



Middle East and North Africa  
Financial Action Task Force

# Mutual Evaluation Report 5<sup>th</sup> Follow-Up Report for Egypt

## Anti-Money Laundering and Combating the Financing of Terrorism

19 November 2014

Arab Republic of Egypt

*This report provides an overview of the measures that Egypt has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient measures have been taken to address those major deficiencies, and in particular those related to R5, R13, R23, SRI, SRII, SRIII, and SRV. It should be noted that the original rating does not take into account the subsequent progress made by the country.*

## 5<sup>th</sup> Follow-up Report of the Arab Republic of Egypt Application to Move from Follow-Up to Biennial Updating

### A. Introduction:

1. The 19th Plenary Meeting adopted the mutual evaluation report (MER) of the Arab Republic of Egypt (Egypt) on 10 May 2009. At the same time, Egypt was placed in a regular follow-up process according to the paper on mutual evaluation process procedures. Egypt submitted the 1st Follow-up Report in May 2011, the 2nd Follow-up Report in May 2012, 3<sup>rd</sup> Follow-up Report in May 2013, and the 4<sup>th</sup> Follow-up Report in June 2014. Egypt has expressed its hope that the 20th Plenary Meeting considers its request to move from regular follow-up to biennial updating.
2. This paper is based on the procedures for removal from the regular follow-up, as agreed by the 12<sup>th</sup> Plenary Meeting in November 2010 and the amendments on procedures adopted in the e-Plenary Meeting (August-September 2013). The paper contains a detailed description and analysis of the measures taken by Egypt with respect to the core<sup>1</sup> and key<sup>2</sup> Recommendations rated Non Compliant (NC) and Partially Compliant (PC) in the abovementioned MER. It also contains a description and analysis of the other recommendations rated PC or NC. In Annex I, a list of the major laws and documents relating to AML/CFT system in Egypt is included.
3. The procedure requires that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at the level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating.
4. Egypt was rated PC and NC on a total of 23 recommendations, according to the Egypt's MER which was adopted in 2009:

Core Recommendations rated PC or NC
R5, R13, SRII
Key Recommendations rated PC or NC
R23, SRI, SRIII, SRV
Other Recommendations rated PC
R6, R7, R9, R11, R12, R15, R16, R17, R22, R25, R29, R32, R33, SRVII, SRIX
Other Recommendations rated NC
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<sup>1</sup> The Core Recommendations according to FATF classification are: R1, R5, R10, R13, SRII, and SRIV.

<sup>2</sup> The Key Recommendations according to FATF classification are: R3, R4, R23, R36, R35, R36, R40, SRI, SRIII, and SRV.

5. As prescribed by the procedures of exiting the regular follow-up, Egypt provided the MENAFATF Secretariat (The Secretariat) with a full report on its progress as of adopting the MER. Accordingly, the Secretariat drafted a detailed analysis of the progress made by Egypt for the core and key recommendations rated NC or PC, as well as an analysis of the other recommendations rated NC or PC. The Secretariat provided the Egyptian authorities with its report accompanied with a number of enquiries and requests; the comments made by the Arab Republic of Egypt were taken into consideration. During the process Egypt provided the Secretariat with all the documents and information requested.

6. As a general note on all applications for exiting regular follow-up: The procedure is described as a paper based desk review, and by its nature is less detailed and thorough than a mutual evaluation report. The analysis focuses on the recommendations rated NC or PC, which means that only a part of the AML/CFT system is reviewed. Such analysis relies on examining the main laws, regulations and other articles to ensure the technical compliance of domestic legislation with the FATF standards. In assessing whether sufficient progress had been made, aspects of effectiveness are taken into account to the greatest extent possible in a paper based desk review and primarily through a consideration of data provided by the country. Any conclusions in this report do not prejudge the results of future assessments, as they are based on information which was not verified through an on-site process and was not as comprehensive as would exist during a mutual evaluation.

## **B. Main Conclusions and Recommendations to the Plenary Meeting**

### **Core Recommendations**

7. **R5 (Customer Due Diligence):** Egypt has addressed the deficiencies related to this recommendation through amending the AML law. All FIs were subjected to the regulatory controls in the AML/CFT field. KYC rules were issued by the Money laundering and Terrorist Financing Combating Unit (EMLCU) which included: customer identification, identifying the purpose and nature of business relationship, ongoing monitoring of transactions, determining the threshold limits of occasional transactions and multiple transactions which seem to be linked. Financial institutions shall also verify the identity of the person acting on behalf of the customer, identify the beneficial owner and classify the customers based on the degree of risk, continuously update the files of their clients, and terminate the business relationships with customers in case the required Customer Due Diligence measures could not be applied.

8. **R13 (Suspicious Transaction Reporting):** Egypt has addressed the deficiencies related to this recommendation through amending the abovementioned AML law. All financial institutions (FIs) and the designated non Financial Businesses and Professions DNFBPs were obliged to report to EMLCU any transactions that are suspected of being proceeds or involving ML/TF crimes, or any attempts to carry out such transactions of whatever value. The reporting scope was extended to include any transaction suspected to involve any misdemeanor or felony. All entities that are subject to the law were required to report also the attempts of carrying out financial transactions suspected of involving ML the related predicate crimes and terrorist financing.

9. **SR11 (Criminalization of Terrorist financing):** Egypt has addressed the deficiencies related to this recommendation by amending the Penal Code; it has criminalized the willful collection and provision of funds, by any means, directly or indirectly, with the unlawful intention that they would be used or are to be used by a terrorist and / or for terrorist purposes.

10. As a general result, it can be said that the level of compliance of Egypt in these recommendations can be rated as at least equivalent to "LC".

### **Key Recommendations**

11. **R23 (Regulation, Monitoring and Follow-up):** Egypt has addressed the deficiencies related to this recommendation. The authorities supervising all the legal persons subject to the law were specified, and supervision was put into force. The authorities issued instructions and circulars to help FIs understand the law requirements. Another deficiency was tackled, namely appointing supervisory authorities to the remaining persons mentioned in the law, to ensure their compliance with the AML/CFT requirements. Measures were also taken to verify the integrity of the owners or controllers of legal persons.

12. **SRI (Implementation of UN Instruments):** Egypt has addressed the deficiencies related to financing the terrorist individual, and has also issued the mechanisms related to the implementation of UNSCRs 1267 and 1373. .

13. **SRIII (Freezing and Confiscating Terrorist Assets):** The deficiencies related to the implementation of UNSCR 1373, and the adoption of special measures for the implementation of UNSCR 1267, have been addressed.

14. **SRV (International Cooperation):** Egypt has addressed the deficiencies related to this recommendation by criminalizing the act of financing a terrorist individual.

### ***Other Recommendations***

15. Egypt has addressed the deficiencies relating to other recommendations. It is noteworthy that making the decision for the removal of Egypt from the follow-up process is primarily based on the core and key recommendations. This report does not provide a detailed analysis on other recommendations.

### ***Conclusion***

16. The follow-up procedures indicate that for a country should have taken sufficient action to be considered for removal from the process; hence it should have an effective AML/CFT system in force, under which it has implemented the core and key recommendations at a level essentially equivalent to C or LC, taking into account that there would be no re-rating. The Plenary does, however, retain some flexibility with regard to the key recommendations if substantial progress has also been made on the overall set of Recommendations that have been rated PC or NC.

17. With regard to the core recommendations, it can be said that the level of compliance of Egypt on these recommendations can be rated at least at a level equivalent to "LC".

18. With regard to key recommendations, it can be said that the level of compliance of Egypt on these recommendations can be rated at least at a level equivalent to " LC".

19. With regard to other recommendations where Egypt was rated NC or PC, it can be said that the level of compliance of Egypt on these recommendations in general is at least equivalent to a level of " LC ".

20. With regard to effectiveness, Egypt had 13 money laundering convictions and one terrorist financing conviction. As for Suspicious Transaction Reports, EMLCU received 1350 STRs in 2012, 1148 in 2011; 1824 in 2013 and 2037 STRs in 2014. In addition, 89 STRs related to ML crimes were referred to the public prosecution in 2014, 163 in 2013 and 157 in 2012.

21. With regards to the effectiveness of the supervision of the regulatory authorities over the FIs and DNFBPs, it can be said that Egypt took many positive steps towards improving the quality of supervision of FIs; it increased the number of inspection visits, updated and improved the inspection guides on FIs in order to enhance the supervision, Egypt took as well many measures to improve the effectiveness of entities supervising non financial business and professions.

22. Consequently, since the level of compliance of Egypt on the core recommendations is rated at a level equal to at least "LC" and the level of compliance on key recommendations is rated at a level equal to at least " LC ", the Plenary approves the request of Egypt to exit the regular follow up process to biennial updating.

