance function assessment:

29. The responses to the questionnaire revealed that the interviewees from DPMS sector were not aware of the requirements below. Therefore, this outcome serves as a matter of great concern for being associated with applicable legislative requirements, given the high risk posed by this sector.

- Internal compliance programs that are commensurate with the customer risk level.
- Appointment of an AML compliance officer and the extent to which he has adequate and independent resources at the senior management level.
- Taking disciplinary action against employees for violating compliance policy.
- Conducting internal and/or external audits under the AML/CFT Law.

❖ Accessing beneficial owner information

30. At the beginning of 2020, Qatar established a system enabling access to the beneficial owner, by creating a special BO registry under the Law No. (1) of 2020 on the Unified Economic Registry, However, the fact that this system has not yet entered into force constituted a fundamental vulnerability that was clearly demonstrated by the responses to the questionnaire.

❖ level of AML/CFT Knowledge by staff

31. The responses to the questionnaire showed that the interviewees from the Sector have not received any AML/CFT training programs and materials.

❖ **The effectiveness of the controls of activity licensing**

32. There are no specific conditions for trading in precious metals and stones in Qatar. Only the general conditions for licensing a business activity apply, which constitute a vulnerability towards the DPMS sector that is exposed to high ML/TF risk.

❖ **independent source Information**

33. The Sectoral Risk Assessment highlighted that it is necessary for the Ministry to develop a work plan that provides reliable and updated information on the size and activity of the sector, by establishing a database, which can be easily accessed by the AML/CFT Section at the Ministry.

34. It is worth noting that vulnerability of the sector is not associated with assessment of the source of information, but it is related to the entry and organization of such information.

❖ **Monitoring and suspicious activity reporting**

35. Dealers in Precious Metals and Stones are required to report suspicious transactions under the applicable AML/CFT legislations. However, although the statistics provided by Qatar Financial Information Unit indicated a reporting vulnerability with only 14 reports made during (2015-2019), the statistical indicators that were examined during 2021 indicated a remarkable increase in suspicious transaction reporting with (18) eighteen suspicious transactions reported compared to (9) nine reports in 2019 and one (1) report in 2020. Moreover, despite this remarkable increase in suspicious transaction reporting, it remains insufficient given the high level of risks that the DPMS Sector is exposed to.

36. Based on the results of the questionnaire, the assessment revealed that there were primary vulnerabilities which prevented the effective implementation of reporting obligations, and they are as follows:

- Lack of adequate and appropriate systems that allow tracing and comparing transaction records with the customer KYC profile, in addition to the fact that records are not available in a manner where it will be easy to verify them and detect unusual and complex transactions.
- Lack of effective controls to identify politically exposed persons.
- Lack of good understanding of the scope of their reporting obligations in relation to suspicious transactions and activities under the relevant laws or rules issued by the Ministry.

II. Assessment of the Overall Indicators of Dealers in Precious Metals or Precious Stones

37. Regarding the assessment of the Overall indicators of Dealers in Precious Metals or Precious Stones, the assessment concluded the following:

❖ The overall level of threat associated with Dealers in Precious Metals or Precious Stones:

38. All the indicators addressed in the various evaluations conducted by NAMLC, MOCI and MOI indicated that the red flags associated with this sector has been rated as Medium high.

❖ The overall vulnerabilities associated with Dealers in Precious Metals or Precious Stones:

| The overall vulnerabilities associated with Dealers in Precious Metals or Precious Stones | | |
|---|-----------------------------|------------------------------|
| Inherent vulnerability | Quality of AML/CFT controls | Residual/final vulnerability |
| High | Not effective | High |

❖ DPMS Risk Matrix:

39. The overall AML/CFT/PL risk for Dealers in Precious Metals or Precious Stones has been rated as **High**,

as shown in the following matrix:

| | | | | | | |
|----------------|--------------------|------------------------|-------------------|---------------|--------------------|--------------------|
| Threats | High | Medium | Medium | Medium high | High | High |
| | Medium high | Medium | Medium | Medium high | Medium high | <u>DPMS</u> |
| | Medium | Medium Low | Medium | Medium | Medium high | Medium high |
| | Medium Low | Medium Low | Medium Low | Medium | Medium | Medium |
| | Low | Low | Medium Low | Medium Low | Medium | Medium |
| | | Low | Medium Low | Medium | Medium high | High |
| | | Vulnerabilities | | | | |

