Libya

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Libya	
Sanctions:	UN, EU and US Financial and Arms Embargo
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Non - Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Supporter of or Safe Haven for International Terrorism Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

wheat, barley, olives, dates, citrus, vegetables, peanuts, soybeans; cattle

Industries:

petroleum, petrochemicals, aluminum, iron and steel, food processing, textiles, handicrafts, cement

Exports - commodities:

crude oil, refined petroleum products, natural gas, chemicals

Exports - partners:

Italy 23.5%, Germany 12.5%, China 11.3%, France 9.7%, Spain 7.6%, UK 4.7%, US 4.5% (2012)

Imports - commodities:

machinery, semi-finished goods, food, transport equipment, consumer products

Imports - partners:

China 13.7%, Turkey 12.3%, Italy 8.7%, Tunisia 7.3%, South Korea 6.2%, Greece 5.4%, Germany 4.9% (2012)

Investment Restrictions:

Recent ministerial decrees preclude foreigners from establishing limited liability companies in Libya, though it is unclear if these decrees are enforceable since they conflict with existing laws. While foreign investors are allowed to form joint stock companies (JSC) with Libyan shareholders, the government has stated that no one, whether Libyan or foreign entity, can have more than a 10% shareholding in a JSC.

Contents

Section 1 - Background

The Italians supplanted the Ottoman Turks in the area around Tripoli in 1911 and did not relinquish their hold until 1943 when defeated in World War II. Libya then passed to UN administration and achieved independence in 1951. Following a 1969 military coup, Col. Muammar al-QADHAFI assumed leadership and began to espouse his political system at home, which was a combination of socialism and Islam. During the 1970s, QADHAFI used oil revenues to promote his ideology outside Libya, supporting subversive and terrorist activities that included the downing of two airliners - one over Scotland, another in Northern Africa - and a discotheque bombing in Berlin. UN sanctions in 1992 isolated QADHAFI politically and economically following the attacks; sanctions were lifted in 2003 following Libyan acceptance of responsibility for the bombings and agreement to claimant compensation. QADHAFI also agreed to end Libya's program to develop weapons of mass destruction, and he made significant strides in normalizing relations with Western nations. Unrest that began in several Middle Eastern and North African countries in late 2010 erupted in Libyan cities in early 2011. QADHAFI's brutal crackdown on protesters spawned a civil war that triggered UN authorization of air and naval intervention by the international community. After months of seesaw fighting between government and opposition forces, the QADHAFI regime was toppled in mid-2011 and replaced by a transitional government. Libya in 2012 formed a new parliament and elected a new prime minister.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Libya is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

Libya has not yet undertaken a Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards.

US Department of State Money Laundering assessment (INCSR)

Libya was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Libya is not a regional or offshore financial center. In 2015, the government appointed by the Libyan House of Representatives is based in the eastern city of Bayda, while a competing, self- proclaimed, unrecognized "government" operates from Tripoli. The inability of the Libyan government to exercise control over Libya's territory and institutions led to further degradation of Libya's security and governance institutions and created increased opportunities for criminals to operate in Libya. In addition to political conflict, armed militias, former revolutionaries, and tribes within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion.

Libya remains heavily dependent on the hydrocarbons sector for government income, with some estimates that over 90 percent of government income is based on oil revenues. Libya's oil and gas exports remained well below the 1.6 million barrels per day capacity throughout all of 2015 due to the conflict and concomitant extortion by local groups, widening the budget deficit. Markets remain primarily cash-based, and informal value transfer networks are present.

Libya's geographic location, porous borders, and limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for migrants from sub-Saharan Africa, whose movement across borders is facilitated by weak Libyan government border management institutions and the de facto management of border regions by locally-based tribal networks and non-government forces. Libya also is a source, destination, and transit point for smuggled goods, including government-subsidized items, such as fuel and food, as well as black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Corruption remains a serious problem.