### **C. Overview of Egypt's Progress:**

#### ***Overview of the Main Changes since the Adoption of MER***

23. Since the adoption of the MER, Egypt has focused on amending the AML law to address the deficiencies referred to in the MER. In addition, Egypt has issued many decisions related to the implementation of UNSCRs, international agreements, and the amendment of KYC Rules. A number of regulatory controls were also issued.

#### ***The Legal and Regulatory Framework***

24. The legal framework of the AML/CFT system in Egypt is based on AML Law No. 80/2002 and its amendments (the most recent of which was the Presidential Decree-Law No. 36/2014), and the Executive Regulations of the Law. Also, Egypt issued Presidential Decree-Law no. 128 of year 2014 on amending article no. 78 of the Penal Code that included the criminalization of financing a terrorist individual; it was published in the Official Gazette on 21 September 2014. Law No. 36/2014 was issued to address the deficiencies specified in the MER. The Law resulted in some modifications on the legal level in Egypt; namely expanding the number of predicate offences through adopting a comprehensive approach in determining predicate offences, and setting key obligations of CDD measures to include the financial institutions and DNFBPs. Moreover, the law specified the supervisory authorities that ensure the commitment of the institutions, under their supervision, to the requirements of the law, and the law clarified the obligations related to due diligence, monitoring and reporting to EMLCU. On the other hand, the law resulted in some changes for EMLCU, regarding its responsibilities, and it set procedures and mechanisms for implementing the UNSCRs 1267 and 1373.

25. The Central Bank of Egypt issued AML/CFT regulatory controls for banks operating in the Arab Republic of Egypt, foreign exchange companies, and the entities engaged in money transmission activities. The Ministry of Communications and Information Technology (MCIT) issued AML/CFT regulatory controls for the Postal Savings Fund and other financial services and products provided by the National Post Authority. The General Authority for Investment

and Free Zones also issued AML/CFT regulatory controls for leasing companies. Furthermore, the Egyptian Insurance Supervisory Authority AML/CFT issued regulatory controls for the entities operating in insurance field. The Capital Market Authority issued AML/CFT regulatory controls for the companies operating in the field of securities, and companies operating in the area of receiving funds for investment and the securitization companies. Egypt Mortgage Finance Authority (EMFA) issued AML/CFT regulatory controls addressed to entities that operate in the mortgage finance. As for EMLCU, it issued KYC Rules to banks, foreign exchange companies, money transmission companies, companies operating in securities, companies specialized in receiving funds for investment, securitization companies, entities undertaking insurance activities, entities dealing in mortgage, leasing companies and the entity responsible for providing financial services in the National Post Authority.

#### **D. Review of the measures taken in relation to the Core Recommendations:**

##### **R5: Rating (PC)**

*Deficiency 1: Incomplete beneficial owner requirements (the beneficial owner definition is not limited to natural persons and there were some remarks concerning the nature of the implemented CDD measures).*

26. Article 3, paragraph 13, of the Executive Regulations of AML Law stipulates that EMLCU should set the rules used for verifying the identity and legal status of the customer and beneficial owner, whether they were natural or legal persons through legal identification documents. Consequently, EMLCU Board of Trustees issued amended KYC rules that replaced the previously issued ones. The Board of Trustees issued KYC rules for banks<sup>3</sup>, mortgage companies and leasing entities<sup>4</sup>, insurance companies<sup>5</sup>, foreign exchange companies<sup>6</sup>, National Post Authority when it provides financial services<sup>7</sup>, money transmission companies, securities companies, companies specialized in receiving funds for investment and securitization companies.

27. KYC Rules included amending the definition of beneficial owner to be: the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted, including those persons who exercise ultimate effective control over the customer, whether a legal person or a legal arrangement.

28. The KYC Rules obliged FIs to take reasonable measures for identification of beneficial owners (of the customers of the said financial institution) using information or data from reliable sources, to ensure that the institution has reached a conclusion on the identification of the beneficial owner. In addition, FIs are obliged to take reasonable procedures for collecting adequate information to verify the identity of the customer representative.

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<sup>3</sup> The Board of Trustees of EMLCU adopted the new customer identification rules at banks in session No. 99, dated 16 March 2011; and thus cancels the previously adopted rules on 25 February 2008.

<sup>4</sup> The Board of Trustees of EMLCU adopted the new customer identification rules at leasing companies and real-estate financing companies in the session held on 18 January 2012 .

<sup>5</sup> The Board of Trustees of EMLCU adopted the new customer identification rules at insurance companies in the session held on 18 January 2012.

<sup>6</sup> The Board of Trustees of EMLCU adopted the new customer identification rules at money exchange companies; and thus cancels the previously adopted rules on 14 July 2008.

<sup>7</sup> The Board of Trustees of EMLCU adopted the new customer identification rules regarding the National Post Authority financial services; and thus cancels the previously adopted rules on 28 September 2008.

29. Moreover, KYC Rules oblige FIs to implement CDD measures first, when the bank has suspicion on the accuracy of the previously obtained data for customer identification , or secondly when reaching a conclusion that such data are insufficient and needs to be completed, and thirdly when carrying out any occasional bank transfer transaction regardless of its value.

30. KYC Rules issued by EMLCU also obliges FIs to identify customers when they carry out any occasional transaction that exceeds EGP 30.000 or its equivalent in foreign currency. The authorities stated that they lowered the threshold (EGP previously 50.000) that requires, when being exceeded, the implementation of customer identification procedures. This comes in response to assessors' recommendations and in line with the Egyptian circumstances.

31. As well, foreign exchange companies are obliged to obtain information on the nature and purpose of the business relationship when implementing CDD measures.

***Deficiency 2: There are main inefficiencies of CDD requirements regarding the three institutions practicing banking activities despite being not subject to the CBE supervision. Those inefficiencies touch upon the scope of customer identification rules, the absence of condition requiring collecting information on the nature and purpose of the business relationship, and conducting ongoing monitoring, or updating customer information based on risks.***

32. Egypt has addressed all deficiencies through subjecting the three institutions conducting banking activities to the supervision of the Central Bank of Egypt (CBE) with regards to AML/CFT. The amended law stipulated expanding the scope of FIs subject to AML law requirements and subjecting the entities that has no supervisory authority to the supervision of EMLCU. Article 7 required EMLCU to establish and create adequate means to ensure the compliance of the FIs, which are not subject to the supervision of any supervisory authority, to the systems and rules stipulated in this regard; including the rules and controls related to AML/CFT. Among the three mentioned FIs, the general assembly of the Arab International Bank (AIB) amended the bank establishment agreement to stipulate that the law of the Central Bank, Banking Sector and Money enforceable on the branches existing in the headquarters country. The applicable laws regulating banks and credit are also enforceable on all its branches in the other member countries. The AIB has been already registered officially in the CBE records on June 5, 2012 as one of the banks subject to the its supervision. Therefore, all the rules and controls issued by the CBE are applicable to the AIB. Therefore, these FIs are required to abide by the obligations imposed on the other FIs as well as the rules issued by EMLCU.

***Deficiency 3: Insufficiency of customer identification requirements when dealing with trusts and other legal arrangements***

33. Egypt amended the KYC rules issued by EMLCU for all FIs. The customer and beneficial owner (for legal persons and legal arrangements) identification procedures were to include that FIs should obtain the data of originator, trustee and beneficiaries and the purpose of the accounts. Such procedures also require FIs to identify the names and addresses of the authorized signatories for the legal person and legal arrangement, in addition to identifying the legal status of the legal arrangement.

**Deficiency 4: Ineffectiveness (weak implementation of the ongoing monitoring requirements, with regards to high-risk customers, updating customer information, etc)**

34. In order to address the deficiencies related to this recommendation, the supervisory authorities exerted great efforts in the field of supervising their subjected FIs; whether in the field of comprehensive or thematic inspection on the institution compliance with AML/CFT requirements. These efforts included inspection by the regulatory authorities on the relevant FIs. The tables below outline the statistics submitted by the authorities to ensure that the relevant FIs subject to the AML Law implemented CDD .

