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The Arab Republic of Egypt

Egypt is a member of the Middle East and North Africa Financial Action Task Force for combating Money Laundering and Terrorist Financing (MENAFATF). This evaluation was conducted by MENAFATF, and the Mutual Evaluation Report was discussed and adopted by the Plenary of the MENAFATF on May 2021. This report presents a summary of the anti-money laundering (AML) / counter-terrorist financing (CFT) measures in place in Egypt as at the date of the on-site visit from 01 to 09 March 2020 and from 16 September to 07 October 2020 (the onsite was completed remotely). The report analyzes the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Egypt's AML/CFT system and provides recommendations on how the system could be strengthened.

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Table of Contents

Executive Summary	3
Key Findings.....	3
Priority Actions.....	11
Effectiveness & Technical Compliance Ratings:.....	12
Effectiveness Ratings:.....	12
Technical Compliance Ratings:.....	12
MUTUAL EVALUATION REPORT	13
Preface:.....	13
CHAPTER I. - ML/TF Risks and Context	14
<i>ML/TF Risks and Scoping of Higher Risk Issues</i>	14
<i>Materiality</i>	17
<i>Structural Elements</i>	17
<i>Background and Other Contextual Factors</i>	17
CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION	25
<i>Key Findings and Recommended Actions</i>	25
Immediate Outcome 1 (Risk, Policy and Coordination).....	27
CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL MATTERS	40
<i>Key Findings and Recommended Actions</i>	40
Immediate Outcome 6 (Use of Financial Intelligence ML/TF).....	43
Immediate Outcome 7 (ML investigation and prosecution).....	63
Immediate Outcome 8 (Confiscation).....	70
CHAPTER 4. Terrorist Financing and Financing of Proliferation	79
<i>Key Findings and Recommended Actions</i>	79
Immediate Outcome 9 (TF Investigation and prosecution).....	81
Immediate Outcome 10 (TF preventive measures and financial sanctions).....	93
Immediate Outcome 11 (PF financial sanctions).....	109
CHAPTER 5. PREVENTIVE MEASURES	116
<i>Key Findings and Recommended Actions</i>	116
Immediate Outcome 4 (Preventive Measures).....	117
CHAPTER 6. SUPERVISION	134
<i>Key Findings and Recommended Actions:</i>	134
Immediate Outcome 3 (Supervision).....	135
CHAPTER 7. LEGAL PERSONS AND LEGAL ARRANGEMENTS	153
<i>Key Findings and Recommended Actions:</i>	153
Immediate Outcome 5 (Legal Persons and Legal Arrangements).....	154
Chapter 8. International Cooperation	163
<i>Key Findings and Recommended Actions:</i>	163
Immediate Outcome 2 (International Cooperation):.....	164
Technical Compliance Annex	179
Recommendation 1- Assessing risks and applying a risk-based approach.....	179
Recommendation 2- National Co-operation and Co-ordination.....	181
Recommendation 3- Money laundering offense.....	182
Recommendation 4- Confiscation and provisional measures.....	183
Recommendation 5- Terrorist financing offense.....	185
Recommendation 6- Targeted financial sanctions related to terrorism and terrorist financing.....	187
Recommendation 7- Targeted financial sanctions related to proliferation.....	194
Recommendation 8- Non-profit organizations.....	197
Recommendation 9- Financial institution secrecy laws.....	200
Recommendation 10- Customer due diligence.....	201
Recommendation 11- Record-keeping.....	204

Recommendation 12- Politically exposed persons.....	205
Recommendation 13- Correspondent banking Relationships.....	206
Recommendation 14- Money or Value Transfer Services.....	206
Recommendation 15- New technologies.....	208
Recommendation 16- Wire transfers.....	210
Recommendation 17- Reliance on third parties	213
Recommendation 18- Internal controls and foreign branches and subsidiaries:	213
Recommendation 19- Higher-risk countries.....	215
Recommendation 20- Reporting of suspicious transactions.....	215
Recommendation 21- Tipping-off and confidentiality	216
Recommendation 22- DNFBPs: Customer due diligence.....	216
Recommendation 23- DNFBPs: Other measures.....	217
Recommendation 24- Transparency and beneficial ownership of legal persons	218
Recommendation 25- Transparency and beneficial ownership of legal arrangements.....	222
Recommendation 26- Regulation and supervision of financial institutions	225
Recommendation 27- Powers of supervisors.....	227
Recommendation 28- Regulation and supervision of DNFBPs	228
Recommendation 29- Financial intelligence unit (FIU)	231
Recommendation 30- Responsibilities of law enforcement and investigative authorities	234
Recommendation 31- Responsibilities of law enforcement and investigative authorities	234
Recommendation 32- Cash couriers.....	236
Recommendation 33- Statistics	237
Recommendation 34- Guidance and feedback	238
Recommendation 35- Sanctions.....	239
Recommendation 36- International instruments	241
Recommendation 37- Mutual legal assistance	241
Recommendation 38- Mutual legal assistance: Freezing and confiscation	243
Recommendation 39- Extradition	245
Recommendation 40- Other forms of international cooperation.....	246

Executive Summary

1. This report provides a summary of the AML/CFT measures in place in the Arab Republic of Egypt as at the date of the onsite visit from 01 to 09 March 2020 and from 16 September to 07 October 2020 (the onsite was completed remotely). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

- a. The concerned governmental sectors and the private sector participated in the national risk assessment (NRA) process for the period extending from 2014 until 2017 and its results were disseminated to all the concerned authorities and departments and to the private sector, each within its competences. Egypt finalized the update of the NRA to cover the period of 2018-2019. The results of this assessment are largely consistent with Egypt's risk profile, and the assessment team considers that the outcomes of Egypt concerning risks of some sectors, and the prevailing domestic self-laundering pattern require further verification. Entities specialized in combating TF have a good understanding of the risks of terrorism and terrorist financing. As to money laundering, governmental institutions, law enforcement authorities, investigative authorities and supervisors of the banking and non-banking financial sector have an understanding that varies between moderate and good, except for the General Authority for Investments and Free Zones (GAFI), the police force for countering antiquities smuggling and the Anti-Narcotics Administration which did not have sufficient understanding compared to the country's context and the level of risks regarding crimes or relevant sectors. As to supervisors of the non-financial sector, their understanding of the risks is close and varies between moderate and weak, except for the casinos and real estates' supervisors, which had a good understanding of ML risks. Overall, FIs, including banks, have a good understanding of their ML/TF risks and most DNFBPs do not have a close level of understanding which varies between moderate and weak. Important and high-risk sectors of the DNFBP, such as DPMS, lawyers and real estate brokers, have a good understanding of risks.
- b. Competent authorities (the Money laundering and Terrorist Financing Combating Unit (EMLCU), the National Security Agency, the Administrative Control Authority, the General Directorate for Public Funds Crimes Investigation) are using information and have, to a large extent, a direct and an indirect access to a wide variety of financial and intelligence information. They use this information in conducting inquiries and preparing reports for AML/CFT purposes, except for the Anti-Narcotics Administration and the Antiquities Department whose efforts are still not enough. The EMLCU provides feedback to banks, FIs and supervisors in various ways but feedback needs more support. STRs and disseminations made by the EMLCU support the operational needs of competent authorities, namely in the terrorist financing field. However, the low number of STRs related to serious crimes with respect to the country's context and the EMCLU's main reliance on

- banks as part the analysis it undertakes, and to a lesser extent on DNFBPs would negatively affect the comprehensiveness of the information used in the operational and strategic analysis.
- c. ML cases are identified either through investigations conducted by competent authorities or by the EMLCU based on STRs it receives from reporting entities. The types of ML activities investigated and whose perpetrators are prosecuted are not fully consistent with the country's risk profile. Some crimes generate very large financial proceeds, such as organized crime and smuggling of antiquities, but they were not mentioned in the NRA, nor did they appear in the investigation of ML cases. Most proceeds-generating predicate offenses are investigated but the jurisprudence requires that the predicate offense be criminalized, which makes it difficult to prosecute stand-alone ML cases, independently from the predicate offense. therefore, investigations are mostly limited also to self-laundering, while third-party laundering is investigated to a lesser degree. The limited number of ML investigations is not commensurate with the large number of predicate offenses, namely those which generate large financial proceeds.
 - d. Large amounts of funds are usually seized upon the arrest of suspects; however, the remainder of the criminal proceeds is not traced because no parallel financial investigation is conducted in most of the crimes and the international judicial cooperation is not being sought; which would eventually result in the confiscation of the seized funds but without the proceeds. Furthermore, the number of convictions ordering the confiscation in money laundering is no more than 4.
 - e. The National Security Agency is responsible for investigating TF cases and has a good understanding of the risks. It focuses on TF activities, including the collection, movement and use of funds. The number of TF convictions has been in constant decline over the last years, as a result of the country's efforts in eliminating several terrorist groups. The charge of terrorist financing as a distinct crime was laid in several cases, but most TF convictions were rendered in the context of investigations into terrorist crimes.
 - f. Egypt co-designated persons and entities with other countries and provided detailed information on some designated names but has not made any proposal for designation, ex parte, to the Sanctions Committee, over the last five years. Besides, it designated many natural persons and terrorist entities on both domestic lists of terrorist entities and terrorists. It also froze the shares and profits of shareholders and officers in legal persons following their designation on the domestic list, in implementation of UNSCR 1373. An increase in the number of designations on the domestic list was noticed, due to the broad definition of the terrorist acts in the Egyptian law.
 - g. The Ministry of Social Solidarity identified the subsets of NPOs and focused mainly on the high-risk NPOs within the subset. Over the last five years, the NPO sector has not been exposed to misuse for TF purposes; however, the measures taken toward a number of NPOs whose accounts have been frozen may not always be proportionate. On the other hand, the Customs Department uses a list of dual-use goods and managed to seize dual-use goods. Supervisors verify FIs for their compliance with their obligations to implement targeted financial sanctions.
 - h. The licensing and registration controls largely prevent criminals from controlling, or holding functions in, FIs and DNFBPs, even if some progress should be made in how to implement and effectively execute the fit and proper tests before and after granting the license. Furthermore, most supervisors rely on a risk-based approach to supervision that chiefly targets sectors ranked as high-risk. However, some inspections conducted by some DNFBP supervisors are not always considered satisfactory.
 - i. Egyptian authorities conducted an assessment on how legal persons are being misused for ML/TF purposes, based on a sample of cases dating back to the period of 2014-2017. But there is a fear that the authorities' understanding of how legal persons are being misused may not be sufficient, knowing that they took several measures that would reduce the misuse of legal persons, such as requiring companies to keep records containing the names of beneficial owners and to make them available to stakeholders. However, the non-

compliance of a large percentage of companies with record keeping, due to the recent issuance of the instructions, may limit the effectiveness of these measures, even if the competent authorities have the authority to enter the companies premises to look for beneficial ownership information.

- j. In general, Egypt provides timely legal assistance and the responses are of the required quality, despite some observations on the quality of the information provided and the expediency of the responses. In addition, Egypt showed its ability to prosecute the criminals sought for extradition, once the charges made against them are established and to extradite foreigners within a period of time that is considered very reasonable. Regarding the outgoing requests for judicial assistance, their number is not consistent with the risks faced by Egypt, particularly the risks of terrorism and terrorist financing. Despite Egypt's efforts to recover the funds, the low number of outgoing requests in this regard is not commensurate with the country's risk profile.

Risks and General Situation

2. Although Egypt is not a regional financial center, it has a strong and diverse economy, where the financial service sector represents a significant portion of its basic configuration. The banking sector accounts for approximately 89,8% of the total assets of the financial system. It also has its geographic, cultural, and economic characteristics as it is still somewhat at risk by virtue of its cash-based economy and its informal sector, which represents a large percentage of the GDP, the length of its land borders of approximately 2,665 km, in addition to the presence of a terrorist group in the Sinai, the presence of terrorist groups in neighbouring countries, and the regional political instability in general. Accordingly, Egypt is exposed to domestic risks of money laundering, terrorist financing and proliferation, in addition to risks related to transnational activities, and the country is exposed to geopolitical risks, especially TF related risks.
3. The illicit trafficking in narcotic drugs and psychotropic substances, fraud, illicit trafficking in arms, ammunition and explosives, theft, and corruption are considered as a major source of threat and among the most serious crimes with respect to Egypt's context. Egypt is also facing other risks that are just as important, such as the criminal and organized crime groups, tax evasion, exploitation of casinos and the sector of dealers in precious metals and stones. It is also exposed to TF risks, namely in light of the risks of using cash to finance terrorism through donations from the public and the support provided using legitimate sources of income for businessmen who belong to or are loyal to terrorist groups.
4. According to the NRA results, the banking sector is the sector where proceeds of crime which revenues are laundered are concentrated the most, followed by the entities engaged in the securities market field. The financial products and services exploited in money laundering were concentrated in electronic transfers. It also appeared that the real estate sector is one of the sectors in which the proceeds of crime were concentrated the most, given that these proceeds are used to purchase real estate. Regarding terrorist financing, banks are among the financial sectors which are misused the most, where electronic transfers are used to move the funds raised for terrorist financing.

Overall level of Compliance and Effectiveness

5. Regarding the legislative and regulatory developments, AML Law No. (80) of 2002 was approved, where law No. (17) of 2020 amending AML Law No. (80) of 2002 was promulgated and published in the official Gazette, issue No.10 bis (b) on 11 March 2020. In addition, Prime Minister decision No. (457) of 2020 amending some provisions of the executive regulation of the AML Law issued by virtue of Prime Minister decision No. (951) of 2003 was also promulgated and published in the official Gazette, issue No.8 (bis) on 23 February 2020. On combating terrorist financing, Law No. (15) of 2020 amending some provisions of Anti-Terrorism Law No.94 of 2015 was promulgated. Article (1, clause/f) of the said law required that a definition for funds and

assets be set. Article (3) included a definition of the TF offense, the expansion of the scope of crimes, the criminalization of the financing of terrorists and the financing of terrorist organizations and the criminalization of the travel of individuals who travel to a State other than their States of residence or nationality. Egypt also issued law No. (14) of 2020 amending some provisions of Law No. (8) of 2015 regarding the regulation of the lists of terrorist entities and terrorists. The said law required that a definition for the terrorist entity, funds and other assets be set.

