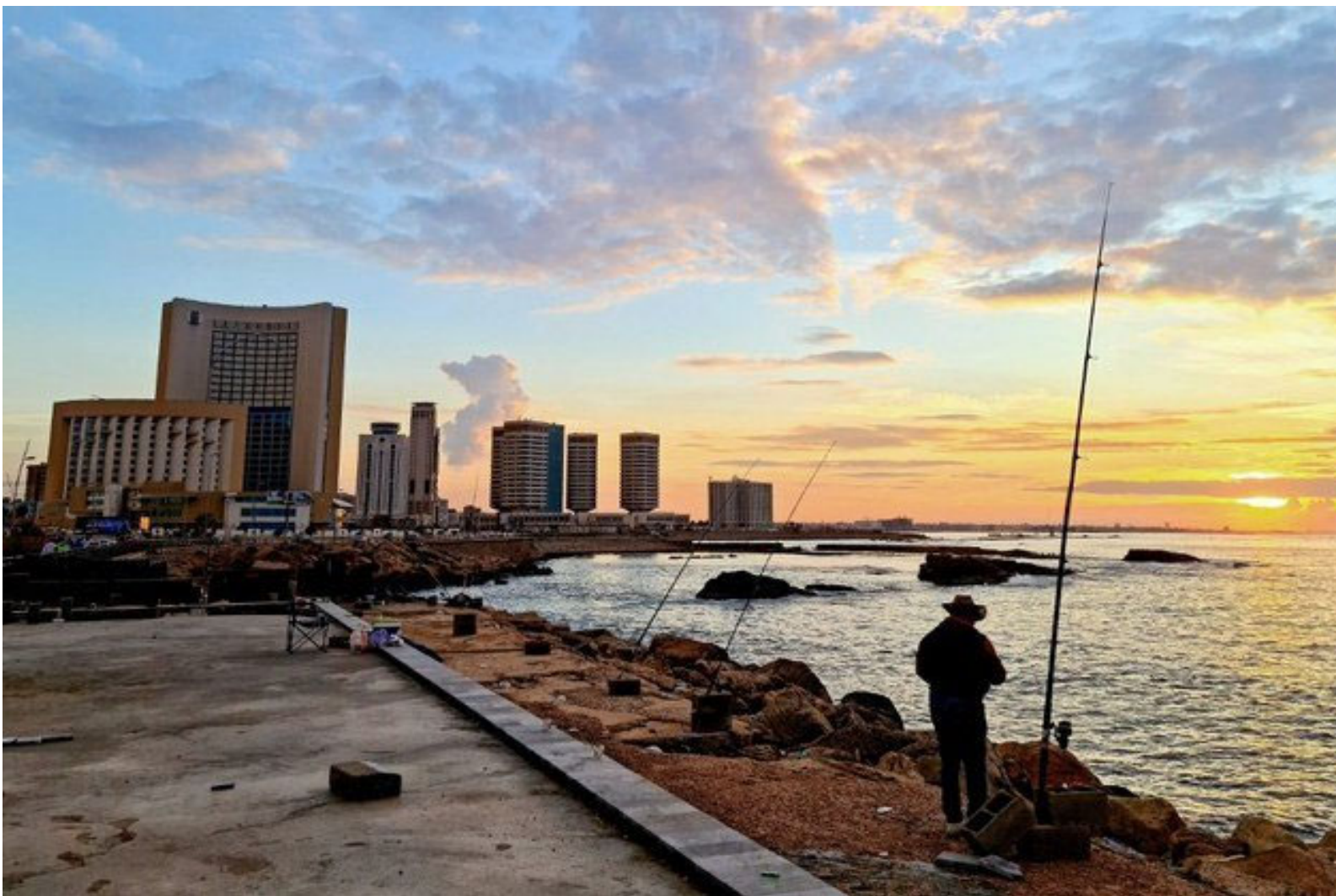


Assessing Libya's National Framework for combating money laundering and terrorist financing

February 2023



The author has used different methods to collect data and information used within the report. Sources include published reports produced by international organizations on the financial situation in Libya, reports released by the Libyan Audit Bureau, as well as data from the websites of the Financial Action Task Force and Central Bank of Libya. Other sources include reports from media agencies and bank employees' insights.

The author's intention in this report is to highlight the current state of Libya's AML/CFT framework, which is in desperate need of reform to put the Libyan state on the correct path with respect to its approach towards combating money laundering and terrorist financing in accordance with international standards and best practices.

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Introduction

This report aims to examine the current status of the Financial Action Task Force (FATF) recommendations in Libya and highlight the challenges to their effective implementation.

FATF is an intergovernmental organization that sets standards and promotes the effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and related threats to the integrity of the international financial system.

Libya, like many other countries, is required to implement these recommendations as a member of the international community and MENA Financial Action Task Force (MENAFATF), the regional body of FATF, however, the ongoing political and security instability in the country has led to a lack of cooperation between various Libyan stakeholders, making it difficult for the government to implement these recommendations effectively.

Moreover, the lack of strong political will to combat money laundering and terrorist financing has hampered efforts to implement the FATF recommendations in a meaningful way.

The report will focus on a comparison of Libya's position relative to other countries currently on the gray list, Libya's history with FATF sanctions and the main challenges facing the implementation of the FATF recommendations in Libya, including the lack of coordination between government agencies and political will to combat money laundering and terrorist financing, and the ongoing political and security crisis plaguing the country's destabilization.

The report will also examine the impact of these challenges on the implementation of the recommendations and propose possible solutions, it is important to note that the information in this report is information from the news and reports that have been published related to the situation in Libya and also the author has put his practical experience in dealing with the parties that are supposed to implement the recommendations of the Working Group in Libya.

We will attempt to provide an overview of the current state in Libya, but this should not be considered a comprehensive analysis of the challenges faced in implementing the FATF recommendations.

However, it is hoped that this report will contribute to a better understanding of the challenges facing the implementation of these recommendations in Libya, and will help guide future efforts to combat money laundering and terrorist financing in the country.

This report calls on the FATF to conduct a comprehensive review assessment of Libya through mutual evaluation. Although this may cause the short-term negative impact of Libya being added to the gray list, at the same time it will have a long-term positive impact, by initiating the will to change, being more effective at preventing corruption, money laundering and terrorist financing and having stronger regulations for the various relevant sectors in this regard.

Financial Action Task Force (FATF)

What is the Financial Action Task Force (FATF)?

FATF is an intergovernmental organization established in 1989 to combat money laundering and terrorist financing, whose mission is to set international standards for anti-money laundering, counter terrorist financing and proliferation financing with the aim of reducing such activity and the resulting negative impact on society. As an intergovernmental organization, FATF works with governments around the world to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

FATF has developed the 40 recommendations that serve as international standards for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction and form the basis for a coordinated global response to prevent organized crime, corruption and terrorism.

FATF monitors the progress made by member states implementation of the recommendations, by reviewing the presence as well as effectiveness of anti-money laundering and terrorist financing measures and techniques to combat them through a defined evaluation process.

What is the Middle East and North Africa Financial Action Task Force (MENAFATF)?

It is an intergovernmental inter body consisting of 21 Arab member states including Libya, and works to achieve the same objectives as FATF relative to its members, as it assesses the extent of their commitment to implementing the standards of the Financial Action Task Force and is responsible for the evaluation of some of its member states, which includes Libya.

What are Mutual Evaluation Reports (MERs)?

The FATF produces mutual evaluation reports (MERs) which are the results of in-depth analysis of the technical implementation and effectiveness of measures applied by countries in implementing the FATF recommendations. This can take considerable time, with assessments taking up to 18 months to implement.

A mutual evaluation is a peer review, where members from different countries evaluate another country. To enhance and maintain transparency between countries, the mutual evaluation report provides an in-depth analysis of the countries level of implementation and its effectiveness, giving a holistic view of the strength of its financial system in preventing money laundering and terrorist financing.

General information about the mutual evaluation process:

The evaluation process consists of two main elements: the evaluation of the technical commitment aspect and the effectiveness aspect:

The first element of the mutual evaluation process is the assessment of technical compliance with the recommendations of the Working Group¹⁸, and this process is carried out on site, as it aims to analyze all laws and binding legal means and controls related to combating money laundering, terrorist financing and proliferation financing within the jurisdiction under review, and to evaluate the extent of their compliance with the standards of the Financial Action Task Force represented in the forty recommendations.

The second element of the mutual evaluation process is called the effectiveness assessment, and this process takes place through a field visit to the target country of the evaluation, where the evaluation team interviews representatives from the public and private sectors and civil society organizations related to combating money laundering, terrorist financing and proliferation, and this process is based on the eleven direct results included in the evaluation methodology¹⁷ adopted by the Financial Action Task Force, which we will address later in this report.

Stages of the mutual evaluation process

The mutual evaluation process begins with a high-level visit to the country to be evaluated, and aims to ensure the existence of the necessary political support required to complete the process successfully and provide all requirements for the joint evaluation team from documented legislation, statistical data and other matters that support the extent of the jurisdiction's compliance with the application of international standards. In addition, there needs to be assurance of their required commitment and ongoing cooperation by all relevant sectors of the state which includes financial, economic, non-financial professions as well as law enforcement authorities. A year before the field visit, a training course is held on the evaluation process and its stages for the relevant involved parties.

In preparation for the Mutual evaluation, six months prior to the field visit, the jurisdiction under review is expected to submit all laws and regulations that are in force using a form prepared for the purposes of analyzing technical compliance. Then, at least four months before the field visit, the jurisdiction is required to submit all information that indicates the level of effectiveness, such as statistics, procedures and mechanisms of action to benefit the evaluation team before the field visit. The final stage of preparation is the selection of the evaluation team by MENAFATF Group.