**Table 1: Statistics on Bank Inspections**

Year	Total Number of Banks	Number of Visited Banks	Number of Detected Violations
2010	39	17	26
2011	39	8	26
2012	39	24	31
2013	40	19	31

**Table 2: Statistics on Foreign Exchange Company Inspections**

Year	Total Number of Companies	Number of Visited Companies	Detected Violations
2010	392	392	Most of the violations are related to operational and AML/CFT controls issued by the CBE as well as violations to some articles of KYC rules issued by EMLCU
2011	424	364	
2012	449	381	
2013	478	433	

**Table 3: Statistics on Money transmission Company Inspections**

Year	Total Number of Companies	Number of Visited Companies	Detected Violations
2010	2	2	Most of the violations are related to operational controls issued by the CBE and the related cash arrangements issued
2011	2	2	
2012	2	2	
2013	2	2	

**Table 4: Statistics on Insurance Company Inspections**

Year	Total Number of Companies	Number of Inspection visits	Number of Detected Violations	Number of Imposed Sanctions and Fines
2010	29	21 Comprehensive/11 Thematic	3	--

2011	28	28 Comprehensive/12 Thematic	10	10
2012	30	9 Comprehensive/Thematic	13	6
2013	30	29 Comprehensive/6 Thematic	14	6

**Table 5: Statistics on Securities Company Inspections**

Year	Total Number of Companies	Number of Inspection visits	Number of Detected Violations	Number of Imposed Sanctions and Fines
2010	599	149 Comprehensive & Thematic	12	12
2011	690	242 Comprehensive & Thematic	6	8
2012	704	424 Comprehensive & Thematic	12	22
2013	708	526 Comprehensive/22 Thematic	5	4

**Table 6: Statistics on Postal Sector Inspections**

Year	Total Number of Post Offices	Number of visited (inspected) Post and Unit <sup>8</sup> Offices	Number of visits	Number of Imposed Sanctions and Fines
2010	3831	4410	13909	3774
2011	3831	4091	11546	1025
2012	3831	4437	11641	2333
2013	3807	4539	11099	2186

35. The statistics listed above reflect the level of supervision conducted over FIs, and the number of violations detected which positively indicates the supervisor's efforts to ensure effective implementation of CDD measures by FIs. It is worth mentioning that the CBE has drafted an inspection guide on AML/CFT for the FIs subject to the CBE. This guide includes a checklist of elements to verify that the bank applies the requirements set out in the AML/CFT law, Regulatory Controls and the FI internal controls the Central Bank of Egypt also developed and updated in 2013 the work procedures of the compliance department in the CBE that includes all KYC requirements, monitoring transactions and reporting suspicious transactions.

36. The Egyptian Financial Supervisory Authority (EFSA) has updated the applicable guides to enforce AML/CFT measures and supervision procedures over the FIs under its supervision, and to evaluate their performance. EFSA as well as updated the guides used for checking compliance against Regulatory Controls and legislations, updated the checklist of compliance elements, identified the procedures that follow the regular inspection visits conducted by the

<sup>8</sup> Units and departments related to AML/CFT (decentralization, computer and internal audit)

EFSA that include taking the appropriate measures to avoid violations and drawbacks, and issue letters and circulars for the FIs with regard to the results of onsite or offsite inspection and the measures to be taken by the FIs. National Post Authority developed the operational guide for regional audit officers, designed the templates of inspection reports for the financial transactions including statistics on percentage of updating customers data, applying KYC rules and ensuring that the employees of the post offices are aware of the modus operandi and AML/CFT procedures. National Post Authority increased the number of auditors and officials responsible for financial safety and held monthly committee meetings to follow up their progress, discuss the challenges that impede their work and provide solutions to impediments. The committee responsible for supervising the National Post Authority efforts in the field of AML/CFT at the Ministry of Communications and Information Technology (MCIT) issued instructions to the effect that the monthly inspection plans of post offices are to be carried out and a standard template to assess the role of post offices in applying AML/CFT measures during the inspection process is to be adopted.

### **R13 (PC):**

#### ***Deficiency 1: Narrow scope of compliance with reporting STRs (as it only restricted to ML/TF suspicions)***

37. Article 8 of the AML law stipulates that FIs and DNFBPs shall report, without delay, to EMLCU any transactions that are suspected to constitute proceeds or involve ML/TF offences or any attempts to proceed with such transactions regardless to their value.

38. The law does not stipulate on the obligation to report suspicious cases of funds connected or related to terrorism, terrorist acts, or being used by terrorist organizations. However, it can be said that these crimes are included under the broad definition of ML predicate offence which includes any predicate crime, by virtue of the Egyptian law.

#### ***Deficiency 2: Ineffectiveness (Low number of STRs, especially with regards to the non-bank institutions)***

39. The statistics submitted by the Egyptian authorities regarding the STRs received during the last year indicate an increase in the number of STRs received by EMLCU compared to the past three years as follows:

**Table 7: Number of STRs Received by EMLCU**

<b>Year</b>	<b>No. of STRs</b>
2011	1148
2012	1350
2013	1824
2014	2037

**Table 8: Entities that filed STRs to EMLCU**

Year	Banks	Other FIs	DNFBPs	Supervisors	Public regulatory entities	Public Prosecution	Other
2011	897	78	0	8	17	36	112
2012	1175	76	0	15	33	3	48
2013	1478	200	0	17	63	6	60
2014	1718	187	0	18	53	9	52

**Table 9: detailed measures taken on STRs**

Measure taken	2011	2012	2013	2014
STRs pending examination and collection of information	0	0	8	205
STRs pending investigation	296	378	765	1378
STRs reported to the Public Prosecution	98	157	163	89
STRs retained for absence of indicators on the commitment of the offense	754	815	888	365

40. The statistics indicate an increase in the number of STRs filed by the reporting entities; particularly banks. This reflects an increase of FIs' awareness on the importance to comply with the requirements. There are no statistics on the STRs made by DNFBPs which makes it difficult to assess the extent of effectiveness of compliance of such entities.

41. On the other hand, it can be stated that EMLCU is exerting significant efforts in the process of analyzing STRs, which is reflected in the number of processed STRs; whether retained or reported to the Prosecution. The table illustrates as well the increase of STRs reported to EMLCU in 2014, possibly due to the legal amendments related to the reporting obligation which constitutes an additional burden on EMLCU in order to avoid the increase of STRs under examination.

### **SRII: Rating (PC):**

*Deficiency 1: Non-inclusiveness of the TF in the Penal Code*

*Deficiency 2: Financing terrorist is not covered.*

*Deficiency 3: the collection of funds is not covered.*

42. Egypt addressed the deficiency related to the comprehensiveness definition of TF as it has amended the penal law by virtue of law 128 /2014. Article 78 of the amended law criminalized funding a terrorist to include the collection or provision of funds. Article 78 provides many forms of fund collection and provision; it includes the request, acceptance, receipt of funds, even indirectly, or the promise to provide, give, or offer funds, whether liquid funds or movable property, with the unlawful intention for use by others (individual terrorist or others) to commit aggressive acts or for terrorist purposes. The Article addresses the issue of financing a terrorist as it includes all elements required as per the International Convention for the Suppression of the Financing of Terrorism. The perpetrator of such crime shall be penalized

with a life imprisonment and a fine of no less than LE 500, 000 and no more than the amount given or promised. The law also covered the cases for increasing the sanction, if the perpetrator was a public officer, or in charge of a public service, or has committed the crime during the war time, or in pursuing a terrorist act.

## **E. Review of the measures taken in relation to the Key Recommendations**

### **R23: Rating (PC)**

#### ***Deficiency 1: No requirements for the three banks that are not subject to the supervision of the CBE and incomplete requirements for other FIs ownership transparency***

43. According to the abovementioned amendments, the Arab International Bank (AIB) is now subject to the supervision of the CBE. It was previously mentioned that the AIB has amended the bank establishment agreement. Therefore, the CBE registered the AIB as one of the banks under its supervision and thus covered it under all the applicable rules and regulations. According to Law No: 36/2014, all FIs which were not subject to any specific supervisory authority shall fall under the supervision of EMLCU in this regard.

44. Accordingly, the AIB is now subject to the safety and integrity standards like other owners, board members, and managers of banks that are subject to the CBE, just like any of the banks subject to the supervision and inspection of the CBE. On the other hand, the supervision of EMLCU over Nasser Social Bank (NSB) and CBE, as a financial institution, remains within the framework of AML/CFT field only.

45. The Central Bank, Banking Sector and Money law and the law establishing NSB include legal provisions for selecting the board members and the related conditions. Further, CBE and NSB are fully state-owned entities, and thus the Administrative Control Authority (ACA) conducts investigations on candidates for top management posts and states their views regarding their eligibility.

#### ***Deficiency 2: Non-existence of binding AML/CFT controls regarding the AIB, NSB, and CBE (i.e. no dissuasive and proportionate sanctions)***

46. The recent amendment of the AML/CFT law granted a clear legal authority to EMLCU that entitles it to verify the compliance of all FIs and DNFBPs, which are not subject to the supervision of a specific supervisory authority, with the rules and systems stipulated in this regard. This authority includes setting the rules and controls relevant to AML/CFT, as stipulated in Article 7 of the law. On the other hand, the law granted EMLCU the authority to impose sanctions on the FIs which violate the provisions, decisions, rules, and regulations it issues, in accordance of Article 16 of the law. The sanctions include: issuing a warning, barring the violating entity from conducting certain businesses, or requesting the licensing authority of the violating entity to bar it from carrying out its activities for a definite period or to cancel the license.