A shortage of foreign currency led to a growth in the black market for currency trading, where the dinar was actively trading at double its official rate throughout most of 2015. The currency control regime and lack of access to foreign currency have increased money laundering in Libya. There are reports of fraudulently-invoiced foreign trade transactions. Some media reports indicated that, as of September, 139 empty port containers had arrived at the Misrata port and were indicative of money laundering; allegedly companies were using the empty containers' associated letters of credit and fake invoices to obtain hard foreign currency at the official rate of exchange, then selling the foreign currency in the black market for double the amount of Libyan dinars. In these schemes the empty container serves as the 'documentary evidence' required by the customs authority to prove that goods for which foreign currency has been transferred abroad have actually arrived in Libya. The Central Bank of Libya (CBL) has accused commercial bank officials of being involved in this money laundering by issuing fake letters of credit for goods that are never actually imported.

Sanctions remain in effect targeting specific Libyan nationals and entities. UNSCR 2213 (2015) reaffirms that the travel ban and asset freeze, first imposed in 2011, also applies to individuals and entities determined by the Sanctions Committee to be engaging in or providing support for other acts that threaten the peace, stability, or security of Libya or obstruct or undermine the successful completion of its political transition. On March 19, 2014, the UN Security Council adopted Resolution 2146/2014 banning illicit crude oil exports from Libya and authorizing inspection of suspect ships on high seas. UNSCR 2213 also extends the measures imposed by this resolution.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: Not available civilly: Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: Not available Domestic: Not available
KYC covered entities: Banks and financial institutions licensed by the CBL

REPORTING REQUIREMENTS:
Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and financial institutions licensed by the CBL

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: NO

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since the fall of the Qadhafi regime in 2011, there has been little information or reliable data on the scope of Libya's AML/CFT regime, including investigations, asset forfeiture, prosecutions, and convictions. Libya has a financial intelligence unit (FIU), which has yet to reach conformance with international standards. In general, Libya lacks the capacity and resources to conduct AML awareness training and implement countermeasures. The CBL has undertaken efforts to monitor money laundering, including by instituting controls on money transfers and by imposing limits on Libyans' ability to withdraw foreign currency. Libya's AML/CFT law is not in line with international standards, and there are limited resources for effective implementation of the law.

It is illegal to transfer funds outside of Libya without the approval of the CBL. Cash courier operations are in violation of Libyan law. It is estimated up to 10 percent of foreign transfers are made through illegal means; i.e., not through the CBL. Prior to the 2011 revolution, between 1.5 and 2 million foreigners were thought to be living and working in Libya; presently, only an estimated 200,000 migrant workers reside in Libya. While it is estimated the number of migrant workers in Libya has dramatically declined since the outbreak of violence in July 2014, funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

In July 2015, the CBL referred 30 companies to the Public Prosecutor's Office for suspected money laundering using false documents for a total of three billion dinars (approximately $2.2 billion at the official rate of exchange). In August, the Tripoli Audit Bureau froze the bank accounts of 79 Libyan and foreign companies due to "questionable" banking transactions. Also in August, the Central Bank created a banking compliance unit to work with the Anti-Money- Laundering Department.

In 2015, Islamic State of Iraq and the Levant (ISIL) operatives in Sirte, Libya, reportedly ordered banks to close because they profit from charging interest. ISIL told the banks they must change to Islamic banking or Sharia-compliant finance before they can reopen.

Many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. According to CBL officials, the CBL is still evaluating ways in which it can encourage the informal economy to formalize business practices and use commercial financial institutions.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Libya does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Cooperates with International Law Enforcement - By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a “safe harbor” defense to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Financing of Terrorism - The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.

Reports Suspected Terrorist Financing - By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

Libya is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Libya is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2011:

Libya is a destination and transit point for smuggled goods, particularly black market/counterfeit goods from sub-Saharan Africa, Egypt and China. Contraband smuggling includes narcotics, particularly hashish/cannabis and heroin. Additional supply of licit, but diverted pharmaceuticals enters the market through diversion from hospitals and pharmacies. Libya is not a production location for illegal drugs, although its geographic position, porous borders and limited law enforcement capacity make it an attractive transit point for illegal drugs. Recognizing the problem of smuggling, Libyan authorities have publicly asserted they have undertaken a campaign against smuggled goods, pointing to law enforcement activities that have resulted in large seizures of heroin, hashish, cocaine and psychotropic drugs.

