وزارة التجارة والصناعة
Ministry of Commerce and Industry
State of Qatar • دولة قطر

Sectoral ML/FT Risk Assessment

October 2020

Executive Summary

Contents

Scope

- This Sectoral Risk Assessment (SRA) provides for the ML and countering financing of terrorism (FT) risk assessment undertaken by the Ministry of Commerce and Industry (MOCI) for the reporting entities covered by the AML/CFT framework, as required by the AML/CFT State Law No. (20) of 2019 (hereinafter the "Law 20").
- Law 20 defines Money Laundering (hereinafter "ML") offences, assigns duties and obligations to Financial Institutions (FI) and DNFBPs, and describes the duties of the National Anti-Money Laundering and Terrorism Financing Committee (NAMLC), which was established in 2002. The SRA also provides for the legal entities licensed and registered by MOCI.
- As per the Council of Ministers Decision No. (41) of 2019 issuing the executive regulations of Law No. 20 of 2019, the Ministry of Commerce and Industry supervises the three sectors: 1) Chartered Accountants 2) Dealers of precious metals or stones. 3) Trust fund service providers and companies.
- This report is the first sectoral risk assessment report issued by the Ministry of Commerce and Industry in relation to the risks of ML and TF for the sectors subject to its supervision. The sectoral risk assessment process aims to:
  - Assist the Ministry of Commerce and Industry in understanding the risks of ML/TF related to the sectors subject to its supervision.
  - guidance to the entities subject to its supervision of risks related to their sector.
  - Ongoing contribution in collaboration with the Financial Information Unit to assess the risks of ML and TF in the State of Qatar
  - Comply with FATF recommendations that require countries to appropriately assess ML and TF risks and provide appropriate regulation and supervision to combat ML and TF.
  - assess the Inherent Risks, the Internal Control and subsequently the Residual Risks arising from the three sectors under MOCI's supervision as well as the other licensed legal entities that are not supervised by the rest of the regulators stated above (from now on referred to as 'the licensed entities').
- The risk assessment considers all relevant inherent ML risk factors to determine its risk profile and in turn assess the nature of mitigating controls, both from a design and operating effectiveness standpoint.
- Furthermore, SRA aims to assist the Ministry and the three sectors in their ongoing efforts to understand and address the risks of ML and TF, thereby guiding the regulated sectors to meet their AML/CFT obligations. This includes identifying, assessing, and reducing the risks of ML and TF on a risk-based approach in line with AML/CFT law and rules.
- Based on the findings documented in this report, MOCI will develop and/or strengthen the necessary policies, procedures, systems, and control mechanisms to reduce these risks.

Executive Summary

- All countries are exposed to Illicit Financial Flows (IFFs). The global nature of ML and TF is reflected in the work of the FATF based on input from experts across the globe. Supranational organisations, such as FATF and IMF, have helped to shape the domestic and international policies against ML and TF across the globe, The FATF's Forty Recommendations form the basis for international efforts to combat money laundering and terrorist financing. Through a sectoral risk assessment, the Ministry of Commerce and Industry aims to assess money laundering and terrorist financing threats arising from regulated sectors and apply the recommendations of the Financial Action Task Force (FATF) to the regulated sectors.

This report consists of two sections:

Section 1: Sectoral Risk Assessment Results – This section can be read separately and will provide regulated entities with an overview of money laundering/terrorist financing risks, vulnerabilities, and the results of their risk analysis.

Section 2: Details supporting the results of the SRR, this section includes appendices documenting relevant details that support the SRRA and cover the technical aspects such as the methodology adopted and related details.

