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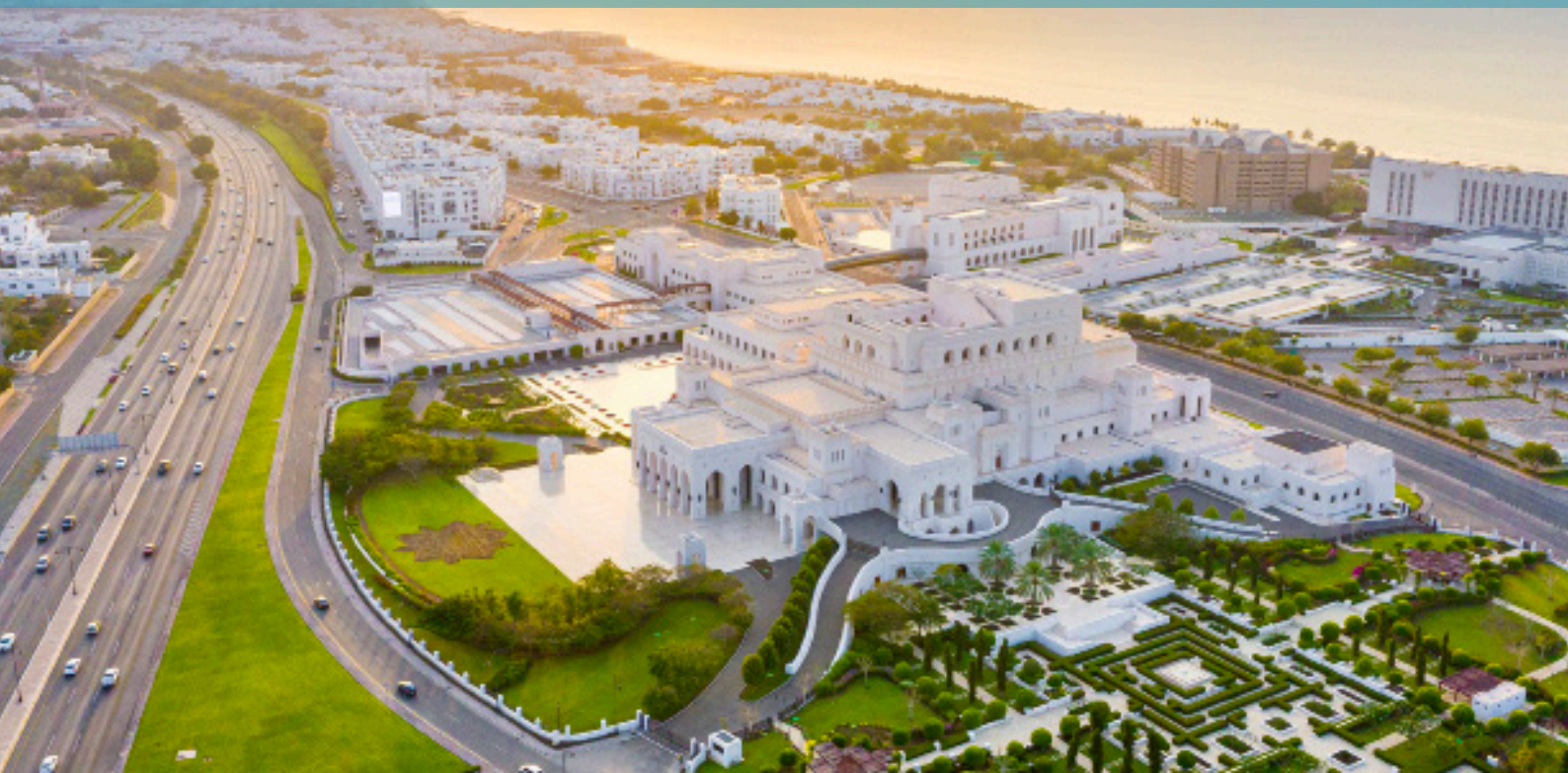
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Anti-money laundering and counter-terrorist financing measures

Oman

Mutual Evaluation Report

December 2024





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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Executive Summary

1. This report summarises the anti-money laundering and counter-terrorist financing (AML/CFT) measures in place in the Sultanate of Oman (Oman) as at the date of the on-site visit: 29 January – 14 February 2024. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Oman’s AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

- a) Since the last assessment, Oman has introduced a range of measures to strengthen its AML/CFT system including implementing reforms across its legal framework, law enforcement and supervisory approach. Oman made significant efforts to identify and assess its money laundering (ML) and terrorist financing (TF) risks by undertaking the second National Risk Assessment (NRA) in 2023, which builds on a total of 18 different topical and sectorial risk assessments produced since 2020. Many of the measures and reforms have a positive impact on Oman’s technical compliance but still need more time and efforts to have an impact on the effectiveness of the system in some areas.
- b) Oman has a moderate understanding of its ML risks and a good understanding of its TF risks. Oman has demonstrated a good understanding of the geographic risks it faces and the banking sector. Understanding of certain ML threats is still developing given that the methodology can be improved further. Level of authorities’ understanding of ML/TF risks varies from limited to mature. Some ML risks are being mitigated but some significant risks remain to be addressed. The National AML/CFT Committee provides an effective framework for coordination and cooperation in this regard.
- c) A strong feature of Oman’s financial intelligence framework is that authorities have access to a wide variety of financial information sources. They use financial intelligence on a regular basis when investigating ML, associated predicate offences and TF (including tracing assets). Another strong point is the National Center for Financial Investigation’s (NCFI) use of sophisticated technology to produce reliable and high-quality financial intelligence used by different competent authorities. Department General Customs (DGC) could make better use of financial intelligence to pursue ML and the financial intelligence in respect of some high-risk sectors like real estate and DPMS is limited. There is also a need to improve NCFI’s strategic analysis function.

- d) Oman has a good legal and institutional framework in place to identify and investigate ML. Law enforcement agencies (LEA) are well-trained and resourced to pursue ML. Case studies demonstrate authorities can pursue and secure convictions for complex cases. Authorities rely primarily on NCFI disseminations and investigations of predicate offences to investigate ML. Investigations into cross-border cash/bearer negotiable instruments declarations and cross border offences are insufficiently used considering Oman's context. More efforts could be done to investigate and pursue ML to bring them in line with Oman's risk profile and to pursue different types of ML cases.
- e) Oman makes confiscation a strategic objective and has achieved good results by proactively pursuing confiscation of criminal proceeds and instrumentalities. Competent authorities confiscated a range of assets mainly through small amounts with some important cases involving high values as well. They coordinate well together and seek to confiscate assets located abroad wherever possible. Authorities could achieve better results recovering dissipated funds by making better use of confiscation of property of equivalent value. The number of false/non-declarations of cash/bearer negotiable instruments identified and amounts confiscated is low and not in line with Oman's risks and context. While authorities have recently put in place measures to mitigate risks in this area, it is too early to assess their impact on effectiveness. More efforts are needed in this area considering Oman's context.
- f) Oman is committed to tackling TF. Oman effectively investigates, prosecutes and disrupts TF activity, wherever needed as a distinct criminal activity, in line with its identified risks in this area. Competent authorities demonstrated a good understanding of TF risks and coordinate well together as part of high-quality TF and terrorism investigations. Oman has secured a small number of TF convictions and prosecutions for different types of TF activities, consistent with its risk profile. Effective sentences (including through alternative means) enhance the deterrence of TF activities. More efforts could be done to improve the role NCFI and financial intelligence play in detecting TF activities.
- g) Oman has an adequate legal framework to implement without delay targeted financial sanctions (TFS) related to terrorism and terrorist financing pursuant to United Nations Security Council Resolutions. Oman is still hesitant to use the designation in line with its regional TF risks. Oman has taken appropriate steps to deprive terrorist financiers from their assets and instrumentalities. Oman identified the subset of non-profit organisations (NPO) that fall under the FATF definition and conducted two risk assessments for the NPO sector. However, excessive measures are applied on all NPOs and Ministry of Social Development does not fully apply risk-based supervision, which may discourage and disrupt legitimate NPO activities.
- h) Oman has an adequate legal framework to implement TFS related to proliferation without delay since 2021. Oman has no diplomatic, commercial, or financial ties with the Democratic People's Republic of

Korea. No PF-related funds were identified by reporting entities nor by the National Counter-Terrorism Committee after the valuable screening exercise at the national level. The PF Coordination Group led to good national cooperation and coordination to counter PF. Reporting entities generally comply with PF-related TFS obligations in a way which is commensurate to their risk, but the understanding of those obligations can be improved. Supervisors monitor PF-related TFS obligations but this is more recent for DNFBP supervisors and lacks comprehensiveness.

- i) FIs, DNFBPs and the VASP have an uneven understanding of ML/TF risks. While mitigating measures are broadly applied by all reporting entities, the DNFBP sectors are still developing sector specific best practices, in particular as regards STR reporting. All reporting entities have adequate internal controls and procedures.
- j) Supervisors adequately regulate and prevent criminals and their associates from holding or being the beneficial owners of FIs, DNFBPs and the VASP. Oman provides supervisors with sufficient resources to ensure ML/TF risks are understood and the risk-based approach is applied – albeit unevenly by the different supervisors. Notwithstanding, some challenges remain on the ability of all supervisors to understand ML/TF risks fully – and identify new typologies – as well as on the implementation of proportionate, dissuasive and effective sanctions.
- k) Basic information is publicly available and competent authorities can access it in a timely manner. Oman has a basic understanding of ML/TF risks and vulnerabilities linked to legal persons but generally applies adequate measures to mitigate potential abuse, including by ensuring the accuracy of the information. Some challenges persist regarding the timely access to beneficial ownership information and in the implementation of effective, proportionate and dissuasive sanctions.
- l) Oman takes a collaborative approach towards international cooperation. Authorities provide and seek timely and effective assistance across a range of MLA and extradition requests, including simple and complex cases involving asset tracing. LEAs, NCFI and supervisors routinely cooperate informally with foreign counterparts, including with respect to TF. Some improvements could be made to foster better cooperation with respect to human trafficking and cross-border offences and to improve DGC's cooperation on ML and TF matters.

Risks and General Situation

2. Oman is a relatively large country with a land comprising 309,500 square kilometres. Oman's GDP in 2022 was approximately USD 114.6 billion¹, a 30% increase from 2021. The GDP per capita at current prices is estimated at USD 23,240. The oil and gas revenues still constitute the largest share of the financial resources on which the country relies to implement its plans, projects, and investments inside and outside the country.

¹ World Bank, Oman. Accessed 22 November 2023. Available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=OM>

3. While the NRA considers Oman to be a low-crime jurisdiction with a low number and seriousness of proceeds-generating offences, the country is exposed to ML/TF risks associated with cross-border flows and activity due to its geographical proximity to countries destabilised by conflict or terrorism. Oman is particularly vulnerable as a result of a predominantly cash-based economy.
4. Oman assesses its overall ML threat as Medium-Low (broken down as low domestic money laundering (ML) threat and foreign proceeds of crime threat as medium-low). The main threats identified by Oman relate to predicate offences that generate criminal proceeds in Oman, namely: fraud, corruption including embezzlement, drug trafficking (DT), and human trafficking (HT). Most criminal proceeds generated in Oman are laundered in the country. Oman's geographical location at the crossroads of Asia, the Middle East, and Africa and proximity to some conflict zones makes it vulnerable as a destination or transit point for illicit goods, services, and funds. In addition, Oman is exposed to cross-border illicit flows due to the widespread use of and reliance on cash and the importance of smuggling. The only threat identified by Oman in this regard is related to the cash movements with Yemen identified as the highest threat.
5. Oman is not an international financial center but possesses a medium-sized and well-connected financial services industry. Oman assesses the ML risk through Banks, Money Exchange Establishments (MEEs) -category A- and Dealer in Precious Metals and Stones (DPMS) and legal persons in the Free Zones/ Special Economic Zones (FZ/SEZ) as the highest risk sectors. Oman also identified cases in which the Real Estate sector can be abused by criminals, and the use of the illegal remittances services (hawala) represent an ML threat for Oman.
6. Oman assesses its terrorist financing (TF) risk as medium-low. Oman has not recorded any terrorist attacks during the assessment period, and it is ranked as one of the countries with the lowest exposure to terrorist attacks in the Middle East and North Africa.² Because of Oman's proximity to conflict zones and high-risk jurisdictions, the threat of TF is mainly linked to the movement of funds, goods and shipments to and from these high-risk jurisdictions.

Overall Level of Compliance and Effectiveness

7. Oman introduced a new AML/CFT law in 2016 as well as a range of other reforms to improve its institutional and legislative framework. These measures also seek to foster skills and resourcing of competent authorities. Accordingly, Oman has a strong level of compliance with the FATF Standards, with only one Recommendation where moderate improvements are needed in relation to Non-Profits Organisations (NPOs) (R.8).
8. On effectiveness, Oman achieved strong results in relation to the use of financial intelligence, criminalisation of TF, implementation of PF-related TFS and international cooperation. Major improvements are needed in other areas given that many of the changes occurred recently, and their impact on effectiveness remains to be determined. While some initiatives are beginning to show results, some of these AML/CFT reforms are structural and require an appropriate period of time to produce changes in the effectiveness of the overall system.

² <https://www.visionofhumanity.org/wp-content/uploads/2023/03/GTI-2023-web-170423.pdf>

Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

9. Oman's understanding of ML/TF risks is primarily based on the latest (2023) National Risk Assessment, which builds on a total of 18 different topical (TRAs) and sectorial RAs (SRAs) produced since 2020. The 2023 NRA constitutes a substantial effort and was part of a joint exercise to which all relevant public authorities contributed. All TRAs and SRAs were developed on the basis of different sources of information from both the public and private sectors. Yet, direct inputs from the private sector were limited, which hampered the potential of the SRAs/TRAs to provide a more accurate sectorial view of ML/TF risks.
10. Omani authorities have a moderate understanding of its ML risks and a good understanding of its TF risk. Authorities have also demonstrated a good understanding of the risks in areas related to the country's geographic risks and the banking sector. However, Oman still has a developing risk understanding in various areas and some sectors especially foreign ML threat, hawala, complex legal persons, human trafficking, DPMS and Real Estate sectors.
11. Oman addresses, to some extent, its ML/TF risks through national policies and activities, such as the national strategies (NS) (2020-2022 and 2023-2025) based respectively on the 2018 and the 2023 NRAs and the two national action plans (NAP). Regarding ML, the most prevalent predicate offences generating proceeds and the sectors most at risks (Banks, DPMS, MEE) are not systematically targeted by measures at the national and strategic level.
12. Oman has put in place a solid institutional framework enabling authorities to co-operate and coordinate effectively on the development and implementation of policies and activities to combat ML/TF and both at the policy and operational levels.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29-32)

Use of Financial Intelligence

13. Oman regularly accesses and uses financial intelligence and other relevant information to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF in Oman and abroad. DGC uses financial intelligence concerning cross-border predicate offences, rather than ML cases. Although it is increasing, the amount of STRs submitted by some DNFBPs such as some high-risk sectors like DPMS and real estate is low and may limit the scope of financial intelligence available to NCFI in their respect. NCFI – which plays a central role in producing, enriching and exploiting financial intelligence – is a strong, competent and well-resourced FIU and cooperates regularly and effectively with other competent authorities. It produces good quality operational analysis through sophisticated artificial intelligence tools, both proactively and on request. NCFI supports the operational needs of competent authorities on ML and associated predicate offences and TF to a large extent. There is also a need to improve NCFI's strategic analysis function to help supervisors develop a better understanding of ML/TF risks.

Investigation and prosecution of ML

14. Oman has a good legal and institutional framework to identify and investigate ML. Well-resourced and trained LEAs draw on various sources – primarily NCFI disseminations – to identify and investigate ML. However, some sources – including referrals from LEAs like ROP, parallel financial investigations into high-risk predicate offences, cross-border cash and bearer negotiable instrument (BNI) declarations – are insufficiently used for the purpose of detecting and investigating ML. Authorities have investigated complex cases involving third-party ML and are able to trace funds abroad. The authorities' approach is not sufficiently targeted. As a result, LEAs

do not consistently pursue ML in relation to the country's main risks, particularly fraud (which represents the highest threat for ML), HT and cross-border cash/BNI movements. Although pursuing different types of ML is a policy objective, authorities pursue and secure convictions mainly for self-laundering cases. Authorities use alternative measures where a conviction for ML cannot be secured, but this remains relatively limited.

Confiscation

15. Oman has a strong legal and operational framework for asset recovery, and pursues confiscation of criminal proceeds, instrumentalities and property of equivalent value as a policy and strategic objective to a large extent. Oman was able to seize and confiscate a range of criminal proceeds and instrumentalities domestically in a manner that is broadly consistent with risks. 63.7% of assets seized are confiscated, mainly through smaller cases and some high-value ones. Authorities could make better use of confiscation of property of equivalent value to recover dissipated funds, as this is used to some extent. The establishment of an "Administration" for asset management is considered a good step, but it is under-resourced and not systematically used since the Public Prosecutor (PP) execution sections do the majority of this work. Authorities demonstrated effective engagement with other countries to confiscate assets located abroad or to respond to freezing requests, although the number and value of cases are low. Oman has a strong legal framework for cash declarations and BNI and has taken several measures to mitigate risks arising from cash movements through the borders – particularly with Yemen – and to detect relevant cases. These measures are recent, and their impact can therefore not be fully ascertained. Yet only few cases of false/non-declaration have been identified which is not in line with Oman's risks and context, and sanctions are effective only to a limited extent. The AT placed heavier weight on this issue considering the higher risk associated with cross-border movement of cash/BNI.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R.1, 4, 5–8, 30, 31 & 39.)

TF Investigations and prosecutions

16. Oman has a strong legal and operational framework to detect, investigate and prosecute TF. Authorities have a good understanding of TF and are well trained and resourced to pursue TF. In practice, they conduct high quality TF investigations and cooperate well. NCFI took a more proactive role in detecting TF activities in the second half of the assessment period. The type of TF activities pursued, investigated, prosecuted and for which a conviction was secured mainly involve the movement of funds, and is in line with Oman's TF risk profile. ISS is responsible for both terrorism and terrorism financing, which explains that TF investigations are integrated with, and supportive of Oman's CT strategy (which was in the process of being updated at the time of the on-site). Oman prosecuted three cases (involving seven persons), resulting in two convictions (involving four defendants) from three prosecutions, and therefore has a good conviction rate (57%). The level of sentencing is in line with comparable offences. Oman has shown that it uses alternative measures where it is not possible to achieve a TF conviction, such as extradition, revoking residency status and asset confiscation.

Preventing terrorists from raising, moving and using funds

17. Oman has a legal framework to ensure the TF-targeted financial sanctions (TFS) are enforced immediately upon designation by the UN Security Council or the TFS Committee and implemented by all natural and legal persons without delay. Oman has an efficient alerting system

to inform reporting entities (REs) of any new designation and updates on the United Nations (UN) and local lists, which is well-known by REs.

18. Oman has responded to one foreign request on the basis of UNSCR 1373 and implemented a number of designations for the first time pursuant to this request. Oman is still hesitant to proactively propose designations on its own motion to the local list and to propose designations to other countries in line with the TF regional risks.

19. Oman identified the subset of non-profit organizations (NPOs) that fall under the FATF definition and conducted two risk assessments for the NPO sector. However, Oman applies excessive measures on all NPOs and considers them as reporting entities to prevent the misuse of TF. Moreover, the Ministry of Social Development (MOSD) does not fully apply risk-based supervision, which in general may discourage and disrupt legitimate NPO activities.

20. Oman had no confirmed name matches on local and UN lists that led to the freezing of funds or economic resources. Oman has taken proper steps to combat TF by confiscating assets amounting to (USD 2 782 000), primarily achieved through alternative measures, which is broadly in line with Oman's TF risk profile.

Proliferation financing

21. Oman has an adequate legal framework for implementing PF-targeted financial sanctions (TFS) without delay since 2021. Oman conducted a valuable screening exercise at the national level and has not identified, frozen, or seized assets due to PF-related sanctions and has not received a false positive on any natural or legal persons on the UN-issued lists. This appears consistent with the NRA's conclusion of low risk linked to DPRK. Oman has a system in place to access basic information in a timely manner and to a lesser extent, beneficial ownership information in case of a complex structure which may affect its PF-TFS implementation. The AT did not consider this to be an important concern given the negligible numbers of complex structures in Oman as per the TRA on legal entities.

22. Oman established the PF Coordination Group, which led to positive national cooperation to counter PF. The PF RA developed by this Group helped relevant authorities to improve their understanding of PF risks.

23. Reporting entities have varying understanding of obligations and comply with PF-related TFS obligations in a way which is commensurate to their risk. The understanding of those obligations can be improved by providing high-quality outreach and training programs to raise awareness in PF-TFS. All supervisors monitor their reporting entities' compliance with PF-related TFS obligations. However, it was not demonstrated that the implementation of these obligations is comprehensively reviewed by DNFBP supervisors, which is a moderate deficiency given the PF low risk and in light of Oman's context.

Preventive measures (Chapter 5; IO.4; R.9-23)

24. Oman's reporting entities have an uneven understanding of their ML/TF risks. Broadly, FIs have a more mature understanding of ML/TF risks and also possess a fair understanding of their AML/CFT obligations. With some exceptions, DNFBPs have a limited understanding of its AML/CFT obligations and a very poor understanding of ML/TF risks. Overall, all reporting entities demonstrated a better and more developed understanding of ML than TF risks.

25. Mitigating measures are broadly applied but limited by the entities' abilities to identify and manage ML/TF risks. The implementation of Customer Due Diligence (CDD) and enhanced or specific measures is also uneven (between FIs and DNFBPs) but generally strong as regards record keeping requirements.

26. Reporting obligations are broadly met by all reporting entities regarding quality – including adequate tipping off prevention provisions – but the DNFBP sectors need to improve the frequency of their reporting in line with the risk-based approach.
27. Reporting entities generally have in place adequate internal controls and procedures.

Supervision (Chapter 6; 10.3; R.14, R.26–28, 34, 35)

28. Supervisors prevent criminals from owning or holding management functions in FI's and DNFBPs and the VASP sector (which currently only has one operator). Measures to detect and prevent unlicensed activity exist and are performed by all supervisors. Concerns remain regarding the effectiveness of the system in detecting breaches related to MEE sectors.
29. Supervisors understanding of ML/TF risks is uneven with the FI supervisors holding a more mature knowledge than their DNFBP counterparts as a result of the latter's more recent practices. FI supervisors have carried out comprehensive risk assessments informed by reporting entities' input as well as their own automated risk matrix systems.
30. Oman has a well-resourced supervision system in place which implements the risk-based approach to some extent. CBO and CMA conducted frequent on-site and off-site inspections throughout the review period while DNFBP supervisors have only started onsite inspections in 2021/2022. The recent nature of DNFBP supervision suggests that the impact of these efforts is still emerging but progress is noticeable.
31. Within the FIs sectors there is a more significant impact from supervisory actions and guidance although doubts persist regarding the effectiveness of these actions and whether these should be more focused on the improvement of the implementation of the risk-based approach.
32. Whereas the range of sanctions available is adequate, supervisors do not yet apply them in a manner which can be considered effective and mostly rely on remedial actions to address the different types of breaches.

Transparency and beneficial ownership (Chapter 7; 10.5; R.24, 25)

33. Oman has carried out a topical risk assessment of the vulnerabilities associated to the abuse of legal persons and Waqfs (the only legal arrangements in the jurisdiction). The country has an overall fair but still developing understanding of relevant ML/TF risks with the exception of ML risks associated with Foundations and Associations, which has not been addressed.
34. Basic information is publicly available and accessible in a timely manner by competent authorities but challenges and limitations to the collection, accuracy and access of beneficial ownership information by competent authorities persist.
35. Mitigating measures consist of an adequate registration framework through which information is verified and updated by authorities to some extent. MOCIIP is developing a beneficial ownership information registry that is expected to complement and strengthen the framework in the short term.
36. Oman has an adequate framework to prevent the abuse of legal persons by criminals, but the current sanctioning practices cannot yet be considered effective proportionate or dissuasive.

International cooperation (Chapter 8; 10.2; R.36–40)

37. Oman has a sound legal and operational framework for seeking and providing Mutual Legal Assistance (MLA) and extradition (including on asset recovery) and takes a collaborative approach towards international cooperation, working with other countries to find the most efficient means to seek and provide cooperation. Department for Regional and International

Cooperation (DRIC) (within PP) is the central authority for managing international cooperation requests and is well resourced. As confirmed by feedback from the Global Network, authorities provide timely and effective assistance across a range of MLA and extradition requests (including simple and complex cases involving asset tracing) to a large extent. Authorities refused some extradition requests, but grounds for doing so are reasonable.

38. Authorities proactively seek MLA and extradition requests – including on ML and associated predicate offences – generally in line with risks. However, more could be done to seek cooperation with respect to HT and cross-border offences. Authorities do not proactively make MLA or extradition requests on TF, but this is mitigated by the fact there is very good and active informal cooperation between relevant authorities on the matter. Competent authorities routinely seek informal forms of international cooperation in a timely and effective manner. There is room to improve DGC's cooperation on ML and TF matters and to continue growing NCFI's requests for international cooperation. DRIC lacks procedures to prioritise requests, but this has no impact on effectiveness considering the low volume of requests.

Priority Actions

- a) Oman should enhance the understanding of its ML risks, particularly by conducting a more detailed ML threat assessment using a clear methodology to: (1) identify the most prevalent predicate offences and the foreign ML threats; (2) refine the understanding of ML methods, including from cross-border cash, and (3) deepen the understanding of ML risks related to DPMS and real estate sectors. This threat assessment should be followed by the development and implementation of new policies and measures, including at the national and strategic levels, to address the main threats and risks identified.
- b) Oman should increase the application of new measures introduced at border crossings to identify more cases of false/ non-declaration of cash/BNIs and apply effective sanctions in line with the high risks identified.
- c) Oman should strengthen capabilities of LEAs to detect, investigate and prosecute ML, through all available channels, including parallel financial investigations and cross-border cash/BNI information, in line with the country's main risks. As outlined in its policy objectives, authorities should further investigate and pursue all type of ML in line with Oman's risk and context.
- d) Supervisors should improve the implementation of the risk-based approach by: (1) continuing to develop and maturing sector specific ML/TF supervisory risk assessments that reflect the evolving risk and context of Oman, and (2) review and enforce the sanctions regime to improve effective compliance and ensure a proportionate, fair and consistent approach.
- e) Competent authorities should conduct comprehensive and structural outreach. This should include disseminating and engaging with reporting entities on the relevant ML/TF typologies, as well as inform and empower them to adequately mitigate ML/TF risks.
- f) Oman should make greater use of the TFS designations under its local list as a

preventive or disruptive tool to mitigate the TF risks.

- g) Oman should finalise its centralised Beneficial Ownership registry with a view to improving the availability of adequate, accurate and timely information for all legal persons.
- h) Oman should, in line with the requirements of Recommendation 8, remove the requirement that NPOs serve as reporting entities. It should apply risk-based measures and conduct outreach to and supervision of only those NPOs falling within the FATF definition based on the NPO risk assessment and without disrupting or discouraging legitimate NPO activities.

Effectiveness & Technical Compliance Ratings

Table 1. Effectiveness Ratings

IO.1 - Risk, policy and co-ordination	IO.2 International co-operation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Moderate	Substantial	Moderate	Moderate	Moderate	Substantial
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Moderate	Substantial	Moderate	Substantial	

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

Table 2. Technical Compliance Ratings

R.1 - assessing risk & applying risk-based approach	R.2 - national co-operation and co-ordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	LC	LC	C	C	LC
R.7 - targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
LC	PC	C	C	C	C
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
C	C	LC	C	C	LC
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
C	LC	C	C	C	LC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
LC	LC	C	C	C	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
LC	C	C	C	C	LC
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international co-operation		
LC	C	LC	LC		

Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

MUTUAL EVALUATION REPORT

Preface

This report summarises the AML/CFT measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system, and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the assessment team (AT) during its on-site visit to the country from 29 January to 14 February 2024.

The evaluation was conducted by an assessment team consisting of:

- Ms. Noora Bahar, Director of Operational Support Department, Qatar Financial Information Unit.
- Mr. Ala' Bani Fawaz, Deputy Chief, Anti Money Laundering & Counter Terrorist Financing Unit (Jordan FIU).
- Mr. Teitur Már Sveinsson, Leading AML/CFT Expert and Coordinator, Ministry of Justice, Iceland.
- Mr. Erkam Ok, Head of the Danish delegation to the Financial Action Task Force, International Affairs Division for Anti-Money Laundering and Counter Financing of Terrorism, Danish Financial Supervisory Authority.
- Mr. Bob Wieser, Supervision Officer, Dutch Authority for the Financial Markets (AFM), The Netherlands.
- Mr Thomas Soulié-Glémet, Deputy Head of Unit, Fight against financial crimes and Sanctions Directorate, French Treasury.
- With the support from the FATF Secretariat (Dr. Rana Matar, Dr. Inês Oliveira and Mr. Mat Tromme) and the MENAFATF Secretariat (Mr. Abdulaziz Almaiman).

The report was reviewed by Ms. Chantal Goupil (Canada), Mr. Youssef Ghchioua (Morocco) and Ms. Denise Napper (United Kingdom) and Mr. Mahmoud Nasr (Egypt).

The Sultanate of Oman underwent a FATF Mutual Evaluation in 2011, conducted according to the 2004 FATF Methodology. The 2011 evaluation is available at: www.fatf-gafi.org/content/fatf6gafi/en/publications/Mutualevaluations/Mutualevaluationofthesultanateofoman.html

The Mutual evaluation concluded that the country was compliant with three, largely compliant with 25, partially compliant with 12 and non-compliant with nine Recommendations.

Oman was placed in the regular follow-up process following adopting of the MER. Oman exited follow-up on 26 April 2017 on the basis of achieving a level of compliance equivalent to a largely compliant in all Core and Key Recommendations.

Chapter 1. ML/TF RISKS AND CONTEXT

39. Oman has a land surface of approximately 309 500 square kilometres. It is located in the far southeast of the Arabian Peninsula, overlooking a 3 165-kilometer coast that starts with the Arabian Sea in the southeast and the beginning of the Indian Ocean to the Sea of Oman in the North. Oman shares land borders with the Republic of Yemen to the southwest, the Kingdom of Saudi Arabia (KSA) to the west, and the United Arab Emirates (UAE) to the north and a maritime border with Iran and Pakistan. Oman's territory includes two exclaves, the Musandam Governorate in the North (overlooking the Strait of Hormuz) and Madha. Oman's population is approximately five million, of which 56.85% are Omani, while expatriates constitute 43.15% of the population.³

40. Oman is a member of the Gulf Cooperation Council (GCC), a political and economic alliance of six Gulf countries with likeminded economic, cultural and religious profiles. The GCC also includes the Kingdom of Bahrain, State of Kuwait, State of Qatar, the UAE, and KSA. Oman is also a member of the League of Arab States, the United Nations (UN), the Organisation of the Islamic Conference (OIC) and the World Trade Organisation (WTO), among other regional and international organisations. Oman is also a member of the regional Terrorist Financing Targeting Center (TFTC).

41. In 2022, Oman's GDP was approximately USD 114.6 billion,⁴ making it the world's 67th economy.⁵ The national currency in Oman is the Omani Rial (OMR). Its main exports and imports are related to the oil industry and consist of crude petroleum and derivatives, nitrogenous fertilizers, and semi-finished iron. Its main trading partners are China, India, South Korea and Saudi Arabia and it holds strong relations with neighbouring countries, according to the National Risk Assessment (NRA). There are four operational Free Trade Zones (FTZ) in Oman (the Sohar Port, Salalah, Duqm Special Economic Zone Authority, and Al-Mazunah).⁶ Oman's economy is heavily cash-based,⁷ and by some estimates, the informal economy accounted for 19.8% of Oman's GDP in 2023.⁸

42. Oman's governance system is an absolute monarchy (Sultani) and hereditary. His Majesty Sultan Haitham bin Tariq Al Said assumed power on January 11, 2020, following the late Sultan, His Majesty Sultan Qaboos bin Said bin Taimur Al Said. The Sultan is the Supreme Commander of the Armed Forces and represents the State at home and abroad. His Majesty the Sultan assumes

³ The majority of foreign nationals in Oman are from India, Bangladesh, and Pakistan and hold industrial and technical jobs in the private sector.

⁴ World Bank, Oman. Accessed 22 November 2023. Available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=OM>

⁵ OEC, Oman, Accessed 22 November 2023. Available at <https://oec.world/en/profile/country/omn/>

⁶ Public Authority for Special Economic Zones and Free Zones. Available at: <https://opaz.gov.om/en>

⁷ NRA, para 721

⁸ <https://www.worlddeconomics.com/Informal-Economy/Oman.aspx>

executive power and is assisted in this by the Council of Ministers, which His Majesty the Sultan nominates through Royal Decree. 27 members comprise the Council of Ministers.⁹

ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML/TF Risks

43. While Oman is considered to be a low-crime jurisdiction with a low number and seriousness of proceeds-generating offences the country is exposed to ML/TF risks associated with cross-border flows and activity as the location of Oman and the use of cash cross borders, makes Oman vulnerable to illicit funds.

44. Oman assesses its overall ML threat as Medium-Low, broken down as low domestic money laundering (ML) threat and foreign proceeds of crime threat as medium-low. The main threats identified by Oman relate to predicate offences that generate criminal proceeds in Oman, namely: fraud, corruption (including embezzlement), drug trafficking (DT), and human trafficking (HT). Most criminal proceeds generated in Oman are laundered in the country. Oman's geographical location at the crossroads of Asia, the Middle East, and Africa and proximity to some conflict zones makes it vulnerable as a destination or transit point for illicit goods, services, and funds. In addition, Oman is exposed to cross-border illicit flows due to the widespread use of and reliance on cash and the importance of smuggling. Oman identifies the cash movements with Yemen as the highest threat.

45. Oman is not an international financial center but possesses a medium-sized and well-connected financial services industry. Oman assesses the ML vulnerability through Banks, Money Exchange Establishments (MEEs) -category A- and Dealer in Precious Metals and Stones (DPMS) and legal persons in the FTZ and Special Economic Zones (SEZ) as the highest risk sectors. Cases studies provided by the country indicate that the real estate sector and the use of the illegal remittances services (hawala) also represent ML vulnerabilities in Oman.

46. Oman introduced in 2022 a new Foreign Direct Investment Law (FDIL), which – given it is expected to foster foreign market entrance and participation – increases the risks related to foreign participation in Omani companies and the opening of the real estate sector by non-Omani residents.

47. Oman assesses its terrorist financing (TF) risk as medium-low. Oman has not recorded any terrorist attacks during the assessment period and is ranked as one of the countries with the lowest exposure to terrorist attacks in the Middle East and North Africa.¹⁰ Oman's proximity to conflict zones and to high-risk jurisdictions and the widespread use of cash means the threat of TF is mainly linked to the movement of funds, goods and shipments to and from high-risk jurisdictions.

Oman's Risk Assessment & Scoping of Higher Risk Issues

Oman's Risk Assessment

48. Oman evaluates its ML/TF risks through its NRA process. The 2018 NRA was the first time that the country assessed its national risks related to ML/TF. The 2018 NRA was a multi-agency process comprising LEAs, regulators, and the Government. It was carried out under the direction of Oman's AML/CFT National Committee, the National Center for Statistics, and the Oman Sultan

⁹ <https://www.fm.gov.om/about-oman/government/council-of-ministers>

¹⁰ <https://www.visionofhumanity.org/wp-content/uploads/2023/03/GTI-2023-web-170423.pdf>

Qaboos University. The 2018 NRA was carried out based on the IMF's Risk Assessment (RA) methodology and benefitted from the support of the International Monetary Fund (IMF) staff.

49. Oman completed its second NRA in 2023, following a different approach to the 2018 NRA. This process followed a staggered approach consisting of both topical and sectorial assessments (TA/SA) undertaken in a sequential manner. The resulting 2023 NRA provides analyses of the different risks based on the various topical and sectorial RAs with a view to ensuring that findings are based on relevant, empiric and comprehensive data and information.

Scoping of Higher Risk Issues

50. The assessment team (AT) reviewed material provided by Oman on national ML/TF risks and information from reliable third-party sources (e.g., reports by international organisations). More attention was paid to the following issues during the on-site visit, which are reflected in the analysis in the report:

- ***ML related to migrant smuggling and human trafficking:*** Oman attracts a significant number of migrant workers from Asia (foreign residents account for 43% of the population). Although this migration is primarily legal, the 2023 NRA acknowledges that some migrants may become vulnerable to HT. In turn, HT and related forced labour and sexual exploitation generates illicit proceeds, mainly in cash, which need to be laundered. In line with its high numbers of expatriates, the NRA assigns a significant risk stemming from HT, although it nevertheless finds that HT does not generate excessively high proceeds. The AT explored how Oman is detecting, tracing the cash proceeds from HT and using financial investigations to pursue ML-related offences. The AT also focused on the extent to which the laundering of the proceeds of such crime is being successfully investigated and prosecuted.
- ***ML related to drug trafficking:*** The NRA considers DT to be one of the highest recorded predicate offences, including when committed abroad. Given its geographic location, Oman is a transit point for transnational drug trafficking connecting the Gulf with Asia and Africa. Whereas the NRA suggests that no examples of the proceeds of overseas drug trafficking being moved into or through Oman were positively identified, it also acknowledges that the current situation in Yemen may facilitate cross-border trafficking. There have been several seizures related to DT. The AT focused on the extent to which the laundering of the proceeds of DT is being successfully investigated and prosecuted and related proceeds confiscated, including through domestic and international cooperation. The AT also focused on the competent authorities' ability to use financial investigations to identify complex ML cases related to drug trafficking.
- ***ML related to corruption:*** Oman scored 44th out of 100 in Transparency International's 2022 Corruption Perception Index. Oman has identified corruption (linked to bribery, forgery, and embezzlement) as one of the more prevalent offences in the country. The NRA notes that a number of financial and administrative corruption cases were investigated and prosecuted. Corruption, therefore, appears to constitute an important risk with a potential to impact on the integrity of the financial system and the Rule of Law. The AT explored the extent to which the country understands and mitigates the risks associated with corruption, and whether the authorities sufficiently prioritise the pursuit of ML cases and confiscation of assets related to this offence.

- **Terrorist Financing:** The NRA identifies national TF risk in relation to the movement of funds or goods to benefit terrorists or terrorism organisations or networks operating elsewhere as medium-high. This is based on high cross-border risks. As the NRA also acknowledges, efforts are required to better manage TF risks in relation to the movement of goods and cash. The AT focused on the authorities' understanding of key threats and vulnerabilities associated with TF and the relevant responses from the authorities, including with respect to detection and investigation/prosecution of TF.
- **Vulnerabilities linked to smuggling of cash and illicit cross-border movements of goods:** Oman identified cash smuggling as one of its high-risk areas consistent with its geographical location. The border crossing with Yemen is known for cash movement and for illicit goods movement as a result of the war in Yemen. These ML/TF threats create an increased risk and could lead to the placement of cash or other assets derived from criminal activity into the financial system or through Designated Non-Financial Businesses and Professions (DNFBPs). Although a declaration system is in place, the AT focused on how well authorities seize and apply relevant penalties for non/undeclared cash and BNIs at the borders. The AT also focused on the extent to which the authorities understand the risks of illicit cross-border movement of cash and goods and related ML/TF, with a heightened emphasis on measures Oman has put in place to prevent and detect cash smuggling across borders.
- **AML/CFT obligations and supervision of high-risk sectors:** Oman is not an international financial center but possesses a medium-sized and well-connected financial services industry. The banking sector is the most important sector based on its materiality and risk, with 18 banks operating in the country representing more than USD 101 billion in assets.¹¹ Given Oman's policy to open the economy to investments ('Oman's 2040 vision'), the prevalence of cash and the importance of smuggling, the banking sector and money remitters (category A) are the main gatekeepers for financial integrity and puts them at risk of being misused for ML/TF.
- The NRA also acknowledges the ML/TF risks with DPMS and real estate sectors. There are 785 active DPMS in Oman, and the sector is classified as medium-high risk (among the higher risk sectors compared to others). While the NRA and national priorities to improve supervisory attention to this sector reflect an acknowledgment by the authorities of the risks associated with DPMS, the stricter AML/CFT preventive measures for this sector are recent and there are cases that indicate these sectors remain vulnerable. For example, the country has been used to smuggle illegal gold to India¹² and, in particular, links to the UAE and Yemen mean that the trade in this context may be linked to higher ML/TF risks. The real estate sector (classified as medium-

¹¹ General information provided by Oman, pp.6.

¹² India customs officials arrest traveler from Oman over \$100k smuggled gold Al Arabiya English,²¹ January 2023. Available at <https://english.alarabiya.net/News/gulf/2023/01/21/India-customs-officials-arrest-traveler-from-Oman-over-100k-smuggled-gold>

low risk in the NRA)¹³ is a growing market (650 licenses)¹⁴ and until recently transactions could be made in cash.¹⁵

- Taking these factors into account, the AT focused on the extent to which authorities, FIs and DNFBPs effectively understand the risk in these sectors. The AT also examined how the sectors mitigate the ML/TF risks emanating from the widespread use of cash, including links to retail banks. In addition, the AT focused on the extent to which these reporting entities are aware of and compliant with their AML/CFT obligations and subject to risk-based AML/CFT supervision.
- **Misuse of legal entities, including in FTZ:** Oman's geographical location and existence of FTZs can expose the country to the risk of ML/TF. While FTZ in Oman have improved supervision, the country allows 100% foreign shareholding, which makes these companies valuable for increasing trade and overseas investment in Oman, and also make them vulnerable to exploitation through Trade-Based Money Laundering (TBML) and other ML schemes. Although the country has taken measures to strengthen its fiscal regime, the AT focused on the ability of supervisory authorities to license, monitor and sanction legal entities (including in FTZ) – and their responsible parties – whenever breaches of obligations (including on BO) or illicit activities are detected, and also on the ability of investigators and prosecutors to address the risk posed by legal entities and FTZs. The AT focused on the ability of competent authorities to license, monitor, investigate and sanction legal entities – and their responsible parties – whenever breaches of obligations (including on BO) or illicit activities are detected.
- **Coordination between Law Enforcement Agencies:** Oman has different Law Enforcement Agencies, such as ROP and ISS, which operate under the Public Prosecution on matters pertaining to their area of expertise. This may pose a challenge in terms of coordination, the allocation of resources, and mechanisms for sharing information. The AT assessed the extent to which the different law-enforcement agencies coordinate in their ML/TF investigations and are able to share the necessary information within a reasonable time frame. The AT determined the effectiveness of this coordination and cooperation both in Oman and with international partners in relation to proceeds located abroad.

Materiality

51. Oman is a relatively large country with a land comprising 309 500 square kilometres. Oman's GDP in 2022 was approximately USD 114.6 billion,¹⁶ with a 30% growth rate compared to the previous year. The GDP per capita at current prices is estimated at USD 23 240. The oil and gas revenues still constitute the largest share of the financial resources on which the country relies to implement its plans, projects, and investments inside and outside the country.

¹³ NRA, para 505.

¹⁴ NRA, para 517.

¹⁵ Cash transactions above OMR 6.000/EUR 15.000 are prohibited since 2023 for Real estate brokerage offices. The use of cash by real estate development companies has been prohibited since 2016.

¹⁶ World Bank, Oman. Accessed 22 November 2023. Available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=OM>

52. Muscat is the capital and most populated city in Oman with 28% of the total population.¹⁷ Oman has 11 governorates: Muscat, Dhofar, Musandam, Al Buraimi, Al Dakhiliyah, North Al Batinah, South Al Batinah, South Al Sharqiyah, North Al Sharqiyah, Al Dhahirah, and Al Wusta. Each governorate has multiple provinces (*wilayat*). These governorates are split in 63 provinces.

53. Considering their relative materiality and risk in Oman, the AT weighted the implementation of preventive measures most heavily for banks, heavily for MEE Cat A, DPMS and REA, moderately weighted: securities and MEE Cat B and lower weighted: Insurance, FLC, PSP, Accounting, Legal, VASP. Notaries are public officials and not part of financial sector. TCSP is performed by the legal profession. Casinos are prohibited in Oman.

Structural Elements

54. Oman has the key structural elements required for an effective AML/CFT system including political and institutional stability, the Rule of Law, and a professional and independent legal profession and judiciary. Authorities demonstrated a high-level commitment to the AML/CFT framework.

Background and Other Contextual Factors

55. Oman introduced its current AML/CFT Law in 2016, with the adoption of Law No. 30 of 2016 on Combatting Money Laundering and Terrorism Financing, which replaced the previous Law No. 79 of 2010 on Combating Money Laundering and Terrorism Financing.

56. Oman's geographic proximity to countries destabilised by conflict or terrorism, as well as individuals subject to UN sanctions, presents threats relating to TF.

AML/CFT strategy

57. Oman created its National AML/CFT Strategy (NS) 2020-2022 and National Action Plan (NAP) 2020-2022. The country used both documents to direct its efforts in the national AML/CFT framework. Examples of measures taken on the basis of these NS and NAP are the creation of dedicated and full-time AML/CFT function for DNFBP supervisors; allocating adequate AML/CFT staff and AML/CFT focused inspections; and the ROP creating a specialised AML unit allocating specialised resources to conduct preliminary investigations into ML cases.

58. At the end of 2022, a new National AML/CFT Strategy was developed for 2023-2025 and a new NAP was developed for 2023-2025. This strategy sets out eight high-level strategic objectives to further improve the National AML/CFT framework, such as in national risk understanding, investigations and confiscations, RBA supervision, and engagement with the private sector.

Legal & institutional framework

59. The AML/CFT Law No. (30/2016) criminalises ML/TF and sets out the AML/CFT requirements for the FIs and DNFBPs. The AML/CFT Law is accompanied by Implementing Regulations issued by supervisory authorities.

60. Oman has several competent authorities involved in the AML/CTF/CPF framework:

- The **National Anti-Money Laundering and Terrorism Financing Committee (National Committee)** is the national AML/CFT coordination body for Oman and facilitates the establishment of national AML/CFT policies. The National Committee assesses ML/TF/PF risk and develops national

¹⁷ <https://portal.ecensus.gov.om/ecen-portal/>

strategies for ML/TF/PF. The National Committee is also responsible for ensuring interagency cooperation and coordination as well as information exchange and policymaking. The National Committee is chaired by the Executive President of the Central Bank of Oman (CBO). Members of the National Committee include representatives from participating authorities and Ministries. The National Committee has a Secretariat with a staff of six persons on a full-time basis.

- The **National Counter-Terrorism Committee (NCTC)** is a separate interagency body housed within the National Security Centre. The NCTC formulates Oman's CT policy, ensures coordination within the government, and meets Oman's obligations to combat terrorism under international conventions. To support the NCTC at the operational level, a TFS Committee is responsible for the implementation of TFS, including issuing relevant implementation mechanisms and publishing and announcing such mechanisms. The TFS Committee is also responsible for coordinating domestic sanctions.
- The **National Centre for Financial Information (NCFI)** is Oman's FIU. It is responsible for receiving and analysing suspicious transaction reports (STRs) from FIs and DNFBPs and other information related to ML/TF and associated predicate offences, and for disseminating the results of that analysis to competent authorities. Although NCFI technically sits under ROP, it is administratively, financially and operationally autonomous from it. It has an independent budget allocated from the Ministry of Finance. NCFI joined the Egmont Group at the time of the onsite (February 2024).
- **Royal Oman Police (ROP)** is the main law enforcement body responsible for undertaking preliminary inquiries into predicate offences and ML. Major directorates of the ROP include:
 - a) The **Economic and Cyber Crimes Combating Directorate (ECCCD)** collects evidence and gathers information supporting ML, economic and cybercrime investigations.
 - b) The **Directorate General of Inquiries and Criminal investigations** ('AML Department') is responsible for collecting evidence and gathering information on ML crimes.
 - c) The **Crime Combating Directorate (CCD)** is in charge of the important and ambiguous cases and providing support to the criminal investigation directorates.
 - d) The **Directorate General of Customs (DGC)** checks and clears all travellers and goods that enter or leave the Sultanate. DGC enforces Oman's cross-border cash, and precious metal and stone reporting regime. DGC can also collect evidence and gather information in relation to ML/TF.
- The **Internal Security Service (ISS)** is the national security agency of Oman, focusing on domestic security. Its purpose is to investigate all matters related to internal security and leads on the counter terrorism procedures of Oman.
- The Public Prosecutor's Office (PP):
 - e) Undertakes judicial investigations and prosecutes crimes in Oman, including ML/TF cases referred by NCFI, ROP, the Internal Security System (ISS), State

Audit Institution, Tax Authority and other competent authorities. PP has a specialised Department of Public Funds and ML Cases to tackle ML, and a 'Special Case Department' to tackle TF.

- f) Is the lead agency for asset recovery, which is a task shared by prosecutors from the PP's various internal departments and the Administration of Frozen, Seized and Confiscated Funds. The Administration can seize and confiscate the proceeds and instrumentalities of crime in coordination with ROP, and also has responsibility for managing frozen, seized and confiscated funds up to the point of their disposal.
- g) Is also Oman's central authority for Mutual Legal Assistance (MLA) and extradition through its **Department for International Cooperation (DRIC)**.

61. The **Ministry of Social Development (MOSD)** supervises all Non-Profit Organisations (NPOs) in Oman for AML/CFT, amongst other purposes. The MOSD is also the licensing authority for the charitable sector.

Financial sector, DNFBPs and VASPs

62. This section provides a broad overview of the size and composition of Oman's FIs, DNFBPs, and VASP sectors. Each sector holds varying levels of importance, considering the unique risks and circumstances within Oman. The extent and nature of ML/TF risks impacting individual RES differ significantly.

63. The AT categorised sectors according to their relative importance in Oman, considering their respective materiality and their ML/TF risk exposure. The main characteristic of the RES operating in Oman is their local nature, with a predominantly national client base and limited exposure to non-residents or international business.

64. The assessors considered these categories to inform their findings throughout the report, emphasising positive and negative implementation issues for more critical sectors. This method has been consistently applied throughout the report, although its application is particularly noticeable in Chapter 6 regarding IO.3 and Chapter 5 concerning IO.4.

Most Important Sectors

- **Banks:** Oman is not an international financial center but possesses a medium-sized and well-connected financial services industry. The banking sector is weighted the most heavily considering it is the most important sector in Oman, based on its materiality and risk, with 18 banks (16 commercial banks and two government-owned banks) operating in the country representing more than USD 101 billion in assets. The 2023 NRA rated the overall residual risk posed by the banking sector to a medium-high level, given the nature of banks' businesses and their central role in Oman's financial sector and economy, and the sector's relatively high exposure to cash-related risks.

Important Sectors

- **Money Exchange Establishments (MEEs) category A:** There are two categories of MEEs in Oman. (A and B). There are 15 money exchanges under Category A, involved in both currency exchange and remittances, and this sector is heavily weighted based on materiality and risk, driven by the inherently risky nature of remittance services, diverse customer base, high involvement in occasional transactions, exposure to cash, and geographic risk

components, particularly outbound remittances to higher risk jurisdictions. The 2023 NRA concluded the overall residual risk posed by Category A MEEs to be at a medium-high level for Category A.

- **Dealers in Precious Metals and Stones (DPMS):** The NRA also acknowledges the ML/TF risks with DPMS. There are 785 active DPMS in Oman, and the sector is among the more high-risk, at a medium-high residual risk rating, mostly due to subsets of the industry which are exposed to elevated geographic risks through ownership connections or cross-border trade, and higher product risks (bullion, high-value gemstones, etc.). Cash transactions above OMR 5 000 (USD 13 000) have been prohibited since August 2023. While Oman acknowledges the risks associated with their DPMS sector in the NRA and through national priorities to improve supervisory attention to this sector, the stricter AML/CFT preventive measures for this sector stem from the latter half of the review period, and there are cases that indicate these sectors remain vulnerable. The NRA considered the overall residual risk for the sector to be medium-high.
- **Real Estate:** The real estate sector is a growing market (621 licenses and 40 developers), and until recently, transactions could be made in cash. Half of the real estate brokerage offices operating in Oman are in Muscat. The real estate sectorial risk assessment found that ML/TF risks in the real estate sector are at an overall medium-low level as e.g. most real estate is not open to foreign investment and all real estate transactions must be registered in the MOH's e-system. Given their risk exposure, Oman has decided to also regulate real estate developers. The use of cash by real estate developers has been prohibited since 2016. For real estate brokerage offices, cash transactions above OMR 6 000 (USD 15 500) are prohibited since 2023.

Moderately Important

- **Securities Companies:** There are 32 companies licensed to operate in Oman's capital market sector ("securities companies"). The capital market sector in Oman is much smaller than the banking sector, and its products and services are not sophisticated. The use of cash is prohibited in this sector since 2021. The total value of their assets under management stood at approx. USD 10 billion (2021). The NRA reached an overall residual risk to the sector at a medium-low level.
- **Money Exchange Establishments (MEEs) category B:** include only currency exchange, of which there are 28 institutions in Oman. The NRA's overall residual risk posed by category B is medium-low.

Less Important

- **Insurance companies and intermediaries:** There are 19 insurance companies operating in Oman's insurance sector. Health insurance forms the largest market for insurance in Oman. As of 2022, 15 out of the 19 insurance companies are licensed to practice life insurance, but the materiality of this activity is low, as life insurance is not a popular product in Oman for religious and cultural reasons. The use of cash in this sector is prohibited since 2021. The overall residual risk in Oman's life insurance sector remains low.

- **Finance and Leasing Companies (FLCs):** There are five FLCs in Oman engaged in leasing activities, hire purchase, debt factoring, and other similar asset-based finance operations. The sector is not allowed to cater to non-residents. The overall residual risks in the sector are assessed to be medium-low in the NRA.
- **Payment Service Providers (PSPs):** The PSP sector is an emerging sector. There are 2 licensed PSPs in Oman. Its main activity is the development and sale of a software application, which is a digital wallet, to enable online payment solutions in Oman. One PSP also proposes some ancillary financial services, including remittance in cooperation with an Omani MEE. Overall residual risks in the sector as of the NRA are assessed to be low.
- **Accountants:** There are a total of 110 accountancy and auditing offices licensed in Oman. Their core business generally consists of the auditing of financial accounts and their involvement in AML/CFT regulated activities is limited. As per the NRA, the residual risk represented by the sector is low.
- **Lawyers:** There are a total of 4 446 lawyers enrolled at the Bar to practice in Oman, organized in 68 civil law firms and 588 lawyers' offices registered in Oman. Around 10% of the law firms/lawyers' offices are involved in AML/CFT relevant activities relating to real estate transactions, client asset management or company establishment or management. The fact that Oman's corporate sector and real estate market are still very much domestically oriented, with limited possibilities for foreign participation/investment, led to the overall ML/TF risk exposure of Oman's legal sector to be assessed as low.
- **VASP:** Oman only has one operational VASP, which did not yet exist at the time the 2023 VA TRA was conducted. The 2023 VA topical risk assessment indicated that Oman's legal and institutional infrastructure to regulate and supervise VAs, ICOs, e-wallets, and VASPs is still in the development stage and, at the time it was drafted, did not fully mitigate all risks. Subsequently, the CMA issued AML/CFT Instructions for the VASP sector which now impose the full range of CDD, STR, transaction monitoring and other AML/CFT obligations to the sector. In practice, activities in the VA space are extremely limited in Oman, and a residual risk rating of medium-low.
- **Casinos:** Casinos (including online gambling) are prohibited in Oman.
- **Notaries:** Notaries in Oman are civil servants and not DNFBPs.

Table 1.1. Population of supervised entities – 2023 (including Financial Institutions, DNFBPs and VASP)

Type of Entity	AML/CFT Supervisor	Total number of supervised entities	NRA assigned risk
Banks	CBO	18	Medium-High
Money Exchange Establishments (Category A)	CBO	15	Medium-High
Money Exchange Establishments (Category B)	CBO	28	Medium-Low
Finance and Leasing Companies	CBO	5	Medium-Low
Payment Service Providers	CBO	2	Low
Securities Companies	CMA	32	Medium-Low
Insurance Companies	CMA	13	Low
Insurance Brokerage Companies	CMA	16	Low
Virtual Asset Service Providers	CMA	1	Medium-Low
Dealers in Precious Metals and Stones	MOCIIP	785	Medium-High
Accountants	MOCIIP	110	Low
Real Estate Brokers	MOH	621	Medium-Low
Development Companies	MOH	40	Medium-Low
Law Firms and Offices (practicing activities in relation to AML/CFT)	MJLA	69	Low
Total		1 755	

Source: AT table

Preventive measures

65. Oman's 2016 AML/CFT Law outlines preventive measures that apply to all obliged entities (FIs, DNFBPs and VASPs), including Customer Due Diligence (CDD), record keeping, and suspicious transaction reports (STRs). The scope of AML/CFT obligations in Oman includes all sectors and activities, with the exception of notaries, as these professionals are considered public sector officials. The TCSP sector is not constituted as a separate sector. Different legal and other professionals are supervised in this context through their own supervisors, as relevant to the activity performed. Casinos are not permitted in Oman. Only one VASP exists as of the time of the drafting of this report.

Legal persons and arrangements

66. The list in Table 1.2 sets out the legal entities which may be created in Oman in accordance with the Commercial Companies Law (CCL):

Table 1.2. Overview of the types of companies that can be created in Oman

Type ¹⁸	Quantity.	Description
Individual merchant/trading company (IMTC)	182 563	It is a form of business through which an individual trades on their own account pursuant to a trade license issued in their own name. The licensed individual is personally liable to the full extent of their assets for the liabilities of the business. This type of entity does not have an independent legal personality from that of the licensed individual. However, as there were restrictions on foreigners carrying on business in Oman, there have been cases where businesses were operated by expatriates who retain all profits from it, based on a fee agreement with the Omani shareholder.
General partnership (GP)	40 289	It is a legal person formed by two or more natural persons who are jointly liable for the GP's debts to the full extent of their property. Upon the death of any of them, their liabilities in relation to the GP pass to their inheritors. There is no minimum capital requirement to register with a GP. All partners of a GP are considered managers of the company. The constitutive document(s) of the GP may provide that management is entrusted to one or more natural persons who may or may not be partners. Shares of the partners in the GP shall not be represented by negotiable instruments.
Limited partnerships (LP)	25 020	There is no minimum capital requirement to create an LP. LPs can consist of two categories: One or more general partners who are jointly and severally liable for the LP's debts to the full extent of their property; or one or more limited partners whose liability for the LP's debts is limited to the amount of their contribution to the LP's capital, as long as that amount has been fully paid. A limited partner shall not be entrusted with or participate in the LP's management, nor bind it with their acts. If a limited partner performs any role in the management of the company, they shall be jointly liable for any obligations arising against the LP for the duration of their performance of such role.
Limited liability company (LLC)	10 1340	An LLC is a legal person whose shareholding is owned by natural or legal persons whose number shall not be less than two) and not more than 50 persons. Their liability for the LLC's debts is limited to the value of the shareholders' shares in the share capital. The share capital of the LLC shall be divided into shares of equal value and fully paid on registration. The transfer of ownership of shares in an LLC is effective once it is entered into the shareholders' register. The management of an LLC is entrusted to one or more managers from the shareholders or from others, who have to be natural persons. Managers are appointed for a definite or an indefinite period in accordance with the LLC's constitutive documents or under a resolution of its shareholders' meeting. Under the CCL, changes to the constitutional documents, shareholding, and directorship in LLCs trigger notification obligations by the LLC to the Company Registrar. LLCs are one of the most flexible vehicles available to set up in Oman, permitting their owners to undertake a wide variety of activities.
Sole proprietor (SP)	20 290	A one-person company is a type of limited liability company whose share capital is wholly owned by one natural or legal person. Subject to certain entity-specific provisions in the CCL, SPs function identically to an LLC. A natural person may not establish more than one SP in Oman. Similarly, an SP may not establish another SP. The SP's owner is not liable for the SP's debts except to the extent of its allocated share capital. The SP's owner manages the company. Although SPs share a number of characteristics with LLCs, the fact that they are limited to one shareholder who has to be Omani and are limited to one per natural owner reduces the level of risk.
Joint Stock Company (open and closed) (JSC)	500	A JSC is a commercial company with its capital divided into negotiable shares of equal value, whose shareholders must consist of at least three natural persons or legal entities. A JSC can be closed or public. A shareholder in the JSC shall not be liable except to the extent of their shareholding in the share capital. The issued share capital of a public JSC shall not be less than two million OMR (USD 5,2 million) or 500 000 OMR (USD 1,3 million) in the case of a closed joint stock company. As an exception, a public joint stock company's minimum share capital may be 1,000,000 OMR (USD 2,6 million), if it is established by way of conversion from another legal person. JSCs must also register and request a license with the CMA.
Holding company (HC)	NA	A HC is a type of joint stock company exercising financial and administrative control over one or more joint stock or limited liability companies. These companies become the HC's subsidiaries through holding at least 51% in each of the subsidiary companies' shares. The minimum required capital to set up a HC is 2 million OMR (USD 5,2 million). Each of the HCs and its subsidiary companies has an independent legal personality. A HC invests its funds through its subsidiary companies. The HC is not liable for the debts of any subsidiary companies. A HC must not acquire shares in general partnerships or limited partnerships or own any shares in other holding companies. A subsidiary company of any of an HC is not permitted to hold shares in its parent HC. HCs have a limited range of activities which they can undertake and require a substantial amount of capital to create. In addition to this, there are strict rules on how funding from it may be used or invested. However, their explicit purpose is to hold other companies and act as the control center for financing and administrative control over other companies.
Other types of legal persons	723	The CCL allows for the creation of a Branch Office, a Representative office, or a Joint Venture. A Joint Venture is not a legal entity and therefore does not require registration. Rather, it is an internal agreement

¹⁸ With reference to 2023. Except Aqwaf (2021)

		between two or more natural or legal parties where one party performs business in his/her name with a sharing of resulting profits and losses. Vis-à-vis third parties, the legal provisions applicable to general partnerships will apply. Branch Offices and Representative Offices derive their legal status from their foreign parent companies and under the laws of the relevant foreign country. They are licensed to have a presence in Oman but do not obtain separate legal personality under Omani law. Branch offices are usually established to fulfil existing contracts with the Omani government; representative offices are used to explore the Omani market without carrying out any commercial activity in the country. As these types of legal persons either do not have separate legal personality from an underlying legal person, undertake very specific business with Omani government entities, or do not carry out any commercial activity at all.	1
Waqf	38 463	Waqf can be created under Oman's Law and have legal personalities. They are considered to be legal arrangements. Waqf are registered, licensed, and supervised by the Ministry of Awqaf and Religious Affairs (MARA).	

67. Regarding materiality, the number of incorporations has increased over the years. As of June 2023, a total of 403 838 active companies and other legal persons were registered with the MOCIIP. The vast majority of them are individual merchants (46%) followed by LLCs (25%).

68. Oman recognises trusts under the Capital Market Law. Such trusts are licensed by the CMA, are purely contractual agreements and are subject to the usual principles of contract law in Oman. To operate, they require a license and registration at the CMA.

69. Furthermore, Oman allows for Associations (and Foundations) as created under the Civil Association Law (Royal Decree No. 14/2000). In line with the legal framework, these entities do not meet the definition of “commercial entities” and are therefore not included in the CCL or registered with MOCIIP. Instead, Associations¹⁹ are created within MOSD.

Supervisory arrangements

70. Oman has a very straightforward framework for supervision as defined in the AML/CFT Law. All sectors are supervised for AML/CFT purposes and there is good interaction between the supervisory authorities and other competent authorities. The relatively small size and structured political system facilitates cooperation and coordination where needed.

71. As set out in the AML/CFT Law, there are five supervisory authorities (Table 1.3):

- a) The **Central Bank of Oman (CBO)** licenses and supervises Banks, MEEs, FLCs and PSPs
- b) The **Capital Market Authority (CMA)** licenses and supervises securities companies, insurance and brokerage companies, and VASPs.
- c) The Ministry of Commerce, Industry & Investment Promotion (MOCIIP) licenses and supervises accountants and DPMS.
- d) The **Ministry of Justice & Legal Affairs (MJLA)** oversees the enrolment of lawyers on the Omani bar and supervises law firms and lawyers' offices.
- e) The **Ministry of Housing (MOH)** licenses and supervises real estate brokers and developers.

¹⁹ The MOSD categorizes Associations into four main categories: Charitable Organisations, Foundations and Associations; Women's Associations; Professional Organisations; Community social clubs.

Table 1.3. Supervisory arrangements in Oman

Supervisors	Obligated Entities			
CBO	Banks	FLC	MEE	PSP
CMA	Securities	Insurance Companies	Insurance Brokers	VASPs
MOCIIP	DPMS	Accountancy/Auditing		
MOH	Real Estate Agents/Brokers	Real Estate Developers		
MJLA	Legal Sector			

Source: Oman

International cooperation

72. Oman has a sound legal and operational framework to provide and seek both formal and informal international cooperation and engages actively in this respect, particularly with regional partners. International cooperation is important since, according to the 2023 NRA, 70% of criminal proceeds are generated from offences committed in Oman, 18% are generated from offences committed abroad and the remaining 12% involve proceeds generated from offences committed both in Oman and abroad. As set out above, Oman is also vulnerable to some cross-border threats, including the transit of cash/BNI and illicit goods. This suggests Oman is vulnerable to foreign generated proceeds being routed through the country. Oman faces a lower TF risk, and competent authorities mainly rely on informal channels to tackle TF.

73. Oman seeks and provides international cooperation on a multilateral and bilateral basis, as well as following the principle of reciprocity. DRIC is the central authority within PP which receives, manages and sends MLA and extradition requests. The NCFI and other competent authorities (e.g. ROP, ISS and financial supervisors) also engage directly in other forms of international cooperation.

Chapter 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings

- a) Oman has made significant efforts to identify and assess its risks by undertaking a National Risk Assessment in 2023, which builds on a total of 18 different TRAs and SRAs produced since 2020. The 2023 NRA was part of a joint exercise to which all relevant public authorities contributed. All TRAs and SRAs were developed on the basis of different sources of information from both the public and private sectors.
- b) Oman has a moderate understanding of its ML risks and a good understanding of its TF risks. Oman has also demonstrated a good understanding of the vulnerabilities in areas related to the country's geographic risks and the banking sector. However, Oman still has a developing risk understanding in various areas and some sectors especially foreign ML threats, hawala, complex legal structures, human trafficking, DPMS and Real Estate. In addition, authorities demonstrated a good understanding related to the movement of cash imported into or transiting through Oman particularly when related to Yemen. However, they have a more limited understanding of how cash is laundered in and through Oman.
- c) Some authorities (i.e. ISS, PP and CBO) demonstrated a mature understanding of their ML/TF risks and better understanding than that represented in the NRA based on their operational experience, with ISS having the most mature understanding of how TF threats materialise in Oman among all competent authorities. However, ROP and DNFBP supervisors demonstrated a limited and still developing understanding of their ML/TF risks.
- d) Oman demonstrated a good understanding of TF threats and associated risks, drawing on a detailed methodology based on different sources, an analysis on collection, movement and use for TF which took into consideration the Omani context. However, the methodology for identifying ML threats lacks transparency and focuses on predicate criminality rather than ML. The methods used to launder cash and funds derived from predicate offences are described to a limited extent. The process of building the NRA relied on a limited inputs from the private sector, which hampered the potential of the SRAs/TRAs to provide a more accurate sectorial view of ML/TF risks, especially for ML.

- e) Oman introduced a range of measures to strengthen its AML/CFT framework through two NS and two associated NAPs for the periods 2020-2022 and 2023-2025. While these are considered good steps aiming to improve compliance with the FATF Standards, Oman has taken only some measures at the national level to address its ML/TF risks, as ML risks remain unaddressed for the most prevalent predicate offences generating proceeds and some sectors most at risks (i.e. Banks, MEEs).
- f) Oman has granted SANAD Services Centers (SCC) exemption from the application of the AML/CFT requirements based on their function and structure and the assessment of proven low risk posed by services provided by SCCs.
- g) The strategic objectives and activities of competent authorities are consistent with their evolving AML/CFT policies and identified TF risks. However, ML risks are not systematically targeted towards the most prevalent predicate offence generating proceeds.
- h) Oman has put in place a solid institutional framework enabling authorities to co-operate and co-ordinate effectively on the development and implementation of policies and activities to combat ML/TF at both the policy and operational levels.
- i) Overall, Oman shared the outcomes and findings of the 2023 NRA and the 18 TRA/SRAs through various outreach campaigns to the private sector.

Recommended actions

Omani authorities should:

- a) Enhance their understanding of ML risks by conducting a more detailed ML threat assessment using a clear methodology. This should draw on a wide range of information from different authorities with a view to:
 - i. identify the most prevalent predicate offences and the foreign ML threats;
 - ii. refine their understanding of ML methods, including from cross-border cash;
 - iii. deepen the understanding of ML risks related to DPMS and real estate sectors;
 - iv. undertake a more comprehensive ML risk assessment in relation to the illegal remittances services (hawala) and any emerging risks (e.g. foreign direct investment).
- b) Develop and implement additional national AML/CFT strategic policies based on the latest NRA and any new risk assessment to address the identified risks, including:
 - i. higher ML risks linked to the most prevalent PO generating proceeds;
 - ii. Banks and MEEs sectors due to their higher risk.
- c) Ensure that competent authorities' objectives and activities are aligned with the ML/TF risks and national AML/CFT policies, particularly concerning the most prevalent predicate offence.

74. The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34, and elements of R.15.

Immediate Outcome 1 (Risk, Policy and Coordination)

75. Oman has a moderate understanding of its ML risks in general with developing understanding in various areas and a good understanding of its TF risks. Oman addresses, to some extent, its ML risks through national policies and activities. More measures were taken in relation to TF. Omani authorities co-operate and co-ordinate on the development and implementation of policies and activities to combat ML/TF and PF to a large extent.

76. The assessment team based its conclusions on the review of the 2023 NRA, the different topical and sectorial risk assessments; minutes from the National Committee and of relevant inter-agency Committees, discussions with individuals and agencies who participated in developing the NRA as well as with the representatives from the private sector.

Country's understanding of its ML/TF risks

77. Oman has a moderate understanding of its ML risks in general and a good understanding of its TF risks. Oman's understanding of ML/TF risks is primarily based on the latest (2023) NRA.

78. The 2023 NRA identifies the overall ML threat in Oman as medium-low. Based on the NRA, the most important predicate offences that generate criminal proceeds in Oman are fraud, corruption and embezzlement, drug trafficking, and human trafficking. In terms of cash movements, those through the border with Yemen were considered as the highest risk in terms of ML. Banks, MEEs (category A) and DPMS were assessed as the highest risk sectors for ML with a risk rating of medium-high. Risks related to legal persons in the FZ/SEZ were also assessed as medium-high. The NRA identifies MEEs, illegal remittance services (hawala), real estate and high value goods as being used to launder funds.

79. Oman assesses its TF risks as a medium-low which seems reasonable. Oman included a chapter on TF risk within the 2018 NRA and made a dedicated RA in 2022: both analyses included the three TF activities (collection, movement and use). Authorities were able to identify TF methods and scenarios according to a comprehensive examination of the TF related STRs, intelligence, investigations, and prosecutions, and taking into account all methods relevant to the Omani context.

80. Most authorities demonstrated a good understanding of the risks in areas related to TF, the country's geographic risks and ML risk through the banking sector. The national understanding of ML risk in other areas is still developing (particularly in relation to foreign ML threats, illegal remittance services (hawala) and illicit flows derived from human trafficking and labour exploitation and through the non-financial sector (especially DPMS and real estate sectors). The understanding of risks related to cash is limited to cross-border cash movements and smuggling rather than the understanding of ML threats related to the use of cash in and through Oman. Some authorities (i.e. ISS, PP and CBO) demonstrated a mature understanding of ML/TF risks respectively and a better understanding than that represented in the NRA. Others, like ROP and DNFBP supervisors have a limited and still developing understanding of ML risks showing difficulties in describing the different ML typologies.

81. Oman is committed to updating the SRAs and TRAs with a view to producing another NRA in the upcoming years. At the time of the on-site visit, Oman was considering updating the virtual asset RA, which is an emerging threat. The authorities also recognize the emerging risk related to foreign participation in Omani companies with the new FDIL. In this regard, they should also consider the potential exposure to ML risks linked to the increase of the role of legal service providers. The authorities also identified another emerging risk in relation to the 2022 decision from the Ministry of Housing allowing non-Omani investors to purchase commercial property valued at over USD 1,3 million (OMR 500 000) or domestic property valued at over USD 650 000 (OMR 250 000) and which would also allow the purchaser to apply for a residency permit. Oman noted in the SRA that foreign investments pose an emerging risk that is to be assessed in the future.

Risk-assessment and methodology

82. Omani authorities frequently referenced the 2023 NRA results during the onsite visit to demonstrate their understanding of ML/TF risks. The 2023 NRA, led and adopted by the National Committee, is the second and most recent NRA conducted by Oman. It followed a staggered approach based on different standalone risk assessments: eight TRAs and ten SRAs adopted between 2020 and 2023. The authorities consolidated the TRAs and SRA to produce one single NRA summarising the different threats and vulnerabilities and providing a conclusion on residual risks. Yet, the ML threat assessment was conducted at a later stage after the completion of the different TRAs and SRA, therefore it is unclear on what basis the different RAs were informed by the findings of the ML threat assessment. In contrast to the 2023 NRA, the 2018 NRA put greater emphasis on the vulnerabilities of the system in place in Oman, and lacks granularity regarding

inherent risks that the country faces. The AT had access to the 2018 NRA only at a very late stage of the on-site visit (the 2018 NRA is considered confidential) and for a limited time.

83. The implementation of the TRAs and SRAs is a good step that helped the competent authorities enhance their risk understanding of specific topics and sectors by analysing the same data sources from different perspectives. The TRAs covered a range of topics, including TF, PF, VA, NPOs, legal entities and legal arrangements, cash movements from Yemen, ML Threat Assessment, and a TRA specifically on SCC.²⁰ The sectorial RAs covered all FI and DNFBP sectors that exist in Oman. In each risk assessment, the methodology used was reasonable and based on the inherent risks and the mitigation measures linked to products, delivery channels, geographic risks to conclude the residual risks. These assessments were varied in depth and quality. While some risk assessments demonstrate an adequate understanding of the country (TF, PF, Cash movement from Yemen) others could be deepened (Legal entities, ML Threat, NPOs).

84. All relevant authorities contributed to the 2023 NRA which was developed drawing on the different TRAs and SRAs assessments. The private sector (FIs and DNFBPs) contributed to the TRA/SRA process by filling in questionnaires prepared by each working group. These questionnaires enable the supervisory authorities to gather AML/CFT inherent risk, which could then be sourced as part of the risk assessment process. Yet, direct engagement opportunities for the private sector were limited, which hampered the potential of the SRAs/TRAs to provide a more accurate sectorial view of ML/TF risks. This also resulted in a more uneven understanding of risks within the private sector in some areas (for details, see core issue 4.1).

Money Laundering

85. Oman assessed its ML threats through a dedicated chapter in the NRA but the underlying methodology to identify the most prevalent predicate offences remains unclear. Oman based its ML threat assessment on a range of qualitative information (i.e. case studies) and quantitative information such as domestic ML investigations, prosecutions, convictions, STR, MLA in addition to direct cooperation requests. However, the AT understands that the authorities relied primarily on information related to predicate offences to identify threats without considering information related to ML threats (such as cross-border cash derived from illegal sources). In addition, the methodology to rank the most prevalent predicate offence is unclear: while the NRA refers to the volume of proceeds, the authorities mentioned other criteria (seriousness of the offence) during the on-site visit. For instance, human trafficking is considered in the NRA as one of the most prevalent predicate offences that generate proceeds even though authorities maintained that it does not generate high volume of proceeds. Furthermore, the methods used to launder cash and funds derived from predicate offence are described to a limited extent and authorities overall did not demonstrate a deep understanding of these during the on-site visit. For instance, while some authorities, namely SAI and PP, demonstrated an adequate understanding of the ML risks linked to corruption, the ROP had more difficulties in describing the ML risks linked to drug trafficking both in terms of the volume of proceeds and the methods to launder cash. Eventually, the strategic analysis produced by the NCFI is not targeted and address to a minor extent the high-risk areas identified in the NRA (see IO 6). This raises questions about the conclusions of the risk assessment and, therefore, impacts the extent to which the authorities understand ML domestic risks.

86. The methodology used in the chapter on ML Threats to identify foreign threats is also unclear. The 2023 NRA concluded that domestic proceeds of crime (POC) pose a low threat compared to foreign POC, which poses a medium-low threat. In addition, the NRA concludes that

²⁰ SCCs are e-government service centres regulated by the Authority of Small and Medium Enterprise Development covering a wide range of dealings between citizens and Omani authorities to filing information with the commercial companies' registry.

18% of recorded offences generating criminal proceeds were committed outside of Oman and 12% involved conduct that combined offending in Oman and abroad. It is not clear to the AT how the authorities identified these figures and concluded that the foreign POC are considered as posing a greater threat than the domestic POC. The AT found that the methodology followed in this area is weak and lacks some details on foreign ML threats (e.g. countries, channels, main PO involved). This had an impact on the authorities understanding of foreign threats and ML related to foreign predicate offences.

87. Regarding vulnerabilities, Oman has a good understanding of its geographical risk but still has a developing risk understanding in relation to various vulnerabilities (e.g. hawala, cash, complex legal persons). Oman has a good understanding of the vulnerabilities related to its geographic location and considered its specific location in the different assessments conducted both for ML and TF. The geographic criterion is one of the risk-drivers of the SRA/TRA. Oman combined this criterion with other threats such as the cash movement with Yemen (and also linked to UAE) resulting in the highest risk of ML/TF for Oman.

88. Regarding hawala, Oman recognises hawala as a vulnerability in the country and NCFI conducted a strategic analysis and CBO a stand-alone study in this regard; however, there is no detailed assessment in this regard. Authorities included only a section related to the prevalence of hawala in Oman in the ML threat assessment. However, this was not detailed enough given the large expatriate community²¹ making Oman vulnerable to illegal remittance services (hawala). Authorities could have enhanced their ML risk understanding if they had developed a standalone analysis considering the context in Oman.

89. Oman has a developing understanding related to cash which constitutes a major vulnerability. The authorities acknowledge the widespread use of cash in Oman, and have a good understanding related to the movement of cash imported into or transiting through Oman particularly when related to Yemen. This understanding is based on a detailed TRA completed in February 2023 where it considered the residual risks related to the movement of cash from Yemen by criminals or for criminal purposes as high. Beyond this TRA, supervisory authorities made some efforts to understand the cash flows and to control the cash limits and cash ban in some sectors. For instance, in 2022, the CBO issued a circular including typologies associated with cash transactions to understand the risk related to cash. While the AT considers these efforts as positive steps, the understanding of Oman's risk in relation to cash is still developing. Measures taken by the authorities address the risk related to the movement of cash and smuggling cash rather than understanding of ML threats related to the use of cash inside Oman. During the on-site visit, authorities were not able to clearly demonstrate the methods and sectors that might be used to launder illicit proceeds in cash in Oman.

90. Oman also has a developing understanding in relation to complex legal structures (see IO.5), which is due to a lack of granularity in conducting the relevant TRA. The analysis lacks information on the main ML typologies using legal entities, particularly in the FZ/SEZ considered as medium-high risk in the 2023 NRA, as well as information on the existence of multi-layered corporate structures provided by other authorities (strategic reports).

91. At a sectorial level, while Oman has a mature understanding of its banking sector, the understanding of ML risks is still developing, particularly in relation to DPMS and the real estate sectors.

92. CBO supervisors have a mature and informed understanding of ML risks linked to the banking sector, as the most significant sector. CBO has carried out numerous sectoral risk

²¹ Expatriates constitute 43.15% of the population.

assessment exercises which are otherwise updated, as regards individual entities, through its automated risk matrix, annual submissions by obliged entities and ad hoc events.

93. Despite steps taken in the latter half of the review period to increase ML risk understanding in relation to DPMS, the competent authorities, in particular MOCIIP, has a limited and still developing understanding of the ML risk related to the DPMS sector. The sector presents many challenges, with 785 entities spread across the country and assessed as being one of the riskiest sectors in the NRA (medium-high residual risk). The understanding is focused on risk related to gold smuggling instead of deepening their understanding of ML methods through DPMS sector. In relation to real estate, competent authorities have a limited understanding in relation to this sector. Oman considers the risks related to real estate as medium-low and considered different factors (customer risk, geographical risk, product and services risk, channel risk, etc.) when assessing risk in the SRA. While the methodology is sound, the risk seems downplayed as several case studies in which the real estate sector was used to launder illicit proceeds derived from corruption, fraud and drug trafficking.

Terrorism financing

94. Oman assesses its TF risks as medium-low which seems reasonable. Oman included a chapter on TF risk within the 2018 NRA and made a dedicated RA in 2022. The authorities followed a clear methodology in conducting the 2022 TF threat assessment which is also reflected in the dedicated chapter in the NRA. This assessment included a comprehensive analysis of the three TF stages (collection, movement and use) according to an examination of the TF-related STRs, intelligence, investigations, and prosecutions, and identified specific scenarios relevant to Oman's risk and context. The most significant TF threats in Oman are related to the stage of movement: terrorism related funds are determined as medium-high risk, particularly in relation to smuggling of cash, transshipment of goods, and transferring funds from/to High-Risk Jurisdictions. Collecting funds for TF purposes through VA was found to pose a medium-low risk to Oman. TF in Oman mostly involves small amounts of funds, mostly cash. There have been no recorded cases of terrorist attacks in Oman during the review period, no active terrorist organisation has been identified in its territory and there is no Omani citizen designated in the UN terrorism lists.