Both drug trafficking and drug use are criminalized under Libyan law. During the summer of 2010, Libyan public security officials representing the Agency for Fighting Drugs and Psychotropic Substances told reporters that over the last ten years, Libyan authorities have seized approximately 100,000 tons of hashish, 360 kg of heroin and cocaine, and 5 million drug tablets and psychotropic drugs. There is no way to confirm the accuracy of these claims which seem exaggerated to some well-informed observers of trafficking in Libya. The Agency also reported that in 2009, approximately 3100 drug-related prosecutions had been referred to Libyan courts. The 3100 cases involved about 4400 individuals, and of those approximately 3700 were Libyan nationals.

Accurate statistics on the scope of domestic drug use are difficult to come by, as Libya lacks adequate survey capacity and possesses strong social and religious taboos against reporting drug use. Between June 26-28, Libya joined the international community to commemorate the International Day Against Drug Abuse and Illicit Trafficking, through an information and awareness campaign led by the Agency for Fighting Drugs and Psychotropic Substances and the National Society for Anti-Drugs and Mental Stimulants (a branch of the Qadhafi International Charity and Development Foundation). The latter organization has adopted a number of innovations in its campaign against drug use, including organizing a two-hour debate on drugs on Shababia Radio, a channel popular with young Libyan males, development of a popular “Facebook” site, and a hotline available to addicts having a crisis or seeking treatment. It cooperates with a number of international NGOs to develop its anti-drug campaigns.

Libya is a party to the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime and the UN Convention against Corruption. In November 2009 Libya signed an agreement with the United Nations Office on Drugs and Crime (UNODC) to open a regional office in Tripoli, to help develop Libyan capacity to fight corruption, reduce drug trafficking, and combat the spread of drug addiction and HIV. The Libyan Government does not as a matter of policy encourage drug trafficking nor does it encourage or facilitate the laundering of proceeds from illegal drug transactions. No senior government officials engage in such activity.

US State Dept Trafficking in Persons Report 2016 (introduction):

Libya is a Special Case. The Presidency Council of the Libyan Government of National Accord (GNA)—created through the Libyan Political Agreement signed in December 2015 and endorsed by the legislature in January 2016—did not arrive in the capital Tripoli until late March 2016. Before the GNA Presidency Council entered Tripoli, the Libyan government that had been in place since April 2015 and was appointed by the House of Representatives had been based in the eastern city of Bayda and operated without access to or control over Tripoli. During that period, competing factions, none of which had been elected or appointed by a legislature, operated in Tripoli under the self-convened "National Salvation Government." Extralegal armed groups continued to fill a security vacuum across the country; such groups varied widely in their makeup and the extent to which they were under the direction of state authorities, and they committed human rights abuses, including unlawful killings. Before the formation of the GNA Presidency Council, the Bayda-based government that had been in place had failed to control such groups, including those groups nominally under state control. At the close of the reporting period, the GNA Presidency Council was only beginning to establish effective control over armed groups.

SCOPE AND MAGNITUDE

Libya is a destination and transit country for men and women from sub-Saharan Africa and Asia subjected to forced labor and sex trafficking, and there are reports of children being subjected to recruitment and use by armed groups within the country. Due to widespread insecurity driven by militias, civil unrest, and increased lawlessness in Libya that continued to worsen in 2015, accurate information on human trafficking became increasingly difficult to obtain—in part due to the withdrawal of most diplomatic missions, international organizations, and NGOs in 2014. Since 2013, numerous reports indicate militias, some of which are used as combat forces or security enforcement by the government, recruit and use Libyan children younger than the age of 18. Trafficking victims or those vulnerable to trafficking, such as foreign migrants, are also vulnerable to increased violence in Libya, including torture, abduction for ransom, physical and sexual assaults, arbitrary killings, and inhumane detention. For example, there were multiple reports of migrants—some of whom may be trafficking victims—being held in detention centers, including those controlled by government-aligned authorities as well as non-state armed groups, where they were subject to overcrowding, torture, and denial of medical care.