***Deficiency 3: Very limited supervision over companies engaged in life-insurance, money exchange, and money transfer with regards to AML/CFT***

47. To improve the level of the effectiveness of supervision over ***life-insurance companies, money exchange offices, and money transfer companies, the supervisory authority intensified the*** onsite inspections of such FIs. The EFSA made substantial efforts in the field of supervision over insurance companies. The efforts are represented in obligating companies to submit annual reports on their AML/CFT activities to the EFSA. The offsite inspection of such reports resulted in discovering some violations of the regulatory controls issued by EFSA and the KYC rules issued by EMLCU. EFSA guided these companies towards corrective actions (Refer to Table 4). 4).

48. As for supervision over money exchange companies, a comprehensive and qualitative inspection was conducted on all the registered companies which practice money exchange business. The inspection resulted in some remarks regarding the violations of operational and AML/CFT controls, in addition to violation of some terms of KYC rules issued by EMLCU. The actions taken by the CBE are represented in giving warning to the violating companies indicating the obligation to abide by the AML/CFT regulatory rules and the KYC rules (Refer to Table 2).

49. As for supervision over money transfer companies and the entities licensed to deal in foreign currency for tourism and traveling purposes, a comprehensive and qualitative inspection was conducted on these entities including their headquarters and some of their branches. The inspection resulted in some remarks regarding the violations of operational controls issued by the CBE (Refer to Table 3).

**SRI: Rating (PC)**

***Deficiency 1: Incomplete implementation of UN Convention on the Suppression of the Financing of Terrorism, including collection of funds.***

50. It has been previously stated that Egypt has addressed the deficiencies related to SR.II; hence, it has addressed the deficiency related to this recommendation.

***Deficiency 2: Noimplementation procedures for compliance with UNSCRs 1373 and 1267 requirements.***

51. Article 21 of the AML law stipulates on the implementation of UNSCRs 1373 and 1267 through EMLCU taking the necessary procedures to implement Egypt's obligations in accordance with international agreements, treaties, and conventions relevant to the financing of terrorism and financing of proliferation of weapons of mass destruction. In addition, the Egyptian authorities have issued mechanisms for implementing the previously mentioned UNSCRs. This will be tackled in details in the context of SR.III.

### **SRIII: Rating (PC)**

#### ***Deficiency 1: No legal basis for freezing or confiscation of terrorism assets of legal persons or entities on the UN list without delay.***

52. The law stipulated the necessity of establishing a legal basis for EMLCU to issue procedures for the implementation of UNSCR 1267, and its subsequent resolutions related to designation of persons and entities by the Al-Qaida and Taliban Sanctions Committee and its issued lists. EMLCU has issued such procedures on 11 June, 2014. These procedures stipulate that the Ministry of Foreign Affairs (MFA) receives the freezing lists from the Security Council and sends them to EMLCU, which circulates such procedures among the supervisory authorities that, in turn, send the lists to the FIs under their supervision. Competent authorities are required to define the legal or natural customers who are on the list, and to freeze, immediately and without any prior notice, any funds or assets related to the customers on the lists. EMLCU, in cooperation with the supervisory authorities, ensures the commitment of financial and non-financial institutions to the freezing orders.

#### ***Deficiency 2: Non-existence of freeze or seizure procedures, without delay, of terrorism assets which belong to the legal persons or entities on the UN list.***

53. Paragraph 5 of the executive mechanism for implementing UNSCRs stipulated that the authorities entitled with freezing shall set and implement effective internal controls through which the legal or natural customers on the freezing lists are defined. These authorities shall also freeze, immediately and without prior notice, any funds or proceeds maintained by the customers on the freezing lists. The freezing shall include all funds or assets directly or indirectly owned or controlled by customer whether fully or in participation with others, as well as the generated proceeds, and the funds or assets of the persons or entities authorized to act on behalf or under guidance of the customer. The mechanism also imposed the necessity to check the list when executing any transactions or beginning any new business relationship with a customer to check whether the customer is enlisted, and to promptly update the freezing lists and any subsequent amendments.

54. The mechanism stipulates that the MFA shall send the lists and their amendments to EMLCU. EMLCU, in turn, circulates them to the authorities supervising the FIs and DNFBPs, the FIs and DNFBPs that are not subject to the supervision of specific authority, Real Estate Register Department, Companies Registrar, the General Authority for Investment and Free Zones, the Notary and Authentication Department, Customs Department, General Directorate of Traffic at the Ministry of Interior (MOI), and any other entities deemed necessary by EMLCU. These entities are to circulate the lists to the entities under their supervision.

#### ***Deficiency 3: No procedures regarding the classification of legal persons or entities as required by UNSCR 1373.***

55. EMLCU has issued a mechanism for implementing UNSCR 1373 on 11 June, 2014. The mechanism is as follows: The National Coordination Committee on AML/CFT receives the names of persons or entities proposed to freeze their funds and assets from the public prosecution representatives and law enforcement agencies. Then, the Committee studies the proposals and takes decision regarding the listing in local freezing lists, if there is objective evidence that the person or entity meets the listing criteria as per this mechanism. These criteria include listing any person who commits, or attempts to commit, terrorist acts by any

direct or indirect means, inside or outside the country; participates in, facilitates, or directs others to the commission of terrorist acts, or any person who joins or participates in the activity of one of the terrorist entities, whether based inside or outside the country, while knowing its objective. The same applies to any entity that is established with the purpose of committing or trying to commit a terrorist act by any direct or indirect means, inside or outside the country; and any person who facilitates, participates in, or directs others to commit or try to commit a terrorist act in any form, or know other persons' purpose of committing a terrorist act. It also applies to any person or entity that acts on behalf or by guidance from the persons or entities stated above. There are also other criteria stated in paragraph 4 of the mechanism. It is noteworthy that paragraph 5 of the mechanism does not require the existence of a criminal lawsuit against the entities proposed to be included in the local lists provided that there are evidences substantiating that they committed any of the acts mentioned in paragraph 4 of the mechanism.

56. EMLCU circulates the list and its amendments to authorities entitled with supervision, FIs subject to EMLCU supervision, the Commercial Register Department, the Companies Registrar, General Authority for Investment and Free Zones, the Notary and Authentication Department, and other entities. Supervisory authorities circulate these lists to the FIs and DNFBPs under their supervision. These entities are obligated to immediately freeze any funds or assets maintained by the subject persons and entities. The MFA circulates the local lists to the foreign countries and urges them to put the specified procedures into force, and provides the widest range of supportive information for enlisting persons or entities.

***Deficiency 4: There are no procedures for reviewing the lists sent by other countries on the suspected legal persons or entities, as required by UNSCR 1373.***

57. Items 10 and 11 of the implementation mechanism of UNSCR 1373 included clarifies that it is the competency of the MFA to receive requests from other countries for enlisting persons or entities related to terrorism or terrorism financing in the local lists. Then the requests are sent to EMLCU be presented to the National Coordination Committee, which in turn examines the listing requests in accordance with the criteria in paragraph 4 of the mechanism. If the country's request is approved, the persons and entities will be enlisted in the local freezing lists, and then lists are to be circulated according to the above mentioned mechanism.

***Deficiency 5: There are no procedures for delisting names and cancelling the freezing of funds of persons whose names were mentioned by mistake in the list.***

58. The mechanism for implementing UNSCRs 1267 and 1373 indicates that the competent authorities that implement the freezing action shall receive requests for cancelling or amending the scope of freezing. Such authorities will send those requests to EMLCU. EMLCU presents them to the National Coordination Committee to take decision regarding referring the request to the MFA to request from the Security Council to examine them and receive any issued resolutions in this regard. However, the Committee examines the requests objecting the listing of a person or entity in the local list.

***Deficiency 6: There are no procedures on the mechanism through which the concerned person or entity may challenge the freezing order.***

59. The mechanism stipulates that the National Committee shall receive requests challenging the freezing orders and report them to the MFA. The MFA shall refer the issue to the Security

Council for examination, and then notify EMLCU with the subsequently issued UNSCR. As for appealing against enlisting in the local list, the mechanism indicates that the National Committee shall examine such appeals and take the suitable decisions.

***Deficiency 7: There are no procedures to enable the persons subject to the freezing order to access their funds or assets to obtain the necessary expenses.***

60. The mechanism indicates the mandate of the National Committee to receive and examine requests to access frozen funds or assets to obtain the necessary expenses. The Committee is also entitled with considering the provision of these requests to the MFA for filing to the Security Council for consideration, and informing EMLCU accordingly. The National Committee is also entitled with examining these requests – in the light of the names on the local list - and therefore taking the suitable decisions.