95. Oman has a good understanding of its TF risks. ISS is the leading agency in charge of combating TF in Oman and has the most mature understanding among all competent authorities of how TF threats materialise. In addition, competent authorities demonstrated a good understanding of the regional context. This includes the ongoing conflicts and the presence of terrorist organisations in Yemen and Syria, the most recent developments in Afghanistan, and the continuously unstable situation in many parts of Northern Africa, which continue to expose the region to TF risks.

National policies to address identified ML/TF risks

96. Oman introduced a range of measures to strengthen its AML/CFT framework through two NS (2020-2022 and 2023-2025) and two associated NAPs. While these are considered good steps aiming to improve compliance with the FATF Standards, Oman has taken only some measures at the national level to address its ML/TF risks identified in the 2018 and 2023 NRAs, as ML risks remain unaddressed for the most prevalent predicate offences generating proceeds and the sectors most at risks (e.g. Banks, MEEs).

97. The National AML/CFT Committee developed a NS for combating ML and TF and an underlying NAP on the basis of the outcomes of the 2018 NRA for the period 2020-2022. The 2020-2022 NS identifies strategic goals for Oman to improve compliance and effectiveness in different areas of the AML/CFT regime. The NAP sets out specific actions to be taken by each

authority. Both documents focused predominantly on strengthening Oman's national AML/CFT regime. The 2020-2022 NS had 12 broad strategic goals, including: developing the risk understanding, strengthening the standing of the FIU, improving LEAs efforts at detecting/investigating and prosecuting ML, fostering the use of provisional and confiscation measures, improving the supervision prioritising high-risk sectors, identifying and intercepting unlicensed money remittance services (Hawala), enhancing the implementation of TF strengthening the level of assistance to international partners etc.

98. While Oman made considerable progress in its AML/CFT framework, all these goals reflect the general aspects of an effective system under the FATF Standards and do not include targeted measures to address specific ML risks. This includes measures to address risks related to:

- a) Predicate offences identified as high risk in 2018 NRA (corruption, tax evasion, counterfeiting, sexual exploitation) except the legislative measures put in place to reform the Kafala²² system introduced in 2020 aiming to mitigate the risk related to the exploitation of migrant workers;
- b) Sectors at risks identified in 2018 NRA (e.g. banks, DPMS and MEEs (remitters)).

99. The authorities provided examples of the implemented actions further to the 2018 NRA. These are positive steps, but most of these actions are of a technical nature to comply with the FATF Standards and are not targeted to an identified risk:

- a) Establishment of dedicated AML/CFT units for the DNFBPs supervisors (MOCIIP and MoH in 2020, MJLA in 2021) and the increase of human resources in the financial supervisors' AML/CFT units;
- b) Restructuring of NCTC's function as the national coordinator for designating, implementing and communicating TFS to enhance the effectiveness of the TFS regime by creating a centralisation of expertise on TFS and reduce a duplication of resource allocations in this respect;
- c) Adoption of the NCFI by-laws allowing Egmont Membership;
- d) Creation of a ML investigation sub-committee to improve the cooperation between Omani authorities on actual cases;
- e) Expanding the scope of AML/CFT regime of the Real Estate Developers (Regulation No 244/2022).

100. The absence of clear policies at national level linked to each strategic goal make it difficult for the AT to clearly understand whether and to what extent Oman has considered dedicated measures to address specific ML/TF risks in this regard. During the on-site visit, the authorities referred to some measures which are not directly relevant to combat ML/TF. For example, building a fence at the border with Yemen identified by the authorities as measures taken at the national level to mitigate the geographical risk.

101. During the on-site visit, the authorities also referred to another measure they have taken following the 2018 NRA, namely the implementation of a declaration system for cross-border movements of cash and BNIs for any amount above OMR 6 000 (approx. USD 15 500). According to the authorities, this policy was a response to mitigate Oman's exposure to the risk related to

²² The Kafala is a sponsorship system in which the employers sponsor the migrant worker to allow him to work in the country of destination. This system might lead to human trafficking since the migrant worker is dependant from the employers and can generate illicit proceeds.

the use of cash identified as high risk in 2018 NRA. The AT acknowledges the positive steps taken, but notes that this requirement could not be considered as a specific policy since a declaration/disclosure system is a requirement of the FATF Standards (R.32). Also, the authorities considered the decision regarding High-Risk Jurisdiction (3/2022) as an action to mitigate the geographical risk - this decision taken by the National Committee to identify high-risk jurisdictions requires FIs to apply EDD measures (applying R.19). Similarly, authorities banned the use of cash, in February 2021, for securities and for the receipt of payments of money in life insurance policies, without expending such policy to higher risk sectors (e.g. DPMS and real estate). Authorities made progress in this regard following the adoption of the second NS and associated NAP (2023-2025) by expanding in May 2023, this policy to higher risk sectors (e.g. DPMS and real estate, except for those real estate developers where cash transactions were already prohibited since 2016) which is more relevant and in line with a risk-based approach (see below).

102. Following the adoption of the 2023 NRA, Oman developed the second NS and NAP for the period 2023-2025. Through this framework, Oman applies eight strategic goals including: continue developing the national risk understanding and associated risk mitigation policies and measures, conduct financial investigations to seize and confiscate property related to crime and identify and investigate ML and pursue all types of ML and confiscate criminal property, etc. Through this framework, Oman made progress in applying some policies and activities more in line with identified ML/TF risks. This includes the introduction in May 2023 of a new policy prohibiting cash transactions for real estate brokerages companies (over OMR 6 000/USD 15 500) and in the DPMS sector (over OMR 5 000/USD 13 000, and the still ongoing implementation of a Beneficial Ownership (BO) register for mainland and freezone companies to respond to the risks associated to the legal entities (see IO.5). These are few good examples aiming to mitigate identified risks at the national level, but most of the actions in the second NS and NAP are measures to be taken at the agency level (see section on objectives and activities of competent authorities), rather at the national level. For example, in response to the major risks identified in 2023 NRA i.e. the cash movement across borders, Oman implemented various measures to mitigate the risks through DGC. In addition, some areas at risk are still not addressed, as no specific measures to respond to ML risks linked to the most prevalent predicate offences and for the sectors at risk (Banks, MEE etc.) have been taken.

103. With respect to TF, in addition to the two NSs which focus on enhancing authorities' abilities to detect TF cases in line with TF risks and detect all stages of TF (raising, moving, and using funds), Oman adopted a national strategy for countering terrorism in 2021. The strategy promotes a multi-agency, multi-disciplinary approach, encompassing not just law enforcement capability and action but also other initiatives such as social awareness, political commitment to combat terrorism and TF religion, culture and economic inclusion. The strategy is built around four 'pillars' (based on 8 principles and 11 objectives including TF components): prevention of terrorism, combating terrorism, capacity building of LEAs and respect for human rights. Every pillar in the strategy has multiple elements and actions to be taken in order to implement the strategy. Regarding the TF components, the strategy includes among others the following elements and actions: conduct parallel financial investigations to identify TF; raising awareness of the risk linked to TF; evaluate the action of the competent authorities to combat TF (see IO.9). However, the CT strategy has expired by the time of the on-site visit and the authorities were in the process of updating it.

Exemptions, enhanced and simplified measures

104. Oman has granted SCCs exemption from the application of the AML/CFT requirements based on their function and structure and the assessment of proven low risk posed by services provided by SCCs. SCCs cover a range of dealings (social security benefit, diver license, labor

permits, etc.) between citizens and Omani authorities. They are regulated by the Authority of Small and Medium Enterprise Development and SCCs have to obtain a license before operating. Based on the SANAD RA carried out in 2022 and published in January 2023, Oman identified the risks to understand whether an exemption was justified. In fact, the action of SSCs centers is only available for in-person individuals with a valid residential ID card (before issuing an ID card clearance from the ROP for the non-resident). Fees charged by SSCs are fixed (low amounts) and cannot be negotiated. In practice, SSCs can fill the application on Invest Easy (MOCIIP platform) on behalf of the customer but does not provide any advisory services. Considering the limited role of SCCs (helping citizens to fill the form without any advisory services) and the identification of customers in person, the exemption appears justified.

105. The AML/CFT Law requires reporting entities to apply enhanced and simplified measures in line with ML/TF risks. Known triggers of enhanced measures occur in relation to the use of cash, in relation to PEPs, transactions involving high-risk jurisdictions and other.

106. Similarly, the country has also defined the possibility to apply simplified due diligence measures whenever risks are known to be low, for example, competent authorities in Oman classify Awqaf as low risk and apply simplified due diligence to most associated procedures.

Objectives and activities of competent authorities

107. The strategic objectives and activities of competent authorities are broadly consistent with national AML/CFT policies. Authorities have taken good measures to address identified TF risks and overall positive steps to address ML risks.

108. Overall, the objectives and activities of LEAs are in line with the National Strategy. PP, DGC and ISS put in place clear measures consistent with the identified risks. However, ROP has taken some positive steps to improve their activities, concerns remain linked to the most prevalent predicate offences since they are not systematically targeted in line with risks. Some of the relevant activities undertaken by the different LEAs include the following:

- a) PP has established a dedicated ML department, assigned financial prosecutors in the 11 governorates of Oman as well as provided specialized training (e.g. on various types of ML (self-laundering, third-party and standalone). PP has adopted a specific manual on the management of frozen, seized and confiscated funds and a guide for international cooperation processes. In addition, the PP issued the Law Enforcement Manual.
- b) DGC put in place measures in line with the NS and consistent with the risks identified. Customs has reinforced the security controls with Yemen, increased staffing to each Yemen border points (from 8 to 15), restricted movement of cash through one border (Al Mazyunah) for a limited time during the day and allocated a specialised targeting team to follow cash movement and targeting passengers on Al Mazyunah crossing-point in addition to implementing measures to ensure the source of funds (e.g. sealed documents from the embassies, commercial registration) and if in transit, notifying the UAE through the World Customs Organisation (WCO) Regional International Liaison Officer network (RILO). DGC has amended its inspection procedures and updated the suspicion and risk indicators and integrated it to the automated system.
- c) ISS put in place measures in line with the NS and consistent with the risks identified. ISS enhanced its presence at the borders with Yemen, trained border staff on detecting suspicious movement of funds, and has secured access to cash declarations. ISS also enhanced its coordination and

information-sharing with NCFI, DGC and PPO. In addition, ISS adopted a TF manual.

- d) ROP has established a dedicated AML Department to investigate the most serious/complex cases, implemented a financial investigation form to guide the investigators and a case prioritization tool, developed key performance indicators to pursue all types of ML and increased training of its staff.

109. NCFI has increased its human resources, especially in the Analysis and Statistics department, developed an IT solution to prioritize STRs using artificial intelligence and integrated the feedback of the reporting entities into the IT tool. NCFI developed a manual for TF matters and became a member of the NCTC to improve coordination in 2022. The 2020-2022 NAP was designed to enable strengthening NCFI.

110. The objectives and activities of FI supervisors (CBO and CMA) are consistent overall with the National Strategy (2020-2022) but moving forward they will have to adapt better to a changing environment (openness of the Omani markets, risks linked to VA). Some of the activities undertaken by the FI supervisors include the establishment of a dedicated AML department, allocated with adequate and trained staff. Both supervisors improved the processing of data through an automated IT system. In addition, CBO performed a risk assessment for MEEs (medium-high risk), FLC and PSP (emerging risk) sectors.

111. The activity of DNFBPs supervisors are more recent, as on-site inspections of DPMS and the real estate sector started in 2021, even though the risks – particularly for DPMS (medium-high) and real estate (medium) – were already identified in the 2018 NRA.

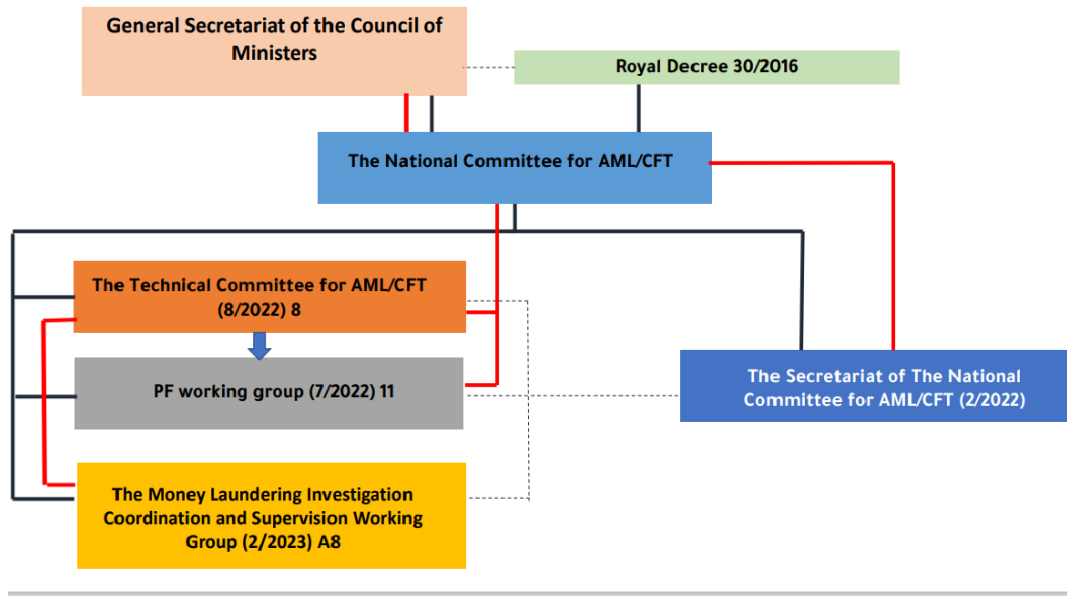
National coordination and cooperation

112. Omani authorities co-operate and co-ordinate on the development and implementation of policies and activities to combat ML/TF and PF to a large extent. Oman has put in place a solid institutional framework in this regard. Competent authorities cooperate and coordinate effectively at both the policy and operational levels.

113. Since its establishment in 2002, the National AML/CFT Committee is the high-level committee providing an effective framework for coordination and cooperation. The National Committee adopted the 2020 and 2023 National Strategies and the underlying National Action Plans. The National Committee has a broad membership represented by all supervisory and LEAs relevant to AML/CFT activities. It is chaired by the Executive President of CBO and meets once to twice a year. The number of meetings has increased recently, mainly to prepare for the ME process and its on-site visit. The main outcome of the National Committee is the adoption of the National Strategies in 2020 and in 2023 in addition to the NRA adopted in 2023 prepared by the Technical Committee.

114. The National Committee is supported by a Technical Committee, set-up in 2002. Members of the Technical Committee are senior operational officers from all National Committee members, in addition to representatives from the NCTC and the independent judiciary. The technical committee has facilitated systematic cooperation across all relevant AML/CFT stakeholders through frequent meetings (at least once a month). The technical committee was mandated to prepare the National Strategies and to follow more closely implementation. In addition, the technical committee discusses the topical and sectorial risk assessments (in coordination with the relevant working groups) and drafted the 2023 NRA. The Head of the Technical Committee acts as the secretariat to the National AML/CFT Committee (see Figure 2.1).

Figure 2.1. Oman's coordination committee structure



115. To facilitate cooperation on ML matters in line with the National Action Plan (2020-2022), the National Committee established formally in 2023 the ML Investigation Sub-Committee, operational since 2021. Over 13 meetings, the Sub-Committee demonstrated its usefulness to foster the law enforcement cooperation and the inter-agency efforts to understand and combat ML. For example, the sub-Committee produced the Law Enforcement Manual and the Financial Investigation Form, which acts as a guide to ensure the financial aspects of all proceeds generated by predicate offences are properly considered in the course of preliminary and criminal investigations. The sub-committee also developed the case prioritization matrix which seeks to ensure ROP prioritizes investigations in line with the risks identified in the NRA. Another example of the good coordination is the enhancement of the cooperation between LEAs and banks (circular from the CBO to compel banks to answer within 5 business days), in addition to the growing number of MoUs signed between different parties (e.g., PP/ROP/NCFI; PP/ROP/SAI; PP/TA). The sub-committee also allows an exchange on specific topics between its members (e.g. informal transfer channels, fraud based on fictitious investments, etc.).

116. On TF, the NCTC, which has a mandate to combat terrorism, is in charge of the strategy and the implementation of TF on policy issues, (e.g. TF strategy, training, NCTC's website, guidance). The NCTC is well represented by members from 8 agencies. The NCTC coordinates effectively with other strategic Committees. It holds joint meetings with the National Committee and is represented in the PF coordinating group (see below). The ISS is the focal point of Oman's national response to combating TF on operational issues ISS plays a strategic role in the NCTC to gather and share information. NCTC established the TFS Committee focused on the designations proposals and their implementation once adopted.

117. The PF coordination group - established in 2022 under the National Committee - is the focal point for coordination on all PF matters. It has a broad membership (supervisors, LEAs, Ship Registration, Land registry, NCFI, PP, Authority for SEZ/FZ, NCTC, etc.). This committee reflects Oman's effort to coordinate its actions on the fight against PF with dedicated actions from the supervisors. One of the main achievements of this group is the PF Risk assessment which has a focus on sanctions evasion methods. Another good example is the PF typology paper and awareness raising efforts by members of the sub-committee. CBO targeted some banks which

might be vulnerable to PF based on their assessment and was in the process of issuing a circular on dual-use goods by the time of the on-site visit.

118. In addition to the national structures to coordinate domestically in ML/TF and PF matters, authorities put in place effective formal and informal mechanisms demonstrating multi-agency cooperation. For example: the collaboration between CBO and CMA (e.g. work on procedures/guidance) and the training performed by CBO for the benefit of DNFBPs supervisors in order to design their supervisory documentation; the DNFBP Working group: quarterly meetings since 2022 and support from CBO to establish the group; and cooperation agreements between NCFI and PP/ROP/Customs (December 2022) and supervisory authorities (CBO, CMA, MOLA, MOCIIP, MOH but also Mala'a, SAI and TA) in addition to cooperation program between CMA and the PP to exchange information on the capital markets and insurance sector.

Private sector's awareness of risks

119. Oman disseminated the relevant results of the 2023 NRA to FIs, DNFBPs, VASP and NPOs. However, the dissemination of 2018 NRA was limited and belated.

120. For the 2023 NRA, extensive outreach was conducted. Following the adoption of the 2023 NRA by the National Committee, supervisory authorities circulated electronically the full version of the NRA to all entities under their supervision in September 2023. This was followed by 14 webinars as part of the AML Wednesday campaign where authorities presented the findings of the 2023 NRA in addition to the findings of the topical and sectoral risk assessments (NPO, TF, PF, Legal entities etc.) to ensure that the relevant sectors are aware of the results of the risks identified.

121. The NRA findings were discussed in further detail at meetings and conferences with the private sector, including four conferences. Private sector representatives met with during the on-site visit reported using the NRA when conducting their own risk assessments. In particular, they explained to the AT that they have replicated the NRA's results into their own risk-assessment.

122. Outreach for the 2018 NRA was limited. A small number of REs (banks and MEEs) attended a dissemination workshop in December 2021 organised by CBO. Other FIs and DNFBPs entities only benefited from outreach starting in 2022 as part of two webinars ("AML Wednesdays") organized by the authorities on the outcomes of the 2018 NRA.

Overall conclusions on IO.1

2

Oman has taken steps to increase its national ML/TF risks understanding through the latest (2023) NRA, built on the different TRA and SRA. These steps have given Oman a good understanding related to TF, its geographic risks and the banking sector. ML risk in other areas is still developing (particularly in relation to foreign ML threats, illegal remittance services (hawala) and illicit flows derived from human trafficking and labour exploitation and through the non-financial sector (especially DPMS and real estate sectors).

The authorities followed a clear methodology in conducting the 2022 TF threat assessment. In contrast, the methodology to identify the main ML threats and associated risks to the most prevalent predicate offences is unclear and lacks granularity. The laundering methods in Oman are described in the NRA to a limited extent.

While Oman made considerable progress to improve its AML/CFT framework through the implementation of two national strategies and the two national action plans, it was not clearly demonstrated how these broad changes are sufficiently targeted to address specific ML risks, as all goals in the national strategies reflect the general aspects of an effective system under the FATF Standards.

Oman has put in place a solid institutional framework related to cooperation and coordination on the development and implementation of policies and activities to combat ML/TF and PF and has demonstrated a solid coordination both at policy and operational level.

Despite the efforts taken by the authorities to increase its national ML/TF risk understanding and the good co-operation and co-ordination, there are still major improvements needed in relation to ML risk understanding and mitigated measures as the methodology to identify the main ML threats is unclear and lacks granularity and most prevalent predicate offences related to ML are not systematically addressed by national strategic policies. These shortcomings created difficulties for the competent authorities to describe the ML risks with accuracy which are given weight in the context of Oman.

Oman is rated as having a moderate level of effectiveness for IO.1.

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 6

- a) NCFI and LEAs (ROP, DGC, PP, ISS, TA and SAI) regularly access a broad range of database and other relevant information, mainly directly and in real-time, and use it in investigations to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF.
- b) NCFI plays a central role in producing, enriching and exploiting financial intelligence. PP, ROP, ISS, SAI and TA use financial intelligence from NCFI to a large extent to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF. However, the use of financial intelligence by DGC is more limited to cross-border predicate offences (e.g. smuggling or custom offences) rather than ML cases.
- c) NCFI receives a growing number of good-quality STRs from FIs in higher risk sectors (such as Banks and MVTS-MEEs). The lower number of STR submission from some DNFBPs (specifically DPMS and real estate sectors) and in relation to TF, is to some extent a concern as this may limit the scope of financial intelligence available to NCFI in their respect. However, STR submission increased from DNFBPs and in relation to TF since 2022 and 2023 respectively as a result of proactive efforts made by NCFI to increase feedback and supervisors to improve outreach of REs.
- d) NCFI is a strong, competent and well-resourced FIU, producing good quality operational analysis drawing on sophisticated artificial intelligence tools and analysis by NCFI staff. NCFI screens all STRs in order to determine their risk profile before submitting them to in-depth operational analysis. This increases the value of NCFI disseminations.
- e) NCFI analysis and dissemination support the operational needs of LEAs such as PP, ROP/DGC and supervisors to a large extent with respect to ML and PO. Concerning TF, while NCFI analysis supports the operational needs of ISS to a large extent, NCFI's proactive dissemination were limited until 2022. NCFI produces strategic reports which could be better targeted to develop supervisor's understanding of ML/TF risk and drive risk-based responses to emerging threats.
- f) NCFI and other competent authorities regularly and effectively co-operate and share financial intelligence and other information, using secure channels. This cooperation is conducted through the National Committee and facilitated by various MoUs signed between authorities.

Immediate Outcome 7

- a) Oman has a good legal and institutional framework to identify and investigate ML cases. Competent authorities demonstrate good cooperation, are well trained and equipped to identify and investigate ML. Authorities also demonstrated they have the required skills and ability to successfully prosecute more complex cases.
- b) Authorities rely on various sources to detect ML. Financial Analysis Reports disseminated by NCFI based on STR information, referrals from ROP and Parallel Financial Investigations are the main sources used to identify ML. Investigations in relation to cross-border cash of illicit origin and cross-border offences are insufficiently used to detect ML considering Oman's context.
- c) While authorities investigate ML to some extent, relatively few preliminary investigations by ROP justified opening a formal criminal investigation. ML investigations are not sufficiently targeted, as 50% of criminal investigations by PP focused on tax-related cases, with unclear ML value. LEAs also experience challenges investigating ML linked to foreign predicate offences.
- d) ML investigations and prosecutions are consistent with the risk profile identified in Oman to some extent. Oman addresses predicate crime risks related to corruption and embezzlement as well as drug trafficking in ML prosecutions. However, there are comparably less prosecutions into fraud (which represents the main threat for ML) and HT, which is not in line with risks. Authorities are not pursuing ML in connection with cross-border cash/BNI transportation, despite the risk of illicit cash crossing the border from Yemen. This is inconsistent with risks.
- e) Competent authorities prosecuted 92 cases and secured 50 convictions for ML in the review period. However, authorities prosecute and obtain convictions for the different types of ML to a small extent and not in a manner that is consistent with risk. The majority of ML convictions involve self-laundering. Challenges with proving intent and progressing cases built on circumstantial evidence may help explain the lack of convictions for different types of ML.
- f) ML sanctions for natural persons are dissuasive and proportionate, although not fully effective given that fines to be paid are frequently less than those imposed by the courts. The average length of sentences is just below the prescribed minimum in the AML/CFT Law. However, suspension of sanctions is uncommon and courts tend to aggregate penalties. No convictions against legal persons have been secured in Oman in relation to ML, which is not in line with risks.
- g) The authorities apply alternative measures to disrupt ML when a conviction cannot be obtained, including 'ML by neglect' and concealment. The application of these measures in practice remains limited to a small number of cases.

Immediate Outcome 8

- a) Oman has a strong legal and operational framework on asset recovery. Confiscation of criminal proceeds, instrumentalities and property of equivalent value in ML, associated predicate offences and TF is a prominent feature of both national AML/CFT strategies (2020-2022 and 2023-2025) and is pursued as a policy objective to a large extent.
- b) The establishment of the “Administration” for asset management is a good step to support the management of seized and confiscated assets. However, it is under-resourced and not systematically used, since the PPs execution sections is doing the majority of this work.
- c) Authorities demonstrated an ability to proactively seize a broad range of criminal proceeds and instrumentalities. Authorities have taken good measures in this regard by seizing USD 25.65 million per year on average, which was achieved in some cases through the NCFI’s suspension powers.
- d) Oman achieved good results depriving criminals from their assets by actively confiscating 63.7% of assets seized (USD 15.6 million per year on average). Some of these funds were also restituted to victims. Confiscation was achieved mainly through small amounts of proceeds across a range of assets, and through some cases involving high-value amounts. Although examples provided demonstrated the ability to seize and confiscate property of equivalent value authorities use the confiscation of equivalent value to recover dissipated funds to some extent.
- e) Authorities demonstrated effective engagement with other countries to identify, seize and confiscate assets located abroad, although the number of cases and values of assets repatriated and shared are low. There are no impediments to share criminal proceeds located in Oman with other countries and authorities provided assistance in seven cases to foreign requests to locate assets. However, Oman has not yet restituted assets to other countries.
- f) Oman has a strong legal framework for cash/BNI declarations. Authorities recently put in place several measures to mitigate the high risks arising from cash movements, especially with Yemen and enhance the detection of cases. While there were some ML related seizures at the end of the assessment period. these new measures are recent and the impact on effectiveness remains to be established. The number of false/non-declarations identified by DGC is low and are not related to ML. This is not in line with Oman’s risks and context. Overall, sanctions imposed are considered effective to a limited extent.
- g) Confiscations results are broadly in line with national policies and priorities and the risks identified in the NRA except for confiscations related to false/undeclared currency and BNI. Confiscation was secured on three of the four most important proceeds-generating offences, though less in respect to HT.

Recommended Actions

Immediate Outcome 6

Oman should:

- a) Make greater use of financial intelligence and other information for ML investigations, particularly within DGC.
- b) Raise awareness on the importance of STR reporting, especially for higher-risk DNFBP sectors (DPMS and real-estate sectors) and in relation to TF (see IO.4 and IO.9), to ensure that the scope of financial intelligence available to NCFI is comprehensive.
- c) Strengthen NCFI's strategic analysis function by developing more detailed strategic reports which identify trends, patterns and actors on ML, associated predicate offences and TF. These should include red flag indicators. NCFI could also consider having an appropriately staffed strategic analysis Department.

Immediate Outcome 7

Oman should:

- a) Enhance the capabilities of LEAs to identify and investigate ML offences, including through training on parallel financial investigations into major proceeds-generating offences. This should include further strengthening ROP's capacity to detect ML in a more targeted way. Authorities should also make better use of cross-border cash/BNI declarations to detect and investigate ML cases.
- b) Target the prosecution and conviction of ML cases in line with risks, particularly fraud, HT and transportation of cross-border cash/BNI.
- c) Prioritise the pursuit of different types of ML cases, including ML linked to foreign predicate offences, in line with AML/CFT policies and the most significant risks.
- d) Authorities should pursue cases against legal persons that have been involved in the perpetration of ML and apply appropriate sanctions, including by ensuring that fines are effectively applied.
- e) Ensure the authorities routinely make use of alternative measures to stop and deter ML in cases where convictions cannot be reached.

Immediate Outcome 8

Oman should:

- a) Increase the application of new measures introduced at border crossings since 2023, including specialised teams and the application of risk indicators to identify more cases of false/ non-declaration of cash/BNI. Authorities should also apply effective sanctions on all false/ non declaration cases.
- b) Increase the use of confiscation of equivalent value in order to recover dissipated proceeds of crimes. Pursue confiscation in line with the risks identified with respect to human trafficking.
- c) Provide the “Administration” with additional human, financial resources, and trainings to ensure that it is more systematically used to pursue and manage seized/confiscated

3

123. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.1, R. 3, R.4 and R.29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Financial Intelligence ML/TF)

124. Omani authorities regularly access and use financial intelligence and other relevant information to develop evidence and trace criminal assets related to ML, associated predicate offences and TF. NCFI plays an important role exploiting financial information sources obtained from different sources by using sophisticated artificial intelligence tools. The scope of NCFI’s financial information primarily emanates from STRs filed by Banks, followed by MVTS-MEEs, both of which are considered as sectors at higher risk in the NRA. However, STRs submitted by DNFBPs – including some high-risk sectors such as real estate and DPMS – is lower in comparison to FIs. NCFI screens all STRs to establish their risk profile before submitting them to in-depth operational analysis. NCFI produces good quality financial intelligence and enriches the information included in STRs to a large extent. NCFI analysis and disseminations support the operational needs of competent authorities to a large extent.

125. The AT based its conclusions on a variety of information including statistics held by NCFI, information on databases accessed by competent authorities such as ROP, TA, PP and ISS, case studies and discussions with relevant authorities.

Use of financial intelligence and other information

126. Oman’s competent authorities regularly access and use, to a large extent, financial intelligence and other relevant information to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF. While DGC makes good use of financial intelligence in investigation related to predicate offences (e.g. smuggling or custom offences), it is used to a lesser extent when it relates to ML cases.

127. LEAs have access to a wide range of databases and information. This includes access to a broad array of financial and administrative information, company formation data, customs data, real estate, criminal records and other relevant information. Most competent authorities like

NCFI, PP and ROP access the databases, generally in real time (See Table 3.1). With respect to databases for which access is indirect, information can be obtained in a reasonable time.

Table 3.1. List of databases accessible by different competent authorities

Database & Owner	PP	NCFI	ROP (incl. DGC)	SAI	TA	Type of information
Ministry of Commerce and Industry and Investment Promotion	Direct	Direct	Direct	Direct	Direct	Company and company formation data
Ministry of Manpower System	Direct	Indirect	Direct	Direct	Direct	Individual data (e.g. residential and employment statuses)
Muscat Clearing and Depositing System	Indirect	Indirect	Indirect	Direct	Indirect	Company formation data
Public Prosecution System	Direct	Indirect	Indirect	Indirect	Indirect	Criminal records; judgments and decisions; information on seizures and confiscations, etc.
Ministry of Housing System	Indirect	Direct	Indirect	Direct	Indirect	Land and property ownership registries
Muscat Municipality System	Indirect	Indirect	Indirect	Direct	Indirect	Real estate data (e.g. leasing contracts)
Mala'a System	Indirect	Indirect ²³	Direct	Indirect	Indirect	Bank account information
Custom System ('Bayan')	Indirect	Direct	Direct	Direct	Indirect	General customs information (cash/BNI declarations)
ROP Civil Status System	Direct	Direct	Direct	Indirect	Indirect	Civil status registry
ROP Criminal Record Data System	Direct	Direct	Direct	Indirect	Indirect	Criminal record registry
ROP Traffic Data System	Indirect	Direct	Direct	Indirect	Indirect	Vehicle information
ROP Case Management System	Indirect	Direct	Direct	Indirect	Indirect	Record of incidents
ROP Travelers Center	Indirect	Indirect	Direct	Indirect	Indirect	General passenger information data
ROP Immigration System	Direct	Direct	Direct	Indirect	Indirect	General visa and travel information
UNSCR Lists	Indirect	Indirect	Indirect	Indirect	Indirect	Sanctions list
E-Visa System	Indirect	Direct	Direct	Indirect	Indirect	Visa information
Tax Authorities	Indirect	Indirect	Indirect	Direct	Indirect	Tax information, business records of enterprises and companies, etc.
Telecommunication	Indirect	Indirect	Indirect	Indirect	Indirect	General telecommunication information
Interpol System	Indirect	Direct	Direct	Indirect	Indirect	Listing of information on criminals, including red notices

128. NCFI and LEAs (ROP, DGC, PP, ISS, TA and SAI) made extensive access to databases information (see Table 3.2). The fewer number of times PP accessed databases is explained by the fact that ROP undertakes preliminary inquiries during which it accesses different data and available sources of information before submitting a case to PP. PP can also instruct ROP to conduct further inquiries and access database information to inform criminal investigations.

²³ NCFI secured direct access to Mala'a shortly after the on-site.

Table 3.2. Access to databases by different authorities

	2018	2019	2020	2021	2022	2023	Total
NCFI	42 040	114 006	180 067	184 479	241 015	318 151	1 079 758
ROP	118 863	115 221	77 524	89 443	117 028	189 285	707 364
<i>Of which BAYAN system</i>	8 320	9 217	3 876	4 472	11 702	28 392	65 979
PP	306	348	491	854	1013	932	3 944
ISS	183 768	184 756	184 376	184 642	183 806	91 922	1 013 270
SAI	127 794	134 183	138 209	129 916	127 318	132 411	789 831
TA	392 113	52 993	32 082	179 646	188 125	363 445	1 208 404
Total	864 884	601 507	612 749	768 980	858 305	1 096 146	4 802 571

129. In addition to consulting the available databases, LEAs also use other methods to collect financial information, such as searches, human intelligence, and information transmitted in the framework of international cooperation.

130. NCFI plays a central role in producing, enriching and exploiting financial intelligence based on various sources of information, enabling it to produce comprehensive financial intelligence products.

131. NCFI regularly accesses and uses a broad range of databases which provide a variety of administrative, financial and other information and intelligence (See Tables 3.1 and 3.2). This includes direct access to ROP's databases (e.g. criminal records, immigration) and DGC's "Bayan" system which includes customs data, MOCIIP systems on company and company formation data etc. This enables NCFI to cross-reference information and enrich its analysis. NCFI demonstrated a steady increase in the use of the available information in the databases.

132. NCFI takes a proactive approach to developing financial intelligence. NCFI receives STRs of high quality (mainly from Banks and MVTS/MEEs, which are considered at higher risk) and screens all STRs in an initial filtering phase to determine their risk profile before conducting in-depth analysis (see section on operational needs supported by FIU analysis and dissemination).

133. NCFI relies on strong artificial intelligence software solutions to enrich STRs information with relevant information from databases it has access to. Where needed, NCFI can also request any information from REs (see R.29) to supplement STR information, such as when it identifies new suspects or when information is needed on new bank accounts (Table 3.3). The high number of times NCFI followed up with Banks and MVTS/MEEs is not a reflection of the poor quality of STR data, but can be explained by the fact NCFI did not have direct access to Mala'a (which provides basic bank account information and company formation data). NCFI estimates that REs usually respond within three to four working days, which is reasonable. In some instances (such as for DNFBPs), information contained in databases is enough to enrich STRs. NCFI also relies on information from counterpart FIUs to enrich its analysis, particularly in the last years of the assessment period (see IO.2).

134. Case studies and discussions with the authorities show that NCFI exploits financial intelligence to identify and trace assets and determine financial connections, either proactively or upon request. NCFI significantly contributed to developing evidence in complex cases (see Box 3.4, IO.7). For example, considering the large-scale embezzlement of the Ministry of Education's funds, PP requested NCFI to trace financial transactions and identify assets of the main culprits. Using its financial intelligence, NCFI used its power five times in the assessed period to suspend financial transactions and limit the dissipation of assets (see IO.8).

Table 3.3. NCFI's sources of financial information

	2018	2019	2020	2021	2022	2023	Total
Database access*	42 040	114 006	180 067	184 479	241 015	318 151	1 079 758
Request to Foreign FIUs	1	5	8	21	14	42	91
Requests to RE (FIs)	3 830	3 379	3 529	3 925	3 164	3 849	21 676
Banks	1 634	1 603	1 693	1 512	1 198	1 289	8 929
Insurance Companies	2				1		3
Finance Companies		3				7	10
MVTS	2 192	1 773	1 836	2 413	1 963	2 551	12 728
Securities & Brokerage	2				2	2	6
Requests to REs (DNFBPs)	0	0	0	0	0	2	2

Note: * refers to the number of times databases (with indirect access) were used.

135. LEAs such as PP, ROP, TA, SAI and ISS regularly access and use financial intelligence produced by NCFI and other relevant information to develop evidence and trace criminal proceeds related to ML, PO and TF. Case studies and discussions with the authorities confirm NCFI provides valuable information for ML/TF on-going investigations and that LEAs used financial intelligence to trigger new cases and identify new suspects or connections between them.

136. During the assessment period, LEAs received a high amount of financial intelligence, either proactively disseminated by NCFI on the basis of STR information or in response to Analysis Requests (ARs) they submitted to NCFI. NCFI disseminated 1534 financial analysis reports and responded to 92% of the ARs, which is high (Table 3.4). The remaining 8% relates to situations where there is a lack of response from international counterparts, or instances where foreign FIUs did not permit NCFI to share information with competent authorities.

137. The main beneficiaries of NCFI disseminations are PP, ROP and TA/SAI, and this financial intelligence covers ML, associated predicate offences and TF:

- Almost three quarter of the 50 ML convictions secured in the assessment period originate from NCFI products (see IO.7). Case Study 1 (Box 3.1) refers to a proactive dissemination by NCFI to PP after it identified suspicious financial patterns in suspects' bank account information (they were charged for ML). NCFI's financial intelligence was also vital to help PP secure ML convictions in the Ministry of Education case (Box 3.4, IO.7).
- PP relies heavily on NCFI products to investigate cases involving predicate offences, which may also include an ML component. NCFI may disseminate a case directly to PP (instead of another competent LEA like TA or SAI) when a suspicion is high and there are enough elements to open a criminal investigation. For example, PP requested NCFI to trace funds and identified additional suspects in relation to a drug trafficking case (See case study 2, Box 3.3 in IO.7). SAI used NCFI products to feed its preliminary investigations into some crimes (corruption) at the Ministry of Education before submitting the case to PP for criminal investigations. NCFI's financial analysis was instrumental in detecting additional patterns and suspects (see Box 3.4, IO.7).
- With respect to TF, ISS has strong capabilities to produce financial intelligence, including by routinely requesting and using the financial intelligence and analysis capabilities held by the NCFI in its on-going investigations. ISS made 120 ARs to NCFI. NCFI responded to all of these. ISS was able to discover the

involvement of a third party in a case based on additional information provided by NCFI (See case study 2, Box 4.1 in IO.9).

138. In line with the procedures outlined in a 'Law Enforcement Manual' and a 'Financial Investigation Form' (see IO.7), all LEAs access and use different sources of financial intelligence (including database information) to build financial profiles, show possible criminality and pursue investigations into their own area of expertise.

139. Financial intelligence has been an important part of DGC's investigations into predicate offences such as smuggling of goods, and in more limited cases, of cash/BNIs through the borders (see Box 3.1). Over the years, DGC has developed and improved its systems to produce, access and use financial intelligence. However, DGC uses financial intelligence for ML purposes to a lower extent. In all cases, the use of financial intelligence in customs offences (including cash smuggling) has resulted in very few ML offences being pursued (as discussed in IO.7 and IO.8).

Table 3.4. Analysis Requests (AR) sent by different LEAs to NCFI

	2018	2019	2020	2021	2022	2023	Total
<i>ROP</i>	8	29	54	52	59	201	403
<i>PP</i>	10	39	67	40	36	32	224
<i>ISS</i>	8	6	22	18	23	43	120
<i>SAI</i>	2	0	0	1	2	6	11
<i>Others (e.g. CBO, CMA etc.)</i>	1	2	5	4	21	73	106
Total	29	76	148	115	141	355	864

140. The below case studies presented to the AT demonstrate the capability of the different LEAs to access and use financial intelligence and information from a wide range of sources (including NCFI products) in order to support on-going investigations and also to initiate new cases.

Box 3.1. Generation and use of financial intelligence

Case Study 1: ML investigation triggered by a NCFI dissemination

Background: NCFI disseminated a financial analysis report based on STR information to PP concerning suspicious bank account activity of two Asian nationals. The first suspect's bank account showed deposits that were disproportionate to his modest monthly income and which he could not justify to the Financial Institution. Those deposits were made by multiple persons of the same nationality, which the suspect promptly withdrew. The analysis of the second suspect's account revealed a similar pattern (deposits from multiple persons followed by prompt withdrawals). By consulting databases (including criminal records), NCFI identified that the second suspect had a previous conviction for dealing in unlicensed and illegal tobacco products. The total funds circulating from and into the accounts of both suspects amounted to around USD 104 000/OMR 40 000.

PP assigned ROP to provide information and conduct investigation on both suspects. In particular, ROP verified whether they had access to other sources of undeclared income and whether they had known accomplices. PP also interrogated the suspects on the origin of the funds, both of whom denied any wrongdoing. Considering that the funds were illicit, unjustified and linked to the suspicion of engaging in the illegal trade of tobacco, PP charged both suspects for ML.

Results: Courts convicted of ML and sentenced them to three years imprisonment, a fine of USD 13 000/OMR 5 000, and deportation.

Case Study 2: Use of NCFI products to feed an ongoing case (complex ML case at PP)

Background: NCFI received a request from PP to undertake financial analysis into a case involving misuse of public funds and abuse of public office in a tender for the development of properties on the waterfront of one of the main ports in Oman.

NCFI used a broad range of information from bank accounts to establish relationships between the main suspects, identify financial transactions and trace the flow of assets. NCFI also relied on civil, commercial real estate and vehicle records to confirm the identity of individuals involved, ownership and nature of companies and real estate involved, etc.

NCFI's financial intelligence revealed that the movement of funds was incommensurate with the suspect's income. The analysis also showed that the suspects received funds from a foreign company to their bank accounts using money exchange providers in order to influence a government tender and that they obfuscated the origin of the funds by using multiple bank accounts and transfers.

Results: NCFI disseminated its analysis to PP, following which the main suspect was sentenced for ML to ten years imprisonment and a fine of USD 10 million/OMR 4,1 million. He was also convicted for 3 years on charges of mediation for the benefit of others. In addition, the courts confiscated residential units owned by the relatives and assets of equivalent value.

Case study 3: Use of NCFI product (request from ROP)

Background: NCFI received STRs from various Financial Institutions related to embezzlement and forgery using forged cheques deposited on different bank accounts. In parallel, ROP opened a preliminary investigation into seven individuals – including two employees of a

Bank – and five companies. ROP requested NCFI to provide financial intelligence on the suspects to aid its preliminary investigations.

NCFI analysed the flow of transactions across multiple bank accounts and companies and identified forged cheques that resulted in USD 15.5 million /OMR 5.9 million being withdrawn from one Bank. This confirmed that the suspects transferred the proceeds of crime to multiple bank accounts to layer funds, and used this to purchase real estate, vehicles, gold and jewellery. NCFI's analysis confirmed the identity of beneficiaries and associates of the suspects. NCFI's analysis was also instrumental in identifying additional suspects and techniques to launder funds. Using its suspension power, NCFI blocked some transactions to and from suspects for the duration of its investigation.

Results: NCFI forwarded its analysis to ROP, which subsequently submitted the case to PP to open a criminal investigation. Considering NCFI's analysis which identified an additional suspect, eight individuals were convicted of embezzlement, forgery and money laundering in relation to the forged cheques.

Case Study 4: Use of financial intelligence in customs offence

Background: DGC's customs risk database alert identified a red flag concerning an inbound passenger from Qatar who made frequent trips in a short period of time. Upon arrival, DGC Customs officer searched him and identified 13 expensive watches in his possession without any proof of ownership such as an invoice. DGC seized the watches and opened an investigation. As part of this, DGC issued an Analysis Request to NCFI and also conducted its own financial investigation using ROP databases (immigration, criminal records, passenger information etc.). DGC also relied on international cooperation (see IO.2) to enrich its analysis. DGC concluded that the suspect smuggled the watches into Oman to avoid paying taxes and duties. DGC referred the case to PP.

Result: Following its criminal investigation, PP referred the case to court, which was ongoing by the end of the onsite visit.

Reports received and requested by competent authorities

141. NCFI receives different types of information and reports: STRs and other intelligence information requested and received from competent authorities and international counterparts.

142. NCFI received 5 719 STRs during the review period, (an average of 190 STRs per month) with a steady increase year on year (Table 3.5). This is attributed to NCFI's efforts to provide guidance and feedback to REs on STR submission (e.g. quality, utilisation) and also the supervisors' efforts to raise awareness in this regard. For example, NCFI disseminated a TF-guidance to REs from the second half of 2023, which led to an increase in the number of TF-related STRs submitted to NCFI. NCFI and supervisors also provided training to REs on STR submission.

143. STRs are mainly submitted electronically through a secure reporting platform ('Electronic Portal System', EPS) developed by the NCFI in 2016, with very few exceptions for some DNFBPs.²⁴ NCFI received 13 STRs in paper format from Notaries.

²⁴ Approximately 380 individuals from different REs are registered in EPS

Table 3.5. Number of STRs submitted to NCFI

	2018	2019	2020	2021	2022	2023	Total	% total (1)
Financial profession	371	643	754	929	1100	1763	5560	100%
Banks	213	509	616	760	836	967	3901	70%
MEEs	157	134	138	157	255	720	1561	28%
Others	1	-	-	12	9	76	98	2%
DNFBPs	0	0	4	1	25	129	159	100%
DPMS	0	0	0	0	13	89	102	64%
Real Estate	0	0	0	0	2	32	34	21%
Public Notaries ²⁵	0	0	1	0	9	3	13	8%
Lawyers	0	0	3	0	1	5	9	6%
NPOs ²⁶	0	0	0	1	0	0	1	1%
Total	371	643	758	930	1125	1892	5719	100%

Note: (1) this column presents percentages for each sub-category (Financial profession and DNFBPs), rather than as a share of the Total number of STRs (5719).

144. NCFI rejected and/or returned²⁷ only 4% of STRs received. This confirms that STRs submitted by REs (both FIs and DNFBPs) generally meet NCFI's minimum requirements and are of good quality. REs usually submit STRs to NCFI within two to three weeks from the point a suspicious transaction occurs, which the AT considers reasonable.

145. In turn, NCFI processes STRs and disseminates relevant financial analysis reports within ten days, and on average within 3-4 days for high-priority cases (such as TF STRs). The length of time to process an STR depends on the analysis done and may be longer if it requires information from counterpart FIUs. The application of a triage/prioritisation system (EPS), coupled with a strong reliance on artificial intelligence to conduct operational analysis (see next section) and qualified staff explains the absence of backlog with screening and analysing STRs.

146. The scope of NCFI's financial information primarily emanates from STRs filed by Banks, followed by MVTS-MEEs, both of which are considered as sectors at higher risk in the NRA. Together, they account for 95% of STR submissions. However, the number of STRs submitted by DNFBPs is low in comparison to FIs and given the vulnerability of DPMS and real estate sector regarding ML. While this may limit the scope of financial intelligence available to NCFI, the AT acknowledges that DNFBP submission improved since 2022 especially from those two sectors considered at higher risks.

147. NCFI receives information from other competent authorities. During the assessment period, supervisors submitted to NCFI 27 reports (a majority from CBO, CMA and MOCIIP) containing ML/TF suspicions identified during their regular supervisory work. These reports include among others information on beneficiaries, bank account information and detailed transactions that appear suspicious. This information is manually integrated by NCFI staff into its database and – where applicable – operational analysis is conducted for further dissemination to competent authorities.

²⁵ Public Notaries are civil servants in Oman (not REs) and can submit STRs.

²⁶ Although not required by the Standards, NPOs are regulated entities and can submit STRs where needed.

²⁷ STRs are rejected for a number of reasons, such as two STRs mentioning similar subject, lack of suspicion indicator, etc. Returned STRs relate to those reports where incomplete information is provided by RE when first submitting the information and where NCFI follows-up with the RE via EPS platform.

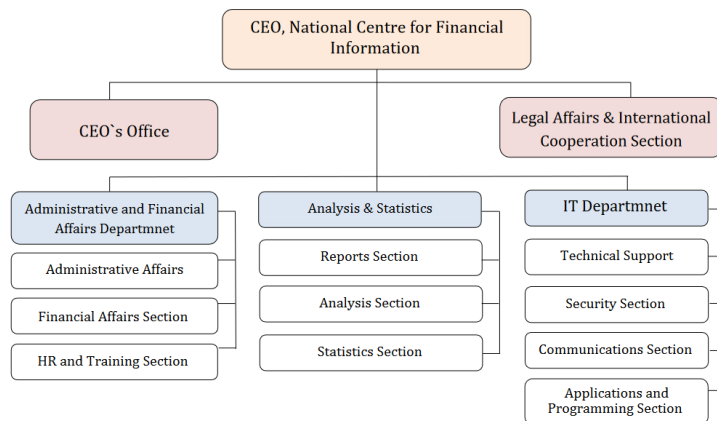
Operational needs supported by FIU analysis and dissemination

148. NCFI is well-staffed and has sophisticated technology and analytical tools to conduct operational analysis. NCFI supports the operational needs of LEAs to a large extent by drawing on a broad range of databases containing financial, administrative, customs and criminal record information, as well as automated screening and manual input. This is a strong point for the intelligence it produces. All authorities recognised NCFI's valuable contribution as well as the good quality of its analysis and disseminations.

Overview of NCFI

149. NCFI was established under ROP in 2016. It has an adequate legal basis to perform its functions (see R.29). NCFI is a strong, well-resourced FIU of 54 staff (including data scientists and IT developers) who all receive continuous training. They are spread across three departments: Administration and Financial Affairs, Analysis and Statistics (responsible for both operational and strategic analysis) and IT (See Figure 3.1). The Analysis and Statistics Department comprises six staff dedicated to receiving and filtering STRs and communicating with REs, 21 staff assigned to operational analysis, and three staff assigned to strategic analysis. The statistics team (two staff) collects data and is responsible for completing the annual report. All sections of NCFI are well-staffed considering the size and scope of the FI and DNFBP sectors. Three staff sit in the legal affair and international cooperation section (a separate unit), which is sufficient considering NCFI's level of international cooperation (see IO.2) NCFI could consider having a dedicated and appropriately staffed strategic analysis Department (see below).

Figure 3.1. NCFI organisational chart



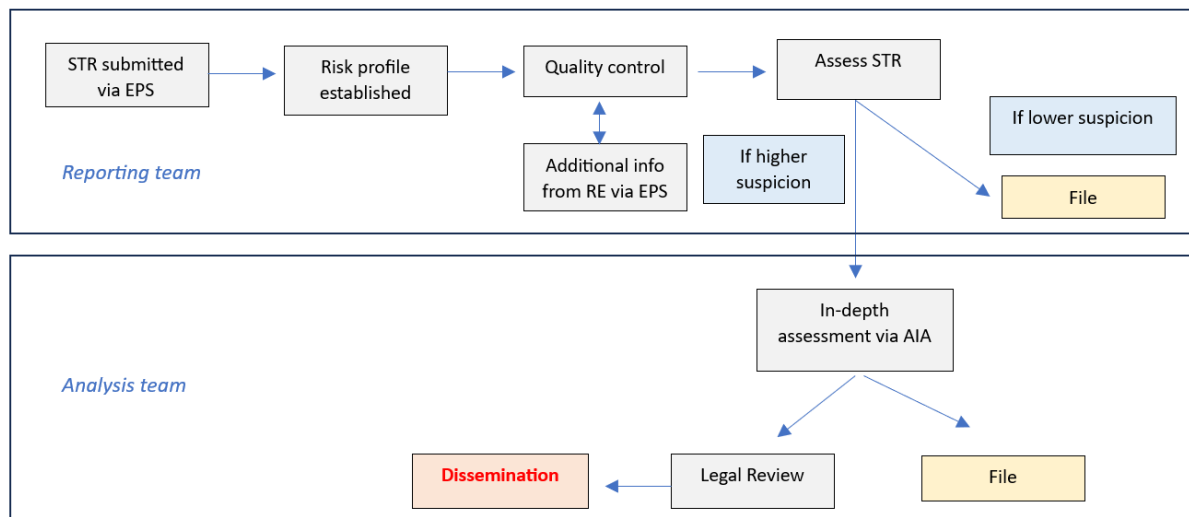
Operational analysis

150. The production of financial intelligence is carried out in two phases (Figure 3.2) and relies on a combination of sophisticated artificial intelligence tools and manual analysis. The first phase, which is overseen by a 'reporting team', involves the submission of STRs through an online platform (EPS) and initial filtering/triage. Drawing on artificial intelligence tools and manual analysis, NCFI begins the process by screening *all* submitted STRs to determine their risk profile against a series of criteria (such as type of crime and alignment with risks in the NRA; existence of previous case; TF suspicion; presence in sanctions list; links to a high-risk country, etc). The AT finds this is a strong feature of the system which is meant to maximise the possibility of identifying and treating suspicious cases. A case officer in the reporting team then undertakes an initial quality control and ensures completeness of the information submitted by REs (e.g. whether the

suspicion is properly identified; all supporting documentation submitted, etc). Where required, the case officer can obtain additional information from REs via EPS. When the case officer determines that criminal proceedings can be pursued on the basis of this initial analysis, the STR is transferred over to a second team for in-depth analysis or filed as appropriate.

151. In the second phase, an 'analysis team' subject the STR to in-depth analysis to determine potential parties involved, trace financial flows, identify proceeds of crime and possible criminal patterns, etc. This process is automated, based on an advanced AI system produced in-house by NCFI ('Autonomous Intelligence Analysis', AIA). AIA combines data from STRs with information collected from databases (e.g. records of financial transactions, bank account information, criminal records, previous reference in a STR, etc) and to detect any suspicious indicators. At the time of the onsite, AIA included 54 indicators, such as alignment with NRA findings. This list is regularly updated. AIA then establishes risk levels for each case and identifies the probability level that a case involves ML or TF. AIA generates several reports and visual maps to help NCFI analysts visualise financial flows and relationships and hence conduct further analysis. The AIA products therefore help case officers decide whether to archive a case or to conduct further analysis for a potential dissemination. The decision remains with the case analyst and is taken in line with the approved analysis manual policy.

Figure 3.2. NCFI's processing of STR information



152. NCFI received 5 719 STRs from REs during the assessment period, conducted an initial screening on all of these in the first phase based on their risk profile. the reporting team transferred 2 972 STRs (approximately 51% of STRs received) to the analysis team to conduct in-depth analysis. On this basis, this team disseminated 1 534 financial analysis reports (51% of STRs transferred by the reporting team) to relevant authorities (Table 3.6). Considering NCFI's strong filtering process of all STRs received and reliance on artificial intelligence tools to narrow down STRs that contain indicators of criminal activity, the AT considers this figure appropriate.

Table 3.6. Dissemination of financial analysis reports

	2018	2019	2020	2021	2022	2023	Total
Total STR received by NCFI	371	643	758	930	1125	1892	5 719
STRs subject to in-depth operational analysis	371	292	349	652	484	824	2 972
Financial analysis reports disseminated (1)	139	111	150	469	304	361	1 534

Note: (1) FARs can be based on multiple STRs.

NCFI's support to the operational needs of competent authorities

153. NCFI analysis and disseminations support the operational needs of competent authorities to a large extent for ML and associated predicate offences. With respect to TF, NCFI products support the operational needs of competent authorities to a large extent, and mainly on request. This is not a concern for the AT given Oman's TF risk profile and the comprehensive analysis conducted by the NCFI based on ISS requests.

154. NCFI produces two types of products: (1) financial analysis reports from STRs (i.e. spontaneous dissemination reports) and (2) reports in response to Analysis Requests (AR) from LEAs to support their investigations. Taking both of these categories into consideration, NCFI disseminated 2 334 products in the past six years (Table 3.7). The number of disseminations increased throughout the reporting period, mainly due to refinements and upgrades in NCFI's analytical capability, increase in human resources, and growing number of STRs received.

Table 3.7. NCFI disseminations by type of product and recipient authority

Type of dissemination	2018	2019	2020	2021	2022	2023	Total
Financial analysis reports	139	111	150	469	304	361	1 534
PP	74	68	77	9	2	4	234
ROP	65	43	18	40	102	137	405
ISS	-	-	-	1	9	18	28
Others (e.g. TA)	-	-	55	419	191	202	867
AR (executed by NCFI)	19	46	114	139	143	339	800
PP	11	32	64	48	38	27	220
ROP	0	3	22	56	57	191	329
ISS	8	6	22	18	23	43	120
SAI	0	0	0	0	3	6	9
Financial Supervisors (CMA, CBO etc.)	0	5	6	17	22	72	122
Total	158	157	264	608	447	700	2 334

155. Where ML is concerned, NCFI analysis and disseminations meet the operational needs of competent authorities to a large extent. 60% of ML investigations by ROP and 53% of criminal investigations into ML opened by PP originate from NCFI disseminations (Table 3.8). Close to 75% of ML convictions originated from NCFI products (see IO.7). Case studies and discussions with the authorities confirm the usefulness and good quality of NCFI products and that they use NCFI disseminations for the purpose of initiating and feeding cases (See case study 1, Box 3.3, IO.7).

156. NCFI also meets the operational needs of competent authorities to investigate associated predicate offences, either through proactive disseminations or on request. (See Table 3.8). A number of disseminations to ROP were made specifically to the departments in charge for predicate offences (such as narcotics, or DGC). Between 2022 and 2023, NCFI identified 98 highly

suspicious custom declaration reports which merited further analysis. On this basis, NCFI disseminated 44 financial analysis reports to various competent authorities (TA, ROP, DGC, ISS). In the second half of 2023, NCFI also proactively disseminated to DGC 22 financial analysis reports based on STR information.

3

157. Considering that PP has a broad mandate for all criminal matters (including predicate offences), it is also worth bearing in mind that NCFI products disseminated to PP also supported investigations into predicate offences. NCFI also made a large amount of tax-related disseminations to TA linked to suspected tax evasion (see discussion in IO.7 as well). Finally, NCFI executed six out of eight ARs submitted by SAI related to corruption.

158. With respect to TF, NCFI supports the needs of ISS to a large extent and mainly on request. But more improvements should be done to foster proactive disseminations. ISS issued 120 ARs to NCFI to inform TF investigations, and NCFI responded to all of these. ISS also confirmed during discussions with the AT that it values the quality of NCFI analysis as it helps identify new links and suspects. With respect to proactive disseminations, NCFI received a low number of TF-related STRs (61), likely as a result of limited understanding of TF risks by REs (see IO.4). In turn, NCFI proactively disseminated 28 financial analysis reports to ISS (a majority in 2023), which discarded 20 of these (the remaining eight were still under analysis by the time of the on-site visit). NCFI's proactive disseminations were therefore limited until 2022. This suggests that there is room for improvement in this respect, since all the investigations initiated by ISS into TF suspicion were triggered based on ISS's own sources, rather than NCFI disseminations.

159. NCFI supports the needs of financial supervisors, mainly by sharing STR information and financial intelligence, both proactively and on request. CBO and CMA requested information from NCFI during their licensing process to ensure there is no suspicion linked to the individual/corporate entity, or when conducting fit and proper tests. Before conducting inspections, CMA also requests financial intelligence and information from NCFI concerning the inspected entity. NCFI produces quarterly reports for supervisors (particularly CMA) on the quantity and quality of STR information submitted by REs as well. In so doing, NCFI therefore helped supervisors identify challenges that REs encounter in meeting their reporting obligations.

Table 3.8. Support of NCFI disseminations for operational needs of competent authorities (ML, associated predicate offences and TF)

	2018	2019	2020	2021	2022	2023	Total
ROP (# of ML investigations opened)	65	46	40	79	126	142	498
PP (# of ML criminal investigations opened)	74	68	77	9	2	4	234
ISS (# of TF disseminations) (1)	8	6	22	18	23	43	120
SAI (# corruption disseminations) (1)	0	0	0	0	3	6	9
TA (#tax related financial analysis reports)	-	-	55	419	191	202	867
Financial Supervisors (CBO, CMA)	0	5	6	17	22	72	122

Note: This table includes both executed ARs and financial analysis reports. (1) these include solely executed ARs.

160. Disseminations (both financial analysis reports and Analysis Requests responded to) align with risks to a moderate extent. For example, only 30% of NCFI disseminations to ROP relate to

the key risk areas listed in the NRA, which is relatively low (disseminations principally covered fundraising and fraud). Likewise, only 15% of disseminations to PP are aligned with the key risks. However, as mentioned above, NCFI determines the risk profile of all STRs in line with several indicators, including the key risks set out in the 2018 and 2023 NRAs. This suggests that there is a deficiency with how well REs are submitting STRs in line with risks, rather than NCFI's operational analysis itself.

Box 3.2. NCFI disseminations that support operational needs of competent authorities

Supporting ML investigation and asset tracing

Background: In 2023, NCFI received an STR from a FI concerning a new account opened by a suspect which was used for transferring large sums (USD 2,7 million /OMR 1,06 million in total) in a short amount of time. NCFI investigations showed that various depositors of distinct nationalities wired funds into the bank account. NCFI also identified that the account holder (a foreign national from the Middle East) was accused of embezzling funds, including from oil, companies operating in his country, to purchase properties in Oman (valued at approximately USD 4,4 million/OMR 1,7 million), and that he made multiple entries to the country in a short space of time.

Results: NCFI suspended some transactions and shared information with its foreign counterpart to help trace assets and allow authorities from the country to take action. NCFI also referred the case to PP, which froze the funds, seized property and take the case forward. The case was ongoing by the end of the onsite.

Supporting TF investigation and prosecution (on request)²⁸

Overview: ISS opened an investigation into a person's communication with terrorists through social media. ISS issued an AR to NCFI to obtain information on the suspect's finances and transactions. NCFI analysis revealed the involvement of five Omani citizens, and that some had transferred USD 7,200/OMR 2,800 abroad to persons linked to the terrorist organisation using money exchange providers (see IO.9).

Results: In 2023, three of the subjects were convicted of belonging to a terrorist organisation, terrorism financing and the use of IT for terrorism purposes.

Strategic Analysis

161. While NCFI conducts strategic analysis, this function needs to be more developed to better support the needs of competent authorities. Strategic analysis is undertaken by three staff²⁹ in line with a dedicated strategic assessment handbook updated in 2023. Topics for consideration are identified mainly based on STR information (such as the volume of reports covering a particular offence) and emerging patterns identified by case officers. NCFI's advanced technology also contributes to detecting trends and topics for strategic reports, for example when the volume of a predicate offence or typology appears regularly in reports.

²⁸ See case 2, Box 4.1, IO.9

²⁹ At the time of the on-site

162. During the assessment period, NCFI produced seven strategic reports. These covered emerging topics such as tax evasion, hawala activity, social media influencers, and virtual assets. The added value of strategic reports could increase by ensuring that red flags indicators are more consistently identified and provided to REs, and by focussing on high-risk areas identified in the NRA, which is covered in strategic reports to a minor extent.

163. Some reports were disseminated to supervisors and discussed during training with REs. They took some regulatory and administrative measures in response,³⁰ but not always in a way that increases their understanding of ML/TF risks. It is also unclear whether supervisors used these strategic reports in a way that drives risk-based responses to emerging threats.

Co-operation and exchange of information/financial intelligence

164. Competent authorities and NCFI cooperate effectively for the purpose of sharing financial intelligence and other information, using secure channels to ensure all data and information exchanged remained confidential.

165. At the operational level, NCFI plays a strong role in exchanging information and financial intelligence. It effectively cooperates with other authorities within the framework of the MLICSC (Money Laundering Investigations Cooperation and Supervision Committee), which sits under the National AML/CFT Committee and meets on a quarterly basis, as well as the NCTC.

166. NCFI has signed a tripartite Memorandum of Understanding (MoU) with ROP and PP laying out conditions to share and seek information between them. NCFI also signed other MoUs with a range of LEAs (e.g. SAI, TA) and supervisors (such as CBO, CMA) to enhance overall supervision, facilitate the exchange of information and access to databases. For example, NCFI shares the outcomes of its analysis on the quality of STRs with supervisors, and NCFI organised jointly with supervisors' outreach activities for the private sector. Finally, NCFI also shares and exchanges information with LEAs like ROP and PP informally. For example, PP provides feedback to NCFI on the quality of the evidence that it brings forward.

167. To facilitate international cooperation in the absence of Egmont Membership, which was granted during the on-site period in February 2024, NCFI also signed MoUs with foreign FIUs (see IO.2).

³⁰ For example, administrative authorities carried out an inspection of an Asian market following a strategic report covering this, and shops operating within this market obliged to open commercial accounts.

Overall conclusions on IO.6

Competent authorities regularly access and use, to a large extent, financial intelligence and other information to develop evidence and trace criminal assets in relation to ML, associated predicate offences, and TF. They have access to a range of sources of information which are available mainly on a direct basis and generally in real-time. DGC uses financial intelligence as part of its investigations, but to a lower extent for ML purposes.

NCFI – which is well staffed and resourced – plays a strong role in Oman’s AML/CFT regime by producing good quality financial intelligence and analyses. NCFI uses a risk-based approach to determine the risk profile of all STRs, which is a strong point. NCFI produces good quality financial intelligence by drawing on sophisticated artificial intelligence software solutions to enrich STR information, which is mainly submitted by FIs. The number of STRs submitted by DNFBPs is lower, which may limit the scope of financial intelligence in their respect, but this has been improving since 2022. Overall, NCFI disseminations support the operational needs of competent authorities to a large extent with respect to ML, PO and TF, although mainly on request where TF is concerned. NCFI’s strategic report function needs to be further developed in order to better support the needs of competent authorities and help them develop a better understanding of ML/TF risks. Competent authorities demonstrated a continued and effective degree of cooperation and coordination to share financial intelligence.

DGC could make better use of financial intelligence for ML purposes. Although it is improving, NCFI’s financial intelligence available in respect of DNFBPs (including some that are high-risk) remains limited. There is a need to continue developing NCFI’s proactive TF-related disseminations and to develop NCFI’s strategic analysis function. Overall, moderate improvements are needed.

Oman is rated as having a substantial level of effectiveness for IO.6.

Immediate Outcome 7 (ML investigation and prosecution)

168. Oman has a good legal and institutional framework to identify and investigate ML cases. Well-trained authorities work together to pursue ML cases, including complex cases. ML is detected through various channels, primarily NCFI disseminations. However, ML investigations and prosecutions are consistent with Oman’s risk profile to some extent. ML investigations are not sufficiently targeted, and authorities prosecute and obtain convictions for the different types of ML to a small extent and not in a manner that aligns with risks. Sanctions are not fully effective, but authorities use alternative measures to disrupt ML when a conviction for ML cannot be secured.

169. The AT based its conclusions on case studies provided by the authorities, statistics, and discussions with LEAs representatives including the ROP Human Trafficking, Drug Trafficking and Customs Departments, SAI and TA, prosecutors from the PP’s Public Funds Department and representatives from NCFI.

ML identification and investigation

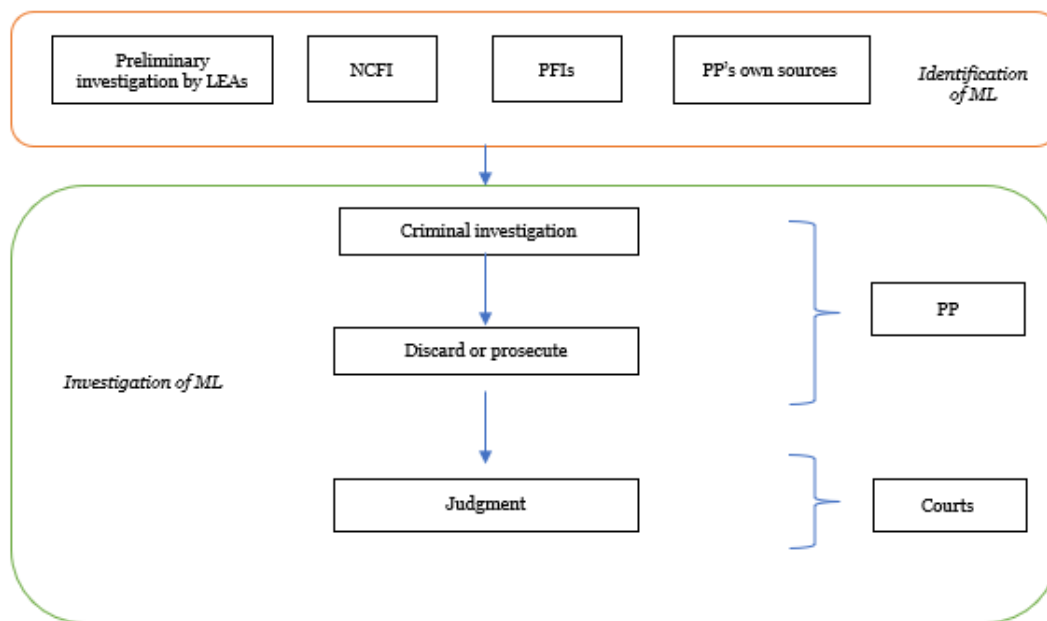
170. Oman has a good legal and institutional framework to identify and investigate ML. A minor deficiency remains concerning the scope of the bribery and corruption offence (see R.3). While

authorities demonstrated good cooperation and are well equipped to identify and investigate ML cases, they do to some extent.

Organisation and resourcing of ML investigations

171. As presented schematically in Figure 3.3, there are 4 stages to progress ML cases in the criminal justice chain: (1) preliminary investigations by LEAs; (2) criminal investigations (by PP), (3) prosecution (by PP) and (4) judgment (in the courts).

Figure 3.3. Schematic representation of ML cases in the criminal justice chain



172. All LEAs with investigative powers (ROP, DGC, TA and SAI) are responsible for preliminary investigations into ML-related offences within their own predicate offence. ROP also has various Departments in charge responsible for tackling certain predicate offence like Human and Drug Trafficking or Customs (through the Directorate General of Customs, DGC). ROP is also the principal authority tasked with conducting preliminary investigations into ML. LEAs submit a case for PP's consideration when they have sufficient evidence on a particular case. Based on a preliminary analysis, PP can either file the case or open a criminal investigation. As part of the latter, PP may instruct LEAs to gather additional evidence or conduct further investigative work such as taking witness statements. Based on the evidence found during the criminal investigation, PP can then decide to either prosecute a case before the courts or close it (see R.30). The final stage is the judgment phase before the courts.

173. LEAs refer cases to PP's Public Funds and ML Department, staffed by seven prosecutors who oversee preliminary investigations by LEAs from an early point. Discussions with the AT and case studies demonstrated good cooperation between the different LEAs working under PP, either on a bilateral basis and through the National Committee and the ML Investigations Sub-Committee. This dynamic cooperation includes an open discussion between PP and ROP to decide jointly when PP should take over a case and open a formal criminal investigation. This also explains the short period between opening a criminal investigation and taking it to court (see Ministry of Education case study in Box 3.3).

174. LEAs are generally well-trained and resourced to detect and investigate ML, including more complex cases. While all LEAs (including ROP and PP) received training on financial investigations and on emerging ML risks, authorities indicated that they could benefit from further training and resources in this area. All ROP officers can open preliminary investigations into a predicate offence and ML. They receive basic training to this end and have access to a Financial Investigation Form (FIF) which guides officers in the conduct of financial investigations. Where required, ROP officers can call on the specific expertise of a dedicated unit (the AML Department), assigned to the most complex cases. This Department was established in 2022, is staffed with 15 experienced police officers and 27 non-commissioned officers and has investigators in each Province.

175. LEAs are capable and experienced using financial intelligence and other investigative techniques to advance ML cases. PP demonstrated the most sophisticated approach in this respect. LEAs are guided by a Law Enforcement Manual detailing the formulation of financial investigations case strategies, describing the use of investigative techniques to prove ML offences and providing guidance on the best time to initiate stand-alone ML investigations. These tools also highlight the importance of starting a parallel financial investigation (PFI) at the start of every investigation. ROP and PP also introduced a case prioritization system, whereby all financial investigations into ML are ranked according to specific criteria to determine their level of seriousness and priority. Together, these tools and resources help LEAs take a structured approach to investigating ML, although the AT acknowledges these are recent measures overall.

Identification of ML cases

176. Authorities identify ML cases through three broad channels: (1) Financial Analysis Reports from NCFI; (2) information discovered during investigations of predicate offences, including parallel financial investigations and (3) ML cases opened directly by the PP. These can include for example complaints from victims of crimes or third parties such as international sources). NCFI disseminations are the most important sources to detect ML (See Table 3.9). Authorities conducted very few ML criminal investigations based on cash/BNI declarations. Given the high risk of cash movements transiting into and out of Oman, especially at the border with Yemen, this suggests that cross-border cash/BNI declarations are insufficiently used as a source to detect ML cases.

Table 3.9. Sources of ML criminal investigations (PP)

Sources	2018	2019	2020	2021	2022	2023	Total
NCFI disseminations	74	68	77	9	2	4	234
ROP	8	11	10	18	25	21	93
PFI into predicate offence	23	18	29	10	6	4	90
TA	0	0	0	0	5	2	7
DGC (Custom declarations) (1)	0	0	4	2	0	0	6
SAI	0	1	0	1	2	1	5
Victim complaint/3rd party	0	1	0	0	1	1	3
Total	105	99	120	40	41	33	438

Note: This table shows ML suspicions referred to the PP based on which PP opens a criminal investigation. (1) the 6 cases relate to customs evasion of goods with ML suspicion as well.

177. NCFI's disseminations are one of the primary sources to identify ML cases. During the review period, NCFI disseminated 732 financial analysis reports based on STR information to ROP and PP combined (Table 3.10). Many of NCFI's disseminations (financial analysis reports based on STR information and ARs combined) to ROP and PP triggered preliminary investigations or

criminal investigations. Specifically, 60% of ROP's preliminary investigations and 53% of PP's criminal investigations into ML originate from NCFI's disseminations. In turn, almost three quarter (74%) of ML convictions originate from NCFI disseminations. As discussed under IO.6, this is linked to the strong operational measures implemented by NCFI which enriches the analysis before disseminating it to competent authorities.

3

Table 3.10. ML cases identified through NCFI disseminations

	2018	2019	2020	2021	2022	2023	Total
Preliminary ML investigations (ROP)							
Total ML Investigations	100	86	93	100	242	200	821
<i>Originated from NCFI</i>	65	46	40	79	126	142	498
<i>Others, including PFIs</i>	35	40	53	21	116	58	323
ML criminal investigations, prosecutions, convictions (PP)							
Total Criminal Investigations	106	99	118	40	42	33	438
<i>Originated from NCFI</i>	74	68	77	9	2	4	234
<i>Originated from ROP</i>	8	11	10	18	25	21	93
<i>Others</i>	24	20	31	13	15	8	111
Total ML Prosecutions	15	14	24	20	8	11	92
<i>Originated from NCFI</i>	8	9	19	13	1	1	51
<i>Originated from PFIs by PP</i>	5	4	4	5	3	3	24
<i>Originated from ROP referrals</i>	2	1	1	2	4	7	17
Total ML convictions	6	5	21	14	4	0	50
<i>Originated from NCFI</i>	4	4	17	10	1	1	37

178. Referrals from ROP to PP serve to detect ML cases only to some extent. As shown in Table 3.10, ROP opened 821 preliminary investigations into ML, however PP opened criminal investigations in only 9% of these.³¹ During discussions with the AT, authorities indicated that this was not a reflection of the quality of the investigations by ROP, but rather due to other factors such as the standardized procedure for conducting PFIs and the fact that a majority of offences in Oman are simple, involving small amounts of funds. Although the AT acknowledges that all preliminary investigations do not always lead to opening a criminal investigation, this number is low. It also raises concerns about ROP's ability to effectively identify ML, support the development of evidence and target cases likely to merit a full criminal investigation by PP.

179. While LEAs systematically conduct PFIs into their own area of expertise, they have identified ML related to high-risk predicate offences in only a few cases. Only 7% of investigations into the top-four predicate offences as felonies led to an ML investigation. PP opened 11 209 criminal investigations into the four criminal offences presenting the highest risk for ML (according to the NRA), namely: fraud, corruption and embezzlement, drug trafficking and human trafficking. This figure includes both felonies and misdemeanours. Felonies include serious offences (such as ML), and may therefore be expected to entail higher sums or proceeds as well. As such, they would in principle justify opening an ML investigation. When considering felonies alone, PP conducted 1 022 criminal investigations into the top-four predicate offences, but opened

³¹ The number of cases referred from ROP to PP to open criminal investigation is unknown.

only 74 ML criminal investigations (see Table 3.11). As mentioned above, this could be linked to difficulties ROP experiences identifying and targeting ML cases when investigating POs.

Table 3.11. Criminal investigations into PO vs criminal investigations into ML (2018-2023)

	Criminal Investigation into PO as felony	criminal investigation into ML (3)	Ratio of PO as felony to criminal investigations into ML
Fraud (2)	118	15	12%
Corruption (i.e. embezzlement and bribery) (1)	264	17	6%
Drug trafficking (1)	567	37	7%
People Smuggling and HT (1)	73	5	7%
Total	1 022	74	7%

Note: (1) Oman qualifies corruption, regardless of the value, drug and human trafficking as felonies. (2) This includes both felonies and misdemeanours where applicable. (3) This figure corresponds to the number of ML investigations into felonies only.

180. Despite the high cross-border risk of ML, especially with Yemen, cross-border cash declarations are used to a negligible extent to identify ML cases. As identified in the NRA, the use of cross-border cash (usually small amounts) is relatively wide-spread, resulting in very large amounts of cash imported into or transiting through Oman. PP received only six custom declarations linked to ML from DGC during the assessment period, which is small (See Table 3.9). The AT therefore believes that there is scope to increase the frequency and use of ML investigations in relation to cross-border cash of illicit origin and cross border offences.

Box 3.3. Examples of ML cases identified from different sources

Case study 1 - ML scheme identified through NCFI dissemination

Background: NCFI received STRs concerning two nationals of an African country who had entered Oman on a tourist visa and had been transferring funds out of Oman back to their country of origin using money exchange offices. PP's investigation – which pursued both ML and fraud charges – concluded that the suspects defrauded an Omani citizen of USD 65 000/OMR 25 000 and used these stolen funds to purchase electronic equipment and golden accessories.

Results: A first court convicted both suspects of fraud, but acquitted them of ML. PP appealed this decision to the Supreme Court, which overturned the decision from the lower-court and convicted the suspects of ML (ten years imprisonment and a fine of USD 130 000/OMR 50 000). Considering that both suspects had already served their prison sentence handed down by the lower court and been deported, the Supreme Court's sentence was taken in absentia.

Case Study 2 - Role of NCFI in tracing funds and identifying additional suspects (drug trafficking case)

Background: ROP received confidential intelligence suggesting that a suspect possessed and dealt with narcotic substances. The investigation uncovered the presence of additional suspects, who participated in the laundering of the proceeds from the first suspect's activities. ROP arrested the main suspect at his residence alongside some of his co-perpetrators. Authorities seized phones, electronic devices, cash, bank cards as well as material to produce drugs. Authorities searched a second property, where they also seized narcotic substances and vehicles, which were thought to be used for the purpose of dealing in drugs. Once the case was referred to PP, NCFI was requested to undertake a financial analysis to trace the flow of money back to the suspects. This analysis identified funds amounting to USD 210 000/OMR 8 0791 which PP seized pending completion of the case. NCFI's analysis also allowed identifying the presence of additional suspects.

Results: The first suspect was sentenced to 20 years imprisonment, and a fine of USD 39 000/OMR 15 000 for possession of narcotic substances, and ten-year imprisonment and a fine of USD 130 000/OMR 50 000 for ML. The other suspects were handed a suspended sentence (six months imprisonment and a fine of OMR 10 000) for ML. The seized narcotic substances were destroyed, while the other assets (house, gold, jewellery, electronic devices, etc.) were all confiscated.

Case Study 3 - ML identified in the course of a HT investigation

Background: ROP referred a case to PP involving forced prostitution by three suspects (an Omani national and two South-East Asian nationals). PP requested NCFI to conduct financial analysis into the main suspect, showing that the first defendant (Omani national) transferred USD 24 000/OMR 9 178 to the two foreign nationals. During interrogations by PP, the first defendant admitted to wiring this money which was linked to the proceeds from prostitution to a country in Southeast Asia using money exchange companies.

Results: The lower court did not convict the defendants on ML. The PP appealed and the Supreme Court ruled that the case be heard again in the lower courts for ML charges.