Once mutual evaluation process takes place until completion, the finalized Mutual Evaluation Report (MER) is presented at the annual meetings of the group. Based on the outcome, if there are any deficiencies the jurisdiction could be subjected to enhanced follow-up, where it would need to submit periodical progress status reports on efforts to address the highlighted shortcomings mutual evaluation report. There is also the possibility that the jurisdiction could be added to the **gray list** of jurisdictions that have strategic deficiencies in combating money laundering, terrorist financing and proliferation financing, or the **Black list** of non-cooperative jurisdictions.

What about Libya's Mutual Evaluation?

To date, FATF has not conducted a mutual evaluation of Libya, with no evidence of Gray list removal or preceding designation in any of its publications. However, there has been a statement posted on the Central Bank of Libya's website in 2018 which mentions Libya's exit from the gray list as a result of the efforts of the bank. Upon further inquiry, we noticed that there is another type of evaluation conducted by FATF, which is the International Cooperation Review Group (ICRG). This assessment is triggered when two or more working group members vote on conducting the review due to concerns over weaknesses in the AML/CFT regimes of the jurisdiction of concern.

Unfortunately, it appears that there is no transparency regarding this process or the final results of the evaluation, with no publicly available information about the review, the resulting report or acknowledgement of it taking place, neither on the FATF website or any other sources. It is not clear whether there was a visit by team members to Libya or not, and the news appears to have been circulated to local Libyan news outlets via the Central Bank of Libya.

Designation Lists

How are jurisdictions listed?

If the jurisdiction is deemed to be deficient, it can be included in one of two classification list depending on the results of the mutual evaluation report and according to the State's responsiveness in addressing any highlighted shortcomings. The objective of such designations is to direct international and domestic political pressure on the jurisdiction of concern, to encourage it to improve its systems and controls in place to combat financial crimes to reduce the risk of exploitation of its financial systems by criminals, money launderers and terrorist financiers, thus reducing the chance that the country will turn into a safe haven for illicit funds and activities.

What are the two classification lists

The Gray List

The gray list consists of jurisdictions under increased monitoring, which are those considered to be actively working with the FATF to address highlighted strategic deficiencies in their counter money laundering, terrorist financing, and proliferation financing regimes. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring.

The gray list may be a preceding warning to entering the blacklist, if necessary measures are not taken to improve their AML/CFT regimes, with the classification being evidence that these countries have shortcomings in this regard. This requires that other jurisdictions exercise extra caution when dealing with them, as well as obstructing or stressing some incoming and outgoing remittances to them, whether by the public or private sector, and some regional organizations may take The International Monetary Fund and the World Bank have taken some measures to pressure the country concerned, such as not approving loans or not being lenient in repaying loans, which has significant effects on the economy and international trade of the country.

The Blacklist

The *Black List* consists of High-Risk Jurisdictions subject to a Call for Action, which are jurisdictions with serious strategic deficiencies to counter money laundering, terrorist financing, and financing of proliferation. At least three member states need to support such a designation and vote on the jurisdiction in question to be blacklisted by the Financial Action Task Force (FATF). Currently this includes Iran, Myanmar and North Korea.

Blacklisted countries pose a serious risk to the international financial system, with FATF calling upon all members and urging all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing risks emanating from the country.

The impact of Black/Gray Listing

Placing any country on the gray list or black list can lead to serious negative economic impacts. This measure can often have a wide range of domestic and international repercussions which can worsen the longer the state is listed, with an impact that can extend for many years even following exit.

The negative impact may include, but is not limited to, the following⁴:

1. Significant reduction in international trade, investment, aid and foreign exchange inflows;
2. Derisking by regional and global financial institutions from dealing with their counterparts in the listed country and loss of confidence in the overall financial sector;
3. Significant payment delays and impact on supply chains and trade, e.g., documentary credit procedures;
4. High costs of cross-border transactions via SWIFT and significant restrictions on personal transfers;
5. Global rating agencies downgrade relevant sovereign, government and corporate ratings;
6. Restricting overlapping financial links and working with correspondent banks;
7. Declining value of the local currency;
8. Demands from major banks to stop doing business with the state;
9. Increasing levels of inflation;
10. The possibility of being subjected to political, financial and service pressures and boycotts from other countries;
11. Potential economic sanctions that could be imposed by the International Monetary Fund and the World Bank on all other countries that deal with listed jurisdictions;
12. Hampering the general public's access to the international financial sector, in particular for moving and receiving funds to/from abroad, opening accounts abroad.

Case Studies: Implications of the Gray List for Jurisdictions in the region

The gray list should be viewed as warning of deficiencies in the national counter money laundering, terrorist financing and proliferation financing regime, but also as an opportunity for countries to address highlighted concerns and strengthening their regimes to warrant successful removal from the gray list, rather than descending further to the black list through non-cooperation and the failure to progress towards addressing the concerns.

Case 1: Türkiye

The official website of the Financial Action Task Force (FATF) indicates that Türkiye has been on the gray list since October 2021 for the following reasons:

1. Failure to allocate the necessary resources to the FIU to oversee AML/CFT compliance by high-risk sectors and to increase site inspections in general.
2. Failure to apply deterrent penalties for violations of AML/CFT violations, in particular for unregistered money transfer services and exchange offices, and with regard to requirements for adequate, accurate and up-to-date information on beneficial ownership;
3. Failure to strengthen the use of financial intelligence to support money laundering investigations and increase the proactive dissemination of sanctioned persons by the FIU;
4. Inability to conduct complex investigations and prosecutions in the area of money laundering;
5. Lack of clear responsibilities, objectives and measurable performance measures for authorities responsible for recovering criminal assets, pursuing terrorist financing cases, and using statistics to update risk assessments and inform policies;
6. Failure to respond to further financial investigations into terrorism cases, prioritize terrorist financing investigations and prosecutions involving groups designated by the United Nations, and ensure that the scope of the Terrorism Service investigations is expanded to identify funding and support networks;
7. Failure to implement financial sanctions targeted by UN Security Council Resolutions 1373 and 1267, and to follow up on requests and local appointments related to UN-designated groups;
8. Failure to fully implement a risk-based approach to nonprofit organizations oversight to prevent their misuse for terrorist financing, engage with and share their observations with a wide range of industry nonprofits, ensure that applicable sanctions are proportionate to any violations, and take steps to ensure that oversight does not disrupt or discourage legitimate nonprofit activity, such as fundraising. The FATF continues to monitor Türkiye's oversight of the NGO sector. We urge Türkiye to apply a risk-based approach to the supervision of non-profit organizations in line with FATF standards.

Impact of Türkiye's entry into the gray list

The price of the Turkish lira (Figure 1) and its decline from the day Türkiye entered the gray list since October 2021 until today, the graph shows that the price of the Turkish lira has been falling regularly and naturally to October 2021, which is the date that Türkiye's entry into the gray list was announced, where upon entry, Türkiye was exposed to the following economic problems¹:

1. Downgrading of sovereign ratings;
2. Economic constraints due to lack of investment opportunities;
3. Negative impact on a country's ability to borrow from the IMF and other global bodies;
4. Negative impact on the relationship with international financiers, banks and financial institutions that take into account the FATF rankings;
5. Negative impact on potential foreign investments;
6. Potential for boycotts or sanctions at the state or district level;
7. Lack of trade opportunities with other countries, due to the negative reputation of the gray list;
8. be classified as a "high-risk country" in the global business environment, and therefore subject to stricter trade conditions, higher compliance, and greater control measures;
9. Other economic pressures such as currency depreciation, trade deficits and rising inflation; negative impact on the bond market.



Figure 1

How does Libya compare with FATF's observations on Türkiye?

1. The Libyan government has not allocated sufficient resources to the Financial Information Unit, and the continuous change of the leadership, coupled with the lack of competence of all previous selected individuals in the field and the lack of a website for the unit or ways to communicate with it gives the impression of unprofessionalism, also the direct relationship between the FIU and the Central Bank of Libya prevents the unit from taking a neutral position in the investigation and collection of information in which the Central Bank of Libya is a party, finally as the Central Bank of Libya is a party to the current political conflict in Libya and according to Law No. 2 For the year 2005, the unit is considered unable to take any decision in any case except with the permission of the Governor of the Central Bank of Libya.
2. Libya has suspended the land registry since 2011, and contract writers do not cooperate and report any financial suspicions in the contracts.
3. At the level of the black market: Remittances through unlicensed remittance offices are popular, and there is no statistic or data showing any information about them, i.e. the beneficiary party, sender, custodian, or any of the information required in KYC forms, where anyone can transfer money anywhere in the world through these agencies, whether to America, Europe or China without any personal identification or documents justifying the purpose of the transfer, and in most cases it takes place Many unlicensed remittance companies advertise for them on social media, and there is no deterrent or regulation of such practices.
4. There is no periodic bulletin issued to all authorities concerned with combating money laundering and terrorist financing from the Financial Information Unit, there is no announced local sanctions list, the only and main partner in reporting is commercial banks, there are no real companies and exchange of information in real time between other sectors such as the commercial registry, commercial chambers, lawyers, contract writers, civil society organizations or legal persons.
5. There is no applied law to combat money laundering and terrorist financing. The issuance of Law 1013 of 2017 by a non-legislative body has not been recognized by the courts. In addition, Law No. 3 of 2014 is not considered to be in force, following the outcomes of the 2015 Libyan Political Agreement. The only law that has ever been in effective force is the current Law No. 2 of 2005 which addresses money laundering. Criminalization of terrorist financing is not explicitly covered by Libyan law, with two articles in the Libyan Penal Code often being used to demonstrate some level of adherence.
6. The Libyan government has not yet conducted any sectoral risk assessment. Most of the actions taken by responsible authorities are not based on factual data, but only in a reactionary manner, with decisions often being arbitrary and ineffective.
7. The Chairman of the National Committee for Combating Money Laundering issued Circular No. 3 of 2016, restricting all transactions related to civil society organizations, from account opening procedures to sending/receiving local and international financial transfers to cash withdrawal from the bank, using a non-risk-based approach. This has led to many banks halting services to such organizations or to increasing the cost of such services, due to the time-consuming, inefficient paper-based processes that is implemented for each financial procedure or transaction. As a result, many organizations have succumbed to these pressures and have sought alternative solutions by opening accounts in other countries or using the unregulated black market.

