صنـدوق النـقد الـعربي

ARAB MONETARY FUND

AMF AML/CFT FRAMEWORK

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Contents

ABBREVIATION OF COMMON TERMS

Term	Definition
AI	Artificial Intelligence
AML	Anti-Money Laundering
BO	Beneficial Owner
BRAM	Board Risk Appetite Metric
CDD	Counterparty Due Diligence
CFT	Combating the Financing of Terrorism
DG	Director General
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FT	Financing Terrorism
IEO	Integrity and Ethics Office
KYB	Know Your Business
KYC	Know Your Customer
KYT	Know Your Transaction
MENAFATF	Middle East and North Africa Financial Action Task Force
ML	Money Laundry
MLRO	Money Laundry Reporting Officer
OFAC	Office of Foreign Assets Control, USA
PEP	Politically Exposed Person
PESTEL	Political, Economic, Social, Technological, Environmental & Legal
PIL	Public International Law
RBA	Risk-Based Approach
SAR	Suspicious Activity Reporting
SAT	Suspicious Activity Transaction
UK (OFSI)	United Kingdom, Office of Financial Sanctions Implementation
UN	United Nations
UNSC	United Nations Security Council

1. INTRODUCTION

With its foundation dating back to 1976, the Arab Monetary Fund (AMF) serves as a regional Arab organization established under a multilateral treaty among its twenty-two Member States: Saudi Arabia, Jordan, United Arab Emirates, Bahrain, Tunisia, Algeria, Djibouti, Morocco, Egypt Iraq, Sudan, Somalia, Kuwait, Oman, Palestine, Qatar, Comoros, Syria, Lebanon, Libya, Mauritania, and Yemen. The AMF's core objectives are to lay the monetary foundations for Arab economic integration, strengthen economic, financial, and monetary stability, and promote economic development across the region.

The Fund is a self-regulated organization governed by public international law (PIL), possessing full juridical personality with the capacity to contract, hold movable and immovable property, and institute legal proceedings. Its governance framework, defined by the AMF Articles of Agreement, sets out its structure, powers, and responsibilities, ensuring that all operations are conducted in accordance with its founding treaty and international standards.

As part of this commitment, the AMF implements robust measures to prevent money laundering (ML) and the financing of terrorism (FT), aligning its policies and practices with international standards including those set by the Financial Action Task Force (FATF) and the relevant United Nations conventions and resolutions while maintaining the independence and legal safeguards guaranteed under its founding agreement.

2. PURPOSE

The purpose of this AML/CFT Framework is to establish clear principles and procedures to protect the Arab Monetary Fund (AMF) from risks associated with money laundering, terrorist financing, and other illicit activities that could harm its integrity, reputation, and financial stability. It also aims to reinforce confidence in the AMF among its shareholders and international partners by ensuring that the Fund is not exposed to or misused for unlawful purposes.

This framework has been developed with due regard to internationally recognized best practices and guidance, including those issued by the Financial Action Task Force (FATF), the commitments of AMF Member States within MENAFATF, and relevant principles reflected in United Nations treaties and United Nations Security Council resolutions under Chapter VII of the UN Charter, particularly in relation to sanctions and counter-terrorism.

In addition, given that the AMF operates, invests, and transacts across multiple currencies and jurisdictions, this framework acknowledges the AMF's potential exposure to international and regional sanctions regimes. The AMF therefore affirms its obligation to adhere to all relevant sanction's laws and designated lists.

This AML/CFT framework underscores the AMF's commitment to the highest standards of integrity, transparency, accountability, and best international practices, reflecting its role in supporting Member States' collective efforts to combat financial crime at both regional and global levels.

3. GOVERNANCE AND OVERSIGHT

The Arab Monetary Fund (AMF) maintains a clearly defined governance structure to ensure accountability, independence, and effective oversight of its AML/CFT and sanctions framework.