- It should be noted that this assessment is also accompanied by an AML/CFT supervisory framework formulated by the Ministry of Commerce and Industry to detail the policies and procedures adopted based on a risk-based approach, which will be adopted to determine expectations for supervised entities of their AML/CFT obligations.
- Under Article 59 of the Council of Ministers Decision No. (41) of 2019, the Ministry of Commerce and Industry is the competent regulatory authority to supervise designated non-financial businesses and professions – chartered accountants, dealers in precious metals or stones, trust fund service providers and companies. These three categories are hereinafter referred to as "Subject Entities". As such, the Ministry of Commerce and Industry is committed to maintaining channels of communication with the regulated entities, to ensure the integrity of the financial system and overcome any attempts to misuse the subject entities and their services for illegal purposes.

Restrictions

- The sectoral risk assessment process relied on the information available in the BSS database at the Ministry of Commerce and Industry, which allows to identify the legal form of the subject and the number and size of its partners.
- Information on the regulatory environment applied within the audited entities is not currently collected for the purpose of a sectoral risk assessment. Accordingly, questionnaires were developed and circulated to the audited entities to obtain preliminary information.
- The responses received from the entities subject to the supervision of MOCI were not sufficient to substantiate the results and reach a definitive conclusion on their regulatory environment. Furthermore, the responses received by the Ministry to confirm the final conclusions were not validated.

- It is worth mentioning that the Ministry is in the process of implementing the SAS system to identify the risk profiles of entities and gradually update the BSS system and data such as ownership structure (complex, direct/indirect), line of business, turnover/capital, nationality of the parent company, work sites, etc. due to the inability to conduct a detailed and comprehensive assessment of the entities at this stage. However, a detailed analysis was carried out based on the available data. A risk assessment has also been developed for licensed entities and will be carried out to support the assessment of each entity licensed or to be licensed by the Ministry of Commerce and Industry.

General risks of the Ministry of Commerce and Industry

- The SRA aims to help the Ministry better understand the threats of ML and TF and manage risks within the regulated sectors. The inherent risk was rated as high when assessing the four risk factors (i.e., country risk, customer risk, delivery methods, product, and services).
- For state risk, we have identified information on the average turnover of companies generated by high-risk jurisdictions, the total number of exports and imports associated with high-risk jurisdictions, and the percentages of businesses associated with high-risk jurisdictions.
- Regarding customer risk, the Ministry's records lack important information for political persons representing risk and high net worth individuals, and related financial information such as annual turnover, source of funds and wealth.
- For the delivery channel, the process of initiating dealing with customers does not require the physical presence of the beneficial owners and as a result the Ministry may fail to properly identify the true beneficiaries of the beneficiaries.
- For products and services, licenses offered to customers have a duration of one year and can be extended for up to 5 years, subject to approvals from specific entities. The risk lies in a possible change in the people who are shareholders in the company, and the ministry cannot properly monitor them.
- The internal control framework put in place by MOCI for the supervised has considerable space for improvement. The SRA exhibited that the development of adequate business-wide and customer risk assessments processes and procedures is a significant challenge for the Ministry and the supervised entities across all the three sectors and requires considerable development. While assessing the Internal Control Risks via the use of questionnaires, we reached to the conclusion that they are partially effective. It is to be noted that the Ministry is in the process to implement a Supervised Framework that as a minimum with address the following key deficiencies identified during the SRA:
  - For Governance & Controls, MOCI has set in place a Supervisory Framework to comply with AML/CFT Laws and regulations which is yet to be implemented along with supporting documents such as off-site and desk-based inspections. The Supervisory Framework includes risk assessment processes that will be conducted on entities and the risk-based frequency to evaluate effectiveness of supervised entities.

- For the internal control which is related to People, the new Supervisory Framework addresses the training and awareness of ML/TF of the AML/CFT division to ensure that the staff of the specific department are appropriately trained to enhance their capabilities to conduct the ML/TF risk assessments and to review the adequacy, proportionality, effectiveness, and efficiency of the supervised entities AML/CFT policies and procedures.
- Likewise for process, the Supervised Framework include procedures for STRs reporting, monitoring and review.
- Finally, the new Supervised Framework, entails the implementation of automated solutions/systems that will contribute towards a more effective supervision of the supervised and licensed population under MOCI.