Case 2: United Arab Emirates

According to the official website of the Financial Action Task Force (FATF), the reason for the UAE's entry into the gray list was:

1. Lack of concrete evidence through case studies and statistics illustrate a sustained increase in mutual legal assistance requests to help facilitate investigations into terrorist financing and money laundering;
2. Necessary coordinated action to reduce the risks of money laundering and terrorist financing in the Designated Non-Financial Business and Professions (DNFBPs) sectors has not been strengthened;
3. No increase in number or quality of SARs filed by FIs and DNFBPs has been demonstrated;
4. Lack of understanding of risk of misuse of legal persons/legal arrangements for money laundering and terrorist financing;
5. Ineffectiveness of the FIU in pursuing high-risk money laundering threats;
6. Inability to demonstrate sustained increase in effective investigations and prosecutions of money laundering cases consistent with UAE’s profile;
7. Lack of a mechanism to proactively identify and combat crimes of sanctions evasion, especially within the private sector.

Impact of UAE's entry into the gray list

The below graph displays the financial performance of banking sector in the UAE, where we witnessed a boom beginning of Q1 2022, where we witness a boom in Q1. However, this was followed by a sharp decline in Q2 2022 (beginning of May 2022)⁴, as the first sector impacted by the inclusion of UAE to the gray list was the banking sector⁵. We can conclude that the UAE authorities understood the seriousness of the matter from media statements and government statements, confirming their aim to be removed from the gray list by implementing the recommendations of the working group, based on highlighted shortfalls.



Figure 2

How does Libya compare with FATF's observations on the UAE?

1. There are no published statistics and studies, and no sector assessment has been conducted in Libya.
2. There is no tangible cooperation between the Financial Intelligence Unit, the Anti-Money Laundering Committee, and non-financial institutions and professions such as contract drafters, lawyers, and others, and even with the Libyan Audit Bureau, according to the Audit Bureau for the year 2020 ¹⁴.
3. There are no published statistics for cases of money laundering and terrorist financing, and there is no legal mechanism to punish perpetrators of terrorist financing crimes in Libya because there is no "enforceable" law criminalizing this act.
4. The FIU and the financial control departments and bodies are not connected electronically and most transactions are dealt with in paper form or by summoning in person to ask about some suspicions, there is no intervention of modern systems that anticipate the occurrence of crimes or for the rapid follow-up of suspicious parties.
5. In terms of freezing assets, in general, it is difficult to freeze any assets in kind inside Libya, and the only ability is to freeze bank balances or sometimes commercial records of some companies.

Case 3: Morocco

Morocco entered the gray list in February and the reasons for Morocco's entry into the gray list are as follows:

1. Failure to take a risk-based approach, take remedial action and apply effective, proportionate and deterrent sanctions for non-compliance;
2. Failure to enforce financial sanctions and monitor compliance of financial institutions and non-financial businesses and professions with the application of financial sanctions;
3. Failure to share the results of the risk assessment on the misuse of all types of legal persons, the private sector and authorities;
4. There is no diversity in the sources of suspicious transaction reports;
5. There is no effective application of seizure and confiscation procedures.

Impact of Morocco's entry into the gray list

The below graph (Figure 3) shows the fall in the Moroccan dirham, which appeared two months after Morocco entered the gray list.



Figure 3

How does Libya compare with FATF's observations on Morocco?

1. There are no risk assessments conducted in Libya, and according to one public official, it is a difficult endeavor due to lack of cooperation between sectors.
2. There is no effective mechanism to monitor the compliance of DNFBPs and communication between them and the FIU is virtually non-existent with no established Suspicious Activity Report (SAR) reporting mechanism. This is evidenced by the Audit Bureau report for 2021, in which it highlighted the failure of the FIU in information sharing by failing to provide any data to the Audit Bureau, in violation of the law.
3. The FIU only receives SARs from the commercial banks, therefore establishing there is no diversity in sources. There are no published reports on the efforts made by the FIU to communicate with different sectors and entities with regards to Suspicious activity reporting.
4. There are no established proven mechanisms for confiscating or freezing assets with difficulties faced in determining true real estate and commercial ownership, and no data to suggest any such activity has taken place.
5. The existence of the Financial Operations Unit as a department of the Central Bank of Libya constitutes an additional burden on the unit due to the political conflict and the presence of the Central Bank of Libya as one of the parties to the conflict.

Conclusion

Libya appears to have serious shortcomings when it comes to meeting most of the recommendations that led to the inclusion of the UAE, Türkiye and Morocco within the FATF gray list. This has prompted us to take a closer look at Libya's commitment towards international standards for combating money laundering, terrorist financing and proliferation financing, through an analysis of the current status quo by evaluating Libya's adherence with the FATF recommendations.

Libya's History with the Gray List

According to the Central Bank of Libya and local media sources, Libya entered the gray list in 2015, which was followed by its removal in February 2018. It's worth noting that the only source official statement issued in this regard is that of the CBL on their official website on February 21, 6 2018, with local media sources quoting this source. Given there is no reliable international media sources that covered the news and perhaps more importantly, Libya's entry/exit from the gray list is not mentioned anywhere on FATF nor MENAFATF websites or publications. The Governor of the CBL confirmed this news in a 2021 speech³.

On the other hand, according to FATF, through what we have discerned from MENAFATF, "no mutual assessment has been made to this moment due to the security situation"⁸. It must be noted that this sentence has not changed in all reports from 2017 to 2021, and there is no reference as to how this evaluation has been made and whether it is periodically reviewed, particularly since there have been years of consistent stability which would have allowed for such an evaluation. Given that a wide array of multilateral organizations and private organizations are able to operate in Libya (This includes business delegations and diplomatic envoys that frequent Libya from across Europe and around the world), there is no clear evidence to suggest that the security situation in Libya is so dangerous to the extent that it cannot be evaluated. There are various UN organizations and embassies of countries such as Türkiye, France, the United Kingdom, Germany and the Netherlands work on a daily basis in Libya.

Prior reports published by MENAFATF show that the evaluation and field visit to Libya should have taken place at the beginning of 2017 and we are aware that Libya was initially due to be evaluated prior to 2011. However, there have been no reports, data or information on the procedures that have taken place throughout 2015 – 2018 and in general, therefore we can conclude that Libya has not been subjected to any mutual evaluation. Upon further inquiry with FATF/MENAFATF, we have been told that an assessment was carried out by FATF's ICRG International Cooperation Audit Group of the Financial Action Task Force (FATF). However, with no transparency around the process or results, the result remains inconclusive.

Even with Libya being consistently in the bottom of Transparency International's CPI rankings (Despite its relatively higher GDP per capita compared to other countries at the bottom), as well as the prevalence of media, CSO and government issued reports indicating Libya's non-compliance with the FATF recommendations, there has been no action taken by FATF/MENAFATF. Examples, such as the Global Witness¹⁰ and Libyan Audit Bureau reports¹⁴ highlight an environment characterized by unabated corruption and organized crime, which can only be sustained by money laundering activity. This is evident in the complete failure of cooperation between relevant parties, in particular the FIU and bank supervisory authority, resulting in no evidence of investigation, detection and disruption of financial crimes, including money laundering, bribery and corruption.

In January 2021, FATF said the following about Libya: "The Financial Action Task Force calls on Libya to continue to address its remaining strategic shortcomings and take additional steps to fully implement its action plan to address these issues, and the Financial Action Task Force urges the

international community to continue to support Libya in its efforts to address these shortcomings".¹⁶⁻ It is evident that the U.S. Department of the Treasury & State have been especially focused on this issue, with the Governor of the CBL often touting the cooperation between the CBL and US authorities, although this has been ongoing since at least 2015, with little progress made¹⁷⁻.

According to the Libyan Audit Bureau report, there were negative economic effects in the period between 2015 to 2019¹⁴⁻, as follows:

1. Reduction in foreign currency exchange availability;
2. Prevention of foreign currency deposits in local bank accounts;
3. Restrictions by the Central Bank of Libya of the goods for which letters of credit will be opened;
4. Liquidity issue at retail banks due to high withdrawals resulting from lack of confidence
5. The inability of banks to provide financial services involving foreign currencies without the intervention of the Central Bank;
6. Some correspondent banks have ceased relationships with Libyan banks as Libya has reached a level of risk classification deemed to high and therefore unacceptable;
7. The lack of banking services is the reason for the lack of cash liquidity in banks in a country that relies mostly on cash and does not have support for electronic services;
8. The continued prosperity of the black market, with it often being the only source of foreign exchange and foreign remittances for citizens;
9. The Libyan dinar has depreciated, having previously reached levels as low as 9 dinars per US dollar;
10. The increasing risk of terrorist financing with the ease of access to Hawala/black market exchanges which have financial operations that can easily allow the transfer/receipt of funds to/from all parts of the world
11. The increase in bulk cash and precious metal smuggling, often destined towards the UAE and Türkiye via air transit, which went on unabated by law enforcement authorities, until it came to the forefront in 2019, due to widely reported suspect cases;
12. Indications of increasing money-laundering activity;
13. Inflation has risen to unprecedented levels in a short period of time;
14. Many large companies refuse to deal directly with Libyan suppliers and impose intermediary companies/countries, which often causes increased cost of imports.

According to the official website of the Central Bank of Libya, Libya came out of the gray list, in February 2018, and this exit was the result of Libya's compliance with a number of recommendations, the most important of which was the issuance of Law No. 1013 of 2017 for Combating Money Laundering and Terrorist Financing, allowing the financial sector to advance, with the following positive outcomes:

1. Opening credits for all fields;
2. Sale of foreign currency to citizens for so-called local personal items;
3. Return of global money transfer service businesses: Visa Card, MoneyGram and Western Union;
4. Providing liquidity in banks and increasing confidence in the Libyan banking system;
5. Improving the processing time of cross-border remittances and transactions and increasing the profits and growth of the banking sector.