Part III

The Risk Assessment for auditors

I. Analysis of the vulnerabilities of Auditors

40. Based on the data and information that were used in the sectoral risk assessment such as questionnaires and on-site inspection visits to the supervised entities, the assessment-identified weaknesses at a ***medium level***. The analysis below presents the inherent weaknesses of the sector:

❖ Compliance function assessment:

41. The responses to the questionnaire revealed that the interviewees from auditors' sector showed that there is a varying level of application of the requirements described below:

- Internal compliance programs that are commensurate with the customer risk level.
- Appointment of an AML compliance officer and the extent to which he has adequate and independent resources at the senior management level.
- Taking disciplinary action against employees for violating compliance policy.
- Conducting internal and/or external audits under the AML/CFT Law.

❖ Accessing beneficial owner information

42. At the beginning of 2020, Qatar established a system enabling access to the beneficial owner, by creating a special BO registry under the Law No. (1) of 2020 on the Unified Economic Registry, However, the fact that this system has not yet entered into force constituted a fundamental vulnerability that was clearly demonstrated by the responses to the questionnaire.

❖ Level of AML/CFT Knowledge by staff

43. The responses to the questionnaire showed that the interviewees from the Sector ***Did not receive adequate*** training programs and materials.

❖ independent source Information

44. The Sectoral Risk Assessment highlighted that it is necessary for the Ministry to develop a work plan that provides reliable and updated information on the size and activity of the sector, by establishing a database, which can be easily accessed by the AML/CFT Section at the Ministry.
45. It is worth noting that vulnerability of the sector is not associated with assessment of the source of information, but it is related to the entry and organization of such information.

❖ Monitoring and suspicious activity reporting

46. Based on the results of the questionnaire, the assessment revealed that there were primary vulnerabilities which prevented the effective implementation of reporting obligations, and they are as follows:
- Lack of adequate and appropriate systems that allow tracing and comparing transaction records with the customer KYC profile, in addition to the fact that records are not available in a manner where it will be easy to verify them and detect unusual and complex transactions.
 - Lack of effective controls to identify politically exposed persons.
 - Lack of good understanding of the scope of their reporting obligations in relation to suspicious transactions and activities under the relevant laws or rules issued by the Ministry.

II. Assessment of the level of product and service delivery risk

47. The interviewees' responses showed that the activity of 42% of auditors includes all services related to AML/CFT requirements such as:
- Management of the customer's funds, securities, or other assets (16,4%).
 - Management of bank accounts, saving accounts or securities accounts (4,5%).
 - Organizing contributions for the establishment, operation, or management of companies (11,9%).

- Establishment, operation or management of legal persons or legal arrangements and sale or purchase of business entities (14,9%).
48. On the other hand, the responses of the remaining 58% of the auditor's revealed that they do not practice any of the abovementioned activities, as their activities are limited to auditing, review and economic consultancy, and financial tax advice.
49. It is learnt from this category of auditors that have chosen to limit their activity in the public services other than the above services, that the quality of its understanding is uncertain for two reasons:
- The scope of the mentioned services is general in nature and includes all the activities related to the international standard.
 - There are concerns that may arise from the exclusion of the designated activities as mentioned in the AML/CFT Law No. (20) Of 2019 and its implementing regulation. This exclusion could be intentional and does may not reflect the actual practice, as well as it is motivated by the tendency not to include the interviewed entities among those which are subject to AML/CFT supervision; a behaviour that has been observed in many comparative experiences. Advocating non-applicability is irrelevant since the activities specified in the Law are legitimate and likely to be on factual and legal demand.
50. Based on the results of the questionnaire sent to the Auditors, the risk level of all identified activities was assessed as follow:

| No | Activity | Risk rating |
|----|--|-------------|
| 1 | Management of the customer money, securities, or other assets. | Low |
| 2 | Management of bank, savings, or securities accounts. | Low |
| 3 | Organization of contributions for the creation, operation, or management of companies. | Low |
| 4 | Creating, operating or management of legal persons or arrangements and buying and selling business entities. | Medium |

51. This assessment indicated that there are 10 auditors⁴ practicing the TCSP activity through creating, operating or management of legal persons. However, this service was rated as **Medium**.