The Compliance Function, as part of the second line of defence, is responsible for overseeing the implementation and effectiveness of internal policies and procedures designed to prevent the misuse of the Fund's resources for money laundering, terrorist financing, or sanctions evasion.

The Compliance Function may be entrusted with specific statutory responsibilities, including acting as the Money Laundering Reporting Officer (MLRO). In this capacity, and in accordance with AMF governance rules, the MLRO is authorized to liaise with external stakeholders, including regulators, standard-setting bodies, and other relevant external experts. The MLRO is responsible for the day-to-day management of the AML/CFT program, monitoring compliance with applicable laws, regulations, and internal policies, and serving as the principal point of contact with competent authorities on AML/CFT matters.

The Compliance Function reports functionally to the Director of Risk, ensuring alignment with the Fund's overall risk management strategy, while maintaining operational independence in the discharge of its AML/CFT responsibilities. It provides ongoing monitoring, advisory support, and challenge to maintain the effectiveness of AML/CFT controls in line with the Fund's governance principles and the strategic direction of the Board of Directors.

4. RELATIONSHIP WITH INTERNAL AUDIT

The Internal Audit function, as the third line of defence, provides independent and objective assurance on the adequacy and effectiveness of the AMF's AML/CFT and sanctions framework. It incorporates AML/CFT and compliance risk into its audit planning and verifies whether key controls and the Compliance Function are properly designed and operating as intended.

Internal Audit is organizationally independent from the Compliance Function and shall ensure that it has clear mandate and unrestricted access to systems, records, and personnel necessary to perform its assurance role.

Internal Audit conducts AML/CFT reviews on a periodic basis, follows up on agreed remedial actions, and reports its principal findings and the status of corrective measures to the Director General and, as appropriate, to the Board of Directors or the relevant Board committee.

5. FRAMEWORK OBJECTIVES

The Fund AML/CFT Framework seeks to achieve the following key objectives:

- Implement a Risk-Based Framework: Apply a comprehensive risk-based approach that ensures risks associated with money laundering, terrorist financing, and other illicit activities are effectively identified, assessed, and mitigated within the Fund's operations.
- Safeguard Integrity and Reputation: Prevent the misuse of the AMF's resources and activities, thereby protecting its institutional integrity, reputation, and the confidence of its Member States and international partners.
- Ensure alignment with International Standards and Sanctions Regimes: As a MENAFATF observer, the Fund follows MENAFATF commitments and guidance and takes into account internationally recognized standards, including the recommendations of the Financial Action Task Force (FATF). It also complies with the binding requirements of relevant international sanctions and counter-terrorism frameworks, including United Nations Security Council (UNSC) resolutions, as well as applicable national and regional sanctions regimes such as U.S. (OFAC), European (EU), and UK (OFSI) sanctions lists relevant to the Fund or its transactions.
- Support Member States' Collective Efforts: Facilitate cooperation among Member States to strengthen regional compliance with AML/CFT standards, address region- specific challenges, share experiences, and develop practical solutions tailored to national contexts.
- Promote Awareness and Capacity-Building: Foster a culture of AML/CFT awareness within the Fund through ongoing training, guidance, and communication, while also contributing to educational sessions and capacity- building programs for Member States trainees.
- Continuous Review and Enhancement: Regularly assess and strengthen the Fund's AML/CFT framework to ensure it remains aligned with evolving international standards, emerging financial crime typologies, and changes in the global and institutional risk environment.

6. SCOPE OF APPLICABILITY

This AML/CFT Framework applies to all operations and financial activities of the Arab Monetary Fund (AMF) and is binding on all individuals engaged in the Fund's work. This includes the Director General, Board Members, authorized signatories, staff, consultants, and any other persons acting on behalf of the AMF.

The framework establishes minimum standards to ensure compliance with applicable AML/CFT obligations and international expectations. These standards are designed to safeguard the Fund from being misused for illicit purposes and to preserve the trust placed in the AMF by its Member States and partners.