6. The EMLCU was established under Law No.80 of 2002 and its amendments and according to the President of the Republic decision No.164 of 2002, by virtue of decision No.243 of 2009 and Law No.28 of 2003, where article (3) of the AML Law stipulated that “an independent unit with a special nature shall be established at the Central Bank of Egypt to combat money laundering and terrorist financing in which stakeholders are represented and undertakes the functions provided for in this law”.
7. Regarding the supervisory controls, supervisors issued AML/CFT controls to the entities subject to their supervision, where the CBE issued AML/CFT supervisory controls to each of: the banks and entities that engage in money transfer activity, and supervisory controls for exchange companies. The Ministry of Communications and Information Technology issued AML/CFT supervisory controls to the National Post Authority with respect to financial services it provides. The Financial Regulatory Authority (FRA) issued AML/CFT supervisory controls to the entities engaged in the non-banking financial activities and companies engaged in the consumer financing activity. The supervisory authorities of the non-financial sector also issued AML/CFT supervisory controls for owners of DNFBPs subject to the AML Law. The Egyptian legislator regulated the rules governing the incoming and outgoing cross-border movement of currency and bearer negotiable instruments (BNI), according to the provisions of article 12 of the AML Law and article 14 of its executive regulation, and article 213 of the Central Bank and the Banking Sector Law No. 194 of 2020. AML/CFT instructions for the securities and insurance activities were also issued, in addition to mechanisms for implementing UNSCRs on targeted financial sanctions related to terrorism and terrorist financing, and targeted financial sanctions related to proliferation, in implementation of the UNSCRs.

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

8. In 2019, Egypt adopted its first ML/TF risk assessment report, with the participation of all the national entities, including the private sector. The assessment covered the period between 2014 and 2017 and was chiefly based on a sample of ML and TF cases, statistics on predicate offenses, many intelligence information provided by security agencies and results of the overall analysis prepared by the EMLCU. In 2020, Egypt finalized the update of the assessment process to cover the period of 2018-2019¹.
9. Entities specialized in combating terrorist financing have a good understanding of the risks of terrorism and terrorist financing. As to money laundering, the other governmental institutions, LEAs, investigative authorities and supervisors of the banking and non-banking financial sector have an understanding that varies between moderate and good, except for GAFI, the police force for countering antiquities smuggling and the Anti-Narcotics Administration which did not have an adequate understanding. As to supervisors of the non-financial sector, their understanding of risks is close and varies between moderate and weak.
10. Regarding the private sector, banks have a good level of understanding compared to other FIs which have an understanding of ML/TF risks that varies depending on the nature of the activity. DNFBPs have an unconsolidated understanding of risks which varies between good and weak.

¹ The updated report was not analyzed because it was adopted after the on-site visit.

11. Egypt sought to reflect the NRA outputs in the internal policies of various LEAs and supervisors. Accordingly, it supported the legislative, supervisory and operational frameworks, enhanced financial inclusion, increased human resources and created AML/CFT divisions and functions within some supervisory and LEAs, respectively. It also created a national committee that oversees the regulation of the real estate sector in view of its increasing risks.
12. Egypt considers that the prevailing ML pattern is the domestic self-laundering which uses conventional and unsophisticated techniques and relies, very slightly, on third parties. Although the NRA findings are consistent with Egypt's risk profile, some crimes did not figure among these findings, thus leading to the ML pattern being limited to domestic self-laundering, in addition to the fact that the legal system in Egypt does not permit the detection of stand-alone ML pattern.

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

13. Egypt has a legal framework that enables it to investigate ML cases. According to the legislation in effect in the country, ML cases are identified either through investigations conducted by the competent authorities or by the EMLCU based on the STRs it receives from the reporting entities.
14. Competent authorities have direct and indirect access, to a large extent, to a wide variety of financial, intelligence and other relevant information while examining ML cases, related predicate offenses and TF. The EMLCU has safe headquarters and good resources that help it in processing and analysing the financial information it receives or collects. Referrals support the operational needs of competent authorities, especially in the TF field. However, the low number of STRs received by the EMLCU regarding serious crimes with respect to the country's context may negatively affect the comprehensiveness of the LEAs benefit from the EMLCU's STRs and financial inquiries.
15. Most proceeds-generating predicate offenses are investigated but the jurisprudence requires that the predicate offense be criminalized, which makes it difficult to prosecute stand-alone ML cases, independently from the predicate offense. Therefore, investigations are mostly limited to self-laundering, while third-party laundering is investigated to a lesser degree. The limited number of ML investigations is not commensurate with the large number of predicate offenses, including those which generate large financial proceeds. Besides, the organized crime and antiquities smuggling did not appear in the ML investigations. While conducting investigations into most crimes, LEAs focus mainly on controlling the money, assets and property in the suspect's possession during his arrest without conducting more comprehensive investigations into other proceeds that may have resulted from the predicate offenses and subsequent crimes that follow their laundering.
16. The low number of convictions means that the penal system is not achieving its intended purpose in deterring ML crimes. The investigations conducted concerning legal persons did not establish any acts that fall within the scope of the ML crime. Egyptian authorities do not implement alternative measures for criminal justice when it is impossible to pursue ML crimes and secure a ML conviction, except for the cases where the cross-border funds are forfeited for the violation of the declaration requirements.
17. Egypt considers confiscation as a main policy objective and seeks to seize the funds, assets and instrumentalities of crime, to the exclusion of all the proceeds and property of equivalent value, given that law enforcement authorities seize the funds that are directly related to predicate offenses, ML and TF crimes upon the arrest of the suspects. Yet, the remaining proceeds of the predicate offense which are not in the possession of the suspects upon their arrest are often not traced and seized, since authorities do not conduct

parallel financial investigation in most of the cases, mainly drugs cases, knowing that the reconciliation made in some cases, particularly those related to tax evasion prevent the investigation of money laundering.

18. Egypt confiscated significant amounts of funds in various predicate offenses. The results of confiscation and the country's risk profile are largely consistent; however, the inconsistency between the number of ML investigations, convictions and confiscations and the large number of predicate offenses and the volume of seized funds, the failure to trace the criminal proceeds on a regular basis and to benefit from the international cooperation to trace the funds which might be abroad, limit the effectiveness of the confiscation system. Besides, Egypt is implementing a cross-border currency and Bearer Negotiable Instruments declaration system and is imposing sanctions on persons who fail to declare the funds moved across the borders or who give false information. However, it appeared that the sanctions were proportionate and dissuasive.

Terrorist and Proliferation Financing (Chapter 4 - IOs 9, 10, 11; R. 1, 4, 5-8, 30, 31 & 39)

19. The National Security Agency initiates investigations of TF cases and has a good understanding of risks. It pursues several TF patterns, including the collection, movement and use of funds. It cooperates with several local and external entities to identify and investigate TF cases, whether independently or as part of its investigations of terrorist cases. It uses, for this purpose, the parallel financial investigation techniques and some special investigative methods, but on an irregular basis. It appears that the numbers of TF convictions have decreased over the last years, after Egypt managed to eliminate a large number of terrorist groups. The sanctions applied for the commission of a TF offense are considered proportionate and dissuasive, but it did not appear that there were convictions and sanctions against legal persons for terrorist financing. Moreover, confiscation in all the cases of terrorism and terrorist financing is limited to the confiscation of the seized items, without extending to cover all the proceeds related to terrorist financing.
20. Egypt has a mechanism for implementing UNSCR 1267 and subsequent resolutions. It has co-designated persons and entities with other countries and provided detailed information on some designated names, but has not made any proposal for designation, ex parte, to the Sanctions Committee, over the last five years. Besides, it designated many natural persons and terrorist entities on both domestic lists of terrorist entities and terrorists. It also froze the shares and profits of shareholders and officers in legal persons following their designation on the domestic list. An increase in the number of designations on the domestic lists was noticed, due to the broad definition of the terrorist acts. On the other hand, the Ministry of Social Solidarity identified the subset of organizations which fall within the FATF definition of NPOs and focuses mainly on the high-risk NPOs within the subset. Over the last five years, the NPO sector has not been exposed to misuse for TF purposes. Nonetheless, the measures taken by the country where the accounts of some NPOs were frozen may not always be proportionate.
21. There are no economic or commercial dealings between Egypt and North Korea. Trade with Iran is subject to enhanced measures to make sure that it is not banned. Egypt has mechanisms in place to implement UNSCRs on targeted financial sanctions relating to the combating of the financing of proliferation and the EMLCU follows up on their implementation. The Customs Department is aware of its responsibilities in terms of implementing targeted financial sanctions. It relies on the list of dual-use goods and managed to seize dual-use chemicals. FIs (except insurance companies) have a good understanding of their responsibilities toward the implementation of TFS relating to the combating of the financing of proliferation, unlike DNFBPs which have a moderate understanding in this regard, due to the absence of any guidance disseminated to them. Supervisors verify subject entities for their compliance with their obligations in this regard and the CBE did not detect any relevant violations.

Preventive Measures (Chapter 5 - 10.4; R.9-23)

22. Egypt has a diverse financial sector, and the assets of the banking sector accounts for approximately 89,8% of the financial and non-financial sectors. There is a disparity in FIs and DNFBPs compliance with the AML/CFT requirements, particularly with respect to Politically Exposed Persons (PEPs).
23. Most FIs, particularly banks, have a good understanding of their ML/TF risks and they are properly applying risk-mitigating measures according to the risk-based approach. The understanding of the beneficial ownership concept is not consolidated, given that several entities identify the beneficial owner based only on fixed thresholds related to the percentage of ownership or voting rights. Nonetheless, most FIs monitor the transactions to ensure consistency with the information they obtained upon the establishment of the business relationship. FIs, namely banks, are considered to have reported the most transactions suspected to involve money laundering and terrorist financing to the EMLCU. The quality of TF-related STRs is better than those related to ML.
24. The DNFBP sector has an unconsolidated and non-comprehensive understanding of the ML/TF risks that varies between good and weak. Some of the entities working in the sector apply appropriate mitigating measures which are still not enough, namely in the sector of dealers in precious metals and stones. The level of implementation of the due diligence measures by DNFBPs is considered satisfactory, as far as the customer identification and verification is concerned, but it is less satisfactory with respect to the on-going due diligence measures and monitoring of transactions, particularly by the casinos. Suspicious transaction reporting is still a major source of concern, given that the level of reporting by DNFBPs is still very low, namely the sector of real estate brokers which is ranked as high-risk, according to the NRA findings.

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

25. The licensing and registration controls implemented by regulatory authorities largely prevent criminals from controlling, holding a management function in, or operating financial institutions and DNFBPs, even if some progress should be made in how to implement and effectively execute the fit and proper tests before and after granting the license, particularly in terms of the verification of the sources of funds used to hold controlling ownership interests and the verification of the extent to which shareholders and beneficial owners are associated with criminals.
26. Regulatory authorities of some financial and non-financial sectors have a good understanding of the ML/TF risks. The CBE and the FRA conduct a sectorial assessment on an on-going basis, permitting them to continue to form a clear understanding of the risks facing the institutions subject to their supervision; unlike other regulatory authorities of most DNFBPs which have a level of understanding that varies between moderate and weak, particularly, the Lawyers Association and the Syndicate of Commercial Professions, due to their failure to conduct a sectorial assessment, which would limit their ability to continue to form a clear understanding of the ML/TF risks, in light of the risks relevant to these two sectors which are subject to their supervision. Furthermore, most supervisors rely on a risk-based approach to supervision that chiefly targets sectors ranked as high and moderate-risk, even if some inspections conducted by some DNFBP supervisors are not always considered satisfactory.
27. Most supervisors, particularly the CBE, imposed financial penalties, but it appeared that there is a discrepancy in terms of the severeness and nature of the sanctions applied, given that they varied between disciplinary sanctions (limited to cautions) and financial sanctions that targeted some subject entities. They are considered proportionate and achieve the element of dissuasiveness. It was also found that the inspections and follow-ups conducted by some supervisors have positively affected the compliance of some sectors with the AML/CFT requirements and the rectification of deficiencies. As to the inspections of the

DNFBP sector, they did not have the same effect, despite the decrease in the number of violations in some sectors.

Transparency and beneficial ownership (Chapter 7 - IO.5; R.24, 25)

28. Egypt conducted an assessment on how legal persons are being misused for ML/TF purposes, but the assessment was based on data and statistics dating back to 2014 until 2017. Considering the absence of ML/TF convictions against legal persons, there is a fear that the authorities' understanding of how legal persons are being misused may not be comprehensive, accurate and current.
29. Egyptian authorities took several measures to mitigate the risks of misusing legal persons, namely by having recourse to security agencies to verify the good conduct and behavior of the owners and managers and scan their names against the UN and domestic prohibition lists, before and after the establishment and upon any change in the ownership or control structure.
30. There are many channels to access basic and beneficial ownership information, including the register which has been recently created and which contains beneficial ownership information; however, the availability of current basic information and beneficial ownership information is predicated on the entities committing to provide timely information and on the verification that they are doing so on an on-going basis. Yet, the fact that a large percentage of companies is not keeping records containing the names of beneficial owners, due to the recent issuance of the instructions, may limit the competent authorities' ability to access relevant information, even if these authorities have the power to enter the companies' premises and search for beneficial ownership information. However, no case studies were provided to verify that they are doing so in a systematic manner.
31. Beneficial ownership information made available by companies to the Commercial Register Authority is not available to FIs, namely banks, which may limit their ability to sufficiently implement due diligence measures toward legal persons, even if some banks have enough expertise to do so.
32. Suspending the activities of some entities which are not compliant with the requirements to keep records containing the names of beneficial owners would achieve the elements of dissuasiveness and proportionality, even if the financial sanctions applied by some of them are not considered proportionate and dissuasive.