ML investigations

181. Authorities are investigating ML cases to some extent. During the first half of the assessment period, this was not done in a targeted way, although authorities later took measures to address this. PP initiated 438 criminal investigations into ML throughout the assessment period (involving 756 natural persons). This represents an average of 73 investigations a year (See Table 3.12), which is reasonable considering Oman's risk profile. 50% of all criminal investigations (218) related to tax evasion, a majority of which were conducted between 2018 and 2020. The authorities confirmed to the AT that these emanated from NCFI disseminations and involved compliance-related cases with little value in terms of ML. While this suggests that NCFI's tax-related STR disseminations have little value for the purposes of investigating ML, the AT nevertheless notes that the authorities took steps to remedy this situation. This consisted in introducing an additional measure to verify the usefulness of STRs information for ML purposes before submitting them to PP. In 2021, authorities agreed that tax-related financial analysis reports from NCFI would be disseminated to TA instead of PP. This resulted in a more efficient management of PP's resources.

182. The authorities also confirmed that 67 of the 218 tax-related criminal investigations concerned funds transiting into and through Oman, which PP identified as suspected foreign predicate offences. In the absence of certainty, both in relation to the illegitimacy of the funds and the exact nature of the predicate offence, PP labelled these cases as linked to tax evasion, indicating also that they bear the characteristics of TBML. However, in light of the difficulties investigating and maturing these cases into prosecution, PP archived them. The value of these 67 cases in terms of ML therefore remains unclear. This is concerning, since according to the NRA, 18% of criminal proceeds in Oman are generated by offences committed abroad. The AT therefore considers there is a need for authorities to further develop their understanding of risks posed by and ability to pursue foreign predicate offences (see IO.1).

183. Although authorities opened four criminal investigations involving legal persons during the assessment period, this is low considering case studies and discussions with the authorities suggesting that legal persons can be involved in ML cases (see IO.5).

Table 3.12. Criminal investigations by PP, prosecutions, convictions (ML)

	2018	2019	2020	2021	2022	2023	Total
Criminal investigations (PP)	106	99	118	40	42	33	438
Prosecutions	15	14	24	20	8	11	92
Convictions	6	5	21	14	4	0	50

Box 3.4. Investigation into complex ML cases

Complex ML case initiated by a referral from SAI (Ministry of Education)

Background: As part of its regular auditing of public institutions, SAI conducted an audit of the Ministry of Education's (MoE) expenses in 2018. Operating under PP and with the involvement of NCFI, SAI identified suspicious transactions linked to a MoE staff. SAI's investigations uncovered mechanisms through which the main culprit colluded with some colleagues and relatives to embezzle funds of the Ministry using 256 forged cheques amounting to USD 18 million/OMR 7 million.

Upon publication of SAI's audit report, PP opened an ML criminal investigation into this case in March 2019. Among other things, investigators used special investigative techniques (audio recordings, special expertise from a criminal laboratory, etc.). PP also requested NCFI to analyse financial transactions (up to 185 bank accounts) concerning the main suspects, which involved the purchase of vehicles and real estate both in Oman and abroad. NCFI was therefore instrumental in identifying additional suspects that were not named in SAI's audit report together with proceeds and instrumentalities of the crimes. NCFI also used its temporary freezing power to suspend financial transactions on the suspect's bank accounts and requested PP to order their freeze. PP's criminal investigation showed that the suspects concealed the origins and proceeds of embezzled funds and laundered the funds both in Oman and abroad (see Box 8.3, IO.2).

Results: In June 2019, PP charged 18 persons (including 15 MoE staff) of collusion for the purpose of embezzling the MoE's funds. The Court convicted five of the suspects – including the two main subjects – of ML to prison sentences ranging from 5-10 years, and fines ranging

from USD 130 000 to 520 000/OMR 50 000 to 200 000. The court also ordered confiscation totalling USD 245 000/OMR 94 000 against three suspects. All real estate, movable assets, proceeds, financial profits generated were confiscated. Finally, courts also confiscated property registered in the names of the suspects equivalent to the value of the amounts laundered (see IO.8).

Complex ML case initiated by a referral from CMA (Cement company)

Background: Pursuant to its mandate, in 2022 CMA subjected a major cement company operating in Oman to a financial inspection. As part of this, CMA identified suspicions of financial violations committed by members of the Board and Executive Management causing the Company to incur losses amounting to approximately USD 132 000/OMR 51 000 between 2018 and 2022. Having taken part in investigations from CMA from an early point, PP opened a criminal investigation in December 2023 when the case was referred from CMA. PP requested NCFI to analyse financial transactions, identifying large transactions to bank accounts belonging to companies and individuals abroad. PP's investigation revealed that the accused individuals succeeded at embezzling large amounts from the cement company and transfer such amounts to the accounts of companies and individuals in various countries for laundering and concealing their source. As part of this investigation, PP sought the extradition of two individuals residing in the UAE for interrogation, and MLAs were issued to various countries in order to freeze the relevant funds (see IO.2).

Results: In October 2023, PP charged various persons (including the CEO of the company) for ML and referred the case to court. The case was still before the courts by the end of the on-site.

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

184. ML investigations and prosecutions are consistent with the risk profile identified in Oman to some extent.

ML investigations/prosecutions and consistency with risk

185. ML investigations are aligned with risks to some extent in relation to drug trafficking and fraud and a limited extent with respect to other high-risk areas. According to the NRA, fraud, corruption and embezzlement, drug trafficking (DT) and human trafficking (HT) constitute the highest ML threats in order of prevalence. Yet, despite generating high proceeds, ML in these four threats are investigated only to some extent when compared to other offences such as theft and labour law violations. Together, they accounted for only 18% of all ML criminal investigations, and 55% of all ML prosecutions (Table 3.13). As the authorities explained, one reason for this is that LEAs take a broad approach and investigate all crimes before pursuing prosecutions, irrespective of the risk associated with the crime. Yet, the AT is unclear why prosecutions are better aligned with risks when compared to investigations. ML investigations and prosecutions into high-risk areas such as cross-border risks are not in line with risks.

Table 3.13. Investigations, Prosecutions and Convictions of ML (per predicate offence) (2018-2023)

	Preliminary Investigations (ROP)	Criminal Investigations (PP) (% of total)	Prosecutions (% of total)	Convictions (% of total)
High-Risk POs (NRA)	367	81 (18%)	51 (55 %)	34 (68%)
Fraud	165	22 (5%)	9 (9%)	5 (10%)
Drug Trafficking	112	37 (8.5%)	24 (26%)	19 (38%)
Bribery	12	5 (1%)	5 (5%)	4 (8%)
Embezzlement	-	12 (3%)	8 (8%)	4 (8%)
Human Trafficking	78	5 (1%)	5 (5%)	2 (4%)
Other POs	454	357 (81.5%)	41 (44%)	16 (32%)
Tax evasion	6	218	2	-
Others	448	139	39	16
Totals	821	438	92	50

ML in Fraud cases

186. ML related to fraud is prosecuted to a small extent despite fraud being identified in the NRA as the main ML threat. Over the assessment period, PP opened 22 ML investigations related to fraud, accounting for 5% of total criminal investigations into ML (438), and 9.7% of overall prosecutions for ML. This is low, considering the threat level posed by fraud and when compared to other ML investigations for offences that pose a lower risk (such as prostitution, for which there were 22 investigations).

ML in Corruption and Embezzlement cases

187. ML into corruption and embezzlement is prosecuted broadly in line with risks. Corruption and embezzlement are considered the second highest proceed-generating offence. Taken together, PP conducted 17 ML criminal investigations into corruption (bribery) and embezzlement, leading to prosecution in 13 cases. This accounts for 4% of total criminal investigations into ML, and 14% of overall prosecutions for ML, which appears broadly in line with risks.

ML in Drug Trafficking cases

188. Authorities pursue ML in drug trafficking cases to a large extent, which is largely in line with risks. PP opened 37 ML criminal investigations, leading to 24 prosecutions, making it the most successful predicate offence in terms of ML (especially when considering convictions). Drug trafficking accounts for 26% of ML prosecutions.

ML in Human Trafficking cases

189. ML investigations into HT are not in line with risks. According to the statistics provided, PP only conducted five ML investigations into HT. All the cases led to prosecution, but only two convictions were secured on this basis. This is low considering the results of the NRA and when compared to ML investigations into other predicate offences. The low figure could be explained by HT being wrongfully identified as one of the most prevalent proceed generating crimes in Oman (see IO.1). It could also relate to the fact that ROP's HT Department is insufficiently identifying funds in relation to such offences, for example through PFIs.

Cross-border risks

190. Authorities are not pursuing ML in connection to cross-border movements of illicit cash and BNI movements in line with risks. Although the NRA does not identify custom offences as being one of the top-4 predicate offence generating the highest risk, it acknowledges the increased threat posed by cross-border cash movements. According to the Cash Movements from Yemen Risk Assessment (RA) conducted in 2023, risks relating to cash movements from Yemen is considered high and is therefore a focus point in terms of ML (see IO.1). Considering that this RA is relatively recent, authorities should continue enhancing their understanding and capabilities to pursue ML in connection to cross-border movement of illicit cash.

191. At the time of the on-site, PP had opened 10 ML investigations into customs declarations, which resulted in two prosecutions, but no conviction. None of the 10 cases investigated related to non or false declarations of cash/BNI at the border with Yemen (see section on confiscation of falsely or undeclared cross-border transaction of currency/BNI).

Types of ML cases pursued

192. While pursuing different types of ML is a policy objective, competent authorities prosecute and obtain convictions for the different types of ML to a small extent, Authorities also demonstrated an ability to pursue complex ML cases. Table 3.16 shows that most cases prosecuted and for which authorities secured convictions are for self-laundering of domestically generated criminal proceeds (94% of convictions). To a much lesser extent, authorities prosecuted and secured convictions for third-party ML (4% of convictions) and stand-alone ML cases (2% of convictions). The latter involves a drug trafficking case which appears relatively simple (Box 3.5).

193. The lack of conviction for ML linked to foreign predicate offences and the small number of convictions for stand-alone cases does not correlate with the identified high risk of illicit cash being transported from Yemen and the conclusion in the NRA that 18% of recorded offences generating criminal proceeds were committed outside of Oman and 12% involved conduct that combined offending in Oman and abroad. During discussions, the authorities indicated that they experience challenges pursuing these cases. The nature of the offences is unclear, as is the possible involvement of third-party money launderers or the use of other complex ML schemes. As noted above, this casts doubt about the overall value of these cases to identify and pursue ML and suggests that the authorities' understanding of these offences needs to improve.

194. Oman's legal framework provide the authorities the capacity to pursue ML cases autonomously from the predicate offence (see R.3). While a small number of standalone ML cases have been pursued, barriers prevent them from doing this in a more consistent way. Case studies show that prosecutors seek to charge persons for ML even though they are not involved in the commission of the PO by relying on circumstantial evidence to prove their involvement and intent. This is a positive point which shows PP's proactive attitude to secure convictions. However, in some of the case studies, this approach was unsuccessful, leading to acquittal of the defendants in question. As the authorities explained, the courts apply a high burden of proof, which can make it harder for prosecutors to pursue stand-alone cases compared to others. Finally, the AT notes that information on the 31 acquittals (from 92 ML prosecutions) which could help understand the challenges faced at the prosecutorial phase is unclear.

195. Notwithstanding the above, Omani authorities demonstrated their ability to investigate and prosecute complex ML cases, involving third-party ML and tracing funds abroad. The cases presented in Box 3.4 (Ministry of Education and a cement company) emanate from other LEAs and supervisors (SAI and CMA respectively), which also show some good cooperation between competent authorities.

Table 3.14. Prosecutions and convictions by type of ML

		2018	2019	2020	2021	2022	2023	Total	% Total
Self-laundering	P	11	10	20	16	15	6	78	85%
	C	6	3	21	13	4	0	47	94%
Third Party ML	P	2	1	4	3	0	2	12	13%
	C	0	1	0	1	0	0	2	4%
Standalone ML	P	0	1	0	1	0	0	2	2%
	C	0	1	0	0	0	0	1	2%
Foreign PO	P	0	0	0	0	0	0	0	0%
	C	0	0	0	0	0	0	0	0%
Total	P	13	12	24	20	15	8	92	100%
	C	6	5	21	14	4	0	50	100%

Note: P = Prosecutions; C = Convictions

Box 3.5. Different types of ML pursued

Self-laundering ML case (bank fraud)

Background: ROP referred a case to PP in which a victim asked a defendant to provide assistance with a faulty smart phone. As compensation, the defendant requested an electronic payment of USD one only and offered to help the victim process this transaction. This entailed gaining access to the victim's bank card and ID. Having secured access to the victim's smart phone, the defendant was able to defraud the victim of close to USD 180 000/OMR 69 500. The defendant used these funds to invest in digital currencies on Binance and subsequently traded these for profit, wiring the money to other bank accounts, including of some relatives abroad. PP charged the defendant of infringement of bank card data, forgery and money laundering.

Results: The Court convicted the defendant on multiple counts, including ML for which he was sentenced to ten- year imprisonment, and a fine amounting to USD 130 000/OMR 50 000. The criminal proceeds were confiscated.

Stand-alone ML (laundering the proceeds of drugs)

Background: ROP's Directorate General for Combatting Drugs and Psychotropic Substances opened a preliminary inquiry after receiving information suggesting that several non-Omani nationals were involved in drug trafficking in Oman. ROP arrested one of the suspects who admitted to receiving cash from the primary suspect (usually USD 1800-2600/OMR 700-1000 daily) to transfer them abroad using exchange companies.

ROP referred this case to PP, which requested NCFI to conduct financial analysis of the first suspect's bank accounts. Using information gathered from various databases as well as from a FI and money exchange company, NCFI established the origin, destination and full extent of any funds received and transferred by the primary subject. This analysis showed the primary suspect dealt with USD 12 000/OMR 4 600. The main suspect denied during interrogations knowing that funds were derived from DT.

Results: The Court acquitted the primary suspect of DT but convicted him of ML and a violation of labour law for working outside the scope of his sponsor/employer. He was

sentenced to two years imprisonment, a fine of USD 13 000/OMR 4 995 and deportation to his country of origin.

Third party ML (laundering the proceeds of drugs)

Background: NCFI disseminated a financial analysis report to ROP which showed abnormal financial flows into the bank accounts of a first defendant, a foreign national who had a prior record for dealing in narcotic substances. ROP arrested the first defendant with multiple bank cards belonging to other people in his possession. ROP searched his residence, where other suspects were apprehended and various items to produce narcotic substances were found. PP accused the first defendant of willingly laundering the proceeds (up to USD 49 000/OMR 18 909) resulting from the sale of narcotic substances, including through overseas bank accounts belonging to a second defendant. The first defendant laundered the funds through bank transfers and by purchasing gold and jewellery. A second defendant was also accused of laundering some of the proceeds of the first defendant's trade in narcotic substances. During his interrogation, all defendants admitted to wrongdoing and to the charges against them.

Results: The Court found all defendants guilty of a ML felony and convicted them to a five-year prison sentence and a USD 130 000/OMR 50 000 fine. Jewellery and gold, as well as other funds frozen in bank accounts were all confiscated.

Foreign predicate offence & stand-alone ML

Background: A French national was apprehended at Muscat International Airport from France enroute to the UAE as an inspection of his carry-on bag revealed a hidden substance, which was later confirmed to be gold and USD 102 000 /GBP 79 960 in cash (well above the cash declaration threshold). Customs authorities seized both the gold and cash, and through INTERPOL confirmed with their French counterparts that these goods were undeclared on departure. DGC referred this case to PP for further action.

During interrogation, the defendant claimed he was transporting gold on behalf of a company based in Switzerland. PP's investigations later showed that the documents the defendant produced to confirm the origin of the gold and the company were forged (open-source information on the company contradicted information he provided). PP also used international cooperation (MLA) to inform its criminal investigation (see IO.2)

Results: PP charged the defendant with stand-alone ML and violation of custom declaration rules. The case was referred to the competent court, which was yet to rule on the case by the time of the on-site.

Effectiveness, proportionality and dissuasiveness of sanctions

196. ML sanctions for natural persons are dissuasive and proportionate, although not fully effective given that fines paid are frequently less than those imposed by the courts. There have been no convictions for legal persons which is not in line with risks (see IO.5).

197. Oman provides for a broad range of sanctions, fines and additional penalties (see R.3). The average prison sentence for ML is 4.9 years, which is just below the five-year minimum for ML cases prescribed in the law. In practice, sentencing ranges from one year in the lowest case to ten years in the highest case (excluding cumulative sentences). A majority of sanctions are on the lower to middle end of the scale (five years or less) (Table 3.15).

Table 3.15. Average prison sentence in ML cases

	# sentences	% of total
Less than 5 years	47	52%
5 years	26	29%
7 years	6	6%
10 years	10	11%

Note: The above table counts the number of prison sentences within each bracket per case (some ML cases involve more than one individual, who may be handed different sentences, for example both ML and the predicate offence).

198. Courts use the full range of sanctions, adapting the sentencing to the seriousness of the offence and role of the perpetrator. This means that courts apply more severe sanctions in the most serious and complex cases and lower penalties in simpler cases involving smaller amounts of funds, which often go well below the prescribed minimum. Courts also impose different penalties for multiple perpetrators linked to the same case based on individual circumstances.

199. While some sanctions can go below the prescribed minimum, this does not reduce their effectiveness. The authorities explained that the courts often look at mitigating factors for lower penalties based on Art.80 of the Penal Law (socio-economic conditions of the defendant, such as income levels, etc.), which applies as a general provision in all criminal cases. Statistics indicate that courts suspended prison sentences only five times. This means that in an overwhelming majority of cases, the sentence imposed is usually the sentence served. In some cases, however, defendants serve the more severe sentence, which is usually for the predicate offence. However, no information was provided on aggregation or cumulative sentences.

200. In addition to imprisonment, Oman also imposes additional sanctions on ML offenders. This includes for example deportation and fines. Fines imposed during the assessment period ranged from USD 13 000/ OMR 4 995 to USD 520 000/ OMR 200 000 (on average fines for ML averaged USD 110 600/ OMR 42 547 per person convicted over the assessment period). The average fine imposed is therefore also below the USD 130 000/ OMR 50 000 OMR minimum for ML envisaged in the law. The AT is unclear why in more than half of the cases where a conviction was secured, the actual fine to be paid was considerably less than the fine imposed, including in ten-year prison sentences. This raises concerns about the effectiveness of fines.

Table 3.16. Sentencing in ML cases

Sentencing	Range of sentence	2018	2019	2020	2021	2022	2023	Totals	# persons
Art 88(a)	5/10 years	6	5	21	14	4	0	50	89
Art 92 (Acquittals)	--	9	9	3	6	4	0	31	unknown

Use of alternative measures

201. The authorities apply alternative measures (mainly of a criminal type) if it is not possible to obtain a conviction for ML. This involves sentencing using alternative legal provisions, deportation and applying administrative fines (Box 3.6). Overall, the use of alternative measures remains relatively limited.

202. According to Art 88b of the AML/CFT Law, authorities can seek a conviction for ML for a person 'who should have known that funds are the proceeds of a crime', (i.e. ML by neglect). Discussions with the AT confirmed that prosecutors are aware of the possibility to pursue ML

under Art 88b where intent cannot be proven, and that they consider and raise this possibility to the courts when applicable.

203. Courts, in turn, seem to use Art 88b in a limited number of cases. In two out of the 50 cases where ML convictions was secured, two defendants were found guilty of ML by neglect in addition to other defendants being convicted for ML by intent. However, case discussions with the authorities suggest that courts do not systematically consider the possibility of using Art 88b. In two separate cases, at least two defendants were acquitted of ML by intent and ML by neglect was seemingly not considered by the courts.

204. Where it is not possible to identify the true source of funds or where PP does not have sufficient evidence to show that the ML elements are met to secure conviction, authorities consider other alternative crimes that may have been committed, including pursuing the predicate offence. This includes for example violations of the Labour law or entering the country illegally. The AT was further presented with one case example where a defendant was acquitted for ML but convicted for the misdemeanour of concealing the proceeds of crime (Penal Law, art. 364).

205. Authorities also use administrative measures. This concerns for example the application of fines for failure to declare funds through a cash declaration. Given the high risk associated with cash movement and the difficulties that the authorities face to investigate and prove the illegitimacy of cash transported into or through Oman, the application of such measures in cases where ML cannot be pursued or proven can be useful.

Box 3.6. Examples of alternative measures

Concealment of proceeds and deportation

Background: the first defendant (a domestic worker) stole cash and jewellery from her employer's safe, and subsequently sold these for cash for an amount of USD 59 000/OMR 22 732. The defendant was accused of transferring USD 38 600/OMR 14 872 to her home country (Country A) to layer and hide the illegal origin of the funds. A second defendant was accused of willingly purchasing the gold from the first defendant. Both defendants admitted wrongdoing during interrogations.

Results: While the first defendant was convicted of ML, the Court convicted the second defendant for concealment and was convicted to a one-year imprisonment sentence and a fine of USD 1 300/OMR 500. Both defendants were also deported to their country of origin, and the seized amounts was handed back to the victim.

Overall conclusions on IO.7

Oman has a good legal and operational framework to identify and investigate ML cases. LEAs demonstrated good cooperation, and are generally well-trained and equipped to tackle ML. Case studies show that the authorities are generally capable of identifying and pursuing ML cases, including complex ones. Overall, Oman has achieved 50 convictions for ML, which is appropriate considering the country's risk and context.

ML is identified and pursued from several sources, primarily NCFI disseminations. While authorities are detecting and investigating ML to some extent, concerns remain regarding the value of preliminary investigations by ROP. ML investigations are not sufficiently targeted and are not aligned with Oman's main risks (particularly fraud, HT and cross-border risks). The authorities mainly prosecute and secure convictions for self-laundering cases, as opposed to other types of ML, which is not in line with Oman's risk profile or national policies.

Sanctions for natural persons are dissuasive and proportionate, although not fully effective. There have been no sanctions for legal persons, which is not in line with risks. Alternative measures to deter ML, when it is not possible to secure a ML conviction, are available, but only used to some extent.

Major improvements are needed in relation to the detection and investigation of ML cases, investigating ML in line with high-risk POs, including high risk areas (cross border offences) and pursuing different types of ML.

Oman is rated as having a moderate level of effectiveness for IO.7.

Immediate Outcome 8 (Confiscation)

206. Oman has a strong legal and operational framework on Asset Recovery. Authorities achieved good results seizing and confiscating assets, mainly through small amounts of proceeds across a range of assets, and through high-value amounts. Authorities also engage effectively with other countries to identify, seize and confiscate assets located abroad, but use confiscation of equivalent value to recover dissipated funds to some extent. Even though Oman recently put in place measures to improve its cash declaration regime, the number of non or false declarations identified and confiscations is low and unrelated to ML, which is not in line with risks. When applied, sanctions are effective to a limited extent. The AT assigned heavier weight to this deficiency considering Oman's context.

207. The assessment team based its conclusions on a review of the national AML/CFT strategies (2020-2022 and 2023-2025) and their actions plans, available statistics, as well as discussions held with various authorities (such as ROP, DGC and PP), and a review of cases illustrating Oman's commitment to seizure and confiscation.

Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective

208. Oman pursues seizing and confiscation of criminal proceeds, instrumentalities and property of equivalent value in ML, associated predicate offences and TF to a large extent. This is demonstrated through the adoption of relevant strategies and action plans and their implementation at the operational level.

209. Oman has a strong legal framework on asset recovery (see R.4). The AML/CFT Law provides authorities with a comprehensive, robust and sound legal framework to apply provisional measures and confiscate proceeds, instrumentalities and property of equivalent value for ML/TF and associated predicate offences. Confiscation of property is mandatory upon conviction of ML/TF offence or predicate offences.

210. Confiscation is a prominent feature of both national AML/CFT strategies (2020-2022 and 2023-2025). Strategic Goals instruct competent authorities to pursue the use of provisional and confiscation measures in the context of proceeds-generating crime investigations, including in ML cases, and to prevent the dissipation of assets. Strategic Goal 4 of the first National Strategy (2020-2022) focusses on increasing the frequency and effectiveness of provisional and confiscation measures in order to increase the amounts and types of assets seized and confiscated and reduce the risk of asset flight. The Second National Strategy (2023-2025) put in place a more focused Strategic Goal that relates to the conduct of financial investigations with a view to seizing and confiscating property of crime. Strategic Goal 2 (2023-2025 strategy) refers to the importance for LEAs to seize any property linked to crime, including cash and BNI identified at the borders, and to use confiscation of equivalent value. These strategies are further supported by national action plans which set out specific actions for LEAs. This includes (1) enhancing the ability of prosecutors and LEAs to identify, trace, locate and seize proceeds, instrumentalities of crime and property of equivalent value through training on financial investigations and (2) fostering direct cooperation and the use of MLA to identify, trace, locate and confiscate proceeds and instrumentalities of crime domestically and abroad.

211. In response to the strategies and action plans mentioned above, authorities introduced several operational measures to facilitate asset recovery. This includes the implementation of a law enforcement manual, a manual on terrorism finance investigation, and a Financial Investigation Form (see IO.6 and 7), all of which help investigators build a case strategy for financial investigations into criminal proceeds-generating offences. These tools also ensure that investigators identify and trace assets and apply provisional measures where possible.

212. Authorities are generally well resourced and trained. LEAs – including PP, ROP, ISS, DGC, TA, SAI – take part in regular trainings with respect to management of frozen, seized and confiscated funds, PFIs, financial analysis, collection of evidence on financial crimes, asset tracing, detecting the movement of cash, and digital forensics and forensic audit.

213. At the structural level, the authorities have taken steps to support PP's management of seized and confiscated assets. This includes the creation of an 'Administration' for the supervision and management of frozen, seized and confiscated assets, which was established in December 2016 further to the adoption of the AML/CFT Law. The goal of this Administration is to trace funds that may be subject to freezing, seizure or confiscation. The Administration also has a mandate to supervise and manage all frozen, seized and confiscated assets, particularly for large and complex cases. Moreover, it oversees the management of funds and assets which is in practice delegated to PP's 'Execution Sections' distributed geographically in different Governorates.³² The Administration is headed by a financial expert and has four staff. The Administration collects and maintains statistics on seized and confiscated assets.

214. The AT considers the establishment of the Administration as a useful approach to managing resources within PP in an efficient manner and it is also a reflection that asset recovery is pursued as a policy objective. However, discussions with the authorities showed that there is a room for improvement since this Administration is not used systematically and in line with its original intent. As detailed in section 3.4.2, while authorities applied provisional measures in 21425 cases and confiscated assets in 12070 cases in the past six years, the Administration was never

³² These sections are responsible for enforcing court decisions.

systematically used to manage these assets, and never used at all to trace or sell assets. To date, it has only dealt with six cases, two of which involved managing cash into an interest-bearing account, which is a relatively simple task. This suggests that more could be done for the Administration to fulfil its mission in line with its mandate. Moreover, considering the low staff numbers, the AT considers that there is a need to enhance its resources and capacity, including training, in order to better execute its functions.

Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

215. Oman confiscates the proceeds of domestic and foreign predicates and pursues proceeds located abroad to a large extent. Authorities achieved this mainly through cases involving small amounts of proceeds, and in some instances, high-value cases as well. While the authorities demonstrated good capacity to identify and trace assets across a broad range of offences and are able to apply provisional measures, confiscation of assets of equivalent value is used to recover dissipated funds to some extent. Authorities are active in identifying, seizing and confiscating assets located in foreign countries in high-value cases, and have sought to repatriate some assets located abroad. During the assessment period, authorities seized approximately USD 153.9 million (USD 25.65 million on average per year) and confiscated USD 93 million (USD 15.6 million on average per year).

Provisional measures

216. Authorities take a proactive approach to seizing criminal proceeds. As a provisional measure, competent authorities (PP and LEAs) actively trace and seize assets to ensure that criminals are deprived of the proceeds. This involves using NCFI products, database information, and international sources to build comprehensive financial profiles of the subjects, trace transactions, identify property ownership, etc. PP can directly order the seizure of instrumentalities or any evidence that demonstrates illegality (usually on recommendation of NCFI or the LEA which identifies the assets) without the need for a court authorisation.

217. Oman has taken good measures to seize criminal proceeds. Authorities were able to seize USD 153.9 million/OMR 59.2 million in relation to 21 425 cases through the use of provisional measures during the assessed period. The yearly average equates to approximately USD 25.65 million/OMR 9,8 million, which is an important amount given Oman's risk profile (Table 3.17). The overall amount of seized assets compared to the number of cases suggests that authorities generally pursue small cases involving low amounts of proceeds, which is consistent with the fact that the number and seriousness of proceeds-generating offences are low (see Chapter 1). That said, authorities seized higher figures overall in 2019 and 2021 (approximately USD 106 million/OMR 40 million) in connection with some high-profile ML cases involving high amounts (e.g. Ministry of Education case in 2019).

218. Authorities were able to seize a broad range of assets – both proceeds and instrumentalities – such as bank accounts, cash, vehicles, real estate and high value items such as precious watches and gold bars. There was no seizure of virtual assets, in line with Oman's risk since cases involving virtual assets are rare. In one instance, PP was able to identify and freeze a suspect's empty digital wallet and take possession of it by drawing on the expertise of PP's Cyber-Crime Center.

Table 3.17. Total amount of seized assets (USD)

	2018	2019	2020	2021	2022	2023	Total
Number of cases	3 156	3 587	2 647	3 184	4 172	4 679	21 425
Value of assets (OMR)	1 761 780.92	26 693 035.52	4 323 673.02	14 427 876.14	11 526 659.44	479 407.19	59 212 432.22
Value of assets (USD)	4 580 630.39	69 401 892.35	11 241 549.85	37 512 477.96	29 969 314.54	1 246 458.69	153 952 323.78

219. NCFI plays a role in preventing the dissipation of assets. NCFI has the power to suspend financial transactions for 72 hours, which PP can extend to ten days. During the assessment period, NCFI used this power five times, involving transactions valued at USD 23.1 million/OMR 8.9 million. These cases involved suspicions of corruption, embezzlement, fraud and ML. PP applied seizing orders in four of these five cases. One case (related to the Ministry of Education)– led to confiscation. NCFI cleared the financial transaction in another case after it discarded the suspicion (see Box 3.7 and Table 3.18). Two cases were still under investigation by the end of the on-site, and in the final case, the defendant returned the money to the victim.

Box 3.7. Use of NCFI’s suspension powers

Case 1: Ministry of Education

PP requested NCFI to conduct operational analysis on the suspects involved. In the process, NCFI discovered USD 21 million (8.3 million OMR) in the account of one suspect and immediately issued an order for the FI to freeze the amount. NCFI referred this to PP, which subsequently issued a seizure order.

Case 2: Suspension by NCFI of proceeds of corruption committed abroad

NCFI received an STR from a RE. As part of its operational analysis, it contacted foreign counterparts and through this identified that the suspect was involved in corrupt acts in a foreign country. NCFI suspended an amount of USD 405 000 (OMR 156 000) and disseminated financial intelligence to PP based on STR information. On this basis, PP immediately issued immediately seizure order.

Table 3.18. Amounts seized through NCFI suspension powers

	2018	2019	2020	2021	2022	2023	Total
Cases	-	1	-	1	1	1	5
Value (OMR)	-	8 300 000	-	17 006	21 353	156 000	8 912 112
Value (USD)	-	21 580 000	-	44 215.6	55 517.8	405 600	23 171 491.2

Confiscation of the proceeds of predicate offences committed in Oman

220. Available statistics, case studies and discussions with the AT show that the authorities have actively confiscated proceeds and instrumentalities of crimes and have achieved good results in this regard. Competent authorities confiscated USD 93 million (OMR 36 million) from 2018-2023 (USD 15.6 million on average per year) involving both proceeds of crime and Money laundering. Authorities confiscate a range of crime types and assets (proceeds and instrumentalities such as

vehicles, real estate, companies, cash, gold, jewellery and bank accounts) (Table 3.19). 61% of seized assets in all criminal proceeds led to confiscation, or 63.7% when considering funds restituted to victims. The AT finds that both figures are good results, especially given that Oman is a low-crime jurisdiction (see chapter 1). The overall amount of asset confiscated compared to the number of cases (12 070) confirms that authorities are pursuing simple cases with low amount of proceeds. This is consistent with the fact that the number and seriousness of proceeds-generating offences is low (see Chapter 1). The higher confiscation figures in 2019 and 2021 relate to some high-profile ML cases involving relatively high amounts (Ministry of Education – see Box 3.4 (10.7) and Box 3.9).

221. Authorities also demonstrated good capacity to confiscate assets in ML cases, which account for 51% of total confiscation figures (USD 48 million out of a USD 93 million). Some of these cases relate to some high-profile cases involving large sums such as the Ministry of Education where ML convictions were secured. Of the 50 ML convictions, courts only imposed confiscation orders in 24 cases (authorities maintain that confiscation of equivalent value was used in 15 of these cases). Authorities identified, seized, and confiscated property of equivalent value amounting to USD 18.5 million /OMR 7.15 million between 2020-2021 in relation to these 24 ML convictions. Courts did not impose confiscation orders in the remaining 26 ML convictions, since proceeds had already dissipated and no assets or properties were available for seizure and confiscation. While authorities could have used confiscation of equivalent value in this situation, this was not done. Authorities also did not use confiscation of equivalent value in convictions for predicate offences. This suggests that authorities use confiscation of equivalent value to recover dissipated proceeds only to some extent.

Table 3.19. Overall confiscations USD

	2018	2019	2020	2021	2022	2023	Total
Number of cases	2 178	2 379	1 647	2 104	2 498	1 264	12 070
Overall value USD	3 861 593.70	45 248 859.01	10 694 500.39	18 920 995.33	14 495 224.47	621 611.75	93 842 784.64
Restitution USD	593 168.80	1 398 183.60	211 846.00	635 538.00	974 491.60	423 692.00	4 236 920.00

222. The authorities retribute to the victims a small share (4%) of the total assets confiscated (Table 3.19), which the AT considers to be positive. However, this share varies widely from case to case, since in some instances (e.g. 2023), authorities were able to retribute a significant amount (up to 68%) to victims. Some funds were returned after a conviction, and in other instances, they were returned before the trial. This happens for example when a defendant agrees to return the proceeds back to the victim, or when the proceeds represent stolen items which belongs to a victim with a legitimate claim to the assets.

Box 3.8. Case examples of asset seizure and confiscation

Case 1: seizing and confiscating proceeds and instrumentalities from ML and drug trafficking.

Overview: ROP (The Anti-Narcotics Department) received intelligence from a confidential source according to which suspect (1) had in his possession narcotic substances intended for dealing and ML. Information also indicated that suspects (2), (3), (4), (5) and (6) were accused of knowingly participating in the laundering of the funds derived from the drug trafficking by suspect (1).

Following preliminary investigations, ROP – in coordination with PP – arrested all suspects in a house located in Mutrah Province. ROP seized drugs found in the house, as well as 20 mobile phones USD 23 700 (OMR 9 151.9) in cash, 43 gold pieces, a number of electronic devices (e.g. GPS), receipts of cash deposits, bank cards belonging to suspects (1) to (4) and a title deed of a house in Al Amarat Province in the name of suspect (2). ROP also searched the property belonging to suspect (2) and seized four vehicles.

ROP initiated a financial investigation into all suspects, during which NCFI was requested to provide ROP with all relevant information on the suspects. NCFI concluded a more detailed operational analysis on the suspects (e.g. to determine their income) within ten days. The financial investigation also revealed the presence of two additional suspects (suspects (7) and (8)), who were co-conspirators in perpetrating ML.

PP seized USD 210 000 (OMR 80 791) on the bank accounts of suspects (1), (2), (3), (4), and (6).

Results: Suspect (1) was convicted of drug trafficking and ML (Art 88a/ ML by intent), while suspects (2) to (7) were convicted of ML (Art 88b/ ML by neglect). Suspect (8) was acquitted due to the lack of evidence. The court issued a confiscation order for all proceeds and instrumentalities seized and the narcotic substances were destroyed.

Case 2: Fraud case involving cryptocurrencies and restitution to the victim.

Overview The PP received a fraud complaint from a victim, according to which she was defrauded by a suspect of close to USD 280 000 (OMR 107 000) in a cryptocurrency scheme. PP instructed ROP to conduct additional investigations into this case. ROP identified the bank account belonging to the suspect and obtained a warrant from PP instructing the financial institution to provide bank account information on the suspect. The FI provided this information in a timely manner. ROP analysed this information and submitted a request to PP to issue a seizure order for USD 260 000/OMR100 000 in the suspect's bank account.

Results: The PP obtained a settlement between the victim and the suspect through which the latter returned the full amount to the victim in return for withdrawing the complaint and subsequently the charges were dropped and the case was discontinued.

Case 3: Confiscation in fraud and self-laundering ML case involving virtual assets.

Overview: PP opened an investigation following a complaint from a victim into bank fraud. The victim claimed that he had been defrauded of USD 180 301 (OMR 69 416) by an acquaintance who took control of his smartphone. The defendant (the acquaintance) transferred the stolen funds to an Omani bank account to buy digital currencies on a well-known VA platform worth USD 26 000 (OMR 10 000). The defendant sold these assets in

various operations and sent the profits to the bank account of his relative abroad. NCFI analysis showed that the defendant and his relative conducted a financial transaction incommensurate with their financial profile, and identified an amount on the suspect's bank account (USD 60 000/ OMR 23 000). PP also accessed the virtual wallet to confirm the suspicion.

PP issued a seizure order on this amount, as well as an arrest warrant for the first defendant, who was arrested at Dubai airport and extradited back to Oman for prosecution. Both NCFI and PP contacted their counterparts abroad to freeze and seize funds in the defendant's bank accounts as well as other proceeds (the vehicles), although this case is still pending because there is no bilateral agreement to facilitate cooperation between both countries.

Results: The first defendant was convicted of the predicate offence (fraud) and ML with two concurrent prison sentences (11 years) and a fine. The second defendant (relative) was convicted in absentia. Courts also issued a confiscation order for the amounts frozen in the Omani bank account (approx. USD 60 000/ OMR 23 000) and ordered that they be returned to the victim.

Confiscation of the proceeds of predicate offences committed abroad and proceeds moved to other countries

223. Although the number of cases and value of assets repatriated are low, the authorities are active in identifying, seizing and confiscating assets moved abroad, particularly for important cases involving large sums. This is important, considering that Oman is exposed to some risks from proceeds of crime moved and dissipated to other countries (see Ch. 1 and IO.1). When authorities discover any leads indicating the movement of assets abroad, they use NCFI intelligence, Interpol, and MLAs to identify, seize, and confiscate those assets.

224. As a matter of routine, investigators build a case strategy when pursuing assets, which includes identifying any assets abroad, and proved they have the required skills in this respect. During the review period, authorities issued 15 MLA requests (in two separate cases dating 2019 and 2023) to foreign authorities to identify, seize and confiscate assets in their country. In the Ministry of Education case (2019), PP was able to identify USD 7.7 million /OMR 2.9 million abroad linked to corruption. Authorities in these countries seized USD 6 million/OMR 2.3 million. One country confiscated USD 1.2 million/OMR 495,000 and repatriated this amount to Oman. This case is ongoing, as PP is still following-up with other countries involved to repatriate the remaining amounts that were seized (USD 4.7 million). On another case - the Cement Company case (2023) - PP issued ten different MLA requests to ten countries, none of which have been implemented so far due to the recency of the case (See Box 3.9).

225. There are some practical difficulties which hamper the extent to which PP can engage in international cooperation for the purpose of asset recovery. The authorities highlighted during the on-site visit the lack of bilateral agreements with other countries as the biggest challenge they face when requesting the identification, seizure, and repatriation of assets. For example, one country refused to cooperate and repatriate proceeds of fraud to Oman due to the lack of a bilateral agreement (see case 3 in Box 3.8).

Box 3.9. Seizing and repatriating criminal proceeds located abroad

Embezzlement within the Ministry of Education

Overview: In March 2019, PP began an investigation into suspected embezzlement of state funds from the Ministry of Education (MoE) in response to an audit report from SAI.

PP interviewed the suspects in the case and collected over 200 documents, including purchase agreements of real estate units in a foreign country, in addition to photos of vehicles located abroad. PP obtained evidence from telephone conversations, computers, and emails confirming the movement of assets abroad in 4 different countries, which was further corroborated by NCFI analysis.

NCFI and PP were involved in identifying and pursuing assets abroad, both through NCFI cooperation with its foreign counterparts and through MLAs sent by PP. PP also travelled to one country in order to facilitate the seizure of assets linked to this case. PP presented the case before the Courts.

Results: Courts imposed confiscation orders for properties (proceeds, instrumentalities, financial profits, and proprieties of equivalent value) amounting to USD 38 909 219 /OMR 15 025 127 domestically, PP identified USD 7,7 million (close to three million OMR) in assets abroad. One country seized USD 1,2 million (approx. 460 000 OMR) in assets and repatriated these to Oman in July 2020. A second country seized USD 4,7 million in assets (approx. 1,8 million OMR), but this amount has yet to be repatriated to Oman.

Cement Company (see Box 3.4, IO.7)

Overview: In December 2022, PP opened a criminal investigation into a cement company which showed that the Board and members of the Executive Management office embezzled funds belonging to the company. PP's investigation showed they transferred the embezzled funds to the accounts of companies and individuals in various countries for the purpose of laundering, concealing their source, and obfuscating any connection to the predicate offence.

As part of the criminal investigation, PP requested financial intelligence from NCFI and issued 10 MLA requests to 10 foreign counterparts to trace and freeze funds moved abroad. PP's investigation identified that USD 32 million/OMR 12.6 million in total funds was moved abroad.

Results: Two accused individuals were arrested in the UAE and extradited to Oman. The case was referred to the court in 2023 and was ongoing by the end of the on-site visit. None of the MLA seizures had been implemented by that time either.

226. Authorities also provide assistance to foreign requests to locate assets in Oman and apply provisional measures where required. There have been seven requests in total (Table 3.20). PP issued a seizure order in all these requests in a timely manner. For example, the AT was briefed of one case where the PP issued a seizure order on a piece of land under investigation by a neighbouring country within four days from receiving the request. Moreover, in 2023, NCFI identified two cases involving funds generated from criminal activities abroad. As mentioned above, NCFI suspended the accounts involved and disseminated the analysis to PP. The later converted the suspension into seizure orders and the cases are still under investigation by PP.

227. So far, Oman has never restituted assets to other countries, even though authorities maintain they stand ready to do so should this situation arise. The AT have not identified any practical or legal impediments in this regard. Several reasons may explain the lack of restitution. This can be linked to the fact that some foreign authorities discontinue a case (for example when the authorities identify at a later stage in the investigation that the assets were held in good faith by a third party). Situations may also arise where a case is ongoing in the foreign country and no final confiscation decision has been issued. A final possibility relates to the fact that the assets were sold before the MLA was received and the funds transferred to the requested country.

Table 3.20. Total value of assets seized and confiscated in Oman at foreign request USD

	2018	2019	2020	2021	2022	2023(3)
Number of requests to identify assets in Oman	1	0	1	1	3	1
Total identified USD	2,792.54 (1)	0	7,993.33 (1)	346,377.33	1,228,973.44	2,135,350+ 17 real estate units+ 2 real estates
Total Seized USD	0	0		346,377.33	699,415.77 (2)	2,135,350+ 17 real estate units+ 1 real estate**

Note

(1) Requests related to vehicles. No seizure was done because the vehicles were either sold or in the possession of a third party in good faith.

(2) The amount seized is smaller than the identified amount because one of the assets was sold before the MLA was received.

Confiscation of falsely or undeclared cross-border transaction of currency/BNI

228. Oman has a strong legal framework for cash declarations and BNI, including penalties incurred for failure to declare these. While the DGC has powers to search persons or vehicles when looking for cross-border cash movements and to access databases, the number of cases of false/non declarations do not indicate that this is used effectively. In practice, confiscations of falsely or undeclared cross-border transactions of currency/BNI is considered low given the risk and context of Oman. The authorities have started implementing some measures to enhance the detection of such cases, but these are relatively recent, and their impact on effectiveness can therefore not be determined. Sanctions in this regard are considered effective only to some extent.

229. Considering Oman's exposure to cross-border movement of cash with Yemen including the risk of bulk-cash smuggling by criminals or for criminal purposes, the wide-spread use of cash in Oman, the large expatriate population, and the volume of cross border movements (estimated at around USD 3.6 billion/ OMR 1.3 billion during the assessment period), the AT gave greater weight to this core issue.

Resources and custom controls

230. In general, DGC – which is a specialised directorate within ROP responsible for administrating cash control and BNI mechanisms – is well trained and resourced with the necessary powers to seize falsely/non-declared cash. DGC officers are stationed at all of Oman's international airports, seaports and land border crossings. All cross-border points are equipped with radioactive screening, X-ray machines, equipment to detect forged currencies and dogs trained to detect cash. DGC also has access to ROP's databases and can draw on other authorities

(including NCFI) as part of its investigations. DGC also developed a risk indicator form drawing on 16 distinct ML indicators which is integrated to the BAYAN system (a platform which is used to centralise all customs-related information, including cash declarations). The purpose of this form is to help officers control passengers and goods in a more targeted way according to their level of risks. Finally, DGC and ISS coordinate closely at border crossings to detect TF suspicions, given that ISS has a physical presence in all crossings and obtains a copy of cash declarations in order to review these. ISS has also carried out awareness-raising activities to sensitise DGC about the main terrorist groups active in the region.

231. If circumstances suggest that cash or BNI have been falsely or non-declared or are suspected to be linked to ML or TF, DGC officers follow procedures set out in a dedicated manual. If the custom officer has reasonable grounds to suspect the traveller has not appropriately submitted a declaration, they are invited to submit one. If customs officers identify that cash/BNI has been deliberately falsely or non-declared, they can conduct physical inspections, seize the cash for 45 days and must submit a report to NCFI. DGC can also arrest the carrier and take statements and then it must submit a report to PP within 48 hours.

232. Competent authorities have a developing understanding of the ML threats associated with the movement of cash/BNIs. During the onsite visit, authorities demonstrated a good understanding related to the movement of cash imported into or transiting through Oman from Yemen. However, Oman's understanding is primarily focused on smuggling cash, rather than ML threats related to the use of cash inside Oman (see IO.1). In light of the ongoing conflict in Yemen and the significant amount of cash movement from Yemen, authorities concluded in February 2023 a topical risk assessment for cash movement from Yemen, which concluded that overall levels of risk are high, including of bulk-cash smuggling by criminals or for criminal purposes.

233. In follow-up to this risk assessment, authorities took several measures to address risks particularly in relation to Yemen. Examples include: fencing the border with Yemen; restricting the movement of cash at the 'Al Mazyunah' crossing (the main crossing from Yemen to Oman) and limiting the time during which crossing are allowed; increasing the number of DGC staff – including specialised teams – at the border with Yemen; organising the main cross-border points (including 'Al Mazyunah') to conduct preliminary search and inspection on an advanced point further inland in Yemen; requesting additional documents from the Oman embassy in Yemen attesting the origin of the cash, updating risks indicators, etc

Declaration Regime

234. Oman has implemented a declaration regime for cash declarations and BNI equal to or in excess of approximately USD 15 000 (OMR 6 000) (see R.32). Declarations are made electronically, using an online portal on the DGC's web page. Information boards at all cross-border points, campaigns on social media, publicly available information available on DGC website, and awareness programs on customs procedures for companies and individuals conducted by DGC all contribute to raising awareness of the public on the obligation to declare.

235. The total value of cross-border movement declarations reached around USD 3.6 billion /OMR 1.3 billion for the 2018-2023 period, (import, export, and transit), with most of it taking place at border crossings with Yemen. 22.6 million passengers transited in and out of Oman on average per year in that same period. The number of incoming declarations (5 285) is much higher than the number of outgoing declarations (1 861) by a ratio of almost three to one (Table 3.21). Outgoing declarations increased by 50% from 2022 to 2023, which can be explained by an increase in trade volumes between Yemen and Oman (companies in Yemen are paid in cash). In turn, incoming declarations dropped by 50% from 1 275 in 2022 to 651 in 2023, with a slight decrease in the value of declarations as well. This decrease in the incoming declaration might be

the results of the abovementioned mitigation measures put in place after the Yemen risk assessment, but it cannot be confirmed yet given that measures are recent.

Table 3.21. Number and value of cash declarations USD

	2018	2019	2020	2021	2022	2023	Total
# incoming passengers	14 182 250	15 580 965	5 234 669	4 903 286	13 595 969	16 218,409	69 715 548
# outgoing passengers	12 813 304	14 716 175	5 142 776	4 841 163	13 056 224	15 863 201	66 432 843
Total # passengers	26 995 554	30 297 140	10 377 445	9 744 449	26 652 193	32 081 610	136 148 391
No. of declarations (outgoing)	107	453	147	247	311	596	1861
No. of declarations (incoming)	336	1431	596	996	1275	651	5285
Total # of declarations	443	1884	743	1243	1586	1247	7146
Total value of declarations USD	29 156 244.00	137 388 293.4	258 397 053.2	728 611 650.0	1 312 194 990.6	1 119 955 834.0	3 586 204 065.6

Note: The above figures capture the number of passengers and declarations crossing through all of Oman's borders (and not exclusively with Yemen). A high number of passengers cross the border through UAE for work, family or social reasons.

236. The number of false/non-declaration cases identified are low given Oman's risk and context. During the assessed period, authorities were able to identify only three cases of falsely or non-declared movement of cash, although none from Yemen (Table 3.22). Moreover, NCFI was able to identify an additional five cases in which the cash couriers successfully passed through borders without submitting a declaration and deposited the cash in a FI (which raised an STR with NCFI). None of these cases related to ML, however.

237. Statistics show that authorities seized USD 6 million/OMR 2 334 114.9 linked to a suspicion of ML in Dec 2023. This relates to six cases of cash movement from Yemen which were all declared by the cash couriers at the border. Moreover, the AT was briefed on one case where the suspect provided incomplete documents and was unable to justify the source of funds which led to his arrest and triggered a financial investigation by PP. While the cases are still ongoing and seized funds remain to be confiscated, the identification of six cases in one month could indicate that authorities have made important strides to detect ML and false/non declarations at the borders. As mentioned above, it is possible that this is the result of the mitigation measures taken after the 2023 topical risk assessment and that this will continue to bear positive results. However, more time is needed to confirm this conclusion as these measures are recent.

Table 3.22. Falsely or non-declared cases and value

	2018	2019	2020	2021	2022	2023	Total
No. of cases	1	1			1		3
Value involved OMR	20 000	28 218	0	0	11 000	0	59 218
Value involved USD	52 000	73 366.8	0	0	28 600	0	153 966.8

Confiscation and effectiveness of sanctions

238. Competent authorities apply effective sanctions regarding falsely/not declared cross boarder movements of currency and BNI only to a limited extent. All of the non-declared cash was confiscated in all three cases identified. When NCFI identified five cases of suspected breach, it escalated these cases to competent authorities which further confirmed the absence of ML suspicions and that the breach was unintentional. Courts reduced the sanctions and imposed fines based on the Customs Law (ranging from USD 260 to 13 000 or 100 to 5 000 OMR). While the whole amount of non-declared cash was confiscated in all three cases, all sanctions (i.e. fines) applied in the five cases identified by NCFI are reduced and authorities did not apply Art 98 of the AML/CFT Law on sanctions (see R.32).

Box 3.10 Confiscation of non- declared cash

Overview: A suspect was intercepted in 2019 by DGC at the arrivals hall of Muscat International airport on an inbound flight from India. The suspect had not filed any declaration.

Machine and hand searches of the suspect's bag revealed cash amounts in different currencies: USD 54 500, 77 500 Saudi Riyals (equivalent to 20 000 USD) and 60 000 Indian Rupees (equivalent to 720 USD). The suspect was arrested for failure to declare the amounts and the money was seized. PP conducted a financial investigation in collaboration with NCFI.

Results: The suspect was sentenced to six months imprisonment and fined USD 2 600/OMR 1 000. All of the non-declared cash was confiscated.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

239. Confiscation results are broadly in line with the risks identified in the NRA and the AML policies enacted by Oman, except for confiscations related to false/undeclared currency and BNI.

240. Authorities target confiscations concerning top proceed-generating crimes, namely fraud, corruption, dealing in drugs and customs evasion amounts vary year-on-year according to the nature, seriousness and complexity of the cases (See Table 3.23). Authorities mainly pursue confiscation through simpler cases involving low amounts of proceeds. This is consistent with the fact that the number and seriousness of proceeds generating offence is low (see chapter 1) with some high-profile cases linked to corruption (e.g. Ministry of Education) that have led to substantial amounts confiscated. However, while there has been some confiscation of proceeds linked to human trafficking, results remain low. This is inconsistent with Oman's risk profile and the threats posed by human trafficking, which was identified as one of the most important

predicate offences that generate criminal proceeds according to the NRA. While there has been no confiscation on TF, this is in line with the country's TF-risk (see IO.10).

241. As mentioned above, authorities were able to repatriate proceeds of corruption, but still have never shared assets with other countries. However, case studies presented demonstrated that proceeds of fraud and corruption offences committed in foreign countries were seized, which is in line with risks.

242. The low number of confiscation concerning false/undeclared cash/BNI movement is not in line with risks.

Table 3.23. Confiscation by crime type (USD)

	2018	2019	2020	2021	2022	2023	Total
fraud	1 032 401.19	3 485 984.62	133 335.46	2 237 941.14	3 163 564.77	136 754.59	10 189 981.76
corruption	688 267.46	2 963 086.93	66 667.73	1 790 352.91	2 875 967.97	124 322.35	8 508 665.35
dealing in drugs	618 440.71	2 614 488.47	200 003.19	1 342 764.68	2 300 774.38	99 457.88	7 175 929.31
custom evasion	516 200.59	1 917 291.54	66 667.73	1 163 729.39	1 437 983.99	93 241.76	5 195 115.01
stealing	137 653.49	1 220 094.62	46 667.41	626 623.52	1 150 387.19	43 512.82	3 224 939.05
forgery	68 826.75	1 045 795.39	40 000.64	537 105.87	862 790.39	37 296.71	2 591 815.74
Others (1)	52 620.06	1 568 693.08	20 000.32	179 035.29	575 193.59	6 216.12	2 401 758.46
Total	3 441 337.29	17 429 923.11	666 677.31	8 951 764.56	14 379 839.85	621 611.75	45,491 153.87 (2)

Note: (1) Other crimes such as electronic crimes, prostitution, human trafficking, and crimes against honour. (2) this figure only includes confiscation of proceeds of crime (excluding ML confiscations).

Overall conclusions on IO.8

Oman has a strong legal and operational framework for asset recovery and pursues confiscation of proceeds and instrumentalities of crime as a policy objective to a large extent. While an 'Administration' is in place to avoid the dissipation and depreciation of assets, it is under-resourced and not systemically used since the PP execution sections is primarily responsible for managing assets.

Authorities are generally well resourced and trained and achieved good results identifying, seizing and confiscating criminal proceeds, although they use confiscation of equivalent value to recover dissipated funds to some extent.

Authorities pursue proceeds moved abroad, especially in cases involving high amounts, and have successfully repatriated assets in some cases. Although the number of requests received is low, authorities apply provisional measures in response to foreign requests, but never retribute assets to other countries. Authorities retribute a small share of total assets confiscated to victims. Confiscation results is broadly in line with risks except for the confiscation of false/undeclared currency and BNIs.

Oman has a robust legal framework to declare cross-border movements of cash and recently put in place several measures to detect and mitigate risks arising from cash movements from Yemen. However, the number of false/non-declarations identified is low and inconsistent with the high risks identified, especially though the border with Yemen. Sanctions are

effective only to some extent. There is scope for major improvements in this area. The AT weighted this issue heavily given Oman's risk and context.

Oman is rated as having a moderate level of effectiveness for IO.8.

3

Chapter 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 9

- a) Oman has a strong legal and operational framework to detect, investigate and prosecute TF. Competent authorities are well trained and resourced for the purpose of identifying and investigating TF and cooperate effectively to this end. Overall, authorities demonstrated a good understanding of TF risks posed domestically and abroad. ISS and PP have the most mature understanding of TF threats and related risks that Oman faces.
- b) The numbers of TF prosecutions (three including seven defendants), the number of convictions (two, including four defendants) and the conviction rate (57%) are appropriate and consistent with Oman's TF risk profile. The types of TF activities presented in case studies are also in line with identified risks in the NRA: cash movement through borders, transshipment of goods, transferring funds through MVTs-MEEs.
- c) Authorities demonstrated an ability to detect TF activities from different sources, including domestic and international intelligence, and to a lesser extent from ROP and NCFI disseminations. NCFI's proactive TF disseminations began to evolve in 2022 further to the distribution of a TF suspicious activities manual to REs and an increase in TF -related STRs.
- d) TF investigations are initiated as part of terrorism investigations and autonomously. Authorities conducted high quality TF investigations and were able to identify the involvement of additional defendants and the specific role played by the terrorist financier to a large extent. Authorities were also able to identify the use of Virtual Assets (which is materially low) to move funds for TF purposes, but were not able to investigate them by accessing and analysing relevant data.
- e) TF investigations support counter terrorism strategies and investigations. ISS uses TF investigations to update its knowledge regarding terrorist organisations, and shares TF investigation results with authorities and the NCTC, which is responsible for implementing the CT strategy. The 2021-2023 CT strategy – which prioritizes TF– recently expired. Authorities were in the process of updating this by the end of the onsite.
- f) Sanctions applied in convictions are effective, proportionate, and dissuasive due to the high prison sentence (ten years). No legal persons

were identified in connection to TF and therefore no sanctions were applied, which is in line with TF risks.

- g) Oman regularly uses alternative measures when it is not possible to secure TF convictions including deportation, informal extradition, confiscations, security follow-up, travel bans, and rehabilitation programs.

Immediate Outcome 10

- a) Oman's legislative framework ensures that the legal obligation to implement targeted financial sanctions (TFS) related to TF United Nations Security Council Resolutions (UNSCRs) is effective immediately upon designation by the UN Security Council or the TFS Committee. All natural and legal persons are required to implement the relevant UNSCRs related to TFS without delay. The NCTC has an alerting system in place to efficiently communicate reporting entities of updates on the lists.
- b) While Oman has not proposed any designation pursuant to UNSCR 1267, Oman designated ten natural persons and one legal entity pursuant to UNSCR 1373 by giving effect to one foreign request. However, Oman is still hesitant to proactively propose designations on its own motion to the local list and to propose designations to other countries in line with the TF regional risks.
- c) Oman has taken appropriate steps to deprive terrorist financiers by confiscating assets of USD 2 782 000 related to the TF, achieved mainly through alternative measures. During the review period, Oman did not freeze funds or economic resources related to designated persons as no confirmed name matches on local and UN lists occurred, which is consistent with Oman's risks.
- d) Oman assessed the NPO sector as low risk of being abused by terrorists and identified the subset of NPOs that fall under the FATF definition. The TF and NPOs risk assessments are not comprehensive enough to specify how Omani NPOs could be vulnerable to TF abuse. Oman does not have risk-based measures as it considers all NPOs as reporting entities and applies excessive measures on them to prevent the risk of TF abuse. In addition, the MOSD does not fully apply risk-based supervision. Oman conducted outreach to all NPOs falling under the FATF definition without targeting the ones at risk of TF abuse. In general, these findings harbour the risk of discouraging and disrupting legitimate NPO activities.

Immediate Outcome 11

- a) Oman does not have any diplomatic, commercial, or financial ties with the DPRK, with no import or export since 2018. Oman uses the same adequate legal framework for implementing PF-related TFS, as it does for implementing TF-related TFS, noting that the framework has been expanded to cover the PF aspects since June 2021. This framework allows for the effective implementation of PF-related TFS without delay. Designations by the UNSC immediately trigger the obligation for all natural

and legal persons to freeze the funds of the person or entity designated without delay.

- b) Oman established the PF Coordination Group, which led to good national cooperation and coordination between relevant local authorities to counter PF through its regular meetings.
- c) Oman undertook a PF RA concluding that proliferation-related threats to the DPRK are low. The PF RA helped the relevant authorities to improve the understanding of their PF risks. Competent authorities, especially the DGC demonstrated a good understanding of proliferation risks. No examples (investigations in relation to sanction evasion) in practice were given due to the absence of any links with the DPRK during the review period. The DGC is equipped with a risk management system connected with and fed by a range of Omani authorities, including intelligence, port and airport authorities, which is maintained and used by customs to inspect consignments with potential links to dual-use goods.
- d) Authorities (NCTC) have undertaken valuable screening exercise on TFS at the national level to identify assets related to listed persons. No PF-related funds, assets or economic resources have been identified. This is plausible given the absence of link with DPRK and the low PF risk. Oman had not proposed or co-sponsored any proposals for designation pursuant to UNSCR 1718 and its successors, which is in line with the country's risk and context related to UNSCR 1718.
- e) Oman has a system in place to access basic information in a timely manner and, to a lesser extent, beneficial ownership information on legal persons, which may affect its PF-TFS implementation in case of complex structure. This is not considered as a concern given the negligible numbers of complex structures in Oman as per the TRA on legal entities.
- f) Reporting entities have a varying level of understanding of PF-related TFS obligations but generally comply with PF-related TFS obligations commensurate to their risk.
- g) All supervisors monitor their reporting entities' compliance with PF-related TFS obligations; however, it was not demonstrated that the implementation of these obligations is comprehensively reviewed by DNFBP supervisors.

Recommended Actions

Immediate Outcome 9

Oman should:

- a) Strengthen the capacity of competent authorities to identify and investigate emerging TF risks related to virtual assets, including through dedicated training.
- b) Complete the update of the CT strategy based on lessons learned from TF investigations in line with risks and emerging trends.
- c) Enhance NCFI's proactive role in detecting TF activities by strengthening awareness-raising efforts and training of REs to identify and report potential TF activities. (see IO.6).

Immediate Outcome 10

- a) Oman should make greater use of the TFS designations under its local list as a preventive or disruptive tool to mitigate the regional TF risks.
- b) Oman should improve its next NPOs risk assessment by including more detailed information on the features and types of the subset of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.
- c) Oman should, in line with the requirements of Recommendation 8, remove the requirement that NPOs serve as reporting entities. The MOSD should ensure the implementation of a risk-based approach, including monitoring and raising awareness, especially for NPOs at risk of TF abuse, without disrupting or discouraging legitimate NPO activities.

Immediate Outcome 11

- a) Enhance the outreach and training programs to raise awareness on PF-related TFS obligations and the potential of sanctions evasion for reporting entities.
- b) DNFBP supervisors should carry out a more comprehensive supervision of PF-related TFS obligations.
- c) Improve the timely access to BO information.

243. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF investigation and prosecution)

244. Oman has a strong legal and operational framework to detect, investigate and prosecute TF. Authorities are well trained for this purpose, and work well together. TF is detected from a number of sources, and investigations are undertaken autonomously and as part of terrorism investigations. The numbers and type of TF prosecutions and convictions, as well as the conviction rate, are appropriate and consistent with Oman's TF risk profile. TF investigations also support counter-terrorist strategies and investigations. Sanctions are effective, and authorities use alternative measures when it is not possible to secure TF convictions.

245. The AT based its conclusions on the 2022 TF RA, 2023 NRA, case studies, statistics provided by the country, confidential information shared by the authorities and discussions with relevant authorities including PP, ISS and NCFI.

Prosecution/conviction of types of TF activity consistent with the country's risk-profile

246. Oman has a strong legal and operational framework to detect, investigate and prosecute TF. ISS and PP – which are the two leading LEAs in this area – have the necessary legal powers to tackle TF (see R.31). ISS and PP have the most mature understanding of TF threats and related risks that Oman faces (see IO.1). The number of TF cases prosecuted and convicted, and the nature of TF activities presented in the case studies are consistent with Oman's risk profile.

247. Oman assesses its TF threat as low, and overall TF risk as medium-low given the high residual risk in relation to cross-border movement of cash. This is reasonable considering the country's context (see IO.1). Overall, authorities demonstrated a good understanding of TF risks posed domestically and abroad, owing to a comprehensive TF RA in 2022 and the 2023 NRA. PP and ISS demonstrate the most mature understanding given their role in investigating and prosecuting TF. For instance, ISS has allocated dedicated staff to follow and understand the threat posed by key terrorist groups, which suggests ISS is aware of and allocates resources according to potential threats as they arise.

248. There are no recorded cases of terrorist attacks in Oman during the assessment period,³³ no active terrorist organisation has been identified in its territory and there is no Omani citizen designated on the UN terrorism lists. There have been very few recorded cases implicating foreign terrorist fighters (FTF). ISS considers that the risk of FTF is minimal, which the AT views as reasonable.³⁴ According to the 2023 NRA, the most significant TF threats in Oman are related to the movement of terrorism funds, particularly concerning smuggling of cash, trans-shipment of goods, and transferring of funds from/to high-risk jurisdictions. Based on discussions, statistics and case-studies, the main TF methods and scenarios in Oman involve the use of small amounts of cash. Based on its operational experience and intelligence studies, ISS understands the risks that *Hawala* (Informal Value Transfer Systems) pose for TF. ISS concluded the low level of involvement of *Hawala* for TF purposes in Oman which is confirmed by statistics and case studies on the investigation and prosecution of TF cases. Finally, although the collection of funds for TF purposes through VA poses a medium-low risk, authorities are aware of emerging risks related to VA and were able to identify one case involving TF (see Chapter 1 and IO.1).

249. Competent authorities consider CFT (including prevention and disruption) as a high priority. Oman has prosecuted and convicted different types of TF activities in line with its TF

³³ The Global Terrorism Index 2023, which measures the impact terrorism on countries, ranked Oman as one of the countries that has not recorded a terrorist attack in the last five years.

³⁴ The AT had access to confidential statistics on the number and status of Omani FTFs.

risks. Authorities prosecuted seven persons (in three cases) resulting in four persons convicted. This is equivalent to a 57% conviction rate, which is appropriate. These figures also mirror prosecutions and convictions for terrorism (Table 4.1). The types of TF cases prosecuted and convicted involve a combination of TF channels and methods. These include cross-border cash movements, trans-shipment of goods and transfer of funds, mainly small cash amounts, through the regulated sectors (banks and MEEs) and, in some minor cases, money exchange providers and virtual assets. All of these are acknowledged to be the highest risk methods in the 2023 NRA. Cases involved also relate to international terrorist organisations that pose a risk to the region (see Box 4.1 and Table 4.2). There are no cases involving legal persons or NPOs, which is in line with the country's risk and context.

Table 4.1. Terrorism and TF prosecutions and convictions

Crime type	2018	2019	2020	2021	2022	2023	Totals
Terrorism prosecution	1	1	0	2	2	0	6
TF prosecution	0	1	0	0	2	0	3
Terrorism conviction	1	1	0	1	1	0	4
TF conviction	0	1	0	0	1	0	2

Box 4.1. Case examples on type of TF prosecuted

Case 1: Financial support provided to a major terrorist group by a foreign terrorist fighter

Channel: cross-border cash movement; trans-shipment of goods

Overview: ISS received intelligence from a confidential source according to which an Omani citizen left Oman in 2011 and provided material support to a major terrorist organisation based in country A.

ISS initiated an investigation, which involved interrogating all available databases, monitoring the activities of the suspect's relatives to detect any communications between them, and following the suspect's movements. ISS coordinated with authorities in other countries as well.

Intelligence indicated the suspect moved from country A to country B to supervise an oilfield belonging to a terrorist organisation based in country B.

ISS was able to demonstrate that the individual had participated in fighting for the terrorist organisation and had provided it with financial support, winter clothes and medicines to the value of approximately USD 10 000/3 800 OMR, of which approximately 6 500 USD/2 500 OMR in cash. The suspect carried the funds with him when travelling and crossing the border.

ISS referred the case to PP for further investigation, upon which it was confirmed that the individual had no assets or income.

Results: In 2019, the suspect was arrested and then was informally extradited to Oman upon its request. The individual was convicted of joining and providing financial support to a prescribed terrorist organisation. He was sentenced in Oman to life imprisonment for terrorism offences and ten years imprisonment for TF offences.

Case 2: Financial support to a major terrorist group

Channel: cross-border cash movement; money exchange providers; crypto

Overview: ISS received confidential intelligence based on the interception of internet communications. The intelligence suggested that an Omani citizen was communicating with terrorist elements abroad through social media channels.

ISS initiated an investigation, which involved monitoring the suspect's activities through various sources and interrogating all available databases. At the beginning of the investigation, NCFI was requested to provide an analysis of the subject's finances. This showed that the suspect had transferred money to country A and confirmed the presence of links between the suspect and other suspects. ISS therefore liaised with foreign counterparts to gather more information on the individuals.

The investigation revealed that five Omani citizens were involved, and that three had carried out activities for the benefit of a terrorist organisation, including promoting its aims and recruiting others. The investigation also showed the suspects employed various methods to finance the organisation routed through different countries, including by: providing financial support to a terrorist organisation in country B by sending 130 USD/50 OMR in cash through an Omani national travelling to country A, by transferring funds through a money Exchange Company to country A, by transferring 520 USD/200 OMR to a bank account of a resident in Oman. The latter sent the money to country A via cryptocurrency. In total, suspects delivered 7 200 USD/2 800 OMR in funds to a terrorist organisation in country B. The case was referred to PP for further action.

Results: In 2023, three of the subjects were convicted of belonging to a terrorist organisation, terrorism financing and the use of IT for terrorism purposes. They were each sentenced to 15 years imprisonment, commuted to ten years, and a fine of 260 000 USD/OMR 100 000. This amount was reduced to 7 700 USD/OMR 3 000 each to reflect their financial situations. Given that PP did not identify assets belonging to the individuals, no property was seized. The case against the final two subjects was dismissed as they were considered witnesses.

Table 4.2. TF prosecutions and convictions by type of TF activity

Date of case	link to terrorist organisation	Nature of funds	Source of Funds	Methods for moving funds	Type of TF	Conviction
Case 1 (2019)	AL Qaeda in Pakistan	Cash and goods	Self-funding + donations from relatives	Cross border	Collection + movement	Yes
Case 2 (2022)	ISIL in Syria	Cash and VA	Self-funding	Money exchange	Movement	Yes
Case 5 (2022)	AL Shabab al in Somalia	Profits from the trade in charcoal	Funds belong to Terrorist organisation	Cross border	Movement	No

250. As shown in Table 4.2, authorities prosecute different types of TF activities in line with its risk profile. All three cases prosecuted involved movement of funds presenting medium-high residual risk according to the TF NRA- with one case also involving the collection of funds.

TF identification and investigation

251. Authorities have good tools (including access to a wide range of databases) and investigative techniques through which they can identify and investigate TF-related activity. Accordingly, authorities identify, investigate TF cases, and identify the specific role played by terrorist financiers to a large extent.

Resources and expertise

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252. ISS and PP have adequate resources, expertise and specialisation, and cooperate closely for the purpose of identifying and investigating TF cases. This contributes to the effectiveness of TF investigations. ISS is an independent intelligence agency, with law enforcement powers, tasked with tackling both terrorism and TF cases. ISS autonomously investigates TF cases drawing on a range of investigative techniques which authorities effectively use in practice (such as monitoring or intercepting communications, recording actions or conversations using audio-visual equipment, undercover operations, accessing computer systems, monitoring accounts, conducting controlled deliveries, etc.). ISS also has the powers to arrest and interview witnesses as required before submitting a case to PP for prosecution. ISS has dedicated, qualified and well-trained officers to identify and investigate TF cases and has implemented a detailed TF Manual to guide the identification and investigation of cases.

253. As the body responsible for overseeing all criminal investigations, PP can both open a TF investigation on its own initiative or can prosecute cases referred to it by ISS. PP's Special Case Department – established in 2013 and based in Muscat – oversees TF investigations. Oman has trained 32 specialized prosecutors across the 11 governorates in TF matters, which is appropriate. The Special Case Department (which includes three full-time prosecutors dedicated to TF) has in-depth expertise in prosecuting terrorism and TF and dealing with circumstantial evidence and can therefore oversee a case started by any other specialized prosecutor. Where required, the Special Case Department can also involve financial analysts from the Public Funds and ML Department to strengthen financial investigations. Relevant PP staff have received regular and continuous training on terrorism and TF matters including on emerging trend and updates and have participated in ISS training workshops as well.

254. Another strong point in investigating TF relates to the good coordination and communication between the main authorities. ISS cooperates with other competent authorities – both formally and informally – such as ROP and DGC. For example, ISS and DGC work together on the investigation of cross border cash movements. ISS staff is present at all border crossings and regularly shares information with DGC about the location where terrorist groups are active in Yemen and the names of exchange entities which are active in these areas in order to treat any cash coming from these areas as a TF suspicion. Considering that movement of funds represents a high inherent risk, this is a good practice which has helped authorities mitigate TF risks. ISS and PP – which oversee criminal investigations and prosecutions – also coordinate on a regular basis. For example, this happens where ISS needs to obtain a warrant from PP (including by phone in urgent cases) to undertake an investigation, to arrest suspects, search properties, freeze assets, etc. Finally, ISS also cooperates with foreign counterparts through the Royal Office.³⁵ There is a good cooperation between ISS and the Royal Office and the flow of information between them is smooth and quick since they hold meetings on a daily basis.

³⁵ The Royal Office is a governmental body responsible for exchanging intelligence with foreign counterparts. It is also a member of NCTC.

TF identifications

255. TF cases are mainly identified as part of terrorist investigations (as authorities sought to systematically identify a TF component for every terrorism related investigation³⁶) and autonomously. During the assessment period, ISS carried out 109 preliminary investigations (inquiries) identified from various sources. These include: ISS intelligence, suspicious information from foreign authorities, and to a lesser extent referrals from ROP and financial intelligence proactively disseminated from NCFI (Table 4.3).

256. Of these, ISS primarily relies on its own intelligence (such as information from sensitive and covert sources) to detect a TF cases. ISS has developed and gained access to a wide range of databases containing relevant administrative, criminal and police information and uses these actively.³⁷ ISS initiated 34 TF investigations on this basis, and is at the origin of the two TF convictions. This supports the fact that ISS plays a vital role in combating TF in Oman.

257. Intelligence from foreign counterparts is the first source of ISS investigations. ISS received 40 TF suspicions from foreign authorities. ISS then conducted investigations on all of them, including requesting operational analysis (ARs) from NCFI- ISS then referred 2 cases to PP (see case study 3, Box 4.2 and case study 4, Box 4.4). Furthermore, ISS actively and effectively engages with foreign counterparts (mainly on an informal basis) to seek information in TF cases.³⁸ This explains that there is little formal cooperation sought/provided (e.g. through MLAs or NCFI to FIU cooperation) with respect to TF (see IO.2).

258. NCFI and ISS cooperate well for the purpose of detecting and investigating TF. ISS requested financial intelligence 120 times from NCFI in the course of its TF investigations (NCFI executed all requests). Case study 2 (Box 4.1) shows that NCFI added value to TF investigations, as it was able to discover the involvement of individuals other than the main suspect. This cooperation is mainly based on requests rather than on NCFI's spontaneous disseminations. NCFI disseminated relatively few reports based on STR information until 2022. This can be explained by the low number of TF STRs that NCFI received until 2022, considering the limited understanding of TF risks by REs. This therefore impacted NCFI TF-related disseminations during this period. However, the proactive role of NCFI in detecting TF activities evolved during the assessment period. In 2023, NCFI published a TF suspicious activities manual to increase the quality and quantity of STRs reporting, which led to a marked increase in the submission of TF STRs (see IO.4/6). In the six months following the publication of the manual, NCFI disseminated 18 TF reports based on STRs to ISS (compared to 10 STRs in the years prior). Of the 28 TF reports disseminated by NCFI in total, ISS discarded 20 of these.³⁹ This is explained by the fact that NCFI considers TF-related STRs as high priority and applies a low threshold for disseminating reports to ISS (see box 4.3).

259. Finally, ROP constitutes the last channel to detect TF activity. ISS received seven cases from ROP containing TF indicators, none of which led to prosecution or conviction. These cases were referred back to ROP to continue an investigation into the predicate offences.

³⁶ The AT had access to confidential statistics on parallel financial investigations.

³⁷ ISS considers the exact nature of these databases as sensitive.

³⁸ The AT had access to these statistics, which Oman considers are confidential.

³⁹ ISS was still investigating 8 dissemination reports by the end of the onsite

Table 4.3. Source of TF preliminary investigations

Source	2018	2019	2020	2021	2022	2023	Total
International	1	4	1	20	8	6	40
ISS Intelligence	0	4	8	5	15	2	34
NCFI	0	0	0	1	9	18	28
ROP	0	1	2	3	1	0	7
Total	1	9	12	29	32	26	109

4

Nature of cases

260. PP and ISS prioritise TF cases and follow up on them as a matter of high priority. Case studies demonstrate that authorities conduct high quality TF investigations. Through these, ISS and PP identified the specific role played by terrorist financiers to a large extent. Moreover, ISS and PP successfully obtained and used sufficient evidence – including circumstantial evidence – to prove TF in a way that allows judicial authorities to secure a conviction.

261. Through their use of special investigative techniques (monitoring of suspects, social media surveillance, etc.) authorities demonstrated their ability to discover the involvement of more defendants during the investigation stage (Case study 2, Box 4.1). Moreover, even though the methods/channels used for TF are relatively simple (Box 4.1), authorities were able to investigate relatively complex cases (e.g. case study 3, Box 4.2, where three defendants used a complex scheme involving real estate in Oman to plan a terrorist attack in another country). Authorities were also able to identify the use of Virtual Assets to move funds for TF purposes. However, this identification does not include investigating virtual assets by accessing and analysing relevant data to identify the involvement of individuals and determining connections between suspects (case study 2, Box 4.1). Therefore, considering it as an emerging TF risk, the AT believes that there is still a need to enhance the authorities' capacity to identify and investigate Virtual Assets.

Box 4.2. Identifying TF case and informal extradition (Case 3, 2021)

Overview: ISS initiated an investigation based on foreign intelligence into four foreigners linked to a terrorist organisation who travelled to Oman using false identity documents.

ISS monitored the suspects, which indicated that they took pictures of sensitive Government buildings. ISS liaised with foreign counterparts to gather additional information on the suspects, and also requested NCFI to provide an analysis of the suspects' finances.

ISS obtained a warrant from PP to search premises and arrest the suspects. Through this, ISS confirmed that the suspects were planning to carry out a terrorist attack in a foreign country. The investigation also revealed that the purpose of the suspect's travel to Oman was to invest money belonging to a foreign terrorist organisation, which they smuggled into Oman through one of the land border crossings below the declaration threshold. The subjects were able to purchase a property and were in the process of expanding their business activities in Oman at the time of their arrest.

Results: After the ISS completed the evidence-gathering procedure, the case was referred to the PP, who seized cash and the property, valued at USD 182 000/OMR 70 000. As the four suspects, were wanted in their countries of origin, were not prosecuted and were extradited. The property was sold and seized, and the amount was handed over to the country of the defendants.

Investigation and prosecution

262. Discussions with the authorities and a review of discontinued cases by the ISS confirm that it has robust procedures in place to verify the nature of terrorism and/or TF suspicions and give a high importance to all cases, irrespective of the type of suspicion. Detailed financial investigations led ISS to confirm that most cases involve mere suspicions, such as sending funds to high-risk jurisdiction and/or organisations with potential links to terrorist organisations (Box 4.3). In some cases, these preliminary investigations also uncovered other criminal patterns, such as cases of fraud (e.g. Omani citizens being defrauded by foreigners located in high-risk jurisdictions). This rigorous process is the result of a good understanding by ISS and relevant authorities of the TF risk posed by high-risk jurisdictions and terrorist organisations. As a result of this, considering the low evidentiary threshold for TF preliminary investigations, ISS referred five cases out of 109 preliminary investigations to the PP. The authority subsequently conducted criminal investigations in these five cases, of which three resulted in TF prosecutions and two convictions - PP discontinued the remaining two cases referred by ISS (cases 3, Box 4.2 and case study 4, Box 4.4) and applied alternative measures instead (Table 4.4).

Table 4.4. Terrorism and TF criminal investigations/prosecutions

Crime type	2018	2019	2020	2021	2022	2023	Totals
Terrorism criminal investigations	1	1	0	2	2	0	6
# of prosecutions opened	0	1	0	0	2	0	3

Box 4.3. Examples of discarded TF and terrorism suspicions

- **Transferring funds overseas:** A TF suspicion was raised by internal sources concerning the transfer of funds from an Omani citizen to country X (a high-risk jurisdiction). ISS requested the NCFI to conduct financial analysis. Then, ISS monitored the suspect through different techniques and requested information from the country where the person sending the funds was located, showing that he was involved in fraud crimes. ISS investigations confirmed that the Omani person was a 61-year old with no extremist background who was defrauded by a person from a high-risk jurisdiction with no links to a terrorist organisation. The Omani suspect (who was a victim) was advised against sending money to unknown people living in conflict zones.
- **Alleged involvement of foreign terrorist fighter:** ISS received a report from a woman claiming that her husband was travelling abroad to join a terrorist organisation. ISS monitored the husband, which showed that the husband was having problems with his wife. Allegedly, the husband wanted to marry in another country, which triggered the wife's report to the authorities. ISS found no links between that husband and any terrorist organisation.
- **NCFI disseminations:** In December 2022, NCFI disseminated to ISS information based on an STR concerning a suspicious activity in the bank accounts of a national from a high-risk jurisdiction residing in Oman. NCFI identified a misalignment between the bank activity and the job status or the nature of the person's residency in Oman. Investigations from NCFI also found that, on many occasions, the national from a high-risk jurisdiction exchanged USD into Omani Rials. ISS opened an investigation into this case by accessing available databases (checking the suspect's and his family's background, travel history, assets owned, criminal records, etc.) and using special intelligence tools by monitoring the suspect's movements, checking his network (contact/friends), social media activities. ISS found that the national from a high-risk jurisdiction had no extremist thoughts and no links to terrorism group. Furthermore, intelligence showed that his father was a politician residing in Oman who had some business activity in the country. All people who received money from the national from a high-risk jurisdiction were also checked and no links to terrorism were identified. ISS therefore discontinued the case and notified NCFI accordingly.