III. The Assessment of the Overall Indicators of Auditors:

52. With regard to the assessment of the Overall indicators of auditors, the assessment concluded the following:

❖ **The overall level of threat associated with auditors (Medium):**

53. All the indicators addressed in the various evaluations conducted by NAMLC, MOCI and MOI indicated that the red flags associated with this sector are rated as **Medium**.

❖ **The overall level of vulnerabilities associated with auditors:**

| Key indicators of the vulnerabilities associated with auditors | | |
|--|-----------------------------|------------------------|
| Residual/Final vulnerability | Quality Of AML-CFT Controls | Inherent vulnerability |
| Medium | Partly effective | Medium |

⁴ See Appendix (3) which contains a list of auditors who practice one of the activities related to Trust and Company Service Providers.

❖ **Risk Matrix of Auditors in the State of Qatar:**

54. The overall AML/CFT/PL risk for Auditors has been rated as **Medium**, as shown in the following matrix:

| | | | | | | |
|----------------|--------------------|------------------------|------------|------------------------|-------------|-------------|
| Threats | High | Medium | Medium | Medium high | High | High |
| | Medium high | Medium | Medium | Medium high | Medium high | High |
| | Medium | Medium Low | Medium | <u>Auditors</u> | Medium high | Medium high |
| | Medium Low | Medium Low | Medium Low | Medium | Medium | Medium |
| | Low | Low | Medium Low | Medium Low | Medium | Medium |
| | | Low | Medium Low | Medium | Medium high | High |
| | | Vulnerabilities | | | | |

Part IV

The Risk Assessment for Trust and Company Service Providers

I. Vulnerabilities Assessment of the TCSPs Sector

55. Through the data and information that were used in the Sectoral Assessment, such as questionnaires and supervisory reports of the Ministry including on-site inspection visits to the supervised entities, the assessment below identified vulnerabilities at a ***medium high level***. The analysis below presents the inherent weaknesses of the sector:

❖ Compliance function assessment:

56. The responses to the questionnaire revealed that the interviewees from TCSPs sector were not aware of the requirements below. Therefore, this outcome serves as a matter of great concern for being associated with applicable legislative requirements, given the high risk posed by this sector.

- Internal compliance programs that are commensurate with the customer risk level.
- Appointment of an AML compliance officer and the extent to which he has adequate and independent resources at the senior management level.
- Taking disciplinary action against employees for violating compliance policy.
- Conducting internal and/or external audits under the AML/CFT Law.

❖ Accessing beneficial owner information

57. At the beginning of 2020, Qatar established a system enabling access to the beneficial owner, by creating a special BO registry under the Law No. (1) of 2020 on the Unified Economic Registry, However, the fact that this system has not yet entered into force constituted a fundamental vulnerability that was clearly demonstrated by the responses to the questionnaire.

❖ **level of AML/CFT Knowledge by staff**

58. The responses to the questionnaire showed that the interviewees from the Sector have not received any AML/CFT training programs and materials

❖ **independent source Information**

59. The Sectoral Risk Assessment highlighted that it is necessary for the Ministry to develop a work plan that provides reliable and updated information on the size and activity of the sector, by establishing a database, which can be easily accessed by the AML/CFT Section at the Ministry.

60. It is worth noting that vulnerability of the sector is not associated with assessment of the source of information, but it is related to the entry and organization of such information.

❖ **the effectiveness of the controls of activity licensing**

61. There are no specific conditions for licensing to practice this activity in Qatar. Only the general conditions for licensing a business activity apply, which constitute a vulnerability towards the TCSPs sector that is exposed to high ML/TF risk.