International Co-operation (Chapter 8 - IO.2; R.36-40)

33. In general, Egypt provides timely legal assistance, and the responses are of the required quality to some extent, despite the delay in responding to some incoming requests. Although Egypt's Constitution does not permit the extradition of Egyptians, Egypt is able to prosecute them once the charges made against them are established. It is also able to extradite foreigners within a period of time considered very reasonable. Regarding the outgoing requests for judicial assistance, their number is not consistent with the risks faced by Egypt, particularly the risks of terrorism and terrorist financing. Despite Egypt's efforts to recover the funds, the low number of outgoing requests made to this effect is not commensurate with the country's risk profile.
34. Egypt uses many other forms of international cooperation with its foreign counterparts to exchange various types of financial and intelligence information for AML/CFT purposes. Law enforcement authorities are making sufficient use of the cooperation with counterparts. The EMLCU and the Customs Department exchange information with counterparts and according to the responses received from counterpart FIUs, there are concerns about the quality of the information provided and the expediency of the responses. As to the Customs Department, it seems that the information exchanged covers some false disclosures and non-

disclosures with respect to the incoming and outgoing funds moved across the borders; however, the number of cases where the assistance of counterpart entities is sought is still limited.

35. International cooperation between supervisors is weak, with respect to the collection of basic and beneficial ownership information, and more specifically regarding the verification of the ownership structure, members of the board of directors, executive officers and beneficial owners of external entities which seek to hold controlling ownership interests in a financial institution operating in Egypt.

Priority Actions

The priority actions for Egypt are as follows:

- a. Egypt should continuously and with reasonable frequency update the NRA. It should also update the national AML/CFT strategy and establish action plans that identify the policies and activities of competent authorities in response to the changing ML/TF risks, in line with the evolving threats, and should ensure that the authorities enhance their understanding of the ML risks stemming from organized crime and transnational criminal activity, and continue to enhance policies and operational coordination among different competent authorities while working to enhance cooperation on ML and parallel financial investigations and increasing awareness and use of financial intelligence by investigative authorities.
- b. Egypt should consider raising awareness about the importance of accessing and using financial intelligence by prosecution and investigation authorities, particularly, the Anti-Narcotics Administration and the Antiquities Department, when pursuing money laundering and associated predicate offense cases. The EMLCU should further cooperate with subject entities through feedback and training to urge them to report suspicious cases to the EMCLU. It should enhance the quality of STRs, namely regarding the serious crimes with respect to the country's context (such as drug trafficking, corruption crimes, arms and ammunition crimes, fraud and theft). It should also increase the level of reporting by DNFBPs, in terms of quantity and quality.
- c. Authorities should establish a legal framework to regulate the stand-alone ML, the criminal groups, and the parallel financial investigation, while making the latter a usual practice to be pursued in predicate offenses, in order to trace all the criminal proceeds and associated ML cases, in consistency with the size of the predicate offenses and in a way that would increase the number of ML convictions.
- d. Competent authorities should seek to confiscate property of equivalent value when predicate offenses are in question and to confiscate proceeds. They should also trace all the proceeds of crime and not just preserve the funds seized upon the arrest of the suspects, while sufficiently benefiting from the formal international cooperation, in order to confiscate all the proceeds of crime, including those which are abroad.
- e. The National Security Agency should proactively make further use of the special search techniques, namely the controlled delivery, and other undercover operations, considering their importance in detecting TF crimes. They should also regularly conduct parallel financial investigations to trace all the sources of financing, make more use of the formal international cooperation and provide feedback to the EMLCU.
- f. Supervisors should (1) develop the understanding of ML/TF risks among most DNFBPs to enable them to better identify suspicious activities and file STRs more frequently, (2) better implement fit and proper tests that include the verification of the sources of funds of shareholders and beneficial owners which are used in holding ownership interests, and the verification of the extent to which they are associated with criminals.
- g. Egyptian authorities should make more use of all the channels allowed by the formal international cooperation to freeze the proceeds abroad with a view to recovering them.

Effectiveness & Technical Compliance Ratings:

Effectiveness Ratings:

IO.1 - Risk and policy coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal Persons and Legal Arrangements	IO.6 - Financial Intelligence for ML/TF
Substantial	Substantial	Moderate	Moderate	Moderate	Substantial
IO.7 - ML investigation and prosecution	IO.8 - Confiscation	IO.9 - TF investigation and prosecution	IO.10 - TF preventive measures and financial sanctions	IO.11 - TFS related to financing of proliferation	
Low	Moderate	Substantial	Moderate	Moderate	

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

Technical Compliance Ratings:

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

Note: Technical compliance ratings can be either a C – Compliant, LC – Largely Compliant, PC – Partially Compliant, or NC – Non-Compliant.

MUTUAL EVALUATION REPORT

Preface:

This report summarizes the AML/CTF measures in place in the Arab Republic of Egypt (referred to as “Egypt”) as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CTF system and provides recommendations on how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology and the amendments made thereto. The evaluation was based on information provided by the country and information obtained by the assessment team during its on-site visit from 01 to 09 March 2020 and from 16 September to 07 October 2020.

The evaluation was conducted by an assessment team consisting of:

- Mr. Lotfi Hachicha, Secretary General, the Tunisian Financial Analysis Committee, the Republic of Tunisia.
- Mrs. Reem Hussein Ghannam, head of the Investigative Unit, the Combating Money Laundering and Terrorism Financing Commission, the Arab Republic of Syria.
- Mr. Omar Bachir, head of the Strategic Analysis Unit, the Financial Follow up Unit, the State of Palestine.
- Mr. Khaled Al-Ghazali, director of the Legal Affairs Department, the Kuwaiti Financial Intelligence Unit, the State of Kuwait.
- Mr. Abderrahman Ellamtouni, head of the Criminal Cases Review Division at the Presidency of the Public Prosecution, the Kingdom of Morocco.

The Secretariat team consisted of:

- Mr. Rachid KASIMI, Executive Officer - Mutual Evaluation, MENAFATF Secretariat.
- Mr. Antoine Mandour, Senior Officer - Mutual Evaluation MENAFATF Secretariat.
- Dr. Shatha Ismaeel, Senior Officer - Mutual Evaluation, MENAFATF Secretariat.
- Mr. Mohammad Abu Rahma, Senior Officer - Mutual Evaluation, MENAFATF Secretariat.

The report was reviewed by:

- FATF Secretariat.
- Asia/Pacific Group (APG) Secretariat.
- Mr. Almutasem Billah Bin Mohammad Al-Uqla, the Kingdom of Saudi Arabia.

Egypt was previously subject to a MENAFATF/World Bank Mutual Evaluation in 2008, conducted according to the 2004 FATF Methodology. The Mutual Evaluation Report was published in 2009 and is available at the MENAFATF website (<http://menafatf.org/ar/information-center/menafatf-publications>). This Mutual Evaluation concluded that Egypt was compliant with 4 Recommendations; largely compliant with 19; partially compliant with 24; and non-compliant with 1. One Recommendation was not applicable to the country.

Periodical follow-up was undertaken by the MENAFATF immediately after the adoption of the 1st round Mutual Evaluation Report. It exited the regular follow-up process and moved to biennial update in November 2014, on the basis that the progress achieved in all Core and Key Recommendations was equivalent to a rating of largely compliant.

CHAPTER I: ML/TF Risks and Context

36. The Arab Republic of Egypt is a sovereign state, its official language is Arabic, its capital is Cairo, its currency is the Egyptian pound, and its system is a democratic republic. It is located on the continent of Africa, with an area of about 1,010,408 km², bordered on the north by the Mediterranean Sea, and on the east by the Red Sea, and it has common borders with four countries (Palestine-Israel, Libya, and Sudan).
37. The topography of Egypt is divided into four main sections, which are the Nile Valley and Delta, the Western Desert, the Eastern Desert, and the Sinai Peninsula². Egypt is divided administratively into 27 governorates, and each governorate is divided into smaller administrative divisions, whose population at the end of 2018 reached about 98.423 million³. Most of the population is concentrated in the Nile Valley and urban areas. Greater Cairo is one of the largest population blocs, followed by Alexandria, then Cana, Suez and Giza. Unpopulated desert makes up the majority of the country.

ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML/TF Risks

38. Egypt is facing threats of ML generated from domestic proceeds of crimes and to a lesser degree from proceeds of foreign crimes. The banking and real estate sectors are among the major sectors in which criminal proceeds are laundered the most in Egypt.
39. Egypt is exposed to ML/TF domestic risks as well as proliferation, in addition to risks related to transnational activities. It is also exposed to TF-related risks, as 68% of cash transactions take place outside the financial sector.
40. According to the NRA report adopted in 2019, the main ML predicate offenses include the illicit trafficking in narcotic drugs and psychotropic substances, fraud, illicit trafficking in arms, ammunition and explosives, theft, and corruption.
41. As to other crimes, including tax evasion, trafficking in human beings, and smuggling of antiquities, they generate proceeds which are relatively less than those generated from the most serious crimes which have been identified in Egypt.
42. Several sectors have been identified as being important in terms of their size, role and threats they are facing. These sectors include the banks, the post offices and the securities market. As to the financial services exploited in ML they were basically represented in electronic transfers, while the other financial products, such as the insurance products, became less used. As to the non-financial sector, the proceeds are mainly used to buy property.
43. Regarding legal persons, the NRA report revealed that in some cases, criminal proceeds were used to create companies at relatively large amounts or for the purpose of hiding the illegitimate sources of funds. Most of the companies used are corporate persons. The activities of the companies which are created as a front for laundering the proceeds of crime are diverse and most of these companies are engaged in the real estate contracting, commerce and tourism sectors.
44. Egypt conducted a TF risk assessment which revealed that it is facing risks at a large scale due to the existence of terrorist groups in Egypt which have legitimate and illegitimate sources of funds, including public donations, proceeds from criminal acts such as robbery and funds provided to them by international

² The website of the Egyptian Cabinet of Ministers: [http://www.c Cabinet.gov.eg/Arabic/About Egypt](http://www.cabinet.gov.eg/Arabic/About%20Egypt)

³ Source: the World Bank Report

terrorist groups to execute terrorist operations in their name. The channels used the most for terrorist financing are bank transfers and physical transportation of funds. The funds are used to buy explosives, arms and the like. In addition, the funds raised were mainly disbursed to finance domestic terrorist events and provide terrorists with all the resources they need.

45. It has not been shown that the NPO sector is being exploited through donations raised from persons or branches of NPOs, including those that are engaged in charitable work.

Country's Risk Assessment & Scoping of Higher Risk Issues

46. Egypt has a mixed understanding of the ML/TF risks it faces, as it has assessed the ML/TF risks by preparing the NRA for the period 2014-2017, which was sponsored by the National Coordinating Committee on AML/CFT ("NCCAMLCFT").
47. The Egyptian Anti-Money Laundering and Terrorist Financing Unit ("EMLCU") was assigned with the task of coordination between the concerned authorities at the operational level in order to prepare the NRA, through an operational team emanating from the NCCAMLCFT, which was formed under the chairmanship of the EMLCU and the membership of the concerned authorities represented in the NCCAMLCFT and other relevant bodies.
48. Representatives from the concerned government authorities and the private sector participated in the National Risk Assessment, namely the Ministries of Interior (Public Funds Investigation and the National Security Agency), Ministry of Industry and Trade, Ministry of Social Solidarity, Ministry of Defence, Ministry Justice, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Investment, Ministry of Endowments, Ministry of Communications and Information Technology, in addition to other parties, which are the Public Prosecution, The National Security Agency, the Administrative Control Authority, the Central Bank of Egypt, the General Authority for Financial Supervision, the Egyptian Anti-Money Laundering and Terrorism Financing Unit, the Egyptian Banking Institute, financial institutions and DNFBPs.
49. For the sake of preparing the NRA, a wide range of quantitative and qualitative information was relied upon, as well as establishing a database for the EMLCU to assess risks, amongst the most prominent inputs were ML/TF issues. This was followed by an analysis of issues as well as an analysis of some issues related to terrorists and terrorist entities listed on the local lists, gathering intelligence information from the security agencies, statistics and questionnaires that were completed from the public and private sectors, which included quantitative and qualitative information used to identify vulnerabilities, in addition to the results of the meetings of the operational team responsible for preparing the NRA and bilateral meetings with the concerned authorities, The overall analysis (Macro Analysis) prepared by the EMLCU based on the PESTEL approach, public information sources, published studies and statistics, reports of international organizations, and the results of risk assessment workshops held in the presence of specialized experts from the relevant authorities. Accordingly, this assessment is deemed largely reasonable, knowing that the country has finalized the update of the NRA in 2020 to reflect the ML/TF trends and patterns for the period between 2018 and 2019.
50. A risk assessment for both ML and TF in Egypt was prepared separately, but the outputs were included in the "NRA" which was completed in December 2018 and approved by the National Committee in August 2019.
51. The NRA is the first to be undertaken by Egypt. It was prepared based on a specially designed national methodology for assessing the risks of ML/TF in Egypt, which takes into account the identification, analysis and evaluation of ML/TF threats and vulnerabilities as well as consequences related to different sectors. Scores were awarded based on data and information collected and analysed.