• Effective supervision and enforcement: in line with FATF Recommendations, effective supervision and enforcement is an important component of an effective AML and CTF regime. Based on the information assessed during the SRA, MOCI has developed a supervision framework needs in order to incorporate methodologies, circulars and implementation guidance drafted in line with the each sector's particularities; Also, on-site and off-site monitoring visits will accordingly be conducted to enable the MOCI, to evaluate whether the reporting entities' AML and CFT systems and controls are effective, and where deemed necessary to enforce corrective measures; Such a framework comprises a wide range of supervisory measures that includes preventive measures and related sanctions and other remedial actions that MOCI must apply.

• Risk Based Approach: the SRA has identified challenges in transforming the knowledge of ML and TF risks into supervisory practice and risk-based policies and procedures. The latter is applicable for the competent authority and the entities under supervision. A value-added course of action for MOCI will be to implement its framework to introduce a more proportionate, risk-based and targeted approach in monitoring the supervised entities. In that way MOCI will be better positioned in developing and maintaining an in-depth knowledge and understanding of each sector and of the associated ML & TF threats which are further analysed in the following three sections of the report.

• As part of the sectors assessment process, the SRA revealed that ML and TF can affect the supervised sectors and subsequently MOCI. Given that the products and services provided from the three sectors appears to be extremely appealing for criminals, this poses significant threats on the ministry. The reasons behind the product and services attractiveness are directly related to the fact that such services favour anonymity and concealment of beneficial ownership via the establishment of trusts, shell and various other legal forms of companies and the creation of multiple layers of ownership through the use front companies and gatekeepers.

Risk Assessment - Results Overview

The Ministry of Commerce and Industry assessed the risks of ML/TF using a 5×5 risk matrix and assigned the ratings (high, medium-high, medium, low). The table summarizes the consequences of laundering and remaining ML/TF risks.

Assessed Risk:	Inherent Risk	Intimal Controls (control environment)	Residual Risk	Overall Risk Rating
TCSPs	Medium	Partially Effective	Medium – High	Relatively high risk
DPMS	severe	Ineffective	High	High Risk
ACCOUNTANTS	severe	Partially Effective	Medium	Medium

- The above three sectors are defined as DNFBs, and DNFBPs refer to the role they play in providing services and products that can be used to conduct illicit funds within the financial system, for example: Legal persons and legal arrangements are at risk of abuse by money launderers and terrorist financiers, and are often used in money laundering/terrorist financing schemes, and DNFBPs provide three primary opportunities for criminals:
  - Give the impression of respect and credibility.
  - Difficulty detecting and investigating potential ML and TF.
  - Provide access to specialized services and technologies.
- The overall risk assessment for MOCI results in an overall Medium-to-High Risk Rating. This is a result of the MOCI recently taking the role of the supervisory authority hence it is currently in the process of building up processes, procedures, and controls to enable the effective operation of its role as a supervisory authority. Taking this factor into consideration and the results of the quantitative analysis performed the overall risk rating can be accepted as Medium-to-High.
- Considering the risk assessment outcome from the inherent, internal control and residual risks for the Accountancy sector, the overall **Medium Risk** rating reflects the threats and vulnerability to several ML and TF factors. The variation of the risk rating compared to the other sectors, except from the quantitative results of the Questionnaires, stems also from other factors such as the existence of large and medium size accounting Firms with International Presence and established internal controls and procedures, hence lowering the residual risk to the Medium instead of High. The accounting profession has a high-risk element associated with it as in accordance with FATF, accountants are gatekeepers and, in such capacity, might be abused by the money launderers through the functions they performed; such as providing financial and tax advice, company administration, buying or selling of property, gatekeepers, and performing financial transactions. The latter is aggravated by the relatively large size of the sector and the number of players, as well as the types of customers.

The risk rating reflects the role accountants play in facilitating the cross-border movement of funds (including cash) and easy access to complicated high-risk products and services.