It is unclear to what extent the above mentioned negative economic effects, and successive outcomes were the result of any FATF review and follow-up with positive indications, as suggested by the CBL. However, what is clear is that the CBL is keen to be seen as combating money laundering and terrorism financing, for fear of being on the Grey List.

Is Libya safe from entering the Grey List?

In the absence of a law to combat the financing of terrorism, as well as the deficiencies of Law No. 2 of 2005 on combating money laundering, the failure of the regulatory authorities to regulate sole proprietorship, the lack of close cooperation between the regulatory and Law Enforcement Agencies concerned with money laundering and terrorist financing, and the lack of powers, support and independence in the work of the Libyan Financial Information Unit, Libya is today more threatened than ever to enter the gray list with the possibility of Libya entering the black list. This is if work is not done to comply with the recommendations of the Financial Action Task Force (FATF) and the observations of the US State Department in its report for the year 2016, and even if there is political will, unfortunately, there is not enough time for the Libyan government to deal with the forty recommendations of the Financial Action Task Force, for example, working on a risk assessment for one of the sectors needs at least 18 months in the case of full cooperation by the sector, and we need today to make risk assessments for at least 4 important sectors. With the high probability of adding Libya to the "calendar" table of the joint assessment of the working group during the meeting of the working group in Paris on February 20, 2023, especially after the issuance of the latest report of the Audit Bureau, which shows the expansion of money laundering operations in Libya as well as the unexpected entry of countries with strong economic and political influences such as the UAE and Türkiye to the gray list.

Many have asked "Why has the state of Libya not been evaluated yet?". The CBL's restrictive measures on the financial activities of UN agencies and multilateral organizations, under the pretext of applying international standards to combat money laundering and terrorist financing, also caused the establishment of a coalition between these organizations against this restriction. It is expected that these organizations will lobby through the Financial Action Task Force (FATF) by urging their countries to vote on the inclusion of Libya to evaluate the ICRG, which will push the Financial Action Task Force to open the Libya file and measure its seriousness in applying international standards. Through FATF's ICRG, Libya could be a few months away from entering the FATF Mutual Assessment List as entry into FATF's ICRG assessment only requires a vote by two FATF member states, or MENAFATF may conduct a risk assessment of Libya and decide to conduct a mutual assessment for the first time in its history.

Entering the "Calendar" menu will give Libya only 18 months to show progress in combating money laundering and terrorist financing, but with the absence of political will to apply international standards and protect Libya from international sanctions in this regard, and even indications that Libya has provided false information to international parties, such as the submission of Law No. 1013 of 2017 on the criminalization of the financing of terrorism and money laundering issued in violation of the Constitutional Declaration as a law in force, Presenting Law No. 3 of 2014 on combating the financing of terrorism issued in violation of the Political Agreement as a valid law, and in the US

government report⁹ issued in 2021 on Libya, it was stated that "Libya has not issued or implemented any anti-terrorism legislation until 2020, and the Central Governor of Libya, in his capacity as Chairman of the National Anti-Money Laundering Committee, issued Circulars No. 1, 2 and 3 of 2016, which set additional controls to reduce money laundering operations in violation of Law No. 1 of 2005, which gives this authority to the Board of Directors of the Central Bank of Libya collectively, and the Chairman of the Committee is not entitled to issue such controls.

Libya also lacks a comprehensive counterterrorism law, "and the only law that can be interpreted as criminalizing *terrorist acts to date are only found in certain articles of the Libyan Penal Code (under Title 2, Section 1, Chapter 1, Article 170 and Title 2, Chapter 2, Article 207) that criminalize acts that may threaten national security, including terrorism, the promotion of terrorist acts, and the handling of funds to support such acts*"¹⁵. In a report of the Financial Action Task Force (FATF)¹¹ *on the situation of combating terrorism in the world*, it was mentioned that "*Libya is one of four countries that have not yet issued a law to criminalize the financing of terrorism.*" Mentioning it during our explanation of the experiences currently on the gray list and the reasons for their classification in these lists.

Evaluation of Libya against the FATF 40 recommendations: Overview

The below tables show the results of our evaluation of Libya’s technical compliance with the FATF 40 recommendations¹⁸, along with the results of recent FATF/MENAFATF mutual evaluations of Morocco, UAE, Türkiye and the United Kingdom, for comparison:

Technical Compliance

Ratings which reflect the extent to which a country has implemented the technical requirements of the FATF Recommendations.

[FATF Methodology](#) [FATF Recommendations](#)

Jurisdiction (click on the country name to go to the report on www.fatf-gafi.org)	Report Type	Report Date	Assessment body/bodies	R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10	R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
Libya	Independent	Jan/23	Independent organization	NC	NC	NC	NC	NC	NC	NC	NC	C	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	PC
Morocco	MER+FUR	Dec/20	MENAFATF	LC	LC	LC	PC	LC	PC	NC	LC	C	LC	LC	LC	C	LC	PC	LC	C	LC	LC	LC
Turkey	MER+FURs	May/22	FATF	LC	LC	LC	C	LC	LC	LC	PC	C	LC	C	NC	LC	LC	NC	LC	C	LC	LC	C
United Arab Emirates	MER+FUR	Nov/21	MENAFATF	PC	LC	LC	LC	LC	C	C	LC	C	LC	LC	LC	C	LC	PC	C	LC	LC	PC	C
United Kingdom	MER+FUR	Jun/22	FATF	LC	C	C	C	C	LC	LC	C	C	LC	C	C	C	C	LC	C	LC	LC	LC	C

MER Mutual Evaluation Report
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- C** Compliant
- LC** Largely compliant - There are only minor shortcomings.
- PC** Partially compliant - There are moderate shortcomings.
- NC** Non-compliant - There are major shortcomings.
- NA** Not applicable - A requirement does not apply, due to the structural, legal or institutional features of the country.

Technical Compliance

Ratings which reflect the extent to which a country has implemented the technical requirements of the FATF Recommendations.

[FATF Methodology](#) [FATF Recommendations](#)

Jurisdiction (click on the country name to go to the report on www.fatf-gafi.org)	Report Type	Report Date	Assessment body/bodies	R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30	R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
Libya	Independent	Jan/23	Independent organization	NC	NC	NC	NC	NC	PC	LC	NC	PC	NC	NC	NC	NC	NC	NC	PC	NC	NC	LC	NC
Morocco	MER+FUR	Dec/20	MENAFATF	C	PC	PC	PC	NC	LC	LC	PC	LC	PC	PC	NC	LC	LC	PC	LC	LC	PC	LC	PC
Turkey	MER+FURs	May/22	FATF	C	PC	C	LC	LC	PC	LC	PC	C	C	LC	LC	LC	LC	LC	LC	C	C	C	LC
United Arab Emirates	MER+FUR	Nov/21	MENAFATF	LC	LC	LC	LC	LC	C	C	LC	PC	C	C	C	LC	LC	LC	C	LC	LC	C	LC
United Kingdom	MER+FUR	Jun/22	FATF	C	LC	LC	LC	C	C	C	C	PC	C	C	LC	LC	C	C	C	LC	C	C	LC

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- NA** Not applicable - A requirement does not apply, due to the structural, legal or institutional features of the country.

Effectiveness
 Ratings that reflect the extent to which a country's measures are effective. The assessment is conducted on the basis of 11 immediate outcomes, which represent key goals that an effective AML/CFT system should achieve. For more information see:
[FATF Methodology](#)

IO1	IO2	IO3	IO4	IO5	IO6	IO7	IO8	IO9	IO10	IO11
LE	LE	ME	LE	LE	LE	LE	LE	LE	LE	LE
ME	ME	ME	ME	LE	ME	LE	ME	SE	ME	LE
SE	SE	ME	ME	ME	ME	ME	ME	ME	LE	LE
ME	LE	ME	ME	LE	ME	LE	ME	SE	ME	LE
HE	SE	ME	ME	SE	ME	SE	SE	HE	HE	HE

HE High level of effectiveness - Minor improvements needed.
SE Substantial level of effectiveness - Moderate improvements needed.
ME Moderate level of effectiveness - Major improvements needed.
LE Low level of effectiveness - Fundamental improvements needed.

Jurisdiction (click on the country name to go to the report on www.fatf-gafi.org)	Report Type	Report Date	Assessment body/bodies
Libya	Independent	Jan/23	Independent organization
Morocco	MER+FUR	Dec/20	MENAFATF
Turkey	MER+FURs	May/22	FATF
United Arab Emirates	MER+FUR	Nov/21	MENAFATF
United Kingdom	MER+FUR	Jun/22	FATF

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Comparing the effectiveness of the implementation of legislation and procedures between Libya and countries on the gray list such as the UAE and Türkiye and a country outside the sanctions lists such as the United Kingdom due to the lack of any information from the FATF, we evaluated Libya with the available information and from the experience of the report's authors on the ground.

Evaluation of Libya against the FATF 40 recommendations: Technical Compliance

The 40 recommendations are arranged in 7 categories (A-G), each covering specific elements which national AML/CFT regimes are assessed against.