52. Upon the identification of areas that need increased focus, the assessment team reviewed the materials and information provided by Egypt regarding the national ML/TF risks mentioned above and information from reliable external sources (such as international reports). Assessors focused on the following wide-ranging priority issues which are in line with the issues identified in the NRA, in addition to other issues which have not been addressed in the assessment:

- **Financing of Terrorism and Proliferation:** The NRA report indicates that there are several terrorist groups in Egypt which are in contact with other terrorist groups abroad and which receive funds from them to execute terrorist acts in their name. These facts, together with the facts provided regarding the size of the informal sector, the size of the Egyptian economy which basically relies on cash, as well as Egypt's geographic location, indicate that the TF risks in the country are still high. These factors constitute the major challenges faced by banking and non-banking institutions and security authorities alike. The channels used the most are banks (electronic transfers), post offices and physical transportation of currency (dead drop, for instance). On the other hand, Egypt's geographic and strategic location and the ships crossing through the Suez Canal might increase the risks of proliferation, namely the risks related to the import and export of dual-use substances.
- **NPOs:** Egypt has approximately 51,000 NPOs, around 450 of which ranked as high-risk for various reasons, as some of them work in border areas and receive donations from different regions or given that they frequently receive grants from foreign bodies in large sums. The assessment team did not find that the sector was exploited for TF purposes. The team reached this conclusion during the on-site visit where the risks of the sector were identified during meetings with the relevant Ministry as well as with eight diverse NPOs.
- **Predicate Offences and ML Patterns:** With regard to identifying ML patterns, the NRA concluded that the prevailing ML pattern in Egypt is self-laundering through the perpetrators of the predicate offence, laundering the funds themselves, and in terms of the nationalities of the money launderers, it was found that the individuals who laundered the proceeds of their crimes or crimes committed by other individuals are Egyptians and a few number of individuals who were of foreign and Arab nationalities.
- The crime of illicit trafficking in narcotic drugs and psychotropic substances, fraud, illicit trafficking in arms, ammunition and explosives, theft, and corruption are high risks, as well as a threat to the Egyptian context. On the other hand, there are some other crimes that were included in the NRA report, such as the crimes of dealing in foreign exchange, in violation of the legal texts, the crime of tax evasion, human trafficking, smuggling of migrants and smuggling of antiquities.
- **Tax Evasion:** Which is considered top of the list, as per EMLCU analysis and it generates significant financial amounts. However, the NRA did not consider it to be a high risk in ML/TF. As per the authorities, that might be due to the fact that these cases did not lead to a ML offence because of the reconciliation measures that are resorted to on regular basis.
- **DPMS Sector:** According to the NRA, the Dealers in Precious Metals and Stones sector pose moderate to high ML/TF risks. The most prominent ML threats facing the sector are theft (either the dealer falling victim to a robbery or is offered to buy stolen gold), and dealing with cash in return for expensive goods, while the main TF risks are dealing with people from border areas or from high-risk countries.
- **Casinos Sector:** This sector was classified as "moderate-risk to high-risk," considering the poor ML/TF risk management systems, lack of awareness-raising and training, near-lack of reporting STRs, dealing with cash to a relatively large extent, and accepting credit cards withdrawn on external bank accounts where it is impossible to identify the source of deposits made in these accounts. Some banks, consider that casinos represent high risks because it is difficult to identify the sources of deposits, when they are alleged to be derived from gambling

winnings and because the due diligence measures applied by casinos are not reliable, knowing that the casinos with which meetings were held apply some ML risk mitigating measures, but these measures are not officially adopted by the regulatory authority.

Materiality

53. Egypt managed to occupy good ranks economically, as the GDP size is the first quantitative indicator that demonstrates the strategic importance of the country. Egypt's GDP reached around USD 303.1 billion in 2019. The banking sector represents about 89.8% of the financial system's total assets with 38 banks operating in Egypt, while the non-banking financial sector represents about 10.2% of the total assets of the financial system. The following table shows the share of non-banking sectors in the total assets of the financial system:

Table 1.1: Share of Non-Banking Sector of the total assets of the financial system

Sector	The ratio of the sector's assets to the total assets of the financial system
Post sector	4.29%
Insurance Companies*	1.98%
Financial leasing companies	0.73%
Securities Brokerage Firms	0.17%
Real-Estate financing Companies	0.14%
Factoring companies	0.12%
Exchange Houses	0.01%

*Does not include government nor private insurance funds.

54. The non-financial sector is formed of several businesses and professions which are subject to the AML/CFT requirements. The volume of sales made through real estate brokerage in 2019 reached around USD 2 billion, while the volume of gold sales reached around USD 3 billion during the same year. As to casinos, the volume of their financial dealings reached around USD 5.1 billion between 2015-2019.
55. Egypt is not a regional financial centre but it has a liberal economy open to international markets. The remittances of Egyptian expatriates are an essential source for the Egyptian economy. On this note, Egypt ranked first in the Arab world and fifth worldwide for the size of remittances made by expatriates which reached around USD 28.9 billion in 2018.

Structural Elements

56. Egypt has the necessary structural elements to implement an effective AML/CFT system, including political and institutional stability, rule of law, and high-level commitment to AML/CFT. This is evidenced through the national coordinating committees in order to give effect to domestic cooperation between all the authorities concerned with AML/CFT.

Background and Other Contextual Factors

57. Egypt is making efforts to support financial inclusion, and to ensure that the AML/CFT requirements do not constitute an obstacle to achieving its objectives. All concerned parties are currently working to provide all means to enhance financial inclusion at the state level. The CBE has taken a series of measures to support and promote financial inclusion and has achieved positive results represented in an increase in the percentage of those dealing in the financial sector from 17% in 2017 to 32% in 2019. It has established, for this purpose, a department specialized in financial inclusion which is equipped with a computer system to identify the number of persons benefiting from financial services in Egypt. It appeared that no less than 37000000 Egyptians benefit from the financial services.
58. Egypt has the legal, regulatory, and institutional frameworks to combat corruption. It ranked 35th out of 180 countries, according to the 2018 Transparency International Report and ranked tenth among the least

corrupt Arab countries. The report issued by this organization in 2016 indicates that Egypt is not compliant with the international standards for asset disclosure and the organization recommends a set of priorities to improve the effectiveness of asset disclosure in Egypt, including the publication of information to foster transparency.

AML/CTF Strategy

59. In November 2019, the NCCAMLCFT approved the current AML/CTF strategy. This strategy includes general objectives and specific operational procedures, the most prominent of which is to ensure a unified understanding of ML/TF risks at the national level, updating legislative and supervisory frameworks in line with AML/CTF as well as Proliferation and its financing international standards, and increasing the effectiveness of compliance of subjected entities with the requirements of AML/CTF and Proliferation, and intensifying local, regional and international cooperation in AML/CTF. This strategy is regarded as an extension to the 2013 strategy and covers the period 2019-2022.

Legal & institutional framework

AML/CTF Supervisory Authorities:

60. EMLCU: The EMLCU was established in accordance with the AML Law promulgated by Law No. 80 of 2002 and its amendments. Where Its main tasks can summarized in receiving STRs from FIs and DNFBPs, carrying out investigations and examinations, and informing the Public Prosecution office in the event of finding ML/TF evidence or predicate offenses, and coordination with the judicial authorities and any other competent authority regarding taking the necessary legal measures to trace or freeze the funds subject to ML/TF crimes or their proceeds or seizure thereof, and coordinate with the competent authorities in foreign countries with regard to AML/CTF, exchange the necessary information, data and statistics, and establish due diligence procedures for FIs and DNFBPs clients, and conduct strategic analysis to determine ML/TF trends and patterns.
61. Central Bank of Egypt: The CBE is an independent public legal person working in accordance with the powers and competences vested in it under Law No. 88 of 2003 and its amendments that was cancelled and replaced by Law No. 194 of 2020, and among the most prominent of its functions/tasks is to achieve price stability and the safety of the banking system, set monetary policy objectives in agreement with the government, issue banknotes, define their denominations and specifications, and carry out oversight work on the units of the banking system, oversee the national payment system, and monitor banks, exchange companies and money transfer companies .
62. Financial Regulatory Authority (FRA): The FRA is responsible for overseeing and supervising non-banking financial markets and instruments, including capital markets, future exchanges, insurance activities, real estate finance, financial leasing, factoring and securitization, with the aim of achieving the safety and stability of these markets and tools, organizing activities and their development and maximizing their competitiveness to attract more domestic and foreign investments.
63. Ministry of Communication and Information Technology: The supervisory authority on the National Post Office's financial services.
64. Bar Association: The Supervisory authority on natural persons and offices operating in the legal profession.
65. Traders Union: The Supervisory authority over accountant and audit offices as well as individual accountants.
66. Ministry of Tourism: The supervisory authority over Casinos
67. Ministry of Commerce and Industry: The supervisory authority over real estates brokers.
68. Ministry of Supply and Internal Trade: The supervisory authority over DPMS.

LEAs:

69. Administrative Control Authority (ACA): It is an independent body that exercises all forms of administrative and financial control and is entrusted with combating administrative corruption in Egypt. Its main functions include the detection of administrative and financial violations and criminal offences committed by employees during or because of their duties, consider complaints submitted by citizens concerning violations of laws and negligence in performing the duties of the job, and study the complaints published by the press and investigative reports dealing with aspects of neglect, irreverence, mismanagement, or exploitation.
70. Ministry of Interior: It specializes in combating crimes of violating public funds, combating corruption and abuse of powers, combating forgery and counterfeiting crimes, combating money laundering crimes, combating illicit gain crimes, combating cash and smuggling crimes and all new crimes that affect the country's national economy.
71. National Security Agency at the Ministry of Interior: It mainly specializes in combating terrorism and its financing.

Investigative Authorities:

72. Public Prosecution: It is a judicial body whose function is to file public cases and initiate its procedures before the relevant competent authorities and courts, and its function, regarding public cases, ends with the issuance of a final judgment by the courts, whether by conviction or acquittal. It represents the community, and it acts on its behalf in demanding the judiciary to properly implement the provisions of the law and to impose criminal sanction on the accused; by initiating criminal cases in itself and is competent to initiate, file and move criminal cases in addition to many other functions. Whereby, the ML prosecution office is specialized in investigating ML crimes, while the Supreme State Security Prosecution specializes in TF crimes.
73. The Illicit Gains Authority: It specializes in examining the financial disclosures periodically for all officials and employees working in the state and its various units, and investigating complaints related to the formation of any of the state employees of illicit wealth as a result of the exploitation of functional powers, and among its powers is to seize funds and property of the accused persons subject to investigation until the completion of investigations as well as referral to the criminal court, in the event that the elements of the crime of illicit gain are proven.

Other Ministries and Agencies:

74. Egyptian Customs Department: Responsible for implementing the declaration system for cross-border foreign cash. It is affiliated with the Ministry of Finance, and its role mainly includes collecting customs duties, controlling the import and export of goods, and protecting state revenues, by preventing the evasion of fees and ensuring that they are paid. It focuses its efforts on following up all the ports through which smuggling activities are expected to take place with the aim of bringing drugs and prohibited items into the country or violating customs legislation.
75. Investment and Free Zones Authority: It is the authority responsible for establishing legal persons in Egypt, and it aims to create an attractive environment for local and foreign investors.
76. Ministry of Supply and Internal Trade: It is the ministry responsible for registering all legal persons operating in the state, and it contains the commercial registry department that handles the registration of all information related to legal persons in the state, especially with regard to the names of the BOs, their nationalities, their national number (or the passport for foreigners).
77. Ministry of Justice: It is the ministry responsible for judicial affairs in Egypt, and it has one of the investigative authorities, which is The Illicit Gain Authority, as well as the international and cultural cooperation sector.

78. Ministry of Foreign Affairs: It is the ministry responsible for Egypt's foreign relations, putting in place Egyptian foreign policy, protecting its interests and the interests of citizens abroad, as well as representing the state in other countries and international organizations, and it plays a major role in implementing UN Security Council resolutions.
79. Ministry of Finance: It contains the Egyptian Customs Department and the Egyptian Tax Authority that is responsible for collecting all types of taxes.
80. Ministry of Endowments (Awqaf): The Ministry responsible for the part related to Awqaf (Endowments).

Committees and Councils:

81. The National Coordinating Committee on AML/CFT (“NCCAMLCFT”): NCCAMLCFT coordinates the national efforts exerted in AML/CFT, and its membership currently includes a representative from the Ministries of: Interior, Social Solidarity, Justice, Foreign Affairs and Defence, and representatives of each from the Public Prosecution Office, the National Security Authority, the Administrative Control Authority, the Central Bank of Egypt, the General Authority for Financial Supervision, the EMLCU, the Egyptian Banking Institute, the Deputy Minister of Finance, and the Deputy Minister of Communications and Information Technology.
82. The National Coordinating Committee on Combating Corruption: Its membership includes the Minister of Local Development and Administrative Development, the Minister of Justice, the Chairman of the Administrative Prosecution Authority, the Chairman of the Administrative Control Authority, representatives of each of the Ministry of Interior, the Ministry of Foreign Affairs, General Intelligence, the Central Auditing Agency, the EMLCU, the Public Prosecution and the Illicit Gains Authority, It undertakes a set of specializations, the most prominent of which is following up on Egypt's implementation of its international obligations arising from the United Nations Convention against Corruption and other international conventions, proposing a national action plan to combat corruption and coordinating between the concerned authorities in its implementation, and strengthening cooperation with the United Nations Office on Drugs and Crime (UNODC) and regional as well as international organizations, in addition to committees and bodies concerned with combating corruption.
83. The National Payments Council (NPC): It was established by virtue of a Republican Decree, and it is headed by the President of the Republic and the membership of various bodies, including the Prime Minister, the Governor of the Central Bank of Egypt, the Chairman of the Board of Trustees of the EMLCU, the Minister of Defence and Military Production, the Minister of Interior, the Minister of Justice, the Minister of Finance, and the Head of the General Intelligence Service, and the head of the Administrative Control Authority, who is mainly concerned with reducing the use of banknotes outside the banking sector, and working to achieve financial inclusion with the aim of integrating the largest number of citizens into the banking system and the informal sector joining the formal sector.
84. The Committee on Supervisory Authorities over DNFBPs in the Field of AML/CFT: It was established according to Prime Minister Decision No. 2652 of 2019, headed by the Chairman of the Board of Trustees of the EMLCU. Providing information related to the NRA process, updating this information periodically, issuing and updating the supervisory controls for DNFBPs and setting the necessary procedures for their effective implementation, and applying the risk-based approach in the field of AML/CFT control in coordination with the EMLCU. It includes the FIs and DNFBPs supervisory authorities.