TF investigation integrated with –and supportive of- national strategies

263. TF investigations are integrated with, and supportive of CT strategies. The main CT strategy is robust, but expired recently. NCTC was in the process of updating the strategy at the time of the on-site visit, including by drawing on TF cases and to reflect new types and trends in TF, for example with respect to Virtual Assets.

264. In 2021, the National Committee adopted a two-yearly (2021-2023) CT strategy which prioritises TF. This strategy enshrines a multi-agency and multi-pronged approach which mainly seeks to prevent and disrupt terrorism and TF, for example by fostering tools, resources and awareness-raising such as building capacity to combat terrorism and TF, including through

parallel financial investigations, by raising awareness about the risks of terrorism and its financing and fostering national coordination, among others. The CT strategy also includes a commitment to fostering international cooperation.

265. NCTC⁴⁰ is responsible for coordinating the implementation of this strategy, which is available online. All relevant authorities are required to submit reports to the NCTC about how they implement the Strategy in practice. NCTC, in turn, shares with its members a confidential report annually regarding the Strategy's overall implementation. The strategy and the coordination by NCTC have led to several positive outcomes, including the production of a TF manual used by competent authorities (see core issue 9.2) and a TF manual for RE (published in mid-2023) to provide them with typologies, indicators and red flags. ISS also shares the results of terrorism and TF investigations with NCTC in order to keep all authorities aware of any new typologies identified, and if necessary, take any relevant actions. For example, ISS shared with CBO the result of the investigations of case study 2 (Box 4.1) to keep CBO aware of the possibility of misuse of money exchange houses and VA for TF purposes. Moreover, ISS shared the result of the investigation of case study 3 (Box 4.2) with the Ministry of Housing in order to keep it appraised about the misuse of their sector for TF purposes. ISS also shared information with DGC about the locations where terrorist groups are active in Yemen and the names of exchange entities which are active in these areas to treat any cash coming from these areas as a TF suspicion.

266. The inclusion of TF investigations into CT investigations is facilitated at the operational level by the fact that ISS is responsible at the same time for pursuing terrorism and TF. For example, in case study 1 (Box 4.1), the investigation revealed that a suspect was involved in supervising oil fields belonging to ISIL in Syria. Following this, ISS used all the information from this case to update its understanding of ISIL and inform counter terrorism efforts. ISS shared this knowledge with other domestic authorities such as NCTC members, and international counterparts. As noted above, ISS also shares the outcomes of its terrorism and TF investigations with NCTC.

Effectiveness, proportionality and dissuasiveness of sanctions

267. Sanctions applied on TF conviction are effective, proportionate, and dissuasive, given that sentences for TF are imposed on the higher end of the range for the category of offence.

268. The Penal Code considers TF as a felony (a serious offence under Omani law), which is punishable by imprisonment of 10 to 15 years according to AML/CFT law (see R.5). During the assessment period, seven persons were prosecuted for TF, of which four were convicted (in two separate cases) (See Table 4.5).

269. Courts have applied high penalties for TF in both cases together with a cumulative sanction for terrorism. The first TF case (case study 1, Box 4.1), involving one defendant, resulted in a ten-year imprisonment sentence without a fine. The courts sentenced defendants using the CT law, which does not foresee any fine. In case study 2 (Box 4.1), the three defendants were also convicted to a ten-year imprisonment sentence and an OMR 3 000 (USD 7 800) fine for TF offence. Even though the imprisonment sanction and the fine were reduced in case study 2 as the courts found mitigating factors (such as the social status of the defendants). Although according to the AML/CFT Law, confiscation is mandatory in TF cases (see R.4), no confiscation was made in either of these two cases as no assets were identified in relation to the defendants. Finally, there have

⁴⁰ The NCTC is made up of representatives from the Internal Security Service (ISS), the ROP, the DGC, the NCFI, the PP, the Royal Office, the Ministry of Defense and the Ministry of Foreign Affairs. See IO.1/Chapter 1

been no convictions for legal persons, which is consistent with the low risk profile for legal person being involved in TF cases.

Table 4.5. Penalties imposed for TF

Case	No. of defendants	Terrorism imprisonment	TF imprisonment	fine	Final result
Case 1 (2019)	1	Life imprisonment	10 years	0	Life imprisonment
Case 2 (2022)	3	15 years for each defendant	10 years for each defendant	OMR 100 000 (USD 260 000)	Reduced sentence (10 years imprisonment for each and a OMR 3 000 (USD 7 800) fine each)

Alternative measures used where TF conviction is not possible (e.g. disruption)

270. Oman uses alternative measures when it is not possible to secure TF conviction. These measures – which have been used for 19 people – involve deportation, informal extradition for non-Omani citizens, confiscation, travel bans, and rehabilitation programs among others (Box 4.4, and Table 4.6). The latter bring together religious experts and psychologists to help any person that has been found to have an extremist behaviour to reintegrate in the society. According to the authorities, this program contributed to reducing extremist ideologies and help to combat terrorism and TF activities, although the assessment team did not have means to verify the impact of these measures.

Box 4.4. Alternative measures

Case 4: Rejection of residency status and deportation

Overview: Based on a foreign intelligence source, the ISS opened an investigation into an overseas citizen residing in Oman (Person A) that was accused of sending funds to a member of a foreign terrorist organisation (Person B).

The ISS monitored the suspect's activities, accessed databases to build a financial profile of the suspect, and liaised with the authorities in other countries. ISS also requested NCFI to provide an analysis of the person's finances.

The investigation revealed that Persons A and B had become acquainted on Facebook. Person A transferred a small amount of money (approximately USD 34) to person B through a money exchange business in Oman. ISS asked the individual to stop communicating with Person A and Person B' phone was put under monitoring. This revealed that he remained in touch with her, hence the case was escalated to PP with a TF charge.

Results: The ISS referred the case to the PP, who decided not to prosecute due to insufficient evidence against Person A. Nevertheless, the case ended in rejection to renew the residency, and deportation from Oman.

Case 5: confiscation (2022)

Overview: In 2022, A cargo ship in distress submitted a request to the Omani Coast Guard to dock at the port of Salalah, which it was allowed to do. The ship's identification papers

showed that it was loaded with charcoal exported from South Africa in transit to a neighbouring country. After examining these papers, the Omani authorities found that these papers were forged. Intelligence from foreign counterparts suggested that the charcoal had originated with the Al-Shabaab terrorist group in Somalia. Authorities detained the ship's crew. Authorities also detected that the ship's tracking device, which was not operational, although it emitted several signals near the state of Somalia.

Results: The case was referred to the PP. The captain of the vessel and the owners were charged with TF, but not convicted by the court. Because the documents concerning the ship and the origin of its cargo had been falsified, the courts applied an alternative measure using the Customs Law. The ship and the charcoal were confiscated, and sold for USD 2 600 000. Courts also imposed a six-months imprisonment sentence on the suspects, and they were suspended from entering Oman again.

As a precaution, the Omani authorities imposed a ban on the importation of charcoal from seven African countries since 2018.

Table 4.6. Alternative measure applied

	Deportation and non-renewal of residency	Informal extradition	Rehabilitation programs	Confiscation	Total
No. of individuals	12	4	2	1	19

Overall conclusions on IO.9

Oman has a strong legal and operational framework to detect, investigate and prosecute TF. Overall, authorities are well resourced and demonstrated a good understanding of TF risk, particularly PP and ISS, which have the most mature understanding in this area. ISS plays a vital role in combating TF in Oman and uses robust approaches to confirm all TF suspicions. The number and types of TF activities investigated and prosecuted are consistent with the country's risk profile. All counter-terrorism investigations include a TF component. Sanctions applied on natural persons in convictions are effective, proportionate, and dissuasive. The authorities demonstrated the ability to use alternative criminal measures where a TF conviction cannot be secured. In general, authorities are well coordinated for TF purposes. Cooperation between NCFI and ISS is mainly based on requests by ISS rather than on NCFI's spontaneous disseminations.

However, there is a need to enhance the proactive role of NCFI in detecting TF activities, complete updating the TF strategy, and strengthen the capacity of competent authorities to investigate VAs, including through training. Overall, moderate improvements are required.

Oman is rated as having a substantial level of effectiveness for IO.9.

Immediate Outcome 10 (TF preventive measures and financial sanctions)

4

271. Oman has an adequate legislative and institutional framework to implement TF-related TFS. While Oman implements TF-related TFS without delay, it did not make full use of existing tools to identify potential targets and propose designations consistently with its regional TF risks. Oman explained that no cases triggered a designation on its local list; however, the AT found that the TFS committee did not consider any cases (other than one foreign request received) that could be included in the local list. The AT's main concern is the lack of consideration by the authorities in identifying targets that may be potential candidates for designations under UNSCR 1373.

272. Oman identified the sub-set of NPOs that fall under the FATF definition and conducted a NPO RA, however, the assessment was not focused on the TF components. In addition, the MOSD applies excessive measures against all NPOs with no risk-based measures to be applied on NPOs at risk of TF abuse, which may discourage and disrupt legitimate NPO activities.

273. The AT team based its conclusions on a review of the Omani legal framework on TFS and NPO, examples provided on designations, meetings with representatives with Omani relevant authorities, especially NCTC and TFS Committee members, and discussions with representatives from the private sector and NPOs.

Implementation of targeted financial sanctions for TF without delay

274. Oman has an adequate legal framework to implement without delay the TF-related TFS pursuant to UNSCR 1267 and successor resolutions. All natural and legal persons in Oman, including FIs, DNFBPs and NPOs, are required to freeze without delay (i.e. within 24 hours), and without prior notice, the funds and economic resources of any designated persons and entities. They are also prohibited from providing or making funds or economic resources available, or providing financial or other related services to, or for the benefit of a listed person or entity. No transposition or additional action is required as any designations made by the 1267/1989 and 1988 Committees are automatically and immediately legally effective in Oman. Designations pursuant to UNSCR 1373 take effect immediately upon the announcement of a decision by the NCTC on its website and without prior notice. Designated persons remain on the local list until they are removed (See TC Annex, R.6).

275. Oman has an adequate mechanism for identifying targets for designation through the NCTC pursuant to UNSCR 1267/1988 and 1989 and all successor resolutions or the TFS Committee for UNSCR 1373 if there are reasonable grounds to believe that a person or entity meets the designation criteria. While Oman made a number of designations pursuant to one foreign request under UNSCR 1373, it has not proposed to other countries to adopt designations, nor proposed designations to the UN pursuant to UNSCR 1267/1988 and 1989.

Designations

276. Oman has in place a process for proposing natural or legal persons for designations under UNSCR 1267/1988 and 1989 and successor resolutions, where the NCTC is responsible for identifying potential targets through committee meetings and based on information and inputs from committee members⁴¹ indicating that a designation may be warranted. In case the NCTC has reasonable grounds to believe that a person meets the designation criteria set out in a relevant UNSCR 1267 and successor resolutions, it has the authority to propose to the relevant Sanctions Committees to designate that person on the UN Lists.

⁴¹ The Sultan's Office, Internal Security, Royal Omani Police, Presidency of the Royal Armed Forces, Ministry of Foreign Affairs, Public Prosecution, National Center for Financial Information

277. At the time of the onsite visit, Oman had not proposed any designations based on its initiative nor has it been approached by third states to jointly propose designations pursuant to UNSCR 1267/1988 and 1989 sanctions regimes. According to the authorities, the composition of the society, a high degree of religious tolerance, in addition to the fact that no Omani individuals or organisations are currently listed, explains the absence of proposals. While this could be a justified reason, the assessment team has concerns that no thought has been given by the NCTC or TFS committee to potential designees to be listed on the UN list or on the local list (see below).

278. Regarding the local designations pursuant to UNSCR 1373, the TFS Committee, a technical Committee established under the NCTC, is empowered to independently identify targets based on its members' input. The TFS Committee, either on its motion or based on a request received from any foreign jurisdiction through NCTC, can designate on Oman's local list any persons in relation to whom there are reasonable grounds to suspect or believe that this person or entity meets the local designation criteria. The assessment team had access to the confidential local designation criteria and determined that the criteria are in line with criteria set out in UNSCR 1373.

279. In May 2023, Oman designated ten natural persons (all non-Omani) and one entity pursuant to UNSCR 1373 based on a foreign request received in May 2022, for persons with links to ISIL. The TFS committee examined the request in March 2023 after gathering intelligence and inputs from different authorities – including ISS, which was able to gather information from local and foreign sources- and decided in May 2023 to designate all persons mentioned in the request to the local list (see Box 4.5).

280. While Oman showed recently significant improvements in relation to making use of the local designations pursuant to 1373 UNSCR by giving effect to the foreign request made by other parties, Oman is still hesitant to proactively propose local designations on its own motion. Oman explained that no cases triggered a designation on its local list; however, the TFS committee did not discuss with its members any other cases that could be included in the local list. The AT's main concern is the lack of consideration by the authorities in identifying targets which may be potential candidates for designations under the UNSCR 1373, taking into account the TF regional risks, and the presence of terrorist organisations in the region.

281. Oman has never communicated with other countries to propose a designation to their local list. It also had never rejected any request from a third-party state to designate persons on its local list.

Box 4.5. Oman's designation under UNSCR 1373

Oman is a member of the Terrorist Financing Center (TFTC) under a MoU between GCC countries and the USA—the TFTC exchanges information related to TF networks. The TFTC circulated a list of ten natural persons and one legal entity linked to ISIL (none of them is Omani) and requested its members to designate them on their respective local lists jointly.

The NCTC received the TFTC request in May 2022. The NCTC commissioned the Omani national authorities to collect more intelligence information on the case, and further information was requested from a number of counterpart intelligence services to collect the additional information required to determine whether the classification criteria and the required burden of proof had been met or not. Then, it was referred to the TFS Committee in March 2023 -when the committee was set up- to examine the request and decide in its regard. The TFS Committee decided in May 2023 to designate all persons on the request to the local list.

Implementation of TF-related TFS without delay

282. Oman has prioritised TFS implementation, which is considered a strategic goal in its 2020-2022 and 2023-2025 national strategies and underlying action plans. This has also materialised in MoUs signed between NCTC and supervisory authorities, training for ROP and DGC, and continuous engagement with the private sector on TFS implementation.

283. The legal obligation to implement TF-related TFS occurs without delay, as all natural and legal persons are required to freeze funds or economic resources related to the TF- TFS within 24 hours and are also prohibited from making funds or economic resources available to designated people. Listings take direct effect as soon as they are published by the UN.

284. The NCTC launched a dedicated website available in Arabic and English on TFS obligations that assists natural and legal persons in Oman to effectively implement the TFS obligations by including links to the UN consolidated list and the local list, registration to the alerting system, the procedures to apply for de-listing or access to frozen funds, a FAQ related to TFS for the general public, and the TFS implementation guidance that was also shared by supervisory authorities with reporting entities.⁴² The NCTC also issued a TFS Typologies Paper in 2020, inspired by international typologies, and explaining the main methods used by terrorist financiers to circumvent international sanctions regimes and freezing measures.

285. Oman demonstrated that it has an adequate mechanism in place to effectively communicate designations. The NCTC is informed of any new designation or updates on the UN sanctions list through its subscription to the UN Sanctions List's email notification system. For the local list, the NCTC and the TFS Committee are in close contact and the NCTC is notified by the TFS committee. Any changes to designations pursuant to 1267/1988 and 1989 sanctions regimes and to designations on the local lists are promptly notified to reporting entities by an effective complementary alerting system developed by the NCTC, which was reinforced with automation in August 2023. The time spent between receiving the changes to designation lists and circulating the updates through the alerting system is less than two hours. At the time of the on-site visit, the subscription rate to the alert systems was high, with almost all reporting entities signed-up (financial institutions (100%), the only registered VASP and DNFBPs (98.5%), and NPOs (100%). The reporting entities met on-site were aware of this alerting system and confirmed its utility. The

⁴² <https://nctc.gov.om/>

supervisory authorities monitor the subscriptions rate of the entities under their supervision to the alert system. There is a good cooperation between the NCTC and the supervisory authorities in this regard. In addition to the website alerts, all supervisory authorities circulate the first local list via letters or emails to reporting entities under their supervision to ensure they received it, and NCTC publicly published the list on its own website to support the implementation of the TFS requirement without delay.

286. Oman has so far had few cases where potential matches were identified and those cases were adequately handled. Oman had no confirmed matches related to persons under the UNSCR 1267/1988 and 1989 or any of their successor regimes, nor under the local list. Oman provided examples to the AT where reporting entities reacted immediately to designations which turned out to be a mismatch. The NCTC published a dedicated reporting template on its website for reporting entities to report confirmed and potential matches. During the assessment period, the NCTC received six cases within 24 hours from reporting entities for potential matches. Those cases turned out to be mismatches after thorough checks and verification at the NCTC level with the inputs of its members (ROP, ISS, NCFI). This also explains why Oman has never had any cases dealing with granting exemptions or requests to unfreeze funds.

287. Overall, reporting entities apply the required checks to all clients and operations in line with Oman's legal framework. While reporting entities comply with TFS requirements, they have varying understandings of their obligations. TFS are mainly box-ticking exercises focussing on meeting minimum regulatory compliance based on supervisory authorities' instructions and not on a solid understanding of the obligations. (See IO.4).

Targeted approach, outreach, and oversight of at-risk non-profit organisations

288. As set out in R.8, there are four categories of NPOs in Oman: charitable organisations (foundations; and organisations), professional organisations, community social clubs, and women's associations. The MOSD is the competent authority to supervise all four types of NPOs in Oman. Oman has identified the subset of NPOs that fall under the FATF definition, which includes 21 charitable foundations and organisations. The difference between foundations and organisations is based on the funding source; foundations are established through endowments by one or a few wealthy individuals, families, or corporations. Charitable organisations rely primarily on public donations.

Understanding of NPO risks and identification of the subset of NPOs

289. Oman conducted two NPO risk assessments in 2020 and 2022, which concluded that the ML/TF risk related to NPOs was low due primarily to the purely domestic nature of the sector, with no cross-border transactions being permitted to be received or ordered by Omani NPOs. There are 21 out of 171 NPOs falling under the FATF definition and engage in raising or disbursing funds (See R.8). Oman has classified the risks associated with these NPOs based on four levels of risks.

Table 4.7. Classification of the risks of the subset based on the 2022 NPO RA

Number of NPOs	Risk assignment
0	High
4	Medium-High
4	Medium-Low
13	Low
Total 21	

4

290. The 2022 risk assessment evaluates the TF risk relative to NPOs based on the amount of assets managed, sources of funding, fund collection technique, and adverse media. Beyond financial and governance data, Oman did not identify in depth the features and types of NPOs by virtue of their activities or characteristics that are likely to be at risk of TF abuse. While the assessment team was informed there is no case of TF related to NPOs, the NPOs risk assessments were not comprehensive enough to specify how NPOs could be vulnerable to TF abuse. Some examples of typologies were included under the TF RA and a TFS Typology paper, but not in the two NPO RAs.

291. According to the NPO RA, Oman's NPO sector is purely domestic. NPOs are not allowed to accept any external financial support or send support to any entity or individual outside Oman except through the Omani Charitable Organisation, a governmental agency established by Royal Decree 96/6 in 1996. According to authorities, no NPO has been misused for TF purposes over the past six years, and has never been involved in criminal investigations, prosecutions, MLA, or other forms of international requests.

Mitigation measures and Supervision

292. Even though Oman has identified a subset of NPOs falling under the FATF definition, the MOSD does not apply focused and proportionate measures to such NPOs in line with the risk-based approach consequently this generates an excessive burden for NPOs and may discourage their legitimate activities.

293. Oman considers all NPOs as reporting entities under the AML/CFT Law, which is not in line with the requirements of Recommendation 8. They must comply with preventive measures such as due diligence, record keeping, identifying beneficial owners, and filing suspicious transaction reports (STRs). In addition, as part of transparency and fraud prevention efforts, there are significant obligations to all NPOs, such as maintaining a bank account (after gaining official approval from the MOSD minister) in Oman and depositing all cash funds collected, receiving MOSD approval before they may raise funds from the public, prohibition of receiving funds from abroad, obtaining prior consent for introducing any changes to the association, notifying the MOSD in advance of the general assembly and to share the preparatory documents.

294. As noted above, the MOSD reviews all applications to conduct fundraising activities. Despite the presence of heavy requirements in the whole sector, NPOs confirmed that there were no difficulties in obtaining fundraising approval. The MOSD is aware of the emerging TF risks in the region and has previously put in practice this risk awareness for example in one case. They rejected a request from an NPO to collect funds in Oman and to transfer the funds directly to help people in a conflict zone outside Oman, but authorised collecting funds provided that the transfer will be made through the Omani Charitable Organisation (the only official channel for charitable works outside Oman).

295. The MOSD supervises NPOs through off-site and on-site inspections for compliance with their obligations under relevant laws and has adequate human resources to perform its duties, where it has 16 off-site and eight on-site inspectors. However, the off-site inspections were

conducted at the same pace for all NPOs, even those outside of the FATF definition, and included overseeing financial statements, other finance-related documents, and meeting minutes of each NPO without having a focus on TF. Once the off-site inspection is completed, the MOSD conducts on-site inspections to ensure that NPOs comply with all legal requirements related to their administration and finances covered at the off-site, plus asking some TF-specific questions. Regarding these on-site inspections, it was not clear whether the MOSD adopted a risk-based approach since many of these measures are not actually driven primarily by TF concerns, and thus may not in all cases be closely tied to the risk ratings assigned to NPOs in the risk assessment. The AT is of the view that onsite inspections for NPOs could be more closely aligned with the TF risk ratings.

296. Between 2018 and 2022, MOSD was able to impose a number of remedial actions, sanctions, and dissolving NPOs as a result of its supervision. None of these cases were linked to the TF abuse.

Raising awareness of the NPO sector for TF risks

297. The MOSD informed the NPO sector of the NPO risk assessment results through awareness sessions. The primary focus of those sessions was not related to the risk of NPO abuse for TF. Yet, ISS participated with the MOSD and provided awareness-raising session on the risk of TF abuse for all NPOs falling under FATF definition. However, there have been no targeted outreach to NPOs with a higher risk of TF abuse.

298. The MOSD issued helpful guidance for NPOs' best practices and red flags for ML/TF. The AT found that NPOs were aware of the overall NPO risk assessment result, but the sample of NPOs interviewed had difficulties to clearly explain the threats they face and their own inherent risks. The MOSD provided training to its staff on general AML/CFT and suspicious transactions to raise their level of knowledge.

Deprivation of TF assets and instrumentalities

299. Oman has mechanisms in place to deprive terrorists, terrorist organisations and terrorist financiers of their funds, assets and instrumentalities, including provisional measures, and mechanisms to freeze and confiscate terrorist and TF assets and funds. During the review period, Oman has taken appropriate steps to deprive terrorists and terrorist financiers, of assets and instrumentalities related to TF activities, achieved mainly through alternatives measures. This is broadly consistent with Oman's TF risk and context.

300. Since there has been no confirmed matches of any designated persons or entities holding accounts or assets under the UNSCR 1267/1988 and 1989 and successor resolutions or the local list, no assets, funds and economic resources have been frozen under the TF-related TFS mechanism. This is broadly consistent with the country's TF risk, with the absence of Omani persons designated on the lists, and the absence of active terrorist organisations in its territory. It is reassuring that the authorities identified six cases as false positives that led REs to suspend transactions and immediately report to NCTC, which confirms that in the event that funds or assets are located within reporting entities, the persons would be detected and TFS could be used as expected to deprive terrorist of assets and instrumentalities.

301. NCFI has the power to suspend transactions (R.29) but did not use this power in practice in relation to TF, as this opportunity did not arise.

302. During the assessment period, Oman prosecuted three cases related to TF activities and obtained two convictions. While the confiscation of funds is mandatory upon conviction of TF offence (see R.4), no confiscation was made in either of these two cases since PP and ISS did not identify any funds or economic resources subject to confiscation in Oman or abroad. This aligns with Oman's overall medium-low TF risk. In both of these convictions, the AT did not consider this

as an indication of the country's inability to deprive terrorists of their assets. This is because these cases involved a single terrorist individual and not large-scale terrorist groups, and therefore yielded small amounts. Oman did not consider using TFS tools as a quick measure to freeze assets and economic resources related to those cases.

303. As noted in IO.9, the authorities also used alternative measures in two cases and achieved some good results to deprive terrorists and terrorist financiers of assets and instrumentalities. In the first case, Oman seized and confiscated USD 182 000 (OMR 70 000) related to the TF involving foreign individuals (See box 4.2 under IO.9). The PP seized cash and property based on AML/CFT Law, since the defendants were suspected to conduct TF activities, and then as the defendants were wanted by their country for committing crimes they were informally extradited, and the seized apartment was sold and its value with the seized cash were handed over to the state of the defendants. In the second case, Oman confiscated a ship and charcoal linked to Al-Shabaab terrorist group in Somalia and sold it for USD 2 600 000 based on the Customs Law (See box 4.4 case 5 under IO.9).

Consistency of measures with overall TF risk profile

304. Oman is ranked as one of the countries least exposed to terrorist attacks in the Middle East and North Africa.⁴³ No active terrorist organisation has been identified in its territory and there is no Omani citizen designated in the UN terrorism lists nor local list. Regarding the overall TF risks, the RA assessed TF risk as “medium-low,” with the most significant risks related to the movement of terrorism funds, mainly through cash smuggling, goods transshipment, and transfers to and from high-risk jurisdictions. There are also relatively fewer risks related to the collection of funds through virtual assets and low risks related to NPO TF abuse.

305. Oman has an adequate legal framework for implementing TFS without delay and effective mechanisms to communicate local and UN updates to all persons in Oman in a timely manner. However, Oman did not proactively use the TFS tool to fight against TF threats, considering regional TF risks.

306. Oman made good efforts to deprive terrorist financiers of assets and instrumentalities related to TF activities, achieved mainly through alternatives measures which broadly align with the TF risk profile. Oman's measures to prevent NPOs from terrorist financing abuse are excessive, not proportionate, and not risk-based. NPOs are considered to be reporting entities, which is not in line with the requirements of Recommendation 8 and may create a burden on them, especially for a low-risk TF sector. Oman made awareness-raising sessions to NPOs without a primary focus on the abuse for TF and did not make targeted outreach to NPOs at risk of TF abuse.

⁴³ [GTI-2023-web-170423.pdf \(visionofhumanity.org\)](https://www.visionofhumanity.org/GTI-2023-web-170423.pdf)

Overall conclusions on IO.10

Oman implements TFS without delay and has an effective communication system in place to notify reporting entities and supervisory authorities of updates on both UN and local lists. Oman has a process in place for proposing designations. Authorities are still hesitant to proactively propose designations, although it made a number of designations pursuant to one foreign request under UNSCR 1373. Authorities have made no proposed designations to other countries or to the UN pursuant to UNSCR 1267/1988 and 1989. Therefore, Oman is not making full use of existing tools to identify potential targets for designations in line with its TF regional risks.

Oman has taken appropriate steps to deprive terrorist financiers of assets and instrumentalities achieved mainly through alternative measures, in line with country's risk profile.

While Oman has conducted two NPO risk assessments in 2020 and 2022 and identified a subset of NPOs falling under the FATF definition, the TF and NPO risk assessments are not comprehensive enough to define how NPOs could be vulnerable to TF abuse. Moreover, Oman has excessive measures in place to ensure all NPOs are not misused for TF purposes. This is contrary to a risk-based approach and may discourage and disrupt legitimate NPO activity.

Overall, in addition to the improvements needed in relation to NPO, major improvements are needed in relation to Oman's lack of use of existing tools to identify potential targets for designations, in particular in the local lists in line with its regional TF risks.

Oman is rated as having a moderate level of effectiveness for IO.10.

Immediate Outcome 11 (PF financial sanctions)⁴⁴

307. Oman does not have any diplomatic, commercial, or financial ties with the DPRK. There is no DPRK embassy in Muscat or Omani embassy in Pyongyang. No import or export has occurred between Oman and the DPRK since 2018, and there are no North Korean expatriates in Oman. Oman has never identified shipments that involved dual-use goods specified in the relevant USCR 1718.

308. The 2023 NRA indicated Oman's proliferation-related threats to the DPRK as low, which the AT found reasonable. Additionally, Oman is not attractive as a source country for proliferation actors, given that it has no domestic manufacturing or supply infrastructure for dual-use goods. Oil pipeline materials are manufactured in Oman to a limited extent, and are only supplied for domestic use and not exports. There have been no cases where smuggling activities involving such goods were identified in or through Omani territory. Even though the PF RA concluded that low risk is linked to DPRK, limited risks remain due to Oman's geographical location at the crossroads of Asia, the Middle East, and Africa and proximity to some conflict zones makes it vulnerable as a destination or transit point for illicit goods.

309. The AT based its conclusion on a review of Oman's legal framework on PF-related TFS, PF risk assessment, statistics, and discussions with the NCTC and the PF Committee, with other relevant competent authorities, and with representatives from the private sector.

⁴⁴ On 18 October 2023, the TFS elements of UNSCR 2231 expired. Therefore, assessors did not assess the implementation of UNSCR 2231

Implementation of targeted financial sanctions related to proliferation financing without delay

310. In June 2021, Oman expanded its legal framework regarding TF-related TFS to cover PF-related TFS. This allowed Oman to use the same adequate legal framework for implementing PF-related TFS without delay, as it does for implementing TF-related TFS. As noted in R.7, Oman implements PF-related TFS without delay whenever an individual or entity is added or removed from the UNSCR 1718 list. No transposition or additional action is required. The freezing obligation, along with the other legal requirements (prohibition from making funds available), takes immediate effect. Due to the country's low PF risks and the absence of ties with DPRK, the AT has limited concerns about the period before June 2021 of these PF-TFS obligations given the low-risk profile.

311. The NCTC is the authority responsible for establishing the necessary procedures for implementing PF-related TFS under UNSCR 1718. The NCTC has made a good effort by publishing a proper TFS guidance to assist natural and legal persons in Oman in implementing PF-TFS without delay. In addition, Oman established the PF Coordination Group, which led to good national cooperation and coordination between relevant local authorities to counter PF through its regular meetings. One of the main achievements of this group is the PF Risk assessment that has a focus on Oman's proliferation related threats and sanctions evasion methods (see IO1). The PF risk assessment helped the relevant authorities to improve the understanding of their PF risks.

312. At the time of the on-site visit, Oman had not proposed nor co-sponsored any proposals for designation pursuant to UNSCR 1718 and its successors, which is consistent with the country's risk and context related to UNSCR 1718.

313. As mentioned in IO.10, Oman uses the same NCTC complementary alerting system for reporting entities and supervisory authorities on the NCTC website. The system is effective as subscribers were promptly informed of UNSCR 1718 list changes via email within less than two hours of receiving the UN notifications. The NCTC's website also has a link directing to the UNSC Consolidated List to help reporting entities implement the TFS without delay.

Identification of assets and funds held by designated persons/entities and prohibitions

314. No funds or other economic resources associated with the UN sanctions related to proliferation in relation to DPRK have been identified and frozen during the assessment period. This appears consistent with the NRA conclusion of low risk linked to DPRK.

315. Omani authorities conducted, in 2022, a comprehensive TFS screening exercises on the different databases held by the government agencies to ensure the effectiveness of the system in place. The exercise is considered as a valuable step that helped the authorities to ensure the effectiveness of the TFS implementation as no funds or other economic resources registered in Oman are linked to designated persons under the relevant UNSCRs (see box 4.6).

Box 4.6. TFS Screening Exercise

In 2022, the NCTC led a TFS screening exercise of various government registries against individuals and entities designated under relevant UNSCRs 1267, 1989, 1988, and 1718. The exercise aimed to identify assets that should be subject to freezing measures, understand the effectiveness of the country's TFS systems and identify the challenges they face with discharging their TFS obligations.

A wide range of authorities, including MOCIIP, CBO, CMA, MOH, Freezone Authority, and Shipping Authority, participated to this exercise. The scope of this exercise covered the following databases:

MOCIIP: Database of commercial registry with 800 000 names.

CBO: Data included in the CBO's database contains information extracted from licensing applications, covering FIs (as legal persons), senior management, board members, shareholders, and beneficial owners.

CMA: Database of board of directors and top management, 466 natural persons.

MOH: Real estate database to check whether any of the foreign registered real estate owners featured on the relevant UNSCRs, and Omani companies that own land within the country.

Freezone Authority: Database of companies registered in the freezones and special economic zones. The number of entries for active and inactive companies relevant to the Freezone Authority comprised 1 100.

Shipping Authority: Database of all vessels that operate under an Omani flag. At the time of the exercise, the database contained over 4 000 entries.

The exercise revealed a limited number of potential matches, which were subsequently excluded after further searches were run, resulting in zero confirmed matches with entities or persons listed under the scope of relevant UNSCRs.

316. While Oman has a good system in place to access basic information in a timely manner, some FIs and DNFBPs may face challenges accessing beneficial ownership information on legal entities in a timely manner which may hinder Oman's efforts to effectively implement PF-related TFS in case of a complex structures. The AT did not consider this as an important concern given the negligible numbers of complex structures in Oman as per the TRA on legal entities (See IO.5).

317. Oman did not identify any suspicions and did not launch, in practice, any investigations in relation to sanction evasion related to PF during the review period with regard to DPRK due to the absence of any links with eh DPRK during the review period. In addition, no evidence of dual-use goods destined or suspected to go to DPRK was found, which is in line with Oman context in this regard.

318. Oman has a good regime for enforcing trade restrictions which is administered by DGC. DGC officials have a good understanding of PF risk in general and international sanctions evasion tactics, such as the physical movement of goods through Oman and covert transportation. The DGC has also the capability to inspect goods if there are suspected links with the DPRK.

319. In addition, DGC has a risk management system connected with and fed by a range of Omani authorities, including intelligence, port and airport authorities. This system includes 72 different risk indicators, such as geographic indicators or indicators associated with inconsistencies in the shipment's papers. Any consignments imported to or exported from Oman are logged in this

system, and automatically labelled according to an international tariff code. Consignments with codes associated with dual-use goods are automatically flagged by the system as high risk and are in all cases inspected by DGC. Exported goods are subject to permit, specifying the transit countries and the ultimate beneficiary of the exported goods. The system does not enable to complete the steps to obtain a permit if the shipment has any links to the DPRK, and no cases of obtaining a permit occurred during the review period.

320. DGC officials have the adequate expertise and training and provided training to other authorities. For example, DGC held an in-person event for all other representatives of the PF Coordination Group to inform them in more detail about the dual-use goods and covered what dual-use goods are, how they can be detected, and explained case studies in more detail in the typologies report.

321. Oman has made efforts to foster good coordination on PF-related TFS. This includes enhancing coordination and information exchange between the NCTC and supervisory authorities and establishing the PF Coordination Group⁴⁵ that mandated to establish, develop, and follow-up on the implementation of a national strategy for prohibiting and combating PF; taking the necessary measures to manage and mitigate PF risks identified; identifying and analysing PF trends and typologies. Since its creation, the PF Coordination Group issued the PF Typology Report in August 2023, including red flag indicators, as well as the PF topical RA in January 2023.

FIs, DNFBPs, and VASPs' understanding of and compliance with obligations

322. Generally, reporting entities have a varying understanding of TFS obligations and comply with PF-related TFS obligations in a way which is commensurate to their risk.

323. One of Oman's objectives for 2023-2025 is improving TFS awareness. The Omani authorities have begun efforts towards this goal with the promotion of the "AML Wednesday" outreach campaign (in 2022), which included four TFS focused sessions, namely on 1) the results of the PF RA (March 2023), 2) the guidelines for TFS implementation (June 2023), 3) the PF typology paper in TFS (December 2023), and 4) the NCTC FAQ website that includes necessary information regarding UNSCRs related to PF.

324. Notwithstanding most FIs have a fair understanding of their TFS obligations, non-banking FIs have demonstrated a less developed understanding. All FIs are broadly aware of the NCTC reporting template, guidance, website, and their obligation to report in case of suspicions activity, including the need to freeze funds or concerns regarding false positives (homonyms). FIs rely on the NCTC alerting systems and private IT tools to follow listing updates. Banks seem to have better controls in place - particularly concerning the frequency of screening - than the other sectors, which is consistent with the fact that CBO and CMA identified most of the breaches among the MEEs, securities, and insurance.

325. DNFBPs have a more limited understanding of their TFS obligations, which resulted in more breaches in internal procedures, processes, and policies. Most DNFBPs rely on NCTC alerting systems, and only some of them have private IT tools to follow listing updates.

326. The only VASP that is currently registered in Oman demonstrated an above average understanding of the relevant reporting obligations but a medium level of understanding of the TFS obligations, which the AT found lacking as regards the frequency of screening.

⁴⁵ This group includes members from Ministry of Foreign Affairs, MoH, PP, NCFI, NCTC, DGC, MOCIP, Maritime Transport Department, CMA, Civil Aviation Authority, MoJ, CBO, MOSD, Public Authority for Special Economic Zones and Free Zones, AML/CFT national committee.

Competent authorities ensuring and monitoring compliance

327. In coordination with the NCTC, supervisors ensure compliance of FIs, DNFBPs and VASP as part of their supervisory actions. While compliance related to PF related TFS obligations is broadly monitored and supervised, it was not fully demonstrated to the AT that DNFBP supervisors review these obligations in-depth beyond confirming the existence of internal controls and procedures.

328. In addition to normal supervisory actions, coordination in this area is ensured through an MoU established between the NCTC and supervisors to promote communication on TFS-related matters. Through this MoU, supervisors report their TFS non-compliance findings to the NCTC.

329. The NCTC further developed guidance on TFS implementation to combat proliferation financing and to promote understanding and compliance with the obligation related to TFS. This guidance is published on the NCTC website, and all supervisors shared it with their reporting entities.

330. TFS elements are included in onsite inspection manuals by all supervisors, although incorporated into the manuals and supervisory actions at different times throughout the assessment period. CBO has been carrying out checks on TFS requirements since 2018, while MOH started in 2020, and CMA, MJLA, and MOCIP in 2021 (Table 4.8). However, based on the samples of inspection reports which cover TFS provided during the on-site visit, the AT noted that DNFBP supervisors do not appear to carry out in-depth reviews in this area and inspection findings appeared to be focused on confirming the existence of the required internal controls and procedures but did not extend to a review of the screening times, tools and practices. In addition, the AT was not provided with evidence showing that CMA made any TFS supervision on VASP in its on-site inspection which is considered only a minor shortcoming due to the low materiality in the VASP sector.

Table 4.8. Number of On-site Inspections with TFS elements from 2018-2022

Supervisor	Type of reporting entity	Number of On-site Inspections with TFS elements	Number of TFS-exclusive topical/thematic inspections
CBO	Banks	48	13
	Financial and Leasing Companies	9	3
	Money Exchange Companies	20	2
CMA	Securities	12	4
	Insurance Companies /Brokers/Agents	12	8
MOH	Real Estate Developers	15	3
	Real Estate Brokers	140	73
MOCIIP	DPMS		63
	Accountant	13	9
MJLA	Lawyers	1	8

331. Supervisory actions nonetheless resulted in applying varying sanctions for non-compliance with the TFS obligations. However, none of the breaches found were related to the violation of the freezing measures and were generally related to the absence of written TFS internal policies and procedures. In addition, these penalties were limited to remedial actions and fines (Table 4.9).

Table 4.9. TFS-Related Sanctions Imposed by Supervisors from 2018-2022

Supervisor	Type of reporting entity	Number of Breaches	Type of Sanction	Amount
CBO	Bank	1	Monetary fine	USD 26 000 (OMR 10 000)
	Money exchange companies	2	Monetary fine	USD 26 000 (OMR 10 000) / for each breach
CMA	Securities	2	Remedial actions	-
	Insurance Companies /Brokers/Agents	2	Remedial actions	-
MOH	Real Estate Developers	6	Remedial actions	-
	Real Estate Brokers	27	Remedial actions	-
MOCIIP	DPMS	34	Remedial actions	-
	Accountant	11	Remedial actions	-
MJLA	Lawyers	3	Remedial actions	-

Overall conclusions on IO.11

Oman has an adequate legal framework for implementing PF-related TFS without delay, since June 2021. No confirmed PF-related TFS matches and, hence no frozen assets, which is consistent with the PF exposure it faces with DPRK. NCTC undertook a valuable screening exercises on TFS at the national level to identify any assets related to listed persons. No PF-related TFS funds have been identified as well. This is plausible given the absence of link with DPRK and the low PF risk.

Oman undertook a PF RA concluding that proliferation-related threats to the DPRK are low. Competent authorities, especially the DGC demonstrated a good understanding of proliferation risks and sanctions evasion.

Oman is able to obtain basic information on legal persons in a timely manner which can be longer for beneficial ownership information if related to a complex legal structure which is uncommon and not material in the context of Oman.

While REs generally comply with PF-related TFS obligations commensurate to their risk, most FIs have a fair understanding of their TFS obligations with non-banking FIs demonstrating a less developed understanding. Oman has made efforts to raise the private sector's understanding of TFS obligations. These efforts have not yet materialised and moderate improvements, through quality outreach and training programs to raise awareness, are needed.

All supervisors monitor their reporting entities' compliance with PF-related TFS obligations, although it appears to be done to a lesser extent by DNFBP supervisors. The AT is of the view that these are moderate deficiencies given PF low risk and in light of Oman's context.

Oman is rated as having a substantial level of effectiveness for IO.11.

Chapter 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings

- a) FI's, DNFBPs and VASP have a limited understanding of ML/TF risks but a fair understanding of AML/CFT obligations. The banking sector has a more mature grasp of ML/TF risk understanding and AML/CFT obligations compared to other FIs. DNFBPs, with the exception of lawyers and accountants, demonstrated a very poor understanding of risks and a basic understanding of related obligations, in particular DPMS and REA sectors. The VASP has a good understanding of its risks and obligations.
- b) All sectors apply adequate measures to mitigate the identified ML/TF risks to some extent. Frameworks applied by FIs are more established but DNFBPs also demonstrate a fair level of implementation.
- c) All sectors apply record keeping measures to a large extent. Regarding CDD, FIs and VASP apply CDD to a large extent, while the implementation of CDD measures by DNFBPs is done to some extent but still maturing. Limitations are noted on the identification of beneficial owners. Reporting entities refuse business when CDD is incomplete.
- d) FIs, DNFBPs and VASP apply EDD and specific measures in line with the country's risk and context. AML/CFT measures regarding correspondent banking, new technologies, wire transfers and high-risk countries are adequately applied. Application of EDD and specific measures is uneven within sectors, with larger FIs having the most adequate levels of implementation, and DNFBPs a limited implementation of requirements. For all sectors, limitations were noted on the application of EDD to PEPs, higher-risk countries, and TFS. TFS measures are applied but there is a lack of understanding about TFS obligations in all sectors.
- e) FIs and VASP meet their reporting obligations with standard frequency and quality. DNFBPs reporting practices are more recent, considered low in frequency and not commensurate to risks, especially regarding the DPMS and real estate sectors. Concerns regarding TF reporting for FIs persist due to the relatively low number of reported TF-related STRs (see also IO.6 analysis).
- f) FIs, DNFBPs and VASP apply adequate internal controls and procedures – including at group level to ensure compliance with AML/CFT requirements, where relevant - and there are no legal impediments. However, for DNFBPs and smaller FIS these controls often appear unrefined.

Recommended Actions

- a) Supervisors should – in cooperation with the FIU – identify and disseminate sector relevant ML/TF typologies so reporting entities may obtain a more in-depth understanding of ML/TF risks and adequately address them in line with a risk-based approach.
- b) All supervisors should conduct comprehensive outreach strategies that promote the implementation of the risk-based approach (with a focus on CDD measures). This should include the reinforcement of DNFBPs awareness of the AML/CFT Guidance.
- c) DNFBP supervisors should work with reporting entities – through additional guidance or targeted trainings - to promote a more effective application of certain AML/CFT requirements (e.g. BO, PEPs, EDD and TFS), while FI supervisors should enhance their work in this regard.
- d) CBO and CMA should ensure that FIs improve their reporting practices on TF.
- e) DNFBP supervisors, in particular MOCIIP and MOH, should provide additional training on risk-based reporting practices in a way that adequately supports an increase of quality reporting.

332. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23, and elements of R.1, 6, 15 and 29.

Immediate Outcome 4 (Preventive Measures)

333. FIs, DNFBPs and the VASP apply preventive AML/CFT measures unevenly with the financial sector demonstrating greater maturity in the implementation as well as in their understanding of ML/TF risks and AML/CFT obligations. While the implementation of specific and enhanced measures is adequate, the quality of the measures varies. While there are no significant gaps as regard internal controls and procedures, the AT notes challenges remain as regards frequency of STR reporting by DNFBPs, especially for sectors at higher risks (DPMS and real estate).

334. Considering relative materiality and risk in the Oman context, the assessment team weighted the implementation of preventive measures as follows:

- a) Most heavily for banks
- b) Heavily weighted for MEE Cat A, DPMS and REA.
- c) Moderately weighted for securities and MEE Cat B.
- d) Lower weighted sectors include the insurance sector, FLC and PSP, accounting, the legal profession and VASP.
- e) TCSPs are not a defined or regulated sector in Oman, but TCSP activity is carried out by lawyers and accountants who are required to comply with

AML/CFT requirements when providing these services. Casinos are prohibited. Notaries are public officials and not considered reporting entities.

335. The AT findings are based on: interviews with a range of private sector representatives, findings from enforcement actions, input from supervisors and information from Oman (including the NRA) concerning the relative materiality and risks of each sector.

336. The AT notes that reporting entities demonstrated their limitations in understanding ML/TF risks and their ability to adequately apply AML/CFT obligations through the repetition of prepared answers and generally struggling to engage with AML/CFT issues on an in-depth and immediate manner during the onsite visit.

Understanding of ML/TF risks and AML/CFT obligations

337. The ML/TF risk understanding of FIs, DNFBPs and VASPs (only one in operation) is assessed as uneven. The application of AML/CFT obligations is guided by the existing legal framework (the AML/CFT Law) and the related instruments issued by the NCFI (STR-reporting) or by the NCTC (TFS obligations) as complements to the AML/CFT Law.

338. Larger or multinational FIs and DNFBPs demonstrated a better and more granular understanding of ML/TF risks and obligations than smaller and local entities. DNFBPs, with the positive exception of lawyers and accountants, demonstrated having a very poor understanding of risks and a limited understanding of their AML/CFT obligations regardless of their background. Overall, all reporting entities demonstrated a better and more developed understanding of ML than TF, which the AT acknowledges is commensurate to their risks and context.

339. Reporting entities' understanding of ML/TF risks and AML/CFT obligations heavily relies on risks identified in the NRA, TRA and SRA exercises which focused on data collection and not on a meaningful exchange of information (as concerns interactions with the private sector).

340. Oman's efforts to conduct ML/TF risk assessments in 2018 and 2023 (in addition to the TRAs available (see IO.1)) informed reporting entities' understanding of AML/CFT requirements and understanding of ML/TF risks. While FIs and DNFBPs (VASP was not in operation at the time) did not meaningfully participate in the 2018 NRA and confirmed that their input to the 2023 NRA was limited to responding to questionnaires and sharing data on transactions, customers and products with their own supervisors; the knowledge shared by the 2023 NRA has a proven direct impact in reporting entities' actions and practices.

341. Reporting entities' understanding has also been strengthened by awareness raising efforts to disseminate the NRA (2023) and relevant TRAs and SRAs (2023). The main example of outreach to increase risk understanding is illustrated in Box 5.1 below.

Box 5.1. AML Wednesdays

Under the patronage of the National AML/CFT Committee, an awareness raising campaign “AML Wednesdays” was organized throughout the year 2022 whereby a total of 40 webinars on AML/CFT related topics across all substance matter areas were delivered every second Wednesday, alternating between FIs and DNFBP audiences. Topics were divided in four main categories, namely:

1. Seminars to better explain the AML/CFT obligations of FIs/DNFBPs;
2. Seminars to brief FIs/DNFBPs on the outcomes of Risk Assessments;
3. Seminars on process improvement;
4. Seminars on red flag indicator and typologies.

Examples of seminars under the first category included sessions on general AML/CFT obligations and supervisory findings on good practices and weaknesses in controls as well as targeted sessions on BO obligations, EDD obligations, obligations in relation to higher-risk countries.

Examples under the second category included sessions to inform the sectors of the process and preliminary findings of the second NRA exercise, dedicated sessions on PF, TF and NPO TRAs, and sessions on ML risks posed by Hawaladars, Tax Crimes and Cash.

Source: Oman

342. Notwithstanding, comparing the challenges identified in the 2018 NRA with those identified in the 2023 NRA, progress demonstrated is limited regarding the reporting entities’ ability to identify, assess and mitigate risks. This finding was further corroborated by the inability of reporting entities to engage in in-depth discussions on ML/TF risks identified by the NRA or ML/TF typologies (for example regarding high- risk countries) regardless of internal assessments or business context, channels used, geographical risks etc.

Financial institutions

343. FI supervisors report that the understanding of risks and AML/CFT obligations is generally maturing well. ML/TF risk understanding in the financial sector as a whole is adequate, and larger FIs were naturally better able to showcase their resources (i.e. compliance departments). Similarly, MEEs, life insurance, securities companies and FLC also possess an adequate understanding of risks. PSP showed a limited understanding of risks.

344. FIs risk understanding is informed by internal analysis of business specificities and the assessment of ML/TF risks (as per NRA/SRA) as regards clients, products, distribution channels and geography (location of operations). In the case of CBO, supervised FIs, SRAs have been conducted since 2018 (2022 for CMA supervised FIs) which corroborates the adequate understanding. All FIs have internal risk assessments and submit annual reports to their supervisors. These exercises are also the basis for their input into the questionnaires sent to supervisors to inform the NRA and SRA.

345. Challenges linked to risk identification were mostly identified as a result of inconsistencies of AML/CFT implementation found during the onsite visit. For example, while most banks agreed risks related to cash and cash thresholds (i.e. when to trigger EDD for deposits), customer risks as well as geographic risks related to Yemen are the most prevalent, an important FI noted that it

operates with a very high threshold for EDD (which is not consistent with the country's risks); in addition, while complex transactions, including in relation to third party payments were identified as likely to pose ML/TF risks, most entities were not able to engage on what kind of typology these are connected to or how they may best be addressed.

346. The one VASP active in Oman, demonstrated an above average understanding of ML/TF risks and AML/CFT obligations through a greater ability to connect their business model with the use of new technologies and ML/TF risks than its FI peers.

DNFBPs

347. DNFBP supervisors report that as of mid-2023 the understanding of risks and AML/CFT obligations generally stands at a moderate to substantial levels across the DNFBP sector and is showing a clear upwards trend. Omani authorities carried out SRAs for DNFBPs dated from 2023 which offer some insight into the inherent risks that the sectors are exposed to as well as what relevant controls are in place. Authorities moreover carried out SRA and outreach sessions in 2022 (to discuss main findings) aimed at improving risk understanding. In 2023 supervisors disseminated the DNFBP targeted Guidance on AML/CFT obligations to all reporting entities via direct communication (email), outreach sessions and through online publication) with a view to improve the sectoral knowledge of AML/CFT obligations and relevant risks. However, the DNFBP sector representatives met onsite were mostly unaware of its content and, in general, AT found that understanding of ML/TF risks and AML/CFT obligations is still developing. In particular, reporting entities demonstrated some confusion between ML/TF risks and control measures in what can be described as a theoretical understanding of AML/CFT obligations which is still maturing.

348. As regards higher risk sectors, DPMS and real estate sector demonstrated a basic understanding of AML/CFT obligations which – during the onsite visit - did not permit a meaningful exchange and was somewhat inconsistent with the expected impact of the outreach described by the supervisors (see IO.3). Real estate representatives demonstrated a complete lack of awareness as regards very traditional ML/TF typologies relevant to the sector – e.g. third-party payments - and challenges linked to customer risk assessment.

349. In line with the broader assessment of reporting entities performance, the AT found that belonging to an international group, results in a slightly higher level of ML/TF risk understanding and AML/CFT awareness which is possibly justified by more dynamic global compliance programmes.

Application of risk mitigating measures

350. FIs, DNFBPs and VASP apply risk mitigating measures to some extent but the effectiveness of these actions, for some sectors, is hampered by the limited understanding of ML/TF risks and inability to engage with AML/CFT beyond the implementation of legal requirements (i.e. 'box ticking').

351. FIs perform better in the implementation of risk mitigating measures than DNFBPs because of their more mature risk understanding and practice.

352. DNFBPs implementation of risk mitigating measures is currently still linked to a somewhat stringent supervisory and guidance model which, heavily influences the measures applied, albeit this can be explained by the fact that supervisory actions' impact has mostly happened in the latter half of the assessment period.

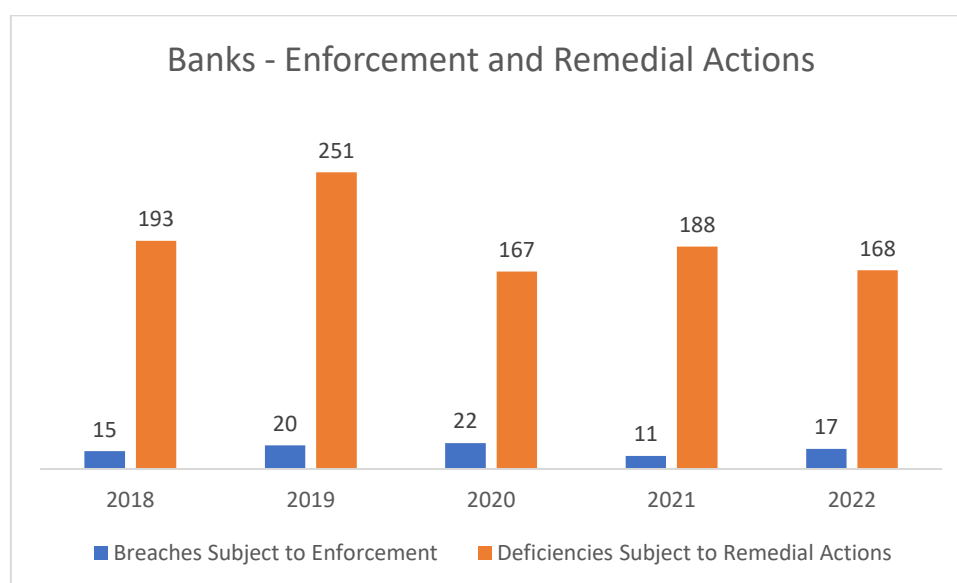
Financial institutions

353. FIs adequately implement AML/CFT policies and controls, strictly following the NRA and SRA findings. Through their internal risk assessments, FIs distinguish clients, products, geographies and distribution channels and often apply focused measures.

354. All FIs have internal control mechanisms and internal audit functions and banks are better at demonstrating the implementation of mitigating measures to address identified risks, which is corroborated by supervisory data showing a reduction in residual risks (Figure 5.1)

5

Figure 5.1. Banks enforcement vs remedial actions



Source: CBO

355. CBO considers the implementation of AML/CFT mitigating measures in MEEs, FLC and PSP is also improving based on recent outreach to the sectors and inspection results.

356. Broadly, FIs generally demonstrated an adequate application of AML/CFT requirements with access to resources and tools playing an important part in reporting entities' ability to adequately apply requirements. As mentioned above, the ability to implement AML/CFT requirements, however, lacks depth – across all types of FIs with onsite findings suggesting some inability to explain why specific measures are adopted to address specific risks (e.g. discuss how customer risk-rating works in practice). For example, the AT noted the standard practice across reporting entities to classify national and foreign clients in the same way, i.e. Omani nationals are predominantly classified and monitored as low risk, while non-Omani nationals as classified as high-risk. During private sector interviews the nationality of clients seemed to be the main risk driver, where other factors could have been taken into account.

357. Informed by the inspection reports reviewed during the onsite visit, the AT also concludes that FIs, including banks, still show several significant weaknesses in application of mitigating measures (see box 6.3 in IO3). For example, for some banks, the application of source of funds varied and it was not based on risk, having a very large bank applying EDD thresholds (requesting source of funds) on cash deposits of OMR 25 000 (USD 65 000) while all other banks operated with thresholds of OMR 4 000-5 000 (USD 10 400-13 000).

358. Similarly, through the onsite visit, MEEs demonstrate an uneven, but basic and shallow application of mitigating measures, that could not be explained to the AT other than by to a large degree reading out the legal requirements.

359. As regards CMA reporting entities, supervisory findings report that none of its supervised securities firms show fundamental gaps in their overall control environment. In fact, CMA entities have shown progress as regards the reduction of identified internal control issues (and therefore better mitigating measures). Among relevant measures, one for the most impactful measures to ensure an adequate implementation of risk mitigating measures for CMA reporting entities was the 2021 cash ban in the insurance sector (Circular No. E/18/2020).

360. The only VASP in operation demonstrated during private sector interviews that it has in place adequate frameworks for mitigating ML/TF risks.

DNFBPs

361. DNFBP supervisors report that measures applied by the sectors are proportionate to their risks and that measures applied by the sectors have increased significantly.

362. MOCIIP reports that supervisory findings for the DPMS sector show a declining trend in number of common breaches identified, while the accountant sector still needs to make further progress in its application of control measures (although larger firms are generally more mature than smaller firms). MOH report that the real estate sectors generally apply effective measures to mitigate risks and supervisory findings show a declining trend in numbers of common breaches. The MJLA reports that for lawyers, a number of firms not taking adequate mitigating measures have been identified, but that these entities have amended their gaps as a result of remedial actions imposed by the MJLA.

363. The AT concludes that DNFBPs apply risk mitigating measures to some extent. Mitigating measures are applied under supervisory advice but have not yet succeeded in designing and implementing these fully in line with their internal risks and business priorities which is an important limiting factor in its degree of completeness and effectiveness.

364. Accountants demonstrated a good application of risk-mitigating measures commensurate to the risks faced by the sector. DPMS, real estate agents and lawyers apply basic mitigating measures which are not always commensurate with ML/TF risks. For example, the AT noted the issue of cash intensive business practices and the implementation of cash limits and ban by supervisors was not shown to be fully understood or consistently adopted. Moreover, the DPMS sector interviews onsite suggested clear difficulties in applying risk mitigating measures, in particular mitigating client risks and eventual links to TF or sanction lists.

365. Overall, issues identified in the 2018 NRA concerning high residual risks and poor mitigating measures are still broadly valid with regard to DNFBPs.

Application of CDD and record-keeping requirements

366. All FIs, DNFBPs and VASP apply CDD and record-keeping measures to a large extent. Some concerns persist on the adequate implementation of CDD requirements including BO information, ongoing monitoring and management of the business relation in case of ML/TF suspicion (e.g. suspicious cash deposits). Reporting entities refuse business when CDD is incomplete.

367. The above-described concerns on ML/TF risk understanding have a cascading effect on the application of CDD measures, especially as a result of deficient business and client risk assessments.

Financial institutions

368. Risk-based CDD measures are broadly applied by FIs as confirmed by CBO and CMA. The implementation of CDD requirements, including record keeping and business refusal, is ensured through supervisory actions which include these elements in all onsite and offsite inspections.

369. CDD application tools are naturally more developed with larger FIs, including the use of new technologies and automated processes, and more basic with smaller FIs. Broadly, banks (and MEEs) illustrate the best application of CDD measures compared to all other sectors.

370. As a reflection of the improvement in control measures, banks scored positively in improving CDD measures with no bank being the subject of enforcement actions for CDD breaches since 2020. Notwithstanding, when reviewing the findings of inspection reports, the AT found flaws were identified in one 2023 inspection report of a bank, i.e. large volumes of unusual cash/cheque deposits had not been adequately examined by the bank in the context of their CDD checks.

371. As mentioned above, CDD processes were also found to have some shortcomings in the sense that the AT found most reporting entities classify Omani nationals as equal to lower risks, and certain sectors such as NPOs and VASPs as higher risk without a detailed analysis of particular cases. Similarly, the AT notes banks struggled to with more practical CDD issues, for example, on complex structures and BO.

372. MEE Category A apply better CDD measures than category B MEEs. As regards FLCs, securities and insurance, the application of CDD measures is adequate but during the onsite visit it became clear that the understanding of AML/CFT obligations is box ticking to a large degree and entities do not demonstrate the need to go beyond the minimum requirements.

373. CMA reporting entities score highly in these elements according to supervisor analysis. Some deficiencies regarding record-keeping in a securities firm were identified in 2021 with a quick remedial plan proposed in response rendering it of little materiality.

374. The VASP demonstrates an adequate application of CDD, albeit customer due diligence is highly automated, it is suitable to the presently simplified and limited business model.

DNFBPs

375. DNFBPs in Oman generally have basic CDD measures in place, but implementation is still a work in process as the focus on AML/CFT reflects the latter half of the review period. The DPMS and real estate sector require significant monitoring in this regard as a result of the risks associated to these sectors and the continued deficiencies.

376. During the onsite visit, the DNFBPs interviewed struggled to substantiate the adequate implementation of CDD requirements other than explain the legal requirements and most struggled to explaining the relation between risk classification of customers and how this impacts the implementation of CDD measures.

377. While supervisors generally stated strong CDD measures implemented by their sectors, inspection reports showed several instances where CDD found to be incomplete in some cases (8/50 for a DPMS and 12/60 for an accountant). In the reviewed DNFBP inspection reports, reviews of customer files were found lacking, suggesting that the mitigating measures applied by DNFBPs are still at an early stage.

378. As regards DPMS, MOCIIP acknowledges the need for ongoing efforts and regularly carried out outreach to the sector in the context of risk and compliance meetings (follow-up to inspections) which are gradually having an impact on compliance (in line with figure 5.2).

379. The implementation of CDD measures by the real estate sector is basic, mainly as a result of the sector's poor understanding of ML/TF risks and typologies, but also as there appears to be an over-reliance on checks carried out by others in the transaction chain as sufficient evidence (i.e. FIs to monitor transactions, MOH to register property, MOCIIP to verify legal entities). Reporting entities additionally showed limitations in their knowledge in relation to third party payments, where third party payments were being used, and how to process self-declared information, for example, regarding beneficial ownership, links to other companies, origin of funds, etc.

380. The sole accountant interviewed onsite provided an above average representation of its sector which is mostly linked to its participation in a global compliance program. Regardless, this appears to be an accurate representation of the accountancy sector's implementation of CDD which is also positively reviewed by MOCIIP.

381. As regards lawyers, MJLA reports significant improvements in the sector as concerns the implementation of CDD but the AT notes focused inspections are recent (inspections focused on BO were conducted in 2022) and concerns linked to their role in company formation also weight here (see IO.3 discussion).

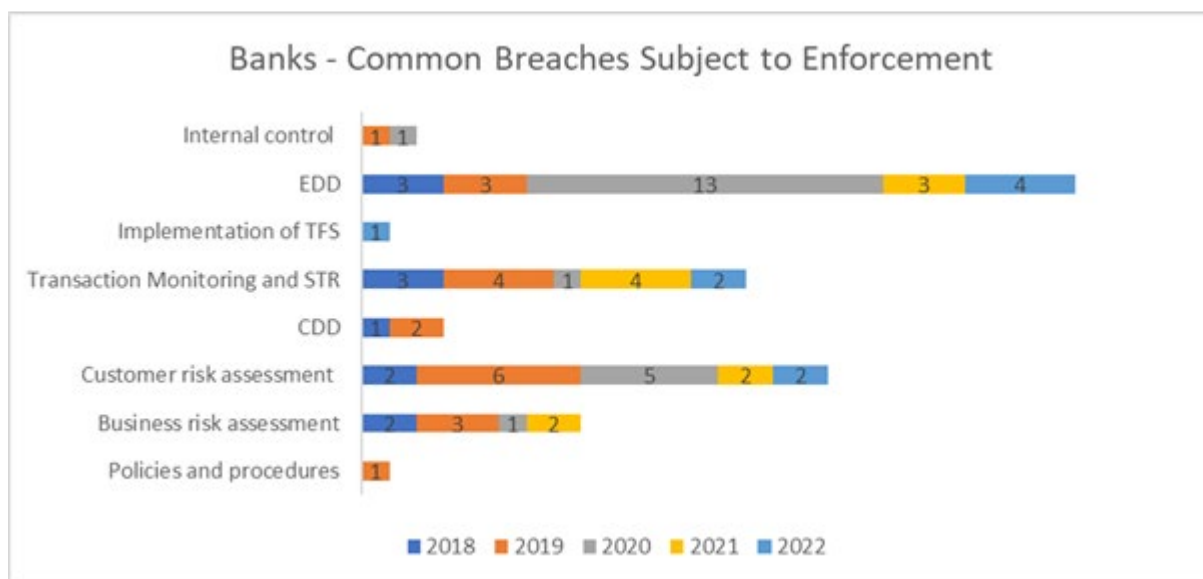
382. The application of CDD and record-keeping measures is broadly ongoing practice which is improving for all reporting entities.

Application of EDD measures

383. FIs, DNFBPs and VASP apply EDD and specific measures in line with the country's risk and context. Limitations in the understanding of risks has impact on the application of EDD measures).

384. FIs, DNFBPs and VASP adequately apply AML/CFT requirements regarding correspondent banking, new technologies and wire transfers. As to high-risk countries, FIs, DNFBPs and VASP generally have a basic understanding and apply adequate mitigating and EDD measures. EDD measures regarding PEPs and TF-related TFS are mainly box-ticking exercises focusing on meeting minimum regulatory compliance based on supervisory authorities' instructions and not on a solid understanding of the obligations, which hampers the effectiveness of these measures. Deficiencies in the application of CDD, as described in the previous chapter, have a cascading effect as regards the uneven implementation of EDD by FIs and DNFBPs. As regards FI's, EDD was the most frequent identified breach as shown in Figure 5.2 below.

Figure 5.2. Banks – Common Breaches



Politically Exposed Persons

Financial institutions, DNFBPs and VASP

385. For banks, CBO reports that on-site and off-site engagements reveal that overall compliance with PEP-requirements has improved and that all banks apply automatic tools for identifying whether customers are PEPs. For FLCs and PSPs, CBO reports that these entities have adequate measures in place regarding PEP requirements. For MEEs, CBO reports that the majority of MEEs have in place customer screening tools and that on-site inspections have found that PEP requirements are generally applied. CMA reports that entities in the insurance and securities sectors generally apply adequate measures, but that some entities have been identified as not yet having fully efficient controls. MOCIIP reports that DPMS and accountants sector entities have in place measures to identify and monitor PEPs. MOH reported positive developments in the sector's compliance with PEP requirements with MJLA confirming only that its reporting entities are obliged to comply as part of the applicable legal framework.

386. The AT found that understanding of PEP requirements is uneven across the board with larger FIs performing better in line with their resources, maturity and business models.

387. Reporting entities are aware of the concept and requirements linked to PEPs. All reporting entities are using official government sources (the gazette) to identify PEPs, as well as automated tools and commercial lists. Doubts remain on whether the identification of domestic PEPs triggers EDD measures given the belief and practice to classify Omani nationals as low-risk clients (this is also somewhat corroborated by the Figure above which shows customer risk profiles and EDD as main breaches). Moreover, the AT concludes that in cases where complex structures and obstacles to transparency are used (which is relatively uncommon for Oman), the identification of PEPs may not take place as a result of the shortcomings identified in these cases.

388. Reporting entities also rely on guidance given by the supervisor to inform their actions (CBO supervisory findings paper), PEP guidelines as well as workshops on EDD (including PEPs). Broadly, PEPs controls are assessed within the wider customer screening tools and are improving for all CBO supervised entities. Measures applied to PEPs include obtaining additional information, senior management approval and ongoing monitoring along with additional verification efforts.

389. CMA has applied similar measures as a result of the identification of some breaches in this context, in particular the issuance of focused remedial actions.

390. Implementation of PEP requirements by DNFBPs is basic across all sectors and improving in line with the described in the previous core issue. In general, DNFBPs identify PEPs through self-declaratory forms, and the bigger entities also have access to screening tools. MOCIIP and MOH have both provided their sectors with lists of PEPs to help smaller professionals identify customers. The rationale behind the frequency of screening PEPs by DPMS could not be established.

Correspondent Banking

Financial institutions

391. FIs apply adequate controls on correspondent banking relations as these are monitored closely by the supervisors. Measures include those required by the AML/CFT Law (see TC Annex R. 13) including gathering sufficient information on the respondent, assessing ML/TF risks and obtaining senior management approval.

392. CBO and CMA inspections include the review of this element of compliance which, when any deficiencies are found, is met with remedial actions. The implementation of this requirement has not been the subject of significant breaches.

393. Because the great majority of correspondent banking relations is performed by larger FIs, the residual risks and impact of entities' actions in this regard are considered low.

New Technologies

Financial institutions, DNFBPs and VASP

394. FIs and VASP apply adequate measures before using new technologies, including risk assessments prior to adopting new tools. The use of innovative solutions in Oman is not significant or widespread (see TC Annex R. 15). Of relevance, CBO has issued the Regulatory Sandbox Framework, encouraging entities looking to provide innovative products and services, to test their innovations within a methodology that ensures the safety and soundness of the financial and banking sector.

395. DNFBPs did not report using or engaging with new technologies for the purposes of AML/CFT.

Wire Transfer Rules

Financial institutions

396. FIs adequately apply AML/CFT requirements regarding wire transfers (see TC annex, R. 16) and their implementation of these requirements is adequately monitored by competent authorities. No major breaches have been found in this regard. In relation to wire transfers posing higher risks, CBO has carried out targeted thematic inspections on wire transfers to higher-risk jurisdictions in 2022 and according to CBO supervisory findings, EDD is generally well applied in such cases.

Targeted Financial Sanctions relating to TF

Financial institutions, DNFBPs and VASP

397. For banks, CBO reports FIs generally demonstrate compliance with TFS requirements. Based on annual questionnaires and inspections, CBO reports that banks and most MEEs have in

place internal policies and procedures on TFS as well as having established automatic screening tools to identify and flag any sanctioned person or entity. For entities in the securities and insurance sectors, CMA reports that it has observed good compliance with TFS requirements. For DNFBP entities, MOCIIP, MOH and MJLA report that all sectors generally have in place mechanisms to identify sanctioned persons and entities.

398. FIs, DNFBPs and VASP apply the required checks to all clients and operations in line with Oman's legal framework. The AT confirmed – through its review of inspection reports and cross-check during interviews - that the implementation of requirements is a box-ticking exercise which is not well understood. For example, some FIs could speak on their screening procedures, but struggled to engage with the assessment team on sanctions circumvention. Reporting entities generally demonstrated varying levels of understanding of TFS beyond basic TFS obligations. Nevertheless, the AT notes that given the strictly compliance focused nature of this issue measures against TF-related TFS are adequate for FI, with banks having better controls in place than other sectors, and adequate for DNFBPs.

399. The NCTC is the responsible entity for ensuring the implementation of TFS pursuant to UNSCR 1267 and its successor resolutions, and 1373 as confirmed in the AML/CFT Law.

400. Reporting entities receive alerts via an email system and through a TFS dedicated webpage and during the onsite visit the assessment team found that the alerting system is well-known and used. All FIs and DNFBPs interviewed onsite reported running client names through TFS checks prior to on-boarding and on an on-going basis.

401. The identification of some breaches – using out of date lists, failure to address alerts, failure to monitor - led to supervisory outreach being developed in to enhance TFS understanding. Generally, all supervisory authorities carried out risk and compliance meetings, training sessions and AML Wednesday sessions on TFS.

402. CMA further placed increased focus on TFS during its supervisory efforts to improve compliance and awareness after issuing Regulation No. 1/2022 on Targeted Financial Sanctions.

Higher Risk Countries identified by the FATF

Financial institutions, DNFBPs and VASP

403. CBO and CMA report that FIs broadly comply with obligations regarding high-risk countries. MOCIIP, MOH and MJLA report that risks are limited due to their entities mainly serving local customers and that measures are in place commensurate with risks.

404. FIs, DNFBPs and VASP generally have a basic understanding of high-risk countries and apply adequate mitigating and EDD measures. Measures are applied and all reporting entities interviewed onsite were able to identify the most common high-risk jurisdictions lacking however the ability to connect the specific risk to specific jurisdictions (ML, TF or Tax related) and at times mixing up high-risk countries and TFS.

405. The application of EDD measures as regards high-risk countries is done, for example, without differentiation of TFS lists, from FATF high-risk countries or other international listings (even those related to tax crimes). The AT confirmed, in this instance, as in others above that compliance is not guided by reporting entities understanding of ML/TF risks and their own business context, but through stringent supervisory instructions.

406. In general, EDD measures identified to mitigate the impact of high-risk jurisdictions in the domestic market include client screening, screening of BO and representatives, additional investigation of operations and transactions among other sector specific measures.

407. Reporting entities apply EDD on high-risk jurisdictions in line with their business context but, especially for DNFBPs, this implementation is not always aligned with emerging risk and context. The real estate sector, in particular, appears to be insufficiently aware of the emerging ML/TF risks it is exposed to as regards foreign investors.

408. The AT concludes that the ML/TF risks linked to high-risk jurisdictions do not often present themselves to most reporting entities – linked to Oman’s mostly local population - as confirmed during the onsite visit – which to some extent aligns (and justifies) the deficiencies found with the context of most reporting entities.

Reporting obligations and tipping off

409. Broadly, FIs, and VASP adequately comply with reporting requirements with FIs (Banks and MEEs cat A) having a more mature reporting system and practices, while DNFBPs have a more recent reporting practice and concerns consist for the AT especially regarding the DPMS and Real estate sectors given they are exposed to higher ML/TF risks.

410. As regards tipping off requirements, the AT found that all reporting entities could sufficiently answer questions related to the submission of STRs, its content, recipient and possibility for feedback.

411. Competent authorities confirmed the AT’s findings and no significant tipping off or reporting issues should be noted confirming the adequate compliance framework in place.

412. All reporting entities in Oman have the same reporting requirements (see TC annex, R. 20 and 21) and submit STRs electronically to NCFI.

Financial Institutions

413. As to reporting obligations, banks and MEEs have reported STRs adequately throughout the whole review period both in relation to frequency and quality. When comparing the data below (Table 5.1), it is clear that FIs have a very significant section of the total number of STRs received by NCFI (see IO.6).

Table 5.1. Reporting by FIs (2018-2023)

	2018	2019	2020	2021	2022	2023	Total
Financial profession	371	643	754	929	1 100	1 763	5 560
Banks	213	509	616	760	836	967	3 901
MEEs	157	134	138	157	255	720	1 561
Others	1	-	-	12	9	76	98

Source: NCFI

414. Some concerns remain regarding FI reporting practices, for example, the AT analysis of inspection reports showed a bank had closed alerts generated against a customer without proper investigation/review. The alerts were closed as normal transactions, though there were reasonable ground to have some suspicion about the transactions and subsequent reporting. The AT considers this lapse is linked to the entities limited ML/TF risk understanding rather than to their ability to report.

415. NCFI now considers the banking sector and MEEs Category A apply effective reporting measures both in regard to frequency and quality. This is in line with the information stated in the 2023 NRA, where it was concluded that Banks and MEEs reported effectively and in line with risk profiles.

416. The FLC sector started reporting in 2021 and only had an adequate level of frequency in 2023. PSPs, which is a relatively new and small sector in Oman, only sent five STRs in the review period. PSP started reporting since 2022, when the first PSP became active in 2020. NCFI has stated that the quality of reporting has increased over the past few years and is considered good for FIs in general.

417. In relation to CMA reporting entities, the insurance sector sent one STR in 2018 and seven in 2021, one in 2022 and six in 2023. Based on the low number of entities (13) and the low risk posed by this sector, this practice appears sufficient (See Table 3.6 in IO.6).

418. The securities sector did not start reporting until 2022 where one STR was sent. In 2023 26 STRs were sent to the FIU. During the onsite the sector provided a clear account of its challenges prior to 2022 and the subsequent improvement efforts.

419. No reporting has been done by the single VASP operator which is not of material or contextual relevance and was fully justified by the VASP during the onsite visit.

420. Broadly, banking and MEE Category A reporting practices are effective, but others started reporting quite late in the review period. In the 2018 NRA it was stated that only Banks and MEE reported adequately. Quality of reporting by FIs has been improving throughout the review period and is now considered to be good. Broadly the AT concludes TF reporting could be improved through greater awareness raising of the relevant TF typologies present in the country, as most entities interviewed onsite could not identify or discuss this issue in detail.

DNFBPs

421. DNFBPs reporting practices are very limited and still quite recent. The AT has significant concerns regarding its frequency, in particular in relation to DPMS and real estate given the higher ML/TF risks.

422. The DPMS sector, whilst a higher-risk sector, only started reporting in 2022, with 13 STRs followed by 89 in 2023 (Table 5.2). While the significant uptick in STR reporting in 2023 is positive, the AT has concerns as to the trend being a result of ad hoc supervisory impetus rather than a structural change in performance given the high-risk profile of the sector and the need for the sector to recognise the relevant threat typologies. During the onsite visit, the DPMS sector struggled to explain when and how reporting was done.

423. As an equally weighted sector to DPMS, the real estate stakeholders only started reporting in 2022 (with two STRs). Interviews with real estate agents suggested important challenges remain as one reporting entity stated submitting 27 STRs since 2022 of a total of 32 per sector in 2023 which implies at least 655 real estate operators did not report (661 total real estate actors).

424. Lawyers, a lower-risk sector, demonstrate an equally poor reporting record submitting as can be seen in the table below which is aggravated by the realisation that some of its AML/CFT relevant activities may not be adequately supervised.

425. There are no records of accountants submitting STRs but it is acknowledged this sector very rarely engages in AML/CFT regulated activities.

Table 5.2. Reporting by DNFBP sectors (2018-2023)

DNFBPs	0	0	4	1	25	129	159
DPMS	0	0	0	0	13	89	102
Real Estate	0	0	0	0	2	32	34
Lawyers	0	0	3	0	1	5	9

Source: NCFI

426. Overall, the DNFBP sectors in Oman do not demonstrate effective implementation of reporting obligations except for the important improvement shown by the DPMS sector. Frequency of STRs is an important challenge that must be addressed.

Internal controls and legal/regulatory requirements impending implementation

427. FIs, DNFBPs and VASP adequately apply internal controls and procedures, including at group level, to ensure compliance with AML/CFT requirements and there are no legal impediments to note. However, the AT notes that for DNFBPs and smaller FIs these controls often appear unrefined with the reporting entities representatives being unable to describe them in detail. An additional concern relates to the accumulation of functions (owner, director, compliance officer) which was mentioned in relation to some smaller firms.

Financial Institutions

428. FIs, especially the banking sector, securities and insurance companies reported adequate and traditional control mechanisms are in place, including the expected internal audit functions. The compliance function is mandated by the AML/CFT Law and therefore supervised accordingly. CBO checks, among other, whether senior management adequately monitors procedures, whether procedures in place are communicated to staff, and whether training takes place. Relevant training sessions and participation was reported and confirmed by all reporting entities.

429. In general, the supervisors note no issues regarding internal controls. One exception relates to the case of one bank that did not address 3 165 unusual transaction alerts for 1 155 customers and had 35 pending cases of ML/TF suspicion pending investigation which – at first sight – were not identified as an issue by the institution’s internal controls and reveal some complacency may have been taking place undetected. CBO imposed a sanction and ascertained through Quarterly Progress Reports that the issue was rectified in a timely manner.

DNFBPs

430. Despite the recency of AML/CFT supervision (especially as regards onsite inspections), the DNFBPs sector has basic internal control despite its representatives struggling to describe the systems in place as well as internal audit mechanisms. In this regard, the AT bases its conclusions on the relative absence of sanctions by the supervisors as evidence of the existence and function of the basic mechanisms (otherwise included and reviewed in onsite and offsite inspections).

431. Overall, while AML/CFT internal control mechanisms appear basic for DNFBP and smaller FI, there is some evidence that these are in place and not impeded by any existing legal or regulatory requirement.

Overall conclusions on IO.4

FIs, DNFBPs and VASP have a limited understanding of their ML/TF risks and a fair understanding of AML/CFT obligations. The assessment of reporting entities' risk understanding was particularly weighed towards the impact of these limitations for the sectors considered of higher risk, notably, banks, DPMS and real estate.

5

Mitigating measures and AML/CFT requirements are broadly, albeit unevenly, applied by the different sectors. CDD measures and reporting practices are adequate. FIs have a more developed frameworks in place, while DNFBPs are still developing. Some areas for improvement are noted namely as regards the application of EDD, BO, TFS requirements and STR reporting (for DNFBPs).

FIs, DNFBPs and VASP apply adequate internal controls and procedures, including at group level where relevant and there are no legal impediments.

Overall, the identified limitations in reporting entities' ML/TF risk understanding, as well as some difficulties to constructively engage with the main ML/TF typologies, has a cascading effect on the overall effectiveness of the application of AML/CFT obligations.

Major improvements are needed as regards the ML/TF risk understanding by all reporting entities so that they may effectively mitigate these risks and apply AML/CFT requirements. Major improvements are also needed as regards the implementation of reporting obligations by the DNFBP sectors.

Oman is rated as having a moderate level of effectiveness for IO.4.