Migrants seeking employment in Libya as laborers or domestic workers or who transit Libya en route to Europe are highly vulnerable to trafficking. Trafficking networks reaching into Libya from Niger, Nigeria, Chad, Eritrea, Ethiopia, Somalia, Sudan, and other sub-Saharan states subject migrants to forced labor and forced prostitution through fraudulent recruitment, confiscation of identity and travel documents, withholding or non-payment of wages, and debt bondage. One 2014 account indicated criminal groups recruited Sudanese migrants to Libya through false job offers and forced them to work in agriculture with little or no pay. In previous years, migrants paid smuggling fees to reach Tripoli, often under false promises of employment or eventual transit to Europe. Once these victims crossed the Libyan border, they were sometimes abandoned in southern cities or the desert, where they were susceptible to severe forms of abuse and human trafficking. In 2014, an international organization reported Syrian nationals temporarily residing in Sudan preferred to travel through Libya en route to Italy with the use of smugglers; these Syrians are at risk of trafficking.

Prostitution rings reportedly subject sub-Saharan women to sex trafficking in brothels, particularly in southern Libya. Nigerian women are at heightened risk of being forced into prostitution, while Eritreans, Sudanese, and Somalis are at risk of being subjected to forced labor in Libya. In February 2015, the media reported a Russian trafficking network brought hundreds of Bangladeshi nationals via Libya to Italy, where they subsequently endured forced labor. Private employers in Libya mobilize detained migrants—from prisons and detention centers, including those ostensibly under the control of the Bayda-based government—for forced labor on farms or construction sites; when the work is completed or the employers no longer require the migrants' labor, employers return them to detention.

US State Dept Terrorism Report 2016

Libya is currently identified by the US Secretary of State as a Safe Haven for International Terrorism.

Overview: U.S. counterterrorism policy in Libya is focused on degrading ISIS and other terrorist groups and reducing the threat they pose to U.S. interests in North Africa and Europe. In 2016, Libyan Government of National Accord (GNA)-aligned forces demonstrated that it could be a capable partner with the United States in the fight against ISIS. The GNA, led by Prime Minister Fayez al Sarraj, requested U.S. air support into the fight against ISIS and cooperated consistently and productively with international counterterrorism efforts. In January, U.S. strikes removed two ISIS camps and a foreign terrorist fighter facilitator in Libya's west. Libya's greatest counterterrorism success during the year was the removal of ISIS from its Libyan stronghold in Sirte, a key U.S. objective accomplished in close cooperation with U.S. Africa Command's Operation Odyssey Lighting campaign. GNA-affiliated forces seized the last group of buildings held by ISIS in Sirte in December, removing ISIS from its operational stronghold and temporarily disrupting its long-term ability to conduct and support regional operations in North Africa, the Sahel, and Europe. GNA reports suggested that more than 700 fighters from GNA-aligned forces were killed and 3,200 were wounded during the seven-month-long campaign against ISIS. Although up to 1,700 ISIS militants' bodies were recovered in Sirte, many members of the terrorist organization are thought to have escaped into the vast desert in Libya's west and south, while others may have fled abroad or into neighboring urban centers.

While Sirte was ISIS's center of governance in Libya, concentrations of its fighters were also reported in Darnah and Benghazi during the year. Many fighters in those cities were driven out by year's end, mostly as a result of clashes with the "Libyan National Army" (LNA). ISIS fighters fleeing from Sirte may have escaped to remote desert camps, especially near Sabha and Bani Walid, but some reports indicated that others fled towards Darnah and other urban centers in Libya.