- The overall **Relatively high-risk rating for the TCSP sector**, reflects the threats and vulnerability faced by the sector to a number of ML and TF factors, including anonymity and concealment of beneficial ownership. The above risk rating is aligned with the FATF guidance for the TCSP sector. The TCSP sector has been highlighted internationally and domestically as being vulnerable to ML and TF activities. The level of risk that TCSPs businesses are exposed to varies greatly and depends on the services provided to their clients. Their operations and services are likely to be abused for facilitating criminal activities and conceal the source of funds originated from illegal activities.
- Lastly, the assessment on the Dealers and Precious Metals Stones (DPMS) sector, resulted to an overall **High-Risk rating**. This is expected as the characteristics of jewels, precious metals, and precious stones, makes the sector attractive to those who seek to launder money. Precious metals, precious stones, jewels, and other high value products of similar characteristics, are transportable, highly concentrated forms of wealth and can be highly attractive to money launderers and other criminals, including those involved in the financing of terrorism. Recent cases demonstrate various ways in which precious metals, precious stones, and jewels can be used for illicit purposes. These cases demonstrate the risks involved in accepting third-party payments and the importance of conducting reasonable inquiries when a customer's requests seem unusual. As part of the risk assessment, and to provide a holistic view for the risk approach, an Enterprise-Wide Risk Assessment (EWRA) has been implemented, which typically follows a three-phase approach:

  - a) identification and assessment of the Inherent Risk.
  - b) identification and assessment of the Internal Controls.
  - c) identification and assessment of the Residual Risk.
- The SRA assessed the overall vulnerability of AML/CFT in the three sectors shown in the table above, to reach the overall Medium to High Risk Classification, the SRA assessed elements such as the quality of AML/ML/ACT policies and strategies, the legal framework affecting AML/CFT, and the effectiveness of the regulator in supervising and controlling money laundering operations. Sector, AML/CFT capacity and resources, customer risk assessment process, technology and availability of reliable identification tools, continuous monitoring process, reporting requirements, access to Beneficial Owner Identity Information, and threats at the international level.

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

Assessed Risk:	Inherent Risk	Intimal Controls	Residual Risk	Overall Risk Rating
TCSPs	Medium	Partially Effective	Medium – High	Relatively high risk

- The overall Relatively high risk rating for the TCSP sector reflects the threats and vulnerability to several ML and TF factors risks, including anonymity and concealment of beneficial ownership. The TCSP sector has been highlighted internationally and domestically as being vulnerable to ML and TF activities. The levels of risk that TCSPs businesses are exposed to vary greatly, depending on the services they provide to their clients. Their operations and services are likely to be abused for facilitating criminal activities and concealing the source of funds originated from illegal activities.
- The SRA outcome for the TCSP sector, highlights the need for a sound assessment on an entity level of the ML and TF risks faced by the TSCP so that the policies, procedures and initial and ongoing CDD measures can mitigate these risks

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

Assessed Risk:	Inherent Risk	Intimal Controls	Residual Risk	Overall Risk Rating
DPMS	severe	Ineffective	High	High Risk

- The overall High-Risk rating for the DPMS sector reflects the threats and vulnerability to several ML and TF factors risks, which is coupled with the low overall ML & TF awareness and lower levels of supervision and reporting obligations. While the above risk rating has been derived through the SRA process, the high-risk rating is also aligned with the FATF Recommendations and international market practices for the said sector. The DPMS sector has been highlighted internationally and domestically as being vulnerable to ML and TF activities. The levels of ML and TF risk that DPMS businesses are exposed to is substantial, given that their products and services are likely to be abused for facilitating criminal activities, conceal the source of funds originated from illegal activities and transportation of high-value commodities across borders.

The Assessment of the Overall Indicators of Auditors:

Assessed Risk:	Inherent Risk	Intimal Controls	Residual Risk	Overall Risk Rating
ACCOUNTANTS	severe	Partially Effective	Medium	Medium

- Accountants are regarded to be amongst the key players in the financial industry. They play an important role as in various instances are gatekeepers for the financial system, and they are facilitating vital activities that underpin the economy of the State of Qatar. The overall Medium Risk rating reflects the following:

  a) the SRA outcome

  b) the threats and vulnerability to a few ML and TF factors.