A – AML/CFT POLICIES AND COORDINATION

Recommendation	Evaluation Details	Rating
<p>R.1 on Assessing risks and applying a risk-based approach</p>	<p>Following outreach to various local parties, we can confirm that Libya has not carried out a national risk assessment for the financial sector, nor any other relevant sectors to date. When inquiring with these parties about the justification of this lacking, the matter was attributed to the inability to coordinate between different sectors and involved parties. This is not a convincing justification, especially when it comes to the financial sector, which is under the complete control and supervision of the Central Bank of Libya, therefore enabling it to conduct an assessment of the banking sector immediately. Most of the banks are based, or at least have considerable operations within Tripolitania, as well as being reliant on the Tripoli based CBL as their financial lifeline, therefore no argument can be made that it is not possible to cover the sector due to the ongoing political rivalry.</p> <p>A national AML/CFT risk assessment of all relevant sectors, namely the financial sector (Banking & Insurance) as well as Designated Non-Financial Businesses and Persons (DNFBPs) such as Real Estate Notaries, Gold Traders, Lawyers, Accountants/Auditors., would serve as a strong foundation for understanding the effectiveness of current legislation, regulation and procedures for combating money laundering and terrorist financing.</p>	<p>NC</p>
<p>R.2 on National Cooperation and Coordination</p>	<p>There has been little compliance due to unilateral decision-making by the Governor of the Central Bank of Libya, due to the complete absence Board of Directors and the supervisory role it plays, from 2014 to present. Serving as its head, the Governor has not activated the role of the National Committee for Combating Money Laundering, in accordance to Law No. 2 of 2005. Therefore, the committee has not been fulfilling its duties in accordance with the law in facilitating the exchange</p>	<p>NC</p>

	<p>of information between the regulatory bodies and law enforcement agencies, nor its role of raising awareness. According to the official website of the Central Bank of Libya, the committee met only 6 times between 2017-2020, and there is no published news about its meeting in all previous years, which corroborates with public official sources that state the committee is effectively non-operational.</p> <p>The Financial Information Unit in the absence of the role of the Board of Directors of the Central Bank of Libya and the National Anti-Money Laundering Committee and the bank's entry into the political conflict in Libya, and according to the law, the unit cannot take any action without referring to the Governor of the CBL, and according to the report of the Libyan Audit Bureau for the year 2020, the Financial Information Unit of the Central Bank of Libya refused to provide the Bureau with reports related to money laundering and terrorist financing crimes in violation of Law No. 19 of 2013.</p>	
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B – MONEY LAUNDERING AND CONFISCATION

Recommendation	Evaluation Details	Rating
<p>R.3 on the criminalization of money laundering</p>	<p>Law No. 2 of 2005 criminalizes money laundering, however is narrowly focused on the financial sector. The recommendation indicates that statistics are mandatory to demonstrate actual application of the law by the judiciary and law enforcement authorities. There is no published information from relevant authorities or media outlets about cases of money laundering prosecutions to indicate the law is being applied.</p>	<p>NC</p>
<p>R.4 recommends the Freezing, Seizing and Confiscation of funds and taking provisional measures against perpetrators of money laundering crimes</p>	<p>Freezing of financial assets is often a lengthy paper-based process, usually starting from the Attorney General or the FIU is Financial Information Unit tasked with investigating and collecting evidence according to Law No. 2 of 2005. Any FIU led investigations must conclude by sending the investigation file to the Governor of the CBL to make a decision on how to proceed, presenting a clear conflict of interest. Once the decision has been made to proceed, the Governor will send the case to the Attorney General to make the final decision (to freeze, seize or</p>	<p>NC</p>

	<p>confiscate), which is communicated to the CBL's Monetary and Banking Supervision Department to circulate instructions amongst the banking sector.</p> <p>In reality, it is difficult to freeze, seize or confiscate assets, due to the lack of a dedicated electronic communication platform, nor use of general email communications, in order to circulate the assets and accounts that must be frozen (postal mail is used to communicate between the supervision department and supervised banks).</p> <p>Furthermore, the closure of the land registry by the Transitional Council Resolution No. 102 of 2011, has made it very difficult to determine beneficial ownership of property for the purposes of combating money laundering and its predicate crimes.</p> <p>There is no coordination or communication mechanism between Real Estate Notaries (used for property transactions), the Libyan Land Registry, the FIU and Law Enforcement Agencies, to report a freezing, seizing or suspension order, or to respond to authorities by fulfilling the requirements of such orders. The only evidence of coordination is between the Libyan Criminal Research Authority and the Libyan Notaries Syndicate, with the latter publishing lists of individuals suspected of money laundering operations on social media¹⁹.</p>	
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C – TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Recommendation	Evaluation Details	Rating
<p>R.5 on the criminalization of Terrorist Financing</p>	<p>The only Libyan law that can be seen to address terrorist financing crimes is the Libyan Penal Code, where the word terrorism was mentioned in Articles No. (170, 207, 240, 249, 359)¹⁵. There are also two other laws that were issued in violation of procedures and legislation, such as Law No. 3 of 2014 to combat the financing of terrorism issued by the House of Representatives and in accordance with the Libyan Political Agreement in 2016 this law is considered ineffective, also the Presidential Council, in violation of the Constitutional Declaration, enacted a law by a decision that we could not obtain a copy of to combat the financing of terrorism and money laundering, known as Law 1013 For the year 2017, this law is circulated to banks and some banks work with it in violation of the laws in force and the Constitutional Declaration, where the Constitutional Declaration stipulates</p>	<p>NC</p>

	that the only source of legislation is the legislative bodies and there is no constitutional basis authorizing the Presidential Council or the President to legislate.	
R.6 on targeted financial sanctions related to terrorism and terrorist financing	There are no local targeted financial sanctions related to terrorism or terrorist financing that are currently applied, particularly considering the terrorism/terrorist financing is not explicitly criminalized. Although some banks do use sanction screening tools using international lists (including UNSC designations) to monitor international transactions and counterparties, however this is not the case when it comes to domestic transactions, and there are questions surrounding the effectiveness of overall screening controls, systems and staff capabilities.	NC
R.7 on targeted financial sanctions related to proliferation	There are no local targeted financial sanctions related to proliferation that are currently applied. Although some banks do use sanction screening tools using international lists (including UNSC designations) to monitor international transactions and counterparties, however this is not the case when it comes to domestic transactions, and there are questions surrounding the effectiveness of overall screening controls, systems and staff capabilities.	NC
R.8 on Applying a risk-based approach and risk assessment to civil society organizations	<p>Libya has never conducted a risk assessment for civil society organizations and continues to apply the enhanced approach in monitoring organizations, i.e., recommendation No. 8 before the 2016 amendment. There are many complaints from local organizations towards the Central Bank of Libya for taking unnecessary, non-risk-based measures that limit organizations' access to their funds and gives the CBL unwarranted control over civil society organization's activities by being able to freeze accounts or delay release of payments for lengthy periods of time, hindering the vital work done by such organizations. See below table (1) below showing a sample of requests for one organization.</p> <p>The cumulative duration of delay from the start of 2022 up until 10/01/2023 was 288 days. The civil society organization's management had to resort to finding intermediaries to push officials to speed up approvals, while in terms of the impact this</p>	

	<p>had on its operations, it took the desperate measure of borrowing from members and businessmen (to be returned immediately upon receipt of the delayed funds) to enable continued work.</p> <p>The resulting impact has been that salary payments have been paid late for the organization’s workers for 8 months out of 12 months during 2022. The period of delay has ranged from one week to 3 weeks, and the organization lost more than 9 qualified employees due to their inability to accept or cope with this.</p> <p>From our experience in dealing with the CBL in this regard, the Banking and Monetary Supervision department does not want to deal directly with civil society organizations due to lack of capabilities and competence, therefore the responsibility for conducting due diligence is delegated to the commercial banks. This disconnect between the party which conducts due diligence (commercial banks) and the approval party (CBL) is considered control through an intermediary, and contrary to both Law No. 1 and 2 of 2005 is counterproductive and it is not within the CBL’s mandate. Article 55 of Law No. 1 states that civil society organizations must supervise and set anti-money laundering controls, not the Central Bank of Libya and the Banking and Monetary Supervision Department according to Law No. 2 of 2005.</p> <p>These constricting measures have made civil society organizations undesirable customers for commercial banks due to the poor profitability of the services provided by banks and the requirement of greater effort from employees to prepare approvals and archive all transactions of organizations and classify them. This has led to a reluctance of banks to open accounts for non-profit organizations in Libya, in some cases halting the provision of services to them and closing their accounts. For example, the Department of Banking and Monetary Supervision requested the employment contracts for all employees for a civil society organization, totaling 540 sheets of printed documents.</p>	
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#	Transaction Request Submission Date	Request for Further Information Date	Central Bank Approval Date	Duration
1	17/01/2022	05/02/2022	16/02/2022	29 days
2	13/02/2022		13/03/2022	28 days
3	13/04/2022		26/04/2022	14 days
4	25/05/2022		15/06/2022	21 days
5	06/07/2022		15/08/2022	40 days
6	31/08/2022	15/09/2022	20/10/2022	50 days
7	10/10/2022		20/10/2022	10 days
8	10/11/2022	29/11/2022		pending
9	06/12/2022			pending

Table (1) – Transaction Requests for a Civil Society Organization

CIVIL SOCIETY INITIATIVES FOR COMPLIANCE WITH RECOMMENDATION 8

One organization reached out directly to the Central Bank of Libya as an attempt to change the current procedures, and to help the Libyan state to comply with FATF Recommendation 8 by implementing the risk-based approach of civil society organizations and identifying organizations at risk of terrorist financing and with the help of international organizations that have the necessary experience when it comes to implementing risk assessment and FATF methodology in practice.

In November 2022, the organization, with the support of the International Center for Not-for-profit Law (ICNL), presented an integrated project to conduct the evaluation, and we have not received a response as of the date of writing this report, 10/01/2023.

The organization also submitted a proposal to establish an electronic system between the Central Bank of Libya and commercial banks to facilitate obtaining approvals, archiving and analyzing data to help regulatory bodies detect any suspicious transactions from organizations, and this matter has been met with no acknowledgement to date.