Other terrorist organizations, including Ansar al-Shari'a-Benghazi (AAS-B), Ansar al-Shari'a Darnah (AAS-D), and al-Qa'ida in the Islamic Maghreb (AQIM), retained a presence in Libya in 2016. These groups continued to take advantage of the absence of effective governance in many parts of the country, although the LNA has significantly degraded their capabilities in some areas.

AQIM's priorities are in southern Libya where it has connections with local authorities and militias, to which it provides financial and personnel support.

Legislation, Law Enforcement, and Border Security: Libya lacks a comprehensive counterterrorism law, although the Libyan penal code (under Title 2, Section 1, Chapter 1, Article 170 and Title 2, Chapter 2, Article 207) criminalizes offenses prejudicial to state security, including terrorism, the promotion of terrorist acts, and the handling of money in support of such acts. In 2013, the General National Congress (GNC) – at that time Libya's official government – adopted laws no. 27 and 53 outlining a plan to disband non-state militias and integrate them into state security forces; however, neither law was implemented. Libya has ratified the African Union's Convention on the Prevention and Combating of Terrorism, which requires states to criminalize terrorist acts under their national laws.

The GNA, despite internal conflict, proved capable of confronting the terrorist threat in Sirte, requested assistance from the United States, and joined the Global Coalition to Defeat ISIS; however, neither the internationally recognized Tripoli-based GNA nor the legislative House of Representatives in Tobruk produced a strategy to counter the terrorist threat. The Libyan government did not pass any new legislation to confront the growing threat of terrorism throughout the country.

Due mainly to the internal political conflict and the role of numerous militias, Libyan law enforcement personnel lacked the capacity to detect, deter, respond to, or investigate terrorist incidents. There were no reported terrorism-related prosecutions in 2016. In most parts of Libya, security and law enforcement functions were provided by armed militias rather than state institutions. National police and security forces were fragmented, inadequately trained and equipped, and lacked clear reporting chains and coordination mechanisms. Security and law enforcement officials, including prosecutors and judges, were targeted in kidnappings and assassinations, resulting in the continued suspension of court operations in Benghazi and Darnah. Libya's military was similarly weak and fragmented, with units often breaking down along local, tribal, or factional lines. Counterterrorism operations conducted by Libyan Special Operations Forces have so far failed to significantly reduce the level of terrorist violence, bombings, assassinations, or kidnappings.

The GNA lacked a comprehensive border management strategy and was unable to secure the country's thousands of miles of land and maritime borders, enabling the illicit flow of goods, weapons, antiquities, narcotics, migrants, and foreign terrorist fighters that posed serious security challenges to the region. Libyan border security forces were generally poorly trained and underequipped and frequently participated in illicit cross-border trade. Border security infrastructure damaged and looted during the 2011 revolution has not been repaired or replaced, and the ongoing conflict has affected border security infrastructure along Libya's border with Tunisia. Security at Libya's airports was minimal with limited document screening and no utilization of passenger name record systems or biometric technology. Libya also lacked the resources, manpower, and training to conduct sufficient maritime patrols to interdict or deter illicit maritime trafficking and irregular migration.

According to the International Organization of Migration, 181,436 arrivals were recorded by sea in 2016 to Italy through the central Mediterranean route, mainly transiting from Libya to Italy. A total of 18,904 migrants were rescued off the Libyan coast and 4,576 died. The majority of the migrants used the porous southern borders of Libya to traverse from sub-

Saharan African countries and embark on boats along the Libyan shores. Existing legislation outlining the responsibilities of various government agencies in the area of border management is vague and often contradictory, resulting in ad hoc and poorly coordinated efforts.

The European Union (EU) Border Assistance Mission to Libya is mandated to plan for a possible future EU mission providing advice and capacity building in the areas of criminal justice, migration, border security, and counterterrorism at the request of the Libyan authorities. The mission is located in Tunis and has maintained contact with the relevant Libyan authorities.