Such ML and TF factors include anonymity and concealment of beneficial ownership, broad spectrum of professional services, involvement in the real estate sector, managing clients' money and assets, and facilitating several other transactions. The accountancy sector has been highlighted internationally and domestically as being vulnerable to ML and TF activities. Their exposure to ML and TF is significantly influenced and dependent on the nature of service provided and the jurisdictions that they are dealing with. Their operations and services are likely to be abused for facilitating criminal activities and concealing the source of funds originating from illegal activities, tax evasion and other predicate offences.

Sectoral Risk Assessment:

- The below flowchart illustrates the process which is recommended and is followed by MOCI and subsequently shall be considered by the supervised entities at frequent intervals when they are assessing their own risks. This process is critical for the overall risk assessment and the establishment of the organization's risk appetite and thus determining the required action plan and subsequent recommendations.

Step 1	Step 2	Step 3	Step 4	Step 5
Definition of risk	Risk assessment at the latent level	Assessment of controls	Residual Risk Assessment	Set risk classification for sectors

Risk categories and risk factors:

Risk Category	Customers	Products & Services	Transactions	Channels	Geography	Other Qualitative Factors
Risk Factors	• Ownership structure and industry; • Concealing identity; • PEP's; • Cash-intensive of high-risk sectors.	• Product characteristics; • Company formation and Trusts; • Real Estate; • High degree of anonymity or limited; • High degree of currency or equivalents.	• Size, value, complexity and frequency; • Payment method; • New products or technologies; • Readily frequently more value from one jurisdiction to another; • High degree of anonymity; • Outside client's normal pattern.	• Account organization servicing, combining services; • Remote clients and type of client meetings i.e. non face to face; • Payments to or from third parties;	• Location of business and customers; • Origin/destination of transactions; • Source and destination of funds; • Location and country of residence of beneficial owner.	• Recent/expected growth; • New products and services.

Sectoral Risk Assessment Methodology - Regulated Sectors

The methodology used to assess sectoral risks is summarized below:

- Identify the inherent risks of customers, geography, products, delivery channels, and the magnitude of the nature and complexity of three subject sectors using qualitative and quantitative criteria.
- Assess inherent risk factors, based on the number and importance of inherent risk factors.
- Collect data through questionnaires and subject it to appropriate review.
- Classification of inherent risk factors to arrive at the classification of the individual risk category, for example high, medium-high, medium, medium low, low.
- Define the categories of control effectiveness, identifying all controls, assigning them to the controls and categories of inherent risks.

Inherent Risk

- Country Risk
- Customer
- Products and Services
- Delivery Channels
- Other qualitative risk factors (nature, size, and complexity).

- The categories were evaluated based on importance, the number of control elements, and the number of key control elements; the effectiveness of the control was recorded by aggregating the results to obtain an overall effectiveness score.
- The inherent risk factors are measured by the following weights:

Inherent Risk Factors		
Sector	**Risk indicator**	**Weightage**
Three (3) supervised sectors: TCSPs, DPMS and Accountants	Geographic Risk	25%
	Customer	35%
	Delivery Channel	5%
	Product and Services	20%
	Other Qualitative Factors Nature, Size and Complexity	15%

Internal Control

- Controls may be in form of programs, policies and internal procedures, reporting, authorizations etc. that are put in place by each supervised entity to protect itself against the materialization and impact of a ML risk, or to ensure that potential risks are promptly identified. The controls in place are evaluated for their effectiveness in mitigating the inherent ML risk and to determine the residual risk rating. AML controls are assessed across the following control categories via the use of questionnaires:

  - AML Corporate Governance.
  - Management Oversight and Accountability.
  - Policies and Procedures.
  - Know Your Client ("KYC"); Client Due Diligence ("CDD"); Enhanced Due Diligence ("EDD").
  - Previous Other Risk Assessments.
  - Management Information/Reporting.
  - Record Keeping and Retention.
  - Designated AML Compliance Officer/Unit.
  - Detection and STRs filing.
  - Monitoring and Controls.
  - Training.
  - Independent Testing and Oversight.
  - Other Controls/Others.