***Deficiency 8: There is no effective mechanism for receiving feedback from all relevant sectors which obtain the UN list.***

61. The mechanism included obligating the entities entitled with freezing to notify EMLCU and the supervisory authorities with the frozen funds and assets, and the procedures pursued in this regard. Since the mechanisms on implementing UNSCRs were recently issued, the authorities did not provide any statistics in this regard.

***Deficiency 9: The DNFBPs are not included in the distribution of UN list.***

62. The mechanism for implementing UNSCRs 1267 and 1373 included the circulation of the list to the DNFBPs.

### **SRV: Rating: PC**

***Deficiency 1: No complete implementation of the TF provisions in accordance with the Convention on the Suppression of the Financing of Terrorism***

63. It has been previously stated that Egypt has addressed the deficiencies related to this recommendation as it has criminalized the financing of a terrorist; hence, it has addressed the deficiency related to this recommendation, which would reinforce the international cooperation in providing mutual legal assistance on TF.

### **F. Review of the measures taken in relation to the other Recommendations rated PC or NC**

#### **R6: Rating: PC**

64. EMLCU has amended the KYC rules for all FIs to include a risk management system for the Politically Exposed Persons (PEPs) that includes the identification of the source of wealth and funds of the customer and whether the identified beneficial owner is a PEP. The three FIs that were not subject to a specific supervisory authority are now, by virtue of the last amendment, subject to supervision with regards to KYC rules issued by EMLCU.

65. EMLCU has taken a number of measures for increasing the FIs awareness on the requirements of this recommendation. This includes convening the National Committee many

times and ensuring the effectiveness through the onsite supervision carried out by the supervisory authorities on the subject FIs. Egypt also provided a number of training courses for the FIs staff and increased the number of inspections on FIs. This helps increasing the effectiveness of the FIs commitment to the requirements of this recommendation. The authorities provided statistics on the inspections conducted for FIs.

**R7: Rating: PC**

66. Egypt has obligated the FIs which are not subject to specific supervisory authority to adhere to the obligations stated in the KYC rules after including them, by virtue of law, to the rules and controls issued by EMLCU with regards to AML/CFT, which include specific provisions on the cross-border banking correspondence relationships. As for the institutions which establish relationships that are similar to banking correspondence, such as transactions relating to securities, EMLCU has amended the rules related to such institutions to address the defined deficiencies.

**R9: Rating: PC**

67. The KYC rules issued by EMLCU for FIs state that when an institution decides to depend on a third party for implementing some CDD measure, it shall abide by certain obligations which includes immediately obtaining the necessary information relating to CDD requirements from the third party, the provision of copies of identification data and other required documents by the third party when requested by the FI. EMLCU also amended KYC rules for companies and entities engaged in the securities field, companies receiving money for investment, securitization companies, insurance companies, financial leasing and mortgage companies, and The National Post Authority; with respect to the financial services it offers.

**R11: Rating: PC**

68. The KYC rules issued by EMLCU included the obligation that FIs shall classify customers and the provided services as per the level of risk. The FIs shall also take sufficient measures to address such risks, in addition to conducting due diligence in the cases that pose high risks, including unusual transactions that do not have a clear economic justification. The rules included the necessity of paying special attention to all complex or unusual large transactions, or patterns of unusual transactions that have no apparent economic or legitimate purpose. The FIs shall examine, to the widest range, the background and purpose of such transactions, record the findings in writing, and hold such findings for at least five years so that competent authorities and auditors might have a direct access to them for review.

**R12: Rating: PC**

69. The amended law extends to include DNFBPs, as stipulated in Section (g) of Article 1 of the referenced law. The DNFBPs are defined as follows:

1. Realestate agents – when they engage in transactions for their clients concerning the buying and selling of real estate.
2. Dealers in precious metals and dealers in precious stones – when they engage in any cash transaction with their customers equal to, or above, the applicable threshold specified in the Executive Regulations.

3. Lawyers and accountants – whether they practice their profession as sole practitioners or partners or employed professionals within professional firms when they prepare for, or carry out, transactions for their clients concerning the following activities:
  - a. Buying and selling of real estate;
  - b. Managing of client money, securities or other assets;
  - c. Management of bank, saving or securities accounts;
  - d. Organization of contributions for the creation, operation or management of companies ;
  - e. Creation, operation or management of legal persons or arrangements, and buying and selling of business entities.
4. Casinos – this includes internet and ship-based casinos, when their customers engage in financial transactions equal to, or above, the applicable threshold specified in the Executive Regulations.
5. Other professions and businesses to be specified by a Prime Minister Decree, determining their obligations and the entities responsible for supervising thereof.

70. The above – stated list makes it clear that it includes all DNFBPs mentioned in the FATF Methodology. Other activities may be added to the DNFBPs list by virtue of a Prime Minister Decree. According to the amended law, DNFBPs shall: report any transactions that are suspected to constitute proceeds or involve ML/TF or any attempts to proceed with such transactions regardless of their value, establish a system for implementing CDD measures; provide EMLCU with the data, information, and statistics necessary for EMLCU to assume its functions, keep records and documents for recording executed local and international transactions including data sufficient for identifying customers and transactions, keep records, documents, and data records of customers and beneficial owners of natural and legal persons for five years at least as of the date the transaction ends or the closing of the account, update such data periodically, provide the records and documents to the judicial authorities upon request. Generally, the DNFBPs are required to take all the obligations stipulated in the law and the executive regulations for the purpose of applying the CDD measures. They must also pay special attention when dealing with cases that represent high risks, such as the large and complex transactions, or the politically exposed persons. They must classify the customers and transactions as per the level of risk, and prevent the misuse of technological developments in ML/TF.

71. As for the increasing the effectiveness of implementing the regulatory controls in the AML/CFT field for real-estate agents. The Ministry of Industry, Trade and Investment issued the administrative decision No. 17/2012 through the General Authority for the Control on Exports and Imports to establish the Commercial Agents Department for real estate brokerage. The department is entitled with creating a register in which all those who engage in commercial mediation in the field of real estate brokerage shall be registered. In addition, the president of the General Authority for the Control on Exports and Imports issued decision No. 209/2014 which designates the AML officer at the Authority offices across the Arab Republic of Egypt.

### **R15: Rating: PC**

72. The amended law obligates all FIs and other entities to establish sufficient systems for implementing the law provisions. Such systems will include the internal policies, procedures, monitoring and compliance systems, training, and appointing the compliance officers in these institutions; according to the rules, controls, and standards set by competent authorities. The

executive regulations of the law (Articles 30, 31, 32, 32 bis, 33, 34, 36, and 37) elaborates on making such obligations on FIs. FIs shall establish a system for monitoring, compliance, CDD measures, keeping records, detecting unusual transactions, and filing STRs. All FIs shall appoint an AML/CFT officer with clear functions including: receiving information on unusual and suspicious transactions, examining such transactions, and making decisions whether to file an STR to EMLCU or to maintain them. The FIs and other entities shall provide this officer, and his/her alternatives, with independency and confidentiality of received information and undertaken procedures. The authorities stated that the FIs that are not subject to specific supervisory authorities had set forth AML/CFT policies and their implementation systems and procedures. Such policies and procedures included CDD measures, keeping records, detecting unusual and suspicious transactions, and the obligation to file STRs.

#### **R16: Rating: PC**

73. The amended law (Article 8) includes obligating DNFBPs to immediately file an STR to EMLCU on any transactions suspected to constitute proceeds or involve ML/TF crimes, or any attempts to proceed with such transactions regardless of its value. They are also obligated to establish systems sufficient for implementing CDD measures and other rules and procedures relevant to AML/CFT. The DNFBPs are obligated to report to EMLCU in accordance with the controls and procedures set in the executive regulations. Article 31 of the executive regulations of the law stipulates on the obligation to report STRs to EMLCU including the detailed procedures set by the entities and FIs including detailed indicators. The reporting shall also be done through the forms prepared by EMLCU for this purpose.

74. On the other hand, the law obligated DNFBPs to establish systems for monitoring, compliance, CDD measures, keeping records and documents to register the executed local and international transactions, detecting suspicious transactions, and filing STRs. They shall also appoint an AML/CFT officer whose functions include: receiving information on the unusual and suspicious transactions provided by internal systems of FIs and other entities or employees, and examining the transactions and make the suitable decisions.

75. It also obligates the DNFBPs to develop an ongoing program for training and qualifying their staff in the AM/CFT field. The training should include awareness on international agreements, instructions, systems, and laws related to AML/CFT.