Chapter 6. SUPERVISION

Key Findings and Recommended Actions

Key Findings

- a) Oman regulates and supervises all activities under the FATF Standards and has put in place a comprehensive supervisory framework.
- b) All supervisors have strong and harmonised market entry controls that prevent criminals and their associates from holding or being the beneficial owner or controller or having management functions within FIs, DNFBPs and VASPs. In line with Oman's risk and context, DNFBP supervisors effectively detect breaches of licensing requirements, however concerns remain regarding the effectiveness of the system in detecting breaches related to MEE sectors.
- c) Supervisors have an uneven understanding of ML/TF risks. CBO has a mature ML/TF risk understanding as corroborated by their long-standing supervisory practices. CMA has fair understanding of risks, including on VA and VASPs. DNFBPs supervisors' understanding of risks is limited in line with developing supervisory practices.
- d) Oman has very well-resourced supervisors with the adequate human and material skills to carry out risk-based supervision.
- e) CBO and CMA conduct frequent on-site and off-site inspections which follow a risk-based approach. Concerns remain in relation to the quality of inspections and follow-up inspections, as well as the supervisor's ability to adjust its practices to different reporting entities and contexts.
- f) While DNFBPs supervision is risk-based as regards frequency and form, concerns remain on the quality of inspections and follow-up inspections. Furthermore, on-site inspections did not cover the entirety of the review period with DPMS and real estate onsite inspections dating from 2021 and 2022 for the legal and accounting sectors. For MOCIIP, concerns remain in relation to alignment of supervisory practices with supervisory processes.
- g) Supervisory authorities mainly opt for remedial actions and appear reluctant to apply proportionate pecuniary sanctions. While supervisors rely on reputational damage as an important element of dissuasiveness, only CMA publishes its enforcement actions and, in general, reporting entities are not aware of breaches imposed on their peers.
- h) The enforcement measures taken by all supervisors are effective, proportionate and dissuasive to a limited extent and there appears to be

some inconsistency in the application of existing sanctions, which can increase the risk of inconsistent sanctioning practices.

- i) Supervisors' actions have had a moderate impact on compliance by FIs, with less impact on the different DNFBP sectors. The uneven effect of supervisory actions is linked to the maturity of the different supervisory systems and considered as positively improving for DNFBPs.
- j) Guidance and outreach efforts by all supervisors are intensive and promote the understanding of AML/CFT obligations to a moderate extent for FIs and to a limited extent for DNFBP sectors. However, supervisory actions have not significantly promoted a clear understanding of ML/TF risks for all reporting entities.

Recommended Actions

- a) CBO should increase efforts to detect unlicensed MEE activity.
- b) MOCIIP, MOH and MJLA inspectors should further develop their understanding of the ML/TF risks relevant to their sectors.
- c) CMA should enrich its sectorial risk assessment of VA and VASP and monitor the development of the sector in Oman.
- d) All supervisors should enhance the quality of onsite inspections including by ensuring these are – in practice – comprehensive and detailed.
- e) Oman should apply the full range of dissuasive, proportionate and effective sanctions available in its legal framework and ensure a fair and consistent sanctions approach by implementing a clear and transparent enforcement policy.
- f) MOH and MJLA should make use of the pecuniary sanctions available to them for non-compliance with AML/CFT obligations where relevant to ensure dissuasiveness. MOCIIP and CMA should consider making more use of pecuniary sanctions when relevant.
- g) CBO should ensure enforcement measures are published and accessible to the public.
- h) MOCIIP, MOH and MJLA should intensify guidance and outreach efforts on ML/TF risk assessments, TFS, and STR-reporting obligations where improvements are still needed.

432. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28, 34, 35 and elements of R.1 and 40.

Immediate Outcome 3 (Supervision)

433. Oman adequately prevents criminals and their associates from holding or being the beneficial owner or controller or having management functions within FIs, DNFBPs and VASPs. Supervisors are broadly aware of relevant ML/TF risks but this understanding is uneven across the authorities. Supervisors generally apply a risk-based supervision but should continue refining their practices. Concerns persist regarding the application of an effective, dissuasive and proportionate sanctioning regime which, currently, appears to be mostly based on remedial actions.

434. Oman assigned supervisors to FIs, DNFBPs and VASPs (See R. 26 and 28). Supervisory arrangements in Oman include five authorities: CBO, CMA, MOH, MJLA and MOCIIP.

435. CBO is responsible for the supervision of banks, payment service providers (PSP), money exchange businesses (categories A and B) and financial leasing companies (FLC). The CMA has been assigned supervisory responsibility over the securities and insurance sectors as well as, more recently, VASPs (of which there is only one). The MOH supervises all actors operating in the real estate sector including agents/brokers and property developers. The MJLA covers the relevant activities performed by lawyers, while MOCIIP is responsible for the supervision of the DMPS and accountancy sectors (See Chapter 1).

436. The assessment team weighted positive and negative aspects of supervision most heavily for the banking sector; heavily for real estate sector and the money exchangers (MEE cat. A), as well as DPMS; moderately heavy for MEE (cat. B) and the securities sector; and less heavily for accountants, PSP, FLC and lawyers, as well as the insurance sector. This weighting is based on the relative importance of each sector and Oman's risks, context and materiality (See Chapter 1).

437. The AT based its conclusions on statistics and examples of supervisory actions provided by Oman, the guidance documents issued by supervisors, discussions during the on-site visit with the supervisors and certain FIs, DNFBPs and VASPs operating in Oman at the time of the on-site visit.

438. Access to relevant documentation – the 2018 NRA and copies of supervisory inspection reports – was not provided to the AT in a timely or sufficient manner. The inspection reports analysed by the AT suggested onsite inspections are not comprehensive and negatively weighed on the AT's assessment of supervisory abilities to effectively supervise or monitor compliance with AML/CFT requirements.

Licensing, registration and controls preventing criminals and associates from entering the market

439. The licensing system in Oman is effective in preventing criminals and their associates from holding or being the beneficial owner or controller or having management functions within FIs and DNFBPs or VASPs. All supervisors apply strong licensing procedures, extensive fit and proper tests to all persons holding senior management functions, including criminal and other background checks to ensure that criminals and their associates do not hold, own or control interest or hold a management function in FIs, DNFBPs or VASPs. In general, effectiveness was thoroughly demonstrated through statistics, case examples, which were well explained during the on-site visit. Concerns remain regarding the effectiveness of the system in detecting breaches of licensing requirements related to MEE sectors.

Financial Institutions and VASPs

440. CBO and CMA apply effective controls to prevent criminals and their associates from owning or controlling FIs and VASPs through strong licensing, registration and fit and proper checks

designed to safeguard the Omani market. Licensing requirements and processes are aligned with supervisors sharing core practices which differ only on operational grounds. The licensing process (for CBO and CMA entities) is made-up of different steps including: submitting documents, meeting with supervisors and periodic post-licensing checks through on-site inspections to confirm the licensing data and monitor any changes that have not been reported.

441. CBO and CMA licencing practices are defined in manuals (Licensing Policy and Procedures/CMA's Licensing Departments Procedure Manual). The relevant departments in both authorities strictly apply these procedures whilst maintaining close collaboration with each other and with their internal AML departments (AML/D) (which reviews applications in line with AML/CFT requirements and risks), NCFI and international counterparts. The information required by the supervisors includes information relevant for AML/CFT such as organisational information covering details of internal control structures, fit and proper information,⁴⁶ details on beneficial owners, shareholders, and members of the management body. The relevant CBO and CMA departments are well resourced and carry out ML/TF risk assessments of applicants.

442. CMA and CBO report having very good relations and cooperation with the NCFI and the ROP for the purposes of licensing procedures. During the onsite visit supervisors also confirmed the use of international commercial databases and open sources to inform their licensing decisions (Table 6.1).

Table 6.1. CBO outreach to counterparts during licensing procedures

International Cooperation	2018	2019	2020	2021	2022	2023
Information Exchange with Central Banks	4	3	2	1	4	8
GCC Working Groups	-	1	2	3	2	2
Meetings with Regulators	2	2	2	5	6	11

Source: CBO

443. The banking sector in Oman is a stable environment with supervisors reporting low numbers of new banking applications and rejections. For example, from 2018-2023 nine banks applied for a banking license of which four were refused and one voluntarily withdrew the application. A case study submitted by CBO additionally details a banking license refusal that took place in 2023 based on findings and matches found in international sanctions list.

444. Changes are more common in the MEE sector, where CBO in the period from 2018-2020 has refused licenses to 19 MEE applicants (out of a total of 41) based on a wide variety of reasons

⁴⁶ This includes: obtaining confirmations of non-conviction from all relevant persons which are to be corroborated by declarations from impeccable bodies, as well as conducting searches in registries, open source and intelligence checks, coordinating with national and foreign authorities. CBO also reviews the relevant persons identification documents, conducts AML/CFT checks on national and international databases which includes Omani, UN and OFAC sanction lists, PEP status, report from NCFI (any suspicions, adverse information, litigation) and also ROP (intelligence). Enhanced checks are conducted as per CBO's internal Licensing Procedure whenever any relevant risk factors are identified. Having shareholders or beneficial owners from higher-risk countries, or any other potential concerns in relation to ownership etc is also reflected in the entity-level ML/TF risk profiles that CBO maintains and thereby taken into account in CBO's ongoing risk-based AML/CFT supervision.

including several instances where the applicant did not meet the licensing requirements or concerns regarding the integrity of owners or managers.

445. The securities sector counted a few new entries or market departures occurring. From 2018 to 2023, the CMA has imposed three refusals (all in 2023, and all due to failure to complete the registration documents or for lack of qualifications to practice the activity) and notes two revocations of licenses. For the insurance sector there were ten revocations of licenses (e.g. following a failure to provide CMA with its annual audited budgets and accompanying accounts, which is a violation of the Insurance Brokers Regulation) and no refusals of license applications.

446. Since 2018, the CBO has referred five cases of small-scale unlicensed business in the remittance sector to the LEAs, while CMA has referred one case of unlicensed business conducted by a life insurance broker. CBO's efforts to identify unlicensed businesses rely on a variety of mechanisms in place namely through the reporting of unlicensed activity through a dedicated email address, communication with CMA and ROP (during their regular quarterly meetings) and PP (via email), routine monitoring of the internet, social media and wider media that may help identify adverts pointing to unlicensed activity and engagement with licensed entities. While the AT considers these efforts to be in line with normal and strong supervisory practices, the identification of only five small-scale unlicensed MEEs since 2018 raises some concerns regarding the effectiveness of the system, especially in line with the country's numerous expat community and their traditional use of money exchangers. Concerns regarding the lack of understanding of ML/TF risks related to the Hawala system are expressed in greater detail in IO.1.

DNFBPs

447. DNFBPs supervisors apply good licensing procedures to prevent criminals and their associates from holding or being the beneficial owner or controller or having management functions within their supervised institutions. MOCIIP, MOH and MJLA have adequate procedures in place that include fit and proper tests and control of ML/TF risks. DNFBP supervisors do not report or demonstrate any deficiency suggesting resource constraints exist.

448. Specific licensing measures shared by DNFBP supervisors (and defined in official manuals) include the initial submission of professional requirements (for the different professions), fit and proper checks on the relevant persons and third parties, communication with competent authorities (e.g. ROP, NCFI), as well as cross-checking the relevant international and domestic sanction lists, including UN and commercial databases. Changes are additionally monitored during post-licensing actions like inspections, and during annual reports' review. During the onsite visit, discussions revealed that supervisors have managed to adapt to sectorial challenges and found resourceful ways to reach their supervisory population such as DPMS and reported using radio stations, social media and newspapers to places notices on the requirements for licensing/registration.

449. During the review period, the DNFBPs sector showed greater market dynamism than that evidenced in the financial sector (see Tables 6.2 and 6.3) with the majority of refusals reported justified as a consequence of incomplete information in the submission request or, as concerns MOH refusals, for failure to submit a training certificate.

Table 6.2. License applications received/refused by DPMS from 2018 - 2023

Year	2018	2019	2020	2021	2022	2023
Number of Application received	271	160	80	143	145	50
Number of licensed applications Refused (*)	3	10	0	0	5	15
Number of licenses Issued	268	150	80	143	140	35

Note: *for incomplete information
Source: Oman

Table 6.3. License applications received/refused by the Real Estate Sector 2019 - 2023

Year	2019	2020	2021	2022	2023
Number of Application received	53	44	260	117	50
Number of licensed applications Refused (*)	3	2	5	7	6
Number of licenses Issued	50	42	255	110	44

Source: MOH

450. The risk of unlicensed activity is well mitigated thanks to the multi-layered approval system in place. For instance, a DPMS starting operations in Oman requires municipal approval to use the property for this purpose, and the municipal authority will check in that context whether such a business has a valid corporate registration and a valid license (with MOCIIP) for the relevant activity. Oman noted an increase of online DPMS businesses which, due to their online nature, may pose challenges in terms of oversight. In line with this – and by resorting to active social media checks for example - MOCIIP has identified one case of unlicensed business throughout the assessment period. Similarly, MOH and MJLA have also each identified one case of unlicensed business throughout the assessment period. All real estate transactions in Oman must be registered with MOH through licensed brokers. The risk of unlicensed activity occurring in the DNFBPs professions is noteworthy but mostly true for DPMS and the real estate sector, and not applicable to accountants, for example, where the registration focuses on the individual person and is difficult to avoid.⁴⁷ DNFBP supervisors detect breaches of licensing requirements effectively.

Supervisors' understanding and identification of ML/TF risks

451. Supervisors' understanding of ML/TF risks in Oman is somewhat in line with its context but with uneven risk understanding ranging from mature ML/TF risk understanding for CBO, a fair understanding for CMA and a limited and still developing level of understanding for DNFBP supervisors. During the onsite visit, the AT noted that supervisors (to a lesser degree CBO) predominantly reference main ML/TF risks as identified in the 2023 NRA, as these currently guide their actions and AML/CFT implementation to a large extent.

452. All supervisors participated in the 2023 NRA and have completed their own risk assessment exercises (SRAs).⁴⁸ Participation in the NRA exercise included collecting data from their supervised sectors and analysing this along with supervisory findings and exchanges with counterparts. CBO and CMA have carried out risk assessments since 2016 and 2019 respectively.

⁴⁷ Individual accountants have to register with MOCIIP to become accountants otherwise they do not have the power to operate.

⁴⁸ For additional details on the NRA process please refer to IO.1.

MOCIIP carried out its first risk assessment in 2019, which was further refined in 2021-2022. MOH carried out its first risk assessment in 2021. MJLA carried out a simple risk assessment in 2021 mainly focused on determining the supervisory population, which was further refined in 2022-2023.

Financial supervisors

453. In 2023 CBO and CMA adopted a tool for greater automation and granularity to assess and comprehensively identify ML/TF risks from an entity and sectoral level. This tool allows for an automated qualification of risks – as informed by inspection data but also data gathered from questionnaires sent to the private sector – and contributes to the maintenance of a clear picture of the main ML/TF risks.

454. Prior to the adoption of this tool, FI's supervisors collected and managed data through a manually built matrix.

455. The newly adopted tool assisted CBO achieving a more consistent data collection (250 data points), which improved risk assessment and the ability to spot trends. From 2016-2021, the data on inherent risks was collected twice a year and reviewed annually. Currently, CBO's risk assessment evaluates each entity (and sectors as a whole) and gives entities ratings on risk understanding, controls and procedures. This tool also provides an impact rating and includes NRAs and SRAs elements. The final rating is given based on different factors and informs supervisory authorities to determine which entities to select for supervision as well as determine the inspection calendar.

456. Based on the most recent data collection, CBO published its most recent sectoral risk assessment in 2023 (to be updated annually). CBO supervised entities' risk ratings are also updated when there are major changes or when material events occur. Additional trigger events include sanction lists hits, information provided by other authorities, whistleblowers, adverse media findings as well as – and most important – findings of on-site inspections (Table 6.4).

Table 6.4. CBO Risk Matrix 2023

Sector	Total Nr of supervised entities	High Risk	Upper Medium Risk	Lower Medium Risk	Low Risk
Banks	18	2	2	6	8
FLCs	5	--	2	2	1
MEEs (Cat A)	15	1	2	5	7
MEEs (Cat B)	28	2	4	8	14
PSPs	2	--	--	1	1

Source: CBO

457. While CMA adopted the same technical tool described above, albeit in a simpler form in line with their sectors being less complex and imposing a lesser risk overall. CMA's fair understanding of risk is less refined than CBO. CMA's understanding of the emerging risks of VA and VASPs is still developing (Table 6.5).

Table 6.5. CMA Risk Matrix 2023

Sector	Total Nr of supervised entities	High Risk	Medium-Risk	Low Risk
Securities companies	27 ¹	3	5	19
Insurance companies	13 ²	3	4	6
Insurance brokers	16 ³	2	4	10

Notes:

¹There are an additional five companies which are licensed but not yet active.

²The total number conducting life insurance activities

³The total number conducting life insurance activities

Source: CMA

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458. Overall, it is noticeable that risk understanding across FI supervisors is improving and considerable material and human investment into this area has taken place.

459. CBO and CMA have cooperation mechanisms in place that allow for the exchange information, for example in relation to the implementation and outputs of their risk assessment tool and in relation to the supervision of institutions which have both a CBO banking license and a CMA licence for securities activities. Based on the analysed data and interviews with the authorities, the AT considers CBO has a mature and CMA a fair understanding of ML/TF risks.

DNFBP supervisors

460. While DNFBP supervisory authorities currently engage with ML/TF risks, sophistication of these efforts began in 2021 and 2022 onwards. The AT gave some weight to the recent in-depth engagement with risks as the 2018 NRA highlighted risks emanating from the DNFBP sectors were high and CDD measures considered severely inadequate (classified as “abysmal” in the 2018 NRA).

461. MOCIIP, MOH and MJLA contributed to the 2023 NRA and have carried out their own SRA exercises. In their assessments, all supervisors consider structural, customer, geographical, product and delivery channel risks, apply questionnaires and consider findings from engagement and sectoral outreach, as well as conclusions from supervisory actions (inspections etc.), international reports and STRs. A summary DNFBP sectoral risk matrix is provided in Table 6.6 below.

Table 6.6. DNFBPs risk overview

Type/Risk Category	High Risk	Medium Risk	Low Risk
DPMS	68	154	559
Real Estate	66	140	441
Accountants	10	21	84
Lawyers	8	26	39

Source: AT sourced table

462. To better identify ML/TF risks, supervisors can also consider information provided by LEAs and foreign counterparts although this practice is mostly ad hoc.

463. DNFBP supervisors’ understanding of ML/TF risk is limited and still developing with all broadly demonstrating some difficulty to engage with the topic. MOCIIP has a relatively better ML/TF risk awareness than MOH or MJLA but this is counterbalanced by its higher-risk sector context (DPMS) which, to be effective, still requires major improvements.

464. MOCIIP began assessing ML/TF inherent risks pertaining to the DPMS sector in 2019, when they had to first accurately establish the supervisory population, but residual risks were not assessed until 2022 leading to a more nascent understanding of one of the higher-risk sectors in Oman. Similarly, accounts were only assessed for residual risks in 2022. Nevertheless, as a positive example of the implementation of the risk-based approach, between 2019 and 2020, MOCIIP conducted a thematic review of ML/TF risks associated with the use of cash in the DPMS sector and, as a result, mandated the use of digital payment options in all DPMS operations as well as a mandatory threshold limit for cash payments (over OMR 5 000 / USD 12 000).

465. The real estate sector saw a similar trend, developing its first risk assessment in 2021, albeit being simple and equally limited to inherent risks (residual risks only addressed in 2022). The interviews with the MOH authorities also suggested some gaps linked, for example, to the lack of ability to acknowledge and consider links to third party payments, beneficial ownership as well as transactions linked to the free and special economic zones.

466. MJLA developed its first risk assessment model for the legal sector in 2021, which mainly focused on determining the supervisory population. Like its peers, MJLA did not consider residual risks until 2023 and acknowledges that a more granular understanding of ML/TF risks and its sectors is still underway. Predominantly, as the risk assessment was not particularly in depth, the MJLA demonstrated an insufficient understanding of company formation and real estate related risks (as regards the role of lawyers in transactions or purchases) which is of particular concern as regards the supervision of lawyers.

467. Overall, FIs and DNFBPs supervisors have carried out adequate ML/TF risk assessment exercises – albeit more recent for all except CBO – which allow them to assess and rate ML/TF risks in their supervised sectors. However, despite sectoral risk assessment exercises and some sectoral supervisory actions, DNFBP supervisors were not able to engage constructively regarding specific risk scenarios or supervisor preparedness (ability to engage with threats and ad hoc actions) confirming the AT's conclusion that the understanding of risks is limited and still developing.

468. Furthermore, the AT concludes that FIs (to a lesser extent) and DNFBPs (to a larger extent) supervisory ability to engage and compare the current context with the 2018 NRA and more widely with AML/CFT framework, is not constructive. This was, for example, suggested by the supervisors' limited ability to respond to questions related to hawala as well as free and special economic zones. Other concerns include:

- All supervisors have a better ML than TF understanding – despite the focus that has been given to those in AML Wednesdays and compliance meetings by all supervisors. The majority of supervisors mentioned the use of cash and cross-border movements in relation to the Yemen border as main ML risk. During the onsite visit, attention shown or mentioned regarding other typologies or evolving trends was limited to 2023 NRA headlines and lacked depth. FI's and DNFBP's supervisors agree in their interpretation of TF stating that Oman has not been identified as source country for TF, acknowledging that any activity present may be linked to situations of transit or linked to the wider regional context.
- Supervisory authorities' understanding of risks pertaining to VA and VASPs cannot be considered adequately substantiated. In interviews with CMA, this authority acknowledged its understanding of VA and VASP risks is developing and that more work has to be done in this regard.
- With the exception of CBO, all supervisory authorities demonstrated a limited understanding of beneficial ownership issues, especially in relation to NPOs

and complex structures as well as legal entities and arrangements. Whilst this is intrinsically linked to the national structures and the fact that these aspects are not prevalent in the country context (see IO.5 analysis), it also suggests that supervisors are ill equipped to deal with emerging or less common threats.

Risk-based supervision of compliance with AML/CFT requirements

469. Supervisors have adopted well defined supervisory practices and inspection manuals guided by the results of the 2023 NRA. Broadly, supervisors implement the AML/CFT legal framework comprehensively and in line with pre-established supervisory plans. Remaining concerns emerge from a perceived inability to adjust procedures and engage with the local context which is a core characteristic of an effective risk-based approach to supervision. The assessment also identified shortcomings related to the quality of inspections and follow-up inspections (with these shortcomings particularly weighed in relation to the banking sector, real estate and DPMS sectors).

470. Oman has very well-resourced supervisors with the adequate human and material skills to carry out the needed supervisory actions in line with the risk-based approach. All supervisors conduct onsite and offsite supervisory actions informed by their sectors' risk profiles and cyclical supervisory plan. CBO's use of Preliminary Risk Profiles to scope inspections is noteworthy and a positive instrument for risk-based supervision.

471. Supervisors in Oman share best practices and onsite visits (inspections) are guided by inspection manuals (adapted to all supervisors) that provide a structured environment to inspections and the monitoring of compliance. Supervisory activities are in line with the NRA as regards frequency and form (with some supervisory authorities sharing inspection templates).

472. Generally, the AT identifies some areas of concern in how well the risk-based approach is applied. For example, despite efforts (such as guidance, compliance meetings and other competent authority led workshops) on TFS, it was not demonstrated that these obligations are comprehensively reviewed in the onsite inspections by DNFBP supervisors (as evidenced by the sample inspection reports reviewed during the onsite visit).

473. Despite reported figures regarding CBO (see Table 6.7), the onsite visit interviews also suggested some misalignment of resources with risk and reports of high numbers of staff being assigned to low-risk entities. In addition, according to statistics provided, all DNFBP supervisors carry out annual full scope inspections to all entities classified as high-risk but these visits are light-touch and lacked in-depth analysis. For example, 93 full-scope inspections are reported for DPMS in 2023 (versus 33 in 2022) which signifies an average of 1 to 2 inspections per week.

Table 6.7. Institution categorization and baseline supervision - CBO

Financial institution	Risk rating	Composition of the team	Duration
Banks	High risk	5 staff	4 weeks
	Upper medium	3 staff	3-2 weeks
MEEs	High risk	3 staff	1 week
	Upper medium	2 staff	3 days
FLCs	High risk	3 staff	3 weeks
	Upper medium	2 staff	2 weeks
PSPs	Full scope- higher risk	2 staff	1 week
	Full scope- lower risk	1 staff	3 days

Source: CBO

474. Broadly, the inspection reports briefly analysed by the AT raise questions on the comprehensiveness of onsite inspections and it remains unclear to what extent the (follow-up) inspections allow supervisors to effectively supervise or monitor compliance with AML/CFT requirements. This is best illustrated by the recommendations for actions reviewed onsite which did not offer any guidance or feedback on specific AML/CFT issues whilst setting somewhat unrealistic timelines for implementation (e.g. completing a training ‘immediately’ but also e.g. demanding low risk entities to apply higher levels of compliance than what would be expected for their level of risks; unjustified length of onsite visits and timelines for remedial actions). Some onsite visit reports included recommendations for actions that had no legal basis in the AML/CFT law (e.g. for the entity to seek training from third party providers). Furthermore, seemingly comprehensive analysis of the inspectors on several topics were demonstrated by inspection reports where these checks were done by inspectors only writing the outcome, such as “confirmed” or “not confirmed”. Overall, the inspection reports analysed suggest that supervisory action may not be adequately comprehensive and somewhat process driven.

Financial supervisors

475. CBO and CMA have dedicated AML/CFT departments since 2020-2021. FIs are selected for supervision based on their risk ratings – mostly informed by the automated AML/CFT data collection, risk scoring and data analysis tool adopted – but also major events (see Box 6.1) and country wide risks. High-risk entities are typically chosen for full-scope on-sites, while medium-risk entities are selected for thematic/targeted and ad hoc meetings. Low risk entities are subject to risk and compliance meetings. The well-resourced nature of supervision in Oman means that inspection cycles can be quite short (annual for high-risk entities) (Table 6.8).

Table 6.8. CBO supervision by type of action (Banks)

Onsite Inspection	2018	2019	2020	2021	2022	2023
Full scope AML/CFT onsite inspection	13	16	13	3	4	6
Thematic inspections/reviews		Covered as part of Full scope inspections ¹	Covered as part of full scope inspections ²	10 ³	6 ⁴	7
Ad hoc inspections		1	0	5	6	5
Risk and Compliance meetings		0	2	6	4	4

Notes:

¹Customer risk assessment, business risk assessment, review of CDD information

²PEPs, customer risk assessment, transaction monitoring and VASPs

³Business Risk Assessment, TFS, transaction monitoring, STRs, EDD (including PEPs), VA

⁴Wire Transfers and remittance to high-risk countries, Trade Finance and Trade Based Money Laundering, Virtual Assets, Sanctions, Money Remitter and exchange companies

Source: CBO

476. CBO and CMA supervision actions are always informed by the data gathered from entities on an on-going basis (through the annual reports received or ad hoc questionnaires). This data is used both in the supervisory authorities’ risk assessments and also as part of off-site monitoring. In addition, CBO gathers annual AML/CFT related policies and procedures, whereas CMA gathers prudential reports, including compliance reports, which include AML/CFT elements every three to six months for the securities and insurance sector entities respectively.

Box 6.1. CBO: Trigger Event which resulted in change to Risk Profile of a Bank

In 2022, AMLD received information from both the Payment team (internal team in CBO) and the PP in respect of a repeated cash withdrawals from local ATMs of Omani Banks through cards issued by a bank operating outside of Oman. A meeting was immediately arranged between CBO and PP. Following this meeting, CBO reviewed the risk profile of the Bank and reduced its risk rating on transaction monitoring. CBO also took follow up action by issuing a detailed circular to the sector on ATM withdrawals informing all Banks of the risks and typologies associated with the misuse of ATMs and reinforcing the obligation in respect of EDD, transaction monitoring and STR reporting as well as the cash withdrawal limit of OMR 500 (USD 1 300) per transaction. Furthermore, all Banks were directed to conduct a Risk Assessment of cash withdrawals through cards issued by banks operating outside Oman and provided the CBO with the completed risk assessment within one month. As a consequence of this CBO requirement, the number of STRs reported by banks increased. STRs were reported to the NCFI by CBO in this case and the FI which was the subject matter of the trigger event was scheduled for a follow up inspection in 2023.

Source: CBO

477. Both CBO and CMA detailed their supervisory processes and scoping tools, as well as sources of information for starting a thematic inspection. CBO's use of Preliminary Risk Profiles, to scope inspections, is noteworthy and a positive instrument for risk-based supervision. In the recent past CBO has also carried out thematic inspections covering relevant themes such as PEPs, Wire Transfers and TFS. In 2023 this list was expanded to include foreign investors and non-residents as well as wire transfers to higher-risk TF countries.

478. As regards CBO, outstanding concerns relate to the coverage of free and special economic zones – their placement in the ML/TF risks understanding - and whether reporting entities operate there under a specific supervisory framework (representation offices or other).

479. The AT considers both CBO and CMA have mostly adequate inspection and post-inspection processes with the former demonstrating a higher ability to engage with the procedures.

480. CMA's supervisory actions as regards the insurance sector, for example, are solid in light of their coverage and the sector's low risk as illustrated by CMA's cash ban as a result of its thematic analysis of the issue (see Box 6.2).

Box 6.2. CMA thematic analysis

Following the identification of cash as one of the main threats to Oman in the 2018 NRA, CMA included a request for data on cash transactions in its 2020 inherent risk questionnaire to Insurance Companies in respect of number and value of cash payments. Following analyses of the responses, CMA discovered that the Insurance sector at that time was engaged in intensive cash transactions. In 2020, CMA conducted a full review of the existing CMA regulations and held discussions with the Insurance department within CMA to get views and feedback from the prudential supervisor. CMA also held meetings with the Omani Insurance Association to gain further information on the level of cash, discussed the risks and typologies associated with cash which were identified in the NRA. Following consideration of the information received from all of these sources, CMA issued Circular No. E/18/2020 which prohibits use of cash for the receipt or payments of monies in life insurance policies from the February 1, 2021. In 2021 following the changes to the law, CMA focused on the topic of cash during onsite inspections to ensure that the sector was complying with the law.

Source: CMA

DNFBPs supervisors

481. DNFBP supervisors started on-site inspections in the latter half of the assessment period. MOCIIP started off-site inspections in 2019 and on-site inspections of DPMS in 2021 and accountants in 2022. MOH started both inspections in 2021 (property developers only came into scope in 2022). MJLA started off-site inspections in 2021 and on-site inspections in 2022. As such DNFBP sectors, even higher-risk ones, were not subject to full scope on-site inspections until 2021-2022.

482. DNFBP supervisory authorities have dedicated AML/CFT departments since around 2020-2021 and all supervisors conduct on-site and off-site inspections of their sectors. Supervisory actions are guided by their annual data gathering exercises and typical supervisory plans select high-risk entities for full-scope onsite visits, while medium-risk entities are selected for thematic/targeted and ad hoc meetings. Low risk entities are subject to risk and compliance meetings as well as thematic workshops. For example, the DPMS sector was the subject of 313 such meetings between 2022 and 2023.

483. All DNFBP supervisory authorities have adequate inspection processes, including adequate post-inspection processes. Their actions are supported by solid resources and currently all carry out frequent supervisory actions. All DNFBP supervisory authorities gather data from their entities on an on-going basis. This data is used in the supervisory authorities' risk assessments and for offsite monitoring purposes. However, for the supervision of DPMS, it is unclear to the AT the extent to which supervisory processes align with supervisory practices. As an example, MOCIIPs in house AML-inspection team (10 FTEs) relies heavily on "external" supervisory staff (about 71 inspectors) located in the different governates outside of Muscat, who are not AML experts but carry out AML inspections when needed.

484. In order to sufficiently ensure alignment of supervisory processes between in-house and external staff, MOCIIP conducts inspections based on its inspection manuals, which the AT found were somewhat process focused, rather than promoting in depth reviews and analysis. MOCIIP also make use of extensive inspections checklists for all on-site inspections covering more than 80 questions. However, the effectiveness of this practice was not demonstrated to the AT. MOCIIP further clarified that these inspectors are always accompanied by an AML expert from the MOCIIP

headquarters (AMLD) and receive a detailed briefing before carrying out the onsite visits, but this was not demonstrated, which corroborates the AT conclusion that the country mostly focused on the procedural aspects of AML/CFT supervision rather than investing in its quality.

485. The AT noted that while MJLA carries out adequate supervisory plans and practices, it is unclear to what extent their onsite inspections review the role of lawyers in the company formation processes as this type of activity must be declared by the reporting entities in order to be included in the supervisor's review.

486. The fact that DNFBP in-depth risk-based supervision started in the latter half of the review period, especially its inclusion of residual risk considerations, means that the implementation of a risk-based approach is adequate whilst still in development, but mostly process rather than effectiveness based. This perception does not appear to have improved in time if comparing the 2018 findings with the most recent NRA. Other examples of process driven action emerged, i.e. MOCIIP entities were met with orders for violations outside the scope of the AML/CFT law i.e. a DPMS entity was given an order to seek third-party training in addition to training provided by the supervisor without further detail regarding the legal basis for this order or its pertinence (in particular when compared to MOCIIPs conclusion that there were strong internal controls in place).

487. The AT notes some outstanding challenges still arise from current supervisory practices. For example:

- a) Reporting entities reported a mostly conservative approach to AML/CFT taken by supervisors to any practice which deviates from the supervisory authorities' interpretation of legal requirements and official guidance. Nevertheless, the AT notes efforts and ongoing change, for example as regards the use of new technologies, which is guided by CBO – and corroborated by its 2021 sandbox initiative.
- b) Several supervisory authorities identified cash as being high-risk vulnerability and therefore have in place cash-bans and limits, even in sectors where cash was not identified as a typology. Notwithstanding, entities are encouraged by supervisors to process suspicious cash transactions which should be followed by an STR to the NCFI.
- c) MOH did not appear to adequately consider (despite covering this topic through a checklist in onsite inspections MOH platform, third party declaration forms) the risks of third-party payments through banks and in the real estate sector which, in line with the IO4 analysis, was identified as a relevant risk. It also only enacted a cash limit on real estate transactions in July 2023 (although cash transactions have been prohibited for development companies since 2016).
- d) Supervisory authorities do not sufficiently consider differences in risk posed by entities in freezones and special economic zones vs. mainland Oman. Several supervisors (CBO and MJLA) demonstrated a lack of focus on FZEs/SEZs.
- e) PSPs and FLCs received different guidance regarding TFS screening (quarterly/daily) which suggest an inconsistent approach to TFS.
- f) MJLA demonstrated limited understanding of the company formation processes leaving some doubts on to what extent these activities are supervised in the context of AML/CFT.

Remedial actions and effective, proportionate, and dissuasive sanctions

488. Generally, supervisory authorities demonstrated a clear preference of opting for warnings and remedial plans rather than pecuniary sanctions, with the exception of the CBO who demonstrated that pecuniary fines are issued more regularly. The current application of remedial actions was, however, not demonstrated as effective or proportional suggesting some areas for concern, namely as regards the potential for inconsistent action and the lack of impact of enforcement measures. Overall, enforcement measures applied by all supervisors are not effective, proportionate or dissuasive.

Financial supervisors

489. CBO can apply a wide range of remedial actions and sanctions and has issued several types of enforcement measures throughout the period under review. CBO actively and effectively monitors the progress of remedial actions taken by the reporting entities through the remediation process and follow-up visits, in line with the above-mentioned rigorous approach to supervision and the Tables 6.9 and 6.10. This was substantiated mostly by the private sector interviews and onsite visit conclusions.

Table 6.9. CBO sanctions (Banks, FLCs)

Type of sanctions	FIs supervised by CBO											
	Banks						FLCs					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Warning letter	2	1	1	0	0	2	0	1	0	0	0	0
Remedial Actions / Corrective Actions	170	185	169	184	112	114	4	37	38	38	2	31
Pecuniary	3	7	8	5	5	6	1	3	1	3	0	2
Disciplinary ⁴⁹	0	0	0	0	0	0	0	0	0	0	0	0
Follow up letter	104	152	83	77	124	-	4	64	16	57	16	17
Injunctions	0	0	0	0	0	0	0	0	0	0	0	0
Others – compliance orders	2	2	0	2	2	7	0	1	0	2	0	3
Others – license suspension or withdrawal	0	0	0	0	0	0	0	0	0	0	0	0
Others – removal of GM	0	0	0	0	0	0	0	0	0	0	0	0

⁴⁹ Removal of GM; restrictions on business

Table 6.10. CBO sanctions (MEEs (Cat A&B), PSPs)

Type of sanctions	MEEs Cat A						MEEs Cat B						PSPs		
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023	2021	2022	2023
Warning letter	0	0	0	0	1	2	0	0	0	0	12	0	1	0	0
Remedial Actions / Corrective Actions	10	9	13	26	76	73	15	52	0	0	132	134	14	10	19
Pecuniary	0	1	1	0	4	6	0	0	0	0	0	0	0	0	0
Disciplinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Follow up letter	21	37	66	18	70	16	0	0	0	0	0	0	0	2	0
Injunctions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	1 (1)	0	1 (2)	3 orders (3)	4 (4)	0	0	0	0	3 (5)	11 (4)		1 (4)	2 order (4)

Notes:

(1) Removal of GM and Restrictions on business

(2) Licensing suspended

(3) 1 licensing withdrawals and 1 meeting with the chairman of the board

(4) orders

(5) calls

490. The range of enforcement measures which can be applied include warnings, orders to comply and withdrawals and suspension of licenses. CBO can also issue orders to submit regular reporting on specific actions, replace or limit the mandate of key personnel, including appointment of a special administrative supervisors, suspend the work of persons under investigation, and impose guardianship over the entity. CBO's policy is to not publish enforcement measures themselves and instead rely on FIs to publish them in their annual report.

491. Regarding the publication of enforcement measures by the CBO, the supervisor shared a link to its website which contained an overview of enforcement measures taken by the CBO. While CBO reports the link was live at the time of the onsite – it did not cover the length of the assessment period. The AT also notes that the link provided is not accessible through the CBO website and therefore does not consider this as “publication of enforcement measures”. The AT's understanding is corroborated by reporting entities' statements of unawareness of this or other publication efforts (i.e. annual reports by peer FIs).

492. As a result of the above, in particular the lack of reputational damage and absence of escalation of measures, the AT concludes that the current application of remedial measures cannot be considered dissuasive or effective.

493. Pecuniary fines can range from OMR 10 000 – OMR 100 000 (USD 26 000 to USD 260 000) for each AML/CFT breach (Table 6.11). In general, when issuing pecuniary sanctions, supervisors appeared to lean towards the lower range as standard practice. Supervisors have internal mechanisms in place that contribute to consistency, fairness and transparency in the application of such measures: e.g. breaches and findings are shared and discussed with FIs, supervisors have internal deliberations and there is a right to make representation. The terms for calculating fines (and enforcement measures in general) are set out in supervisor's Enforcement Manuals, but allow for inconsistent sanctioning practices. This is mainly due to the non-exhaustive nature of aggravating and mitigating factors that influence the type and level of sanctions, the superficial description of when fines or measures could be decreased due to the financial capacity of the

involved parties, and lack of knowledge about (the application of) these terms in the private sector. This has led to a perceived lack of transparency as regards enforcement practices which, in some instances, also increases the risk of inconsistent enforcement actions.

Table 6.11. CBO Pecuniary Sanctions

Year	Total Number of Inspections	Total number of inspections that resulted in sanctions	Amount of financial penalties (OMR)
2018	26	6	68,000
2019	42	13	210,000
2020	17	11	210,000
2021	26	10	90,000
2022	32	12	240,000
2023 (until Feb 2024)	14	7	50,000

Source: CBO

494. In addition, during the onsite visit, CBO was unable to explain or give examples of what would constitute a serious failure that could bring enforcement measures from remedial actions to a pecuniary fine. Case examples shared only demonstrated this to a limited extent.

495. Overall, while the framework for implementation of sanctions and remedial actions by the CBO appears adequate and some examples to this end have been provided, its implementation appears flawed as some serious violations (see box 6.3), were only met with warnings and the supervisor appears reluctant to apply more proportionate pecuniary sanctions.

Box 6.3. CBO: Bank A breaches and sanctions

List of breaches found in the inspection report of Bank “A”- to which CBO responded with a warning:

- The bank had closed alerts generated against a customer without proper investigation/review. The alerts were closed as normal transactions, though there were reasonable grounds to have some suspicion about the transactions. In addition, the bank did not satisfactorily respond to the ROPs letter regarding the customer as the bank had not disclosed that the customer had maintained an account with (their or another) bank earlier, which had been closed now.
- The bank had not attended to 3.165 alerts for 1.155 customers that had indicated unusual transaction behaviours.
- The bank had not classified certain nationals from grey listed countries and PEPs as high-risk and as a result not conducted EDD or enhanced monitoring.
- The bank had not examined cross border wire transfers with natural or legal persons or FIs with certain high-risk countries.
- 35 pending cases of ML/TF suspicion were not investigated by the bank.

- Large volumes of unusual cash/cheque deposits which had not been examined with regard to background, purpose and source of funds.
- The bank did not check customers against NCTC list.
- The bank conducted screening for wire transfers through the UAE head office and not in the Omani branch.

Source: CBO inspection report for Bank A as reviewed onsite.

496. Enforcement actions enacted by the CMA follow a very similar course of action as that described for CBO with the authority focusing more on engagement and letters to the sector, as well as corrective actions, rather than other stronger measures of enforcement (Table 6.12). Positively, CMA publishes sanctions on its website and on social media in every enforcement case. This includes the name of the FI and type of violation involved.

Table 6-12. Sanctions for CMA supervised FIs

Type of sanctions	FIs supervised by CMA											
	Capital market operators						Insurance sector					
	2018	2019	2020	2021	2022	2023	2018	2019	2020	2021	2022	2023
Warning letter	1	0	0	0	0	0	1	0	1	0	1	5
Remedial Actions / Corrective Actions	5	5	4	10	12	12	14	10	11	16	15	13
Pecuniary	0	0	0	0	0	0	1	1	2	2	0	0
Disciplinary	0	1	0	0	0	0	0	6	2	0	3	0
Follow up letter	4	6	4	17	13	11	10	6	5	20	15	12
Injunctions												
Others (To be specified) - Compliance Order	11	3	2	5	5	1	6	7	6	5	9	2

Source: CMA

497. Upon review of the sample inspection reports provided, and through speaking with the private sector, the AT also concludes that CMA's actions demonstrate a disproportionate application of remedial actions.

498. CMA and CBO similarly appear to greatly rely on reputational damage which could be considered an element of effectiveness. However, while reputational damage was corroborated as relevant in Oman's context, the onsite visit further confirmed that the element of reputational damage cannot be as effective as reported, because no reporting entity was able to mention or describe any fines, remedial measures or other enforcement measures applied to their peers.

DNFBP supervisors

499. In line with the in-depth risk-based supervision stemming from the latter half of the review period, the enforcement measures applied by the DNFBPs supervisors are similarly limited and date from the latter half of the review period.

500. All DNFBP supervisors can apply a wide range of enforcement measures and remedial actions which all have done to varying degrees. MOCIIP started issuing sanctions in 2021 for DPMS and 2022 for accountants. MOH started issuing sanctions in 2021. DNFBP supervisors have internal mechanisms in place that contribute to consistency, fairness and transparency in the application of such measures; but which do allow for inconsistent sanctioning practices. Moreover, the AT found it revealing that during private sector interviews the legal sector entity

did not know how to object to supervisory measures it was subjected to, indicating a lack of transparency with regards to the right to representation.

501. Since 2021, MOCIIP has issued a range of sanctions for DPMS including written warnings (441), obligation on company registration (179), blocking company registration (72) and replacing/limiting the mandate of key persons as well as imposition of one pecuniary sanction in 2023. Penalties must be approved by the legal department and the undersecretary or minister. MOCIIP can block company registrations which is a very effective sanctioning practice.

502. Like the practices applied in the financial sector, DNFBP supervisors do not practice enforcement actions in a proportionate manner and repeatedly serious breaches are met with remedial actions only. The lack of inclination to impose coercive fines for serious breaches of AML/CFT requirements is a concern relating to dissuasiveness, also taking into account the non-existence of reputational damage, this together creates little incentives for the reporting entities to comply with AML/CFT requirements. Given the fragmented nature of these sectors and the high risks of some there appears to be a need for greater supervisory action which can mitigate eventual lack of compliance. The enforcement processes also appeared to be less formalised – albeit the country submission of follow-up reports and some relevant case studies - and the AT was not able to get concrete elaboration on this issue from any of the entities interviewed onsite.

503. In sum, while all supervisors can rely on adequate and comprehensive legal and enforcement frameworks, the application of remedial actions and sanctions for breaches of AML/CFT cannot be considered effective, proportionate, or dissuasive.

Impact of supervisory actions on compliance

Financial supervisors

504. FIs, CBO and CMA have a good and ongoing system for communication which translates into a good working relationship. Supervisors can demonstrate the effect of their actions on compliance to a good extent through supervisory data that shows an increase in compliance across all areas of the control framework, case examples and an increase of STR reporting. It is also clear that the supervisors have made significant efforts to achieve this effect. However, the issues described in IO4 do not confirm the impact of supervisory actions and suggest moderate effectiveness.

505. CBO contributed the increase in STR numbers and their quality to their efforts which included a focus on this element in their 2020 supervisory plan, imposition of remedial actions and sanctions and outreach sessions, targeted guidance on suspicious transaction reporting and transaction monitoring, supervisory findings papers as well as the guidance issued in 2023 (AML Guidance for FIs – issued jointly with CMA). The rising STR numbers therefore substantiate CBO's views and were confirmed by the NCFI during the onsite visit (See IO.4 table STR Analysis).

506. The AT reaffirms the recent nature of some sectors' STR practices as FLCs only started to submit STRs regularly in 2023, but given CBO's significant effort, this is expected to improve.

507. More broadly CBO presented the effect of its actions on compliance through data showing the speed at which entities remedy deficiencies (which is increasing), the improvement of questionnaire responses quality and, the refining of the control mechanisms and the automated tool ratings. CBO also notes a decrease in fines demonstrates less breaches, or serious breaches, which it describes as a direct result of supervision efforts (see tables above- CBO Sanctions).

508. As regards CMA and its supervised entities, the AT notes that since 2018 the securities sector only reported one STR in 2022 and 26 STR in 2023; a very noticeable and sudden rise. Interviews with the private sector and supervisor clarified that this rise is most likely and mainly

due to an increased awareness in the private sector following supervisory action. This demonstrates an effect, albeit at the end of the assessment period. The insurance sector reported a total of 15 STR, of which one was reported in 2018 and the rest reported between 2021-2023. The low level of reporting numbers (up until 2023) has been explained by CMA by lower levels of ML and TF sectoral threats, although this assessment seemingly overestimated the awareness and/or control measures in place for the securities sector.

509. CMA provided figures relating to the improvement of AML/CFT control elements within their sector, including performance as regards specific indicators like CDD, business risk assessments, STR reporting, and record keeping according to which progress is demonstrated. In areas where challenges were identified – i.e. business risk assessment – CMA responded by issuing the joint CMA/CBO AML/CFT guidance, as well as offered targeted training sessions and addressed the issue in individual compliance meetings, which is positive.

510. CMA also reported a good level of compliance with TFS obligations which are due to their efforts in the latter half of the review period (since 2020) to deliver targeted workshops, share links to the UN sanction lists, carry out thematic inspections and the development of a dedicated TFS examination section to be applied during full scope inspections, as well as the issuing of TFS guidance in 2022.

511. Overall, the impact of supervisory actions on compliance by FIs is also supported by the supervisors' follow-up mechanisms to monitor the progress of the remediation of identified deficiencies as corroborated through case-examples and documented based during interviews with the supervisors.

DNFBP supervisors

512. The impact of supervisory actions in the DNFBP sectors is less tangible and still needs to mature to become effective. In 2022 and 2023 supervisors have taken a large number of (non-pecuniary) enforcement measures in the higher risk DPMS and real estate sectors. Supervisory actions and enforcement measures stemming from the latter half of the review period have not yet resulted in an improved compliance system, rather private sector talks demonstrated a very shallow awareness of obligations and a low to non-existent awareness of ML/TF risks.

513. A common improvement which has been reported by all DNFBP supervisors is the fact that most DNFBPs have appointed persons responsible for AML/CFT compliance within their companies and reported this to the supervisors. The knowledge and understanding of these individuals are monitored by the supervisors through Risk and compliance meetings. MOCIIP and MOH reported improvements in AML/CFT control systems with some decrease in cash dealings across the sectors, but these are mostly process driven actions that target technical compliance more than a more holistic approach to AML/CFT compliance. Similarly to FI supervisors, despite DNFBP supervisors being able to demonstrate the effect of their actions on compliance through supervisory data, the issues described in IO4 suggest the impact may be more formal than de facto.

514. In relation to STR reporting numbers, for example, progress can be noticed in the higher risk sectors as the AT found that from 2023 onwards the DPMS and real estate sectors became the most active reporting entities. The same cannot be said for the other sectors who only recently begun to file STRs and only to a limited extent. The ultimate quality of these STRs is nonetheless considered good by the FIU.

515. It has not been demonstrated to the AT that there is effective impact of DNFBP supervisory actions on compliance with AML/CFT requirements. The AT acknowledges that this is in part a result of in-depth supervisory efforts and focus stemming from the latter half of the review period, which are expected to increase and improve over time.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

516. FIs and DNFBPs supervisors promote AML/CFT obligations well, including the dissemination of the 2023 NRA findings on ML/TF risks. Nevertheless, it cannot be said that supervisors succeed in promoting ML/TF risk understanding beyond a superficial knowledge of the NRA.

517. FIs and DNFBPs supervisors appear to promote the understanding of AML/CFT through binding instructions and guidance documents which are complemented with workshops and the risk and compliance meetings (as part of regular supervision).

518. Other than guidance documents and instructions which are interpreted as requirements, ad hoc guidance to the sectors appears to essentially take the form of the “risk and compliance” meetings. Starting from May 2022 and until March 2023, in cooperation with CMA and the National AML/CFT Committee, Oman held fortnightly trainings for the financial sector named “AML-Wednesdays” (see IO.4 Box). According to interviews with competent authorities these sessions included topics considered of relevance to the improvement of implementation of AML/CFT requirements and consisted of lectures on issues like TFS, PEP, results of the NRA, EDD, cash risks, BO identification and verification, and supervision outcomes.

519. All supervisors report that they also offer AML/CFT guidance as feedback on the results of on-site inspections, which was to a large degree substantiated by the private sector interviews.

520. It is well noted that FIs and DNFBPs supervisors have dedicated e-mail channels and phonelines for the private sector to contact them whenever needed.

Financial supervisors

521. CBO is the most active supervisor with an extensive record of outreach activities. CBO began conducting trainings, seminars and general outreach in Q3 of 2018. In 2019 and 2020 CBO conducted two training seminars, one training seminar in 2021, 10 in 2022 and six 2023 (co organised with the FIU and National Committee). The above-mentioned efforts covered relevant themes as well as general AML/CFT obligations and encountered high levels of participation from the entities supervised by the CBO.

522. CBO has issued several comprehensive guidelines for reporting entities (including on BO, PEPs, SDD and TFS) to understand their obligations. But the written guidance efforts started relatively late. Specific guidelines on PEP, BO and STR were issued in 2021 and 2022. The most comprehensive guidelines were developed in cooperation with CMA and disseminated in July 2023 (the AML/CFT joint guidance mentioned above).

523. As regards CMA, trainings, seminars, and general outreach started in May 2022 with the start of “AML-Wednesday”. In addition to the joint comprehensive guidelines developed with the CBO, CMA has also issued guidelines on BO and TFS.

524. The consensus among the private sector is that CBO started to focus on AML/CFT compliance in the years 2020-2021 and CMA followed. This resulted in a still developing level of implementation (and understanding) of AML/CFT by reporting entities.

525. Overall, while the AT acknowledges CBO and CMA’s supervisory actions to promote compliance, it notes that the impact on increasing the understanding of AML/CFT risks is limited. Ultimately, the focus of supervisory action – including outreach and guidance efforts – has largely been on promoting compliance with regulations and the AML/CFT process rather than a clear understanding of ML/TF risks. This has particularly been demonstrated by the progress demonstrated regarding the reduction of breaches but negligible improvement in the reporting entities’ understanding of ML/TF risks.

DNFBP supervisors

526. With the exception of one training held by the MOCIIP for the DPMS sector on general AML/CFT risks in the DPMS sector, May 2022 was the departure date for AML Wednesdays and DNFBP supervisors' efforts to conduct trainings, seminars and general outreach. As regards MOCIIP, specific trainings started in late 2022 for both DPMS and accountants. Since 2022, MOCIIP held ten AML/CFT focused trainings on "Methods and patterns of combating money laundering". However, the information provided about the trainings and their content was limited.

527. MOH began carrying out specific trainings started in 2019-2020, and MOH held 16 trainings until 2023. MJLA, specific trainings started in 2021 and MJLA held seven trainings until 2023. However, limited details on the content and format of these trainings have been provided to the AT.

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528. The AT received a copy of the Guidelines for DNFBPs that was disseminated in May 2023. The AT is not aware of how widely, this document was distributed (but acknowledges its distribution via email and social media) and the document was not mentioned by any reporting entity during private sector interviews.

529. Based on the above-mentioned, and in line with the outcomes of the private sector interviews, the DNFBP supervisors did not really focus on pushing AML/CFT compliance before 2021-2022. This suggests some lack of action following the 2018 NRA and a continued lack of urgency in relation to the sectoral identified risks.

530. DNFBP supervisory efforts are still recent – in particular as regards onsite inspections and follow-up actions. Supervisory action has moreover been focused on promoting and solidifying AML/CFT obligations' process and implementation resulting in the need to further develop a clear understanding of ML/TF risks with DNFBP reporting entities, especially the DPMS and real estate sectors.

Overall conclusions on IO.3

Supervisors have in place effective market entry control mechanisms that prevent criminals or their associates from owning or controlling, managing or being the beneficial owner of FIs, DNFBPs and VASPs.

The understanding of ML/TF risks among supervisors varies. CBO has the most mature understanding and DNFBP supervisors have a less developed understanding of risks.

All AML/CFT supervisors are well resourced and have clearly defined supervisory processes although the financial sector supervisors demonstrate a higher level of sophistication than the DNFBP authorities.

FIs and DNFBPs supervisors have broadly implemented a risk-based approach to AML/CFT supervision, but concerns remain regarding the quality of inspection practices and most supervisory measures for DNFBPs - including on-site inspections - date from 2021 onwards.

Supervision and monitoring have led to the implementation of some administrative measures, remedial actions and pecuniary fines in the financial sector but only remedial actions in the DNFBP sectors (except one pecuniary fine issued by MOCIIP in 2023). Enforcement measures across all sectors are unevenly applied, increase the risk of inconsistency and cannot be considered effective, proportionate or dissuasive.

Overall, all supervisors require major improvements regarding their onsite inspection practices, enforcement actions and, the promotion of a clear ML/TF risk understanding. CMA and DNFBP supervisors should improve their own ML/TF risks understanding.

Oman is rated as having a moderate level of effectiveness for IO.3.

Chapter 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key Findings

- a) Access to information on the different types, forms and basic features of legal persons and arrangements, as defined in the legal framework, is public and made possible through the Oman Business Portal. The process for creating different types of legal persons is described to a much lesser extent. Information concerning the creation of Awqaf can be found on the Ministry of Awqaf and Religious Affairs (MARA).
- b) Oman's understanding of relevant ML risks is fair but still developing. The risk understanding is informed by the topical risk assessment, which includes details on different risk variables but is not fully comprehensive. Key concerns include OPAZ's limited understanding of risks, the lack of distinction between ML and TF, the absence of risk assessment for Foundations and Associations, and the light analysis made of the residual risks relating to different types of legal entities (or legal arrangements), most notably LLCs, as well as the impact of complex legal persons and the role of professionals in their creation.
- c) Oman's legal framework and its registration requirements somewhat mitigate possible misuse of legal persons. Registration requirements for basic information are clear and linked to a unique identification number for each legal person. The MOCIIP verifies information and follows up on updating requirements to some extent.
- d) Competent authorities have timely access to basic information.
- e) BO information can be obtained by requesting FIs or consulting alternative databases like Mala'a (the bank account database) and obtaining CDD information from FIs- taking around 5 days to obtain - which is in line with Oman's risk context. However, only NCFI has a direct access to Mala'a, with other authorities still dependent on the CBO customer service. LEAs can additionally access banking transactions' information through PP warrants.
- f) MOCIIP is setting up a new centralised BO registry but the process is still ongoing and while some information is available, with 84.000 legal entities having submitted information at the time of the OSV, verification procedures and public availability are still being developed.
- g) Adequate, accurate and timely basic information on Awqaf can be obtained through MARAs electronic platform.
- h) MOCIIP has applied sanctions for failure to comply with updating requirements in relation to basic information. However, the effective

application of those sanctions remains unclear. Sanctions linked to the BO regulation have not yet been applied. There has been no sanctioning of individuals for the misuse of legal persons.

- i) Sanctions applied by MARA on Awqaf are not effective as they are mostly remedial and otherwise only applied by courts and very limited in scope. However, MARA relies on other supervisory measures, most notably suspension of the Wakeel.

531. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25, and elements of R.1, 10, 37 and 40.⁵⁰

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Recommended Actions

- a) MOCIIP should complete the establishment of a centralized BO registry, including verifying submitted information to ensure accuracy and apply sanctions for non-compliance where applicable.
- b) Oman should assess the ML/TF risks related to Foundations and Associations as well as the creation and use of complex company structures and the role of legal professionals in company formation.
- c) Enhance the ML/TF risk awareness of the OPAZ in terms of identified risks associated with legal entities in the Freezones and adequately reinforce its abilities to sanction entities.
- d) Further assess the specific vulnerabilities related to LLCs and apply adequate mitigating measures.
- e) Enhance the ML/TF risk awareness of MARA in terms of identified risks associated with Awqaf.
- f) MOCIIP, MARA and other relevant competent authorities should closely monitor the operations of legal persons and Awqaf (beyond licensing and registration processes) so that breaches can be detected on a timely manner and sanctions applied in a proportionate, dissuasive and effective manner, not only on legal persons but also on individuals. This could include requiring mandatory annual reports or BO information updates as well as ad hoc and un-scheduled inspections.

⁵⁰ The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

Immediate Outcome 5 (Legal Persons and Arrangements)

532. Basic information is publicly available and competent authorities can access it in a timely manner. Oman has a fair but still developing understanding of ML/TF risks and vulnerabilities linked to legal persons. It generally applies adequate measures to mitigate potential abuse, including by ensuring the accuracy of the information. Some challenges persist regarding the timely access to beneficial ownership information for all legal persons and in the implementation of effective, proportionate and dissuasive sanctions.

533. The AT notes that while trust and company service providers are not a defined sector in Oman, nothing prevents professionals such as lawyers, accountants and auditors from offering company registration services or acting as professional trustees of trusts that are created under foreign laws. In such cases, the AT considers that the applicable rules and regulations governing DNFBPs apply as further detailed in R.25. Outstanding concerns are expressed accordingly throughout this chapter.

534. The AT considers Awqaf to be similar in structure and function to legal arrangements as defined in the FATF Glossary.

535. The AT notes as having an impact to the assessment of this chapter the absence of *Associations* and *Foundations* in the Topical Risk Assessment of legal persons. Oman's legal framework includes these as non-profit organisations (within the AML/CFT regulations for non-profit associations and organisations [Ministerial Decision 36/2023]), but these provisions do not take into account the ML/TF risks of these entities more widely or in line with the issues scoped in this chapter.

536. The AT concludes that Associations and Foundations have not been adequately defined as legal persons or arrangements in line with the FATF definition.⁵¹ The current framework has resulted in the exclusion of these “legal persons” from the topical risk assessment, the general legal framework for legal persons, and any additional consideration regarding the connection between these entities and ML risks. TF risks were considered in the Topical Risk Assessment on NPOs and as further discussed in IO 10 (which includes the assessment of Foundations and Associations within that context). Information on these entities is not publicly available, relevant competent authorities have not demonstrated relevant risk understanding or any awareness of relevant ML typologies. No sanctions for breaches of BO requirements having been applied to these types of entities was provided to the AT.

Public availability of information on the creation and types of legal persons and arrangements

537. The Oman business portal identifies and describes the different types, forms, and basic features of legal persons that can be created in Oman (see criterion 24.1). This information is publicly available and managed by the Ministry of Commerce, Industry and Investment Promotions (MOCIIP). Information on Associations and Foundations can be found, to some extent, in the Ministries of Social Development (MOSD) website but information held here is not always comprehensive.

538. The Oman business portal includes a simulator tool which allows applicants to identify and select which license is suitable for different professional activities. It also offers an online application to create new commercial registrations. The application offers some instructions and

⁵¹ The FATF Glossary defines legal persons as “any entities other than natural persons that can establish permanent customer relationship with a financial institution or otherwise own property. This can include companies, bodies corporate, foundations, anstalt, partnerships, or associations and other relevantly similar entities.”

information on e.g., obligation to submit annual reports and where list of shareholders for Private Limited Liability companies and Joint Stock Companies is kept. The portal offers more specific instructions for the creation of legal persons upon registration (although this could not be confirmed by the AT).

539. It is also possible to open branches or subsidiaries (e.g. House Trade businesses), of legal entities but these are always identified with reference to the parent entity and do not constitute separate legal entities.

540. The Omani legal framework moreover allows for the creation of a type of financial trusts (Bonds and Sukuk) which are sharia compliant investments and considered, for the purposes of this assessment, as a type of investment fund rather than separate legal arrangements (and therefore not assessed in this chapter). For both, registration must be carried out with CMA which also supervises these instruments.

541. Awqaf are the main kind of legal arrangements operating in the country as described in the TC annex, under R.25.

542. Civil Awqaf were the closest to what is commonly described as wealth management as they could be established for the benefit of the family of the donor, including relatives - as long as the purpose was charitable in nature. Although some are still in existence, Oman reported it no longer allows for their creation.

543. MARA is the authority responsible for registration, licensing, and supervision of Awqaf. Awqaf are to be registered with MARA, including information on e.g., name, address, number and purpose of each Waqf, type and status, information about the Wakeel, its supervisory entity and assets dedicated to the Waqf. The purposes⁵² of Awqaf, whilst limited, are left to the discretion of MARA which did not provide the AT with clear details on this process, its potential limitations or links to ML/TF risks.

544. MARA has recently created an electronic platform and has concluded the registration of all Awqaf to the platform (38.463). The platform is publicly available data is publicly accessible through the platform which also allows for the online creation of new Awqaf. Other information, including on bank accounts and beneficiaries, is also available through the platform, although not publicly.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

545. In January 2023 Oman finalized a topical assessment of the ML/TF risks associated with the different types of legal persons created in the Sultanate (TRA), including on Awqaf.⁵³ Oman's NRA also includes a summary of the TRA as a separate chapter on the risks associated with legal entities, which is based on the topical assessment. The TRA is sectorial, assessing the risk related to legal entities established in Oman (including mainland and freezones and special economic zones). The TRA broadly identifies ML/TF risks as low in line with the country's limited type and volume of legal entities, the negligible numbers of complex structures and the citizenship or residence requirements applied to the registration of most legal entities.

⁵² MARA reported the purposes of Awqaf can include: Public acts of kindness; Education and knowledge; Social welfare; Health and treatment; Social groups; Islamic establishments; Awqaf care affairs; Ending Islamic affairs

⁵³ Oman includes Awqaf as part of the risk assessment on legal persons in line with its internal classification of these instruments. For the purposes of this assessment and in line with Awqaf structure, function and the FATF Glossary definitions, the AT opts to classify Awqaf as legal arrangements.

546. As mentioned above, the TRA excluded Associations (and Foundations) as created under the Civil Association Law (Royal Decree No. 14/2000). Because they do not meet the definition of “commercial entities”, these instruments are also not included in the Commercial Companies Law or registered with MOCIIP. Instead, Associations⁵⁴ are created within MOSD and were only assessed in terms of TF under the NPO Topical Risk Assessment from 2022, as further detailed under IO.10 but the AT notes this was not addressed in a way that could be considered sufficient for the purposes of IO.5, nor does the NPO risk assessment provide a consistent analysis of these instruments.

547. The NRA and the TRA make a distinction between threats resulting from domestic and foreign proceeds generating criminality. The threat for Omani legal entities to be misused to launder domestically generated illicit proceeds is considered low, as explained by the predominance of single layered activities with a mostly local basis. As regards foreign generated proceeds of crimes, the TRA acknowledges that legal persons can be misused to channel such proceeds and that investigations suggest that FZ/SEZ companies feature more frequently in such cases, also with higher amounts involved. The threat of legal persons to be misused in terms of foreign generated proceeds of crimes is considered medium-low in line with the mitigating measures that have been applied.

548. The TRA identifies LLCs as having a medium-high risk factor rating, due to their flexibility in set-up and the ability to change shareholding and appoint non-shareholders as managers, making them easier to use in ML/TF schemes compared to other types of legal persons. Other types of legal persons are assessed as posing a low inherent risk, except for Holding Companies, which have the risk factor rating of medium-low.

Table 7.1. TRA Legal Entities Risk Matrix

	RISK FACTOR	Customer Risk Variable	Delivery Channel Risk Variable	Structure and Activities Based Risk Variable	SUB-SECTOR INHERENT RISK AS A WHOLE
Mainland Legal Entities	Medium-Low	Medium-low	Low	Medium-low	Medium-low
Freezone/Special Economic Zone Legal Entities	Medium-high	High	Low	Medium-high	Medium-high
Awqaf	Low	Low	Low	Low	Low
SECTOR INHERENT RISK AS A WHOLE	Medium-low	Medium-low	Low	Medium-low	

Source: Oman, TRA, para.88

549. Other factors considered in terms of inherent risk are described above (Table 7.1). The TRA also considered mitigating measures, including transparency measures in relation to

⁵⁴ The MOSD categorizes Associations into four main categories: Charitable Organisations, Foundations and Associations; Women’s Associations; Professional Organisations; Community social clubs.

requirements to provide basic and beneficial ownership information and physical presence requirements, assessing the overall effect of such measures as moderate in respect of both the mainland and FZs/SEZs entities based on residual risks and mitigating measures in place.

550. The TRA is detailed in terms of the different risk features of each type of legal entities, risk variables and mitigating measures, but does not comprehensively address the risk of the different legal entities that can be created in Oman. It mainly focuses on the difference in the risk relating to mainland and FZ/SEZ companies without specific focus on the different types of entities and their residual risk or how they can be misused in terms of ML. In that respect the AT notes that out of 272 criminal complaints relating to ML between 2016-2019, 115 involved the use of a legal person (45% of which involved an LCC). Only three of these cases were referred to court and one is still under investigation. Others were dismissed due to lack of substantiated suspicion. The AT also finds some contradiction in the low risk factor rating given to most entities and the many ML offence cases shared with the AT which often included legal persons.

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551. The TRA addressed TF risks to some extent – mostly as relates to the identified threats - noting that Oman has had few terrorism and TF investigations and prosecutions since 2018, with few having resulted in a conviction and none having involved a legal entity. The threat for legal persons in terms of TF is considered low in line with the low levels of complexity of the majority of legal entities as well as the overall acknowledged TF risk. A separate risk assessment for TF was concluded in January 2023 focused on crowdfunding.

552. The TRA also considered ML/TF risks in relation to Awqaf describing them as perpetual and inherently domestic in nature, used almost exclusively by individuals in Oman. It is further maintained that although it is possible to create unregistered Awqaf, the benefits of such arrangements are only obtained through registration with MARA, which means in practical terms that it is not possible to have unlicensed Awqaf. Taking into account inherent risk, the relevant risk channels and the mitigating measures in place the overall residual risk for Waqfs is considered low. Notwithstanding, additional efforts to assess and identify potential ML/TF risks in this regard are warranted.

Mitigating measures to prevent the misuse of legal persons and arrangements

553. The legal persons registration and licensing process - through the Commercial Registry/Oman business portal - is the cornerstone of mitigating measures (Table 7.2). Legal entities only gain legal personality once the needed basic information (including name, type, address and partner identities) is submitted and confirmed as adequate and accurate and is made publicly available. If the legal entity has more than one non-Omani partner, the registration also includes requirements under the Foreign Capital Investment Law which requires additional details i.e. on capital and initial signatories.

Table 7.2. Total number of active entities in the Commercial Registry

Entity	2017	2018	2019	2020	2021	2022	2023
Individual merchant/ trading company	230 902	188 417	172 683	176 869	184 050	183 691	182 563
General partnership	45 425	46 078	44 354	43 961	43 702	43 664	40 289
Limited partnership	26 786	27 444	27 317	27 232	27 095	26 838	25 020
Limited liability company	67 825	73 296	77 459	80 103	84 204	97 369	101 340
Open joint stock company	133	130	127	127	126	126	126
Closed joint stock company	346	352	358	372	367	371	374
Sole proprietor	4	11	1 985	6 676	14 989	18 866	20 290
Holding company	NA	NA	NA	NA	NA	NA	NA
Branch office	594	623	635	639	644	632	615
Representative office	98	100	102	104	103	105	108
Joint venture	NA	NA	NA	NA	NA	NA	NA

Source: MOCIIP

554. Legal persons operating in the SEZ/FZ are covered by article 13 of Royal Decree 105/2020 which awards the OPAZ with licensing and supervisory powers. Nevertheless, despite operating in a slightly different regulatory system, these legal persons must still be registered in the Commercial Registry. The AT acknowledges that the legal personality of the company, its dissolution procedures, and obligations are still determined under the Commercial Companies Law and governed by the Commercial Companies Law.⁵⁵

555. As of the end of 2023 there were 370 725 active legal persons registered with MOCIIP - 182 563 classified as individual merchants.⁵⁶ According to information provided by Oman, Individual Merchants can no longer be created/licenced.

556. Full access to the portal is only available to individuals that have registered and possess an Omani ID card – which permits digital signatures - issued by the ROP and subject to checks. For those who are not registered, or do not have an Omani ID card, licensed service portal providers (Sanad Centres) may file documents through the system on their behalf. An in-person incorporation is also possible, in which case the required information and documents must be submitted directly to MOCIIP.

557. Founders of a legal person must submit the constitutive documents of the legal person along with their registration and this must be signed by all partners and/or shareholders. If a legal entity wishes to incorporate another company, information on the shareholders of the mother company and its beneficial owners must be provided. For foreign legal entities establishing a legal entity in Oman, documents must be approved by the Ministry of Foreign Affairs before MOCIIP is able to validate them.

558. The BO Regulation (Ministerial Decision No 424/2023) requires all companies that issue shares to maintain a shareholder register in their head office. Transfer of ownership of shares is subject to registration in the shareholder register. Public Joint Stock companies are exempt from the regulation, but similar requirements apply to such companies according to the Commercial Company Law. Shareholder information for Joint Stock Companies is kept at the Muscat Clearing

⁵⁵ The Commercial Registry Certificate and its Form are the same forms used for mainland companies. However, the section on basic information of the Company mentions that such company is subject to legislations governing Special Economic Zones and Free Zones. Such observation is read by all other national systems, such as the Customs Declaration System, in order to facilitate handling imported and exported goods from and into such zones.

⁵⁶ Individual Merchants were not considered in the context of this assessment given their legal characteristics and status.

Deposit (MCD), which oversees registering and keeps records of all share movements on such companies.

559. Information submitted to the Commercial Registry – managed by MOCIIP – is verified by legal officers within MOCIIP. The verification process was explained to the AT as covering the review of formal requirements and whether submitted information are in line with the Commercial Company law although the AT notes that some uncertainty remains on whether this can best be described as a box ticking exercise focused on commercial requirements or a wider effort to mitigate the misuse of legal entities by criminals. During the onsite visit authorities mentioned checks also include consideration of ML/TF risks and FATF guidance, including focusing on entities owned by other entities (complex structures).

560. As regards companies located in the FZ/SEZs, the same requirements apply in terms of incorporation and information to be registered as explained above. FZ/SEZ companies are registered in the Company Registry and each Zone only allows certain types of legal entities to be used. Additionally, such companies must apply for a license to operate out of the zones, further described in each Zone’s regulation, which may also prescribe further controls and requirements for each zone. Companies operating out of the FZ/SEZs are regulated and licensed by OPAZ, which also oversees the establishment and registration of companies. As with mainland companies, it remains unclear how and to which extent OPAZ verifies the accuracy of submitted information.

561. Foreign investment in Oman is governed by the Foreign Capital Investment Law (Royal Decree No. 50/2019) and its Executive Regulation. Participation of foreign investors, both natural and legal persons, is subject to an investment licence which requires the submission of additional information to MOCIIP on both the investor and the investment project. Such requirements are cumulative to those described above for foreign natural and legal persons establishing or participating in the establishment of an Omani legal person.

562. Since 2017 MOCIIP has taken considerable efforts to ensure the integrity of the company registry by dissolving or liquidating un-active companies, i.e. companies whose registration had been expired for more than two years and companies whose registration had not been activated based on an approval by a municipality (See table 7.3 below).

563. There is no legal provision prohibiting Bearer shares. However, as the transfer of ownership of shares only takes effect in shareholder register, Oman suggests this invalidates the existence of any Bearer shares in Oman. The only exception being the possibility to convert nominal shares to certificates of deposit which are tradeable in international markets. Oman also maintains that nominee directors are not accounted for under Omani law. Oman further maintains that although not expressly prohibited, corporate directors do not exist in the mainland, confirmed by statistics showing that no registered legal entity has a corporate director, and that the same applies in the FZ/SEZs.

564. Similarly, in relation to Awqaf, MARA requires an official registration whereby it verifies information and maintains a working record of the details of the Wakeel. An important element of MARA’s control of Awqaf is the requirement on the Waqf donor or the Wakeel to keep certain information in relation to the Waqf, e.g. records on local and international transactions of the Waqf that have been carried out for the past 10 years from the date of the transaction.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

Basic Information

565. The commercial registry – to which all legal persons operating in Oman must register - allows basic information on legal persons to be publicly available and therefore accessible, on a

timely basis, to competent authorities.⁵⁷ Information held in the registry is comprehensive, mostly accurate and corroborated by the verifications carried out by MOCIIP.⁵⁸

566. If a legal person has occurred changes in its constitution, it must report this information under penalty of not being able to operate. In practice, in line with the supervision cycles, the monitoring of updating requirements appears to occur in five-year (three years for foreign companies) cycles, linked to the onsite supervision visits, or during the license updating process (annually). Oman reported imposing on sanctions for failure to comply with updating requirements in 7.100 cases over the assessment period, including fines amounting to close to OMR three million (USD 7,8 million). It appears that the authorities place some reliance on the ability to confirm updates during onsite visits which, as these are infrequent, also adds to the concerns.

Beneficial Ownership Information

567. Oman broadly relies on a multi-pronged approach to ensure timely access to adequate, accurate and current beneficial information on legal persons.

568. The main pillar of this approach is the Commercial Registry (managed by MOCIIP) which gathers basic information on legal persons operating in Oman. The commercial registry allows for immediate access to basic information and, since 2021, on shareholders in line with thresholds of ownership (25%).

569. Oman has also recently enacted a new Beneficial Ownership Regulation (adopted in 2023) which requires legal persons to maintain a register of their beneficial owners, as defined in the regulation,⁵⁹ including partners or shareholders who own no less than 25%, or the equivalent, of the company's shares. If no beneficial owner can be identified, the top administrative director is to be considered as the beneficial owner. As with shareholder information, BO information is to be kept accurate and as up to date as possible, with all changes to be updated within 5 business days. All data and information in the BO register should be available to competent authorities and must be provided within 3 business days from the date when the request is made.

570. Public Joint Stock companies are exempt from the BO regulation and the legal basis for what information should be provided is unclear. Oman reported that for listed companies, beneficial and shareholder information is required and made publicly available on the MCDs homepage. For unlisted Public Joint Stock companies, such information is not publicly available, but can be accessed by competent authorities upon request based on the relevant provisions in the AML/CFT Law. The timing of this access could not be confirmed.

571. Further to the requirements of this regulation, MOCIIP is setting-up a new registry that aims to collect declaratory BO information from all entities. Information is gathered by way of a declaration, signed by the beneficial owner, imposing obligations and liability in the event that

⁵⁷ The AT notes that while information on legal persons could be accessed by the public during the onsite visit, the portal no longer offers that possibility.

⁵⁸ The AT notes that while shareholder information was historically kept separately, the nature of the majority of legal persons in Oman (simple and local structures) mitigates the impact of this information gap. Additionally, with the enactment of the BO regulation, shareholdership information is now required and kept in the new BO registry.

⁵⁹ "The natural person who ultimately owns or controls a commercial company, either directly or indirectly, including any natural person who exercises control by means of controls other than direct control. This covers the natural person who has full control of legal personality or a legal arrangement." This is to be recorded in the BO registry, including "partners or shareholders who own no less than (25%) twenty-five percent of the company's shares, or its equivalent."

provided information turn out to be false or inaccurate, in which case the Company's representative may also be held liable. The information is then verified through official documents such as passports and national IDs and constitutional documents of the entity in question such as Board resolutions and minutes. If the legal person in question is foreign, attested and apostil documents are required.

572. MOCIIP declared, at the time of the on-site, that it has obtained BO information from just under 84,000 entities, of which a delayed submission was received from 9,545 entities, resulting in the issuance of a warning letter by MOCIIP. No legal person has failed or refused to submit BO-information and no sanctions have therefore been applied for non-compliance.

573. Noting the BO registry construction efforts are ongoing, BO information can be accessed by competent authorities on a timely basis - to some extent - through requests to MOCIIP. If the request is for BO information of a legal entity that has yet to submit information in accordance with the process described above, MOCIIP will request information from the legal entity in question and then forward it to the requesting authority. According to Oman this process usually takes 5 days, but it may extend for few days in some cases. If and how such information is verified remains unclear. Concerns remain regarding the possibility for requests to be answered faster if and when the predicate crime is serious or requires it for processing of investigative information.

574. Despite the ongoing efforts, the AT opts to not consider the BO registry as a functioning pillar of the multi-pronged approach in line with its currently limited coverage and accessibility. This registry is still at a nascent stage and information gathering appears to be taking place only at registration or onsite inspection phase. Additional concerns regarding this registry more widely relate to its coverage of all types of legal persons, the authorities and entities' understanding of what constitutes beneficial ownership information (separate from the 25% threshold requirements) as well as how this information is monitored for accuracy.

575. In addition to the commercial registry, access to BO information can be obtained (deducted) through consultation of Mala'a (the bank account database) and through requests for information made to FIs or DNFBPs.

576. Competent authorities should also be able to access BO information directly through Mala'a in line with the requirement for commercial companies to have a local bank account and the obligation of FIs to identify and record BO information through the normal CDD processes.

577. As discussed under R.10 and 22, FIs and DNFBPs are obliged to obtain information on their customers' ownership and control structure to determine the beneficial owners. In this context, through the bank account registry provided by Mala'a, LEAs can obtain bank account numbers of legal persons and locate and obtain CDD information from FIs. However, only the NCFI had a direct access to Mala'a at the time of the on-site, and this access must be grounded on either an STR or an MLA request. According to Oman MoUs between the CBO and ROP, PP, TA and the Judiciary are underway, but until they have been signed, these competent authorities can access the database indirectly by submitting their requests through the CBO customer service which may take up to 5 days.

578. The AT notes, as an additional obstacle, that not all legal entities have active bank accounts registered with Mala'a. As confirmed by the authorities, about 160,000 legal entities, approximately 45% of the total population of the commercial registry (including individual merchants), had registered their bank accounts with Mala'a at the time of the on-site.

579. Identification of beneficial owners through transaction data held by reporting entities is also possible. In these instances, LEAs can identify the BO through the use of investigate techniques. During the onsite visit, LEAs stated challenges to identifying BO are nearly nonexistent for Omani companies and easy to overcome for foreign ones. In line with information collected

during the onsite visit, the AT concludes that beneficial ownership information collected and shared by FIs appears to be the most valuable of the prongs as reported by competent authorities. As regards legal persons with foreign shareholders Oman reported that the provisions of the Foreign Capital Investment Law (Royal Decree 50/2019) and its Executive Regulation, permits MOCIIP to determine the BO of foreign investors. However, the Foreign Capital Investment Law seemingly does not speak directly out in terms of providing BO information and Oman has not demonstrated how this would work in practice.

580. Oman did not demonstrate if and how up-to-date Basic and Beneficial Ownership information on Associations (and foundations as a sub-category)⁶⁰ can be accessed by competent authorities in a timely manner, or how MOSD verifies and follows up on registration requirements. There are not many examples of international cooperation in this regard to conclude competent authorities can effectively obtain beneficial ownership information from their counterparts on a timely basis (see analysis in IO.2).

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

581. Basic information of Awqaf is collected, managed and available to MARA. MARA's database contains the following: information on ownership of the Waqf, information on endowment types and limits, a list of beneficiaries, the name and location of the Awaqf bank accounts, any endowment contributions made and account balances, supervisory records resulting from MARA inspections and/or from financial audits, cash edits, any investment contracts entered into by the Waqf and information related to financial management of the Waqf. Competent authorities have access – by request - to MARAs database but the timing of response is unknown.