Supervisory Authorities on FIs and DNFBPs

Financial Sector, DNFBPs and VASPs:

85. This section provides general information on the size of the financial and non-financial sectors in Egypt. Not all the sectors are equal in terms of materiality, considering the identified risks and the country's context.

The level of ML/TF risks that affect subject entities varies significantly, as is the case with the ML/TF risks facing certain sectors.

86. The assessment team classified the sectors based on the materiality and the level of ML/TF risks they are facing. The assessors used these classifications to set out their conclusions in the report. More weighting was given to the positive and negative issues with respect to important sectors and to a lesser extent regarding less important sectors. This approach is applied to all the chapters of the report, but it is more highlighted in Chapter 5 on preventive measures and Chapter 6 on supervision and monitoring.

- The banking sector: It is one of the most important sectors in Egypt. It represents more than 89% of the total financial assets. It is considered as high-risk, due to its relative size, the number of its customers and the diversity of the financial services it provides.
- The money transfer sector: Money transfer companies are concentrated in a single company as being the main agent of one of the global money transfer companies and it uses electronic systems of the parent company. The company’s system allows its customers to receive transfers from abroad and not to send transfers abroad. The dealing is made only between natural persons.
- Exchange companies: transactions they conduct are limited to the conversion of currency, given that they are prohibited from conducting any other financial transactions, including electronic transfers.
- The non-banking financial transfers: This sector is represented in the securities, insurance, real estate financing, financing lease, micro-financing and factoring companies. It is subject to the supervision of the FRA. There are 460 securities companies, 36 insurance companies and 825 companies providing various types of financing. The securities sector was given a moderate weight, while the insurance and financing of various types were given a lesser weight in terms of their respective risks.
- The National Post Authority for the financial services it provides: It has around 4000 post offices and keeps accounts for approximately 6.5 million customers. These accounts are only available to small depositors and the balance of a single account cannot exceed EGP 10 million (approximately USD 652,000). Besides, this sector was given a moderate weight in terms of the ML/TF risks.
- There is a difference in terms of the ML and TF risks facing the DNFBP sector in Egypt, mainly the real estate brokers sector which is ranked as high-risk. The following is a table showing the number of entities subject to the AML/CFT requirements in Egypt:

Table No.1.2: Number of entities subject to the AML/CFT requirements

Sector	Number of subject entities in each sector as at the end of 2019
Lawyers	300
Accountants	397
Dealers in precious metals and stones	24,000
Casinos	24
Real estate brokers	475

- VASPs: It appears that this sector is not active in the country, given that the weekly trading volume of virtual currencies on internet platforms in Egypt does not exceed two million Egyptian pounds per week (About USD 125,000)

Preventive Measures

87. In general, FIs, especially banks, have internal AML/CFT controls and measures. These controls include implementing due diligence measures, maintaining documents, appointing a person responsible for the compliance, qualifying, and training employees, allocating an independent audit unit to test compliance to

policies, internal controls and procedures at the group level, in addition to training programs in the field of AML/CFT.

88. Representatives of DNFBPs have persons assigned to the position of the compliance officer and they have on-going training programs, whether internal or external, in coordination with the supervisory authorities and the EMLCU. Upon appointment, employees are subject to examination procedures and verification of their criminal records through the criminal record sheet and through sanctions lists. Accountants and lawyers cannot practice their activities unless after being registering with their respective bars, and except for casinos and the DPMs sector, it has not been evident that accounting, law firms and real estate brokers have an independent unit to test their employees' compliance to the AML/CFT requirements.

Legal persons and arrangements

89. Various types of legal persons can be established according to Egypt's legislative frameworks, but legal arrangements cannot be established. The registration process requires providing all the required information, including the name of the company, its legal entity, its address, its branches, the names of the partners, the authorized agents, the names of the members of the Board of Directors and the extent of their authority in managing and signing, the activity of the company or the purpose of incorporation, and its capital. Information regarding the establishment of securities Companies and sole establishments is available to the public through the "Investor's Guide" available on GAFI's website: www.gafi.gov.eg The basic information published in the commercial register is available electronically through the website of the Internal Commercial Development Authority "www.itda.gov.eg/jurnal-sgl.aspx". As for the basic information related to companies operating in the field of securities, insurance and finance (real estate - factoring - Financial leasing) It is available to the public via the website of the Financial Supervisory Authority "www.fra.gov.eg".
90. All legal persons are obligated to be registered before practicing any activity, and the registration process requires verification of the correctness of the information available on the founders and managers before starting the establishment of the legal person through offsite review of the documents required to register the company in the commercial registry (i.e. the memorandum of association, the articles of association and the document indicating the company's authorization to the person who represents it as well as identification documents for identity verification...) As well as verifying that no one has been designated in the Security Council Sanctions Lists, or those who are banned from acting or who are rejected by security services.
91. In Egypt there is a kind of legal arrangement similar to trust funds, which is "charitable endowments". Endowments (Awqaf) are public contracts that are supervised by the Egyptian Endowments Authority, which is a governmental body, and its employees are government employees. Information about establishing endowments is available to the public.
92. **Trust and Company Service Providers:** There are no entities that provide trust services in Egypt and nothing hinders any person residing in Egypt from providing services to trusts created abroad. TCSP are subject to CDD measures in the event of dealing with FIs.

Table No. (1.3): legal persons established in Egypt (as of 31/12/2020)

Legal form		Total number of companies	Egyptian	Foreigners
Securities companies	Shareholding companies	54,280	42,543	11,737
	A limited liability company	77,794	62,604	15,190
	Sole company	3,945	3,160	785
	Equity limited company	12	10	2
Partnerships	Joint Liability Companies	13,621	9,032	4,589
	Limited partnership company	17,296	15,491	1,805
Sole Establishments	Sole Company	44,736	37,110	7,626
Total		211,684	169,950	41,734

NPOs:

93. The Ministry of Social Solidarity has identified the sub-group of organizations that is included in the definition of FATF for NPOs and established the features according to which the sub-group of 2,429 organizations was selected that may be vulnerable to TF activities because of their activities or characteristics. These characteristics include, for example, the size of the NPO and its activities across the republic, its total assets and financial capacity, the extent of cooperation with foreign entities and obtaining funding from them, and the geographical scope for carrying out activities. In Egypt, there are three types of NPOs, which are; civic institutions and organizations, and foreign organizations, and the Ministry of Social Solidarity regulates their work.
94. The Civil Associations and Institutions Law imposes stringent restrictions on fundraising activities by NPOs, prohibits private institutions from operating any charitable activities without registering with the Ministry of Social Solidarity, and establishes a penal system for violators of the Associations and Institutions Law. As far as NPOs are concerned, all basic information is available from the Ministry of Social Solidarity, however, NPOs that operate mainly in the area of collecting or distributing funds are obliged to open a bank account, and therefore the information held by the Ministry and banks is available to the competent authorities. The Ministry has designated an E-system that contains some basic information related to NPOs and is available to the public via the website "www.moss.gov.eg/sites/mosa/en-eg/Pages/NGOs.aspx".

Supervisory Arrangements

95. CBE supervises banks, exchange houses and money transfer companies with relation to AML/CFT matters. FRA supervises non-banking FIs, including companies under the capital market sector, insurance sector and financing sector, of all its types (real-estate, financing lease, and factoring) and also supervises civil companies, associations and institutions that practice micro-finance activities. Whereas, the Ministry of Tourism, the Ministry of Trade and Industry, the Trade Union, the Bar Association and the Ministry of Supply and Internal Trade are responsible for supervising casinos, real estate brokers, accountants, lawyers, and DPMS.

International Cooperation

96. Although Egypt is not a regional financial – centre, international cooperation is important in the context of Egypt due to its geographical, cultural and economic characteristics, as it is still exposed to Terrorism and

TF risks by virtue of its economy based primarily on cash and its informal sector, which constitutes a large proportion of the GDP and the length of its borders of approximately 2,665 km, in addition to the presence of a terrorist group in Sinai, the presence of terrorist groups in one of the countries that have common borders with it, and regional political instability in general.

97. Egypt faces ML risks generated from crimes of illicit trafficking in narcotic drugs and psychotropic substances, fraud, illicit trafficking in weapons, ammunition, and explosives, money theft, and corruption are considered as a source of threat and are considered to be among the most serious crimes in the context of the Republic of Egypt, and given the nature of most of these crimes, which is characterized by its cross-border nature, international cooperation is an important element to track and recover the proceeds of these crimes from abroad and prosecute criminals thereof.
98. Egypt has signed a number of international agreements in the context of combating crime, including ML/TF. It receives and responds to requests for MLA in relation to predicate offences, ML/TF offenses, and uses a wide range - of international cooperation forms with its foreign counterpart to exchange different types of information, including financial information and law enforcement for the purposes of AML/CFT. Regarding - extradition, the Public Prosecution office is the authority responsible for writing and preparing all extradition requests in coordination with the competent authorities, and after the extradition request fulfils the legal conditions and requirements, it is sent to the counterpart abroad via diplomatic means. In addition, the EMLCU exchanges information with the counterpart FIUs for the purposes of AML/CFT. Information is exchanged with the counterpart FIUs, either for their own purposes or on behalf of the local competent authorities.
99. The NRA identified the major crimes which generate criminal proceeds. Some are transnational crimes which include, drugs, arms and human trafficking. Egyptian authorities are largely and effectively cooperating with counterparts abroad, in an informal manner. The number of international cooperation requests received by Egypt remains limited, which -explains that the Egyptian system is being rarely exploited in laundering the proceeds of foreign crimes.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 1:

- a) Egypt conducted the NRA process and adopted a national methodology for the identification of threats, vulnerabilities, and consequences by drawing on relevant tools and papers issued by the competent international bodies. This methodology was mainly based on many quantitative and qualitative data and on a sample of ML/TF cases, on statistics related to predicate offenses, as well as information and many of the intelligence information provided by security agencies, and the results of the overall analysis prepared by the EMLCU, in addition to the information and outputs obtained through the meetings of the operational team for the NRA with the concerned parties, through the parties' understanding of the threats, vulnerabilities and the materiality of risks.
- b) Egypt disseminated the NRA findings to all the concerned authorities and departments and the private sector, each within its competences. It reflected its outputs in the internal policies of various law enforcement agencies and supervisors. In addition, it supported the legislative, supervisory, and operational frameworks and the adoption of a national strategy to enhance financial inclusion to reduce the use of cash. In addition to the issuance of some legislation, ministerial decisions and instructions from the supervisory authorities in this regard, and taking measures to mitigate the risks associated with high-risk sectors, especially the real estate sector. Egypt also enhanced human resources, and created AML/CFT divisions and functions within some supervisory and law enforcement agencies. A national committee was also created to oversee the regulation of the real estate sector, in addition to the issuance of a number of new legislations following the assessment process, which included provisions to mitigate risks associated with real estate activity. The concerned authorities and departments have adapted their policies and priorities in accordance with the results of the NRA process by preparing sectoral action plans aimed at developing the AML/CFT regime in various sectors, in line with the general objectives and the operational procedures approved by Egypt's AML/CFT strategy (October 2019-September 2022).
- c) The said measures taken to address ML/TF risks drew upon data and statistics dating back to the period between 2014 and 2017, excluding the changes that have occurred in these risks during the period (2018-2019), knowing that Egyptian authorities stated that the meetings of the operational team for the NRA were ongoing for the period 2018 – 2019 and the changes for that period were reflected in the strategy covering the period 2019- 2022. Egypt has finalized the update of the NRA and sought to enrich the NRA database, thereby ensuring outputs that would be more comprehensive and more consistent with Egypt's risk profile. The assessment team did not have access to the update, because it was adopted after the on-site visit.
- d) Given the diversity of information and data used in the NRA process and in view of the methodology adopted, the assessment team acknowledges the reasonableness of the NRA process to a large extent. The assessment team considers that the results of this assessment are largely consistent with Egypt's risk profile, and believes that the outcomes of evaluating casinos, DPMS and the securities sectors require further verification and consideration of the most important vulnerabilities and shortcomings that have been identified at the level of some subject entities.
- e) The assessment team considers that what Egypt has concluded regarding the prevailing domestic self-laundering pattern, which relies on conventional and unsophisticated ML methods and depends to a lesser extent on third parties, calls for follow-up by the operational team during the upcoming update processes in light of the need to expand the scope of the NRA database, including more cases related to organized crime and stand-alone ML, although the database included a significant number of cases related to organized crime that were under investigation, especially those related to drug trafficking.

- f) Entities specialized in combating -TF have a good understanding of the risks of terrorism and -TF. As to -ML, except for GAFI, the police force for countering antiquities smuggling and the Anti-Narcotics Administration which did not have a sufficient understanding - compared to the country's context and the level of risks regarding crimes or relevant sectors, the remainder of governmental institutions, law enforcement agencies, investigative authorities, and supervisors of the banking and non-banking financial sector have an understanding that varies between moderate and good. As to supervisors of the non-financial sector, their understanding of risks is close and varies between moderate and weak, except for the casinos and real estates' supervisors, which had a good understanding of ML risks.
- g) Regarding the private sector, FIs and especially banks which account for more than 92% of the total assets of the financial system in Egypt have a good level of understanding, except for insurance companies which have insufficient understanding of ML risks, and which only represents 2% of the overall assets of the financial system, thus, the understanding of the financial sector remains good. Important and high-risk sectors of the DNFBP, such as DPMS, lawyers and real estate brokers, have a good understanding of risks.
- h) In 2005, Egypt established a national coordinating committee that aims at enhancing domestic cooperation at the policymaking level between stakeholders in Egypt which are concerned in combating -ML and TF and proliferation. This committee serves as a platform for the exchange of information and coordination in policymaking. Egypt also sought to facilitate bilateral and multilateral coordination and cooperation at the domestic level, by signing cooperation agreements and memorandums of understanding between various related entities.