7. DEFINITIONS

I. Money Laundering (ML)

The Arab Monetary Fund (AMF) adopts the definition of money laundering in alignment with international standards established by the United Nations (UN) and the Financial Action Task Force (FATF). Money laundering shall be understood as the process by which the proceeds of criminal activity are concealed, disguised, converted, or otherwise manipulated to obscure their illicit origin, thereby enabling offenders to derive benefit from such proceeds without disclosure of their unlawful source.

The AMF's definition is grounded in the United Nations Vienna Convention of 1988 (Article 3.1), which states that:

> *"Money laundering refers to the conversion or transfer of property, Knowing that such property is derived from any offense or offenses, for the purpose of concealing or disguising the illicit origin of the property, or of assisting any person who is involved in such offense or offenses to evade the legal consequences of their actions."*[1]

The AMF further recognizes the interpretative guidance of the Financial Action Task Force (FATF), which describes money laundering as:

> *"the processing of criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their sources."*[2]

II. Terrorist Financing (TF)

The Arab Monetary Fund (AMF) adopts the definition of terrorist financing in alignment with international legal standards established by the United Nations (UN) and the Financial Action Task Force (FATF). Terrorist financing shall be understood as the provision, collection, or use of funds, by any means, directly or indirectly, with the intention that they be used, or in the knowledge that they are to be used, in full or in part, to carry out terrorist acts, regardless of whether the funds are derived from legal or illegal sources.

The AMF's definition is grounded in the United Nations Security Council Resolution 1373 (2001), which states that:

> *"Terrorist financing refers to the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used, or in the knowledge that they are to be used, in full or in part, to carry out terrorist acts."*[3]

The AMF further recognizes the interpretative guidance of the Financial Action Task Force (FATF), which describes terrorist financing as:

> *"the act of providing funds or financial services to individuals or groups who use them to carry out terrorist activities, whether the source of funds is lawful or unlawful."*[4]

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1. https://www.unodc.org/pdf/convention_1988_en.pdf
2. Money Laundering - Financial Action Task Force (FATF
3. UN Security Council Resolution1373(2001)
4. FATF – Terrorist Financing

III. Sanctions

The Arab Monetary Fund (AMF) complies with sanctions measures adopted by the United Nations Security Council (UNSC) in accordance with its resolutions issued under Chapter VII of the United Nations Charter.

The Risk Department ensures that the AMF does not engage in or facilitate any transaction or relationship involving entities, or jurisdictions designated under UNSC Sanctions Regimes, and that funds or other assets are not made available, directly or indirectly, to such parties.

"The AMF defines sanctions as "Restrictive measures imposed by the United Nations Security Council (UNSC) or other competent authorities that prohibit the making of funds, financial services, or economic resources available directly or indirectly, to or for benefit of designated persons, entities. or jurisdictions"

Accordingly, the AMF incorporates and applies these international definitions for the purposes of this Framework. These definitions should serve as the authoritative basis for the Fund's Money Laundering framework and shall guide the interpretation, application, and enforcement of the provisions set forth herein.

8. RISK-BASED APPROACH

The Arab Monetary Fund (AMF) applies a risk-based approach to safeguard its operations against money laundering, terrorist financing, and other illicit activities. This approach ensures that the level of due diligence is proportionate to the risks identified in the course of its activities.

The Fund's mandate is strictly confined to its public founding objectives. It does not receive, hold, or manage funds from external parties, nor does it maintain accounts, accept deposits, or conduct transactions on behalf of any natural or legal person. Its operations are confined to managing financial resources, providing support to its Member States, and conducting treasury and investment activities in line with its founding objectives. Should the AMF ever

consider expanding its activities to include such relationships, this would trigger a comprehensive review and potential amendment of its AML/CFT and Sanctions Framework.

In practice, the AMF engages only with a clearly defined set of counterparties relevant to its financial operations (funding, lending, and investment). These include:

a. Central Banks

b. Sovereign and sub-sovereign entities

c. Government agencies

d. Regional and international supranational institutions

e. Credit or financial institutions operating under effective AML/CFT supervision, limited to those counterparties pre-approved by the AMF Board of Directors in line with the Investment Policy.