582. Competent authorities are able to collect information from the Waqfs donor or the Wakeel as these are required to maintain information about the Waqfs donor, Wakeels, to those whom the Waqf is dedicated and information about any other natural person owning or controlling the Waqf. This information must be kept in such a way that it can be immediately provided upon request by competent authorities. Information on Wakeels, donors and beneficiaries or classes of beneficiaries is also registered in MARAs database, although in some cases, in particular when it comes to very old Awqaf, donor information is still obtained indirectly, through the registered Wakeel. MARA verifies registered information, including BO information, through frequent on-site inspections but the AT views these inspections are process focused and not recognisant of ML/TF risks. Oman reports no cases where competent authorities needed to request information on Awqafs.

583. Oman created an electronic database for Awqaf which allows for an online registration and consultation process, as well as facilitates access to information on Awqaf by the public and competent authorities. This database includes information on the type, size and assets belonging to each Waqf. Given the recency of this platform, the AT questions the extent to which competent authorities have ever used this information in the context of ML/TF suspicions, or for the purpose of informing their risk understanding.

Effectiveness, proportionality and dissuasiveness of sanctions

584. Existing examples of sanctions are related to the maintenance and efforts to maintain the integrity of the commercial registry but not yet applied in a way which can be considered effective,

⁶⁰ The AT notes that while these are the widely used terms, in the regulatory framework applicable these entities are referred to as “civil associations” which may take different forms. Please see Rec 24 for additional details.

proportionate (to the ML/TF risks) or dissuasive to those trying to abuse companies for ML/TF purposes.

585. Failure to comply with registration requirements in relation to basic information is subject to sanctions in the form of fines ranging from OMR 100 to 1 000 (USD 260 to 2 600). Further, intentional submission of incorrect information to the CR is subject to sanctions in the form of fines ranging from OMR 500 to 1 000 (USD 1 300 to 2 600) and/or imprisonment up to 6 months. The BO regulation similarly includes administrative penalties, including fines, suspension, and liquidation from the Commercial Registry (Table 7.3).

586. Sanctions for non-compliance with updating requirements for basic information have been applied in 7.100 instances during the assessment period and fines close to OMR 3 million (USD 7,8 million) applied over the same period. However, the statistics provided were not granular enough to conclude in how many cases fines were applied and the nature of breaches and amounts of fines applied in each case. Whether these sanctions are effective and proportionate therefore remains unclear.

Table 7.3. Commercial Registry: total dissolved/liquidated entries

Entity	2017	2018	2019	2020	2021	2022	2023
Dissolved/removed							
Individual Merchant/ Trading Company	96957	121905	124945	127738	132303	5767	5251
General partnership	494	884	1627	1848	2245	543	275
Limited partnership	198	361	695	810	992	257	141
Limited Liability Company	750	1113	1970	2539	3547	1170	906
Open Joint Stock Company	49	50	50	50	50	0	0
Closed Joint Stock Company	28	31	33	36	41	3	2
Sole proprietor	0	0	0	0	16	58	124
Holding Company							
Branch Office	94				165	12	17
Representative Office	19	22	24	28	28	0	0
Joint Venture							
Liquidated							
Individual Merchant/ Trading Company	NA	NA	NA	NA	NA	NA	NA
General partnership	241	2929	159	184	881	501	265
Limited partnership	113	1069	89	101	497	195	131
Limited Liability Company	420	3275	494	817	1955	1705	1136
Open Joint Stock Company	1	2	2	1	3	0	0
Closed Joint Stock Company	3	3	3	4	5	3	2
Sole proprietor	0	0	2	35	93	49	119
Holding Company	NA	NA	NA	NA	NA	NA	NA
Branch Office	NA	NA	NA	NA	NA	NA	NA
Representative Office	NA	NA	NA	NA	NA	NA	NA
Joint Venture							

Source: MOCIIP

587. MOCIIP continuously strives to ensure the integrity of its Commercial Registry as can be seen in Table 7.3 and the number of entities which have been dissolved or liquidated for breaches linked to inaccurate information and/or inactivity.

588. OPAZ has similarly applied fines in the amount of OMR 15 000 (USD 39 000) for failure to comply with updating requirements over the assessment period. However, information on the

nature of breaches, number of cases and the amount of fines in each case were not provided. Further, the legal basis for OPAZ to apply AML/CFT sanctions remains unclear.

589. Oman did not provide any information on sanctions applied for intentional submission of incorrect information to the company registry and it is also unclear whether such sanctions are applicable to both natural and legal persons. Further, and as discussed above, sanctions for failure to submit or update BO information have not been applied.

590. Sanctions according to the Awqaf law are limited in scope of fractions, applicable only to infringements of Awqaf property, and such sanctions (fines up to OMR 1 000/USD 2 600 and prison sentences up to 1 year) are applied in criminal cases by the courts (the sharia division). This means that, although some sanctions exist, they are not applied by the relevant supervisor. As regards other offences, applicable provisions of the Penal law may apply. MARA relies on other supervisory measures, focused on the Wakeel, which MARA can replace in case of fractions in the administration of the Waqf.

Overall conclusions on IO.5

Oman's understanding of ML/TF risks related to legal persons and Awqaf is fair but still developing. ML/TF risks linked to the free and special economic zones are underestimated despite it being assessed as a higher-risk area.

Oman has carried out a topical risk assessment but it is not fully comprehensive nor offers a constructive analysis of how specific threats may be linked to particular legal persons or Awqaf. It also does not offer any analysis of the ML/TF risks linked to Associations and Foundations as legal persons or risks linked to complex legal structures.

Basic information is publicly available (except shareholder information) and accessible in a timely manner by competent authorities. Challenges and limitations to the collection, verification, accuracy and access of beneficial ownership information by competent authorities persist but are being overcome by Oman.

Oman has an adequate framework to prevent the abuse of legal persons by criminals but sanctioning practices cannot yet be considered effective proportionate or dissuasive.

Oman is rated as having a moderate level of effectiveness for IO.5.

Chapter 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key Findings

- a) Oman has a sound legal and operational framework for international cooperation (including asset recovery) and entered into various bilateral and multilateral agreements for this purpose. Oman takes a collaborative approach towards requests, working with other countries to find the most efficient means to seek and provide cooperation.
- b) Oman provided, to a large extent, constructive and good quality MLA assistance across a range of simple and complex cases involving asset tracing. Authorities received relatively few MLA requests in respect of ML, associated predicate offences and TF. Oman received few extradition requests and refused some of these, but the grounds for doing so are deemed reasonable. Oman processes MLA and extradition requests – including related to asset tracing and provisional measures – in a timely manner, as confirmed by feedback from the Global Network.
- c) Competent authorities proactively seek MLA and extradition from foreign countries. Authorities sent 232 MLA requests relating to ML and associate predicate offences (including on asset tracing) and 198 extradition requests, which is generally in line with risks. To a lesser extent, authorities pursue international cooperation in relation to HT and cross-border offences. No request was made on TF, but this is mitigated by the fact there is very good and active informal cooperation between relevant authorities on the matter. Feedback from the Global Network confirms the good quality of the requests sought by Oman. Authorities proactively follow-up on pending requests.
- d) The Department for Regional and International Cooperation (DRIC) within the PP is the central authority for receiving/issuing MLA and extradition requests. DRIC is well-resourced and has a Case Management System in place. While the existing system allows for authorities to provide timely and good quality cooperation, there are no clear procedures to prioritise requests. Considering the low volume of requests, this has no impact on effectiveness and is therefore not a concern for the AT.
- e) Competent authorities are actively involved in a range of international cooperation networks. ROP, PP, ISS and financial supervisors routinely seek and provide informal forms of international cooperation in a timely and effective manner. While DGC exchanges information on custom matters, cooperation on ML and TF is more recent and leaves room for improvement, although regional dynamics means cooperation with some counterparts is

challenging. While it is more active in responding to requests, NCFI has issued a growing number of requests in the past two years.

- f) Omani authorities – mainly through NCFI – seek and provide assistance to foreign requests for cooperation to identify and exchange basic and BO information of legal persons and arrangements to a large extent. This is done in a timely manner to some extent.

Recommended Actions

Oman should:

- a) Expand its network of MoUs with other countries, especially with high-risk countries identified in the NRA or those reflected in case studies to facilitate international cooperation.
- b) Raise awareness about the opportunities to seek international cooperation in line with risks. In particular, authorities should pursue international cooperation to tackle HT and cross-border issues.
- c) Develop procedures to prioritise incoming/outgoing MLA and extradition requests, as outlined in the FATF Standards.

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591. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40 and elements of R.9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation)

592. Oman is considered a low-crime jurisdiction. It is not a financial or company formation centre (see Chapter 1). The NRA estimates that 18% of proceeds are generated by offences committed abroad, 70% by offences committed in Oman, and 12% by offences committed both in Oman and abroad. International cooperation is an important element of the country's AML/CFT regime, considering that, according to the NRA, Oman is vulnerable to illicit goods transiting in and through the country but that it is not a destination country for laundering foreign proceeds.

593. Overall, Oman is well integrated regionally and internationally, seeks and provides good quality and timely international co-operation and participates actively in various international AML/CFT fora and networks. Oman also engages in supervisory cooperation to the extent that is necessary.

594. The AT based its conclusion on a review of the processes and systems in place, discussions with competent authorities (in particular PP, DRIC and NCFI), LEAs, statistics on MLA and extradition provided, case studies and feedback from the FATF Global Network.⁶¹

⁶¹ In all, 21 delegations provided information on their experience of formal and informal cooperation with Oman in recent years.

Providing constructive and timely MLA and extradition

595. Oman has a sound legal and operational framework in place related to MLA and extradition. Oman provides constructive and timely assistance in MLA (including asset tracing) and extradition cases to a large extent. Strengthening the level of assistance provided to international partners is enshrined as a strategic goal in the 2020-2022 National Strategy and outlined in the 2020-2022 Action Plans as well. Cooperation is provided drawing on multilateral/bilateral treaties or on the basis of reciprocity.

596. The Department for Regional and International Cooperation (DRIC) within PP is the central authority to receive, manage, and send MLA and extradition requests. DRIC has adequate resources in place, with seven experienced staff (headed by an Assistant Public Prosecutor) and deals with all matters of international cooperation beyond AML/CFT. Requests for assistance from a foreign jurisdiction must be sent to DRIC through diplomatic channels following certain criteria. To facilitate international cooperation request, DRIC produced a manual for Judicial and Legal Cooperation in criminal matters outlining the steps to be followed by requesting countries and criteria needed for submitting requests. Although authorities indicate the manual is available online, the AT was not able to verify this. DRIC is responsible for ensuring that requests received meet the condition for execution before disseminating them to the relevant authorities. DRIC immediately reviews each request as it arrives, in line with the Manual for Judicial and Legal Cooperation in Criminal Matters. If the request does not meet the required criteria, DRIC issues a written explanation to the requesting country.

597. DRIC has a CMS system to keep track of incoming and outgoing requests. However, DRIC considers that a prioritisation system for MLA/extradition is not necessary given the low numbers of requests received and sent. Authorities also maintain that each request will always be addressed in a timely manner, irrespective of its nature or urgency. Corroborating statistics suggest that while the absence of prioritisation does not currently have implications considering the volume of international cooperation, authorities should nevertheless develop an approach to prioritising requests as this is a requirement of the FATF Standards (see R.37).

Mutual Legal Assistance (MLA)

598. Oman receives few MLA requests in respect of ML, associated predicate offences (mainly fraud) and TF (nine requests per year on average). This is considered in line with Oman's risk and context. Over the assessment period, Oman received 48 MLA requests for assistance involving 60 types of predicate offence⁶² (Table 8.1). Authorities provided assistance to over 88% of MLA requests, including all ML and TF requests. The remaining 12% was still in progress by the end of the onsite, either because they involved recent cases, or in older cases, because information from the requesting country was incomplete. This is considered reasonable. During discussions with the AT, DRIC confirmed that it has never refused an MLA request, but rather leaves it pending and proactively engages with the requesting country to clarify it. This confirms that there are no important impediments to providing assistance in practice.

⁶² An MLA request can include multiple types of assistance and hence be linked to multiple predicate offences.

Table 8.1. Incoming MLA requests received by Oman per type of predicate offence

	2018	2019	2020	2021	2022	2023	Total
ML	1	2	0	3	5	1	12
TF	0	0	1	0	2	0	3
Financial Crimes, incl fraud and forgery	2	1	4	5	5	7	24
Illicit enrichment/abuse of powers	1	1	0	0	1	2	5
Cybercrime	2	1	0	2	0	2	6
Theft, blackmail	2	1	0	0	0	1	4
Unlicensed Firearms	0	0	1	0	0	1	2
Smuggling	0	0	1	0	0	1	2
Human Trafficking	0	0	0	0	0	1	1
Total	8	6	7	10	13	16	60
MLA provided	7	4	7	10	12	13	53
In progress in Oman	1	2	0	0	1	3	7

Note: An MLA request can include multiple types of assistance. Forty-eight MLA requests were received in total during the assessment period, involving 60 types of assistance/predicate offences

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599. The type of requests received are generally in line with Oman's risks. Most of the requests emanate from key regional partners such as Türkiye (6) and the UAE (5) and concern fraud considered one of the highest risk predicate offences. There are comparably fewer requests in relation to smuggling, human or drug trafficking. Authorities provide assistance across both simple and complex cases, such as: investigating suspects or taking witness statements, providing criminal records or bank account information, and tracing assets and/or seizing them on a requesting country's behalf (Table 8.2).

Table 8.2. Type of assistance provided by Oman

	# requests	% of total
Witness statement	21	44
Bank account/commercial information	11	23
Asset tracing and application of provisional measures	7	14
Vehicle records	5	10.
Criminal records or other information	4	9
Total	48	100%

600. MLA is generally provided in a timely manner, typically within six months – including for ML and TF cases – and within days if the request is related to tracing assets and applying provisional measures (Table 8.3). Response time varies between seven days in the simplest cases to approximately 12-18 months in the most complex cases, with the exception of one request that took over 18 months. This involved an instance of blackmail pursued by the authorities in Saudi Arabia, which required Omani authorities to undertake a very extensive back-and-forth investigation on its behalf. The seven MLA requests to trace assets and apply provisional measures were executed within days of receipt (see Box 8.1). Feedback from delegations confirmed that cooperation provided by Oman is usually timely, constructive and of good quality. Authorities also provided evidence showing that this assistance met the needs of authorities in the requesting countries.

Table 8.3. Average time taken to execute request (incoming requests)

Length of requests	ML	TF	Other POs
0-6 months	10	2	33
6-12 months	2	0	8
12-18 months	0	1	3
Over 18 months			1
Total executed	12	3	45

Note: This table presents number of requests (per type).

Box 8.1. Example of MLA Assistance Provided

Request from Kuwait to seize assets

Background: Oman received a letter rogatory from the Kuwaiti Public Prosecution in November 2023 concerning a victim of fraud in a real estate transaction. Kuwaiti authorities alleged that an accused person exploited the victim's funds to purchase two land plots in Oman. The Kuwaiti PP requested Oman to seize these.

Results: PP seized one land plot within four days from receiving the request (the second land plot had already been sold). PP interrogated the land buyer in order to understand the origin and destination of the funds involved in purchasing the land. This information was shared with the Kuwaiti PP. At the time of the onsite, this case was ongoing.

Extradition

601. Oman received relatively few requests for extradition (seven per year on average). Most requests are related to fraud offences in line with Oman's risk profile. Oman did not receive any request for extradition in relation to ML or TF (Table 8.4). Oman executed approximately half of the request, including through simplified extradition wherever possible. Originating countries withdrew 16 % of these requests, and the remaining requests were refused. The main reasons for refusing extradition relate to nationality as Oman does not extradite its nationals (see. R.39) or the lack of guarantee for a fair trial in the requesting country. The percentage of executed requests and grounds for refusals are deemed reasonable, especially that authorities took further judicial actions domestically when refusing an extradition request on the grounds of nationality.

602. Oman provided assistance for extradition in a timely manner. In most cases, the courts took on average four to six weeks to process the extradition requests (see Box 8.2). Feedback by foreign jurisdictions and case studies provided indicate that extradition requests are generally dealt with effectively.

Table 8.4. Incoming extradition requests

	2018	2019	2020	2021	2022	2023	Total
ML	0	0	0	0	0	0	0
TF	0	0	0	0	0	0	0
Fraud (including bounced cheques, alimony, etc.)	2	6	6	7	2	2	25
Bribery and embezzlement	0	1	2	1	2	1	7
Theft	0	0	2	0	0	0	2
Sexual assault, including of children	0	0	1	0	2	0	3
Murder, incl. attempted murder	0	0	0	0	1	1	2
Violation of public funds	0	0	0	0	0	1	1
Other predicate offences	1	0	1	0	0	0	2
Total incoming extradition requests	3	7	12	8	7	5	42
Discontinued by requesting state	1	2	2	1	1	0	7
Executed by Oman	0	2	4	4	5	5	20
Refused by Oman	2	3	6	3	1	0	15

Box 8.2. Extradition request granted by Oman**Extradition to Bahrain**

Background: ROP received a complaint from a victim alleging that an accused person (an Indian national) provided him with two bounced cheques, which is a punishable offence according to the Penal Code. ROP located and arrested the accused person and handed the case to PP. The accused person was tried and convicted before the courts for two years and a fine

Results: DRIC assessed this request and then sought and secured an extradition decision from the Court of First Instance in Muscat within days. The individual was extradited to Kingdom of Bahrain in November 2022.

Simplified extradition to Qatar (bounced cheques)

Background: This case concerns an indicted individual (Egyptian national) who provided a victim (Qatari national) with two bounced cheques. In June 2018, the Doha Court of Misdemeanours ruled against the indicted individual in absentia and sentenced him to one year imprisonment (on the grounds of issuing two bounced cheques, which is considered a misdemeanour by Law) and a fine. The Qatari authorities issued an international arrest warrant for the Egyptian national, who was arrested in March 2023 by Omani authorities at the international airport of Muscat.

Results: The individual was interrogated and consented to his extradition. He was subsequently deported to Qatar within days.

Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

603. Authorities understand the value of international cooperation and proactively seek MLA to pursue domestic ML and associated predicate offences with transnational elements. This is confirmed by the case studies reviewed by the AT and discussions with the authorities. Oman has not made any formal request in relation to terrorism/TF, but this is in line with the TF risk. Authorities explained that LEAs prefer to use informal channels when a quick response is needed or to exchange sensitive information when pursuing TF cases, which the AT considers is sensible.

MLA

604. Outgoing requests are handled through the same structures, procedures and instruments as for incoming requests. Requests from any entity in Oman are issued by DRIC through the Ministry of Foreign Affairs. Most outgoing requests originate from PP, which is appropriate given its role pursuing ML, associated predicate offences and TF.

605. Outgoing requests are generally in line with risks. Between 2018 and 2023, Oman sent 232 MLA requests to its foreign counterparts (39 per year on average), with an important uptick noted in the second half of the assessment period (Table 8.5). The majority of requests relate to fraud (49%), followed by ML (18%) and drug trafficking (7%). Together, HT and embezzlement account for 5% of requests. Yet, although embezzlement represents a small share of the overall number of requests, case studies show that authorities actively sought MLAs in the Ministry of Education Case (Box 8.3). Moreover, while the authorities issued two requests involving ML with respect to customs evasion offences, there is scope to foster co-operation in relation to cross-border offences, considering the country's risk and context. Oman has not made any formal request in relation to terrorism/TF, but this is in line with the TF risk. Authorities also explained that LEAs prefer to use informal channels when a quick response is needed or to exchange sensitive information when pursuing TF cases. The AT also notes that authorities understand the importance and value of MLAs. For example, as discussed under IO.7, PP opened 67 ML investigations where there was a suspicion of funds flowing into and through Oman and issued a number of MLA requests in this regard.

606. The majority of these requests were made to regional partners, including GCC countries (primarily the UAE (17%), KSA (7%)), and Jordan (14%), which is generally in line with risk. Although the AT notes that there is no impediment to cooperation and the authorities generally take a proactive approach to requesting cooperation, the majority of requests are directed at regional neighbours (primarily in GCC region), and less to countries in South Asia, commonly reflected in some case studies. Feedback from the Global Network indicates that requests sought are of high quality.

607. 51% of all outgoing requests are pending in the requested country. A majority were sent in 2022 and 2023, which could suggest these requests are still ongoing. 18% of these requests relate to ML, which is reasonable and shows authorities are seeking assistance in ML cases (see Box 8.5, and Box 3.4, IO.7, involving a cement company). Therefore, although delays in a requested country should not be attributed to Oman, no request was formally refused. Authorities provided evidence showing that they actively follow-up on ongoing requests.

Table 8.5. Outgoing MLA requests per predicate offence and status

	2018	2019	2020	2021	2022	2023	Total
ML	0	6	8	3	5	21	43
Fraud (including bounced cheques)	28	11	17	20	24	14	114
Drug Trafficking	1	0	0	0	0	17	18
Bribery and embezzlement	1	5	0	0	4	0	10
Theft	1	0	0	0	1	0	2
Murder	1	1	0	0	0	0	2
Forgery	2	0	1	0	0	0	3
Human trafficking	0	0	0	0	1	2	3
Customs Evasion and ML	0	2	0	0	0	0	2
Other predicate offences	13	0	4	1	6	11	35
Total	47	25	30	24	41	65	232
<i>Pending in requested country</i>	12	9	6	10	29	53	119

Note: Some MLA requests may include multiple predicate offences.

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608. Oman sought a broad range of assistance (Table 8.6). This varies from requests to identify and interrogate suspects to simple requests not requiring court orders in the requested country (e.g. verification of email or the owner of a bank account). Most requests are to identify and interrogate suspects and to obtain criminal records and financial information. The type and nature of request sought appears appropriate.

609. Oman actively seeks assistance in relation to tracing and seizing assets located abroad, especially for important cases with high amounts of assets (Box 8.3). For example, PP issues ten MLA requests to distinct countries to pursue investigations into an individual accused of embezzling large sums of money from a cement company (Box 3.4, IO.7). These requests sought to freeze the relevant funds and requested foreign authorities to track any other assets linked to the individuals and companies implicated in the case, identify the beneficial owner of the criminal proceeds and their source, and obtain criminal records of defendants. However, in a limited number of cases, the lack of bilateral agreements can limit the speed with which authorities can trace and repatriate assets located abroad (See case 3, Box 3.8, IO.8). Discussions with the AT suggest that authorities are aware of the usefulness of MoUs with foreign counterparts and that they take a proactive approach in order to find the most effective and speedier means to facilitate the exchange of information wherever possible.

Table 8.6. Type of assistance sought by Omani authorities

	# requests	% of total
Identify and interrogate suspects	141	57%
Criminal records, bank account information or other information	86	34%
Asset tracing & seizing	15	6%
Witness statement	5	2%
Total	247	100%

Note: An MLA can include various requests for assistance, which explains that the total number varies slightly from Table 8.5.

Box 8.3. Seeking international assistance for asset seizure and confiscation and to pursue ML and PO

Request for MLA - (Ministry of Education)

In response to a referral from SAI, PP opened an investigation in March 2019 into suspected embezzlement of state funds from the Ministry of Education (MoE). Given the international components of this case, PP issued various MLA requests:

- To UAE, requesting that the Emirati authorities seize properties and verify ownership details of various defendants in this case. PP sent follow-up requests to the UAE, upon which authorities responded in 2021.
- To Egypt, requesting the authorities to obtain a bank account statement belonging to a defendant; interrogate two witnesses; and seize two housing units and proceeds. At the time of the on-site, the Egyptian authorities had acknowledged the request and were gathering the requested information.
- To Bahrain and Kuwait, requesting to seize all properties belonging to some defendants in this case. The authorities in both countries executed this request.
- Request to foreign partners in foreign predicate and stand-alone ML case (see Box 3.5, IO.7)
- Further to its criminal investigation and interrogation of a suspect who was arrested at Muscat International Airport with large quantities of gold and cash, PP issued three MLA requests to Switzerland, France and the UAE verify information provided by the suspect and inform its investigations. Authorities had only received a response from France by the end of the onsite. French authorities provided information on the suspect's professional occupation. French authorities also identified and interviewed the owner of the cash (an acquaintance of the main suspect) and provided a response to Oman within six months of receiving the request.

Extradition

610. During the assessment period, Oman made active use of extradition covering a range of offences (198 requests, or 33 per year on average). The overall number of extradition requests seems reasonable. The majority of extradition requests relates to fraud offences and, to a lesser degree, ML (Table 8.7). No formal extradition requests were made on TF or terrorism, which is consistent with the country's TF risks and the fact that TF cooperation is mainly conducted through informal cooperation. The majority of the requests are made to regional partners and countries in the Middle East, which is largely in line with Oman's context. 27 extradition requests (13%) were refused by the requested country, although it is unclear why, and 88 (44%) are still pending. This means that 83 (41%) extradition requests were executed when considering refused and pending requests (involving 28 individuals extradited back to Oman). The AT considers this is reasonable given that Oman is a low crime jurisdiction and the positive international feedback received.

Table 8.7. Outgoing extradition requests per predicate offence and status

	2018	2019	2020	2021	2022	2023	Total
ML	0	0	0	1	0	1	2
Fraud (including bounced cheques)	8	15	16	15	18	13	85
Bribery, embezzlement, abuse of Gov Position	1	0	0	0	1	1	3
Theft	1	1	1	0	3	2	8
Forgery	2	2	0	3	2	4	13
Environmental crimes	1	0	0	0	0	0	1
Murder (incl. attempted murder)	0	2	0	0	1	0	3
Customs evasion	0	0	0	1	0	0	1
Extortion	0	0	0	0	2	0	2
Sexual assault	0	1	1	0	1	0	3
Other Predicate Offences	16	11	12	14	10	14	77
Total	29	32	30	34	38	35	198
<i>Executed</i>	15	13	12	17	13	13	83
<i>Refused</i>	7	8	1	5	3	3	27
<i>Pending</i>	7	11	17	12	22	19	88

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Box 8.4. Example of extradition sought by Oman for breach of trust

Background: In late 2023, a police station received a report from a person working in a company alleging that a suspect (a Bangladeshi national working as an electrician in the company) used the company's credit card to withdraw cash valued at USD 8 000/ OMR 3 100 for his own benefit. Upon conducting initial investigations, ROP identified that the suspect was not in Oman and issued an Interpol red notice for his arrest. Authorities in Qatar arrested the suspect and notified Oman accordingly. Having secured a court order for extradition, PP issued an extradition request (through DRIC) to their counterparts in Qatar.

Results: The case is pending.

Seeking and providing other forms of international cooperation for AML/CFT purposes

611. Omani authorities are actively involved in a range of international cooperation networks and seeks and provide informal forms of international cooperation for AML/CFT purposes in a timely and effective manner to a large extent.

NCFI (Exchange of Financial Intelligence)

612. In the absence of Egmont membership (which was granted by the time of the onsite in February 2024), NCFI entered into 17 bilateral agreements (MoUs) with key partners to exchange information using Egmont templates and through secure email. NCFI has signed MoUs with key partners in the Gulf region as well as with FIUs from India, Bangladesh, Yemen and Jordan, which is in line with the country's risk and context. NCFI is not limited by the signature of MoUs since it can share information on a case-by-case basis. NCFI has three staff dedicated to international cooperation who are part of the Legal Affairs and International Cooperation team (see IO.6).

613. NCFI is active in providing assistance from international partners. NCFI received 74 requests from foreign FIUs, mainly from regional partners (UAE, KSA, Qatar), focussing on ML, and to a minor extent on associate predicate offences and TF, all of which were executed in a timely manner (Table 8.8). NCFI explained that it responds to requests on average within 14 business days, which is considered timely. Feedback from the Global Network also suggests that NCFI provided quality assistance in a timely manner and that this cooperation has helped foreign counterparts initiate investigations.

614. NCFI seeks information from counterparts to a moderate extent. It issued 91 requests to foreign partners to produce/enrich financial intelligence, which is aligned with Oman's risk and context. A majority of requests were made in the second half of the assessment period. Like for incoming requests, NCFI seeks cooperation from partners in the region (mainly UAE, KSA and Qatar), mainly in connection with ML and associated PO (corruption, drug trafficking, human trafficking and fraud), and to a lesser extent with TF. NCFI makes some of these requests on behalf of other competent authorities (e.g. PP, ROP and to a more limited extent DGC). For example, in the Ministry of Education case, PP requested financial information from NCFI to help with its criminal investigations and inform its MLA requests to seize/freeze assets abroad. Specifically, NCFI contacted various counterparts from the region and provided detailed information to PP on financial flows in and out of Oman. Case studies (see Box 8.5) and discussions with the AT also show that NCFI seeks assistance of foreign partners with tracing assets.

Table 8.8. NCFI Outgoing/Incoming requests on ML, associate predicate offences and TF

		2018	2019	2020	2021	2022	2023	Total
Incoming	ML		9	10	19	9	17	64
	TF	1	1	2		1		5
	PO			2		2	1	5
	Total	1	10	14	19	12	18	74
Outgoing	ML	1	5	8	18	11	29	72
	TF						2	2
	PO				3	3	11	17
	Total	1	5	8	24	14	42	91

Box 8.5. Examples of NCFI cooperation

FIU to FIU cooperation

Background: NCFI received an STR from a FI about financial transactions totalling USD 2,7 million/OMR 1 million flowing through an Iraqi national's account. These transactions occurred within a short time period and were suspected of being disproportionate to his regular income. NCFI investigations – done in collaboration with the Iraqi FIU – identified various corruption allegations against the individual in Iraq. NCFI also traced the monies to the purchase of six properties and commercial complexes in Oman, Customs information showed the individual remained in Oman for 14 days only.

Results: NCFI suspended the bank accounts of the suspect and requested PP to issue freezing orders on the properties. NCFI also shared the results of its investigation into the suspects with its counterpart in Iraq. This information was shared with Iraqi prosecutors, who arrested the individual and who was later convicted.

International request from NCFI on behalf of DGC

Background: DGC submitted information to NCFI according to which 3 Iraqi nationals were caught at a border crossing with KSA with USD 34 000 in cash and 17 bank cards linked to Iraqi financial institutions in their possession. DGC requested NCFI to undertake a financial analysis into the individuals, and to submit an international information request to NCFI's counterpart FIU in Iraq.

Results: NCFI received a response within approximately ten days.

Law enforcement agencies (LEA)

615. LEAs regularly and effectively cooperate with counterpart agencies to a large extent.

616. **PP:** As noted above, PP mainly engages in formal cooperation to pursue ML and associated predicate offences as well as asset recovery. PP engages in informal cooperation to advance its investigations where necessary and has signed several MoUs with counterparts to this end. PP can also rely on international cooperation networks from the LEAs (like ROP) that operate under its authority to seek and request information informally. Statistics on informal cooperation are not collected but PP provided case studies showing that it facilitates joint investigations with foreign counterparts (e.g. Italy, France, Egypt and Japan) and takes part in these to trace and investigate foreign proceeds. The AT was provided evidence to show that the foreign authorities considered this assistance useful and effective in helping them pursue their cases.

617. **ROP:** Police-to-Police cooperation is channelled through ROP's Communication Department for Arab and International Police, which has a prioritization system to manage requests. The Department has 22 staff, which is suitable considering Oman's risk and context and the overall number of requests made. ROP effectively cooperates with counterpart agencies for the purpose of undertaking preliminary inquiries and sharing criminal information and intelligence (Box 8.6) and has entered into numerous MoUs to this end. ROP uses several networks such as Interpol, GCCPOL (it is interconnected to both of their IT platforms, through which ROP can communicate and follow-up swiftly on the status of some requests like red notices), and international liaison officers posted in Oman and the region. ROP is therefore well interconnected, which facilitates the exchange of information and execution of requests. During the assessment period, ROP issued 622

requests. Information sought is varied, such as vehicle and personal data across a wide range of offences, including fraud, ML, drugs, etc., which is generally in line with the country's risks. In turn, ROP received 371 requests from international partners, most of which are relatively simple in nature (request to disclose telephone numbers, bank account information, criminal records, etc.). Case studies provided suggest that ROP provides assistance in a timely manner. ROP indicates that it considers all incoming requests and never refuses them and that feedback is systematically provided to counterpart bodies.

Box 8.6. ROP's international cooperation (human trafficking)

Human Trafficking

In January 2023, ROP received a red notice alert issued by the authorities of Uzbekistan for an Uzbek national operating a prostitution ring in Oman. The Uzbek authorities alleged the person lured women to Oman under false promises. Omani authorities searched and detained the person. The case was referred to PP who requested an extradition decision from the courts. The wanted person was extradited back to Uzbekistan in October 2023.

Theft case

ROP received a complaint from a victim from whom USD 28 500/OMR 11 000 were stolen. ROP's preliminary inquiries (which also included the input from DGC) determined that some of this cash was transferred abroad by some co-conspirators in the scheme by using Hawalas. ROP coordinated with the INTERPOL regional center in Doha to obtain information on one of the co-conspirators and issued a red notice alert. The accused person was extradited back to Oman for further interrogation. He has eventually sentenced for ML in Oman and deportation on completion of his sentence.

618. **DGC** is responsible for overseeing the cash declaration regime and investigating customs-related offences such as smuggled goods (alongside ROP). DGC has an international cooperation office which includes five staff. DGC engages in international cooperation either directly with partners (Box 8.7), through international fora, or using multilateral channels such as the World Customs Organisation's Regional International Liaison Officer (RILO) office based in Saudi Arabia which facilitates the exchange of information with regional partners.

619. While DGC has been exchanging information on customs matters, cooperation on ML and TF is more recent and leaves room for improvement. For example, the Yemen Risk Assessment (RA) acknowledges there is scope to improve the sharing of information concerning cash transshipments with the UAE, such as the volume of cash transiting through Oman and the associated ML risk indicators. As the Yemen RA also concludes, considering regional dynamics, it is important to acknowledge that international cooperation with certain counterparts can also be challenging. This is the case with Yemen, where the ongoing situation means it is difficult to obtain reliable information at the border on source of cash that could lead to its seizure.

Box 8.7. Examples of international cooperation by DGC

Background: In February 2020, an inbound passenger from Qatar who had been identified in DGC's databases was stopped and searched by customs officer on arrival. 13 expensive hand watches were found during this inspection.

DGC opened a preliminary investigation to identify the origin of the watches and sent an international request for cooperation to its counterparts in Qatar. This request sought to confirm whether the suspect made any declarations on departure and for any additional information for this case.

Results: PP referred the case to court for smuggling offences.

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620. Other LEAs such as SAI and TA engage in international cooperation to the extent necessary. SAI collaborates with foreign partners directly, but will more often resort to NCFI where specific inquiries are required. TA has an international cooperation department which facilitates the exchange of information on taxable persons and entities. TA has issued three requests, mainly to regional partners (UAE,) and Mauritius and received 4 requests from countries in Europe and Asia.

International cooperation on TF matters

621. Overall, there is good level of informal cooperation on TF matters. The Royal Office and ISS effectively and regularly engage in informal cooperation with foreign partners (as opposed to formal channels) for the purpose of tackling TF and to share information and awareness. The AT considers this is reasonable. As discussed under IO.9, international cooperation is an integral part of ISS work when investigating TF, as it is the principal source to trigger TF investigations. 40 of the 109 investigations into potential TF activity originated from foreign intelligence.

622. ISS mainly engages in informal coordination on TF cases with several countries in the region that may have related suspects or intelligence, such as Pakistan, UAE, Saudi Arabia, Türkiye and Sudan. This cooperation between ISS and foreign counterparts helped disrupt a terrorist incident in one case and repatriate assets from Oman to other countries (see case 3, Box 4.2, IO.9). The high level of informal requests by ISS explains the low number of requests on TF issued by NCFI.

623. Informal extradition⁶³ in the framework of TF happened twice, once when ISS received the extradition request and the second when ISS provided it. This is considered appropriate, given the TF risk in Oman.

International cooperation for supervisory purposes

624. In general, supervisory authorities in Oman have well-established processes and relationships that allow them to efficiently share and receive information from abroad for regulatory purposes. International cooperation by the financial supervisors predominantly includes sharing of information through MoUs, international workshops and working groups. CBO and CMA also exchange information with their counterparts that helps them complete their supervisory activities in a timely manner. Information is provided on a case-by-case basis, mainly to regional and foreign partners.

⁶³ This takes place when a requested authority hands over the suspect to the requesting party without a court order.

625. **CBO** is the main financial supervisor and exchanges information with foreign counterparts, amongst others in the context of prudential supervision (joint inspections) (Box 8.8). This is done mainly on the basis of reciprocity and drawing on a range of MoUs CBO has entered into. Partners include Qatar, KSA, Kuwait, UAE, Pakistan, India, Iran, Egypt etc., where some branches of Omani FIs operate. Discussions with the AT suggest that CBO conducted on-site supervision of Omani banks in some of these countries in the course of the assessment period. CBO also engages in various working groups and international conferences with foreign counterparts.

626. CBO has seven staff within its international cooperation department. CBO staff can directly engage with a partner with whom an MoU is signed, without the need to go through the international cooperation department, which speeds-up international cooperation.

Box 8.8. Examples of international cooperation for supervisory purposes

In 2022, an MEE requested approval from CBO to appoint a new General Manager who was previously working in another GCC Country. As part of its due diligence process, CBO requested feedback from the regulator in the GCC Country. Feedback on the shortlisted candidate indicated that he was suspected of misreporting/withholding critical information about the operations/business of the MEE in the GCC Country. Based on this, CBO refused the appointment of a MEE manager.

627. **CMA** is a member a member of IAIS, and has signed several MoUs with foreign counterparts through which it effectively exchanges fit-and-proper, licensing and regulatory information and learning and benchmarking visits (e.g. with Kuwait, Bahrain and Qatar). CMA receives more requests than it issues to international partners (Table 8.9) and CMA also indicates no request has been refused. Requests are generally executed promptly, up to 20 working days where information is needed from third parties, which is considered appropriate.

Table 8.9. International cooperation by supervisors

	2018	2019	2020	2021	2022	2023	Total
CBO	6	6	6	9	12	21	60
Information exchange with foreign Central Banks	4	3	2	1	4	8	22
Working Groups and meetings with regulators	2	3	4	8	8	13	38
CMA (requests received)	8	1	1	20	27	21	78
Fit & proper requests	1	0	1	0	2	3	7
Licensing entity	0	1	0	0	2	2	5
Regulatory experience	7	0	0	20	23	16	66
CMA (requests issued)	1	0	2	1	13	19	36
Fit & proper requests	0	0	0	0	0	0	0
Licensing entity	0	0	2	1	2	4	9
Regulatory experience	1	0	0	0	11	15	27

International exchange of basic and beneficial ownership information of legal persons and arrangements

628. Authorities provide assistance to foreign requests for cooperation concerning basic and BO information of legal persons and legal arrangements and seek information in this area to a large extent. However, this is done in a timely manner to some extent.

629. Foreign requests on basic information and BO are rare as Oman is not a company formation centre. Authorities received 18 requests, a majority of which concerned BO information and one request to verify ownership and shareholding information of a company.

630. During the assessment period, PP received one request to verify ownership and shareholding information of a company. PP responded to this request within five months, which may not be considered timely depending on the type of crime. PP issued 13 requests to international partners on basic information of legal persons and arrangements. With respect to BO information, PP sent two requests in connection to the case involving a cement company case, which is still pending (mentioned above). PP has not received any requests with respect to BO.

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631. NCFI is more active than MOCCIP in receiving and requesting BO information, which can be explained by the wide source of information and databases it has access to (Table 8.10) and its sophisticated analytical tools (see IO.6). In line with NCFI's Procedures Manual, requests that are marked as urgent are addressed within three business days, and 14 for all other non-urgent requests.

632. In practice, both PP and NCFI have direct access to the company registry populated by MOCCIP, and are able to share basic information should a request arise. MOCCIP's company registry is publicly available, which means that foreign authorities can also access it to obtain basic information. (see IO.5).

Table 8.10. BO and basic information requests (received and requested)

	Basic information			BO information		
	# Incoming requests	# outgoing requests	Total	# Incoming requests	# outgoing requests	Total
PP	1	13	14	0	2	2
NCFI	0	0	0	17	15	32
MOCCIP	0	0	0	0	0	0
others	0	0	0	0	0	0
Total	1	13	14	17	17	34

Overall conclusions on IO.2

Oman has a sound legal and operational framework to seek and provide MLA and extradition across a range of simple and complex requests involving asset tracing. Overall, authorities demonstrated a strong commitment to formal and informal international cooperation. At an operational level, the authorities actively seek and provide good quality and timely MLA and extradition, and follow-up on unanswered requests where applicable. Requests for MLA are generally in line with risks, but more could be done to target HT, as well as cross-border issues.

Most of the competent authorities seek and provide informal cooperation in a timely and effective manner to a large extent. NCFI is responsive to requests for cooperation, but seeks information from counterparts to a moderate extent. Most requests were made in the latter half of the assessment period. There is scope to increase DGC's international cooperation on ML, TF and associated predicate offences, although considering regional dynamics, cooperation with some counterparts can be challenging.

Authorities provide assistance to foreign requests for cooperation concerning basic and BO information of legal persons and legal arrangements to a large extent, but this is done in a timely manner to some extent.

Overall, moderate improvements are needed to enhance the use of international cooperation for cross-border issues, ensuring that NCFI continues seeking assistance from international partners, and foster international cooperation with some countries.

Oman is rated as having a substantial level of effectiveness for IO.2.

Annex A. TECHNICAL COMPLIANCE

1. This section provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

2. Where both the FATF requirements and national laws or regulations remain the same, this report refers to analysis conducted as part of the previous Mutual Evaluation in 2011. This report is available from www.fatf-gafi.org/content/dam/fatf-gafi/mer/MER%20oman%20full.pdf.coredownload.pdf.

Recommendation 1 – Assessing risks and applying a risk-based approach

This is a new Recommendation, which was not assessed in the previous MER.

Criterion 1.1

The National Committee for Combating Money Laundering and Terrorism Financing (National committee) is required to identify and assess ML and TF risks at the national level (AML/CFT Law, Art.13(b)). Oman has identified and assessed its ML/TF risks through two NRAs. The first NRA was completed in 2018, using the IMF risk assessment's methodology. The second NRA developed by the National Committee is based on different sectorial and topical risk assessments⁶⁴ adopted in 2022-2023 and summarised into one comprehensive document, the Oman 2023 National AML/CFT/CPF Risk Assessment (2023 NRA) adopted in July 2023 by the National Committee. The 2023 NRA includes an overview of the ML threat assessment, sectorial ML/TF risks, TF risks and PF risks in addition to an overview on risks related to legal entities, VAs, cash movements, NPOs and TCSPs.

The analysis is based on a range of information including data, statistics and case studies from a range of agencies in addition to quantitative information from the private sector. The different topical and sectorial RAs analysed the inherent risks and risk mitigation measures to determine the residual risk.

However, there are some methodological limitations to the NRA in relation to ML threats analysis (see IO.1) which question the comprehensive identification and assessment of ML risks.

⁶⁴ (1) National Terrorism Financing Topical RA, (2) Legal Entities and Arrangements Topical RA, (3) NPO Topical RA, (4) National Proliferation Financing Topical RA, (5) SANAD Service Centers Topical RA, (6) Banking & FLC SRA, (7) Virtual Assets Topical RA, (8) DPMS SRA, (9) Accountants SRA, (10) Insurance SRA, (11) Securities SRA, (12) Real Estate SRA, (13) 2020 MEE Category B SRA and 2021 MEE Category A SRA, (14) Lawyers SRA, (15) Cash Movements from Yemen Risk Assessment.

Criterion 1.2

The National Committee is the competent authority to coordinate actions to assess ML/TF risks (AML/CFT Law, Art.13(h)). The Committee is established under the Chairmanship of the Executive President of the Central Bank of Oman and includes members from the Judicial and security authorities, and other authorities concerned⁶⁵ with combating ML and TF in Oman.

Criterion 1.3

The first NRA was adopted in 2018 and a second NRA was adopted in 2023. The latest NRA is up-to date based on several sectorial and topical risk assessments produced in 2022 and 2023.

Criterion 1.4

Oman has several mechanisms in place to provide information on the results of its risk assessment to the relevant authorities and the private sector. The results of the NRA have been shared with the competent authorities via their participation to the National Committee and the NRA document was shared with FIs and DNFBPs through their supervisory authorities. Oman has different engagement with the FIs and DNFBPs, AML Wednesdays for FI and DNFBP, guidance papers for private sector and in-person events where topical and sectorial risk assessments were shared.

Criterion 1.5

Oman allocates resources and implements measures based on the authorities' understanding of ML/TF risks, starting with its 2018 NRA. Competent authorities developed the National AML/CFT Strategy 2020-2022 composed of 12 strategic goals and its National Action Plan (NAP) 2020-2022 based on the findings of 2018 NRA. The implementation of the NAP guides Oman in its prioritisation and resource allocation. For instance, the creation of dedicated AML/CFT functions for DNFBP supervisors, allocated with adequate AML/CFT staff and focused on RB supervisory, the restructuring of NCTC's function as the national coordinator for TFS to reduce a duplication of resource allocations in this respect. For instance, the 2018 NRA raised issues with the banking sector and DPMS, then there is a dedicated strategic goal for the supervision of these sectors (Strategic Goal 6).

By end of 2022, authorities developed a new National AML/CFT 2023-2025 with eight strategic goals and its underlying action plan. Some actions are being delivered in 2023 such as the automation of the supervisory risk assessment process using the IT tool. However, Oman's understanding of ML/TF risks is theoretical instead of being risk-based. Similarly, there is little variance in resource allocation from high to low-risk areas (see IO.1).

⁶⁵ The National Committee includes members from: the Central Bank of Oman, the Public Prosecution, the Royal Omani Police and Customs, the Ministry of Justice, the Ministry of Commerce and Industry, the Ministry of Housing, the Ministry of Social Development, the Ministry of Finance, the Capital Market Authority, the Ministry of Foreign Affairs and the National Center for Financial Information (Ministers Decision 102/3892 of 2016).

Criterion 1.6

Oman determined to exempt SANAD Services Centers (SCC) from the application of the AML/CFT obligations based on an assessment of proven low risk posed by services provided by SCCs. The SCCs are e-government service centres regulated by the Authority of Small and Medium Enterprise Development (the Authority) covering a wide range of dealings between citizens and Omani authorities: from electronic applications for social security benefits, drivers' licenses, labour permits, to filing information with the commercial companies' registry.

In 2022, Oman conducted a dedicated risk assessment for SCC and concluded that some limited activities fall under the FATF category of "acting as a formation agent of legal persons" but are not permitted to offer or carry out any of the other activities listed in the FATF's definition of "trust and company service providers." Regarding the risks, Oman considers them very low since SANAD acts as a coordinator and assistant for customers and carry out a small band of legally prescribed services. In addition, the business is not revenue-generating and is supervised by its relevant authority.

Criterion 1.7

Oman requires FIs and DNFBPs to take enhanced measures where higher ML/TF risks are identified by the country (AML/CFT Law, Art.34(b)). Supervisory authorities may order FIs and DNFBPs to apply enhanced measures for countries considered high-risk by the National Committee (AML/CFT Law, Art.13(k)).

Criterion 1.8

FIs and DNFBPs may identify and conduct simplified due diligence measures in low-risk cases, provided that there is no suspicion of ML or TF (AML/CFT Law, Art.34(b)). Lower risks can be determined either by the FI or DNFBP's business risk, which must meet the procedural conditions outlined in the various supervisory instructions, or through a risk assessment at a national level.

FIs may apply simplified CDD only if low risks have been identified through a business risk assessment by the FI or through a risk assessment by supervisory authorities. They may not apply these measures in cases of a ML or TF suspicion or whenever a specific higher risk scenario applies (Article 3, CBO Instructions, Article 6, CMA Securities Instructions and CMA Insurance Instructions).

DNFBPs may also apply simplified CDD only if low risks have been identified through a business risk assessment by the DNFBP or through a risk assessment by supervisory authorities. They may not apply such simplified measures in cases of a ML or TF suspicion or whenever a specific higher risk scenario applies (Articles 11-12, MoH Instructions, Articles 11-12, MOCIIP Instructions, Articles 5 (9) et (10) of the MOLA Instructions).

Criterion 1.9

Supervisors are required to ensure that FIs and DNFBPs are implementing their obligations, including the requirements of R.1 (AML Law, Art.51-52).

Criterion 1.10

FIs and DNFBPs are required to assess the ML/TF risks associated with their business activities (AML/CFT Law, Art.34(a)). This includes being required to:

- a) document their risk assessments (Art.34(a));
- b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied (CBO Instructions, CMA Instructions, MOLA Instructions, MOCIIP Instructions, MoH Instructions);
- c) keep these assessments up to date (Art.34(a));
- d) have to keep their risk assessments readily available for competent supervisory authorities to review at their request (Art.34(a)).

Criterion 1.11

FIs and DNFBPs are required to:

- a) have policies, procedures, internal regulations and controls (AML/CFT Law, Art.42).
- b) monitor the implementation of those controls and to enhance them if necessary (Art.23, CBO Instructions; a. 26 and 28 of CMA Instructions; Art.8, MJLA Instructions; Art.34, MoCIIP, Instructions; Art.34, MoH Instructions).
- c) establish and implement enhanced due diligence measures in high-risk cases (AML/CFT Law, Art.34(b)).

Criterion 1.12

FIs and DNFBPs may apply simplified customer due diligence measures in low-risk cases, provided there is no suspicion of ML/TF (AML/CFT Law, Art.34(b)). FI and DNFBPs shall apply simplified CDD measures taking into account the nature of the low risk identified and be commensurate with such low risk factors (Art.3, CBOs Instructions, Art.4, CMA Securities Instructions, Art.6, CMA Insurance Instructions, Art.12 MOCIIP Instructions, Art.5 (10), MJLA Instructions, Art.12, MoH Instructions).

Weighting and Conclusion

Oman assessed and identified its ML/TF risks through the completion of its second NRA, adopted in 2023 and conducted based on different topical and sectorial risk assessments under the coordination of the National Committee. However, there are some shortcomings in the NRA methodology particularly in relation to the identification of ML threats.

Recommendation 1 is rated largely compliant.

Recommendation 2 - National Cooperation and Coordination

In its last MER, Oman was rated largely compliant with these requirements as there was no effective coordination between operational authorities.

Criterion 2.1

Oman develops and implements national AML/CFT policies that are based on identified risks. In 2020, the National Committee adopted a National AML/CFT Strategy for 2020-2022. This strategy was detailed in a National AML/CFT Action Plan in 12 Strategic goals with more than 130 concrete actions. Each action item was assigned to one or more identified authorities and allocated a specific implementation timeframe. In 2022, the National Committee adopted a new National AML/CFT Strategy for 2023-2025 and its underlying National Action Plan 2023-2025 with 8 Strategic goals and more than 60 actions. Each action is assigned to one or more authority.

Criterion 2.2

The National Committee chaired by the Executive President of the Central Bank of Oman is responsible for national coordination with respect to establishing, developing and implementing policies and activities (AML/CFT Law, Art.13(d)). It has members from competent authorities identified by a decision issued by the Council of Ministries (AML/CFT Law, Art.11). The Ministers decision (102/389 of 2016) determined the membership of the National Committee that covers all the competent authorities involved in AML/CFT: the Central Bank of Oman, the Public Prosecution, the Royal Omani Police and Customs, the Ministry of Justice, the Ministry of Commerce and Industry, the Ministry of Housing, the Ministry of Social Development, the Ministry of Finance, the Capital Market Authority, the Ministry of Foreign Affairs and the National Center for Financial Information. The National Committee has also powers to submit recommendations on the development of general policies and guidelines regarding offenses of money laundering and terrorism financing, and suggest suitable amendments to this law ((AML/CFT Law, Art.13(f)).

Criterion 2.3

Both at policymaking and operational levels the National Committee ensures the existence of effective methods of cooperation and coordination among competent authorities (AML/CFT Law, Art.13 d)). A technical committee of the National Committee was created (AML/CFT Law, Art.14). Its mandate includes the preparation of working papers and the submissions of proposal related to AML/CFT, the follow-up on the National Committee's decisions, the cooperation and the coordination between AML/CFT authorities and with the Executive Office of the National Committee. (Decision No.4/2022, Art.3).

Oman established formally AML Investigation Sub-Committee in in March 2023, to address difficulties in the case of ML investigations and to manage communication channels between relevant and supervisory authorities. Members shall also exchange expertise on ML cases and coordinate efforts related to statistics on ML cases (Decision No. 2/2023, Art.3).

Criterion 2.4

The National Committee's mandate includes the coordination with the National Committee for Combating Terrorism (NCTC) in the implementation of UN Security Council resolutions, and then also the resolutions linked to PF (AML/CFT Law, Art.13 j).

A working group on countering PF was created in December 2022 that reports directly to the National Committee. The working group promotes national coordination and cooperation, coordinates with the Technical AML/CFT Committee and must carry out any related task assigned by the National Committee. (Article 3 and 6, Resolution No. 7/2022 Establishing the Working Group on Counter Proliferation Financing).

The working group on countering PF has a variety of members which facilitates the cooperation between relevant authorities: formal members of the National Committee, a representative from the NCTC, the Internal Security Service, the Ministry of Transport and Communications, the Ship Registration and Seafarers affairs Department for the ship registry; and the Public Authority for Special Economic Zones and Free Zones are members of the PF Coordination Group to warrant input from those authorities in relation to the import/export and transportation of goods (including possible dual use goods). From the customs authorities, members of the import/export control department take part in relevant meetings. (Resolution No. 7/2022, Art.2,).

Criterion 2.5

Oman has adopted a Data Protection Law (DPL) in February 2023 introducing legal requirements for businesses that process personal data - including FIs and DNFBPs. The law is based on the opt-in principle, meaning that FIs/DNFBPs can only process personal data if the user consents or if there is another legal basis. However, Oman does not have a data protection authority to confirm cooperation and coordination between relevant authorities. No information on regular coordination in this regard other than the fact that the National Committee was consulted when drafting the DPL, to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules.

Weighting and Conclusion

Oman put in place a range of mechanisms for coordination and information exchange between competent authorities on policy and operational level. However, no evidence of cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions.

Recommendation 2 is rated largely compliant.

Recommendation 3 - Money laundering offence

In its last MER, Oman was rated largely compliant with these requirements. The main deficiencies concerned the scope of the offence, which did not cover 'concealment or disguise of the disposition of property' and the absence of criminal liability for ML for all legal persons.

Criterion 3.1

Oman criminalises ML in line with the Vienna and Palermo Conventions. The AML/CFT Law fully meets the physical and material requirements of both Conventions, as the ML offence covers the following acts: conversion or transfer of funds that are proceeds of crime for the purpose of disguising or concealing the illegal nature or source of such proceeds or of assisting any person who committed the predicate offence to evade punishment for their acts ; the disguising or concealing of the true nature, source, location, methods of disposal, movement, or ownerships of or rights with respect to proceeds of crime; as well as the acquisition, possession or use of proceeds of crime. (AML/CFT Law, arts. 1 and 6,).

Criterion 3.2

The predicate offences for ML cover any act criminalised under Omani laws (AML/CFT Law, Art.1). With this “all-crimes approach”, Oman has criminalised the 21 categories of designated predicate offences (Oman Penal Law, Book 2). However, the scope of the corruption and bribery offences is narrow as the corruption of foreign public officials and officials of public international organisations are not criminalised.

Table A.11. Categories of offences

a)	Participation in an Organized Criminal Group and Racketeering: Articles 109, 116, 148, and 149 Penal Law
b)	Terrorism and Terrorism Financing: Article 8 AML/CFT Law, Articles 113, 142, 145, 161, 162, 163, and 166 Penal Law, Article 2 Law of Terrorism Combating
c)	Trafficking in Human Being and Migrant Smuggling: Article 153 Penal Law, Article 2 Anti-Trafficking Law
d)	Sexual Exploitation and Sexual Exploitation of Children: Articles 253, 254, 256, 257, 258, and 284 Penal Law.
e)	Illicit Trafficking in Narcotic Drugs and Psychotropic Substances: Articles 2 and 3 of the Law of Narcotics and Psychotropics Control
f)	Illicit Arms Trafficking: Articles 3, 13, and 14 Weapons and Ammunitions Law
g)	Illicit Trafficking in Stolen and Other Goods: Article 364, 380, 381 and 382 of the Penal Law
h)	Corruption and Bribery: Articles 119, 120, 194, 207, 208, 209, 210, 211, 212 213, 214, 215, 219, 220, 360 and 362, Penal Law
i)	Fraud: Articles 189, 190, 221, 349, 350, 351, 352, 356, 357, 379 Penal Law
j)	Counterfeiting Currency: Articles 175,176, 177 and 179 Penal Law.
k)	Counterfeiting and piracy of products: Article 171 Penal Law
l)	Environmental Crime: Article 167 Penal Law
m)	Murder, grievous bodily injury: Article 192, 193, 301, 319 Penal Law
n)	Kidnapping, illegal restraint and hostage-taking: Article 322 Penal Law
o)	Robbery and theft: Article 194, 213, 214, 215, 217, 218, 219, 220, 306, 307, 308, 309, 335, 336, 337, 338, 339, 340, 342, 343, 344, 345 Penal Law
p)	Smuggling, including customs and excise duties and taxes: Articles 142 and 143 Common Customs Law
q)	Tax Crimes: Articles 101 and 102 of the VAT Law (Royal Decree 121/2020), and offences covered in Part 7 of the Income Tax law (No. 28/2009)
r)	Extortion: Articles 346 and 347 Penal Law
s)	Forgery: Articles 141, 153, 169, 172, 173, 174, 181, 182, 183, 184, and 186 Penal Law
t)	Piracy: Articles 160 and 161 Penal Law
u)	Insider trading and market manipulation: Articles 64, 65 and 67 Capital Market Law

Criterion 3.3

Oman does not apply a combined or threshold approach since the ML offence applies to all types of crimes.

Criterion 3.4

The ML offence extends to any type of property or assets, regardless of its value, that directly/indirectly represents the proceeds of crime. Proceeds of crime covers any funds derived or obtained directly or indirectly from a predicate offence, including profits, economic benefits and advantages and any funds converted fully or partially into other funds. Funds are further defined as any type of assets or property, regardless of its value, nature, or the way it is acquired, whether electronic or digital, whether inside or outside of the Sultanate of Oman, including any profits or interest on such property that is due has been fully or partially distributed. (AML/CFT Law, Art.1).

Criterion 3.5

When proving that property is the proceeds of crime, it is not necessary that a person be convicted of a predicate offence (AML/CFT Law, Art.7).

Criterion 3.6

Predicate offences for ML extend to acts committed outside Oman if the act would constitute an offence in both the country in which the crime was committed and under Omani laws. (AML/CFT Law, art.1).

Criterion 3.7

The ML offence applies to any person, regardless of whether they commit the predicate offence (AML/CFT Law, Art.6). There is no fundamental principle of domestic law that precludes self-laundering).⁶⁶

Criterion 3.8

While there is no explicit provision referring to objective factual circumstances, the general principle applies where “a judge shall decree a case in accordance with his satisfaction with his full liberty” (PPL, Art.215). Jurisprudence from the Supreme Court confirms that judges have a prerogative to infer evidence and criminal intent from the circumstances surrounding the incident and from any evidence deemed admissible by the Court.⁶⁷

Criterion 3.9

Proportionate and dissuasive criminal sanctions apply to natural persons convicted of ML. The ML offence is a felony or most serious type of offence, as defined by the Penal Code, Art.24. ML is sanctioned by a term of imprisonment for no less than 5 years but not exceeding 10 years and a fine no less than OMR 50 000 (USD 130 000) but not exceeding the equivalent of the value of the funds subject of the offence

⁶⁶ Supreme Court Appeal Decision No. 116/2021 from 09/06/2020, confirming that ML offence is applicable to the persons who commit the predicate offence.

⁶⁷ Supreme Court Appeal Decision No. 392/2006 [7/11/2006] and No. 116/2021 from 09/06/2020

(AML/CFT Law, Art.88(a)). When an offence is committed through negligence, the penalty is imprisonment for a period of no less than six months but not exceeding three years, and a fine of no less than OMR 10 000 (USD 26 000) but not exceeding the equivalent of the value of the funds subject of the offence (AML/CFT Law, Art.88(b)). Courts can commute this sentence in certain circumstances (CPL, art.80(c), AML/CFT Law, Art.94). In all cases, a conviction for ML results in mandatory confiscation (see R.4) (AML/CFT Law, Art.100).

Penalties can be doubled in certain aggravated circumstances, if the offender committed the offence through a criminal organisation; if the offender committed the offence by abusing his powers or influence through a financial institution or a non-profit or non-governmental organisation or the like, or by using the facilities vested in him by his office, professional activity or social status; or in cases of recidivism (AML/CFT Law, Art.92).

These sanctions are similar to those applied for other similar offences such as financially motivated crimes : fraud; up to 2 years imprisonment, double if aggravating factors apply, and OMR 100-300 (USD 260-780) in fines (Penal Law, Art.349); corruption – up to 10 years imprisonment, and a fine equivalent to at least what was received, (Penal Law, Art.207 and 208); counterfeiting currency – up to OMR 5000 (USD 13 000), and 15 years imprisonment.)

Criterion 3.10

In Oman, criminal liability and sanctions apply to legal persons (Penal Code, art.6). In addition, the ML offence applies indistinctly to any person, whether natural or legal (AML/CFT Law, arts. 1 and 6). The minimum fine for ML is no less than OMR 100 000 (USD 260 000) and not exceeding the equivalent value of the funds subject to the offence. Additionally, permanent, or temporary suspension of activities, closing of headquarters used for the perpetration of the crime, liquidation, or placement under judicial supervision for management of funds, may also be applied (AML/CFT Law, Art.90.). Higher sanctions are also applicable in case of aggravating factors, such as recidivism (AML/CFT Law, Art.92).

Parallel administrative proceedings against legal persons are not precluded, including supervisory sanctions for FIs or DNFBP (AML/CFT Law, Art.99). Also, conviction of the legal person does not exclude conviction of natural persons acting on behalf of the legal person (AML/CFT Law, Art.10-96). Therefore, sanctions for legal persons are proportionate and dissuasive.

Criterion 3.11

Appropriate ancillary offences for the ML offence are in place. This includes attempt, participation, inciting or aiding to commit a ML/TF offence (AML, CFT Law, art.10). The Penal Law applies to all crimes under Omani Law, including attempt (Art 30), participation/association (Art 37a-b), aiding and abetting (Art 38b), conspiracy to commit (Art 38(a), and incitement (38(c)).

Weighting & Conclusion

Although the ML offence is largely in line with the elements of the Vienna and Palermo Conventions, there are minor shortcomings with the criminalisation of the corruption and bribery offences, which do not extend to foreign public officials and officials of public international organisations.

Recommendation 3 is rated largely compliant.

Recommendation 4 - Confiscation and provisional measures

In its last MER, Oman was rated largely compliant with these requirements. The principal deficiency related to the lack of effectiveness in ML and predicate cases due to lack of utilisation of legal provisions.

Criterion 4.1

Oman has legislative measures that enable the confiscation of property, whether held by criminal defendants or by third parties. The confiscation of property is mandatory upon conviction of ML/TF offence or predicate offences (AML/CFT Law, Art.100). Confiscation covers:

- a) Laundered property (AML/CFT Law, Art.100 (a));
- b) Proceeds of the offence and instrumentalities: these include funds resulting from or exchanged for such proceeds; incomes and interests derived from such proceeds and instrumentalities used or intended for use in ML or predicate offences (AML/CFT Law, Art.100 (b)(c)(d));
- c) property that is the proceeds of, or intended for use in the financing of terrorism, terrorist acts or organisations (AML/CFT Law, Art.100, Terrorism Combating Law, Art 2)
- d) Property of corresponding value: (AML/CFT Law, Art.100(e))

The law does not explicitly refer to 'property', but rather to 'funds' that are subject of the offence in question. The term "funds" is defined broadly as all type of assets or property regardless of its value, nature or the way it is acquired, whether electronic or digital [...] immovable or movable, corporeal; or incorporeal. (AML/CFT Law, Art.1). This definition also extends to VA/VASPs .

Criterion 4.2

Oman has measures, including legislative measures, that enable competent authorities to:

- a) *identify, trace and evaluate property that is subject to confiscation:* The Department of Frozen, Seized and Confiscated Funds has the powers to track funds that may be subject to freezing, seizure and confiscation (AML/CFT Law, Art.85; Judicial Decision 57/2016). Moreover, LEAs have the power to review the records and documents, and obtain information held by FIs, DNFBPs, NPOs , or any other person (AML/CFT Law, Art.81-85; CPL, arts. 30-37). LEAs also have access to a number of investigative tools to uncover facts of ML, TF and predicate offences (see R.31).
- b) carry out provisional measures, such as freezing or seizing, to prevent any dealing, transfer or disposal of property subject to confiscation: (AML/CFT Law, Art.82).
- c) take steps that will prevent or void actions that prejudice the country's ability to freeze or seize or recover property that is subject to confiscation: provisions are in place to ensure that any contract or disposition in which one or more of the parties knew that its purpose was to prevent confiscation of the funds, shall be null and void (AML/CFT Act, Art.104).

- d) *take any appropriate investigative measures*: The PP may use a wide range of investigative tools to uncover the facts of ML, TF and predicate offence, including the determination of funds and tracing the proceeds of crime (AML/CFT Act, Art.83-84) (see R.30 and R.31)).

Criterion 4.3

The law protects the rights of *bona fide* third parties who acquired funds in good faith and in exchange for a service rendered corresponding to the value of such funds without knowledge of their illicit origin (AML/CFT Law, Art.100, CPL, Art.98).

Criterion 4.4

Oman has mechanisms for managing and, when necessary, disposing of property frozen, seized or confiscated, through the Department of Frozen, Seized and Confiscated Funds within the PP (AML/CFT Law, Art.85 and 102; Judicial Decision 57/2016).

Weighting and Conclusion

All criteria are met.

Recommendation 4 is rated compliant.

Recommendation 5 - Terrorist financing offence

In its last MER, Oman was rated largely compliant with these requirements. The main deficiency concerned the lack of criminalisation of financing of an individual terrorist, and the lack of alignment between the definition of a terrorist act, and Art 2 of the International Convention for the Suppression of the Financing of Terrorism.

Criterion 5.1

Oman criminalises TF in line with Art.2 of the Terrorist Financing Convention. Both the material and mental elements of the TF offence are covered. The TF offence applies to any person who willingly collects or provides funds, directly or indirectly and by any means, with the knowledge and intent that such funds will be used in full or in part, to carry out a terrorist act, or by a terrorist individual or a terrorist organisation. The TF offence occurs regardless of whether the funds were actually used to commit the terrorist act or not. (AML/CFT Law, Art.8,9). Oman adequately covers all acts of terrorism for which financing is an offence (Royal Decree 8/2007 promulgating the Terrorism Combating Law, Royal Decree 7/2018 promulgating the Penal Law).

Criterion 5.2

The TF offence extends to any person who willingly collects or provides funds, directly or indirectly and by any means, with the knowledge that such funds will be used in full or in part and regardless of whether the act occurred or not (AML/CFT Law, Art.8-9):

- a) to carry out a terrorist act; or
- b) by a terrorist individual or a terrorist organisation.

Criterion 5.2 *bis*

The TF offence extends to financing the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning or preparation of, or participation in terrorist acts, or the providing or receiving terrorist training (AML/CFT Law, art.8).

Criterion 5.3

TF offences extend to any funds or other assets whether from a legitimate or illegitimate source. Oman defines 'funds' broadly, to include all type of assets or property, regardless of its value, nature, or the way it is acquired (AML/CFT Law. art.1 and c.3.4).

Criterion 5.4

The TF offence does not require (AML/CFT Law, art 9):

- a) that funds were used to carry out or attempt a terrorist act ;or
- b) to be linked to a specific terrorist act.

Criterion 5.5

While there is no explicit provision referring to objective factual circumstances, the general applicable principle is that “a judge shall decree a case in accordance with his satisfaction with his full liberty” (CPL, Art.215). Case law also confirms this (see c.3.8).

Criterion 5.6

Proportionate and dissuasive criminal sanctions apply to natural persons convicted of TF. The TF offence is a felony or most serious type of offence, as defined by the Penal Code, Art.24. TF sanctions for natural persons range from imprisonment of no less than 10 years and no more than 15 years, and a fine of no less than OMR 50 000 (USD 130 000) and up to the equivalent value of the funds collected or provided (AML/CFT Law, Art.89). Penalties can be doubled in some cases, e.g. if the offence was undertaken through a criminal organisation or in cases involving recidivism. Moreover, confiscation of funds emanating from a TF offence and instrumentalities are mandatory (see R.4). The penalties available are proportionate compared to similar offences in Oman: joining or participating a terroristic organisation is punishable by imprisonment for a maximum term of not more than ten years or a minimum term of not less than five years (CT law, Art.2). Providing terroristic organisation with any funds, weapons, explosives, or any other materials; providing the leaders, managers, or members of the terroristic organisation with accommodation, shelter or conference venue; training on using weapons, explosives for the purpose of using them in committing a terroristic crime is punishable by imprisonment for (absolute) life imprisonment or imprisonment for a minimum term of not less than ten years (CT law, Art.3).

Criterion 5.7

Criminal liability and sanctions apply to legal persons, as the TF offence applies indistinctly to any person, whether natural or legal (AML/CFT Law, art 1 and 8). Criminal liability for legal persons is established when the TF offence is committed in

their name or on their behalf, and conviction of the legal person does not exclude conviction of natural persons acting on their behalf (AML/CFT Law, Art.10-96).

The sanctions available are dissuasive as legal persons incur a fine of not less than OMR 100 000 (USD 26 000) and not exceeding the equivalent value of funds subject of the offence. The Court may in addition order to suspend its commercial activities permanently or temporarily, close down its headquarters used for the perpetration of the crime, liquidate the business or place it under judicial supervision to manage its funds (AML/CFT Law, Art.90). Moreover, a conviction for TF results in mandatory confiscation (AML/CFT Law, Art.100).

The sanctions available are proportionate compared to sanctions applied for legal persons involved in terrorism. e.g. dissolution of the legal person, closure of the location at which it practices its activity, confiscation of the funds and items related to the crime or impose on it a fine equal to their value if they cannot be confiscated (CT Law, Art.17).

Criterion 5.8

The TF offence extends to (AML/CFT Law, arts. 1-10):

- a) attempts to commit the TF offence;
- b) participating as an accomplice in a TF offence or attempted offence;
- c) organising or directing others to commit a TF offence or attempted offence; and
- d) contributing to the commission of a TF offence or attempted offence, by a group of persons acting with a common purpose.

Criterion 5.9

TF offence is a predicate offence for ML as Oman applies an all-crimes approach to ML (see c. 3.2).

Criterion 5.10

TF is deemed to have been committed regardless of the country where the act or attempted act was carried out (AML/CFT Law, Art.9). Moreover, the terms “terrorist” and “terrorist organisation” are defined to cover individuals and groups both inside and outside Oman (AML/CFT, art.1).

Weighting and Conclusion

All criteria are met.

Recommendation 5 is rated compliant.

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

In its last MER, Oman was rated non-compliant with these requirements. The main deficiencies were related to the lack of laws and procedures to implement UNSCR 1373 in addition to deficiencies related to the implementation of UNSCR 1267 and successor resolutions.

Criterion 6.1

In relation to designations pursuant to UNSCRs 1267/1989 and 1988:

- a) Oman has identified the National Committee on Counterterrorism (NCTC) as the competent authority responsible for proposing persons or entities to the 1267/1989 and 1988 Committees (AML/CFT Law, Art.59; NCTC Decision 01/2022, Art.22);
- b) The NCTC is the forum to identify targets for designation to the relevant UN Committee based on inputs by component authorities, and in line with the criteria set out in relevant UNSCRs. (NCTC Decision 01/2022, Art.21 and 22);
- c) When deciding whether or not to make a proposal for designation, the NCTC applies an evidentiary standard based on “reasonable grounds to believe that the UN designation criteria is met. The proposals for designations are not conditional upon the existence of criminal proceeding. (NCTC Decision 01/2022, Art.22 (a));
- d) When submitting designation proposals, the NCTC should follow the procedures and the designation forms adopted by the UNSCRs, or the relevant Sanction Committee (NCTC Decision 01/2022, Art.22 (b));
- e) When submitting designation proposals, the NCTC should provide as much relevant information as possible on the proposed name, a statement of case, and the details based on the basis for the listing. It should specify whether the Sultanate may be identified as the requesting State or not (NCTC Decision 01/2022, Art.22 (c)).

Criterion 6.2

In relation to designations pursuant to UNSCR 1373:

- a) Oman has identified the NCTC’s TFS Committee, which support the NCTC on the operational level, as the competent authority responsible for designating persons or entities that meet the designation criteria pursuant to UNSCR 1373. The TFS Committee may act either on its own behalf or upon the request of any foreign party (NCTC Decision 01/2022, Art.14).
- b) Oman has a mechanism for identifying targets for designation based on the designation criteria set out in UNSCR 1373. The TFS Committee is empowered to designate targets under UNSCR 1373, on its own or upon foreign request (NCTC Decision 01/2022, Art.14). The AT had access to the confidential local designation criteria and determined that the criteria set out are in line with the criteria set out in UNSCR 1373.
- c) If the NCTC receives foreign requests to designate a person (natural and legal) on the local list, it refers the request to the TFS Committee which, in turn, will investigate, verify, and audit the names mentioned in the request through its member bodies or any other body - if necessary - within (30) days, and the aforementioned period can be extended as needed to make its decision, which does not permit a prompt determination. The foreign request should have reasonable grounds to suspect or believe and meet the criteria for designation in UNSCR 1373. The NCTC may request that the requesting foreign entity provides as much identifying information, and specific information supporting

the designation request as possible (NCTC Decision 01/2022, Art.14 and 16, and Mechanism of Handling Listing Requests in The Local List Section 2).

- d) The TFS Committee applies an evidentiary standard of “reasonable grounds to believe” when deciding whether or not to make a designation on the local lists (NCTC Decision 01/2022, Art.14). Such designation is not conditional upon the existence of criminal proceedings against the proposed designee, such as an investigation, prosecution or other (NCTC Decision 01/2022, Art.17).
- e) The NCTC has the power to request any foreign party to give effect to freezing, the request should have as much identifying information, and specific information supporting the designation as possible, including the name of the proposed person (natural and legal), any necessary information to allow for the accurate and positive identification of persons (NCTC Decision 01/2022, Art.18).

Criterion 6.3

- a) The NCTC and the TFS Committee have the legal authority to collect and solicit information from any person or any entity to identify persons and entities that, based on reasonable grounds, or a reasonable basis to suspect or believe, meet the criteria for designation pursuant to UNSCR 1373 or to the UNSCR 1267 or 1988 (NCTC Decision 01/2022, Art.15 and 22 al.2).
- b) The NCTC and the TFS Committee operate *ex parte* against a person or entity who has been identified and whose designation is being considered (NCTC Decision 01/2022, Art.17 and 22(a)).

Criterion 6.4

Oman implements TFS without delay. The freezing obligation is automatically triggered once a person or entity is designated either by the UNSC or, in the case of UNSCR 1373, by the NCTC through the TFS Committee. No transposition or additional action is required. This freezing obligation should occur without delay and within 24 hours from the inclusion in UN or local lists (NCTC Decision 01/2022, Art.3). The NCTC Decision prohibits any person from making funds or other assets available (NCTC Decision 01/2022, Art.4).

Criterion 6.5

The following standards and procedures apply in Oman for implementing TFS:

- a) All natural and legal persons in Oman are required to freeze, without delay and within 24 hours, and without prior notice, the funds and economic resources for designated persons and entities (NCTC Decision 01/2022, Art.3).
- b) The obligation in Oman for freezing funds and economic resources extends to (i) funds and economic resources owned or controlled by designated person (natural and legal), directly or indirectly (NCTC Decision 01/2022, Art.3 al.1(a)), (ii) funds and economic resources wholly or jointly owned or controlled, directly or indirectly, by designated persons (NCTC Decision 01/2022, Art.3 al.1), (iii) any funds and economic resources derived or generated from funds or economic resources owned or controlled directly or indirectly by designated persons (NCTC Decision 01/2022, Art.3 al.2). (iv) the fund of anyone who acts on behalf or at the direction of or is owned or

controlled directly or indirectly by such person (NCTC Decision 01/2022, Art.3).

- c) It is prohibited for any person (natural and legal) within Oman or any Omani national abroad to provide or to make funds or economic resources available, or provide financial or other related services to, or for the benefit of a listed person, whether directly or indirectly, wholly or jointly, or through an entity owned or controlled directly or indirectly by the listed person, or a person acting on behalf or at the direction of a listed person (NCTC Decision 01/2022, Art.4).
- d) Oman has a mechanism for communicating designations to the FIs and the DNFBPs in an immediate manner. The supervisory authorities, in coordination with the NCTC, are required to notify FI and DNFBPs of any listings (NCTC Decision 01/2022, Art.25) through the NCTC alerting system service⁶⁸ that sends listing updates to subscribed FIs and DNFBPs.

The NCTC issued guidance to FI and DNFBPs clarifying their obligations in freezing mechanisms and how they can be fully complied with (Guidelines for the implementation of TFS P. 9-11 and 20).

- e) FIs and DNFBPs are required to report to the NCTC within 24 hours any action taken in relation to the funds or economic resources, including any attempted transactions, the details of the nature and quantity frozen, and any other information that would facilitate compliance with the provisions of the NCTC decision. (NCTC Decision 01/2022, Art.5).
- f) Oman has measures just to which protect the rights of bona fid third parties acting in good faith when implementing the obligation under R.6. (NCTC Decision 01/2022, Art.2).

Criterion 6.6

Oman has publicly known procedures to de-list and unfreeze the funds or other assets of persons and entities which do not, or no longer, meet the criteria for designation as per the below:

- a) For designations under UNSCR 1267/1989 and 1988, any person (natural and legal) who has Omani nationality or has a place of business or residence in Oman may submit a request for de-listing to the NCTC, in line with the procedures adopted by the UNSC and the relevant Sanctions Committee. The NCTC shall determine whether the person meets the designation criteria, if this is not the case, the NCTC may submit a de-listing request to the UN Security Council or relevant Sanctions Committee, as the case may be, and in line with applicable procedures adopted by the 1267 or 1988 Committees, as appropriate (NCTC Decision 01/2022, Art.23) The procedures are publicly available under <https://nctc.gov.om>.
- b) For local designations under UNSCR 1373, any person (natural and legal) has the possibility to file a written request to the TFS Committee for delisting. The TFS Committee shall decide regarding such a de-listing request within 30 days,

⁶⁸ <https://nctc.gov.om/NotificationSystem/Register>

or else the request is deemed rejected, and such information can be publicly found on the NCTC website⁶⁹ (NCTC Decision 01/2022, Art.19).

- c) An applicant may appeal a rejection decision to the NCTC within 30 days of their knowledge of the rejection decision made by the TFS Committee. The NCTC shall make a decision regarding such appeal within 60 days from the date of submitting the complete request and its decision shall be final (NCTC Decision 01/2022, Art.19, and NCTC governance art, 30-33). However, some authorities represented in the TFS Committee are the same in NCTC but with different officials, which does not lead to a complete independence decision.
- d) and (e) Designated persons (natural and legal) may contact the UN Ombudsperson or UN Focal Point directly where available for de-listing. The NCTC shall subsequently facilitate review by the 1267 or 1988 Committees, as appropriate, in accordance with any applicable guidelines or procedures, including those of the Focal Point, as the case may be (NCTC Decision 01/2022, Art.23).
- f) Any person (natural and legal) affected by the freezing decision may submit a written request to the TFS Committee. The published guidance and FAQ on the NCTC website⁷⁰ include conditions to lift or amend the freezing procedure, such as the applicant should not be the person intended by the designation decision (NCTC Decision 01/2022, Art.8 and 10; P. 16-17 Guidelines for the implementation of TFS, FAQ n°33 on the NCTC's website).
- g) De-listings and unfreezing communication mechanism are in the same way for new listings (see c.6.5(d)). FIs and DNFBPs are required to respect the de-listing or unfreezing action of that person within a period not exceeding 24 hours from the date of notification. (NCTC Decision 01/2022, Art.19(a)(b), and 21, the guidelines for the implementation of TFS P. 20).

Criterion 6.7

Oman has in place procedures to authorise access to frozen funds, where necessary for basic expenses or the payment of certain expenses (NCTC Decision 01/2022, Art.9 and 10). As such, there are procedures to authorise access to frozen funds, where necessary for basic expenses or the payment of certain expenses accordance with the procedures set out in UNSCR 1452. For local list UNCSR 1373, the TFS Committee has the authority to grant access to frozen funds or economic resources partly or fully, for the purposes of covering the following basic expenses, for the payment of certain types of fees, expenses and services charges, or for extraordinary expenses.

Weighting and Conclusion

Minor shortcomings remain, including the mechanism for identifying targets under UNSCR 1373 which does not permit a prompt determination when receiving a request. In addition, Oman's decision-making procedures for de-listing persons under UNSCR 1373 are not completely independent.

Recommendation 6 is rated largely compliant.

⁶⁹ [Removal from the list \(local/UN\) and lifting or modifying freezing procedures and permission to access frozen funds or economic resources - National Counter Terrorism Committee \(nctc.gov.om\)](#)

⁷⁰ [Forms - National Counter Terrorism Committee \(nctc.gov.om\)](#)

Recommendation 7 – Targeted financial sanctions related to proliferation

This is a new Recommendation which was not assessed in the last MER.