Table (2) – Civil Society Initiative for Recommendation 8 of FATF's 40 recommendations

D – PREVENTIVE MEASURES

Recommendation	Evaluation Details	Rating
R.9 on Financial Institution Secrecy Laws	Banking Law No.2 of 2005 indicates that information may be obtained for the sole purpose of applying the provisions of the law, but maintain its confidentiality in doing so.	C

<p>R.10 on Customer Due Diligence</p>	<p>The principle that Financial Institutions should conduct CDD is not set out in law. However, there is regulation issued by the CBL that pertains to KYC procedures that must take place when onboarding customers. There are shortcoming in the regulation, as it is does not instill a risk based approach towards CDD with effective ongoing due diligence.</p> <p>This is reflected in practice by the banks, which have rudimentary systems and controls when it comes to CDD. Customer onboarding will often include taking copies of customer identification (often their Passports), as well as copies of Business Incorporation documentation, in the case of legal entities. However, banks don't generally conduct customer risk assessments and do not have ongoing due diligence processes or electronic records, therefore do not have an adequately informed Customer Due Diligence process.</p>	<p>NC</p>
<p>R.11 on Record Keeping</p>	<p>There are no provisions within Law No. 1 or No.2 of 2005 that stipulate any recordkeeping requirements for general purposes or for the purpose of combating financial crime.</p>	<p>NC</p>
<p>R.12 on Politically Exposed Persons (PEPs)</p>	<p>There are no political exposed persons lists currently published by any authority in Libya covering local Politically Exposed Persons (PEPs). As for foreign PEPs, some banks utilize screening software for their customers/transacting parties against sanctions lists, however there is no legal or regulatory requirement that stipulates that PEP screening lists should be used, therefore it is not applied in practice. However, with over 25 commercial banks in Libya (the majority not applying such controls), there is little in the way of prevention for PEPs to access banking services to conduct potentially suspicious activity, without the necessary customer identification or related risk assessment and enhanced due diligence that would result from such categorization.</p>	<p>NC</p>
<p>R.13 on Correspondent Banking</p>	<p>Libyan banks are largely at the receiving end of correspondent banking services (as respondents), being heavily reliant on foreign correspondent banking partners. Given the high-risk rating of Libya, it finds itself struggling to maintain such relationships and has previously had relationships terminated due to the Derisking activity.</p>	<p>NC</p>

	<p>The Global witness report, <i>Discredited</i> highlights the heavy reliance on Libyan owned foreign bank partners, which come under the control of the Central Bank governor, who is the chairman of Bank ABC and LFB (which has majority shares in dozens of banks abroad), coupled with the tight control the CBL has over commercial bank trade finance activity by reviewing and approving individual LCs for each of them, presenting a clear conflict of interest and environment that is ripe for potential abuse.</p> <p>Given the above scenario, there are no procedures in place when it comes to due diligence of correspondent banking relationships. In fact, it is often the case that foreign banking partners struggle to obtain necessary information from relevant banking partners. One example from a source, includes pursuing a bank's Board member for 2 years to simply produce a copy of his passport, required as part of a routine response effort to the queries of a correspondent bank.</p>	
<p>R.14 on Money or Financial Value Transfer Services</p>	<p>Banks may have some measures in place to conduct require due diligence on foreign remittance transactions, but there are many exchange companies and unlicensed individuals who carry out money transfers (Hawala/black market). In fact, it is often remarked to be a peculiarity that the black market operates right behind the CBL's walls in clear public view. There are no applied CDD/KYC measures and in effect this market operates outside the purview of any regulatory/law enforcement authorities. Despite this, commercial advertisements are spread on social media and other mediums, attracting customers to these easy to use unlicensed services that can transfer money anywhere in the world, including the European Union, the United Kingdom and the United States of America¹⁶.</p>	<p>NC</p>
<p>R.15 on New Technologies</p>	<p>Libyan legislation is generally outdated when it comes to technology. Even email messages are not considered a recognized form of communication for official purposes.</p> <p>There is no legislation or regulation that covers areas of new technology from a financial crime risk perspective. However, there has been a blanket ban on cryptocurrency, with advice from the CBL on refraining from dealing with it.</p>	<p>NC</p>

	This being the case, Libya is considered one of the top countries for mining cryptocurrency, which is traded freely between users (miners/traders) in the unregulated 'black market' by unlicensed value transfer service providers.	
R.16 on Wire Transfers	There are no legally/regulatory stipulated measures that allow law enforcement to obtain wire transfer details effectively. Furthermore, the same applies to the FIU which finds it difficult to gain even basic information about counterparties/cases it is investigating.	NC
R.17 on Reliance on Third Parties	There are no provisions in the issued legislation/regulation that cover the reliance on third parties in this context.	NC
R.18 on Internal Controls and Foreign Branches and Subsidiaries	Although most of the banks have an assigned function (often referred to as an FIU sub-unit, as per Law No2. Of 2005), they do not have operational programs which can be considered effective. Some of the larger Central Bank owned commercial banks have disjointed systems, with some rural branches not being connected to their electronic network systems.	NC
R.19 on Higher-risk countries	The Libyan authorities, including the CBL, do not produce (or use any other) Higher-risk countries lists, for which transactions should be prevented and/or warrant enhanced due diligence.	NC
R.20 on Reporting of Suspicious Transactions	between the Financial Operations Unit and banks According to the opinion of the officials of a private bank with whom we communicated in the course of this report, and according to the same opinion, the reason is that the Financial Information Unit is not required because it does not ask banks to send the required data and there is no mechanism to collect, analyze and archive the information needed by banks to detect money laundering and terrorist financing crimes, and according to the information we have received, most of the work of this unit is done manually and in traditional ways, and in the same Framework There is no cooperation between contract writers, lawyers and unlicensed hawala offices with the FIU.	PC

<p>R.21 on Tipping Off and Confidentiality</p>	<p>Current legislation does not give provisions to protect those that report and similarly it fails to hold accountable those who violate confidentiality of suspicious activity reporting, which has limited the overall spread of the culture of reporting suspicious activity in Libyan society.</p> <p>The articles that refer to this matter are Article 22 of Law No. (11) of 2014 establishing the National Anti-Corruption Commission and Article No. 29 of Law No. 20 of 2013 on Administrative Control Law, although there are no mechanisms in place to implement them.</p> <p>Therefore, there is no trust between employees and the entities that must be reported to them, and this explains the severely low numbers of suspicious activity reports received by the FIU.</p>	<p>NC</p>
<p>R.22 and R.23 on Designated Non-Financial Business and Professions: Due Diligence towards Customers</p>	<p>There is no current regulation in place that covers real estate agents, precious metal dealers, lawyers, accountants and notaries. Anyone who holds Libyan nationality can buy/sell real estate without any background checks on sources of funds/wealth. There is generally a lack of awareness for DNFBPs when it comes to combating money laundering and terrorist financing and sources of funds are not generally verified, with it not being uncommon for large real estate transactions to take place using cash from unverified sources.</p>	<p>NC</p>

E – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND ARRANGEMENTS

Recommendation	Evaluation Details	Rating
R.24 Transparency and Beneficial Ownership of Legal Persons	There are no beneficial ownership registries (public or private) for legal persons. The corporate registry operates a rudimentary service which allows the registration of a company with relevant director names, to be issued with a company registration upon completion of the relevant procedures. There are no verification/control measures and the current system is prone to abuse. Fis are generally reliant on paper documentation which can be easily forged, with no way to verify such information with the corporate registry office.	NC
R.25 Transparency and Beneficial ownership of Legal Arrangements	Similar to above. There are no measures in place for transparency of beneficial ownership of legal arrangements. For context, Libya is constantly ranked in the bottom of the Transparency International's CPI.	NC

F – POWERS AND RESPONSIBILITIES OF COMPETENT AUTHORITIES AND OTHER INSTITUTIONAL MEASURES

Recommendation	Evaluation Details	Rating
R.26 Regulation and supervision of financial institutions	<p>According to Law No. 2 of 2005, the Governor of the CBL is the lead for the National Anti-Money Laundering Committee and is also in full control of the FIU, from selecting its head, providing its funding as well as being the ultimate decision-maker when reviewing cases and passing them onto the prosecutor.</p> <p>Furthermore, the CBL owns controlling stakes in many local and foreign banks, the largest of the locals being Jumhouria Bank (>81% CBL-owned) and large stakes in foreign correspondent banks which primarily serve the Libyan domestic banks, namely Bank ABC (>65% CBL-owned) and the LFB subsidiary network (100% CBL-owned), which presents a significant conflict of interest.</p> <p>When looking at the CBL itself, the supervisory mechanisms that are in place are not applied, namely in that there is no operational board of directors, with no board decisions published on its official website since 2014. Until now it is unclear what the outcome of recently conducted Deloitte audits</p>	PC

	<p>were and there have been no audited financial statements for the organization for over 10 years.</p> <p>There is no control of the unregulated black market/Hawala exchange and remittance service providers, trading in the open public with no due diligence controls in place.</p>	
R.27 Powers of Supervisors	<p>The CBL has powers stipulated by Law No 1 and Law No 2 of 2005 each respectively, which give it the ability to inspect banks in the context of AML/CFT. However, in reality the CBL does not possess the capabilities to compel banks to respond in a timely and effective manner so it is limited. One of the key considerations when it comes to considering the power of the supervisor (CBL) over financial institutions is that it is the key stakeholder in the major banks, therefore this presents a conflict of interest which puts the supervisor's level of power into question.</p>	LC
R.28 Regulation and Supervision of DNFBNs	<p>There is no current regulation in place that covers real estate agents, precious metal dealers, lawyers, accountants and real estate notaries. Anyone who holds Libyan nationality can trade real estate without any restrictions. There is generally a lack of awareness for DNFBNs when it comes to combating money laundering and terrorist financing and sources of funds are not generally verified, with it not being uncommon for large real estate and business transactions to take place using cash from unverified sources of funds/wealth.</p>	NC
R.29 Financial Intelligence Units	<p>The FIU must be operationally independent, meaning that it must have the authority to freely carry out its mandate, which includes being able to make the independent decision to analyze, request and/or publish information, in accordance with the law.</p> <p>According to Law No. 2 of 2005, the FIU does not have the authority to refer cases to the prosecutor, but instead must refer all cases to the Governor of the Central Bank of Libya, presenting a clear conflict of interest.</p> <p>The FIU has not inadequate financial, human and technical resources to ensure it has the necessary capabilities to allow it to carry out its functions effectively. Having spoken to previous employees, we have learned that most of the staff do not have experience in banking or good levels of English, necessary for</p>	PC