When assessing counterparties, the AMF evaluates factors such as the nature of the institution, the type and purpose of the financial instrument or transaction, and the jurisdiction in which the activity takes place. All new financial relationships, lending programs, or material changes to existing operations are subject to identification, risk assessment, and formal approval under this framework to ensure compliance with AML/CFT standards and the Fund's internal controls.

By following this structured risk-based approach, the AMF ensures its operations remain aligned with its treaty-based mandate, its Articles of Agreement, and international AML/CFT and sanctions standards.

The Compliance team conducts periodic and event-driven assessments of money laundering, terrorist financing, and sanctions risks. The results are reviewed by the Director of Risk, and relevant recommendations are incorporated into the Fund's AML/CFT framework, ensuring alignment with the Risk-Based Approach, the Board's defined Risk Appetite, and overall governance processes.

9. Board Risk Appetite Metric (BRAM)

The Arab Monetary Fund (AMF) applies a Board Risk Appetite Metric (BRAM) to define the level of AML/CFT and compliance risk that the Fund is willing to accept across its activities. The BRAM reflects the strategic direction of the Board of Directors and provides the Risk and Compliance functions with clear parameters for managing daily operations. Serving as the Board's formal expression of its risk appetite, the BRAM links the Risk-Based Approach (RBA) to the Fund's governance framework, ensuring that AML/CFT controls and monitoring remain consistent with the AMF's overall risk culture and oversight principles.

The BRAM is structured across the Fund's core activities as follows:

9.1 Lending to Member States

The Fund applies to a zero-tolerance appetite for lending to any Member State that is subject to National Sanctions List and International Sanctions Bodies. Screening occurs both before loan approval and throughout the life of the loan, since sanctions may be imposed after disbursement. Any sanction match results in immediate escalation to the CRO, Director General, and ultimately the Board of Directors.

9.2 Contracts with Vendors and Data Providers

The Risk Department, through the Compliance function conducts due diligence before and throughout contractual relationships with vendors, consultants, and data providers to ensure alignment with its Board-Approved Risk Appetite and tolerance levels.

9.3 Treasury and Investment Operations

Treasury and investment activities expose the AMF to international financial markets. Engagement is limited to Board-approved counterparties, including custodians, fund managers, and banks, in line with the Fund's established risk appetite. The level of exposure is adjusted based on the type of instrument, the jurisdiction, and the supervisory strength of the counterparty. Any engagement with a non-approved counterparty or exposure to a high-risk jurisdiction is escalated immediately to the Director of Risk Department and the Director General.

9.4 Counterparty Onboarding (KYC/KYB)

The Arab Monetary Fund (AMF) maintains a conservative risk appetite with respect to counterparty onboarding. This is achieved through the implementation of comprehensive Know Your Customer (KYC) and Know Your Business (KYB) due diligence processes and by engaging exclusively with low-risk, effectively supervised institutions that are approved in accordance with the Investment and Risk Policy.

In accordance with the Board-approved risk appetite, the Risk Department assesses jurisdictional and governance risks and restricts relationships to counterparties subject to adequate AML/CFT supervision, with any exceptions escalated to the Board.

9.5 International Payments and Settlements (KYT)

The AMF maintains a zero-tolerance risk appetite toward money laundering and terrorist financing in cross-border transactions. All international payments and settlements are screened in real time against National and International sanctions bodies including the UNSC, OFAC, EU, and UK sanctions lists, with monitoring focused on identifying unusual or suspicious activity. Any confirmed sanctions match or suspicious transaction is raised by the Compliance team and escalated to the Director of Risk Department.