#### **R17: Rating: PC**

76. The amended AML law includes a series of sanctions imposed on persons who have certain obligations as per the law. Article 15 includes penalty of imprisonment and fine of no less than EGP100.000 and no more than EGP 500.000, or one of these two penalties, for those who violate the provisions of Articles 8, 9, and 10 of the law. Article 16 of the amended law also included provisions for punishing the legal persons. The provision included that the person responsible for actual management of the violating legal person shall be penalized by the same penalties stipulated for the acts committed in violation of the provisions of this law, if knowledge thereof is established, and the crime is committed as a result of the violation or the negligence of the job duties of such person. This person is also penalized by a fine of no less than EGP 100.000 and no more than EGP 5 millions. He/she shall be jointly held liable for the payment of any financial penalties or compensations if the crime committed in violation of the provisions of this law is perpetrated by one of its staff in its name and interest. Article 16 bis of the law includes that FIs and DNFBPs that violate the provisions of Article 7 of this Law, or

the relative provisions, decisions or controls, shall be penalized. It is noteworthy that the powers of EMLCU to impose administrative sanctions cover those FIs that are not subject to specific supervisory authority.

**R22: Rating: PC**

77. The provisions of the amended law apply to FIs operating in Egypt and the branches of foreign institutions operating in Egypt. The law also applies to the Egyptian FIs operating outside the country. The KYC rules stipulates that of all FIs operating in Egypt, all their branches and subsidiaries inside and outside Egypt, and all the branches of foreign FIs operating in Egypt must comply with the provisions of such rules and observe and implement them accurately. The regulatory controls issued by the CBE echo the same meaning, which assures the validity of such controls in all branches and subsidiaries outside the country. FIs shall also pay special attention to ensure compliance to this concept with regards to their branches operating in countries which do not or insufficiently apply the FATF Recommendations.

**R24: Rating: NC**

78. It was previously stated that Egypt has included obligations on the DNFBPs in the AML/CFT law. The executive regulations of the law defined the supervisory authorities that include the Ministry of Communications and Information Technology which supervises the Post Savings Fund, the General Authority for Investment and Free Zones which supervises the leasing entities and entities engaged in factoring, and the General Authority for Mortgage Finance which supervises the entities that practice mortgage finance activities. Article 19 of the executive regulations of the law includes: obligating the supervisory authorities to establish and create sufficient means to verify the compliance of the FIs and other entities subject to supervision through the systems and rules prescribed by AML/CFT law, cooperating with EMLCU for establishing regulatory controls for FIs and other entities and setting the obligations for the mentioned institutions to comply with, cooperating with EMLCU to develop sufficient means for verifying that the FIs and other entities subject to supervision have in place systems for identifying customers and beneficial owners of legal and natural persons, applying the means of offsite and onsite inspection for ensuring the compliance of FIs and other entities with law provisions, deciding on violations as per the set procedures, providing EMLCU with a periodic annual report on AML/CFT, and appointing an experienced efficient point of contact at each supervisory authority to represent it at EMLCU with regards to AML/CFT.

79. Ministry of Economy and foreign trade issued rules and arrangements regarding regulating the casino business. Also, the Ministry of Tourism issued rules for casino gaming activities and laws for technical and financial monitoring. In addition, the CBE issued a decision with regards to the rules and arrangements of dealing in foreign currency in casinos at tourist facilities.

**R25: Rating: PC**

80. EMLCU has provided guidelines for reporting suspicious transactions. The guidelines were circulated and sent to all sectors, including STR templates. The authorities stated that EMLCU provides feedback and guidelines to FIs and DNFBPs with regards to the reported case, as well as the results of STR analysis. The CBE has issued regulatory controls for banks,

money exchange companies and money transfer companies, which include the suspicion indicators for ML/TF. Also, Capital Market Authority CMA has issued regulatory controls for securities companies, and companies engaged in receiving funds for investment. The Egyptian Insurance Supervisory Authority also issued regulatory controls for insurance and re-insurance companies that included indicators on ML/TF suspicions. Also, the regulatory controls issued for companies operating in financial leasing and mortgage financing and the National Post Authority include indicators on ML/TF suspicions.

**R29: Rating: PC**

81. The executive regulations, by virtue of Article 1, defines supervisory authorities as follows: CBE, Egyptian Insurance Supervisory Authority, Capital Market Authority, General Authority for Investment and Free Zones, General Authority for Mortgage Finance, Ministry of Communications and Information Technology, and any other supervisory authority which are authorized to supervise and monitor any activities of FIs and DNFBPs, by virtue of Prime Minister Decree. The supervisory authorities undertake supervising and monitoring entities under their supervision as required by Article 19 of the executive regulations.

82. On the other hand, the authorities stated that the EFSA has inspected: Insurance companies, Securities companies, financial leasing companies and mortgage financing companies. It also stated that all inspectors from concerned supervisory authorities who conduct inspection on AML/CTF systems review the reports and suspicious transaction reports when conducting the onsite inspection.

**R32: Rating: PC**

83. The authorities stated that EMLCU regularly collects comprehensive statistics on AML/CFT from the regulatory and supervisory authorities of FIs and DNFBPs. The effectiveness of the AML/CFT systems is reviewed. The authorities provided statistics evidencing that the EMLCU is being regularly provided with updated statistics; however, the authorities should continue to review, on an ongoing basis, the extent of effectiveness of AML/CFT regime through the collected statistics.

**R33: Rating: PC**

84. The authorities stated that a cooperation protocol was signed between the Internal Trade Development Authority (ITDA), affiliated to the Ministry of Commerce, Industry and Investment, and the National Management Institute, affiliated to the Ministry of State for Administrative Development. The purpose of the protocol is the development of commercial register offices through creating a unified database for connecting 87 commercial registrars across Egypt, in addition to training the employees on it. ITDA prepares a project of creating a unified national number that connects the industrial and commercial registrar and the Egyptian Tax Authority to a unified database. The purpose is to facilitate investors' business and prevent tax evasion and manipulation. This would also facilitate the execution of verdicts and decisions issued by the Public Prosecutor with relation to commercial facilities. The project also includes creating an electronic archive for publishing all commercial names and trademarks and any changes thereon, for enhancing transparency.

### **SRVII: Rating: PC**

85. Egypt has made FIs, which are not subject to specific supervisory authority, under the supervision of EMLCU with regards to the application of the AML law provisions. In the KYC rules issued for the banks, EMLCU covered institutions which execute wire transfers. Such institutions shall include the identification data in the transfer. The bank originating the transfer has to obtain information on the person requesting the transfer, verify its accuracy, keep record of it, and completely insert it in the form that designed for that purpose. Such information includes: name of the transfer originator, account number (a unique reference number, if there is no account), address of transfer originator, purpose of transfer, and name of beneficial owner.

86. The abovementioned rules stipulate on the bank obligations on receiving transfers, which include: adopting effective risk-based procedures for defining the incomplete transfers which are not accompanied with sufficient information on the transfer originator and dealing with them, and using modern technology means to determine transfers. If the beneficial owner doesn't hold an account, the bank shall complete beneficial owner's personal data and maintain an original copy of the customer identification document. The rules also stipulated the bank's obligations in case of the intermediary as follows:

- a. All information on the transfer originator attached to the electronic transfer template must be kept.
- b. If the intermediary bank receives incomplete data on the transfer originator from the sending bank, it must notify the receiving bank when executing the transfer.

### **SRIX: Rating: PC**

87. Article 12 of the amended law required that every person, upon entering into or exiting from Egypt, shall declare to the competent customs authorities any amounts or any bearer negotiable instrument. This declaration shall be in accordance with the controls set by the executive regulation. Section 2 of this Article also included that personnel of Customs Authorities, with Law enforcement capacity, may, in case of failure to declare or provision of false information (False Declaration), question the violator about the source of such possessions of foreign currencies and bearer negotiable instruments referred to and the purposes of their use. It worth noting that the Central Bank, Banking Sector, and Money Law No.88/2003, states in article (116) that “Passengers arriving in or departing from the country may hold Egyptian banknotes, not exceeding five thousand Egyptian pounds. The entry or exit of Egyptian banknotes via postal consignments and parcels shall be prohibited”.

88. It should be noted that sanctions listed in Art. 126 of law No .88/2003 shall be applicable on whoever violates any provision of article (116) of this law or article (12) of AML Law, which state for an imprisonment for a period not exceeding three months and a fine of not less than five thousand pounds, and not more than twenty thousand pounds, or either penalty and in all cases the funds and materials of the case shall be seized, and confiscated by a court ruling. If the objects are not seized, a verdict with an additional fine equivalent to their value shall be passed.