	<p>international investigations, as is often the case when it comes to large-scale public fraud cases.</p> <p>The Libyan Audit Bureau's 2020 report mentions a field visit to the FIU headquarters in which it describes the absence of any website for the unit, and the meeting of the Governor of Libya with the US Department of the Treasury in March 2022 and his discussion of projects to develop the Financial Information Unit²², we can say that the Financial Information Unit does not have independence, and does not cooperate with other regulatory authorities, and that it needs to develop or build new legal, administrative, expertise and technologies.</p> <p>Egmont Group</p> <p>The FIU is surely aware of the Egmont Group's objectives and principles for the exchange of information between FIUs in cases of money laundering and terrorist financing, therefore it is incumbent upon it to become a member, as according to the group's official website, Libya is one of the few countries that does not have membership yet.²³⁻</p>	
R.30 Responsibilities of Law Enforcement and Investigative Authorities	<p>There is no designated LEA specific to combating money laundering or terrorist financing. However, there are LEAs that focus on predicate offence activity, such as drug trafficking, as well as terrorism. The extent of their investigations being informed by financial crime investigative approaches is limited, as it is largely through traditional LEA activity that they meet their success. They do not operate alongside the financial sector supervisory authorities, largely due to the lackluster activity of the national committee for combating money laundering and terrorist financing</p>	NC
R.31 Powers of Law Enforcement and Investigative Authorities	<p>Similar to above. There are limited resources, techniques, active local partnerships and capacity building initiatives for LEAs in Libya, with regards to combating money laundering and terrorist financing.</p>	NC
R.32 Cash Couriers	<p>There is no applied disclosure or declaration system currently in force in Libya. There have been some instances where individuals have been caught smuggling handbags full of gold ingots out of the country amongst other examples, which gives</p>	NC

	an idea of the scale of such activity, particularly when coupled with the fact that Libya is a cash-intensive economy.	
R.33 Statistics and Records	There are no published statistics by the FIU, despite having a research and statistics division. Even for what statistics that may be available, these will be basic figures of the number of SARs submitted over the year and offer little to no insight, with no categorization by activity type, source type, source institution. Furthermore, the low sample sizes, due to low numbers of SARs received (dozens a year, according to sources), gives little value to any gathered statistics, compounded by the lack of dissemination to the public or other any other authorities.	NC
R.34 Guidelines and feedback	Competent authorities and supervisors should develop guidelines and provide issue notices that will assist financial institutions and designated non-financial businesses and professions in applying national measures to combat money laundering and terrorist financing and, in particular, in detecting and reporting suspicious transactions. In the Libyan case, there are no platforms or awareness related to feedback, nor is there a website to publish updates or requests for information from banks or various bodies in this regard. Communication between the Anti-Money Laundering and Combating the Financing of Terrorism Committee and the Financial Intelligence Unit is weak and there is no rationalization or awareness of the sectors.	NC
R.35 On Sanctions	There is no list of financial sanctions circulated among financial institutions, all sanctions are confidential and not published to the public, few investigations are published by the Attorney General's Office, but it is not known what will happen to them after they are taken before the judiciary, and companies, organizations and bodies cannot know the personalities and companies that have penalties to identify them and not deal with them, which resulted in freezing the accounts of many companies and personalities that dealt with them.	NC

G – INTERNATIONAL COOPERATION

R.36 International Legal Instruments (Conventions)	Libya is not part of some conventions and has not committed to implementing the conventions it has signed, such as the African Union Convention on the Suppression of the Financing of Terrorism. Libya is one of the few countries that has not joined the Egmont Group, despite most of the MENA region being member state.	PC
R.37 Mutual Legal Assistance	It must be noted, it would be expected that Libya would be at the behest of such requests, given the outflows of illicit funds far outweigh any inflows. Given the case, there is no evidence of the use of Mutual Legal Assistance agreements in the context of combating Money Laundering and Terrorist Financing. This is demonstrable in that the authorities in numerous jurisdictions across the OECD nations, including the UK for example (for which no MLA agreement exists), have frozen Libyan state funds for over 10 years for fear of abuse of the funds at the expense of the Libyan state by bad actors within the Libyan state, due to its weak controls and overall institutional framework, especially when it comes to international affairs.	NC
R.38 Mutual Legal Assistance: Freezing and Confiscation	There is no evidence of an operational freezing and confiscation system in place and freezing is limited only to bank accounts and it is difficult to freeze assets owned due to the absence of the necessary legislation.	NC
R.39 Extradition	Libya is party to some extradition agreements with other countries, however in practice this has often been a sensitive topic characterized by political bargaining, rather than genuine cooperation for the sake of implementing the law.	LC
R.40 Other forms of international cooperation	There is no evidence of such cooperation when it comes to providing international assistance in relation to combating money laundering or terrorist financing. Libya's institutions have deteriorated since 2011 and this has led to them being incapable of protecting vulnerable Libyan assets abroad through available mechanisms, as demonstrated by numerous court cases, which have often been hindered by the Libyan state's counterparts themselves.	NC

Evaluation of Libya against the 40 FATF Recommendations: Effectiveness

#	Effectiveness Criteria	Evaluation Details	Rating
IO1	Understand the risks of money laundering and terrorist financing and, where appropriate, coordinate actions locally to combat money laundering, terrorist financing and nuclear proliferation.	<p>There has never been a national risk assessment and generally this is an unapplied concept, even within the banking sector, despite some awareness amongst senior management and compliance staff.</p> <p>With respect to local coordination efforts, the National Committee for Combating Money Laundering is largely ineffective due to it not meeting its responsibilities in providing an effective platform for national collaborative efforts. According to Libyan the reports of the Audit Bureau reports, coordination is very weak between the various responsible authorities, especially between the Libyan Audit Bureau and the CBL. The FIU, operating within Central Bank of Libya, as the CBL, does not share data with relevant regulatory and judicial authorities as stipulated in its executive regulations. According to the law, communication with the Attorney General and the judicial authorities is carried out only through the Governor of the CBL.</p>	LE
IO2	Delivering appropriate information, financial intelligence and evidence, and facilitating action against criminals and their assets through international cooperation	Libya has not joined the Egmont Group to date and has not pursued any serious international investigations, requested or Mutual Legal Assistance relating to grand corruption, with cases initially pursued in the UK for example involving amounts up to GBP 5 billion of stolen state assets, which have now been inexplicably halted, in stark contrast to cases such as the highly publicized Malaysian 1MDB scandal. Overall, there has been little progress made, despite some offers of assistance and likely reciprocity of FIUs and prosecutors from other jurisdictions.	LE
IO3	Supervisors supervise, monitor and regulate financial institutions and designated non-financial professions appropriately to comply with AML/CFT requirements in proportion to their risks.	<p>There is a reasonable levels of issued regulation for the supervision of financial institutions, however this is applied inconsistently and ineffectively in practice.</p> <p>As for DNFBPs, there is little to no supervision, which is of particular concern given the unregulated "Hawala/black market" and significant lack of awareness and controls for Real Estate Notaries and Precious Metal dealers.</p>	ME

IO4	Financial institutions and designated non-financial businesses and professions appropriately apply preventive measures to combat money laundering and terrorist financing in proportion to their risks, and to report suspicious transactions.	Financial institutions report, track and take the necessary preventive measures, especially for private sector financial institutions such as private commercial banks and licensed financial transaction companies, but these notifications are limited due to traditional methods of reporting and auditing. As for the non-financial professions because they are not organized or invited to self-regulate themselves, and because there are no deterrent penalties and the role of the Anti-Money Laundering Committee is not activated in educating them about money laundering and terrorist financing measures, and also most of them are not recognized and have not been regulated by the competent authorities, which caused the prosperity of the black-market business in Libya.	LE
IO5	Legal persons and arrangements are prohibited from being misused in money laundering or terrorist financing operations, and information on their beneficial ownership is available to the competent authorities without hindrance.	There is no system that facilitates access to beneficial ownership information, as all work is done on paper and when needed, the disclosure of ownership takes a very long time, in the case of obtaining the cooperation of the competent authorities such as contract drafters or lawyers.	LE
IO6	Financial intelligence and all other relevant information are appropriately used by the competent authorities for investigations related to money laundering and terrorist financing.	The 2021 Libyan Audit Bureau report indicated that the FIU refused to cooperate with it in violation of laws and legislations, and the unit does not generally share data it collects with the relevant regulatory and judicial authorities to help them hold perpetrators of financial crimes accountable. While we acknowledge the existence of some level of cooperation between the unit and the Attorney General, banks and other bodies, we believe that this is largely distorted by the lack of independence, with the unit being a department within the CBL. The limited cooperation is indicative of the possible politicization of the FIU, given the back drop of the Libyan political conflict and ongoing division in Libya.	LE
IO7	Investigate money laundering crimes and activities, prosecute perpetrators and impose	The FIU conducts continuous investigation with various parties, but the low penalties in the current Libyan Anti-Money Laundering Law are not enough a deterrent. With much to indicate the prevalence of money	LE

	effective, proportionate and deterrent penalties.	laundering activities, coupled with the fact that no charges have been brought against anyone, we can conclude that there are severe weaknesses in this area.	
IO8	The proceeds and instruments of crime are confiscated.	Legislative provisions give authorities the right to confiscate and freeze, but there is no evidence indicating any amounts being confiscated in relation to financial crime investigation and prosecution activity.	LE
IO9	Investigate terrorist financing crimes and activities, prosecute persons who finance terrorism, and impose effective, proportionate and deterrent sanctions.	The only law which can be deemed to cover the criminalization of terrorism and terrorist financing is part of Libya's penal code that is limited and broad. There is no accessible published record of the number of terrorist financing cases in Libya.	LE
IO10	It prevents terrorists, terrorist organizations and terrorist financiers from collecting, transporting and using funds, and from offending the nonprofit sector.	There are no measures to prevent terrorists from conducting financial activity through the Hawala/black market and sending and receiving money to and from all over the world, and throughout Libya.	LE
IO11	Persons and entities involved in the proliferation of weapons of mass destruction shall be prohibited from collecting, transferring and using funds, consistent with relevant Security Council resolutions.	There is no limited information on this point, but given Libya’s historic involvement in this matter, it is presumed there are inadequate provisions.	LE

Recommendations

What should decision-maker do to remove the threat that Libya could be placed on the Gray List?