9.6 Sanctions and Compliance Risk

The Board establishes a zero-tolerance approach to sanctions violations across all AMF operations. The AMF shall not establish or maintain any relationship, nor enter into any transaction, that would result in a breach of United Nations Security Council resolutions or any other applicable and binding sanctions regimes. The sanctions risk appetite is subject to ongoing review and adjustment in response to updates to relevant sanctions lists and regulatory requirements.

Any actual or potential sanctions breach shall be subject to immediate escalation to the Director of Risk Department and the Director General, and, where applicable, to the Board of Directors.

9.7 AMF Reputation as an International Organization

The Fund maintains a very low tolerance for reputational risk. Any direct or indirect association with money laundering, terrorist financing, or sanctions violations may adversely affect the AMF's credibility as a treaty-based international organization. The reputational risk appetite is calibrated based on the sensitivity of counterparties and the profile and visibility of transactions. Any incident with actual or potential reputational impact shall be escalated immediately to the Director General and, where appropriate, to the Board of Directors.

10. GLOSSARY

Beneficial Owner (BO)	The beneficial owner is the natural person(s)/ the individual(s) who ultimately own or control a customer (or counterparty), or on whose behalf a transaction is carried out, including those who have final and effective control over a legal entity or legal arrangement.
Counterparty Due Diligence (CDD)	It is a set of measures to identify and verify the identity of counterparties, understand the nature of the business relationship, and conduct ongoing monitoring of transactions. These are proportionate to the ML/TF risk.
Anti-Money Laundering (AML)	Measures, controls, and procedures designed to prevent the concealment or disguise of the proceeds of criminal activity and to ensure that the Fund's resources are not misused for illicit purposes.
Countering the Financing of Terrorism (CFT)	Measures aimed at detecting, deterring, and disrupting the provision or collection of funds for terrorist acts or for use by terrorist organizations.
Risk-based Approach (RBA)	In respect of AML/CFT procedures is the process of identifying, assessing and understanding ML/FT risk to which the AMF is exposed and to take measures commensurate to those risks in order to mitigate them effectively.
Sanctions	Sanctions are trade, economic, or financial laws, regulations, embargoes, or restrictive measures that require the freezing of funds or other assets, and prohibit making funds, financial services, or economic resources available, directly or indirectly, to designated persons, entities, or jurisdictions. Sanctions may be imposed by the United Nations Security Council (UNSC) under Chapter VII of the UN Charter, or by other competent international, regional, or national authorities. They are used to address threats to international peace and security, including terrorism, terrorist financing, and the financing of proliferation.
Compliance Risk	The risk of legal, regulatory, financial, or reputational consequences arising from failure to comply with binding international obligations, applicable laws, internal regulations, or governance standards. It encompasses the risk that deficiencies in policies, procedures, systems, or staff conduct may result in sanctions, financial penalties, loss of institutional credibility, or restrictions on the organization's ability to perform its mandate.
National Sanctions List	This National Sanctions List is updated by AMF Legal Department according to National Jurisdictions and Member States Countries, in addition to other jurisdictions that may be subject to additional sanctions restrictions.
International Sanctions Bodies	The International Sanctions Bodies include the following: - UNSC - EU - Japanese (FEFTA) - OFAC - UK (OFSI)

11. THE AML/CFT FRAMEWORK

The AMF's AML/CFT framework incorporates comprehensive due diligence and compliance measures that address all relevant aspects of organizational, transactional, third-party, and data risks, in line with internationally recognized "Know Your" standards

11.1 Counterparty Due Diligence (CDD) – Know Your Counterparty.

AMF shall carry out CDD/KYC in respect of all counterparties and, if appropriate, their Beneficial Owners, in advance of entering a relationship and/or a transaction with such counterparties. AMF shall apply its risk matrix for CDD/KYC in accordance with their ML/FT risk vulnerabilities.

11.2 Rolling Review and On-going Monitoring.

AMF shall review the CDD/KYC in respect of all counterparties on an on-going basis and ensure the information is up to date. The Fund shall monitor on an on-going basis the counterparty activities to identify any suspicious activities and/or transactions, and to report as required as further described herein. That may include the use of automated systems, if appropriate, to facilitate the review and/or the monitoring.