- Each of the categories stated above was assessed for the overall design. There may be both positive and negative indicators of control execution and these should be clearly documented to assess the operating effectiveness of each control. Additionally, controls should be linked to Key Performance Indicators or other metrics where possible. The way in which control effectiveness has been assessed is by undertaking a focused self-assessment questionnaire which has been circulated by the regulator to all supervised entities. The internal controls are rated according to a pre-defined rating scale or based on qualitative factors, e.g., Effective, partially effective, and Ineffective.

Residual Risk

- Once both the inherent risks and the effectiveness of the internal control environment have been considered, the SRA will determine the residual risks. Residual risk is the risk that remains after controls have been applied to the inherent risk findings. It is determined by comparing the level of inherent risk to the overall strength of the internal controls. The residual risk rating indicates whether ML risk within an entity is being adequately managed.
- The residual risk is evaluating on a five-tier rating scale: Low, Medium Low, Medium, Medium High, and High. For the explanation of the tiers.

- The residual risk rating is an indication for MOCI for evaluating whether the ML risks within the supervised sectors are well managed, and subsequently proceed with the appropriate corrective measures.
- Due to the nature of each customer and its activities, products and services, and geographic location, an RBA is used to calculate inherent risk. Each risk factor is usually assigned a score which reflects the associated level of risk. Each risk area may then be assigned a weight which reflects the level of importance in the overall risk calculation relative to other risk areas. Similarly, each control may be assigned a weight which reflects the relative strength of that control.
- The residual risks are assessed on a rating scale of five levels: low, medium low, medium, medium high, high, and can be illustrated as follows:

Residual Risk Assessment				
Inherent Risk Rating	High (5)	Medium high	Medium high	High
	Medium high (4)	Medium	Medium high	High
	Medium (3)	Medium low	Medium	Medium
	Medium low (2)	Low	Medium low	Medium low
	Low (1)	Low	Low	Low
		Effective Control	Partially Effective Control	Ineffective Control
		Control Environment Rating		

Key vulnerabilities and high-risk factors - State of Qatar Overview

- The State of Qatar is a peninsula located halfway along the west coast of the Persian Gulf, the state is a member of the Middle East & North Africa Financial Action Task Force (MENAFATF) and the Gulf Co-operation Council (GCC), which are both member of the FATF.
- It is important to note that Qatar, as a country with a very low level of crime, faces money laundering threats of an external nature. It is one of the safest countries in the world, with very low crime rates, and there is no evidence of organized crime groups in Qatar, so Qatar was established to be an international financial center that offers a range of international business services.
- The attractiveness of Qatar as a financial centre and the upcoming major events and milestones, has exposed the country to significant ML and TF risks, like several threats that other financial business centres are facing. The main risks faced by Qatar are the TF and a range of ML activities, including professional third-party ML, cash-based ML, abuse of legal persons, trade-based ML, and the laundering of proceeds, particularly from foreign predicate offences including fraud, tax offences and organized crime.
- The sectors considered most vulnerable are the financial institutions, DPMS, TCSPs, Accountants and the real estate sector. As a result, products and services provided by subject entities, which are subject to the supervision of the Ministry of Commerce and Industry, are likely to be used and misused for money laundering and terrorist financing purposes.