Criterion 7.1

Oman implements TFS related to financing of proliferation without delay. The freezing obligation is automatically triggered once a person or entity is designated by the UNSC. No transposition or additional action is required. This freezing obligation should occur without delay and within 24 hours from the inclusion in UN (NCTC Decision 01/2022, Art.3). The NCTC Decision also prohibits any person from making funds or other assets available (NCTC Decision 01/2022, Art.4)

Criterion 7.2

- a) All natural and legal persons, including individuals, groups, and entities are having an obligation to freeze without delay within a period not exceeding 24 hours from the inclusion of a name in the list, and without prior notice the funds and economic resources. (NCTC Decision 01/2022, Art.3).
- b) The obligation in Oman for freezing funds and economic resources extends to (i) funds and economic resources owned or controlled by designated person (natural and legal), directly or indirectly (NCTC Decision 01/2022, Art.3 al.1(a)), (ii) funds and economic resources wholly or jointly owned or controlled, directly or indirectly, by designated persons (NCTC Decision 01/2022, Art.3 al.1), (iii) any funds and economic resources derived or generated from funds or economic resources owned or controlled directly or indirectly by designated persons (NCTC Decision 01/2022, Art.3 al.2), (iv) the fund of anyone who acts on behalf or at the direction of, or is owned or controlled directly or indirectly by such person (NCTC Decision 01/2022, Art.3).
- c) It is prohibited for any person within Oman or any Omani national abroad to provide or to make funds or economic resources available, or provide financial or other related services to, or for the benefit of a listed person, whether directly or indirectly, wholly or jointly, or through an entity owned or controlled directly or indirectly by the listed person, or a person acting on behalf or at the direction of a listed person (NCTC Decision 01/2022, Art.4).
- d) Oman follows the same mechanisms described in (c.6.5(d)) to communicate designations and provided a guideline which covers the PF TFS freezing obligations to all FI and DNFBPs (Guidelines to the implementation of TFS P. 9-11 and 20).
- e) FIs and DNFBPs in Oman are required once they implement the freezing measures to notify report to the NCTC within 24 hours from taking the measure and inform the NCTC of the any action taken in relation to the funds or economic resources, including any attempted transactions, the details of the nature and quantity frozen, and any other information that would facilitate compliance with the provisions of the NCTC decision (NCTC Decision 01/2022, Art.5).
- f) Oman has measures which protect the rights of bona fid third parties acting in good faith when implementing the obligation under R.7. (NCTC Decision 01/2022, Art.2).

Criterion 7.3

Oman supervisory authorities, in coordination with the NCTC, verify Recommendation 7 obligation compliance on FIs, DNFBPs, and NPOs with the NCTC Procedures. In case the FIs, DNFBPs, and NPOs fail to comply with those obligations, supervisory authorities may impose a range of one or more sanctions that could start from sending a written warning to reach suspending, canceling, or placing restrictions on the license to practice operations or activity. Without prejudice to any harsher sanction of the above, violation of freeze without delays the funds or assets of designated persons is punishable with an administrative fine of no less than OMR 10 000 (USD 26 000) and no more than the equivalent value of frozen funds or economic resources. In addition to these administrative fines, supervisory authorities may impose any administrative sanctions under the AML/CFT law on the violated FIs, DNFBPs or NPOs. (NCTC Decision 01/2022, Art.24, 26-28, AML/CFT law, Art.52).

Criterion 7.4

- a) Any person who has Omani nationality or has a place of business or residence in Oman may submit a request for de-listing to the NCTC, in line with the procedures adopted by the UNSC and the relevant Sanctions Committee. The NCTC shall determine whether the person meets the designation criteria. If this is not the case, the NCTC may submit a de-listing request to the UN Security Council or relevant Sanctions Committee. (NCTC Decision 01/2022, art 23, Guidelines for the implementation of TFS p.16)
- b) Any person (natural and legal) affected by the freezing decision may submit a written request to the TFS Committee. The published guidance and FAQ on the NCTC website⁷¹ include conditions to lift or amend the freezing procedure such as the applicant should not be the person intended by the designation decision (NCTC Decision 01/2022 Art 8 and 10; Guidelines for the implementation of TFS P.16-17, FAQ n°33 on the NCTC's website).
- c) Any person whose funds or economic resources were subject to freezing measures under UNCSR 1718 may submit a written request to access frozen funds or economic resources based on either basic or extraordinary expense reasons. In both cases, the procedures are in accordance with the ones set out in UNSCR 1718. However, there is no procedure that allows access to frozen funds to satisfy the execution of a judicial decision (Resolution 1718 9 (c)) (NCTC Decision 01/2022 Art 9 and 10).
- d) Mechanisms for communicating de-listings are the same as those described in (c.6.5(d)) for a new listing.

Criterion 7.5

- a) Oman does not prevent the crediting of frozen accounts with interests or other revenues due on frozen accounts, or with payments due as per contracts, agreements, or commitments that arose before the date on which such accounts became subject to the freezing decision, provided that such credits are subject to immediate freezing and the National Committee is notified thereof (NCTC Decision 01/2022, Art.3 and 13).

⁷¹ [Forms - National Counter Terrorism Committee \(nctc.gov.om\)](https://nctc.gov.om)

- b) This requirement does not apply due to the expiration of the TFS elements of UNSCR 2231.

Weighting and Conclusion

Oman has a minor deficiency as it does not have a procedure that allows access to frozen funds to satisfy the execution of a judicial decision (Resolution 1718 9 (c))

Recommendation 7 is rated largely compliant.

Recommendation 8 – Non-profit organisations

In its last MER, Oman was rated compliant with these requirements. Therefore, Oman has not been assessed against the detailed requirements of Recommendation 8 following the 2016 adoption of changes to Recommendation 8 and its Interpretative Note.

General information

Oman's NPO landscape consists of four types of NPOs: charitable organisations, professional organisations and foundations, community social clubs, and women associations. The sector consists of 171 in total regulated by the Ministry of Social Development (MOSD). Oman has conducted two NPOs risk assessments. The first assessment was conducted in 2020 followed by another one in 2022. The 2022 NPO risk assessment concluded that the sector as a whole has a low risk of ML and TF abuse. Oman considers all NPOs as reporting entities.

Criterion 8.1

- a) Oman has identified the sub-set of organisations which fall within the FATF definition of NPO: charitable foundations (8) and charitable organisations (13). In order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of TF abuse, the MOSD conducted its second NPO risk assessment (2022) by collecting financial as well as governance data and information on each NPO, and considered the following risk factors total assets under management, source of funding, fund collection techniques, adverse media or records of criminal involvement. These criteria are mainly driven by financial and governance data and not focused on the TF components. Besides, Oman reviewed other sources from NCFI, ROP, PP but no record or allegation of an Omani NPO involved in a criminal conduct either in Oman or abroad has been identified. Beyond financial and governance data, Oman did not identify in depth the features and types of NPOs which at risk of TF abuse by virtue of their activities or characteristics.
- b) The risk assessment considers that NPOs are purely domestic in nature unless they obtain exceptional approval from the MOSD. No information about the nature of threats posed by terrorist entities to the NPOs which are at risk were included in the NPO RA. It is the TF risk assessment and the TF Typology paper which specify to a limited extent how terrorist actors can abuse NPOs in Oman as the NPO RA is mainly based on financial and governance data elements without explaining the nature of the threats posed by terrorists.
- c) Oman reviewed the adequacy of existing laws and regulations. Oman issued a Ministerial Decision Regulations for the AML/CFT Supervision of Non-Profit Associations and Organisations in 2023, which for example gives the MOSD

Minister the power to take one or more of the measures or penalties in case of NPOs violate any obligations stipulated in the AML/CFT Law or relevant regulations (Ministerial Decision No 36/2023, Art.15). However, it is unclear whether the authorities have consequently adapted their adequacy to be able to take proportionate and effective action to address the risks identified. This situation prevents Oman from taking proportionate and effective actions to address the risks identified by the subset of NPOs identified.

- d) Oman conducted two sectoral risk assessments for NPOs that were undertaken in 2020 and 2022.

Criterion 8.2

- a) Oman has clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs, which require NPOs to collect all the relevant information on beneficiaries and donors, use the services of an independent auditor for auditing its financial and administrative activity, appoint a financial accountant who intends to be in charge of all the financial affairs of the association and its bookkeeping, use electronic systems and applications for carrying out their financial and administrative operations as determined by the Ministry (Ministerial Decision No 36/2023, Art.8,9,11,12, and 13).
- b) Oman has conducted awareness-raising for the NPOs through the ISS, which provided an awareness-raising session covering the NPO risk of TF abuse with case examples and good practices to combat TF in February 2023. However, no evidence that the donor community was informed about the potential vulnerabilities of NPOs to TF.
- c) Oman is not yet working with NPOs to develop and refine best practices to address TF risk and vulnerabilities and thus protect them from TF abuse. While the MOSD issued in October 2023 guidance for NPOs on best practices and red flags for ML/TF, the MOSD did not involve the NPO sector during the process. The main objective of such guidance is to provide NPOs with guidelines as reporting entities, such as conducting an ML/TF risk assessment, CDD, and filing STR for suspicious patterns.
- d) Oman requires all NPOs to deposit their cash funds under its proclaimed name in a bank account with one of the accredited banks in Oman and to inform the MOSD of this account. In addition, Oman encourages civil associations to conduct transactions through regulated financial channels such as the MOSD online donations portal⁷² that only accepts bank cards issued in Oman. This portal also includes cross-border donation initiatives through the Omani Charitable Organization. In addition, associations in Oman may not receive any cash donations or grants exceeding OMR 100 (USD 260). (Civil Associations Law, Art.39 and Ministerial Decision No. 36/2023, Art.10).

Criterion 8.3

The MOSD does not apply focused, proportionate and risk-based measures to NPOs at risk of TF abuse. The MOSD applies excessive regulatory measures, described below, which extend to the entire NPO sector. All existing NPOs shall: (1) register with the

⁷² [Donate.om | Home](https://donate.om/)

MOSD before collecting funds, whereby the NPO shall gain a legal personality as of the date of publishing its registration number in the Official Gazette, and NPOs are required to keep records of names, addresses, and dates of birth of each of their Members and their paid contributions; Chairman and members of the Board; Any person who owns, controls, or manages the activities of the association, (2) obtain the prior written consent of the MOSD for introducing any changes to the association or amendments to its articles of association, associations should obtain all the relevant information on beneficiaries and keep records of their identity and information. Due diligence shall be applied to verify the accuracy of such information, the identity and information of any partner association, and the purpose of its activity, (3) collect the relevant information on donors, including at a minimum their names, copies of their identity cards, addresses, and dates of birth. The necessary measures shall be applied for ensuring the confidentiality of such information is maintained. Also, there is a prohibition on all NPOs on the direct disbursement or receipt of funds from abroad unless it's through the only cross-border channel, which is the "Omani Charitable Organization" (Ministerial Decision No. 36/2023 for AML/CFT Supervision of Non-Profit Associations and Organisations, art 2, 3, 6, 8 and 9 Civil Associations Law, Art.42). In addition, Oman treats all NPOs as reporting entities and apply on them all burdensome compliance requirements.

Criterion 8.4

- a) The MOSD monitors the compliance of NPOs by auditing the work of the associations and verifying their conformity with the laws, the statute of the association, and the decisions made by the general assembly. However, the MOSD does not fully apply risk-based supervision to NPOs and the measures do not allow to monitor the compliance of NPOs with R.8 requirements. (The Civil Associations Law, Art.17).
- b) The MOSD has the power to impose one or more of the proportionate and dissuasive administrative sanctions against NPOs or persons acting on behalf of these NPOs for violation the obligations under the regulations for the AML/CFT Supervision of NPO, which include sending a written warning; issuing an order to comply with specific instructions; issuing an order to submit regular reports on the measures being taken; Imposing an administrative fine of not less than OMR 10 000 (USD 26 000) and not more than OMR 100 000 (USD 260 000) for each violation; replacing or limit the mandate of compliance officers, directors, members of the board, or controlling owners, including the appointment of a special administrative supervisor; suspend the work of violating persons in the commercial business sector or in a particular occupation or activity, either permanently or temporarily; impose guardianship over the entity; suspend, cancel, or place restrictions on the license to practice operations or activity. In addition, there is a penalty of imprisonment for a term of not less than six months but not exceeding two years and a fine of not less than OMR 10 000 (USD 26 000) but not exceeding OMR 50 000 (USD 130 000), or one of these two punishments, can be imposed against any of the chairmen and members of NPOs, their owners, representatives or employees. (AML/CFT Law, Art.52, 95, Ministerial Decision No. 36-2023, Art.15).

Criterion 8.5

- a) Oman has the foundations to ensure effective co-operation, co-ordination and information-sharing to the extent possible between authorities or organisations that hold relevant information on NPOs, which was proven by the information exchange during the NPO RA development process (See 8.1(a)). The MOSD is part of the National Committee and the Technical Committee where it can exchange information related to NPO and participates in AML/CFT national policy and coordination efforts and decisions. The MOSD can also participate in the ML Investigation Sub-Committee on request.
- b) Oman has specific investigative expertise and capability to examine NPOs suspected of either being exploited or supporting terrorist activity. The Public Prosecutor may, in order to uncover facts concerning a crime of terrorism financing review the records and documents and obtain information on the possession of NPOs (AML/CFT Law Art.81). The Special Cases Department of the PP is specialized in the investigation of all terrorism-related cases, including those involving NPOs. There is also significant expertise within the ISS, which is the law enforcement authority responsible for TF preliminary investigations, which could also be involved in suspected NPOs.
- c) MOSD has access to information on the administration and management of NPOs in the course of an investigation. NPOs are required to retain books and documents for ten years, and they shall facilitate the work of the MOSD employees, namely in terms of entering into the premises and facilities of the association, perusing their records and books, conducting inspections, and providing them with the requested data and information (AML/CFT Law, Art.44 and Ministerial Decision 36/2023, Art.14).
- d) The MOSD is required to notify the NCFI of the measures and penalties applied against any NPOs for violation of the AML/CFT law (Ministerial Decision 36/2023, Art.15). When the MOSD has a suspicion or reasonable grounds to suspect that a particular NPO is abused for TF, it is able through its membership in the National AML/CFT Committee, the Technical Committee, or participate in the ML Sub-Investigation Committee to share information promptly with competent authorities in order to take preventive or investigative action.

Criterion 8.6

International requests can be submitted to Oman through relevant channels such as the NCFI (in case of a foreign FIU request), or the ROP (in case of a foreign police request), and the MOSD is the central point to respond to such requests and provide relevant details on Omani civil associations. However, the MOSD does not have a procedure in place to respond to such requests. (AML/CFT law, Art.58).

Weighting and Conclusion

Oman has identified the subset of NPOs falling under the FATF definition of NPOs, and the MOSD has the power to impose proportionate and dissuasive administrative sanctions against NPOs or persons acting on behalf of these NPOs for violation of the obligations under the regulations for the AML/CFT. However, the 2022 NPO Risk assessment does

not include an in-depth analysis of how terrorists can abuse NPOs. Oman did not identify the features and types of NPOs which are at risk of TF abuse. The MOSD does not apply focused, proportionate, and risk-based measures to NPOs at risk of TF.

Recommendation 8 is rated partially compliant.

Recommendation 9 – Financial institution secrecy laws

In its last MER, Oman was rated largely compliant with these requirements due to the lack of requirement to overrule secrecy laws that allow FIs from sharing information when required and because of a restriction to share information between some competent authorities. This was mostly a consequence of Oman’s old legal framework.

Criterion 9.1

Financial institution secrecy laws do not inhibit the implementation of the FATF Recommendations in Oman.

Access to information by competent authorities is ensured by the AML/CFT Law, art.51(a) which provides supervisory authorities with the right to collect information and other data from reporting entities.

Exchange of information between competent authorities at the national and international levels is also inscribed in the AML/CFT Law, Art.51 (d) whereby authorities must cooperate and coordinate effectively with counterparts, including by providing assistance to inquiries at all stages of investigations and prosecutions.

Supervisory authorities are required to cooperate effectively with international counterparts by exchanging information and signing MoUs (AML/CFT Law, Art.51 (e) and moreover inform the Centre (FIU) without delay of any information related to STRs or any other information that may be related to ML, predicate offences or TF, and to provide the FIU with the data, information and statistics required to carry out its duties (AML/CFT Law, Article 51 (f)).

Financial institutions are not bound by confidentiality requirements when complying with AML/CFT obligations (CBO Circular BM1187 art.40; CBO FM Circular 38, art.40 and CBO ME instruction 37, art.47) and share information with national or international counterparts in the context of CDD or correspondent banking relations (CBO instruction 1187 articles 38 and 47 respectively).

Financial institutions may also share information relevant to complying with AML/CFT requirements (CBO Circular BM1187, arts. 35 – 38) as also mirrored more specifically for payment service providers and leasing companies (CBO FM Circular 38) and for money exchange companies (CBO ME Circular 37), as well as for capital market institutions in CMA Circular E/80/2021 chapter 7, and for insurance sector entities (CMA Circular E/81/2021 chapter 7).

Weighting and Conclusion

All criteria are met.

Recommendation 9 is rated compliant.

Recommendation 10 – Customer due diligence

In its last MER, Oman was rated non-compliant with these requirements. The evaluation noted deficiencies linked to the maintenance of anonymous accounts, the general application of CDD measures, PEP requirements and correspondent banking relations as well as internal control measures.

Criterion 10.1

Financial institutions are not permitted to keep, or provide services to, anonymous accounts or accounts in obviously fictitious names further to the AML/CFT Law, Art.35. Financial institutions are also required to perform CDD before the beginning of a business relation (AML/CFT Law, art.33). These provisions are confirmed in relevant sectoral regulations for banks and payment service providers, leasing companies, money exchange companies (CBO Circulars BM1187/ME37/FM38, Art.5), capital market operators (CMA Decision 35-2023, art.8), and insurance sector operators (CMA Decision 1-2009, art.8).

Criterion 10.2

Financial institutions are required to undertake CDD measures when:

- a) establishing business relations (AML/CFT Law, art.33 a) (1), confirmed by CBO Circulars BM1187/ME37/FM38, Art.6 and (CMA N.E/80/2021/ CMA N.E/81/2021 Art.9).
- b) carrying out occasional transactions, including situations where the transaction is carried out in a single operation or in several operations that appear to be linked. Specifically, Article 33 a) 2 requires FIs to conduct CDD before carrying out transactions, including occasional and recurring transactions. The designated threshold is established in sectoral regulations and set at approximately EUR 11 800 (CBO Circulars BM1187/ME37/FM38, Art.6 (1) b). There are no defined thresholds for the insurance and capital market sectors.
- c) carrying out occasional transactions that are wire transfers in the circumstances covered by Recommendation 16 and its Interpretive Note (AML/CFT Law, art.33). Thresholds for FIs are defined in sectoral regulation (CBO Circulars BM1187/ME37/FM38, Art.6 (1) (c)) and are set at approximately EUR 825.
- d) there is a suspicion of ML/TF, regardless of any exemptions or thresholds that are referred to elsewhere under the FATF Recommendations (AML/CFT Law, art.33 (a)). The AML/CFT Law is complemented by sectoral regulations for FIs and Securities (CBO Circulars BM1187/ME37/FM38, Art.6 (1) (d) and CMA N.E/80/2021/ CMA N.E/81/2021 Art.9 (1) (b))
- e) they have doubts about the veracity or relevance of previously obtained customer identification information as set out in the AML/CFT Law (art.33 (a)(5)) and complemented in sectoral regulations (CBO Circulars BM1187/ME37/FM38, Art.6 (1) (e) and CMA N.E/80/2021/ CMA N.E/81/2021 Art.9 (1) (c)).

Criterion 10.3

FIs must identify and verify the identity of all customers (AML/CFT Law Art.33 (a)) based on reliable sources, documents, data and information issued by official authorities. CBO and CMA regulations complement this requirement (CBO Circulars BM1187/ME37/FM38, Arts. 6 (2) and 9 (2) (e). CMA N.E/80/2021/ CMA N.E/81/2021 Art.9 (2) specifically mentions the need to consult “reliable and independent sources” listing also the type of documents that must be accessed in the case of legal persons (Art.9 (4) (c)).

Criterion 10.4

FIs must verify that any person claiming to act on the customer’s behalf is authorised, as well as identify and verify the identity of that customer. FIs must also seek proof of the authenticity of their mandate (AML/CFT Law, Art.33 (b), CBO Circulars BM1187/ME37/FM38, Art.7 and CMA N.E/80/2021/ CMA N.E/81/2021 Art.10(1) and (2)).

Criterion 10.5

FIs must take steps to identify the beneficial owner (as defined in AML/CFT Law, art.1) and take reasonable measures to verify their identity in a satisfactory manner (AML/CFT Law, art.33 (c)).

Omani regulations allow for an exemption to the identification of the beneficial owner in the case of companies listed in the stock exchange provided that the company is subject to adequate disclosure requirements (CBO Circulars BM1187/ME37/FM38, Art.7 and CMA N.E/80/2021/ CMA N.E/81/2021 Art.10 (3)).

Criterion 10.6

FIs are required to know the purpose of the business relationship and obtain related information as appropriate (AML/CFT Law, Art.33 d; CBO Circulars BM1187/ME37/FM38, Art.6(5) and CMA N.E/80/2021/ CMA N.E/81/2021 Art.9 (6)).

Criterion 10.7

FIs must undertake on-going business monitoring and:

- a) monitor and scrutinise all relationships and transactions with customers on an ongoing basis to ensure that information regarding transactions is consistent with the information available on the customer, customer activities and risk profile, including where required, source of funds and wealth. In high-risk cases, EDD is applied and the degree and nature of monitoring increased (AML/CFT Law, Arts.33 (e) and 36 (a) and (b))
- b) ensure that documents and other data kept under CDD is up to date and relevant (AML/CFT Law, Art.33).

The requirements to perform reviews of existing records, particularly for higher risk categories of customers, are set in sectoral regulation (CBO Circulars BM1187/ME37/FM38, Art.13 and CMA N.E/80/2021 Art.16 and 17/ CMA N.E/81/2021, Art.18 and 19)

Criterion 10.8

FIs understand the business relationship, including the customer's activities regardless of whether they are legal persons or legal arrangements. Omani regulations also require FIs to keep information about their customer's ownership and control structure in order to determine the beneficial owners (AML/CFT Law, Art.33 (c) and (d); CBO Circulars BM1187/ME37/FM38, Art.10; CMA N.E/80/2021/ CMA N.E/81/2021 Art.13).

Criterion 10.9

For customers that are legal persons or legal arrangements, FIs must identify and verify the customer's identity (AML/CFT Law, art.33 (a)) by means of the following information:

- a) name, legal form and proof of existence based on reliable and credible sources. As regards legal persons CBO Circular BM8711 further specifies requirements in article 9 and similar requirements are included in CMA Decision N.E/80/2021, Art.12.1 and 12.2. As regards legal arrangements, FIs must obtain the name, legal form and proof of existence of the trust or similar legal arrangement (CBO Circular BM 1187, Art.11). This is also specified in the CMA Decision N.E/80/2021, art.14 (including proof of existence).
- b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement. As regards legal persons and legal arrangements, sectoral regulations specify the need to identify the names of all persons having a senior management position, as well as that when opening an account. FIs must obtain the trust deed or other document containing the powers that regulate and bind the trust or legal arrangement as well as the names of all trustees (CBO Circulars BM1187/ME37/FM38, Art.9 and 11) and senior management positions (Idem, Art.12) .
- c) FIs (including the securities sector) are required to obtain and verify information on names of all persons having senior management positions in the legal person but does not include a requirement to identify the powers that regulate and bind the legal person (CMA N.E/80/2021, art 12 (e)). Articles 14 and 15 moreover determine that FIs should obtain the powers that regulate and bind the trust or legal arrangement as well as names of all trustees or persons with equivalent positions including, managers, board of directors or persons in equivalent positions.
- d) the address of the registered office and, if different, a principal place of business (CBO Circulars BM1187/FM38/ME37, Art.9; CMA N.E/80/2021/ CMA N.E/81/20214, Art.12 and 14).

Criterion 10.10

For customers that are legal persons FIs are required to identify and take reasonable measures to verify the identity of the beneficial owners (AML/CFT Law, Art.33, a)) through:

- a) the identity of the national person that has a controlling ownership interest (CBO Circulars BM1187, Art.10 (1); CMA N.E/80/2021/ CMA N.E/81/2021 Art.13)

- b) in case there is doubt regarding the person with controlling interest or where no natural person exerts controls, FIs must identify the natural person exercising control of the legal person or arrangement through other means (CBO Instructions BM1187/ME37/FM38, Art.10 (1); CMA N.E/80/2021/ CMA N.E/81/2021 Art.13).
- c) If no natural person is identified under the above, FIs must identify the relevant natural person in the position of senior managing official (CBO Circulars BM1187/ME37/FM38, Art.10 (1); CMA N.E/80/2021/ CMA N.E/81/2021 Art.13).

Criterion 10.11

For customers that are legal arrangements, FIs must identify and take reasonable measures to verify the identity of the beneficial owners by identifying the identity of trust parties and beneficiaries or class of beneficiaries as well as other natural persons exercising ultimate effective control, as well as any other persons in equivalent or similar positions (AML/CFT Law, Art.33 a); CBO Instructions 8711, Art.12; CMA N.E/80/2021/ CMA N.E/81/2021 Art.15).

Criterion 10.12

FIs must conduct the following CDD measures (CMA N.E/81/2021, Art.16):

- a) Taking the name of the person whenever the beneficiary is a natural or legal person (Art.16 a)), noting special attention to whether the beneficiary is a natural or legal person only applies in instances where enhanced due diligence is applied (Art.16 (3)).
- b) Establishing the identity of the beneficiary at the time of the payout, whenever the beneficiary is defined by its characteristics or class
- c) Verify the identity of the beneficiaries at the time of payout, regardless of their nature.

Criterion 10.13

FIs must consider risk when identifying the beneficiary of a life insurance policy to determine the applicable CDD measures. Enhanced measures, including reasonable measures to identify and verify the identity of the beneficiary at the time of payout apply (CMA N.E/81/2021, Art.16 (2) and (3)).

Criterion 10.14

FIs must verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for occasional customers (AML/CFT Law, Art.33). It is possible for FIs to complete verification after the establishment of the business relationship provide that: a) this occurs as soon as reasonably practicable b) this is essential not to interrupt the normal conduct of business and, c) ML/TF risks are effectively managed (AML/CFT Law, Art.37; CBO Circulars BM1187/ME37/FM38, Art.18(3); CMA N.E/81/2021, Art.20 (insurance companies) and CMA N.E/80/2021 Art.22 (securities)).

Criterion 10.15

FIs must adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification. (CBO Circulars BM1187/ME37/FM38, Art.18(3); CMA N.E/80/2021, Art.20 and CMA N.E/81/2021 Art.22).

Criterion 10.16

FIs must apply CDD requirements based on materiality and risk, reviewing this information at appropriate times while taking into account whether and when CDD has been obtained previously and whether this information was adequate (AML/CFT Law, Art.33 (e); CBO Circulars BM1187/ME37/FM38, Art.16; CMA N.E/80/2021 Art.18; CMA N.E/81/2021 Art.20)

Criterion 10.17

FIs must adopt enhanced due diligence measures where higher risks are identified (AML/CFT Law, Art.34 (a); CBO Circulars BM1187/ME37/FM38, art.2 and Annex 2; CMA N.E/80/2021; CMA N.E/81/2021 art.3(4)).

Criterion 10.18

FIs may apply simplified CDD measures where low risks are identified as long as these measures are commensurate with the lower risk factors and not applied in instances where there are ML/TF suspicions or where higher risk scenarios apply. The CBO Circular offers additional detail suggesting that measures taken shall be such that they enable the FIs to properly manage and mitigate the prevailing risks (AML/CFT Law, Art.34 (b); CBO Circulars BM1187/ME37/FM38, art.3; CMA N.E/80/2021; CMA N.E/81/2021 arts.6 and 7).

Criterion 10.19

In instances where FIs are unable to comply with relevant CDD measures to the following must apply a) refusing opening bank accounts, commence business relations or perform transactions, as well as terminate the business relationship; and, b) make a suspicious transaction report (AML/CFT Law Art.39; CBO Circulars BM1187/ME37/FM38, art.18; CMA N.E/80/2021, art.20; CMA N.E/81/2021 Art.22).

Criterion 10.20

Whenever FIs have an ML/TF suspicion and reasonably believe that carrying on with CDD measures will lead to tipping-off, they are allowed to stop this process and instead are required to file a suspicious transaction report (CBO Circulars BM1187/ME37/FM38, art.18; CMA N.E/80/2021, art.34; CMA N.E/81/2021 Art.36).

Weighting and Conclusion

All criteria are met.

Recommendation 10 is rated compliant.

Recommendation 11 – Record-keeping

In its last MER, Oman was rated largely compliant with these requirements due to some deficiencies noted as regards the length of time records on domestic and

international transactions can be kept, the timeliness of providing information to competent authorities as well as the need for reporting entities to maintain records of the identification of data, account files and correspondence for longer time periods if requested by competent authorities.

Criterion 11.1

FIs must retain all records, documents, information, and data, both domestic and international for a period of at least 10 years after a transaction is carried out (AML/CFT Law, Art.44(a), confirmed by CBO Circulars BM1187/ME37/FM38, Art.22; and CMA N.E/80/2021, art.25; CMA N.E/81/2021 art.27).

Criterion 11.2

FIs must keep all records including information, and data obtained through the CDD process, especially account files, business correspondence and the results of any analysis undertaken for at least 10 years after the business relationship is ended or after a transaction is carried out for a customer that is not an established business relationship with the obliged entity (i.e., an occasional transaction) (AML/CFT Law, Art.44(b)). CBO Circulars (BM1187/ME37/FM38) confirm the requirement in article 22, moreover mirrored by CMA N.E/80/2021, art.25(1) and; CMA N.E/81/2021 art.27(1)).

Criterion 11.3

Records kept must be sufficient and detailed to facilitate tracking and retrieving every transaction when required (AML/CFT Law, art.44 (a)). This obligation is mirrored in sectoral regulations (BM1187/ME37/FM38), Art.22 (b); CMA N.E/80/2021, art.25(2) and CMA N.E/81/2021 art.27(2)).

Criterion 11.4

FIs must ensure that all CDD information and transaction records are available to competent authorities upon request, this includes the FIU and supervisory authorities (AML/CFT Law, art 44 (c); CBO Circulars BM1187/ME37/FM38), Art.22; CMA N.E/80/2021, art.25 and; CMA N.E/81/2021 art.27).

Weighting and Conclusion

All criteria are met.

Recommendation 11 is rated compliant.

Recommendation 12 – Politically exposed persons

In its last MER, Oman was rated non-compliant with these requirements. Deficiencies mainly concerned a non-complete definition of politically exposed persons in the AML/CFT Law and, as a consequence, a large lack of the relevant requirements to FIs.

Criterion 12.1

In relation to foreign PEPs, FIs must:

- a) put in place a risk management system that determines whether a customer of beneficial owner is a PEP (AML/CFT Law, art.36 (d); CBO Instructions

BM1187/ME37/FM38), Art.15 a); CMA N.E/80/2021, art.23(1) and; CMA N.E/81/2021 art.25(1)).

- b) Obtain senior management approval before establishing or continuing the business relations (AML/CFT Law, Art.36 (d) (1); CBO Circulars BM1187/ME37/FM38), Art.15 b); CMA N.E/80/2021, Art.23(2) and; CMA N.E/81/2021 Art.25(2)).
- c) Take reasonable measures to establish the source of funds ((AML/CFT Law, Art.36 (d) (2); CBO Circulars BM1187/ME37/FM38), Art.15 c); CMA N.E/80/2021, Art.23(3) and; CMA N.E/81/2021 Art.25(3)).
- d) Conduct ongoing monitoring on that relationship (AML/CFT Law, Art.36 (d)(3); CBO Circulars BM1187/ME37/FM38), Art.15 d); CMA N.E/80/2021, Art.23(4) and; CMA N.E/81/2021 Art.25(4)).

Criterion 12.2

FIs must perform CDD measures in line with R.10 and, in instances relating to prominent domestic persons carrying out functions for international organisations, additionally consider:

- a) Identify whether the beneficial owner or customer of the FIs are such persons (AML/CFT Law, Art.36 (d); CBO Circular BM1187/ME37/FM38), Art.15 a); CMA N.E/80/2021, Art.23(1) and; CMA N.E/81/2021 Art.25(1)).
- b) Adopt enhanced measures in line with requirements 12.1 b) to d) of this Recommendation as per the AML/CFT Law (Art.36) and CMA N.E/80/2021, Art.23 and; CMA N.E/81/2021 Art.25) and CBO Circular (BM1187/ME37/FM38), Article 15 (2)

Criterion 12.3

FIs are required to apply all relevant criteria to family members or close associates of all types of PEPs CBO Circular BM1187/ME37/FM38), Art.15; CMA N.E/80/2021, Art.23 and; CMA N.E/81/2021 Art.25).

Criterion 12.4

FIs must ensure that all relevant information on CDD and transactions are available for swift sharing with competent authorities as needed and required by law (AML/CFT Law, Art.44; CBO Circulars BM1187/ME37/FM38), Art.22); CMA N.E/80/2021, Art.25 and; CMA N.E/81/2021 Art.17).

Weighting and Conclusion

All criteria are met.

Recommendation 12 is rated compliant.

Recommendation 13 – Correspondent banking

In its last MER, Oman was rated non-compliant with these requirements, as the country did not require reporting entities to gather sufficient information or to understand the nature of the business relation. Deficiencies were also found in relation to the knowledge and understanding that reporting entities needed to have – in relation to respondents – about internal AML/CFT controls or applied CDD measures.

Criterion 13.1

FIs must take additional CDD measures and procedures when establishing correspondent relationships. Namely, FIs must verify the identity of the respondent institution and carry out additional steps which include gathering information on the reputation, business and quality of supervision applied to the institution. FIs must also assess relevant AML/CFT controls, obtain senior management approval and clearly understand the obligations of all parties (AML/CFT Law Art.38 (a) to (h)). Sectoral regulations moreover emphasize the need for FIs to document all findings and additionally require they understand the respective AML/CFT responsibilities of each institution (CBO Circulars BM1187/ME37/FM38, Art.19(1)); CMA N.E/80/2021, Art.21 and CMA N.E/81/2021 Art.23).

Criterion 13.2

FIs must satisfy themselves that the respondent bank has performed the required CDD obligations and makes these available as needed. If there is a third-party payment account, FIs must ensure that the respondent institution has established and verified the identity of all customers having direct access to such account, and that it is able to provide relevant due diligence information to the correspondent institution upon request (AML/CFT Law, art.38). These obligations are confirmed by the CBO Circulars (BM1187/ME37/FM38) in article 19 (2) describing the relevant measures including the need to have direct access to the third-party payment accounts of the correspondent FI and also ensuring the obligation of the respondent to provide relevant CDD information upon request.

Criterion 13.3

Omani regulations do not allow FIs to enter or continuing business relations with shell banks or with other FIs that maintain business relations with shell banks (AML/CFT Law, Art.38 (g) and (h) respectively; CBO Circulars BM1187/ME37/FM38, Art.19(4); CMA N.E/80/2021, Art.21 and; CMA N.E/81/2021 Art.23).

Weighting and Conclusion

All criteria are met.

Recommendation 13 is rated compliant.

Recommendation 14 – Money or value transfer services

In its last MER, Oman was rated partially compliant with these requirements due to deficiencies noted as regards the implementation of MVTS, namely the obligation to maintain a list of agents, the application of effective sanctions and weaknesses related to the supervisory framework.

Criterion 14.1

MVTS providers must be licensed or registered with the Central Bank of Oman (CBO Instruction BM43/11/97, art.2) and are also covered by banking licenses under the 114/2000 Banking Law (art.52).

Criterion 14.2

Oman ensures the identifications of natural or legal persons that carry out unlicensed activities in this context and apply sanctions that are proportionate and dissuasive set at never less than approximately EUR 250 and not exceeding EUR 600 (Banking Law, Art.52), as well as an official notice in the CBO publications.

Criterion 14.3

MVTS providers – either as part of banking operations or service providers - are adequately supervised and monitored for AML/CFT compliance by the Central Bank of Oman (Banking Law; CBO Regulation BM 43/11/97).

Criterion 14.4

MVTS providers must, whenever operating through a network of agents, to ensure the licensing or registration of these agents, as well as ensure that a list with this information can be made accessible to competent authorities (CBO Circular BM1187/ME37/FM38, Art.48; CBO Regulation BM 43/11/97, Art.2).

Criterion 14.5

FIs that use agents shall include them in their AML/CFT programs and monitor them for compliance with these programs (CBO Circulars (BM1187/ME37/FM38, art.30).

Weighting and Conclusion

All criteria are met.

Recommendation 14 is rated compliant.

Recommendation 15 – New technologies

In its last MER, Oman was rated partially compliant with these requirements because of outstanding deficiencies with banks preventing the misuse of technological developments in ML/TF schemes, the non-requirement of measures to address specific technology related ML/TF risks and non-face to face business relationships. Since then, R.15 has been amended significantly to include new requirements relating to virtual assets (VA) and virtual asset service providers (VASP).

Criterion 15.1

Oman is aware of its ML/TF risks as related to new technologies, new products and business practices as assessed and documented by reporting entities (AML/CFT Law, Art.34 (a)). Reporting entities are moreover required to develop policies and procedures to identify, assess and mitigate ML/TF risks that may arise from new technologies and business practices, including new delivery mechanisms, or from the use of new or developing technologies. In all cases, a risk assessment shall take place prior to launching the new product, business practice or the use of the new or developing technology (AML/CFT Law, Art.41; CBO Circulars BM1187/ME37/FM38), Art.2(3)); CMA N.E/80/2021/CMA N.E/81/2021 Art.3(5)).

Criterion 15.2

Reporting entities are required to undertake risk assessments prior to the launch of products as well as ensure that the appropriate measures are taken to manage and mitigate ML/TF risks stemming from new technologies (AML/CFT Law, Art.41 (c); CBO Circulars BM1187/ME37/FM38), Art.2(3)); CMA N.E/80/2021/CMA N.E/81/2021 Art.3(5)).

Criterion 15.3

In line with R.1, the AML/CFT Committee is the authority responsible for coordinating actions in relation to national assessments of ML/TF risks (NRAs). The current NRA evaluated well the inherent risks of misuse of VA in Oman as medium to low due to the use of VA in Oman which is very limited. The risk mitigating measures in place at the time of the 2023 NRA was assessed as being moderate with low residual risks. Since the development of the 2023 NRA, the legal framework has changed as the CMA has enforced Instruction N.E/35/2023 (CMA VASP Instructions N.E/35/2023)) which creates a registration framework and obligation for VASPs and imposes the full range of AML/CFT obligations on any registered VASP operators. The risk mitigation measures have thus been strengthened since the NRA was conducted.

Registered entities should include in their risk assessment any variables, which may increase or decrease the ML/TF risk in a specific situation, such as the purpose of an account, transaction or business relationship as well as the types and size of transactions and lastly the frequency of transactions or duration of the business relationship. Reporting entities are moreover required to apply CDD in line with the risk-based approach (CMA VASP Instruction N.E/35/2023, Art.12 and 13.5).

VASPs must additionally develop AML/CFT policies, controls and procedures, which are approved by the board of directors of the registered entity and must enable the registered entity to adequately manage and mitigate the risks identified at the national level. The above must inform the implementation of controls, policies and procedures and enhance them where needed (CMA VASPs Instruction, art.36).

Criterion 15.4

VASPs must be licensed or registered – as natural or legal person resident or providing services - in line with the applicable legal framework, including provisions that prevent the obfuscation of beneficial ownership information, value or nature of transactions (CMA VASPs Instruction N.E/35/2023, Arts. 4 and 5). Competent authorities carry out the necessary actions to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP through the requirement of registration, requesting additional documentation, as well as “fit and proper” assessments (Art.6).

Criterion 15.5

Omani authorities are able to mitigate the abuse of VASPs by punishing those operating without registration (CMA VASPs Instruction N.E/35/2023, Art.57). In addition, the measures set out in article 57 of the CMA VASP Instructions referring to article 52 of the AML/CFT Law enable the authorities to apply appropriate sanctions to unregistered obliged VASPs. Oman has not identified or sanctioned any natural or legal persons in this context given the nascent nature of this legal framework.

Criterion 15.6

Oman has designated an AML/CFT supervisory authority for the VASP sector that has the full set of supervisory powers in accordance with the AML/CFT Law requirements (CMA VASPs Instruction N.E/35/2023, Art.58). Article 51 of this Instruction provides the authority with all necessary powers for supervision and sanctioning (Art.10 and 57).

Article 2 (iv) of the CMA VASPs Instructions does not cover safekeeping and/or administration of instruments enabling control over virtual assets as well in article 2 (v) as it does not cover sale of a virtual asset which can represent a deficiency in supervisory reach.

Criterion 15.7

CMA, as the VASPs supervisor has the power to issue guidance and provide feedback and support in the implementation of the legal framework. However, in line with the nascent nature of this framework, the CMA has not yet taken action in this regard.

Criterion 15.8

Any person breaching the CMA VASPs Instruction requirements may be the subject of civil, administrative or criminal sanctions (Art.57). The sanctions are described in detail in the AML/CFT Law (Art.52) and include a wide range of warnings, fines, suspension and restriction measures.

The AML/CFT Law (Art.52 (e)) includes the possibility to replace or limit the mandate of compliance officers, directors, members of the board, or controlling owners, including the appointment of a special administrative supervisor. However, there is no requirement that defines the possibility to sanction directors or senior management.

Criterion 15.9

- a) VASPs must carry out CDD measures for all transactions set about approximately EUR 730 (CMA VASPs Instruction N.E/35/2023, Art.19.1(b)).
- b) As regards virtual transfers VASPs must ensure:
 - i. they obtain and hold required and accurate originator information and required beneficiary information⁵² on virtual asset transfers, submit⁵³ the above information to the beneficiary VASP or financial institution (if any) immediately and securely, and make it available on request to appropriate authorities (CMA VASPs Instruction N.E/35/2023, Art.49 and 50 [on the availability of information to competent authorities]).
 - ii. beneficiary VASPs obtain and hold required originator information and required and accurate beneficiary information on virtual asset transfers, and make it available on request to appropriate authorities (CMA VASPs Instruction N.E/35/2023, Art.50). The instruction requires VASPs to include a) the full name of the Originator; b) The Originator wallet address, where such an account is used to process the Virtual Asset Transfer or a unique transaction reference which permits traceability of the transaction, c) The Originator's physical address, or national identification or customer identification number, or the date and place of birth. Beneficiary information must include: a) The name of the Beneficiary; and b) The Beneficiary wallet address where such an account is used to process the transaction, an account number, or a unique transaction reference which permits traceability of the transaction. Records must be kept regarding all of the above transactions.
 - iii. VASPs must monitor the available information and take freezing action, and prohibit transactions with designated persons on the same basis as set out in R.16. (CMA VASPs Instruction N.E/35/2023, Art.51.1 and 52). VASPs must comply with with the UN Security Council Regulations on Prevention and Suppression of Terrorism and the Financing of Terrorism and prevention, suppression, and disruption of proliferation of weapons of mass destruction and its financing (Art.55). Furthermore, the provisions on freezing obligations related to TF and PF are stipulated in the NCTC Decision 01/2022 and include requirements to apply sanctions to natural and legal persons and act within 24 hours.
 - iv. As regards the requirements applicable to FIs sending or receiving virtual assets on behalf of a customer, reporting entities must not execute transfers that do not comply with provisions of article 49 (of CMA VASPs Instruction).

Criterion 15.10

The NCTC Decision 01/2022 has created an automatic alert system which creates an alert email to all entities enrolled in the system, also notifying them of any changes to the list.⁷³ For national designations, the NCTC feeds the system manually which in turn triggers a notification to be sent out. Furthermore, the NCTC, in cooperation with

⁷³ Includes the local list where persons are designated pursuant to a decision issued by the TFS Committee and UN lists issued by the UN Security Council or a Sanctions Committee pursuant to a relevant United Nations Security Council Resolution

supervisory authorities, developed a TFS guidance to all reporting entities, which clarifies the obligations.

Article 5 (NCTC Decision) also requires that any person that takes action in relation to freezing are to notify the National Committee as soon as they know or suspect that a former or current customer, or any person with whom they have or had dealings in any way, or any person that attempted to deal with them, is a listed person, or that funds or economic resources are subject to a freezing measure under Article 3.

The National Committee must immediately notify all reporting entities and competent authorities of a decision to de-list through the alert system and through publication in the national gazette. As such, de-listing decisions are communicated to FIs/DNFBPs (VASPs are covered by Art.55 of the VASPs instruction) in the same manner as listing decisions – through the alert system and through publication of the de-listing decision in the public gazette (Article 19).

In order to facilitate effective and rapid communication of designations to the reporting entities (including registered VASPs), the NCTC has created an automatic alert system which immediately creates an alert email to all entities enrolled in the system, also notifying them of any changes to the list (Art.7 (d)). For national designations, the NCTC feeds the system manually which in turn triggers a notification to be sent out. Furthermore, the NCTC, in cooperation with supervisory authorities, developed a TFS guidance to all reporting entities, which clarifies the obligations.

Further to article 7.2(e) and article 5 of the NCTC Decision 01/2022 any person that takes action in relation to freezing should notify the National Committee as soon as they know or suspect that a former or current customer, or any person with whom they have or had dealings in any way, or any person that attempted to deal with them, is a listed person, or that funds or economic resources are subject to a freezing measure under Article 3.

Whilst the National Committee is responsible for monitoring compliance in general (NCTC Decision 01/2022 Art.7) additional provisions are included in Omani regulations (Arts. 24 to 28) for the purposes of ensuring compliance by financial institutions and DNFBPs with the relevant laws or enforceable means governing the obligations under Recommendation 7.

Finally, de-listing decisions are communicated to FIs/DNFBPs in the same manner as listing decisions – through the alert system and through publication of the de-listing decision in the public gazette (NCTC Decision 01/2022, Art.19) which also states that reporting entities are to unfreeze funds within 24 hours from when a de-listing decision is made public.

Criterion 15.11

The AML/CFT Law (Art.58) defines that without prejudice to provisions of other legislative acts in Oman, and in accordance with the principle of reciprocity, competent and supervisory authorities shall cooperate with their counterparts in other countries for the purposes of legal and judicial assistance and extraditing criminals in the field of ML, related predicate offences, and TF.

Weighting and Conclusion

Deficiencies are noted in relation to the ability to sanction, the powers of supervisors, the absence of guidance and a gap in the framework allowing the sanctioning of directors.

Recommendation 15 is rated largely compliant.

Recommendation 16 – Wire transfers

In its last MER, Oman was rated partially compliant with these requirements because of outstanding deficiencies related to omissions in requirements for originating FIs and record keeping and monitoring. There was also no evidence of effective sanctions applied in case of failures to comply with the requirements.

Criterion 16.1

The AML/CFT Law requires FIs that engage in wire transfers to obtain information on the originator and recipient and ensure that such information exists within the wire transfer orders or related messages, without reference to any threshold. Any FI that is unable to obtain such information must not execute the transfer (Art.46).

a) and b) Information accompanying transfers must include (a) Required and accurate (verified) originator information: (i) the name of the originator; (ii) the originator account number where such an account is used to process the transaction or, in the absence of an account, a unique transaction reference number which permits traceability of the transaction; and (iii) the originator's address, or national identity number, or customer identification number, or date and place of birth. It also must include information regarding the beneficiaries (CBO Instructions BM1187/ME37/FM38, Art.31 (a to b and i to ii respectively)).

Criterion 16.2

CBO Instructions (BM1187/ME37/FM38) provide in Article 32 that where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, FIs must include the originator's account number or unique transaction reference number which permits traceability of the transaction, and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country..

Criterion 16.3

Omani regulations do not allow for thresholds and therefore this criterion is not applicable.

Criterion 16.4

Omani regulations do not allow for thresholds and therefore this criterion is not applicable.

Criterion 16.5

FIs that engage in wire transfers must obtain information on the originator and recipient and ensure that such information exists within the wire transfer orders or related messages. Any FI originating the wire transfer that is unable to obtain such

information is not to execute the transfer (AML/CFT Law, Art.46, as applicable to all wire transfers).

Criterion 16.6

As per the assessment of 16.5 the Omani authorities apply the same procedures to domestic wire transfers as to cross-border wire transfers.

Criterion 16.7

The AML/CFT Law provides for general record-keeping requirements on transactions (including wire transfers) (Art, 44 a)). Sectoral regulations complement this requirement with specific reference to wire transfers, its originators and beneficiaries (CBO Instructions BM1187/ME37/FM38, Art.35).

Criterion 16.8

FIs are not allowed to carry out transactions unless compliant with requirements described above in this Recommendation (AML/CFT Law, Art.46; CBO Instructions BM1187/ME37/FM38, Art.35)

Criterion 16.9

FIs are required to ensure that all originator and beneficiary information that accompanies a wire transfer is retained with it (CBO Instructions BM1187/ME37/FM38, Art.36).

Criterion 16.10

According to the applicable legal framework whenever technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with related domestic wire transfer information, the intermediary MUST keep a record for at least ten years of all the information received from the ordering FI or another intermediary FI (CBO Instructions BM1187/ME37/FM38, Art.36).

Criterion 16.11

Intermediary FIs are required to take reasonable measures and have effective risk-based procedures that are consistent with straight through processing for identifying cross border wire transfers that lack required originator and/or beneficiary information (CBO Instructions BM1187/ME37/FM38, Art.36).

Criterion 16.12

Intermediary FIs are required to determine when to execute, reject, or suspend a wire transfer lacking required originator or beneficiary information and consider reporting; and take appropriate follow-up action which may include restricting or terminating business relationships (CBO Instructions BM1187/ME37/FM38, Art.36).

Criterion 16.13

Beneficiary FIs must take reasonable measures to identify cross-border wire transfers that lack required originator or beneficiary information. Such measures may

include post-event monitoring or real-time monitoring where feasible (CBO Instructions BM1187/ME37/FM38, Art.37).

Criterion 16.14

Beneficiary FIs shall verify the identity of the beneficiary if the identity has not been previously verified. FIs are required to maintain this information in accordance with the record keeping requirements (CBO Instructions BM1187/ME37/FM38, Art.37).

Criterion 16.15

Beneficiary FIs must have risk-based procedures to a) identifying cross-border wire transfers that lack required originator and/or beneficiary information b) determining when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information and considering reporting to the FIU; c) taking appropriate follow-up action which may include restricting or terminating business relationships (CBO Instructions BM1187/ME37/FM38, Art.37).

Criterion 16.16

MVTS providers – regardless of their operating structure – must comply with all the relevant requirements of R16 (CBO Instructions BM1187/ME37/FM38, Art.33).

Criterion 16.17

Article 38 of the CBO Instructions (BM1187/ME37/FM38) stipulate that FIs that control both the ordering and the beneficiary side of a wire transfer must:

- a) Take into account all the information from both the ordering and beneficiary side in order to determine whether an STR is to be filed with the FIU
- b) File STRs in any country affected by the suspicious wire transfer and make relevant transaction information available to the FIU or an FIU established in other countries.

Criterion 16.18

The NCTC requires FIs to regularly and continuously monitor changes and updates to the lists and screen internal databases against the list, and 2) adopt and effectively implement internal controls and procedures to ensure compliance with the obligations arising from these procedures (NCTC Decision 01/2022, Art.24).

Regarding the prohibition to conduct transactions with designated persons and entities, Article 4 of the NCTC Decision 01/2022 determines that it is prohibited for any person within Oman's jurisdiction or any Omani national abroad to provide or to make funds or economic resources available, or provide financial or other related services to, or for the benefit of a listed person, whether directly or indirectly, wholly or jointly, or through an entity owned or controlled directly or indirectly by the listed person, or a person acting on behalf or at the direction of a listed person.

Weighting and Conclusion

All criteria are met.

Recommendation 16 is rated compliant.

Recommendation 17 – Reliance on third parties

In its last MER, Oman was rated partially compliant with these requirements as a result of deficiencies related to obligations on FIs, in particular, the obligation to apply relevant requirements and conditions under which third party relations should take place. Authorities did not actively assist FIs in determining what countries do not sufficiently apply the FATF Recommendations, or what factors should be taken into account to determine what countries do not sufficiently apply the FATF Recommendations.

Criterion 17.1

In relying on third parties FIs are required to obtain relevant CDD information as set out in R.10, take steps to satisfy themselves with the completeness of information and verify information as well as ensure the third party is regulated, supervised or monitored for CDD and record-keeping requirements (CBO Instructions BM1187/ME37/FM38, Art.45.2 (a to c); CMA N.E/80/2021, Art.35.2 a) to c) and; CMA N.E/81/2021 Art.37.2 a) and c)).

Criterion 17.2

The Omani legal framework requires FIs to consider information available on the level of country risk and to the instructions issued by the National Committee pursuant to the AML/CFT Law, article 13 (k). The Law also mandates the National Committee for combatting AML/CFT to identify countries that it considers high-risk in AML/CFT, and measures to be taken regarding such countries and guide supervisory authorities to verify the compliance of financial institutions, non-financial businesses and professions, and non-profit associations and entities under their supervision in implementing such measures. These requirements are further complemented by CMA Instructions (CMA N.E/80/2021, Art.35.3 and CMA N.E/81/2021 Art.37.3).

Criterion 17.3

In the context of group wide policies and reliance on third parties that belong to the same financial group, FIs must consider that the third party relied upon meets the requirements namely (a) the group applies due diligence and record keeping requirements in line with the Law and these instructions, (b) the implementation of such requirements is supervised at the group level by a competent authority, and (c) any higher country risk is adequately mitigated by the group's policies and controls (CBO Instructions BM1187/ME37/FM38, Art.45.4; CMA N.E/80/2021, Art.35.4 and; CMA N.E/81/2021 Art.37.4). Compliance with this criterion is of the responsibility of competent authorities in the carrying out of normal supervisory activities.

Weighting and Conclusion

All criteria are met.

Recommendation 17 is rated compliant.

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In its last MER, Oman was rated largely compliant with the internal control requirement due to a lack of obligations to banks and others supervised by CBO. As regards foreign branches and subsidiaries, Oman was rated non-compliant due to an obvious lack of knowledge by FIs and lack of relevant supervisory coverage.

Criterion 18.1

FIs must implement AML/CFT programmes in line with their size of business and taking into account (AML/CFT Law, Art.42 and as further defined in sectoral regulations):

- a) Compliance management arrangements (CBO Instructions BM1187/ME37/FM38, Art.23, 25 and 26; CMA N.E/80/2021, Art.26, 28 and 29 and; CMA N.E/81/2021 Art.28, 30 and 31)
- b) Screening procedures that ensure high hiring standards (CBO Instructions BM1187/ME37/FM38, Art.23 (h); CMA N.E/80/2021, Art.26.7 and; CMA N.E/81/2021 Art.28.7)
- c) An ongoing employee training programme (CBO Instructions BM1187/ME37/FM38, Art.23 (i); CMA N.E/80/2021, Art.26.8 and; CMA N.E/81/2021 Art.28.8)
- d) And an independent audit function that is able to test the existing systems (CBO Instructions BM1187/ME37/FM38, Art.23.4; CMA N.E/80/2021, Art.26.5 and; CMA N.E/81/2021 Art.28.5).

Criterion 18.2

Financial groups are required to develop and implement AML/CTF programs and apply them to all members of the financial group (AML/CFT Law, Art.42). These programmes should additional include:

- a) policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management (CBO Instructions BM1187/ME37/FM38, Art.24.1 a); CMA N.E/80/2021, Art.27.1 and CMA N.E/81/2021 Art.29.1).
- b) information and analysis of transactions or activities which appear unusual and information from these group-level functions when relevant and appropriate to risk management (CBO Instructions BM1187/ME37/FM38, Art.24.1 b); CMA N.E/80/2021, Art.27.1 b) and; CMA N.E/81/2021 Art.29.1, b)). A minor deficiency is noted in both CBO and CMA instructions as these do not specifically mention the appropriateness of information in relation to risk management.
- c) adequate safeguards on the confidentiality and use of information exchanged, including safe-guards to prevent tipping-off (CBO Instructions BM1187/ME37/FM38, Art.24.1 c); CMA N.E/80/2021, Art.27.1 c) and CMA N.E/81/2021 Art.29.1, c)).

Criterion 18.3

FIs shall require their branches and majority owned subsidiaries to implement the requirements of this chapter, within limits authorized by laws and regulations in

effect in the country where the company or branch is located. If such laws do not require their compliance with these requirements, the FI is to notify the supervisory authority to this effect (AML/CFT Law, Art.50)

CBO Instructions (BM1187/ME37/FM38) also require, in article 24.2 that AML/CFT policies, controls and procedures must be applied to all domestic and foreign branches and majority-owned subsidiaries of the financial group. In the case the foreign operations, where the minimum AML/CFT requirements of the host country are less strict, FIs shall ensure that their branches and majority-owned subsidiaries in host countries implement the requirements of the AML/CFT Law. If the host country does not permit proper implementations, FIs should apply appropriate additional measures to manage the ML/TF risks and inform the CBO. The same is included in CMA instructions (CMA N.E/80/2021, Art.27.2 and; CMA N.E/81/2021 Art.29.2).

Weighting and Conclusion

There is a minor deficiency as regards CBO and CMA's mention of risk management information.

Recommendation 18 is rated largely compliant.

Recommendation 19 – Higher-risk countries

In its last MER, Oman was rated partially compliant with these requirements due to deficiencies found regarding the mechanisms to apply countermeasures, the processes to inform FIs and lack of guidance to the sectors.

Criterion 19.1

The Omani legal framework requires the National AML/CFT Committee to identify high risk countries and adequately adjust the AML/CFT practices and supervisory processes applied (AML/CFT Law, Arts 13 (k) and 41 (b); NCTC Decision 3/2022, Art.1 to 3). Oman furthermore determines through sectoral instructions the need to identify and implement AML/CFT measures in line with risks, with special consideration to those natural and legal persons, as well as jurisdictions identified as higher-risk (CBO Instructions BM1187/ME37/FM38, Art.21.1 and 21.2; CMA N.E/80/2021 and CMA N.E/81/2021 Arts.4.2)

FIs are required to 1) apply EDD proportionate to the risks, 2) to business relationships and transactions with natural and legal persons (and FIs) from countries for which this is called for by the FATF (via the National AML/CFT Committee).

Criterion 19.2

Oman is able to apply countermeasures proportionate to its identified risks when called to do so by the FATF but also independently (AML/CFT Law, Art.13). Oman mandates the National AML/CFT committee to identify high-risk countries as well as the measures to be taken by reporting entities regarding these countries – as well as to guide the supervisory authorities in the verification of compliance of this as part of the supervision process. As such the national AML/CFT Committee has the mandate to require countermeasures in-dependently (although in practice this is not known to happen). Furthermore, the National AML/CFT Committee may also require countermeasures when called upon to do so by the FATF. In reference to both

instances the National AML/CFT Committee may also request enhanced due diligence measures.

Criterion 19.3

The national AML/CFT Committee publishes its lists of high-risk jurisdictions by way of circulars. These include reference to the FATF and a description of the country specific concerns as available – and linked – in the relevant FATF website.

Weighting and Conclusion

All criteria are met. **Recommendation 19 is rated Compliant.**

Recommendation 20 – Reporting of suspicious transaction

In its last MER, Oman was rated largely compliant with these requirements. Deficiencies related mainly to the low levels of reporting, mainly by the financial sector.

Criterion 20.1

FIs must report promptly to NCFI when they suspect or have reasonable grounds to suspect that funds are proceeds of a criminal activity or are related to ML/TF (AML/CFT Law, Art.47, CBO Instructions 30/2016, arts. 18-41-44, CMA Instruction Decision E/80/2021, arts. 20-32-34, CMA Instruction Decision E/81/2021, arts. 22-34-36). FIs should file reports immediately (AML/CFT Law, Art.47). The CBO Instructions (30/2016) further clarify that this reporting should be done no later than 48 hours in case of forming a suspicion or having reasonable grounds to suspect (Art 41). CMA Instructions state that this report must be done no later than 24 hours in case of forming a suspicion or having reasonable grounds to suspect that funds are the proceeds of criminal activity (CMA Instruction Decision E/81/2021, Art.34, CMA Instruction Decision E/80/2021, Art.32). There is a minor deficiency with the scope of predicate offences (corruption and bribery), as explained under R.3.

Criterion 20.2

FIs are required to report all suspicious transactions, including attempted transactions and operations, regardless of their value (AML/CFT Law, Art.47, CBO Instructions, Art.41, CMA Instruction Decision E/80/2021, Art.32, CMA Instruction Decision E/81/2021, Art.34)

Weighting and Conclusion

There is a minor deficiency cascaded from R.3 with respect to the scope of the ML offence.

Recommendation 20 is rated largely compliant.

Recommendation 21 – Tipping-off and confidentiality

In its last MER, Oman was rated compliant with these requirements.

Criterion 21.1

FIs, including managers, board members, owners, authorized representatives, employees, agents, partners, and professionals performing any work on their behalf

are protected from penal, civil or administrative liability. Moreover, these obligations should be implemented as an exception to the provisions on the confidentiality of banking transactions and professional and contractual secrecy (AML/CFT Law, Art.47). Although the provision of Article 47 does not explicitly refer to 'good faith', this provision applies when the reporting made is based on a suspicion or on reasonable grounds to suspect that funds are the proceeds of crime, or are related to ML or TF. The protection from liability applies even if FIs and reporting persons did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred (CBO Instructions, 30/2016, Art.41; CMA Instruction Decision E/81/2021, Art.36; CMA Instruction Decision E/80/2021, Art.34).

Criterion 21.2

FI and their directors, officers and employees are prohibited from revealing to the customer, beneficial owner or any other party, directly or indirectly and by any means whatsoever, that they have issued or are about to issue a STR or from giving them any information or data in relation to such reports or alert them to any investigation in this regard (AML/CFT Law, Art.49; CBO Instructions 30/2016, art.41 (3), CMA Instruction Decision E/81/2021, art.34; CMA Instruction Decision E/80/2021, art.32). The Law and instructions stipulate that financial institutions shall put in place and develop mechanisms for exchanging information with other members of the financial group (AML/CFT Law, Art.43, Art 24 (b) of the CBO Instructions, Art 29 (b) of CMA E/81/2021 and Art 27 (1)(b) of CMA E/80/2021) in line with R.18.

Weighting and Conclusion

All criteria are met.

Recommendation 21 is rated compliant.

Recommendation 22 – DNFBPs: Customer due diligence

In its last MER, Oman was rated partially compliant with these requirements. The identified deficiencies relate to the lack of understanding of AML/CFT obligations by the DNFBP sectors, as well as deficiencies in implementing all requirements.

Criterion 22.1

DNFBPs are required to comply with CDD requirements set out in R.10. In particular as regards the following activities or professions:

- a) Casinos: Omani regulations do not allow for gambling activities in line with Penal Code, Articles 289-291
- b) Real estate agents: regulated under the AML/CFT Law (Art.4 a) whenever involved in transactions of buying and selling real estate.
- c) The DPMS sector (AML/CFT Law, Art.4 b) whenever carrying out any cash transaction with a customer equal to or greater than approximately EUR 14 500 (in either single or fractioned transactions).
- d) Lawyers, accountants, and auditors as taking part in specific functions of relevance to AML/CFT (AML/CFT Law, Art.4 c [criteria 1 to 5]). Notaries are civil servants and not DNFBPs. Therefore, notaries are not in scope of Oman's

assessment. They are included in the AML/CFT Law just in case notaries should ever be converted into a private sector.

- e) Trust and company service providers in line with the activities defined in law and the FATF requirements (AML/CFT Law, Art.4 d). TCSPs do not exist as a sector in Oman but relevant activities are nonetheless governed under Article 2 of the Ministerial Decision No. 130/2022 covering lawyers when they carry out activities listed in this requirement.

Criterion 22.2

All DNFBPs are required to operate and implement the requisites defined and assessed in the context of Recommendation 11 with particular focus on Article 44 of the AML/CFT Law and complemented by relevant sectoral regulations (MOCIIP Instructions 621/2022, Art.32; MOLA Instructions, Art.7; MOH Instructions N.244/2022, Art.32).

Criterion 22.3

DNFBPs comply with the requirements described and assessed in Recommendation 12 as set out in the AML/CFT Law (Art.36 (d) and applicable sectoral regulations (MOCIIP Instructions N.621/2022, Art.25; MOLA Instructions N.130/2022, Art.6; MOH Instructions N.244/2022, Art.25) which included detailed provisions on family members and close associates to politically exposed persons.

Criterion 22.4

In line with the analysis on Recommendation 15, DNFBPs are required to comply with requirements related to the identification and assessment of ML/TF risks linked to new technologies (AML/CFT Law, Art, 34 and 41 (c)) and as expanded in sectoral regulations (MOCIIP Instructions N.621/2022, Art.10; MOLA Instructions N.130/2022, Art.5.8; MOH Instructions N.244/2022, Art.10).

Criterion 22.5

In relation to third party requirements, DNFBPs apply AML/CFT requirements as assessed in relation to R.17 and detailed for the sectors (MOCIIP Instructions N.621/2022, Art.33; MOLA Instructions N.130/2022, Art.13; MOH Instructions N.244/2022, Art.33). In all instances where reliance is placed, the requirements that apply to an external third party must be met for reliance to be permitted. Simplified procedures for cases where the relied upon party is part of the same group as the Omani DNFBP is not permitted.

Weighting and Conclusion

All criteria are met.

Recommendation 22 is rated compliant.

Recommendation 23 – DNFBPs: Other measures

In its last MER, Oman was rated partially compliant with these requirements due to deficiencies noted regarding the lack of guidance issuance for the sectors.

Criterion 23.1

DNFBPs must report ML/TF suspicious transactions in particular as regards:

- a) Lawyers, notaries, accountants, auditors and reviewers (AML/CFT Law, Art.4 c) and 47). The reporting obligations also extend to attempted transactions and are not subject to any specific thresholds.
- b) DPMS actors when engaged in cash transactions above a certain threshold (EUR 15 000) (AML/CFT Law, Art.4 b) and 47). There is no threshold provision in the Omani regulations.
- c) TCSPs (or lawyers as permitted in the national legal framework) when engaging, on behalf of customers, in relevant transactions as set out in R.22.1 (e) (AML/CFT Law, Art.4 d) and 47).

Criterion 23.2

Article 42 of the AML/CFT Law requires DNFBPs to develop and implement AML/CFT programs and to apply them to all members of the group. Such programs must include policies, procedures and internal controls to ensure:

- a) high standards for hiring employees;
- b) ongoing training program for employees;
- c) adequate audit function to verify compliance with AML/CFT requirements.

Requirements under R.18 are corroborated for the DNFBPs sector by sectoral regulation (MOCIIP Instructions N.621/2022, Art.35; MOLA Instructions N.130/2022, Art.8; MOH Instructions N.244/2022, Art.35).

Criterion 23.3

Article 13 (K) of the AML/CFT Law establishes the mandate for the National Committee for Combatting Money Laundering and Terrorism Financing to identify high risk countries, and the measures to be taken regarding these countries and to guide supervisory authorities in the verification of compliance as part of the supervision process. This is further corroborated by Article 41 of the AML/CFT Law establishing the derived obligations for DNFBPs. Sectoral regulations complement these requirements (MOCIIP Instructions N.621/2022, Art.31; MOLA Instructions N.130/2022, Art.7; MOH Instructions N.244/2022, Art.31).

Criterion 23.4

Article 47 of the AML/CFT Law provides that there shall be no penal, civil, or administrative liability on DNFBPs or their managers, board members, owners, authorized representatives, employees, agents, partners, and professionals when reporting a suspicious transaction.

Weighting and Conclusion

All criteria are met.

Recommendation 23 is rated compliant.

Recommendation 24 – Transparency and beneficial ownership of legal persons

In its last MER, Oman was rated largely compliant with these requirements. The deficiencies included the inability of the existing registry to contain information about beneficial ownership of legal persons.

Criterion 24.1

Oman has in place mechanisms to identify and describe the different legal persons that can be created and which features are possible.

The following legal persons can be created in Oman: General partnership, Limited Partnership, Joint Stock Company (public/closed), Holding Company, Limited Liability Company, One-Person Company (Commercial Companies Law N 18/2019). The CCL also accounts for Joint Ventures which is an internal agreement between two or more natural or legal entities and is therefore not a separate form of legal entity. Individual Merchants, House Trade Businesses, Street Vendors and Freelance Businesses are also not types of legal persons, but certain types of business activities. Branch and Representative offices derive their legal status from their parent companies, so they do not constitute separate legal persons under Omani law. Additionally, Civil Associations can be created under the Civil Associations Law N 14/2000. Civil Associations are legal persons founded for non-profitable purposes and are only allowed to operate in specific fields further described in Art.4 of the Law. In practice Civil Associations are divided into four categories (which can include the structure of foundations or associations):

- 1) Charitable Organisations.
- 2) Professional Organisations.
- 3) Community Social Clubs.
- 4) Women's Associations.

Information on these entities (except joint stock companies and those created under the civil association law) are publicly available on the Ministries of Commerce, Industry and Investment Promotions (MOCIIP) InvestEasy webpage (www.business.gov.om) which offers an overview of the legal persons that exist in Oman and contains information on the basic form and features of each of the above-mentioned legal persons, as well as references to relevant legislation. However, Civil Associations are not accounted for on this webpage, and it could not be confirmed that there is an available mechanism that describes the different forms and basic features of such entities.

The website offers the application in the form of a simulator, where different companies and the commercial registration can be created. However, the simulator only describes how and where to apply for licences for different business activities. The application offers some instructions and information on e.g., obligation to submit annual reports and where list of shareholders for Private Limited Liability companies and Joint Stock Companies is kept but it could not be confirmed that the website provides a mechanism that identifies and describes the processes for the creation of the legal persons in question, or for obtaining and recording of basic and beneficial ownership information. Civil Associations are not accounted for on this webpage although some information can be found in the MOSD website.

Criterion 24.2

Oman completed a topical ML/TF risk assessment of the different types of legal persons operating in the country but did not consider those defined as NPOs (Associations and Foundations). The NPO risk assessment is not relevant for the purposes of this criterion but the AT acknowledges its consequence on the understanding of TF related risks to NPOs.

Oman's NRA also includes a less detailed chapter on the risks associated with legal persons, with a reference to the topical ML/TF risk assessment. The risk assessment of legal persons is focused on the specific type of entities, assessing the risk related to those established in the mainland on the one hand, and assessing the risk related to those established in freezones or the special economic zone. It also considers mitigating factors, such as transparency of basic information and incorporation requirements.

The risk assessment provides for both inherent and residual risk rating, where the inherent and residual risk rating for Mainland legal entities is medium-low and the inherent and residual risk rating for Freezone and Special Economic Zone legal entities is medium-high. The risk score attributed to legal entities in both sectors is moderate.

Civil Associations were not assessed under the topical risk assessment for legal entities as these were considered to fall under the FATFs definition of NPOs were assessed as such in the NPO National Risk Assessment (see criterion 8.1), but that did not include all Associations (e.g. foundations).

Criterion 24.3

All commercial entities operating in Oman must register with the Commercial Registry (CR Law N. 3/74, Art.4). This includes Commercial Companies (General and Limited Partnerships, Public and Closed Joint Stock Companies, Holding Companies, Limited Liability Companies and One-person Companies). Prior to registration such companies only enjoy legal personality to the extent necessary for purpose of registration (cannot operate).

Additionally, the following legal persons shall be registered in the Commercial Register (CR Law N. 3/74, art.4):

- a) Commercial companies whose main work location is in Oman.
- b) The branches and agencies established in Oman by traders or commercial companies whose main work location is abroad.
- c) The branches and agencies established in Oman by traders or commercial companies whose main work location is registered in Oman in a region that does not administratively include these branches and agencies.
- d) The branches and agencies that legally exist in Oman and that practice a commercial activity therein at the date of publishing of the Law.
- e) Public legal persons that themselves carry out a commercial activity.

Within one month from the incorporation of the company, its director shall request the registration of the company. The applicants shall submit to the Secretariat a copy of the company's Articles of Association or its Memorandum of Incorporation along

with a statement of two copies signed by the applicants that includes the following (CR Law, Art.9):

- 1) Name and type of the company.
- 2) Subject of the company.
- 3) Address of its main work location and addresses of its branches or commercial agencies inside and outside Oman.
- 4) Full name, nationality, and birthplace and date of each partner in the company. Joint-stock companies are exempted from this. It is enough in their cases to provide these data regarding their board directors. Shareholder information is not included in this requirement.
- 5) Full name of every signatory and the extent of authority thereof (including directors).
- 6) Company capital and estimated value of any contribution in the capital whether they are in kind advances of services.
- 7) Incorporation date of the company and expiry date, if any.
- 8) Date and number of the license of the Ministry of Development if the company has one or more non-Omani partners pursuant to the provisions of Foreign Capital Investment Law.

The Commercial Register is considered a publication tool used as evidence for the information registered in it (CR Law 3/74, art.2). Any person may obtain from the Commercial Registry Office an extracted copy of the registration, a certificate containing some basic information, or a negative certificate of non-registration, in return for a fee determined by the Ministry of Commerce and Industry (there are some exceptions to this including for example judgements on bankruptcy and seizure decisions).

Civil Associations must have written statutes containing information on e.g. the name, objectives, and field of activities of the Association, the names, nationality, and address of each founder, who shall represent the Association, terms and rights of members and methods of internal financial control (CA Law, Art.7). This information – along with information on proof of incorporation - must be sent to the Ministry of Social Development (MOSD), which registers and supervises Associations, along with list of all of the founders and members of the first board of directors, minutes of meeting of the constituent assembly and the meeting of first board of directors and the decision made by the board of directors to authorize the person who shall present the declaration documents (CA Law, Art.9). The name, address, and registration number must be included in the registration (CA Law, Art.16).

MOSD publishes a summary of the statute and the registration number assigned to the Association in the Official Gazette, after which the Association acquires legal status. The public availability of the information could not be confirmed, and the CA Law appears to neglect the requirement to register the regulating powers of Associations.

Criterion 24.4

Oman maintains information relevant to all companies registered in the Commercial Registry including, more recently, information on shareholders (Ministerial Decision

No. 424/2023 (BO Regulation), Art.7). The regulation applies to all commercial companies, except for Public Joint Stock companies (CR Law 3/74, Art.9; BO Regulation, Art.2).

Companies (General and Limited Partnerships, Holding Companies, Limited Liability Companies and One-person Companies) subject to the CC Law are required to maintain a record of their shareholders, containing the number of shares held by each shareholder and categories of shares (including the nature of the associated voting rights Further it could not be confirmed that the abovementioned Companies are required to maintain the information set out in criterion 24.3.

As regards Joint Stock Companies (Public and Closed), the CC Law accounts for a register of shareholders for such companies and further states that “the transfer of ownership of a company’s shares shall be effected by entering it in the shareholders register. A company shall not consider the ownership of any share by any shareholder unless his/her ownership is registered in its shareholders’ register” (Art.119 and 128).

For all the abovementioned legal entities shareholders information was not included in the data to share with the commercial registry, but it must be maintained by the entities in their shareholder registry. Requirements applicable to shareholder information have been updated by the BO regulation and are currently applicable to all legal persons in the context of the BO registry.

Criterion 24.5

Information held on companies registered in Oman must be accurate and updated on a timely basis. Commercial Companies shall register any amendments or change related to the issue that have been previously registered, within one month from it taking place (CR Law, Art.10) and this information must be verified by competent authorities (idem, Art.16).

Sanctions apply to both natural and legal persons for failure to submit applications and documents by law to the Registry, and to any person who intentionally submits incorrect information for registration in the Commercial Register (CR Law, Art.18 (as amended)).

According to Art.12 of the Civil Associations Law, any amendments to the statute of an Association are to be recorded with the MOSD.

Abovementioned provisions provide for a mechanism that ensures that the information referred to in criteria 24.3 and 24.4 are accurate and updated on a timely basis. However, the same shortcomings as noted in criteria 24.3 and 24.4 apply.

Criterion 24.6

All companies must have a “Beneficial Owner Register”, where information and data on the name and date of birth, nationality, domicile and address, of beneficial owners is recorded (BO Regulation, art.3). Companies are required to “record of information on beneficial owners, including partners or shareholders who own no less than (25%) twenty-five percent of the company's shares, or its equivalent, and “Beneficial Owner” is further defined as “the natural person who ultimately owns or controls a commercial company, either directly or indirectly, including any natural person who exercises control by means of controls other than direct control. This covers the

natural person who has full control of legal personality or a legal arrangement". In case there is no beneficial owner for the company in question, the top administrative director within the company shall be considered as the beneficial owner.

With reference to aforementioned provisions, all companies, except Public Joint Stock Companies, are required to establish BO registers and to obtain and hold information up-to-date, information on beneficial owners. As regards Public Joint Stock Companies, they are obliged to register with the MCD, but the AT could not confirm that the registration includes BO information.

Oman did not demonstrate how the availability of information on the beneficial owners of Civil Associations is ensured.

Criterion 24.7

All companies must keep their beneficial owner register accurate and as up to date as possible, and to update the information in the register within 5 business days (BO Regulation, Art.4). Sanctions are applicable to violations of all the provisions (BO Regulation, art.8).

Oman did not provide information on how BO information of Public Joint Stock Companies is kept accurate and up to date. Further, the same shortcomings apply here as under criterion 24.6 as regards Civil Associations.

Criterion 24.8

All companies must ensure that one individual (resident in Oman) is responsible for coordinating with the supervisor and competent authorities to provide data and information for the beneficial owner register (BO Regulation, Art.5 and 6).

However, it is not clear whether this applies to basic information, and there are seemingly no provisions in the BO Regulation requiring the authorised person in question to provide the basic information described under criterion 24.3, or further assistance, to competent authorities. It is further unclear how this criterion is met regarding Public Joint Stock Companies and Civil Associations, and the same shortcomings apply as identified under criteria 24.3-24.7.

Criterion 24.9

BO information shall be kept at the company's headquarters as provided in the commercial register and made available for no less than (10) ten years from the date where the company stops operating (BO regulation, art.3). Oman did not provide information on how this criterion might be met regarding Public Joint Stock Companies and the same shortcomings identified above in terms of Civil Associations, and the information to be obtained under criteria 24.3-24.7 apply.

As regards Basic information described under criterion 24.3, Art.15 of the CR Law prescribes an obligation to delete registration from the Commercial Register, e.g. in case of liquidation.

Other than that, there are seemingly no provisions in the CR Law prescribing an obligation to maintain the information in question for the time period stipulated in this criterion.

Criterion 24.10

Basic information described under criterion 24.3, is publicly available in the Commercial Register (CR Law, Art.2). As regards basic information described under criterion 24.4 and BO information, Art.6 of the BO regulation states that commercial companies shall report to the ministry, or to the competent entities, all the data and information requested about the beneficial owner register within 3 business days starting from the date of the request. The same applies to shareholder information (BO regulation, Art.7(2)).

The abovementioned articles allow for the timely access to the basic and beneficial ownership information held by the relevant parties. As regards Public Joint Stock companies Oman maintains that BO information is publicly available on the MCD website, but this could not be confirmed and as regards Civil Associations the CA Law does not speak out the availability of the information in question. However, Art.81 of the AML/CFT Law would have relevance here, authorizing the Public Prosecutor to review records and documents, and obtain information in the possession of financial institutions, non-financial businesses and professions and non- profit associations and entities, or any other person, and seize such records and documents and any other documents if deemed necessary for investigation of ML, TF or related predicate offences.

Criterion 24.11

The transfer of ownership in a company – including shares – is only effective once it is registered which implies it is impossible to hold bearer shares. This practice is confirmed by the BO Regulation where it is specified the record of shareholders must include name, nationality, residence, address, age, number of shares held (Art.7 (3)).

Criterion 24.12

Nominee arrangements are not provided for under Omani law.

Criterion 24.13

Oman has proportionate sanctions in place to some extent. Failure to submit relevant information to the commercial registry is punishable with a fine ranging from OMR 100 to 1 000 (USD 260 to 2 600). In case of recidivism, the fine shall be doubled (CR Law, Art.18 (1 and 2) applicable to natural or legal persons.

Intentional submission of false information to the commercial registry may be liable to a fine ranging from OMR 500 to 1 000 (USD 1 300 to 2 600), or imprisonment from 1 to 6 months, or to both penalties. According to the article such sanctions do not preclude legal consequences resulting from carrying out or abstaining from the act that is punishable (CR Law, Art.18(2)).

Additional breaches may be sanctioned within the context of the recent BO regulation which accounts for administrative sanctions on commercial companies subject to the regulation, for violations of its provisions, in which case one of the following administrative penalties may be applied in accordance with gravity of the violation (BO regulation, Art.8):

- 1) Warning.
- 2) An administrative fine not exceeding OMR 1 000 (USD 2 600) for each violation.

- 3) Cessation of activity for a period of (3) three months.
- 4) Deletion of the activity from the commercial register.

Article 8 of the BO regulation refers to cases where “commercial companies violate the provisions” of the regulation, seemingly excluding natural persons. Oman did not provide information on sanctions regarding Public Joint Stock Companies.

As regards Civil Associations Art.54 of the CA Law accounts for sanctions in the form of imprisonment for six months and/or a fine up to OMR 500 (USD 1 300). Sanctions, however, seem to be limited to providing false information or purposely hiding statements (Art.54(1)). Article 55 provides for a more general sanction provision, prescribing a maximum of OMR 50 (USD 130) fine imposable on anyone that violates the provisions of the Law.