Libya has expressed the desire to cooperate in the investigation of terrorist attacks against U.S. citizens and interests, including the September 2012 killing of Ambassador Christopher Stevens and three other U.S. citizens at U.S. government facilities in Benghazi, although Libyan capacity to provide support in this regard has been limited. In 2013, the Libyan Ministry of Justice signed a Declaration of Intent to facilitate law enforcement cooperation with the United States on investigations, including that of the 1988 Pan Am Flight 103 bombing.

Countering the Financing of Terrorism: Libya is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body, and also the Coalition's Counter-ISIS Finance Group. Libya has implemented a national identification database system to improve transparency in government salary payments; however, there is little reliable data on Libya's anti-money laundering/countering the financing of terrorism (AML/CFT) efforts.

While the Libyan government and financial institutions generally lack the ability to identify and interdict illicit financial flows, the Central Bank and the financial intelligence unit (FIU) has made critical strides to build its AML/CFT capacity. In 2016, the Central Bank issued Customer Due Diligence regulations for Libyan financial institutions. Libya does not currently have a CFT law and lacks the ability to freeze the assets of UN-designated individuals, per its obligations under the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime, but has drafted a comprehensive AML/CFT law and expects to enact the law in 2017. In addition, the Libyan government has operationalized its FIU and reorganized its structure to prioritize AML and CFT.

International Sanctions

UN Security Council Resolutions

In response to the violation of human rights in Libya, the UN Security Council made a unanimous decision to impose sanctions on the country in February 2011. The sanctions include an arms embargo, travel ban and assets freeze on the family of Muammar Al-Qadhafi and certain government officials. The restrictive measures are imposed via Resolution 1970 (2011).

EU legislation

Subsequent to the adoption of Resolution 1970, the EU has also imposed an arms embargo as outlined in Council Decision 2011/137/CFSP. The details are provided in Council Regulation (EU) No 204/2011.

You can read the Common Foreign and Security Policy (CFSP) legislation on the Europa website.

Financial

In 2011 the United Nations, amongst other matters, imposed financial sanctions against designated persons involved in or complicit in ordering, controlling, or otherwise directing, the commission of serious human rights abuses against persons in the Libyan Arab Jamahiriya, including by being involved in or complicit in planning, commanding, ordering or conducting attacks, in violation of international law, including aerial bombardments, on civilian populations and facilities; or acting for or on behalf of or at the direction of such persons.

In 2011 the European Union adopted the UN measures and agreed to independently list persons involved in or complicit in ordering, controlling, or otherwise directing, the commission of serious human rights abuses against persons in Libya, including by being involved in or complicit in planning, commanding, ordering or conducting attacks, in violation of international law, including aerial bombardments, on civilian populations and facilities.

Current EU regulations

The EU implemented Council Regulation (EU) No 45/2014 of 20 January 2014 amending Regulation (EU) No 204/2011 concerning restrictive measures in view of the situation in Libya

- 20.12.2011 Council Regulation (EU) No 1360/2011 Modified the measures in Regulation 204/2011
- 28.09.2011 Council Regulation (EU) No 965/2011 Modified the measures in Regulation 204/2011 pursuant to UNSCR 2009 (2011)

- 22.09.2011 Council Implementing Regulation (EU) No 941/2011 Amended Annexes II and III to Regulation 204/2011.
- 15.09.2011 Council Implementing Regulation (EU) No 925/2011 Amended Annex III to Regulation 204/2011.
- 01.09.2011 Council Implementing Regulation (EU) No 872/2011 Amended Annex III to Regulation 204/2011.
- 10.08.2011 Council Implementing Regulation (EU) No 804/2011 Amended Annex III to Regulation 204/2011.
- 16.06.2011 Council Implementing Regulation (EU) No 573/2011 Amended Annex III to Regulation 204/2011. Removed one individual.
- 16.06.2011 Council Regulation (EU) No 572/2011 Amended Annex III to Regulation 204/2011. Designated six ports and added humanitarian exemptions.
- 23.05.2011 Council Implementing Regulation (EU) No 502/2011 Amended Annex III to Regulation 204/2011.
- 12.04.2011 Council Implementing Regulation (EU) No 360/2011 Amended Annexes II and III to Regulation 204/2011.
- 25.03.2011 Council Regulation (EU) No 296/2011 Amended Regulation 204/2011
- 23.03.2011 Council Implementing Regulation (EU) No 288/2011 Implemented UNSCR 1973(2011). Amended Annexes II and III to Regulation 204/2011.
- 21.03.2011 Council Implementing Regulation (EU) No 272/2011 Amended Annex III to Regulation 204/2011.
- 10.03.2011 Council Implementing Regulation (EU) No 233/2011 Amended Annex III to Regulation 204/2011. Additional entities included the Central Bank of Libya and the Libyan Investment Authority.
- 02.03.2011 Council Regulation (EU) No 204/2011 Implemented the relevant measures in UNSCR 1970 (2011) in the EU and introduced additional EU measures. Persons designated by the UN appear in Annex II. Person designated by the EU appear in Annex III.