89. The Egyptian authorities stated that personnel of Customs Authorities, with law enforcement capacity, may take a number of procedures including questioning the violator on the source and purpose of usage of cash, securities and commercial bearer negotiable

instruments in his/her possession, when making no declaration or giving false information or when there is evidence on committing AML/CFT crime. They also shall send the seizure reports to the competent authority and send copies of reports to EMLCU.

90. The authorities stated that the Customs Administration is enhancing its efforts on activating the disclosure system. This includes: spreading directive signboards, creating a department specialized in AML at the Central Department for Combating Customs Duty Evasion, creating a database for declaration forms, submit e-copies of the listed data, developing monthly and annual reports on the persons repeatedly leaving or entering the country, and developing periodic statistics on the foreign currency seizure reports.

91. The authorities provided the following statistics:

**Table 10: Foreign Currency Seizure Reports**

Year	Description	Number of Reports
2010	Foreign Currency Seizure Reports	12
2011	Foreign Currency Seizure Reports	8
2012	Foreign Currency Seizure Reports	24
2013	Foreign Currency Seizure Reports	49

**Annex:**

**Annex No.1: Law No.(80/2002) and its amendments for the years (2003,2008.2014).**

**Annex No.2: Law No.(128/2014) amendments to the penal Code.**

**The Anti-Money Laundering Law**  
**Issued by law no. (80) for 2002** \*

**Article (1)**

In applying the provisions of this Law, the following words and phrases shall have the meanings ascribed thereto:

a) Funds:

The national currency, foreign currencies, securities, commercial papers, any valuable items, whether real estate or tangible or intangible movable property, or any rights relating thereto, and legal documents and deeds that prove ownership of these funds or interest therein in any form including digital and electronic forms.

b) Money Laundering:

Any of the acts stipulated in Article (2) of this law.

c) Predicate Offence

Any act that is considered a felony or misdemeanor as per Egyptian laws, whether such act has been committed inside Egypt or abroad provided that it is punishable in both countries.

d) Proceeds

Funds directly or indirectly resulted or yielded from committing any predicate offence.

e) The Unit:

Money Laundering and Terrorist Financing Combating Unit.

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\* As amended per law no. 78 for 2003, law no. 181 for 2008, and Presidential Decree-Law no. 36 for 2014.

f) Financial Institutions:

1. Banks operating in Egypt, their branches abroad, and branches of foreign banks operating in Egypt;
2. Foreign exchange companies and other entities licensed to deal in foreign currencies;
3. Entities engaged in money transmission activities;
4. Entities engaged in securities;
5. Entities engaged in receiving money;
6. The National Post Authority; with respect to the financial services it offers;
7. Entities conducting mortgage activities and entities dealing in Real estate securitization ;
8. Entities undertaking financial leasing activities,
9. Entities engaged in factoring activities;
10. Entities undertaking any type of insurance activities, private insurance funds, and insurance brokerage activities,
11. Entities engaged in central securities depository and registry, and ;
12. Any other entity that conducts as a profession, for, or on behalf of, a customer, one or more of the activities licensed to financial institutions stipulated in section (f) of this Article;
13. Other entities to be specified by a Prime Minister Decree, determining their obligations and the entities responsible for supervising thereof;

This shall be applicable whether the activities prescribed in section (f) of this Article are undertaken by legal or natural persons.

g) Non-financial professions and businesses:

- 1) Real estate agents – when they engage in transactions for their clients concerning the buying and selling of real estate.
- 2) Dealers in precious metals and dealers in precious stones – when they engage in any cash transaction with their customers equal to, or above, the applicable threshold specified in the Executive Regulations.
- 3) Lawyers and accountants – whether they practice their profession as sole practitioners or partners or employed professionals within professional firms when they prepare for, or carry out, transactions for their clients concerning the following activities:
  - a. Buying and selling of real estate;
  - b. Managing of client money, securities or other assets;
  - c. Management of bank, saving or securities accounts;
  - d. Organization of contributions for the creation, operation or management of companies;

- e. Creation, operation or management of legal persons or arrangements, and buying and selling of business entities.
- 4) Casinos – this includes internet and ship-based casinos, when their customers engage in financial transactions equal to, or above, the threshold specified in the Executive Regulations.
- 5) Other professions and businesses to be specified by a Prime Minister Decree, determining their obligations and the entities responsible for supervising thereof.

The Executive Regulations shall determine the controls applicable to these businesses and professions.

#### h) Bearer Negotiable Instruments

They are monetary instruments in bearer form, and any other negotiable instruments, such as any form of cheques, promissory notes and money orders that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery, and instruments that are signed, but with the payee's name omitted.

#### i) The Competent Minister:

The Prime Minister or any minister authorized thereby.

### **Article (2)<sup>1</sup>**

A person shall be deemed a perpetrator of a money laundering offence, if he/she knows that the funds involved is the proceeds of a predicate offence and willfully does any of the following acts:

- 1) The conversion or transfer of proceeds, for the purpose of concealing the funds, disguising their true nature, source, location, ownership, any interest therein, altering their reality, or preventing the discovery thereof or impeding the identification of the perpetrator of the predicate offence.
- 2) Acquiring, holding, disposing of, managing, keeping, exchanging, depositing, guaranteeing, investing the proceeds, or tampering with their value, or concealing or disguising the true nature of these proceeds, their

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<sup>1</sup> Replaced by Presidential Decree-Law No. 36 for 2014.

source, location, disposal, movement or ownership or rights associated therewith.

### **Article (3)**

An independent unit with a special nature shall be established at the Central Bank of Egypt to combat money laundering and terrorist financing, wherein the concerned entities shall be represented. The Unit shall assume the responsibilities prescribed under this Law. It shall be provided with a sufficient number of experts from the judicial authority and specialists in the fields relating to the application of the provisions of this Law, and staffed with qualified and trained employees.

The President of the Republic shall issue a decree on the formation of this Unit, its management system, statutes, without being restricted by any rules or by-laws applicable to the government, public sector, and the public enterprise sector.

### **Article (4)**

The Unit shall be responsible for receiving reports from financial institutions and non-financial professions and businesses concerning transactions suspected of being proceeds or involving money laundering or terrorist financing, or attempts of conducting such transactions\*.

The Unit shall establish a database for all available information, and may make such information available to judicial authorities and any other entities responsible for the application of this Law; and shall exchange such information and coordinate with public control entities in the State and with competent authorities in foreign countries and international organizations, in accordance with the provisions of international treaties to which Egypt is a party, or according to the principle of reciprocity.

### **Article (5)<sup>2</sup>**

The Unit shall undertake investigation and examination of reports and information received thereby concerning transactions suspected of being

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<sup>2</sup>The last paragraph was replaced by virtue of Law No. 181 for 2008.

proceeds or involving money laundering or terrorist financing, and shall inform the public prosecution of the indications revealed by investigation as to the commitment of any of the offences stipulated in this Law.

Provisions of Articles 208 (bis) a, 208 (bis) b, 208 (bis) c, and 208 (bis) d, of the Code of Criminal Procedure shall apply to money laundering and terrorist financing offences. The Unit may request the investigation authorities to take provisional measures as stated in the aforementioned articles.

Provisions of the last paragraph of Article (98) of Law No. 88 for 2003 Promulgating the Law on the Central Bank, the Banking Sector and Money, shall apply to money laundering, terrorism and terrorist financing offences.

#### **Article (6)**

Personnel of the Unit to be designated by a Minister of Justice decree, upon the request of the competent minister, shall have the capacity of law enforcement officers with respect to the offences stipulated in this Law as relating to their job duties.

#### **Article (7)**

Entities responsible for supervising financial institutions and non-financial professions and businesses shall establish and provide adequate means for ensuring that such financial institutions and non-financial professions and businesses comply with the systems and rules prescribed by law for combating money laundering or terrorist financing, including the reporting of transactions suspected of being proceeds or involving money laundering or terrorist financing. Such entities, financial institutions, and non-financial professions and businesses shall provide the Unit with the data, information, and statistics necessary for carrying out its duties, in accordance with the rules and procedures to be set by the Unit.

The Unit shall establish and provide adequate means for ensuring that all financial institutions and non-financial professions and businesses – that are not subject to the supervision of the entities stated above in the first paragraph of this Article with relation to combating money laundering and terrorist financing - comply with the controls and rules set in this regard. The Unit shall also set forth rules and regulations relating to combating money laundering and terrorist financing.

The Unit shall follow up the entities, financial institutions, and non-financial professions and businesses indicated in this Article with respect to the compliance stipulated in the first paragraph of this Article.

And in all cases, competent authorities shall report to the Unit any available information regarding money laundering and terrorist financing offences, actions taken relating thereto and the results thereof.