Fines up to OMR 1 000 (USD 2 600) (as per CR Law, Art.18) cannot be considered dissuasive in the context of legal persons. The same applies to sanctions applied as a result of the BO Regulation and CA law (Art.55).

Criterion 24.14

Oman provides foreign competent authorities to basic information held in the commercial registry which is publicly available [although the AT has not been able to access it as the website is inaccessible] (CR Law, Art.2).

For other company related information not included in the commercial registry (including shareholdership) MOCIIP and other competent entities may access that information (BO regulation, Art.7 (2) -see also criterion 24.10). This includes information held in company registers (art.6).

Access to BO information on Public Joint Stock Companies and Civil Associations remains unclear, and the same shortcomings identified under criterions 24.3-24.7, regarding the information to be obtained, also apply here.

Notwithstanding ratified conventions and agreements, or in accordance with the principle of reciprocity, Oman requires competent authorities to cooperate with their counterparts in other countries for the purposes of legal and judicial assistance and extraditing criminals in the field of money laundering, related predicate offenses, and terrorism financing (AML/CFT Law, Art.58 - see also criterion 25.6).

Criterion 24.15

Requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad are very rare. Oman did not provide information on how it monitors, or will monitor, the quality of such assistance received from other countries.

Weighting and Conclusion

The commercial registry is publicly available and includes information on the process of creation of legal entities. ML/TF risks were analysed to some extent but not as regards civil associations. Companies are obliged to register in the commercial registry and provide all relevant information (except for JSC which provide shareholders information to MCD). Companies are required to maintain shareholder registries. A sanctioning framework is in place that allows for some sanctioning powers, but the framework does not appear to include natural persons and cannot be

considered dissuasive. Oman does not receive many requests to locate BO residing abroad but also has no mechanism to monitor such requests.

Recommendation 24 is rated largely compliant.

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

In its last MER, Oman was rated largely compliant with these requirements. The AT was unable to determine if beneficial ownership information was available in the context of legal arrangements.

While Oman does not allow for the creation of trusts or similar legal arrangements, it allows for Awqaf which are assessed as similar in function and structure to legal arrangements. The status of foundations in Oman, as a subsector or civil associations, is assessed above in the context of R.24.

The assessment provided below concerns Awqaf as established by Royal Decree 65/2000 (Awqaf Law) as well as the Executive Regulation of the Law of Awqaf No. 23/2001 (Awqaf Regulation), as amended by Ministerial Decision No. 389/2023. In line with this legal framework Awqaf can be divided into four distinct types:

- Effective Waqf whose form denotes it comes into force at once, once it is issued by the donor.
- Delayed Waqf whose implementation is delayed until after the death of the donor.
- Charity Waqf whose benefits are allocated to charity from the beginning.
- Civil Waqf whose benefits are allocated to the Waqf donor or certain persons or to both, provided that in all cases the final allocation thereof shall be to a charity entity.

The AT acknowledges, in line with the Topical Risk Assessment on legal entities, that CMA licensed financial trusts are registered in the MCD and are only permitted for the use of holding Bonds and Sukuk, which are sharia-compliant securities. The capital is collected from MCD-approved investors by a regulated bank and returned in accordance with the terms of the prospectus used to attract investors. As a result, these instruments are considered regulated collective investment funds, rather than trusts or legal arrangements as envisaged by the FATF thus not within the scope of this Recommendation.

Criterion 25.1

Awqaf

- (a) the Wakeel (trustee) shall keep records of relevant information, including:
- All information, data and documents related to the Waqf; inclusive of information related to the Waqf's assets, structure, management, individual transactions and other relevant data.
 - Local and international transactions of the Waqf that have been carried out at least during the past 10 years starting from the date of issuing the transaction.
 - Information about the Waqf's donor, Wakeels and to those whom the Waqf is dedicated. Further, information about any other natural person owning the

Waqf or actually controlling it, if any, as well as transactions of other services providers; such as, accountants, tax advisors, investors or Awqaf managers.

The Awqaf shall have dedicated files within the Ministry of Awqaf and Religious Affairs (MARA) inclusive of all Awqaf data and relevant documentations, which shall contain (Awqaf Regulation, Art.2(bis)):

- 1) Waqf name, its unique number and other main information.
- 2) Purpose of establishing the Waqf.
- 3) Documents proving existence of Waqf, its legal personality as issued by the concerning entity.
- 4) Administration where the Waqf is registered; as well as the Waqf's address.
- 5) Supervisory entity of the Waqf.
- 6) Type and status of the Waqf.
- 7) Waqf data.
- 8) Information about the Wakeel.
- 9) Information of assets dedicated for the Waqf.
- 10) Information about natural person owning the Waqf, or having an actual control on it.
- 11) Information about local and intentional transactions of the Waqf.

The Waqf's management shall be responsible to register and update all information of the Waqf and donor of the Waqf in the electronic registry held by MARA, as well as any other updates that may arise related to the Waqf (the Awqaf Regulation, Art.2 (bis)(1)).

The Awqaf Regulation does not include a requirement to identify or register the "class of beneficiaries" (Art.2).

(b) Either the Waqf's donor or the Wakeel, shall keep records on transactions of other service providers, such as accountants, tax advisors, investors or Awqaf managers (Awqaf Regulation Art.7(bis)(1)). Although not limited in terms of types of service providers, the provision, however, seems to be limited to keeping records of transactions made by such providers, which is seemingly not broad enough to cover "hold basic information on other regulated agents of, and service providers to" as required by this criterion. The same also applies in terms of holder of the information as in sub-criterion (a).

(c) According to Art.7(bis)(1) of the Awqaf Regulation the Waqf's donor or the Wakeel shall e.g., keep records on local and international transactions of the Waqf that have been carried out at least during the past 10 years starting from the date of issuing the transaction. However, neither the Awqaf Regulation nor the Awqaf Law require professional trustees to maintain the information in question for at least five years after their involvement with the Waqf ceases.

Trusts Service Providers

Although Omani legislation does not provide for the creation of other legal arrangements than Awqaf, some professions like lawyers, accountants, notaries (to a very limited extent) and auditors could act as professional trustees of a trust created under foreign law.

Attorneys, attorney's offices and companies shall undertake customer due diligence which e.g. shall entail, according to Art.6(13), when entering into a business relationship with a trust or legal arrangement or carrying out transactions with such persons, obtaining, e.g., information on the identity of the settlor, trustees, protectors or persons in equivalent positions and exercising ultimate effective control over the trust and beneficiaries or persons in equivalent position (Ministerial Decision No. 130/2022 Art.6). This decision also determines that reasonable measures should be taken to verify the identity of trustees, managers, directors or persons in equivalent positions; Settlers, founders or persons in equivalent positions; The trust or legal arrangement, including any persons settling assets into the trust or legal arrangement, including through a chain of control or ownership; Protectors or persons in equivalent positions and exercising ultimate effective control over the trust; Beneficiaries or persons in equivalent positions (Art.15). The article further states that Beneficiaries who have not been defined at the time of the establishment of the business relationship shall be identified when they can be so defined.

Similar requirements apply to Accounting and Auditing Firms and Offices (Ministerial Decision No. 621/2022, Art.22 and 24).

In both cases there is a requirement to maintain those records for at least ten years after the business relationship has ended or a transaction with a customer, who does not have an established business relationship with the entity in question, has been carried out (Ministerial Decision No. 130/2022 Art.7 and Ministerial Decision No. 621/2022, art 32). In terms of trust service providers sub-criterion (c) is met.

Criterion 25.2

Awqaf

All Waqf's records, documents, information and data, and Waqf certified copies shall be kept in a way wherein they can be immediately provided when requested by judicial entities, ministries, regulatory entities or any other competent entity. This information shall be kept updated at all times, and that the donor or the Wakeel shall report any changes or information updates in the assigned registry within no more than 10 days (Awqaf Regulation, Art.7 (2) 1) and 3)).

Trust Service Providers

Attorney's offices and companies, as well as accounting and auditing firms shall ensure that the collected documents, data or information are kept up-to-date and relevant by undertaking reviews of existing records (Ministerial Decision No. 130/2022, Art.36(b)) and Ministerial Decision No. 621/2022, Art.26), particularly of higher risk categories of customers and transactions. The frequency and scope of the reviews shall be determined on a risk-based approach but reporting entities shall conduct due diligence on business relationships and review existing records on an ongoing basis to ensure that documents, data or information collected under the due diligence process are kept both up-to-date and relevant, particularly for higher risk customers (idem respectively, art.17 and 27).

FI's and DNFBP's are additionally required to monitor and scrutinize all relationships and transactions with customers on an ongoing basis to ensure that information regarding such relationships and transactions are consistent with the information available on the customer, his commercial activities and risk profile, and where required, his source of funds and wealth. In high-risk cases, enhanced due diligence measures shall be applied and the degree and nature of monitoring increased

(AML/CFT Law, Art.33). Further, to examine such data and documents obtained from the customer, to ensure that it is kept up-to-date and consistent with available records (idem, Art.35).

Criterion 25.3

Awqaf

There is no explicit requirement for the Wakeel to disclose their status to reporting entities when forming a business relationship or carrying out an occasional transaction above the threshold. However, when entering in a business relationship with a FI or DNFBP, such entities would be required to comply with normal CDD practices as defined:

- a) Banks, Payment Service Providers, MEEs and FLC (AML/CFT Law, Art.11 and 12).
- b) Real Estate Brokerage Offices and Companies, and Real Estate Developers (Ministerial Decision No. 244/2022, Art.22-24).
- c) Insurance and Takaful companies, brokers and agents (CMA Decision No. E/81/2021, Art.14 and 15).
- d) Capital Market Institutions (Decision No. E/80/2021, Art.14 and 15).
- e) Other DNFBPs (AML/CFT Law, Art.33).

Trust Service Providers

There appear to be no requirements in the AML Act, MJLA or MOCIIP for trustees to disclose their status to reporting entities when forming a business relationship or carrying out an occasional transaction above the threshold. Obligations defined for DNFBPs in the AML/CFT Law apply (see Art.33) and as corroborated by sectoral legislation (Ministerial Decision No. 130/2022, Art.6 and Ministerial Decision No. 621/2022, Art.22 and 23).

Criterion 25.4

Awqaf and Trust Service Providers

There is no legal impediment to the provision of relevant information to competent authorities.

Concerning the provision of information to FIs and DNFBP's on the beneficial ownership and assets of the trust or legal arrangement to be held or managed under the terms of the business relationship, upon request, those entities must conduct CDD when entering in a business relationship with trusts and legal arrangements and the relevant provisions of the MJLA and MOCIIP (see criterion 25.3 regarding other DNFBP's and FI's) which would include obtaining information on beneficial ownership (AML/CFT Law, Art.33). However, those requirements do not seem to cover obtaining information on the assets of the trust in question.

Criterion 25.5

Competent authorities have the necessary powers to obtain information held by DNFBP's as trustees, and by FI's and DNFBPs, on the beneficial ownership and control of a trust/legal arrangement which they have a business relationship with, including: (a) the beneficial ownership and (b) the residence of the trustee, however, there are

no provisions requiring FI's and DNFBP's to obtain information on the assets held or managed by the trustees with which they have a business relationship.

Awqaf

See criterion 25.1 on the information required to be held and criterion 25.4 on access of competent authorities.

As regards access to information held by FI'S and DNFBP's, see criterion 25.2-25.4 regarding the requirement for such entities to conduct CDD when entering in a business relationship with trusts/legal arrangements.

Trust Service Providers

See criterion 25.4 on the obligations on entities subject to the MOCIIP and MJLA. Competent authorities and NCFI are able to obtain information as needed from DNFBPs (AML/CFT Law, Art.51(a), 51(b), and 19 (and Art.28 as regards information sharing with foreign FIU's or other entities)). This includes documents saved as part of record keeping requirements (*idem*, art.44).

The Public Prosecutor may, to uncover facts concerning a crime of money laundering, terrorism financing, or related predicate offenses, review the records and documents, and obtain information in the possession of financial institutions, non-financial businesses and professions and non- profit associations and entities, or any other person, and may seize such records and documents and any other documents if deemed necessary for the investigation (AML/CFT Law, Art.81).

Criterion 25.6

The NCFI may exchange information on its own initiative or upon request with counterpart foreign FIUs or entities, while taking into consideration the necessary rules of confidentiality in this regard and without prejudice to the principle of reciprocity (AML/CFT Law, art, 28). Moreover, supervisory authorities shall cooperate effectively with counterpart entities that carry out similar functions in other countries, by exchanging information and signing memoranda of understanding (AML/CFT Law, Art.51).

Supervisors and other competent authorities, without prejudice to ratified conventions and agreements or in accordance with the principle of reciprocity, must also cooperate with their counterparts in other countries for the purposes of legal and judicial assistance and extraditing criminals in the field of ML, related predicate offenses, and TF (AML/CFT Law, Art.58) .

There appear to be no specific barriers for providing international cooperation in terms of the requirements spelled out in sub-criteria (a)-(c).

Criterion 25.7

Awqaf

The Wakeel is responsible for the good management of the Waqf but it is unclear whether this equals legal liability (Awqaf Law, Art.20 and Awqaf Regulation, Art.8).

Sanctions in the form of imprisonment up to one year and/or fines up to OMR 1 000 (USD 2 600) for breached in relation to unlawful seizure of Awqaf or infringement of their property are in place. The same sanctions apply for engaging in activities on behalf of a Waqf before it is founded, engaging in activities that contradicts the Waqf's

purpose, including contributions to TF or activity that results in money laundering, and allowing persons other than members of the board of directors to participate in the management of the Waqf (*idem*, Art.52 and 53).

It is unclear whether Art.52 and 53, which were introduced to the Awqaf Law with Royal Decree no. 54/2013, mainly introducing a new chapter on Waqf Foundations, apply to Awqaf in general or only such Waqf Foundations. Furthermore, the scope of fractions is limited, and sanctions can only be applied in criminal cases. MARA is not authorized to apply fines but has the power to replace the Wakeel in case of fractions in the administration of the Waqf (Awqaf Law, Art.19).

For the purpose of sub-criterion (b) the available sanctions are not sufficiently dissuasive or proportionate.

Trust Service Providers

Where a DNFBP is acting as a trustee, sanctions apply as defined in the AML/CFT Law (Art.52) and sectoral regulations (Ministerial Decision No. 130/2022, Art.16 and Ministerial Decision No. 621/2022, Art.42). The sanctions that may be imposed (one or more) are as followed:

- a) A written warning.
- b) An order to comply with specific instructions.
- c) An order to submit regular reports on the measures being taken.
- d) Administrative fine of not less than OMR 10 000 and not more than OMR 100 000 for each violation;
- e) Replacing or limiting the mandate of compliance officers, directors, members of the board, or controlling owners, including the appointment of a special administrative supervisor.
- f) Suspending the work of violating persons in the commercial business sector or in a particular occupation or activity, either permanently or temporarily.
- g) Imposing guardianship over the entity.
- h) Suspending, cancelling, or placing restrictions on the license to practice operations or activity.

The available sanctions appear proportionate and dissuasive.

Criterion 25.8

Awqaf

There are provisions on sanctions for failing to grant competent authorities timely access to information regarding the trust referred to in criterion 25.1.

Trust Service Providers

Where a DNFBP would serve as a trustee, sanctions according to Art.52 of the AML Act would apply. According to the Article, such sanctions are however only applied by Supervisory Authorities, i.e., The Ministry of Justice, Ministry of Commerce and Industry, Ministry of Housing, Ministry of Social Development, Central Bank of Oman and the Capital Market Authority, cf. Art.1 of the AML Act.

As regards judicial authorities (including PP) and the NCFI, criminal sanctions in accordance with Art.95 of the AML/CFT Law, in the form of imprisonment from six

months to 2 years and a fine from OMR 10 000 up to 50.000 (USD 26 000 to 130 000), would apply to board members, representatives, owners and employees of FIs and DNFBPs for failure to provide information in accordance with Art.44 of the law (see also criterion 25.5).

Weighting and Conclusion

There are minor deficiencies regarding the requirements to identify class of beneficiaries. FIs and DNFBPs are not obliged to identify relevant assets. There is no direct requirement concerning the identification of the Wakeel and there are doubts on the ability of competent authorities to adequately sanction the Wakeel.

Recommendation 25 is rated largely compliant.

Recommendation 26 – Regulation and supervision of financial institutions

In its last MER, Oman was rated largely compliant with these requirements. Deficiencies were found in relation to the regulation of specific sectors and allocation of resources to supervision and monitoring.

Criterion 26.1

Oman has designated the CBO and the CMA, as the supervisors of FIs operating in Oman (AML/CFT Law, art.1), with the responsibility for regulating, supervising and monitoring FIs' compliance with AML/CFT requirements (AML/CFT Law, art.51). Art.51 of the AML/CFT law outlines the powers and functions of supervisory authorities. The definition of "financial institution" (AML/CFT Law, art.3) covers the range of activities set out in the FATF glossary (see below table for FIs under the supervision of each supervisor). It is not clear from the cited provisions how supervisors determine which sectors fall under their AML/CFT supervision.

Supervisors	FIs			
CBO	Banks	FLC	MEE	PSP
CMA	Securities	Insurance Companies	Insurance Brokers	VASPs

Criterion 26.2

Core Principles financial institutions are required to be licensed: Banks – and other FIs including leasing companies - are licensed by the CBO (Banking Law N 114/2000, Art.5 and 52); Securities are licensed by the CMA (Securities Law N 46/2022, Art.3 and 14).

CMA licenses insurance and reinsurance activities (Insurance Law, art.2(b)) and other insurance related professions (Reg. No. E/19/2017, Art.3 for Insurance Brokers' Business; Reg. No. E/28/2016, Art.3 and 4 for agents of Insurances companies; Takaful Insurance Law, art.5, 9 &10 for Takaful Islamic insurance companies).

Other financial institutions, including MVTS or money/currency changing services are required to be licensed. Both MEEs and PSPs must be licensed by the CBO (CBO Reg. (BM/43/11/97), art.2 for MEEs and National Payment Systems Law, art.5 for PSP). The license for PSP will not be effective except after being notified by the COB.

The licensing process for VASPs is ongoing and is expected to be in place in 2024.

There is no statutory prohibition on the establishment or continued operation of a shell bank. This gap is mitigated by CBO's actions as it does not approve the

establishment of shell banks and the possibility of creating a shell bank is precluded through the banking license process.

Criterion 26.3

Omani supervisory authorities have measures to prevent criminals and their associates from holding a significant or controlling interest or holding a management function in an FI supervised by the CBO and CMA (AML/CFT Law, art.51(h)). CBO and CMA have developed internal Licensing Policies and Procedures, which set out a range of fit and proper checks on all relevant persons and relevant third parties. Relevant persons include all (prospective) beneficial owners and shareholders, members of the supervisory or management board, members of senior management and any other person who exercises control in any way. Relevant third parties are associates of relevant persons through personal, business or other types of relations. In addition to the main AML/CFT Law provisions, the necessary regulatory measures are ensured at sectoral level through complementary instruments (Banking Law, Art.52 and 54; Securities Law, Art.25; Insurance Law, Art.3 d)).

Criterion 26.4

(a) Core Principles FIs are subject to regulation, supervision and monitoring by the CBO and CMA in line with the Core Principles, including the application of consolidated group supervision for AML/CFT purposes (AML/CFT Law, art.51 (g)).

(b) Other FIs, including MEEs (MVTs / money or currency changing service), are subject to the supervision of their AML/CFT requirements by the CBO (AML/CFT Law, art.3(a) & 51).

Criterion 26.5

CBO and CMA apply a risk-based approach to regulating, supervising and monitoring FIs compliance with AML/CFT requirements (AML/CFT Law, art.51). CBO and CMA have coordinated to develop AML/CFT Inspection Manuals which determine the frequency and intensity of onsite and off-site AML/CFT supervision of FIs or groups on the basis of:

- a) ML/TF risks and the policies and internal controls and procedures, as identified by the supervisor's assessment;
- b) The ML/TF risks present in the country;
- c) The characteristics of FIs or groups, as well as their diversity, number and the degree of discretion in line with the risk-based approach.

Criterion 26.6

The CBO reviews the ML/TF risk profiles of FIs, including financial groups, at least on a biannual basis, upon the collection of periodic offsite data from institutions. The CMA applies the same process on an annual basis. Both supervisory authorities also review the ML/TF risk profiles, in particular risks of non-compliance, throughout their annual inspection cycles, on the basis of the outcomes of inspections and risk and compliance meetings.

Weighting and Conclusion

There are minor deficiencies in relation to criterion 26.1 and the definition of supervisory authority regarding specific sectors and 26.2 related to the absence of a statutory prohibition on the establishment or continued operation of a shell bank.

Recommendation 26 is rated largely compliant.

Recommendation 27 – Powers of supervisors

In its last MER, Oman was rated largely compliant with these requirements. Deficiencies were found as regards the availability of resources and of sanctions for compliance with AML/CFT requirements.

Criterion 27.1

Supervisors (CBO and CMA) have powers to supervise, monitor and ensure FIs compliance with AML/CFT requirements (AML/CFT Law, art.51).

Criterion 27.2

CBO and CMA have the authority to conduct inspections of FIs under their supervision (AML/CFT Law, art.51(a)).

Criterion 27.3

CBO and CMA have the power to compel production of any information relevant to monitoring compliance with the AML/CFT requirements from FIs under their supervision, and to take copies of documents and files, however and wherever stored inside or outside their premises (AML/CFT Law (Art.51 b)).

Criterion 27.4

CBO and CMA are authorised to impose sanctions for violation by FIs under their supervision of the AML/CFT requirements (AML/CFT Law (art.52)). This includes the powers to impose a range of disciplinary and financial sanctions (AML/CFT Law, art.52 (a)-(h), including the power to withdraw, restrict or suspend the FI's license (AML/CFT Law, Art.52 (h)).

Weighting and Conclusion

All criteria are met.

Recommendation 27 is rated compliant.

Recommendation 28 – Regulation and supervision of DNFBPs

In its last MER, Oman was rated non-compliant with these requirements. Deficiencies were found as regards the lack of adequate supervision and monitoring of the sectors, as well as the absence of feedback and sanctions.

Criterion 28.1

Oman does not allow the operation of Casinos within its jurisdiction (Penal Code, Art.289 to 291) This criterion is not applicable.

Criterion 28.2

Oman has designated AML/CFT supervisors for all DNFBP sectors as follows: Ministry of Justice and Legal Affairs (MJOLA) (for the legal sector), Ministry of Commerce and Industry and Investment Promotion (MOCIIP) (for DPMS and accountancy sectors) and the Ministry of Housing (MoH) (for the real estate sector) (AML/CFT Law, art.1). There are no sectoral regulatory bodies with similar functions or powers.

Criterion 28.3

Oman adequately monitors AML/CFT compliance by the DNFBP sector (AML/CFT Law Art.4) through its assigned supervisors i.e. the MOH for the real estate sector, the MOLA for the legal professions, the MOCIIP for DPMS and Accountants. Specific supervisory powers to supervise, regulate and monitor compliance by DNFBPs is equally foreseen in the AML/CFT Law (Art.51)

The supervisory Authorities for DNFBP (MJLA/MOCIIP/MoH) have issued AML/CFT Instructions for their respective sectors as detailed in the analysis of R22.

Criterion 28.4

There are no SRBs in Oman. Supervisors responsible for the DNFBPs sectors can:

- a) have adequate powers to perform its functions, including powers to monitor compliance;
- b) take the necessary measures to prevent criminals or their associates from being professionally accredited, or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in a DNFBP; and
- c) have sanctions available in line with Recommendation 35 to deal with failure to comply with AML/CFT requirements.

The legal framework for analysis in this criterion is described in Recommendation 27 as applicable to the DNFBP sector (AML/CFT Law, arts. 51 and 52).

Criterion 28.5

Oman implements the risk-based supervision of the DNFBPs sector which takes into account the ML/TF risk profile of those DNFBPs and the degree of discretion allowed to them under the risk-based approach, when assessing the adequacy of AML/CFT controls, policies and procedures (AML/CFT Law, Art.51). All DNFBP supervisors (MJLA, MOCIIP, MoH) have developed focused manuals detailing the frequency and intensity of inspections and supervision.

Weighting and Conclusion

All criteria are met.

Recommendation 28 is rated compliant.

Recommendation 29 - Financial Intelligence Units (FIU)

In its last MER, Oman was rated largely compliant with these requirements. Deficiencies included the following: operational deficiencies, such as few STRs received and disseminated, and protracted periods for analysing STRs; lack of

comprehensive guidance to reporting entities on STRs; lack of strategic analyses published on trends and typologies, and insufficient training on ML/TF provided to FIU staff.

Criterion 29.1

The Omani FIU “The National Centre for Financial Information” (NCFI) is a legal person with administrative and financial autonomy within ROP. NCFI is the national center for receipt and analysis of suspicious transaction reports and other information relevant to ML, associated predicate offences and TF (AML/CFT Law, Art.16 and 18; ROP Decision 11/2021, Art.1) and for dissemination of the results of that analysis (AML/CFT Law, Art.23).

Criterion 29.2

NCFI serves as the central agency for the receipt of disclosures filed by reporting entities, including:

- a) STRs filed by reporting entities (AML/CFT Law, Art.18 and 47)
- b) Other information related to cash transactions, wire transfers, cross-border declarations and other threshold reports set by the supervisory authority (AML/CFT Law, Art.18). Cash transaction reports are not implemented in practice in Oman.

Criterion 29.3

NCFI:

- a) Has the power to obtain and use additional information and documents related to STRs and information it receives and other information it deems necessary to carry out its duties from reporting entities. (AML/CFT Law, art 19).
- b) Has access to information from governmental and non-governmental institutions who have an obligation to cooperate with the NCFI in carrying out its functions and provide information relevant to the NCFI (AML/CFT Law, Art.20). In practice NCFI has both direct and indirect access to several databases containing financial, administrative and law enforcement information, and routinely accesses these. This includes databases from the Ministry of Commerce (commercial registry), Ministry of Housing (real estate), CBO and CMA, the PPO, Customs, etc.

Criterion 29.4

The ‘Analysis Section’ in NCFI’s Department of Analysis and Statistics:

- a) conducts operational analysis (AML/CFT Law, Art.18; Decision 11/2021, art.4(2)) Operational analysis, which is conducted drawing on the NCFI’s in-house IT system, consists of using STRs and other information to follow-up on the path of specific activities or transactions, identify potential proceeds of crime, ML, predicate crimes and TF. NCFI has also produced internal analysis procedures manual to help staff conduct operational analysis.

- b) conducts strategic analysis (Decision 11/2021, art.1(12)) and produces annual reports outlining some trends in ML and TF (AML/CFT Law, Art.32). Strategic analysis includes using obtainable information, including the data provided by other competent authorities to identify trends, patterns and typologies of money laundering and financing of terrorism. (Decision 11/2021, Art.4). NCFI has also produced a strategic intelligence handbook providing guidance on how to conduct strategic analysis. The Centre has conducted various strategic reports (e.g. on virtual assets; practices and sanctions evasions by business operating by Iranian community, on Hawala activity, etc.).

Criterion 29.5

NCFI is required to spontaneously disseminate information and results of its analysis to PP and any other competent authority (e.g. ROP, Tax authorities, other AML/CFT Supervisors, etc.) (AML/CFT Law, Art.23), for appropriate action 'where there are sufficient grounds to suspect that funds are related to proceeds of crime or suspected of being linked to ML/TF'. NCFI may also disseminate information upon request (AML/CFT Law, art 27). Dissemination and exchange of information by the NCFI is subject to strict procedures to ensure that they are secure and protected and under strict confidentiality arrangements. NCFI's Standard Operating Procedures (SOP) require that data and information received, processed and disseminated to/from the NCFI is subject to high levels of data protection, security and confidentiality (SOP, p 5, 14).

Criterion 29.6

NCFI protects its information in the following ways:

- a) NCFI has developed a detailed Security Policy to handle, disseminate and access sensitive data and there is a dedicated Security section within the IT Department. Reporting entities submit STRs electronically through an electronic portal system, while NCFI disseminates information to the PP by encrypted email or electronically to ROP. In addition, NCFI staff are bound to respect confidentiality in the course of carrying out their duties, even after termination of their services (AML/CFT Law, art 30 and 31).
- b) NCFI Staff have the required security clearance to handle or use sensitive and confidential information. NCFI also classifies information in different categories with the relevant restricted access. The Security Policy also requires that Centre staff (including independent contractors) understand their security clearance and role in handling and using confidential and sensitive information. Induction is also provided to existing and new staff, which includes training on security.
- c) Access to facilities and information is limited. The NCFI's premises are protected from unauthorised access. All system equipments are in secure, locked areas which are only accessible to authorized employees. Access cards for all staff members restrict office entrance according to their responsibilities within the Centre's departments and sections.

Criterion 29.7

- a) NCFI is operationally independent and has discretion to analyse as well as disseminate information to other competent authorities or international partners (ROP Resolution 216/2020, Art.1, 6, 9-10; AML/CFT Law, Art.27-28). The President of NCFI – who holds the rank of Colonel within the ROP – is nominated by the Inspector General of Police, following approval of the Council of Ministers (AML/CFT Law, Art.17; SOP, Art.7). An Executive Committee is in place, tasked with providing overall operational decisions, although the President has final decision on whether to disseminate a report. While staff positions within NCFI are overwhelmingly filled from within ROP operating under ROP rules and regulations, they operate under the leadership and management of NCFI (ROP Resolution 216/2020, Art.16). While NCFI's affiliation to ROP means for example that it has access to many of ROP's databases and resources (staff is hired through ROP based on NCFI needs), NCFI can take all operational and strategic decisions independently from ROP (for example managing the recruitment process independently from ROP, deciding independently to disseminate STRs or undertake strategic analysis). IT sources (including NCFI databases) are separate from ROP's.
- b) NCFI can exchange information with other domestic agencies and foreign partners based on the principle of reciprocity. The Centre may also sign Memorandums of Understanding with national and international partners. (AML/CFT Law, art 21,22 and 27; Decision 11/2021, Art.1(9)(10)(11)).
- c) Although NCFI is an administrative FIU operating under the umbrella of ROP, it has distinct core functions, as set out in Law (ROP Decision 11/2011, Art.1)
- d) NCFI has an annual independent budget approved by the Ministry of Finance, and may also generate fees and funds from services or technical and training courses it provides (ROP Resolution 216/2020, Art.17 and 18).

Criterion 29.8

NCFI joined the Egmont Group in February 2024.

Weighting and Conclusion

All criteria are met.

Recommendation 29 is rated Compliant.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

In its last MER, Oman was rated partially compliant with these requirements. Main deficiencies related to a lack of ML/TF investigations by the ROP, and a strong prevalence of investigations based on STRs.

Criterion 30.1

Oman has designated law enforcement authorities (LEAs) that have responsibility for ensuring that ML, predicate offences and TF offences are properly investigated within the framework of national AML/CFT policies.

Public Prosecution Office (PP)

PP is the sole body responsible for conducting all criminal investigations and public prosecutions and supervising judicial procedures in line with the Criminal Procedure Law (Basic Law of the State, art 86; Criminal Procedure Law (CPL), Art.4).

The Public Funds Department of the PP is responsible for the most serious and complex ML and TF investigations (Judicial Decision 93/2011). Additionally, the PP has specialised departments responsible for dedicated predicate offences, including drugs, information technology, and human trafficking. The PP may initiate, conduct, and lead investigations on its own initiative, based on complaints from victims or members of the public, or based on preliminary investigations and cases referred to it by other LEAs (referred to as 'Judicial Control Commissioners', JCC) (CPL, arts 30-31). JCCs is a broad term that includes: members of the PP; police officers; staff of public security organisations; *walis*⁷⁴ and deputy *walis*; and all those who are given such capacity by Law (CPL, Art.31).

Judicial Control Commissioners (JCCs)

JCCs operate under the authority of the PP and are responsible for conducting preliminary inquiries and evidence gathering in their area of competence before referring cases to the PP for criminal investigation when a suspicion is confirmed (CPL, art 30,33,34,35,37). The PP can also delegate JCCs with additional investigative tasks, with the exception of questioning the accused (Basic Law of the State, art 86; CPL, art 32 and 75).

The most important JCCs responsible for investigating associate predicate offences include ROP and ISS. ROP is responsible for preliminary inquiries and evidence gathering for all predicate crimes, although it may do this in collaboration (or at the request from) other JCCs (for example the Tax Authority in relation to tax offences, the State Audit Institution in relation to corruption). The ROP's AML/Financial Investigations Department is responsible for preliminary inquiries and evidence gathering of ML and associated predicate offences. Decision 52/2023 of the ROP (Article 2(3)(4); CPL, Art.31; ROP Law, Art.11). The ISS is the lead on counter-terrorism procedures, and is responsible for undertaking preliminary inquiries and evidence gathering for TF (ISS Law, art 7).

Criterion 30.2

Nothing prevents law enforcement investigators of predicate offences (both PP, and JCCs like the ROP or ISS) from pursuing the investigation of any related ML/TF offences during a parallel financial investigation, or referring the case to another agency to follow up with such investigations, regardless of where the predicate offence occurred.

The PP is empowered to investigate a crime of ML independently of the predicate crime (AML/CFT Law, art 86). Moreover, the same JCCs/LEAs tasked with investigating ML/TF (see c. 30.1) can investigate the underlying criminal offence, where necessary through parallel financial investigations. For example, the Financial Analysis Section within the Public Funds Department of the PP provides specialized technical and financial expertise for ML and parallel financial investigations into most serious and complex predicate offences. The ROP has a specialized department for ML and conducting parallel financial investigations for the most serious and complex

⁷⁴ Administrative title to designate governors of administrative divisions.

cases and may refer cases to SAI where it involves administrative corruption before referring the case to the PP for further prosecution.

In TF cases, the ISS who is responsible for leading on terrorist cases can pursue a TF investigation. The Law Enforcement Manual sets out that parallel financial investigations should form part of every investigation into serious criminal offences in Oman even if there seems little prospect at the outset of identifying assets or of proving money laundering and provides further guidance on undertaking parallel financial investigations.

Criterion 30.3

The PP has the requisite powers to identify, trace, and apply provisional measures such as freezing and seizing for properties subject to confiscation or suspected of being proceeds of crime (AML/CFT Law, arts 81-84; see also R.4). The PP's Directorate of Frozen, Seized, and Confiscated Fund is responsible for tracking funds and assets that may be subject to freezing, confiscation, and seizure. As mentioned in c30.1 and 30.2 above, other JCCs have similar powers, within certain limits.

Criterion 30.4

Competent authorities that have the responsibility for pursuing financial investigation of predicate offences such as tax (OTA), public bribery/corruption (SAI), smuggling (DGC), securities offences (CMA) have law enforcement powers and are considered JCCs.

Criterion 30.5

There is no anti-corruption enforcement authority in Oman . The SAI is the primary body in Oman responsible for detecting corruption and bribery within state institutions. As a JCC, the SAI can refer a matter to the PP to conduct the ML/TF investigation arising from, or related to corruption offences (see c.30.1).

Weighting and Conclusion

All criteria are met.

Recommendation 30 is rated compliant.

Recommendation 31 - Powers of law enforcement and investigative authorities

In its last MER, Oman was rated largely compliant with these requirements. The main deficiency related to the indirect access to banking records to enforce judicial orders by the PP which impeded and inhibited the process of compelling information from banks.

Criterion 31.1

Law enforcement authorities involved in the investigation of ML, TF and associate predicate offences are able to obtain access to all necessary documents and information for use in investigations, prosecutions and related actions. (Basic Law of the State, art 86; CPL, art 32). This includes powers to:

- a) Compel the production of records held by financial institutions, DNFBPs and other natural or legal persons (AML/CFT Law, art 81)

- b) Search persons and premises: If a JCC requires searching a certain person or house in the course of an investigation, this can be done upon receiving approval from the PP (CPL, arts 36, 76, 77 and 82). The meaning of 'house' is undefined and it is therefore unclear whether this would extend to any premise. However, the Law Enforcement Manual refers to the need for searching premises of FIs, DNFBPs, or any natural or legal person, so 'house' seems broad enough to cover 'premises'.
- c) Take witness statements: While JCCs can hear statement of persons possessing information (CPL, art 34), the PP can hear witnesses to a case (CPL, art 34, 104,106).
- d) Seize and obtain evidence: The PP may seize records and documents deemed necessary for an investigation (AML/CFT Law, Art.81, 83 ; CPL, Art.88 and 94).

Criterion 31.2

Competent authorities can use a wide range of investigative techniques to investigate ML associated predicate offences and TF, including (a) undercover operations (AML/CFT Law, art 1, 84); (b) intercepting communications (AML/CFT Law, art 83,, CPL, Art.90); (c) accessing computer systems (AML/CFT Law, Art.83); and (d) controlled delivery (AML/CFT Law, art 84/1; of NPC law, Art.13).

Criterion 31.3

- a) Oman has a mechanism for LEAs to identify whether natural or legal persons hold or control accounts. This information is held by the Oman Credit and Financial Information Centre (Mala'a), which is housed by the Central Bank (Royal Decree 38/2019). Mala'a has the powers to collect credit and financial information from information providers or customers (either natural or legal persons) who provide financial services, extend credit or maintain information related to the credit and financial status of customers, including government entities. To this end, Mala's has developed a central database for credit and financial information (Royal Decree 38/2019, Art.7, 9, 16-18). This includes information on deposits, balances and all sources of income including information on salary, employment or pension, and information on any shareholding in commercial institutions or companies (Royal Decree 38/2019, Art.1). There is no legal provision to ensure credit and financial information is submitted to Mala'a in a timely manner, although established practice suggests it should be provided within 5 days.

LEAs do not have direct access to Mala'a information and databases. JCCs can access information from Mala'a upon approval by CBO or court decision, or obtain this information when requested via the PP or directly to the CBO (Royal Decree 38/2019, art 19; Law Enforcement Manual, p. 15). The PP, in turn, has the powers to obtain the records and documents, and obtain information in the possession of financial institutions, non-financial businesses and professions and non-profit associations and entities, or any other person (AML/CFT Law, art.81).

- b) There is no legal provision guaranteeing that LEAs can identify assets without prior notification of the owner, however Oman could demonstrate that it does this in practice.

Criterion 31.4

Competent authorities can request information from NCFI, who may exchange information on ML/TF and predicate offences on its own initiative or upon request with competent authorities. NCFI has the authority to make final decision over information that it shares/not (AML/CFT Law, Art.27,29). NCFI has also signed several MoUs with other competent authorities, such as PP, ROP, SAI, TA, CMA, CBO, MJLA, MOCIIP, MOH and Mala'a to facilitate information sharing.

Weighting and Conclusion

There is a minor deficiency linked to the absence of legal provision ensuring that financial information is provided to Mala'a in a timely manner.

Recommendation 31 is rated largely compliant.

Recommendation 32 – Cash Couriers

In its last MER, Oman was rated non-compliant with these requirements. Deficiencies included, among others: lack of proportionate, dissuasive and effective sanctions; lack of clarity over whether confiscation can be utilized in cases of false declaration; unclear powers granted to Customs to restrain currency/other financial information for a reasonable amount of time and insufficient authority to request and obtain additional information from the carrier; concerns over the confidentiality of declarations; declaration requirements do not explicitly cover shipment of currency and other financial instruments through mail and containerized cargo.

Criterion 32.1

Oman has a declaration system in place for incoming and outgoing cross-border transportation of currency and bearer negotiable instruments (BNI) (AML/CFT Law, Art.53). All declarations must be made to the Directorate General of Customs (DGC), which is part of ROP, and these provisions also apply to transfers inside or outside the country by mail or 'shipping services'. BNIs are defined under Article 1 of the AML/CFT law in a manner consistent with the definition found in the glossary of the FATF Methodology. The definition of 'shipping services' covers 'cargo'.

Criterion 32.2

Any person entering or exiting Omani territory carrying currency or BNI equal to or in excess of OMR 6 000 (approximately USD 15 000 or EUR 14 000) is required to submit an online declaration on the DGC's website (Decision 1/2017 Identifying Customs Limit of a Declaration) (AML/CFT Act, Art.53; Decision 1/2017; Section 5, Customs Declaration Act).

Criterion 32.3

Oman has a declaration system in place.

Criterion 32.4

Upon discovery of a false declaration or disclosure of currency or BNIs or a failure to declare or disclose them, DGC may request additional information concerning the source and purpose of use of currency/BNIs from a person making a declaration (AML/CFT Law, Art.53(1-2)). This provision does not explicitly reference cases of

false declaration or disclosure, but is considered broad enough to cover this requirement. The Customs Declaration Guide also prescribes particular steps which customs officials are required to take in the event of a false or non-declaration.

Criterion 32.5

Any person who intentionally or with gross negligence contravenes the requirement to submit a declaration or provides false data or information about currency or BNI, or conceals facts that should be disclosed, shall be punishable with imprisonment for a term not exceeding three years and a fine not exceeding OMR 10 000 (USD 26 000) or one of these sanctions. If the violator is a legal person, a fine of not less than OMR 10 000 (USD 26 000) and not exceeding the value of the funds which are the object of the crime shall be imposed. (Article 98, AML/CFT Law; Sections 4 and 5, Customs Declaration Guide). These are proportional and dissuasive sanctions compared to sanctions for ML and designated predicate offences.

Criterion 32.6

In line with requirements set out in Articles 53 and 54 of the AML/CFT Law, DGC has established an electronic system to maintain information on declarations received for a period of no less than five years. NCFI has direct access to DGC's database. . The Customs Declaration Guide notes that the DGC is obliged to report seizures of currencies or BNI to NCFI (S 5(3/2)).

Criterion 32.7

There are mechanisms in place – such as MoUs – to facilitate the coordination between DGC, the PP and NCFI in relation to matters concerning cross-border movement of goods. DGC and PP are also part of the National Committee for Combating Money Laundering and Terrorism Financing (the National Committee) (See R.2).

Criterion 32.8

Customs officers are able to stop or restrain currency or BNIs for a reasonable time, in order to ascertain whether evidence of ML/TF may be found. In particular, in case of suspicion of ML, associated predicate offences, or TF (a), or in case of non-declaration or a false declaration (b), DGC shall seize the currency and BNI for a period not exceeding 45 days and immediately notify NCFI. The PP may extend the seizure for a similar period upon the request of NCFI (AML/CFT Law, Art.55). This length of time (up to 90 days) appears reasonable.

Criterion 32.9

Oman's declaration system allows for international cooperation and assistance in line with R.36-40. DGC's online database: (AML/CFT Law, Art.53-54).

- a) records cases that exceed the pre-set threshold. However, there is no explicit requirement to retain information on BNI's otherwise disclosed/detected or regarding the identification data of the bearer(s).
- b) records instances of false declarations
- c) retains information for suspicion of ML/TF.

Criterion 32.10

Safeguards are in place to protect the integrity of the information and ensure its proper use. For example, information from the electronic declaration is only available to a select number of people, and access is restricted to certain employees. Moreover, DGC employees (who are part of ROP) are required to maintain the secrecy of the information obtained through the implementation of the declaration system. The obligation continues to apply to employees even after termination of their service (AML/CFT Law, art 56; Customs Declaration Guide, S3(1)). These safeguards do not hamper trade payments or freedom of capital movements.

Criterion 32.11

The Customs Declaration Guide states that ML procedures and penalties apply for persons who are carrying out a physical cross-border transportation of currency/BNI that relates to ML/TF or a predicate offence (S5(1.4(f))), and case studies also show that:

- (a) Persons who are carrying out a physical cross-border transportation of currency or BNIs that are related to ML/TF or predicate offences are subject to proportionate and dissuasive sanctions. (AML/CFT Act, Art.6, 10, 88, 92 and 94; see also criterion c3.9 and 3.11).
- (b) Persons are subject to measures which would enable the confiscation of such currency or BNIs, in line with Recommendation 4 (AML/CFT Act, Art.100).

Weighting and Conclusion

All criteria are met.

Recommendation 32 is rated Compliant.

Recommendation 33 – Statistics

In its last MER, Oman was rated largely compliant with these requirements due to the statistics related to multiple sectors and authorities are not readily available.

Criterion 33.1

The National Committee for Combatting Money Laundering and Terrorism Financing collects statistics and other information from competent authorities to assess the effectiveness of the AML/CFT system (AML/CFT Law, art 13c). Oman maintains comprehensive statistics on the following:

- a) STRs received and disseminated, including breakdowns by sectors and authorities receiving disseminations.
- b) ML/TF statistics on investigations, prosecutions, and convictions.
- c) Property frozen, seized, and confiscated.
- d) Mutual legal assistance or other international requests for cooperation made and received.

Weighting and Conclusion

All criteria are met.

Recommendation 33 is rated compliant.

Recommendation 34 – Guidance and feedback

In its last MER, Oman was rated partially compliant with these requirements due to the guidance provided being insufficient for identifying TF and ML techniques and methods, guidance issued by supervisory authorities not including helpful examples citing methods and techniques, and no guidance being issued to the DNFBPs on their obligations.

Criterion 34.1

Oman supervisory authorities established guidelines to assist FIs and DNFBPs in applying national AML/CFT measures, and in particular, in detecting and reporting suspicious transactions. In addition, supervisory authorities shared the NCTC Guidelines for implementing TFS with all reporting entities. (CBO Instructions under the law on AML/CFT, CMA Instructions under the law on AML/CFT, NCTC TFS guideline, and AML/CFT Guidelines for DNFBPs). The NCFI is obligated to provide reporting entities with the necessary guidance and instructions on how to report suspicious transactions, including the specifications of the report and reporting procedures. The NCFI shared the manual with reporting entities in 2016, which also contains some examples of suspicion indicators. The NCFI provides FIs, DNFBPs, and supervisory authorities with feedback regarding reports received in accordance with rules and controls set by the NCFI (AML/CFT Law, Art.21, 24, and Manual for STRs).

Weighting and Conclusion

All criteria are met.

Recommendation 34 is rated compliant.

Recommendation 35 – Sanctions

In its last MER, Oman was rated partially compliant with these requirements as the administrative fines applied are low and nonmonetary sanctions are not dissuasive. Also, there were an unsatisfactory level of effectiveness of the sanctioning regime.

Criterion 35.1

(R.6): Oman has administrative sanctions against any natural and legal person violating the TFS obligations. The administrative fine is not less than OMR 10 000 (USD 26 000) and no more than the equivalent value of frozen funds or economic resources to apply to any person that violates its obligation to freeze targeted assets, or the prohibition to provide services to a designated person. A violation of any other obligation on other TFS obligations could be sanctioned with a fine of no less than OMR 5 000 (USD 13 000) and up to OMR 20 000 (USD 52 000). Oman supervisory authorities also have to impose administrative penalties against FIs, DNFBPs, and NPOs that violate the TFS obligations ranging from written warning; administration fine of not less than OMR 10 000 (USD 26 000) and not more than OMR 100 000 (USD 260 000) for each violation; replacement or limit the mandate of compliance officers, directors, members of the board, or controlling owners; impose guardianship over the entity; suspend, cancel, or place restrictions on the license to practice operations or activity. In addition, supervisory authorities may publish information on these measures through available means of publication. (Ministerial Decision 01/2022, article 27 and 28, AML/CFT Law article 52).

(R.8): Oman can apply effective, and dissuasive sanctions for violations of the requirements applicable to NPOs. See analysis under criterion 8.4(b).

(R.9-23): Oman supervisory authorities can impose a range of administrative sanctions against FIs, DNFBPs that do not comply with the AML/CFT obligations set out, which include sending a written warning; issuing an order to comply with specific instructions; issuing an order to submit regular reports on the measures being taken; imposing an administrative fine of not less than OMR 10 000 (USD 26 000) and not more than OMR 100 000 (USD 260 000) for each violation; replacing or limit the mandate of compliance officers, directors, members of the board, or controlling owners, including the appointment of a special administrative supervisor; suspend the work of violating persons in the commercial business sector or in a particular occupation or activity, either permanently or temporarily; impose guardianship over the entity; suspend, cancel, or place restrictions on the license to practice operations or activity. In addition, natural persons in reporting entities who act intentionally or through gross negligence contravene any of AML/CFT obligations can be sanctioned with similar financial and imprisonment penalties applicable to directors and senior management (See C35.2 below). The financial penalties are proportionate and dissuasive against natural or legal persons violating the AML/CFT obligations in R.9-23. (AML/CFT Law, Art.52, 95).

Criterion 35.2

Administrative sanctions are also extended to FIs, DNFBPs directors, and senior management by 1) replacing or limiting the mandate of compliance officers, directors, members of the board, or controlling owners, including the appointment of a special administrative supervisor, and 2) Suspend the work of violating persons in the commercial business sector or in a particular occupation or activity, either permanently or temporarily (AML/CFT Law Art.52 (E)(F)).

In addition, Oman has criminal penalties of imprisonment for a term of not less than six months but not exceeding two years and a fine of not less than OMR 10 000 (USD 26 000) but not exceeding OMR 50 000 (USD 130 000), or one of these two punishments, can be imposed on any of the chairmen and members of the boards of FIs, DNFBPs, their owners, authorized representatives or employees who, acting intentionally or because of gross negligence, contravene any of the AML/CFT obligations. (AML/CFT Law, Art.95).

In the case of chairmen and members of the boards of FIs and DNFBPs, their owners, authorized representatives, or employees have failed to comply whether intentionally or by gross negligence with obligations of tipping-off (R.21.2) and or to report suspicion transaction (R.20), there is a punishment of imprisonment for a term of not less than six months but not exceeding three years and a fine of not less than OMR 10 000 (USD 26 000) but not exceeding OMR 20 000 (USD 52 000) or one of these two penalties. If the violation is in the interest or on behalf of a legal person, it shall be punishable with a fine of not less than OMR 50 000 (USD 130 000) but not exceeding OMR 100 000 (USD 260 000) (AML/CFT Law, Art.96).

Weighting and Conclusion

All criteria are met.

Recommendation 35 is rated Compliant.

Recommendation 36 - International instruments

In its last MER, Oman was rated largely compliant with these requirements. The main shortcomings relate to minor deficiency in the implementation of the Vienna and Palermo Conventions. Moreover, the TF Convention was not ratified at the time, and there were minor deficiencies in the implementation of this Convention as well.

Criterion 36.1

Oman is a party to the Vienna Convention (ratified on 26 February 1991); the Palermo Convention (ratified on 12 April 2005); the Merida Convention (ratified on 20 November 2013), and the Terrorist Financing Convention (ratified on 23 October 2011). Oman's only reservation concerns recourse to arbitration or to the jurisdiction of the International Court of Justice, which falls outside the scope of this assessment.

Criterion 36.2

Oman has implemented the Vienna, Palermo, Merida and Terrorist Financing Conventions. As noted in R.3, ML is criminalised on the basis of relevant articles of the Vienna and Palermo Conventions, although there is a minor deficiency on the scope of the bribery/corruption offence (see R.3). Oman also criminalises TF in line with the TF Convention.

Weighting and Conclusion

There is a minor deficiency with the scope of the bribery and corruption offence (see R.3) which has a cascading effect for R.36.

Recommendation 36 is rated largely compliant.

Recommendation 37 - Mutual legal assistance

In its last MER, Oman was rated largely compliant with these requirements. The key deficiencies related to: the lack of a clear and efficient process for the execution of MLA requests in a timely way and without undue delays; and a lack of useful statistics and information on practical cases.

Criterion 37.1

Oman has a legal basis to provide a wide range of legal and judicial assistance in relation to ML, associated predicate offences, and TF investigations, prosecutions and related proceedings (AML/CFT Law, Art.58).

Mutual legal and judicial assistance can be provided in a broad range of situations, as long as it does not conflict with the laws in force in Oman, for example non-coercive assistance to obtain evidence or statements from persons, assist in the appearance of a detained person before the judicial authorities of the requesting country, delivering legal or judicial documents, identify and track proceeds of crime, etc. (AML/CFT Law, Art.66). MLA is provided on the principle of reciprocity or based on multilateral agreements (see R.36), regional agreements, bilateral agreements and MoUs. Although the Law does not prescribe a timeframe for providing this assistance and does not clearly state whether it should be provided rapidly, there are no impediments that appear to cause delays and prevent rapid responses from being provided. There is however a minor deficiency related to R.3 which impacts the range of legal and judicial assistance that can be provided.

Criterion 37.2

The Department of Regional and international Cooperation (DRIC) within the PP is the central authority responsible for managing incoming/outgoing requests for MLA in criminal matters (AML/CFT Law, Art.61). Although Oman maintains that every MLA will be treated systematically, there are no guidelines in place for the timely prioritization of MLA requests or any guidance explaining that this should be done in a timely manner. PP has a Case Management System in place to track the status of implementation of requests.

Criterion 37.3

In general, MLA is not prohibited or made subject to unreasonable or unduly restrictive conditions. However, MLA submitted to Oman must meet certain requirements, such as basic description of the requesting/requested entities, purpose of the request and a description of facts, type of assistance requested, etc. (AML/CFT, Art.62). Additional information should also be provided in some specific cases, such as when requesting to take provisional measures or requests for confiscation. The Law also specifies conditions upon which a request for MLA can be refused, such as for example when a request is not issued by a competent authority; if implementing the request could adversely affect Oman's security, sovereignty and public order; if the requested order targets a person because of political beliefs or religion, etc. These are not unreasonable. (AML/CFT Law, Art.67).

Criterion 37.4

- a) A request for MLA cannot be refused on the grounds the crime includes fiscal or financial matters (AML/CFT Law, Art.68)
- b) A Request for MLA may not be refused on the basis of confidentiality requirements imposed on financial institutions [...] (AML/CFT Law, Art.68). However, this legal provision does not extend to DNFBPs, and it is also unclear that an MLA request can be refused where legal privilege or legal professional secrecy applies. However, in practice, Oman has demonstrated that it never refuses MLA on this basis.

Criterion 37.5

Generally, competent authorities must maintain confidentiality if specified in the request. If this is not possible, the requesting party must be notified immediately (AML/CFT Law, Art.64). Authorities can also refuse an MLA request in circumstances where it is found that the country requesting assistance does not provide sufficient guarantees and protections for the rights of defendants (AML/CFT Law, Art.67(h)). However, it is not clear that this protects the integrity of an investigation and inquiry. The handbook on international judicial and legal cooperation within the context of criminal matters reinforces the need for confidentiality to preserve the evidence obtained and prevent tampering of information (page 17). The requirement to maintain confidentiality only when it is specified in the request is considered a minor deficiency.

Criterion 37.6

For cases that do not involve coercive actions, dual criminality is not a condition for rendering assistance, and MLA may be provided (AML/CFT Law, Art.67e).

Criterion 37.7

When receiving a request for legal or judicial assistance, the dual criminality principle applies regardless of whether the laws of the country requesting assistance place the crime in the same category or not or denominates the crime using the same term as in Oman or not (AML/CFT Law, Art.60). As outlined in the Guide to International Judicial and Legal Cooperation of the Regional and International Cooperation Department, the request for legal assistance must include the legal basis on which the requesting party relied so that the requested party may verify if the conditions of dual criminality are met (page 17).

Criterion 37.8

(a-b) The powers and investigative techniques referred to under Recommendation 31 are also available for use in relation to mutual legal assistance requests (AML/CFT Law, art.66). This provision defines MLA broadly, including the provision of power to search and seize information (Art.66(d)), to order the production of information and documents (Art.66(f)), including of documents, records and other information from banks, companies and professions (Art.66(g)), as well as the taking of evidence or statements from persons (Art 66(a)). MLA can also be provided in any other type of legal and judicial assistance that does not conflict with the laws in force in Oman as outlined in the Law of Criminal Procedure (AML/CFT Law, art.66(k) and 70)

Weighting & Conclusion

There is a minor cascading deficiency in R.3 which limits the scope of assistance that can be provided. Oman does not have a clear process for the timely prioritization of MLA requests. Grounds for refusal of MLA on confidentiality requirements apply to FIs, but not to DNFBPs. Confidentiality of information exchanged should only be maintained if specified in the request. These are considered to be minor shortcomings.

Recommendation 37 is rated largely compliant.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

In its last MER, Oman was rated partially compliant with these requirements. The main deficiencies related to the lack of legal basis to respond to a confiscation request, the lack of legal basis to coordinate confiscation actions with other countries, and the lack of an asset forfeiture fund.

Criterion 38.1

(a-d) Oman has the authority to take action in response to MLA requests to identify, freeze, seize or confiscate laundered property, proceeds and instrumentalities (AML/CFT Law, Art.66). Article 66(h) prescribes that MLA can be provided for proceeds of crime or funds. Funds is defined broadly and covers any type of assets or property. Instrumentalities includes any tools or means used or intended to be used in a money laundering offense, a related predicate offence or a terrorism financing offence (AML/CFT Law, art 1).

(e) There is no restraint on Omani authorities providing MLA involving property of corresponding value, since Courts can issue a decision to confiscate funds of corresponding value when these cannot be located or have dissipated (AML/CFT Law,

arts 82 and 100(e)), and MLA can be provided in a wide range of cases (AML/CFT Law, Art.66(k)).

Although Art 66 does not state whether Oman should take expeditious action in response to requests by foreign countries or define a timeline for doing so, there are no impediments that appear to cause delays and prevent rapid responses from being provided. Moreover, some case studies provided by Oman suggests assistance can be provided expeditiously.

Criterion 38.2

An MLA request may be implemented if it includes a request for non-conviction based confiscation (referred to in Oman as ‘civil confiscation’) of the funds of a dead, absent or anonymous person (AML/CFT Law, art.69). Requests to implement provisional measures are implemented in accordance with the Omani Law of Criminal Procedure. Where such measure is not included in the legislation, the PP may replace the measure with another one that has similar effect (AML/CFT Law, art.71).

Criterion 38.3

Oman has arrangements for coordinating seizure and confiscation actions with other countries. The PP may conclude bilateral or multi-lateral agreements concerning joint investigations. In the absence of such agreements, joint investigations may be carried out on a case-by-case basis (AML/CFT Law, Art.74). Moreover, the legislation outlines procedures for addressing mutual legal and judicial requests for the purpose of executing a confiscation order issued by a court in the requesting country (AML/CFT Law, art.72).

The Department of Frozen, Seized, and Confiscated Funds within the PP has general powers to manage frozen, seized or confiscated assets, and can entrust the management of frozen funds or assets to the financial institution or entity appointed by the concerned party (AML/CFT Law, Art.85; Judicial Decision 57/2016). The Directorate may authorize the sale of confiscated funds (AML/CFT Law, Art.102).

Criterion 38.4

Oman can share the confiscated funds in its territory in accordance with any agreement concluded with the requesting country without prejudice to the rights of third parties in good faith (AML/CFT Law, Art.73).

Weighting and Conclusion

All criteria are met.

Recommendation 38 is rated Compliant.

Recommendation 39 – Extradition

In its last MER, Oman was rated largely compliant with these requirements. The deficiency related to the inability to assess effectiveness due to limited statistics and information on practical cases.

Criterion 39.1

Oman can execute extradition requests in relation to ML/TF. In particular:

- a) Oman can execute extradition requests in relation to a felony or misdemeanour which is punishable by imprisonment of no less than one year (Royal Decree 4/2000, art.2). Both ML and TF classify as felonies (see R.3 and R.5) and can therefore give rise to extradition. The legislation also grants competent authorities with the mandate to cooperate with counterparts on extradition for ML, associated predicate offences, and TF (AML/CFT Law, Art.58).
- b) DRIC, which is the agency in charge of handling extradition requests, has a CSM in place (see also R.37). However, there are no guidelines or process for the timely execution and prioritisation of requests even though Oman maintains that every request will be implemented irrespective of its nature or urgency.
- c) Oman does not place unreasonable or unduly restrictive conditions for refusing extradition requests. Reasons for refusals include amongst others: nationality; political persecution, religious reasons, political opinions, etc; if the crime falls within Oman's judicial jurisdiction; the person to be extradited must respond, in the requesting state, to an Exceptional Court (i.e., a court created ad hoc, to judge specific crimes in question after they have occurred); if a final judgment has been issued in Oman concerning the crime for which the extradition was requested; etc. (AML/CFT Law, Art.66-67; Royal Decree 4/2000, art.2).

No legal provision prescribes that extradition should be provided without undue delay. However, there does not appear to be any impediments that could cause delays and prevent rapid responses from being provided. Some case studies provided by Oman suggests extradition requests can be addressed without undue delay.

Criterion 39.2

- a) Oman does not extradite its own nationals (Royal Decree 4/2000, art.3; AML/CFT Law, Art.77).
- b) Denial of an extradition request on the grounds of nationality can give rise to the legal prosecution of the person concerned with the extradition request in Oman (AML/CFT Law, Art.78). While no legal provision prescribes that Oman should submit a case without undue delay to competent authorities for prosecution in line with the request, case studies show that this is done in practice.

Criterion 39.3

Dual criminality (called 'double incrimination' in Oman) is required for extradition. The double incrimination principle shall apply regardless of whether the laws of the country requesting assistance place the crime in the same category or not or denominates the crime using the same term as in Oman or not (AML/CFT Law, Art.60).

Criterion 39.4

Simplified extradition procedures are in place, for example in cases where Oman receives a request for temporary arrest from the requesting country and where the person to be extradited consents in writing to the extradition without going through adjudication in courts (AML/CFT Law, Art.79).

Weighting and Conclusion

There is a minor deficiency with the lack of guidelines or process to prioritise requests.

Recommendation 39 is rated largely compliant.

Recommendation 40 – Other forms of international cooperation

In its last MER, Oman was rated largely compliant with these requirements. Deficiencies related to the lack of exchange with foreign counterparts, particularly for financial supervisors.

Criterion 40.1

Competent and supervisory authorities in Oman (such as financial supervisors, judicial and security authorities, NCFI and other authorities concerned with combating ML, associated predicate offences and TF) can provide a wide range of international cooperation, both spontaneously and upon request (AML/CFT Law, arts 1, 28, 51(e), 58). This cooperation is mainly provided on the basis of bilateral/multilateral treaties and the principle of reciprocity. NCFI's dedicated Analysis Procedures Manual outlines the classification requirements for requests and specifies that urgent requests should be addressed within 3 days.

Criterion 40.2

- a) In general, the AML/CFT Law provides a lawful basis for providing co-operation (AML/CFT Law, Art.58). Oman has signed 7 bilateral treaty agreements, mainly with neighboring countries, while several others are pending signature. Oman is also signatory to UN Conventions which provide a lawful framework for international co-operation. Various competent and supervisory authorities such as CMA, CBO and NCFI have entered into bilateral and multilateral agreements.
- b) There are no legal impediments or objections for competent authorities to use the most efficient means of cooperation. Cases studies show that competent and supervisory authorities cooperate directly and efficiently with their counterparts (AML/CFT Law, Art.51(d-e), 58). Even though NCFI only gained formal membership to Egmont at the time of the on-site visit, NCFI has signed bilateral MoUs with different partners. ROP can cooperate with counterparts through the Interpol system and the Secretariat General of The Cooperation Council for the Arab States of the Gulf. Some competent authorities (e.g. CBO/CMA) have signed MoUs setting out parameters for cooperation with their foreign counterparts and/or are also part of informal networks allowing the rapid exchange of information with their counterparts. However, it is unclear whether this also applies to other competent authorities (TA, SAI, ISS).
- c) The ROP Communication Department of the Arab and international Police has secure gateways that facilitate and allow for the transmission and execution of requests. NCFI has outlined procedures to exchange information with foreign FIUs in a clear and secure way, and in the absence of Egmont membership exchanges information through encrypted email (Analysis Procedures Manual, S.5). The CBO and CMA exchange information using encrypted e-mail as well. However, it is unclear whether other competent authorities (PP, TA, SAI, ISS) use secure gateways.

- d) Some competent authorities have processes in place to prioritise requests and ensure their timely execution. Urgent requests received by NCFI should be treated within 3 days, and a reply provided within 14 days (for non-urgent cases, a reply should be provided within 30 days). NCFI has an IT platform and policies in place to help prioritise requests (see c.29.6 and NCFI's Analysis Procedures Manual, S.5). Within the ROP, the general rule is that all incoming requests are executed in a timely manner.
- e) Processes are in place to safeguard information received, within certain competent authorities. NCFI staff are bound by confidentiality clauses which prevail even after they stop working for the Centre (AML/CFT Law, Art.30). NCFI also has a detailed Security Policy in place. ROP also has procedures in place to safeguard the information handled (ROP Law, Art.55) CBO has an Information Security Manual to qualify and safeguard the information received. No information is available for other competent authorities (e.g. TA, SAI, ISS), as well financial (CMA) supervisors.

Criterion 40.3

Bilateral/multilateral agreements are not a requirement to cooperate with international counterparts, since this can be done on the basis of reciprocity (Art 58, AML/CFT Law).

Criterion 40.4

Requesting competent authorities are able to provide feedback upon request in a timely manner to a requesting party. Wherever possible, NCFI should provide feedback on the use of information received (Governing Principles, page 5, Standard Operating Procedures of the Centre on Information Exchange, Protection and Confidentiality). The relevant laws do not prevent other competent authorities from providing feedback on any request or exchange of information, however Oman has not demonstrated that other authorities (e.g. LEAs or supervisors) provide feedback in practice.

Criterion 40.5

Oman does not prohibit nor place unreasonable or unduly restrictive conditions on the provision of exchange of information or assistance on the basis of the requirements of this criterion. In particular:

- a) There is no explicit provision according to which authorities should refuse a request for assistance on the grounds that the request relates to fiscal matters. Oman further indicates that while competent authorities have never received a request relating to fiscal matters, they would not refuse such a request if they did.
- b) Competent authorities are not prohibited from exchanging information on the basis of secrecy or confidentiality (see R.9).
- c) Oman has provided assistance to requests received from foreign counterparts concerning an ongoing investigation/prosecution abroad. Oman indicates that the widest form of cooperation will always be provided, however it is unclear whether the authorities can deny or defer assistance if this could undermine a criminal investigation in Oman.

- d) There are no restrictions relating to the type and nature of requesting counterparts.

Criterion 40.6

There are some controls and safeguards in place to ensure that information exchanged by competent authorities is used only for the purpose for, and by the authorities, for which the information was sought or provided, unless prior authorisation has been given by the requested competent authority.

Information obtained by NCFI from foreign counterparts shall only be used for the purposes of combatting ML, associated predicate offences, and TF (AML/CFT Law, Art.29). The MoUs that NCFI has entered into also include a confidentiality clause in line with the requirements of this criterion.

The ROP Law forbids any staff from disclosing information related to his/her work to third parties (ROP Law, Art.55(d)), though this does not fully ensure that controls and safeguard on the use of information are in place in line with this requirement.

The CBO has controls and safeguards in place as part of the MoUs it has entered into. The CMA also has a policy in place on the protection of information exchanged by competent authorities (Decision 1/93/2021).

It remains unclear to what extent controls and safeguards apply to other competent authorities.

Criterion 40.7

Some competent authorities are required to maintain appropriate confidentiality for any request for cooperation and the information exchanged, consistent with both parties' obligations concerning privacy and data protection.

Any information NCFI exchanges must be done in line with the necessary rules of confidentiality, and NCFI employees are also bound by confidentiality clauses (AML/CFT Law, Art.28-30). The MoUs that NCFI has signed up to also provide a confidentiality clause, and safeguards are in place within NCFI to protect the integrity of the information and ensure its proper use (see c32.10). ROP employees must also safeguard information they come across (tbc Penal Law, Art.249; ROP Law, art 55(d)) The CBO's MoU also contain confidentiality clauses whereby no information can be shared to any third party, unless explicitly agreed to by the originating Party and subjects to any condition it may determine.

However, none of the abovementioned requirements explicitly refer to the need for maintaining confidentiality concerning privacy and data protection, and the requirements for refusing a request do not explicitly refer to data protection as such (AML/CFT Law, Art.67). It is also unclear to what extent the requirements of this criterion apply to other competent authorities.

Criterion 40.8

There is no explicit legal provision prohibiting competent authorities in Oman from conducting inquiries on behalf of foreign counterparts and exchange all information that would be obtainable by them if such inquiries were being carried out domestically. However, Oman did not submit any practical case studies, and it is not clear whether this requirement applies evenly to all competent authorities, such as LEAs operating under the PP, as well as supervisory authorities.

*Exchange of Information Between FIUs***Criterion 40.9**

NCFI has the legal basis to provide cooperation on money laundering, associated predicate offences and terrorist financing. NCFI can exchange information, on its own initiative or upon request, with foreign FIUs and without prejudice to the principle of reciprocity. NCFI has also signed MoUs with foreign counterparts. This cooperation can only be undertaken for the purposes of combatting money laundering, predicate offences and terrorism financing (AML/CFT Law, art.28-29).

Criterion 40.10

Although not explicitly mentioned in the law, there are no provisions preventing NCFI from providing feedback to counterparts. NCFI's Information Exchange Protection and Confidentiality SOP specifies that the Centre should provide, wherever possible, feedback on the use of information received (SOP, page 5). Oman indicates that NCFI provides feedback to international partners when requested.

Criterion 40.11

NCFI has the powers to:

(a) exchange information required to be accessible or obtainable directly or indirectly by NCFI under R.29 (NCFI's Information Exchange Protection and Confidentiality SOP, p17-18, AML/CFT Law, Art.27-28).

(b) The SOP also state that the Centre should operate in a manner that facilitates full cooperation with all domestic and international stakeholders and the MoUs signed between NCFI and international partners cater for broad exchange of information. NCFI will review requests for exchange of information pursuant to provisions of international/bilateral agreements, or in accordance with the principle of reciprocity (ROP Resolution 216/2020, art.12)

*Exchange of information between financial supervisors***Criterion 40.12**

Financial supervisors (CBO and CMA) have a legal basis to co-operate with foreign counterpart authorities, regardless of their respective nature or status, by exchanging supervisory information related to AML/CFT. Specifically, these authorities should cooperate effectively with counterpart entities that carry out similar functions in other countries by exchanging information and signing memoranda of understanding (AML/CFT Law, Art.51(e)).

Criterion 40.13

Financial supervisors are able to share with foreign counterparts information domestically available to them. While there are no legal provisions detailing what information supervisory authorities can exchange with foreign counterparts, practical examples were provided to show that financial supervisors exchange information for the sectors they supervise.

Criterion 40.14

Financial supervisors can exchange information relevant to AML/CFT (AML/CFT Law, Art.51(e) and c 40.12).

- a) regulatory information, such as information on the domestic regulatory system, and general information on the financial sectors;
- b) prudential information, in particular for Core Principles supervisors, such as information on the financial institution's business activities, beneficial ownership, management, and fit and properness; and
- c) AML/CFT information, such as internal AML/CFT procedures and policies of financial institutions, customer due diligence information, customer files, samples of accounts and transaction information.

Criterion 40.15

Financial supervisors have wide-ranging powers to cooperate with foreign counterparts (see c. 40.12). Case studies show this happens in practice, even though there are no specific provisions concerning inquiries that are conducted on behalf of foreign counterparts or foreign counterparts conducting inquiries in Oman in order to facilitate effective group supervision.

Criterion 40.16

MoUs with foreign counterparts entered into by financial supervisors (CMA/CBO) require that exchanged information should not be shared with a third party without prior consent of the other party.

Exchange of Information Between Law Enforcement authorities

Criterion 40.17

Some LEAs can exchange domestically available information with foreign counterparts. The Communication Department of the Arab and International Police (Interpol) within ROP is responsible for exchanging information with foreign counterparts. It is assumed this includes information on ML/TF and predicate offences, as well as information that is available domestically to ROP. Some western countries maintain liaison offices in the GCG region and can be used to share information as well. The ISS can carry out joint cooperation and exchange information with foreign agencies to combat any acts threatening internal security of the sultanate in accordance with rules and procedures established in this matter (ISS Law, Art.8(7), 10). Oman did not provide information substantiating how other LEAs (such as SAI) can exchange domestic information with foreign counterparts.

Criterion 40.18

No legal provision prevents LEAs/JCCs from using their powers, including any investigative techniques available in accordance with domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts (AML/CFT Law, art.66; ISS Law, Art.8(7); see R.31). Practical examples suggest LEAs use these powers in practice. Oman is part of several networks (such as Interpol, GCCPol or the World Customs Organisation (WCO) RILO programme) and states that it relies on these frameworks as a basis to facilitate cooperation with partners.

Criterion 40.19

The PP may conclude bilateral or multi-lateral agreements concerning joint investigations, or in the absence of such agreements, undertake joint investigations on a case-by-case basis (AML/CFT Law, Art.74)

Exchange of information between non-counterparts

Criterion 40.20

There are no impediments to or legal provisions inhibiting indirect exchange of information with non-counterparts. According to Oman, all kinds of international cooperation are authorized, unless expressly forbidden.

Weighting and Conclusion

Competent authorities are able to provide a broad range of international cooperation, both spontaneously and upon request. although some questions remain concerning some authorities. It is unclear that some competent authorities (LEAs and supervisors) provide feedback on the use and usefulness of information obtained to international counterparts. It is unclear that controls and safeguards apply to all competent authorities. It is unclear that all competent authorities maintain appropriate confidentiality for any request for cooperation and the information exchanged, and it is unclear that this extends to confidentiality concerning privacy and data protection. Moreover, it is unclear whether competent authorities can consistently conduct inquiries on behalf foreign counterparts. It was not clearly demonstrated that all competent authorities (such as SAI) can exchange domestic information with foreign counterparts. Overall, these are minor deficiencies.

Recommendation 40 is rated largely compliant.

Annex B. Summary of Technical Compliance – Key Deficiencies

Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	<ul style="list-style-type: none"> There are shortcomings in the NRA methodology, particularly in relation to the identification of ML threats
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> There is no evidence of cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions.
3. Money laundering offences	LC	<ul style="list-style-type: none"> There are minor shortcomings with the criminalisation of the corruption and bribery offences, which do not extend to foreign public officials and officials of public international organisations
4. Confiscation and provisional measures	C	<ul style="list-style-type: none"> All criteria are Met
5. Terrorist financing offence	C	<ul style="list-style-type: none"> All criteria are Met
6. Targeted financial sanctions related to terrorism & TF	LC	<ul style="list-style-type: none"> The mechanism for identifying targets under UNSCR 1373 does not permit a prompt determination when receiving a request Decision-making procedures for de-listing persons under UNSCR 1373 are not completely independent
7. Targeted financial sanctions related to proliferation	LC	<ul style="list-style-type: none"> There is no procedure allowing access to frozen funds to satisfy the execution of a judicial decision
8. Non-profit organisations	PC	<ul style="list-style-type: none"> The 2022 NPO Risk assessment does not include an in-depth analysis of how terrorists can abuse NPOs Oman didn't identify the features and types of NPOs which are at risk of TF abuse The MOSD does not apply focused, proportionate, and risk-based measures to NPOs at higher risk of TF
9. Financial institution secrecy laws	C	<ul style="list-style-type: none"> All criteria are Met
10. Customer due diligence	C	<ul style="list-style-type: none"> All criteria are Met
11. Record keeping	C	<ul style="list-style-type: none"> All criteria are Met
12. Politically exposed persons	C	<ul style="list-style-type: none"> All criteria are Met
13. Correspondent banking	C	<ul style="list-style-type: none"> All criteria are Met
14. Money or value transfer services	C	<ul style="list-style-type: none"> All criteria are Met
15. New technologies	LC	<ul style="list-style-type: none"> There are minor deficiencies noted in relation to the ability to sanction, the powers of supervisors, the absence of guidance and the framework allowing the sanctioning of directors.
16. Wire transfers	C	<ul style="list-style-type: none"> All criteria are Met
17. Reliance on third parties	C	<ul style="list-style-type: none"> All criteria are Met
18. Internal controls and foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> There is a minor deficiency as regards CBO and CMA's mention of risk management information
19. Higher-risk countries	C	<ul style="list-style-type: none"> All criteria are Met
20. Reporting of suspicious transaction	LC	<ul style="list-style-type: none"> There is a minor deficiency cascaded from R.3 with respect to the scope of the ML offence
21. Tipping-off and confidentiality	C	<ul style="list-style-type: none"> All criteria are Met
22. DNFBPs: Customer due diligence	C	<ul style="list-style-type: none"> All criteria are Met
23. DNFBPs: Other measures	C	<ul style="list-style-type: none"> All criteria are Met
24. Transparency and beneficial ownership of legal persons	LC	<ul style="list-style-type: none"> ML/TF risks were analysed to some extent but not as regards civil associations Companies are obliged to register in the commercial registry and provide all relevant information (except for JSC which provide shareholders information to MCD).

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> Some sanctioning power and framework is in place but does not appear to include natural persons nor is it considered dissuasive Oman has no mechanism to monitor requests to locate BO residing abroad
25. Transparency and beneficial ownership of legal arrangements	LC	<ul style="list-style-type: none"> FIs and DNFBPs are not obliged to identify relevant assets There is no direct requirement concerning the identification of the Wakeel there are doubts on the ability of competent authorities to adequately sanction the Wakeel.
26. Regulation and supervision of financial institutions	LC	<ul style="list-style-type: none"> There are minor deficiencies in relation to criterion 26.1 and the definition of supervisory authority regarding specific sectors and 26.2 related to the absence of a statutory prohibition on the establishment or continued operation of a shell bank.
27. Powers of supervisors	C	<ul style="list-style-type: none"> All criteria are Met
28. Regulation and supervision of DNFBPs	C	<ul style="list-style-type: none"> All criteria are Met
29. Financial intelligence units	C	<ul style="list-style-type: none"> All criteria are Met
30. Responsibilities of law enforcement and investigative authorities	C	<ul style="list-style-type: none"> All criteria are Met
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> There is no legal provision ensuring that financial information is provided to Mala'a in a timely manner.
32. Cash couriers	C	<ul style="list-style-type: none"> All criteria are Met
33. Statistics	C	<ul style="list-style-type: none"> All criteria are Met
34. Guidance and feedback	C	<ul style="list-style-type: none"> All criteria are Met
35. Sanctions	C	<ul style="list-style-type: none"> All criteria are Met
36. International instruments	LC	<ul style="list-style-type: none"> There is a minor deficiency cascaded from R.3 with respect to the scope of the ML offence
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> There is a minor deficiency cascaded from R.3 with respect to the scope of the ML offence There is no process for the timely prioritization of MLA requests Grounds for refusal of MLA on confidentiality requirements apply to FIs, but not to DNFBPs Confidentiality of information exchanged should only be maintained if specified in the request.
38. Mutual legal assistance: freezing and confiscation	C	<ul style="list-style-type: none"> All criteria are Met
39. Extradition	LC	<ul style="list-style-type: none"> There is no guideline or process to prioritise requests.
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> It is unclear that all authorities a) are able to share information spontaneously and upon request; b) provide feedback to counterparts on the usefulness of information obtained; and c) apply controls and safeguards; d) maintain confidentiality requirement, e) can consistently conduct inquiries on behalf foreign counterparts and f) share domestic information with foreign counterparts.

Annex C. Glossary of Acronyms ⁷⁵

AIA	Autonomous Intelligence Analysis
AR	Analysis Request
AT	Assessment Team
BNI	Bearer Negotiable Instrument
CBO	Central Bank of Oman
CCL	Commercial Companies Law
CDD	Customer Due Diligence
CMA	Capital Market Authority
DGC	Department General Customs
DPMS	Dealers in precious metals and stones
DRIC	Department for Regional and International Cooperation
DT	Drug Trafficking
EPS	Electronic Portal System
FAR	Financial Analysis Report
FDIL	Foreign Direct Investment Law
FIF	Financial Investigation Form
FZ	Free Zones
GCC	Gulf Cooperation Council
HT	Human Trafficking
ISS	Internal Security Services
LEA	Law Enforcement Agency
LLC	Limited Liability Companies
Mala'a	Oman Credit & Financial Information Centre
MARA	Ministry of Awqaf and Religious Affairs
MEE	Money Exchange Establishments
MJLA	Ministry of Justice and Legal Affairs
MLA	Mutual Legal Assistance
MOCIIP	The Ministry of Commerce, Industry and Promotion
MOH	Ministry of Housing
MOSD	Ministry of Social Development
NAP	National Action Plan
National Committee	National Committee for Combating Money Laundering and Terrorism Financing
NCFI	National Center for Financial Intelligence (Omani FIU)
NCTC	National Counter-Terrorism Committee
NPO	Non-profit Organisation
NRA	National Risk Assessment
NS	National Strategy
OMR	Omani Riyals
PFI	Parallel Financial Investigation

⁷⁵ Acronyms already defined in the FATF 40 Recommendations are not included into this Glossary.

PP	Public Prosecutor
RE	Reporting entity
ROP	Royal Oman Police
SAI	State Audit Institution
SCC	SANAD Services Centers
SEZ	Special Economic Zones
SRA	Sectorial Risk Assessment
TA	Tax Authority
TFS	Targeted Financial Sanctions
TFS Committee	Targeted Financial Sanction Committee
TRA	Topical Risk Assessment



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December 2024

Anti-money laundering and counter-terrorist financing measures - Oman

Fourth Round Mutual Evaluation Report

In this report: a summary of the anti-money laundering (AML) / counter-terrorist financing (CTF) measures in place in the Sultanate of Oman (Oman) as at the date of the on-site visit: 29 January – 14 February 2024.

The report analyses the level of effectiveness of Oman's AML/CTF system, the level of compliance with the FATF 40 Recommendations and provides recommendations on how their AML/CFT system could be strengthened.