The National Committee for Combating Money Laundering needs to reform its strategy that is largely based on government legislation, decisions and publications that are outdated and therefore inadequate in helping Libya achieve compliance with the FATF recommendations. This is a national project that needs to transcend the political conflict and work needs to be done to establish partnerships with the private sector, trade unions, international organizations, local civil society organizations as well as other components of society to raise awareness and move towards achieving compliance as soon as possible. The desired objective of FATF is beyond advocating for a tick-box approach towards the 40 recommendations, but rather aims for concrete solutions to be applied on the ground by responsible authorities and other relevant parties. The Financial sector in particular has experienced extraordinary stability and continuity from pre-2011 despite the overall political environment. With the same CBL/National Committee for Combating Money Laundering management still in place since 2011, having had discussions with international partners, such as the US Treasury and State departments amongst others, which has often included offers of technical assistance about the importance of this topic, the lack of buy-in and resulting progress is highly concerning. The same management (The Governor as well as other Board members) are able to operate a significantly more developed and effective financial crime program across multiple highly regulated jurisdictions through their management positions at Bank ABC/LFB, so why is this not possible at home?

There should be no impediment to the much-needed anti-financial crime reform as there are no reasonable excuses. To help achieve this goal, the following recommendations should be considered:

Recommendation 1: Issuing an adequate law to combat money laundering and terrorist financing

The National Committee for Combating Money Laundering should work with relevant authorities to draft a new law regarding combating money laundering and terrorist financing, with the engagement of civil society and multilateral agencies, to benefit from their input as well as any possible concerns. By engaging all parties and raising awareness of such a proposal, this will give relevant authorities the momentum and increased pressure for the adoption of the law by the legislator as soon as possible. An alternative could be the review and amendment of Law No. 2 of 2005, or the review, amendment and approval of the most recently drafted Law No.1013 of 2017.

Decision-makers, namely the Parliament, State Council and The Committee must expedite the following measures: The issuance or amendment of the Law on Combating Money Laundering and the Financing of Terrorism so that the Committee, the FIU, Commercial banks and other relevant authorities are given their complete operational independence, as well as the technical and financial resources necessary to conduct their work to a satisfactory level.

A non-exhaustive list of other areas of legislative reform required include: Effective criminalization of bribery and corruption, the investigation and prosecution of grand corruption/public sector abuse, cross-border cash transit controls and monitoring, cooperation between the FIU and commercial banks with LEAs, establishing effective corporate and beneficial ownership registries with adequate levels of transparency and access for relevant parties, criminalizing the financing of terrorism, international cooperation against money laundering and terrorist financing including the pursuit of Mutual Legal Assistance, as well as prosecution and confiscation mechanisms that are effective and proportionate.

Recommendation 2: National Risk Assessment

The National Committee for Combating Money Laundering should work with financial crime experts from consultancy firm and multilateral and civil society organizations involved in this area, alongside local stakeholders, to conduct a comprehensive, expert informed risk assessment that will allow all parties to understand the current state of the National Anti-Money Laundering Framework and how to approach the much needed reform by understanding areas where the most impact can be made, as well as where it is most needed.

Recommendation 3: National Coordination

The National Committee for Combating Money Laundering should work on establishing platforms for the exchange of information between different sectors and coordinate efforts between Law Enforcement Agencies, Regulators and Prosecutors to tackle individuals/entities suspected of involvement in money laundering, financing terrorism or other financial crimes, as well as the publication of lists of those suspected of involvement in such crimes.

The national committee should work towards raising awareness in all sectors, seeking to educate citizens, businesspersons as well as financial institutions and DNFBPs, about the importance of combating money laundering and terrorist financing (Through being able to distinguish acts classified as money laundering or terrorist financing, how to report suspicious activity and how to carry out financial transactions in avoidance of unwittingly becoming an enabler of financial crime) as well as invigorating the channels of communication with all involved parties, whether in the field of cooperation, raising of concerns or reports suspicious activity.

The FIU must cooperate with all relevant regulatory authorities and share information with various authorities to ensure rapid access to information, as well as the rapid freezing of financial/non-financial assets.

Recommendation 4: Financial Information Unit

The FIU must be separated from the CBL to give it complete independence as well as the necessary freedom and resources to completely fulfil its duties effectively, as well as to avoid conflicts of interest.

The capabilities of the FIU with its current working staff of approximately 30 individuals is inadequate, particularly given the limited expertise and experience of financial crime or banking for most of them. There needs to be a strong recruitment drive to bring in the necessary human capital, coupled with

seeking technical support from global consultancies as well as multilateral and government agencies, such as the US Treasury and State Departments, which has been a longstanding partner of the FIUs management at the CBL as well as having demonstrated interest in providing support in this area.

Recommendation 5: Training and Awareness

The Committee must ensure, in accordance with executive regulations of Law No. 2 of 2005, that all entities exposed to money laundering and terrorist financing risks have necessary resources and training to detect and report suspicious activity to the FIU, enabling investigation and follow-up.

Traditionally, the CBL has relied heavily on its subsidiaries, namely Bank ABC for technical assistance, which has been extended to commercial banks too (This can be seen for example in that all the commercial banks including the CBL are pursuing the same solution from the same vendor for sanction screening/transaction monitoring), indicating the lack of any organic compliance function, but rather one that is propped up by its foreign counterparts, which are in turn reliant on the continued financial flows, presenting a conflict of interest.

Instead, regulated financial institutions need to seek professional assistance from independent consultant firms and in some cases (for example for the CBL), multilateral agencies and government partners, in order to build a core capacity. In addition, there needs to be a strong recruitment drive, to bring in desired qualified individuals.

Raising awareness amongst all stakeholders is also paramount and this cannot be done without holding regular meetings for the Committee and putting the media spotlight on the discussions and outcomes to help communicate reform processes as they are undertaken.

Recommendation 6: Regulating DNFBPs

The committee needs to work with the Audit Bureau, as well as other sector specific authorities for gold traders, real estate notaries, lawyers, accountants and other sectors exposed to money laundering and terrorist financing risks, and support them technically and financially to organize the work of their members and protect them from these crimes and communicate with various authorities to issue the necessary instructions to help them perform their supervisory and regulatory role.

Recommendation 7: Money and Value Transfer Service Regulation

The Committee and the CBL must regulate foreign exchange and transfer service companies effectively, by obliging them to adhere to registration and reporting requirements, adequate and proportionate compliance procedures, including screening systems, in order to effectively mitigate the risks, they are exposed to.

Recommendation 8: Civil Society Organizations

Conduct an assessment of the application of the risk-based approach towards provision of financial services to CSOs, issue measures to mitigate the risk of abuse of CSOs for terrorist financing purposes, and work with multilateral organizations and civil society to raise awareness of the application of international standards.

The bottom line

Libya is vulnerable to entering the gray list if the responsible competent authorities do not start cooperating with each other and the members of the relevant sectors they regulate, or are involved with, in a national effort to comply with the FATF recommendations. In the event that Libya enters the gray list, the short-term impact will likely be to the detriment of everyone, from the public to private sector as well as individuals and households. With many individuals solely reliant on weak government salaries which in recent years have seen a significant drop in their purchasing power, with the continued devaluation of the Libyan dinar. These difficult times are fresh in the memories of most Libyans, particularly between 2015-2019 when the most adverse impact was felt, which was characterized by a massive liquidity crisis leading to the near suspension of banking services, allowing what little liquidity available to become an attractive opportunity for abuse for those with key access.

The immediate commencement of delayed and much needed effective reform will demonstrate to the local and international community whether Libya is truly committed to combating money laundering and terrorist financing. This which will not only protect Libya from the potentially long-term and severe negative impacts of gray listing or other forms of sanctions, but it will ultimately help strengthen the Libyan financial and economic sectors, by reducing the encumbering burden of intermediary banks, with increasingly unfettered access to the global financial system. Such an achievement can only be done with leadership buy-in by setting the “tone from the top”.

The required timeframe for implementing these steps may require several years and the requirements of the standards will continue to develop and may become more complex over time, therefore time of is of the essence with Libya being under the constant threat of potential gray listing within a matter of months. This will also depend on the responsiveness of the various concerned parties to the reform efforts, therefore it is imperative that the National Committee starts coordinating national efforts as soon as possible.

Given the scale of the issue and lack of local expertise, there needs to be collaboration with international partners, namely consultancies and multilateral agencies, in order to be able to tackle the various deficiencies highlighted in our evaluation. Local experts will be able to provide their in-depth knowledge and insight of the local market and help the effort be able to foresee challenges and opportunities.

The seriousness of the Committee and associated regulatory authorities towards implementing the FATF recommendations must be tested. The US Treasury Department¹³ has afforded the CBL many years of protection through their partnership with the Governor of the CBL³, however this has not improved the situation on the ground. Therefore, local and international partners need to push for real expert-led reform in Libya's efforts to develop its national framework for combating money laundering and terrorist financing, which can only be evidenced by transparent and verifiable published reports and statistics on suspicious activity and prosecution cases.

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