Recommended Actions:

- a) The National Coordinating Committee for Risk Assessment should:
- Continuously update the NRA in line with the evolving threats and with reasonable frequency, and should ensure that the authorities enhance their understanding of the ML risks stemming from organized crime and transnational criminal activity, and other criminal activity generating high levels of illicit gains. The risk understanding should also better include the vulnerabilities stemming from few stand-alone ML cases.
 - On the basis of the updated and improved risk understanding, update the national strategy within reasonable deadlines, develop appropriate action plans for competent authorities, and monitor the implementation of their provisions. In particular, Egypt should continue to enhance policies and operational coordination among different competent authorities to focus on the higher risk ML activities, including by enhancing cooperation on ML and parallel financial investigations and by increasing awareness and use of financial intelligence by investigative authorities. The updated strategy for AML/CFT should also continue to enhance financial inclusion policies.
- b) The National Coordinating Committee, in cooperation with the supervisory authorities, should, as part of its upcoming review of the risks:
- Take further consideration of the vulnerabilities and shortcomings associated with casinos and DPMS sectors, with regard to ML.
 - Be careful when reviewing securities market risks, to take into account the importance of the volume of frozen funds and assets belonging to the persons and entities concerned, in relation to TF.
- c) GAFI, the police force for countering antiquities smuggling and the Anti-Narcotics Administration should further work with the National Coordinating Committee for Risk Assessment to enhance awareness, training and capacity building to further increase the level of risk understanding in line with the level of crime risks and risks of the relevant sectors.
- d) The casinos' supervisory authority and the Syndicate of Commercial Professions (SCP) should further work with the National Coordinating Committee for Risk Assessment to enhance awareness, training and capacity building to improve and unify the level of understanding of ML/TF risks among these professions.

100. The relevant Immediate outcome considered and assessed is IO.1. The Recommendations relevant for the assessment of effectiveness under this chapter are R.1, 2, 33, 34 and elements of R 15.
101. The conclusions reached by the assessment team regarding Immediate Outcome 1 are based on its review of the documentation provided by Egypt, namely the NRA summary, the sectorial assessments conducted by some supervisors, the self-assessments conducted by some FIs, particularly banks, in addition to the national AML/CFT strategy and the operational policies and action plans. The assessment team has also met various LEAs and supervisors of the financial and non-financial sector, as well as some entities which are subject to the AML/CFT requirements.

Immediate Outcome 1 (Risk, Policy and Coordination)

Country's understanding of its ML/TF risks

102. Egypt has a varying level of understanding of the ML/TF risks, according to its first NRA, which extended from 2014 to 2017 and the NRA report was adopted in August 2019. Representatives of governmental authorities and the private sector participated in this process. In reaching this conclusion, the assessment team relied on the interviews and discussions it held with various governmental institutions, law enforcement agencies, supervisors, and the private sector, including FIs and DNFBPs. It also reviewed the methodology adopted to assess the ML/TF risks that takes into consideration the identification, analysis, and assessment of ML/TF threats and the vulnerabilities and consequences related to various sectors.
103. Egypt sought to represent and engage all the concerned governmental sectors and the private sector⁴ in the national team formed for the purpose of assessing the national ML/TF risks, under the auspices of the National Committee on AML/CFT Coordination. All the participating authorities agree with the NRA outputs and with the fact that the participation of all the stakeholders, including the private sector, would enhance their understanding of risks even during the NRA process.
104. The National Coordinating Committee decided, in August 2019, to initiate the first update⁵ of the NRA in order to cover the period between 2018 and 2019, by gathering and analysing more information, documentation and inputs which were necessary, in addition to several bilateral meetings that were held between the EMLCU and many participating entities. The first draft of the update report has been prepared but the assessment team could not examine it. However, the incompleteness of this update in a way that mirrors all the changes and keeps up with the evolving risks in the country can limit and affect the understanding of ML/TF risks across all the stakeholders, as well as the effectiveness of the risk management systems, which could ensure that these changing risks are addressed, knowing that the Egyptian authorities stated that the meetings of the operational team for the NRA were on-going⁶ for the period 2018 – 2019 and the changes for that period were reflected in the strategy covering the period 2019 - 2022

⁴ The Ministry of Interior (Public Fund Investigation Services and National Security Agency), the Ministry of Industry and Trade, the Ministry of Social Solidarity, the Ministry of Defense, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Investment, the Ministry of Awqaf, the Ministry of Communications and Information Technology, in addition to other parties, which are the Public Prosecution, the Homeland Security Authority, the Administrative Control Authority, the Central Bank of Egypt, the Financial Regulatory Authority, the EMLCU, the Egyptian Banking Institute, the financial institutions and the designated non-financial businesses and professions.

⁵ The country's policies indicate that the NRA should be updated every 3 years or upon the occurrence of any important events or developments that require the same.

⁶ Prior to the MEWG meeting, the country presented the assessment team with a paper on updating the NRA in the country. Egypt also provided, in the framework of its responses to IO.1 in the same meeting, some details regarding the update. The team members were not able to analyse all the items of the paper.

105. Egypt drew upon a range of quantitative and qualitative information in preparing the NRA. The most important information included ML and TF cases, as well as cases related to the designation of persons on the domestic lists of terrorists and terrorist entities, intelligence information provided by security agencies, statistics and questionnaires filled out by governmental entities and the private sector, in addition to the results of the meetings held by the operational team which is specialized in the preparation of the NRA and the bilateral meetings with stakeholders, the overall analysis prepared by the EMLCU, the AML/CFT self-assessment results, the public sources of information, the published studies and statistics, reports made by international organizations, and the results of workshops on risk assessment held with the attendance of specialized experts from relevant entities. Regarding sectoral assessments, the CBE relied in the assessment of the banking sector, on various information, particularly, the types of customers, products, services, delivery channels used, the customer's geographical nature and his activity, in addition to the persons and entities designated on the sanctions lists. The same applies to the non-banking financial sector which covered each of the capital market, the insurance, and the financing sectors^{6F7}, where information related to each sector and to various activities was drawn upon.
106. In the methodology for measuring the threats and consequences of ML/TF, Egypt relied on the analysis of 245 ML cases that focused on recent cases with large proceeds, and 305 TF cases that include designations on domestic lists and cases related to terrorist organizations. ML/TF threats and consequences in the financial and non-financial sectors were analysed by measuring the extent to which the sectors were implicated and misused in ML/TF cases and the size of the proceeds of crime where the sector (s) was misused to launder them or the size of funds which were raised or transported in the misused sector (s). Weights were also given in TF cases, based on intelligence information, to measure the damage, the size of funds raised or transported and the related entities. Vulnerabilities were also analysed through questionnaires filled out by entities and institutions, which were prepared to this effect regarding the size of the sector, the human and material resources, the extent of AML/CFT compliance, off-site and on-site supervision, the risk management systems, suspicious transactions reporting, level of awareness and training, domestic cooperation and coordination, the implementation of UNSCRs and other elements. This entailed the measurement of various sectors' compliance with the AML/CFT requirements by ranking them and assigning scores to the vulnerabilities which were identified by relying on the data and information collected, according to a scale of 0 to 10, depending on the level of vulnerabilities⁸.
107. The methodology for assessing the consequences was based on quantitative data where greater importance was given to the new cases, in comparison with the older ones and the consequences were included in the risk assessment in a way that can be measured and by relying on the financial values which serve as a scale for the real ML consequences. The assessment of risks follows an approach based on the distinction between the sizes of risks identified to prioritize the mitigating measures. In addition, consequences related to - ML in the various financial and non-financial sectors were analysed by analyzing the ML cases and measuring the size of the criminal proceeds for which the sector (s) was exploited to launder them, which is known as risk events, in order to measure the extent to which any of the sectors is implicated and misused in ML cases as mentioned above.
108. Regarding the external factors, the NRA concluded that the TF threats have increased as a result of terrorist groups exploiting their relationship with other terrorist groups located abroad. Egypt analyzed the ML/TF risks related to the smuggling of Egyptian and foreign currency and the smuggling of gold and silver

⁷ This sector includes lease financing, the real estate financing, factoring and micro-finance.

⁸ Low level, low level, moderate, moderate, high, high.

artefacts and precious stones, where the currencies most smuggled, the nationalities of money launderers most active, their age range and professions and the countries of origin and the destinations have been identified. The country also concluded that the number of records on the smuggling of Egyptian currency during 2015 and 2016 and the value of seized items related to attempted smuggling have both increased. It identified the ports most used in smuggling foreign and Egyptian currency. According to the country, the NRA database included a special part to enumerate the source, transit, and destination countries for the funds, in the money laundering cases which have been analyzed. The assessment team concluded that only 1,6% of the funds cited in the NRA database were destined for a foreign country and originated from Egypt, while 4.9% of these funds originated from foreign countries and were destined for Egypt.

109. Taking into consideration the variety of information and data used in the NRA process and in view of the methodology adopted, the assessment team acknowledges the reasonableness of the NRA process to a large extent and considers the results of this assessment to be consistent to a large extent with Egypt's risk profile, except for some crimes and sector and with regard to the identification of ML patterns. On this note, authorities asserted that the prevailing ML pattern is self-laundering, where the money is laundered by the perpetrators of the predicate offense themselves. In terms of the nationality of money launderers, it was found that the individuals who undertook money laundering operations, whether for the proceeds of their crimes or crimes committed by others, were Egyptians and a low number of cases involved foreign and Arab nationalities. In terms of rates, the NRA concluded that 75% of the ML cases were domestic self-laundering, while third-party laundering accounted for only 11% and self-laundering with reliance on a third party was 14%.
110. This may not be consistent with the country's threat context, in light of the escalation of organized crime and transnational offenses. Furthermore, most of the prevailing pattern being domestic self-laundering calls for further verification, given that stand-alone (or autonomous) laundering is not prosecuted in Egypt, which does not permit the detection of third parties that conduct the laundering operations, namely the non-Egyptian third parties, nor the detection of the proceeds of transnational crimes, mainly foreign currencies which have gone astray outside Egypt and whose destiny is unknown. In addition, the fact that criminal gangs are not criminalized does not help recognize any third parties which may be involved in the laundering.
111. Egypt presented and discussed the national ML/TF risk assessment outputs by holding bilateral meetings between the EMLCU and the participating entities and organizing several workshops attended by all the national stakeholders. In addition, it disseminated its results to concerned authorities and departments and the private sector, each within its competences.

Understanding of ML risks

112. The assessment team considers that authorities have a varying level of understanding of the ML risks, and in general, this understanding remains satisfactory to a large extent. It appears that except for GAFI, the police force for countering antiquities smuggling and the Anti-Narcotics Administration which did not have a sufficient understanding of the country's risks, compared to the level of crime risks or risks of relevant sectors, the understanding of risks varies between moderate and good among other governmental institutions, law enforcement agencies, investigative authorities, and supervisors of the banking and non-banking financial sector, namely the CBE whose understanding of the ML/TF risks is based on the sectorial assessment it conducts periodically, thanks to the network that automatically links it to the banks operating in Egypt and which provides it electronically with the required data on a regular basis. It is worth noting the distinction of the Administrative Control Authority which was manifested through its provision of case

studies that demonstrated its good understanding of risks, in line with the country's context and the NRA outputs.

113. The same applies to the supervisors of the non-financial sector, given that most entities have an understanding of risks, since the Ministry of Trade and Industry, supervising real estates brokers, as well as the Ministry of Tourism, supervising Casinos, have a good understanding of risks whilst the Lawyers Association (Bar) which supervises lawyers and the Syndicate of Commercial Professions which supervises the accountants sector, have a weak understanding of the NRA outputs, and are not aware of the sectoral risks, since no sectoral assessment was conducted. Both Syndicates did not demonstrate either any understanding of the types of companies and activities misused the most in ML/TF operations (see IO.3 and IO.5).
114. It is worth noting that, during the on-site visit and the meetings, some governmental institutions, LEAs, and the private sector pointed out other risks related to some predicate offenses which are significant in Egypt, such as the crimes of tax evasion, trafficking in human beings and migrant smuggling. Despite the importance of these crimes, in light of Egypt's economy that relies mainly on cash, these crimes did not appear among the most serious predicate crimes in the NRA report, as explained below in more details.
115. While several risks identified in the NRA report are deemed reasonable, the assessment team considers that there are some risks that require more verification, taking into account their importance considering the country's context and the risks of cash dealing⁹. They are as follows:

- **Criminal and organized crime groups**: Egypt has some sectoral laws that criminalize criminal groups and organized crime, such as the Law on the Fight against Drugs, Law on the Fight against Illicit Immigration, the Law on the Fight against Trafficking in Human Beings and the Anti-Terrorism Law. Nonetheless, the participation in an organized crime group is still not explicitly criminalized in Egypt which affected the country's understanding of ML risks and the NRA results; this may be due to the failure to sufficiently include within the NRA database cases associated with organized crime, which contributed to the emergence of domestic self-money laundering pattern in Egypt and to a lesser extent ML cases involving third parties, although the database included an important number of cases related to organized crime, which were under investigation, especially those related to drug trafficking, as these cases accounted for the equivalent of 50% of investigations into ML cases (160 out of 328), and the inputs associated therewith in the NRA database covered information related to organized crime, third parties and foreign parties in particular, given that their law criminalizes criminal groups. The investigations in this regard have resulted in the Anti-Narcotics Administration's cooperation with its foreign counterparts regularly and systematically, as stated in IO.2. This cooperation, as indicated in the same IO, resulted in the interception and seizure of quantities of drugs smuggled into the country, and several shipments destined for other countries were also seized. Moreover, with regard to other crimes, such as corruption and antiquities trafficking, whose laws did not criminalize organized crime, this was not an obstacle to international cooperation when the crimes were related to third or foreign parties, at the level of law enforcement agencies, or through the Interpol.
- **Tax evasion**: It is the type of predicate offenses that appears the most in the STRs which are the subject of the EMLCU's analysis and generates significant amounts of money. It was the subject of a considerable number of international requests; nonetheless, the NRA did not consider it among the high ML/TF threats. According to Egyptian authorities, it was due to the

⁹ The country took into consideration the risks of cash in the NRA, which resulted in the adoption of policies and procedures to enhance financial inclusion.

fact that these cases did not lead to an ML case, in view of the reconciliation measures that are regularly applied, in the context of legislations which regulate reconciliation (see IO.7).