US Sanctions

For further information - http://www.treasury.gov/resource-center/sanctions/Programs/pages/libya.aspx

The Arab League

The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

* Cutting off transactions with the Syrian central bank

* Halting funding by Arab governments for projects in Syria

* A ban on senior Syrian officials travelling to other Arab countries

* A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	17
World Governance Indicator – Control of Corruption	3

Corruption presents a significant obstacle for companies doing business in Libya. All sectors in the Libyan economy suffer from widespread corruption; however, the public procurement sector and the oil industry are among the most affected. Bribery and favoritism are common practice in all sectors, and companies may struggle with unfair competition from state-owned businesses, which also dominate the local market. Corruption was rampant under Gaddafi's rule, and the situation has only worsened in the post-revolution period. The institutional framework to combat corruption is defected, and the rule of law is undermined by political instability and violence. The Libyan Constitution Drafting Assembly is still in the process of writing the constitution, resulting in all laws being derived from the Constitutional Declaration that came into force after the ousting of Gaddafi. Nonetheless, the judiciary and the security apparatus are ineffective, rendering the enforcement of the law as very weak. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Despite high-profile campaigns designed to draw attention to the issue, corruption remains widespread in Libya. It frequently takes the form of openly solicited or thinly veiled requests for valueless intermediation (i.e., rent seeking) or outright payoffs. This could include approvals for basic bureaucratic processes, such as required permits and services provided only by the government. Given the state of bureaucratic inefficiency and low salaries for government employees in Libya, these types of transactions are generally viewed as a necessary part of doing business by local operators. Moreover, there is a general public perception that such interventions are essential to ensure the best pricing, service, etc. This tendency serves to reinforce the importance of personal connections and insider knowledge in the conduct of day-to-day business operations.

While there are quasi-governmental organizations in Libya, non-governmental organizations (NGOs) do not exist in practice. There are no international, regional or NGO "watchdog" organizations present in Libya. Several websites critical of government corruption are operated by Libyan opposition groups located outside of the country. Libya is a signatory to the UN Convention Against Corruption (UNCAC), but there has been little evidence of its implementation.

The government has established the "Administrative Monitoring Board" as the responsible Libyan agency for the oversight of government activities for the prevention of corrupt practices. There has also been a public push for transparency on the part of high-ranking government officials. A series of speeches by Muammar al-Qadhafi during late 2006 set off a campaign leading to the arrests of leading businessmen and some government officials on allegations of corrupt practices. The Libyan leader and his son, Saif al-Islam al-Qadhafi, addressed corruption in broad terms in a number of other public remarks made in 2007 and 2008, and called for greater accountability. In 2010 the Libyan government established the Public Projects Authority, a new agency with authority to audit, coordinate and monitor government contracts.

Section 3 - Economy

Libya's economy, almost entirely dependent on oil and gas exports, struggled during 2015 as the country plunged into civil war and world oil prices dropped to seven-year lows. In early 2015, armed conflict between rival forces for control of the country's largest oil terminals caused a decline in Libyan crude oil production, which never recovered to more than one-third of the average pre-Revolution highs of 1.6 million barrels per day. The Central Bank of Libya continued to pay government salaries to a majority of the Libyan workforce and to fund subsidies for fuel and food, resulting in an estimated budget deficit of about 49% of GDP.