❖ **Monitoring and suspicious activity reporting**

62. Based on the results of the questionnaire, the assessment revealed that there were primary vulnerabilities which prevented the effective implementation of reporting obligations, and they are as follows:

- Lack of adequate and appropriate systems that allow tracing and comparing transaction records with the customer KYC profile, in addition to the fact that records are not available in a manner where it will be easy to verify them and detect unusual and complex transactions.
- Lack of effective controls to identify politically exposed persons.
- Lack of good understanding of the scope of their reporting obligations in relation to suspicious transactions and activities under the relevant laws or rules issued by the Ministry.

II. TCSP Sector's Products and Services Vulnerabilities Assessment

63. Despite the relative weakness of the questioned sample (the response rate did not exceed 30% of the total sector), this assessment constitutes the best estimate for the present time.
64. The results of the questionnaire revealed that 40% of the questioned sample conducts activities based on the following rates:
- Acting as a formation agent of legal persons (17.8 % of the sample).
 - Acting as, or arranging for another person to act as, a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal persons (13.3 % of the sample).
 - Providing a registered office, place of business, correspondence address or administrative address for a company, a partnership or any other legal person or legal arrangement (24.2 % of the sample).
 - Acting as or arranging for another person to act as a trustee for a direct credit fund or performing an equivalent function for another legal arrangement (0 % of the sample).
 - Acting as, or arranging for another person to act as, a nominee shareholder for another person (0 % of the sample).
65. In addition, responses received from the remaining category of the TCSP sector questioned (representing 60% of the sector) indicated that they do not practice any of the activities referred to above, as their activity is limited to the following:
- Providing transaction clearance services.
 - Commercial representation of foreign companies.
 - Renting offices.
 - Clearing transactions and collecting debts.
 - Recruitment and consulting.

- Establishing projects and companies.

66. Based on the findings of the questionnaire for the TCSP sector, in addition to the results of the assessment of supervisory controls, the level of risks of all specified activities was assessed as follows:

| No | Type of Activity | Risk Level |
|----|--|-------------|
| 1 | Acting as a formation agent of legal persons. | Medium Low |
| 2 | Acting as, or arranging for another person to act as, a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal persons. | Medium Low |
| 3 | Providing a registered office, place of business, correspondence address or administrative address for a company, a partnership or any other legal person or legal arrangement. | Medium High |
| 4 | Acting as, or arranging for another person to act as, a nominee shareholder for another person. | Low |

III. The Assessment of the Overall Indicators of Trust and Company Service Providers (TCSPs):

67. Regarding the assessment of the overall indicators of trust and company service providers, the assessment concluded the following:

❖ **The overall level of threat associated with trust and company service providers (Medium):**

68. All the indicators addressed in the various evaluations conducted by NAMLC, MOCI and MOI indicated that the red flags associated with this sector have been rated as **Medium**.

❖ **The overall level of vulnerabilities associated with TCSPs:**

| Key indicators of the vulnerabilities associated with TCSPs | | |
|---|-----------------------------|------------------------|
| Residual/Final vulnerability | Quality Of AML-CFT Controls | Inherent vulnerability |
| Medium high | Not effective | Medium high |

❖ **Risk Matrix of TCSPs in the State of Qatar:**

The overall AML/CFT/PF risk for TCSPs has been rated as Medium high, as shown in the following matrix:

| | | | | | | |
|----------------|--------------------|------------------------|-------------------|---------------|---------------------|-------------|
| Threats | High | Medium | Medium | Medium high | High | High |
| | Medium high | Medium | Medium | Medium high | Medium high | High |
| | Medium | Medium Low | Medium | Medium | <u>TCSPs</u> | Medium high |
| | Medium Low | Medium Low | Medium Low | Medium | Medium | Medium |
| | Low | Low | Medium Low | Medium Low | Medium | Medium |
| | | Low | Medium Low | Medium | Medium high | High |
| | | Vulnerabilities | | | | |