11.3 Transaction monitoring and screening

The AMF screens all payments and monitors financial transactions using automated systems to detect unusual activity and ensure compliance with AML/CFT and international sanctions requirements. Monitoring is risk-based, focusing on higher- risk counterparties, jurisdictions, and transaction types. The system provides a centralized view of transactions, enabling the AMF to oversee all risks posed by its sovereign and institutional counterparties. Alerts are generated for potentially suspicious or sanctioned-related transactions, supporting timely review and reporting.

11.4 Sanctions Compliance Framework

The AMF complies with applicable National Sanctions List and International Sanctions Bodies, including those issued by the UN, US, EU, UK, and other relevant authorities. All counterparties and transactions are screened for sanctions exposure as part of the risk assessment process. The Compliance function is responsible for performing sanctions checks and monitoring ongoing activities to ensure adherence. Given the AMF's limited and carefully selected counterparties, inherent sanctions risk is low, but all measures are taken to mitigate potential exposure.

shall screen such counterparty against relevant terrorism and economic sanctions lists. Such screening shall also be performed on an on-going basis.

11.5 Reporting Obligations

AMF should put in place processes to enable AMF personnel to do the Suspicious Activities Reporting (SAR) of ML or FT in any activities or transactions. Such suspicious activity reports shall be reported to the Director of Risk Department in a confidential manner who shall then take appropriate action.

11.6 Staff awareness & training

The AMF shall provide risk-based AML/FT training to raise staff awareness. Personnel in relevant divisions must participate in training to identify ML/FT risks, with ongoing sessions provided by the Compliance function. Training Attendance shall be documented.

11.7 Data Protection, Confidentiality and Privacy

The Fund must ensure that all counterparty information is always protected and kept confidential. All such data shall be handled in accordance with applicable data protection and privacy regulations, with strict measures in place to prevent unauthorized access, disclosure, or misuse. The Fund shall also maintain robust cybersecurity safeguards to protect digital systems and data from unauthorized intrusion, cyber threats, or manipulation. This framework is mandatory for all parties involved in AML/CFT activities to uphold the highest standards of data security, confidentiality, and resilience against cyber risks.

11.8 Record Keeping

All AML/CFT and sanctions records, including transaction data, customer due diligence, and training records, shall be retained for a minimum of five (5) years, or longer if required by internal policy, legal obligations, or operational needs.

12. WHISTLEBLOWING POLICY

This Policy applies to all AMF personnel and external parties and covers any suspected act of fraud, bribery, corruption, money laundering, terrorist financing, sanctions violations, abuse of position, obstruction of compliance processes, or other serious breaches of the AMF's AML/CFT framework.

Reports may be submitted through independent and secure channels established by the AMF. All disclosures made in good faith are protected from retaliation, and the confidentiality of whistleblowers is strictly maintained.

13. FREQUENCY OF REVIEW

This Framework is owned by the Risk Department and approved by the Director General. The Risk Department shall ensure that it remains adequate and appropriate to the operations of the Arab Monetary Fund.

The review of this Framework shall be triggered by:

- Material changes in AMF's financial or operational activities.
- An increase in the Fund's overall risk profile due to elevated inherent or residual risk.
- Major PESTEL related changes (Political, Economic, Socia, Technological, Environmental, Legal).
- Or, in any case, no later than three (3) years from the date of the preceding review.

When a triggering event occurs, the Fund shall conduct a root cause analysis of the incident, document the findings, define and implement appropriate actions or controls, and escalate the matter to the Director General and/or the Board of Directors as required.

To reinforce compliance with this Framework, the AMF will leverage advanced technologies, including Artificial Intelligence (AI) and automated systems, not only to support risk detection and monitoring, but also to generate data-driven insights that inform the periodic review process, ensuring that updates remain responsive to emerging risks and international standards.