Key vulnerabilities and high-risk factors

- In the past years, the Qatari authorities have implemented several improvements for AML and CFT regimes, including the development of the National Risk Assessment (NRA), methods in addressing technical deficiencies in legislation and regulations, strengthening co-ordination mechanisms across the country, strengthening Qatar Financial Information Unit (QFIU) and assigning a supervisory role to a number of authorities in order to properly supervise all Market Sectors in the Country. Similarly, such a role was assigned to MOCI for the supervision of the three sectors as mentioned under this assessment. The SRA has identified several vulnerabilities and high-risk factors that MOCI should take into consideration in its effort to mitigate the ML and TF threats that the supervised entities are exposed to, as well as considerable areas of improvement relating to the effectiveness of processes and procedures, monitoring controls, reporting and supervision.
- The SRA detects the key ML and TF vulnerabilities and high-risk factors that MOCI and the sectors under supervision are exposed to. Such factors need to be considered by the supervised entities when performing their own risk assessments and establish the impact such factors have on their own business and identify the necessary control frameworks.
- The list is neither exhaustive nor binding, nor would these factors apply in the ML and TF Enterprise Risk Assessment (ERA) of every reporting entity.

- Such factors play a vital role during the ML and TF risks analysis. The factors identified through the SRA report for MOCI, and its supervised entities are listed below and are presented in line with the FATF analytical framework, known as "PESTEL" (i.e. political, economic, social, technological, environmental and legal). However, it should be noted that not all 6 framework factors are applicable to MOCI SRA. In accordance with the "PESTEL" framework, and having analysed the outcomes of the questionnaires, the applicable factors identified during the assessment related to MOCI and the supervised sectors are as follows:

Political Factors:

- Inadequate human, financial and other resources of competent authorities (i.e., lack of specialized training, low levels of reporting and monitoring and lack of quality of STRs) .
- Sector not sufficiently concerned or incentivized regarding vulnerability to ML related reputational risks.
- Requirements of AML and CFT regime not well defined and understood or implemented by supervised entities.
- Inadequate resources and expertise allocation on identifying beneficial owners of complex structures, foundations, trusts etc.
- Effectiveness of operations from competent authority .

Economic Factors:

- Composition of the sectors under supervision.
- Products, services, and transactions (cash transactions and cross-border funds transfers).
- Customer (types and ranges of customers).
- Delivery channels.
- Geographical locations (business and customers based in high-risk jurisdictions, non-residents).
- Ownership and control of legal entities and requirements concerning the identification of UBOs.
- 88% of entities registered under MOCI are under natural persons, the remaining 12% are under legal persons.
- Cash-based business (in specific the DPMS sector).
- Effectiveness of reporting entities in implementing the AML and CFT obligations or control measures (CDD, ongoing due diligence, transaction monitoring and record keeping).
- PEPs and UHNWI.

Technological Factors:

- Money services business.
- Hi-tech driven payments methods.
- Foreign exchange dealers.

Legislative Factors:

- Review process and update of current legislation.
- Impact on international Standards on national Legislation.
- Lack of supervision and control to reduce the risks of ML and TF.

- The MOCI and the rest of the competent authorities should be considerably conscious due to Qatar's proximity to conflict areas and the developments around the Gulf region. It is prudent for all MOCI reporting entities to consider the vulnerabilities and risk factors associated with TF and the potential red flags that may indicate TF activity. Reporting entities should consider not only the high-risk countries of the clients they service, but also their neighbouring countries, as TF often involves the physical movement of funds across borders. Qatar's diverse financial and non-financial sector, and the complexity and attractiveness of the product and services provided by the various sectors such as the real estate, TCSPs, DPMS etc., may provide considerable ground to attract financial flows that are related to criminal activities and particularly TF .
- Similar to ML, it is of paramount importance for the MOCI and the reporting entities under supervision to understand the sources and methods of TF at a national and international level. This is essential for MOCI and for the rest of the competent authorities to develop and implement an effective CFT program. In line with the international practices, a national ML and TF risk assessment should consider the foundation for setting AML and CFT policy priorities and resource allocation. At the same time, similar to ML, the reporting entities must be well aware of the TF threats and how their product and services might be abused for such purposes.
- The new AML regime introduced by the State of Qatar under the Law 20, Article 3, states that the TF offence extends to any funds, whether from a legitimate or illegitimate source, regardless of whether the funds were actually used to commit or attempt to commit a terrorist act or are linked to a specific terrorist act. The TF offence shall be deemed to have been committed, irrespective of whether the person charged with committing the offence is present in the same country or where the terrorist or terrorist organization is located or where the terrorist act was committed or would be committed or in any other state.
- The risks associated with TF are tremendous and may endanger the security and reputation of Qatar's financial system. As such, the MOCI and the reporting entities need to ensure that their CFT measures remain current and they are regularly reviewed to account