Libya's economic transition away from QADHAFI's notionally socialist model has completely stalled as political chaos persists and security continues to deteriorate. Libya's leaders have hindered economic development by failing to use its financial resources to invest in national infrastructure. The country suffers from widespread power outages in its largest cities, caused by shortages of fuel for power generation. Living conditions, including access to clean drinking water, medical services, and safe housing, have all declined as the civil war has caused more people to become internally displaced, further straining local resources.

Extremists affiliated with the Islamic State of Iraq and the Levant (ISIL) attacked Libyan oilfields in the first half of 2015; ISIL has a presence in many cities across Libya including near oil infrastructure, threatening future government revenues from oil and gas.

Agriculture - products:

wheat, barley, olives, dates, citrus, vegetables, peanuts, soybeans; cattle

Industries:

petroleum, petrochemicals, aluminium, iron and steel, food processing, textiles, handicrafts, cement

Exports - commodities:

crude oil, refined petroleum products, natural gas, chemicals

Exports - partners:

Italy 32.1%, Germany 11.3%, China 8%, France 8%, Spain 5.6%, Netherlands 5.4%, Syria 5.3% (2015)

Imports - commodities:

machinery, semi-finished goods, food, transport equipment, consumer products

Imports - partners:

China 14.8%, Italy 12.9%, Turkey 11.1%, Tunisia 6.5%, France 6.1%, Spain 4.6%, Syria 4.5%, Egypt 4.4%, South Korea 4.3% (2015)

Banking

The banking sector is made up of the Central Bank of Libya (CBL), five state-owned commercial banks, one private commercial bank (Bank of Commerce and Development), and 48 national banks. The largest of the state-owned commercial banks, the Libyan Arab Foreign Bank (LAFB), has subsidiaries and affiliates in more than 30 countries.

As a consequence of the civil war, according to Bloomberg, the Transitional National Council has "designated the Central Bank of Benghazi as a monetary authority competent in monetary policies in Libya and the appointment of a governor to the Central Bank of Libya, with a temporary headquarters in Benghazi."

Stock Exchange

The Libya Exchange Stock Market was established in 2007. Trading volume is very small and the market was only opened up to foreign investors in 2010.

Section 4 - Investment Climate

Openness to, and Restrictions Upon, Foreign Investment

Libya continues to present a challenging investment climate. While Prime Minister Zeidan has strongly advocated for greater foreign investment, lingering concerns about the government's control over armed groups across the country and its willingness to enact security sector reform worry companies seeking investment opportunities. Questions also remain about the government's review of contracts signed prior to the revolution that began in February 2011 and whether or not these outstanding contracts will be honored.

New legislation also has significant implications for companies. Recent ministerial decrees preclude foreigners from establishing limited liability companies in Libya, though it is unclear if these decrees are enforceable since they conflict with existing laws. While foreign investors are allowed to form joint stock companies (JSC) with Libyan shareholders, the government has stated that no one, whether Libyan or foreign entity, can have more than a 10% shareholding in a JSC.

The Privatization and Investment Board (PIB), established in 1997 and supervised by the Ministry of Economy, serves as the main government agency responsible for encouraging the investment of foreign capital and promoting investment projects across the country. (PIB) chairman G.I. Guider has expressed interest in drafting a new investment law and would like to present it for approval to the General National Congress by September 2013. However, he has yet to disclose any details about how a new law would differ from current regulations.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Libya's post-revolution legal system is in flux and driven by state and non-state entities

International organization participation:

ABEDA, AfDB, AFESD, AMF, AMU, AU, BDEAC, CAEU, COMESA, FAO, G-77, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IDB, IFAD, IFC, IFRCS, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OIC, OPCW, OPEC, PCA, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

No information available

Treaty and non-treaty withholding tax rates

No information available

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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