All shall be done as per the manner prescribed in the Executive Regulations.

#### **Article (8)**

Financial institutions and non financial professions and businesses shall promptly report to the Unit any transactions suspected of being proceeds or involving money laundering or terrorist financing, as well as attempts of conducting such transactions regardless of their value, and shall establish systems adequate for applying customer due diligence and other rules and procedures relating to combating money laundering and terrorist finance to be set by the Unit.

All shall be done as per the manner prescribed in the Executive Regulations.

#### **Article (9)**

Financial institutions, and non-financial professions and businesses shall maintain records and documents for domestic or international financial transactions that contain sufficient data for identifying such transactions; keep such records and documents, along with data records of customers and beneficial owners of natural and legal persons for a period not less than five years from the date of completing the transaction with them, or from the date of closing the account, as the case may be; unless the Unit or investigation authorities request them to maintain such records and documents for a longer period. Financial institutions and non-financial professions and businesses shall update such data periodically and provide access to such records and documents to judicial authorities upon request.

Financial institutions and non-financial professions and businesses may maintain microfilm copies instead of originals for the period referred to, and such copies shall have the authenticity of the originals in matters relating to proof, if prepared, maintained and retrieved in accordance with the rules to be issued by the Unit

### **Article (10 )**

Criminal and civil liability shall not apply to any person who, in good faith, fulfils the obligation of reporting to the Unit any suspicious transactions subject to the provisions of this Law, or provides information or data to the Unit in violation of the rules imposed to ensure their secrecy.

The controls to be followed in this regard shall be set by the Executive Regulations.

### **Article (11)**

It shall be prohibited to disclose to a customer, beneficiary or any person other than the authorities and entities responsible for enforcing the provisions of this Law any of the reporting, investigation or examination procedures taken with regard to financial transactions suspected of being proceeds or involving money laundering or terrorist financing, or any information relating thereto.

### **Article (12)**

Without prejudice to Article (116) of Law No. 88 for 2003 Promulgating the Law on the Central Bank, the Banking Sector and Money, any passenger, upon entering into or departing from the country, shall truly declare to the customs authorities any amounts he/she carries of foreign currencies and bearer negotiable instruments. Declaration shall be made in accordance with the rules and procedures to be set out in the Executive Regulations.

Personnel of Customs Authorities, with Law enforcement capacity, may, in case of failure to declare or provision of false information, question the violator about the source of such possessions of foreign currencies and bearer negotiable instruments referred to and the purposes of their use.

Such authorities shall take measures for seizing the currencies and bearer negotiable instruments in the cases stipulated in the previous paragraph, and also where there are serious indications of committing a money laundering or terrorist financing offence. Such authorities shall file reports concerning such cases to the competent authorities to take the necessary action in this regard.

Provisions of Article (126) of the law on the Central Bank, Banking System, and Money mentioned above shall be applicable in this regard.

### **Article (13)**

Without prejudice to any severer penalty stipulated under the Penal Code or any other law, offences stated in the following Articles shall be punishable by the penalties stipulated therein.

### **Article (14)**

Any person who commits, or attempts to commit, the money laundering offence stipulated in Article (2) of this Law shall be imprisoned for a period not exceeding seven years, and fined a sum twice the amount of money subject of the offence.

The verdict shall in all cases ordain confiscation of the seized funds, or an additional fine equivalent to the value thereof, where such funds cannot be seized, or in case of disposal thereof to bona fide third parties. This offence shall be excluded from application of the provisions of paragraph two of Article (32) of the Penal Code.

### **Article (15)**

Any person violating any of the provisions of Articles (8, 9 and 11) of this Law shall be penalized by jail and fined an amount not less than one hundred thousand Egyptian pounds and not more than five hundred thousand Egyptian pounds, or either penalties.

### **Article (16)**

Where the offence is committed by a legal person, the natural person responsible for actual management of this legal person shall be penalized by the same penalties stipulated for the acts committed in violation of the provisions of this Law, if knowledge thereof is established, and the offence has been committed as a result of the violation of the job duties of such person.

The legal person shall be fined an amount not less than one hundred thousand Egyptian pounds and not more than five million Egyptian pounds, and shall be jointly liable for the payment of any financial penalties and damages if the offence committed in violation of this law has been perpetrated by one of its staff in its name and interest. The court may order the suspension of the activity of the legal person for a specified period or

cancellation of the activity license. The court shall ordain publication of the verdict at the expense of the legal person in two daily widespread newspapers.

#### **Article (16) bis**

In cases when financial institutions and non-financial professions and businesses - referred to in the second paragraph of Article (7) of this Law - violate any of the provisions of this Law or decisions, rules, or regulations issued for the application of its provisions, the Unit may take any of the following procedures:

- 1) Issue a warning;
- 2) Bar the violating entity from conducting certain businesses; or
- 3) Request the licensing authority of the violating entity to bar it from carrying out its activities for a definite period or to cancel the license.

#### **Article (17)**

In case of multiple perpetrators in a money laundering offence, where one of the perpetrators reports to any of the authorities concerned with enquiry or investigation on the offence and the other perpetrators, before their first knowledge thereof, or after knowledge but such a report leads to the arrest of the other perpetrators or seizure of funds subject of the offence, the court, based upon its discretion as to fulfillment of the said conditions, shall rule that the reporting perpetrator be exempted from the penalties of imprisonment and fine stipulated in the first paragraph of Article (14) of this Law, but not from any of the ancillary penalties stipulated in the second paragraph of the same Article.

#### **Article (18)**

The Egyptian judicial authorities shall cooperate with foreign judicial authorities in the field of money laundering and terrorist financing offences, with respect to judicial assistance and Letters Rogatory, extradition of accused and convicted persons and handing over of items, in accordance with the rules stipulated in bilateral or multilateral treaties to which Egypt is a party, or on the basis of the principle of reciprocity.

### **Article (19)**

The Authorities referred to in Article (18) of this Law may, in particular, request taking the legal procedures necessary to trace, freeze or seize the funds subject of the money laundering and terrorist financing offences, without prejudice to the rights of bona fide third parties.

### **Article (20)**

Competent Egyptian judicial entities may order enforcement of final criminal rulings issued by competent foreign judicial authorities, concerning the confiscation of the funds resulting from money laundering and terrorist financing offences or proceeds thereof, in accordance with the rules and procedures stipulated in bilateral or multilateral treaties to which Egypt is a party.

Bilateral or multilateral treaties may be concluded to regulate disposal of funds for which a final ruling of confiscation has been issued by Egyptian or foreign judicial entities in money laundering and terrorist financing offences. Such treaties shall include rules for distributing the said funds among parties to the treaty, in accordance with the provisions stipulated therein.

### **Article (21)**

The Unit shall take the necessary measures to carry out Egypt's commitments according to international conventions, treaties, and charters with respect to terrorist financing and the financing of the proliferation of weapons of mass destruction. This shall be done as per the manner prescribed in the Executive Regulations..

**Presidential Decree Law No. 128 for 2014**  
**Promulgating the amendment of The Penal Code**

**The President of the Republic,**

After having perused the constitution and The Penal Code;

After the approval of the Council of Ministers;

And based on what the Council of State has considered;

**decrees**

**The following law**

**Article (1)**

Article no. 78 of the Penal Code shall be replaced by the following text:

Any individual requesting for himself or for others, accepting, or receiving; even by way of mediation, from a foreign country or from those working in the interest thereto, a natural or legal person, a local or foreign organization, or from any other entity not affiliated to a foreign country and doesn't work in the interest of a foreign country, liquid funds or movable property, material, equipments, arms, ammunition or their equivalents, or other things, or promising with anything of them with the aim of pursuing acts harmful to national interests or destabilizing public security and peace, shall be penalized with a life imprisonment and a fine of no less than LE500,000 and no more than the amount given or promised. Penalty shall be either a capital punishment or a life imprisonment and a fine of no less than LE500,000 if the perpetrator is a public officer, entitled with a public service, or has a parliamentary capacity, or committed the crime in the wartime or for a terrorist purpose.

The same penalty shall be applied to he who gives, offers, or promises with anything of the aforementioned with the purpose of committing a harmful act of such actions stated in the previous paragraph.

The same penalty shall be applied also to he who mediates for the purpose of committing any of the previously stated crimes.

If request, receipt, offer, or mediation is in writing on paper or electronic forms, the crime would be committed once the letter or statement is delivered.

## **Article (2)**

This decree law shall be published in the official gazette, and shall come into force the day following publication date.

Issued at the Presidency of the Republic on 26<sup>th</sup> of Dhul-Qida 1435 H (correspondent to 21 September 2014 A.D.).

**Abdel-Fattah El-Sisi.**