The country reported that the increase in the number of STRs related to tax evasion filed with the EMLCU resulted from the circular issued by the CBE concerning the need to take precautions against customers conducting transactions which appear to be business transactions on their personal accounts and from considering this incident among the indicators that should be reported. It is worth noting that during the reconciliation process, coordination is undertaken between the Egyptian Tax Authority and the EMLCU in order to identify potential ML elements. Reconciliation measures are applied only after verifying that there are no indicators of a ML offense. The Egyptian Tax Authority holds periodical and regular meetings with competent authorities, including the EMLCU, for this purpose.

- **Misuse of the casino sector:** As cited in the NRA, the ranking of the casino sector as being among “the moderate to high-risk sectors”, in view of the vulnerabilities detected, such as poor ML/TF risk management systems, lack of awareness raising and training and near absence of suspicious transaction reporting, is considered reasonable. The fact that Egypt considers that the casino sector not being misused in any ML or TF cases, in light of the afore-mentioned deficiencies, leads to a low level of threats and consequences, calls for further verification, particularly that the number of casino customers is large, that that this sector largely deals in cash and that there is no threshold for the various cash transactions conducted inside the casinos, in addition to the fact that casinos have a complex ownership structure which includes foreign elements. In terms of statistics, the number of casino customers reached around 16,620,082 between 2017 and 2019 and their financial transactions reached around USD 5,1 billion between 2015 and 2019. It is worth noting that the representatives of the Ministry of Tourism that supervises the sector did not have the necessary awareness that the casino owners and managers could misuse the casino themselves in ML operations. In addition, some banks consider casinos as being high-risk and refuse to engage in a business relationship with them for the same reasons mentioned above. Furthermore, the extent to which Egyptian authorities have taken any controls or measures that require casinos to implement some practices to mitigate the risks of misusing the services provided by this sector in ML operations could not be perceived, such as preventing the replacement of gambling chips with cheques, the customer buying a large quantity of chips in cash and engaging in minimal games and refunding the value of the chips by cheque at a later stage.
- **Misuse of the sector of dealers in precious metals and stones:** Egypt considered that the appearance of this sector in a limited number of the ML cases included in the NRA database leads to a low level of threats and consequences, despite the deficiencies which were identified, such as the absence of necessary human resources at the supervisory authorities, the lack of awareness raising and training, the weak on-site and off-site inspection and the near absence of suspicious transaction reporting. In addition, banks still consider this sector as high-risk despite the ranking reached in the NRA.

Understanding of TF risks

116. According to the interviews held during the on-site visit, the files and case studies presented by competent entities and a sample of cases examined by the assessment team, it appeared that the level of understanding of TF risks in Egypt, overall, is good, comprehensive, and consistent. Governmental institutions, law enforcement agencies, and supervisors have a common and consolidated understanding of TF risks in Egypt that is also consistent with the NRA outputs, the daily practices and national cooperation results in this regard. The NRA concluded that the TF risks that Egypt is facing have increased, considering the high rate of terrorist attacks that the MENA region has been witnessing over the past years and the aggravating terrorist crimes in Egypt, after the event of June 2013 revolution, in addition to the heavy reliance of Egypt's

economy on cash and the risks of using it in TF. The preliminary findings of the NRA update indicate a decrease in the risks of terrorism and its financing starting 2019.

117. The investigations led by the Public Prosecution revealed that the major terrorist groups that Egypt is facing are the Muslim Brotherhood, a group that embraces and adopts the ideology of Al-Qaeda terrorist organisation and other groups that took different designations, such as the Sinai Province Group, Upper Egypt State, Port Said State, in addition to Ansar Bait Al-Maqdis Group and the Soldiers of Egypt. The leaders of these factions communicate with terrorist organizations outside Egypt to execute terrorist operations inside Egypt. They actually committed several terrorist acts in the country and benefited from internal and external financing, as indicated below.
118. According to the NRA report, the sources most used in terrorist financing are donations from the public, the support provided by using legitimate sources of income of businessmen who belong to or support terrorist groups, including many profits-generating economic entities, whether companies, schools, hospitals, TV channels or websites inside or outside the country; some leading businessmen who fled the country and who belong to terrorist entities in Egypt giving these entities access to their assets in the country to use them in their schemes aimed at executing terrorist operations; some small groups or cells relying on funds that international terrorist groups provide them with, in exchange for the declaration of their allegiance to these groups and the execution of terrorist operations, in addition to their reliance on proceeds generated from criminal acts, such as theft of post offices, cash transport vehicles and ATMs. Bank transfers are also used to transfer the funds collected. In some cases, the post is used to make money transfers inside Egypt. The physical transportation by hand or through prearranged spots known as the “dead drop” locations where the funds are left, then picked up later is relied on as well. Various government entities, namely law enforcement agencies, demonstrated their good understanding of TF risks and techniques, whether with regard to local threats resulting from local terrorist entities and terrorists or foreign threats (see IO.9).
119. As cited in the NRA, the capital market sector was ranked as having a moderate to low level of TF risks because it did not appear that it was misused in any of the TF cases listed in the NRA database. However, Egypt should have considered the relatively significant amount of funds which was frozen in the securities companies’ sector among the important indicators that should be taken into consideration in the analysis of threats this sector is exposed to, given that these funds were deposited by natural persons whose implication in terrorist cases was later established. Egypt reported in this regard, according to the NRA, that the sources of terrorist financing include the proceeds derived from the shares of terrorists in legal persons. Therefore, the assessment team considers that the securities companies’ sector is still at risk of being exploited by terrorist persons to make investments in securities. = Considering the deficiencies covered in the examination of the vulnerabilities and identified in the NRA, such as the poor management systems and CFT procedures and the varying level of awareness and understanding among persons working in companies as a result of the lack of training, in addition to the deficiencies that affected the supervisors, the assessment team has reservations on the moderate to low level assigned to the risks of this sector by the NRA report.

National policies to address identified ML/TF risks

120. Egypt issued policies and procedures against ML/TF risks which are set out in the NRA report. These policies addressed many of the risks which have been identified, such as limiting cash dealings, namely in the real estate sector. On this note, the CBE applied several measures to limit cash dealings and enhance financial inclusion, the latest of which was Law No.18 of 2019 on the regulation of the use of cashless payment methods. The executive regulation of this law required legal persons, without the natural persons,

to settle the payments through cashless payment means if their value exceeds the thresholds set out in this regulation. The assessment team considers that it is better to expand the scope of these measures to include natural persons with a view to mitigating the risks of some high-risk sectors, such as the real estate sector.

121. Egypt also sought to address the ML/TF risks which have been identified, by promoting transparency to fight corruption, countering illegal immigration by protecting the categories most exposed to the risk of illegal immigration and increasing relevant information capacities, creating a database within the Antiquities Department in order to track them across the auction houses worldwide, forming specialized inspection teams to enhance supervision over subject entities, supporting the institutional structure of various bodies concerned with combating money laundering and terrorist financing by providing personnel and necessary resources. As to terrorism and terrorist financing, the country took many actions which were chiefly focused on the legislative, security and preventive aspects, as well as capacity building, awareness and international cooperation.
122. Financial inclusion measures include the development of a strategy to mitigate the high risks of cash exploitation in Egypt, the issuance of Minister of Finance Decision No. 269 of 2018 regarding the collection of government, tax and customs dues through the electronic payment and collection system through more than 16 thousand electronic sale points, and the approval of the Central Bank to provide Payment services using mobile phone, as the number of banks licensed to provide this service reached 28, while the number of subscriber accounts for this service reached about 13.84 million accounts in July 2019, with an annual growth rate of 26.6%, and the total annual transaction value amounted to about 18 billion Egyptian pounds in the period from July 2018 to July 2019, issuing the related controls and instructions for providing digital lending and savings services using mobile phone wallets. The EMLCU issued simplified due diligence measures for clients of financial inclusion products and services, allowing the opening of bank accounts for the youth as of 16 years old, as well as the issuance of the national payment system "Meeza Card", where all procedures have been completed to absorb 32.1 million bank cards through this system. It also coordinated with banks to provide 4.8 million bank cards to citizens free of charge. Also, the issuance of the Capital Market Law No. (17) of 2018 and its executive regulations with amendments to some provisions of the Capital Market Law No. 95 of 1992, which includes the activation of Sukuk (Islamic financial certificate, similar to a bond) as a new tool in the securities market.
123. The CBE established a database to measure the level of financial inclusion on the financial services provided in 2018. Data for the month of December 2020 show an increase in the financial inclusion rate in Egypt¹⁰, reaching 53.5% for citizens (16 years and over), and 58.4% for citizens (21 years and over), compared to 33% in 2017 and 14% in 2014, according to reports issued by one of the international organizations on the level of financial inclusion in Egypt.
124. The Egyptian authorities have taken many measures to mitigate the risks of exploiting the real estate sector in ML/TF transactions¹¹. These measures include:
 - Mitigating the risks related to dealing in real estate by requiring the country's authorities and bodies, public and private legal persons, and establishments of all kinds (which include real estate brokers) to pay, as well as collect payments, by means of non-cash payment, when exceeding the threshold of EGP 10,000 in the case of paying for land purchases or real estate.

¹⁰ The percentage includes all types of bank accounts, postal accounts of all kinds, prepaid cards and active mobile wallet.

¹¹ Authorities reported that they have a bill in the final stages of adoption. concerned with developing the necessary procedures to regulate the real estate sector to continue activating the implementation of the proposed actions, including those related to commercial agency and commercial mediation.

- Requiring the electricity, water and gas companies and other companies, agencies, ministries and government departments not to transfer utilities and services, or to take any action with the person concerned regarding the property except after submitting the document bearing the certificate or registration number.
 - Establishing a real estate registry commission or more in each new urban community, and requiring the New Urban Communities Authority, electricity, water and gas distribution companies and other relevant parties not to transfer utilities to the name of the new owner until after ensuring that the ownership of the application certificate is declared.
125. Egypt adopted a national AML/CFT strategy that extended from October 2013 to September 2016. Although it did not rely, in the beginning, on a national assessment of risks and it was limited to national cooperation, it set targets that covered various AML/CFT fields. In coordination with the EMLCU, all the stakeholders in the country prepared operational plans during the same period, as mentioned above. The strategy was extended for another period of three years from October 2016 to September 2019, so that the stakeholders can carry out these plans.
126. Directly after the adoption of the NRA report in August 2019, Egypt started updating the national strategy by relying on the national ML/TF risk assessment results, provided that the new strategy would cover the period from October 2019 to September 2022. According to the Egyptian authorities' statements, the country relied, in the update process, on the views of all the stakeholders, in line with the NRA outputs. As a result, the national committee discussed the final draft of the strategy and adopted it in November 2019. This strategy aims at updating and revising the legislative and supervisory frameworks, increasing the effectiveness of compliance of FIs and DNFBPs with the AML/CFT requirements, supporting the institutional framework for the AML/CFT system, supporting and intensifying domestic, regional and international cooperation, and increasing the efforts toward raising awareness among the public in the AML/CFT field. This strategy elaborated on the executive measures and the entities entrusted with the execution. The concerned governmental entities and departments worked on amending the sectoral action plans, in line with the objectives of this strategy and the NRA outputs.
127. All the competent authorities and the private sector participated in the NRA process and were provided, each within its competences, with the relevant outputs, which enabled many entities to take several measures, which included the preparation, development, and amendment of relevant laws and instructions, such as the amendment of the AML/CFT law and its executive regulation, the issuance of customer due diligence measures to FIs and DNFBPs, the formation of specialized teams to conduct an inspection of FIs in relation to AML/CFT, the formation of a higher committee specialized in the regulation of the real estate sector, the conversion into a society that does not heavily rely on cash by creating the National Council for Payments to encourage the use of online payment methods instead of cash, and the provision of mobile payment methods by issuing the operation rules for this service.
128. In the context of implementing the clauses of the anti-corruption strategy, the country gave effect to the integrity and transparency mechanisms in various governmental functions. It also updated the judicial procedures to achieve instant justice and created online databases that comprise sufficient data for all the citizens, which helps the Administrative Control Authority whose competences include the fight against corruption in conducting the required inquiries which it periodically undertakes, to the highest degree of accuracy and speed. As to illegal immigration, a national strategy for combating illegal immigration was established and a national action plan was developed to execute it. It targets the categories which are most exposed to the risk of being exploited by smugglers and seeks to deter and punish immigration dealers and brokers through enhanced actions and sanctions. The country also launched awareness media campaigns

on the nature, risk and repercussions of the crime and the methods used by the criminals. The national reporting mechanisms were also enhanced by installing a unified hot line to report crimes of human trafficking. As part of the country's efforts to combat the smuggling of antiquities, Egyptian authorities managed to recover archaeological and pharaonic artefacts from several auction houses abroad (see IO.2).