for any recent developments, new methods implemented from terrorist organisations, technologies etc. It is important that reporting entities maintain awareness and effective transaction monitoring systems.

- Products and services provided by controlled entities are likely to be misused during the placement, transfer, or use of funds in the following ways :

– Money smuggling

– Via bearer tradable instruments

– By using precious metals or precious stones.

Summary of key weaknesses and high-risk factors:

<u>The table below provides a summary of the main weaknesses and high-risk factors identified from the sectoral risk assessment conducted for the sectors under the supervision of the Ministry of Commerce and Industry</u>:

Gatekeepers	PEPs and high-net-worth individuals	High Risk customers /jurisdiction	International Payments	Trusts, shell companies, etc.	Lack of ML/ TF awareness	anonymity and complexity	New Payment Technologies	Cash and liquidity	Sectors
H	H	H	H	H	H	M	H	H	**TCSP**
H	H	H	H	H	H	M	H	H	**DPMS**
H	H	H	M	M	M	M	H	M	**Accountants**

- As part of the sectors assessment process, MOCI aims to assess the likelihood (threats and vulnerabilities) of occurrence of the ML and TF in each of the three sector. As a result, the reporting entities are encouraged to consider the applicable vulnerabilities and high-risk factors during the BRA.

How supervised entities should use SRA:

- supervised entities should exploit the results of the sectoral risk assessment that will help them understand the scope of the sectoral risk assessment. Each regulated entity should review its sector-specific assessment (Section 6, 7, 8) covering the general risks and characteristics of sectors associated with money laundering/terrorist financing (noting that individual reporting entities will differ from the sector average) .

- The SRA will help supervised entities understand the most vulnerable areas within the sector. If the supervised entities work at more than one sector, they must review and apply all relevant risk assessments.
- Regardless of the ML/FT risk classifications in the SRA, when supervised entities assess their own money laundering/terrorist financing risk, they should consider the level of risk they wish to accept which is sometimes referred to as "risk appetite".
- The SRA also helps supervised entities understand topics where the MOCI has identified weaknesses in the controls that must be in place to reduce the risks and obligations related to money laundering/terrorist financing.

MOCI Overall risk

Assessed Risk:	Inherent Risk	Intimal Controls	Residual Risk	Overall Risk Rating
MOCI	severe	Partially Effective	Medium –High	Medium –High

- The overall Medium-to-High Risk rating for MOCI reflects the threats and vulnerability of ML and TF that are associated with the supervised sectors together with several challenges and threats identified during the SRA. In concluding, we took into consideration the challenges that were exhibited during the SRA process and the assessment of internal controls. These relate to the following areas:
  - MOCI challenges in transforming theoretical knowledge of ML and TF risks into supervisory practice and risk-based supervisory strategy, policies, and procedures.
  - Lack of proper understanding of the threats and vulnerabilities associated with the sectors under supervision.
  - Absence of directive, circulars and implementation guidance drafted in line with the supervised entities.
  - Absence of on-site and off-site monitoring visits to assess whether the reporting entities AML & CFT systems and controls are effective, and enforcement of corrective measure.
  - Lack of technology and automation that contributes to the creation of silos of information, ineffective enterprise risk assessments, monitoring and supervision.
  - Ineffective cooperation with QFIU and other competent authorities, that could have otherwise created synergies and position AML and CFT in the wider national supervisory framework (kindly note that no statistical data have been made available in respect to STRs).