129. As part of combating terrorism and terrorist financing, security and intelligence services rely, within the competences legally entrusted to them, on a comprehensive national strategy for combating terrorism and its financing, which is carried out by all the State agencies and has the flexibility that allows for its amendment, according to the international, regional, and local developments that occur in the phenomenon of terrorism. Its key aspects are based on the following:
- The legislative aspects represented in the review and amendment of the national legislations on an on-going basis (update of the mechanism for the implementation of targeted financial sanctions related to terrorism and terrorist financing, including targeted financial sanctions related to proliferation financing and the issuance of a law regulating the practice of civil work...),
 - The security aspects represented in the implementation of several security measures, such as detecting extremist organizations and targeting them in the legal framework, and depleting their financing sources, etc. ...
 - The preventive aspects by tightening the control in order to prevent the entry and exit of terrorist persons designated on the domestic and international lists and by relying on the strategic analysis, the anticipation of terrorist threats, and other preventive measures.
 - Capacity building, awareness, international cooperation, combating radicalism by regulating the religious field, and coordinating with religious institutions and security agencies in order to enable moderate and balanced religious discourse and spread the correct religious concepts in society in an attempt to counter all forms of extremist language.

Exemptions, Enhanced and Simplified Measures

130. Egypt does not allow exceptions to the application of AML/CFT requirements.
131. Egypt drew upon the NRA results to improve the implementation of simplified and enhanced CDD measures in higher-risk cases. On this note, it disseminated these results, and the relevant institutions have, consequently, taken the necessary actions according to their risk management policy which is based on the NRA findings and after the EMLCU has issued an update of the due diligence measures for higher-risk categories of customers, services, and transactions in order to manage and mitigate them. This has resulted in financial institutions making use of the assessment outputs and accordingly reconsidering the criteria for classifying customers, to apply enhanced and simplified due diligence measures toward high and low-risk customers alike.
132. Since the use of cash in Egypt is considered as a high threat according to the NRA results, Egypt took many actions to limit its use and to promote financial inclusion, the most important of which included the streamlining of due diligence measures toward customers who use prepaid card services and products related to financial inclusion. Prepaid card payment services are one of the financial services which can achieve financial inclusion in view of the simple procedures followed to issue them and their ability to provide various services such as cash deposit and withdrawal and payment for purchases. These actions also included, as part of the risk-based approach, simplified measures with respect to the identification and verification of customers, paired with establishing several controls and limitations to reduce the risks related to these products. The CBE and banks established thresholds for transactions conducted through prepaid card payment services, to reduce the risks related to this service, in addition to the banks'

compliance with the establishment of effective measures to monitor the transactions conducted through this service. The EMLCU issued, in coordination with the CBE, rules regulating these services and a mechanism to request the activation of due diligence measures toward customers of financial inclusion products, which included several controls and limitations to ensure the mitigation of any risks that could be related to these products.

133. Following the NRA report's adoption, the EMLCU disseminated the assessment results to FIs and DNFBPs to further improve their understanding of the high risks in Egypt and take enhanced measures according to the risk management policies applied by each institution. Egypt also updated the due diligence measures toward customers of FIs and DNFBPs, by requiring them to take enhanced due diligence measures toward higher risk categories of customers, services, and transactions to manage and mitigate them and to include this information in the context of the self-assessments of risks. Furthermore, Egypt added to these measures examples of enhanced measures that can be taken in higher risk cases.

Box No. 2.1 Examples of the implementation of measures that are in line with the outputs of the NRA report: a case on exchange companies.

Following the update of the due diligence measures, it has become necessary for exchange companies to obtain the customer's name and address, a copy of his official identity card, and any other information or documentation deemed necessary by the company, with respect to all the transactions conducted and not only where the transaction amount exceeds EGP 200,000 (approximately USD 12,700) or its equivalent in foreign currency.

Objectives and activities of competent authorities

134. The strategic objectives adopted by Egypt are largely consistent with the national AML/CFT policies, knowing that the NRA process covered the period of 2014-2017 and that the country initiated the update process since 2019.
135. The National Committee required all the competent authorities in Egypt to establish operational plans, by considering the NRA results and the strategic objectives of the national action plan. On this note, authorities aligned their policies and priorities according to the NRA outputs by preparing sectoral action plans that aim at developing the AML/CFT regime in various sectors. The assessment team found that, despite the limited level of understanding of the ML/TF risks by the Syndicate of Commercial Professions, which supervises the accountant's sector, the Lawyers Association, GAFI, the police force for countering antiquities smuggling and the Anti-Narcotics Administration, these entities took ML/TF risk mitigating measures that were basically related to training and awareness raising. The objectives of other competent authorities are consistent with the NRA results. However, these objectives do not cover some of the other risks that the assessment team considers high, as mentioned above (criminal and organized crime gangs, misuse of the casino and precious stone sectors, and misuse of securities companies for TF purposes).
136. Based on the NRA results, supervisors of banks and non-banking financial institutions have taken in recent years regulatory measures consistent with the ML/TF risks that have been identified. On this note, the CBE and the FRA prepared a sectoral assessment of the risks of institutions which are subject to their supervision and formed, each, inspection teams specialized in AML/CFT supervision. They also prepared and updated inspection guidance and established inspection plans, thereby ensuring the implementation of a risk-based approach when conducting inspections. For the CBE and the FRA to achieve their objectives, human resources were increased to undertake on-site inspection with a view to verifying FIs for their AML/CFT compliance (see IO.3).

137. With respect to the NPO sector, the Ministry of Solidarity amended the law regulating the sector, after the NRA process, and identified the subset of the NPOs which are exposed to TF risks and updated the criteria it relies on to determine the level of risks.
138. Regarding the real estate sector, the Ministry of Trade and Industry regulated the real estate brokers sector in coordination with the EMLCU. The Prime Minister also issued a decision requiring the formation of a committee that brings together all the DNFBPs supervisors, including the Ministry of Trade and Industry, in order to establish the necessary procedures to regulate the sector and mitigate its risks.
139. The objectives and activities of LEAs are considered in line with the risks identified in the NRA report and the national AML/CFT policies. Except for the Anti-Narcotics Administration and the Antiquities Department, these authorities demonstrated their ability to counter them. These entities inquire and investigate into the types of ML/TF activities, which is largely consistent with the threats detected by the NRA, namely the risks related to terrorism and terrorist financing. For example, the Ministry of Interior created a department for combating money laundering crimes at the General Department of Public Funds Crimes and increased the number of human resources consisting of officers and individuals to counter the risks. Regarding the Administrative Control Authority, it took a set of measures which included the formation of the National Coordinating Committee for the prevention and combating of corruption, chaired by the Prime Minister, with the membership of several related ministries and authorities; in addition to the efforts of law enforcement agencies in awareness-raising and training, in line with the country's risks and context. Nonetheless, the other risks mentioned by the assessment team were not given the same importance, despite their relevance (casinos, dealers in precious stones, misuse of securities companies for TF purposes).

National Coordination and Cooperation

140. AML/CFT coordination and cooperation is considered good in Egypt, and it grew even stronger following the NRA and the self-assessment of the AML/CFT regime, where authorities appeared to cooperate at both operational and policymaking levels. The assessment team reached this conclusion by reviewing all the information provided by various authorities and through the discussions held with law enforcement agencies, supervisors, and other administrative authorities in Egypt. Regarding targeted financial sanctions related to the financing of proliferation, the EMLCU cooperates with the National Coordination Committee for the Implementation of UNSC Sanctions relating to Proliferation at the Ministry of Foreign Affairs which was created by virtue of Cabinet Decision No.433 of 2016 (IO.11).
141. In furtherance of coordination and cooperation among local entities, Egypt established in 2005 a national coordinating committee that aims at enhancing domestic cooperation between stakeholders in Egypt, at the policymaking level. It is presided by the chairman of the Board of Trustees of the EMLCU, with the membership of high-level representatives of 15 ministries and departments representing law enforcement agencies, supervisors, and other administrative authorities which are all engaged in the AML/CFT field. This committee serves as a platform for the exchange of information and coordination in policymaking. It held around 200 meetings since its establishment. This has resulted in the preparation and adoption of Egypt's AML/CFT strategy, the completion of the NRA process, the initiation of the update and the supervision of the mutual evaluation process and the follow-up reports for the previous round.
142. The National Anti-Corruption Committee was created in 2010. It is chaired by the Prime Minister with the membership of several ministers and representatives of law enforcement agencies and other administrative authorities. It seeks to achieve domestic cooperation and coordination to combat corruption, by giving effect to the provisions of international and regional agreements, shaping a uniform national vision that would be

expressed at the international forums, following up the implementation of the country's international obligations which arise from the agreement and other international agreements, coordinating the participation in relevant conferences and the membership of teams and groups deriving therefrom, as well as conducting a periodical assessment of the national legislations, regulations and decisions related to the suppression, combating and prevention of corruption. This, for instance, resulted in the Administrative Control Authority making use of national cooperation and regularly coordinating with various entities to provide corruption cases to competent authorities and to follow them up, during the phase of inquiries and evidence gathering in the parallel financial analysis, with respect to the property and financial activities of the accused person (see IO.6 and IO.7).

143. Judicial authorities and Egyptian agencies concerned with terrorism affairs coordinate and cooperate with respect to the national lists of terrorist entities and terrorists. The National Coordination Committee for the Implementation of the UNSC Sanctions was also formed. Under the chairmanship of the Ministry of Foreign Affairs, it takes the necessary actions to coordinate the national stance on the UNSCRs relating to proliferation. Its members include a permanent representative of the most important stakeholders^{8F12}. The EMLCU is called to attend the meetings, in its capacity as an expert in the field. This has resulted in the freezing of significant amounts of money, the designation of several persons and entities, and coordination with many countries at the regional level and with the United Nations (IO.10). The National Security Agency makes use of the national coordination, given that the investigations it conducted in cooperation with various entities helped thwart many terrorist operations, arrest those in charge, eliminate some terrorist groups and organizations and incriminate those who took part in these operations (see IO.9).
144. Regarding proliferation, the National Coordination Committee for the Implementation of the UNSC Sanctions relating to Proliferation takes the necessary measures to coordinate the national stance on the UNSCRs which are related only to proliferation. It includes several entities concerned with the implementation (see IO.11) and a national sub-committee concerned with the SC sanctions imposed against the Democratic People's Republic of Korea derives from it, with the purpose of coordinating the national efforts in this regard. As to the coordination of efforts to implement other UNSCRs relating to proliferation and the coordination for the application of targeted financial sanctions against Iran, the entity entrusted with the application and follow-up of the implementation of all the relevant UNSCRs and their immediate dissemination is the EMLCU which is assuming its role to this effect. It became clear to the assessment team that the said committee and the ELMCU are circulating the lists and their relevant ongoing updates and coordinating with all relevant authorities at the local level (Customs Department, Ministry of Interior, National Security Agency, ...).
145. In addition to the foregoing, and besides committees and entities that coordinate the AML/CFT measures, many authorities in Egypt entered into memorandums of understanding with various relevant entities to facilitate bilateral and multilateral coordination and cooperation at the domestic level. It is worth mentioning, for example, a memorandum of understanding between the EMLCU and the court of cassation, cooperation protocols between the Administrative Control Authority and most of the law enforcement agencies, a memorandum of understanding between the EMLCU and the Administrative Control Authority, a memorandum of understanding between the CBE, the FRA and the EMLCU regarding the exploitation of

¹² The Ministry of Defense, the Ministry of Supply and Internal Trade, the Ministry of Finance, the Ministry of Civil Aviation, the Ministry of Investment, the Ministry of Interior, the Ministry of Justice, the Ministry of Transportation, the Ministry of Trade and Industry, the General Intelligence Directorate, the CBE, and the Suez Canal Authority.

financial technology and regulatory technology and an agreement between the CBE and the FRA to promote cooperation for the support of financial inclusion in Egypt.

Private sector's awareness of risks

146. FIs, DNFBPs and self-regulatory bodies were engaged in the team that has been formed to assess the national ML/TF risks. Their contribution was represented in providing the necessary data to fill out questionnaires and statistical forms related to threats and vulnerabilities and in the analysis of related studies and reports, which contributed to increasing the level of awareness of the private sector about the risks.
147. The results of the national ML/TF risk assessment were disseminated through several workshops held in coordination with the concerned authorities, namely the CBE and the FRA, with the participation of representatives of the private sector, where the assessment outputs, particularly those related to the public sector, were presented.
148. The EMLCU also participates in several related workshops addressed to banks, in cooperation with the Compliance League of the Federation of Egyptian Banks, in order to raise the banks' awareness about ML/TF risks. Regarding the private sector, banks have a good and better level of understanding of ML/TF risks compared to other FIs whose total financial assets do not exceed 8% of the total assets of the financial system and which have an understanding that varies between moderate and good, depending on the nature of the activity. DNFBPs have a mixed and non-comprehensive understanding of risks, where the understanding of ML risks varies between good among some sectors namely dealers in precious metals and stones and moderate among (casinos), while the understanding of TF risks is weak among some DNFBPs (real estate brokers, lawyers and accountants) and good among (dealers in precious metals and stones) (see IO.4).
149. **Overall conclusion on IO 1:** Egypt conducted the NRA process and relied on a national strategy for the identification of vulnerabilities, threats and consequences. The results were disseminated to all the authorities and the private sector. A national strategy was adopted, and the findings of the assessment were reflected in the internal policies of various LEAs, supervisors and other stakeholders. Competent authorities have a good understanding of the risks of terrorism and terrorist financing. Most entities have a good understanding of the ML risks that varies between good and moderate among governmental institutions, LEAs, investigative and law enforcement authorities and supervisors of the financial sector. Regarding DNFBP supervisors, their level of understanding varies between moderate and weak. The private sector has an understanding that varies between good and weak, while banks have a good level of understanding. The country is currently working on the update of the NRA to cover the period 2018-2019.
150. **Egypt is rated as having a Substantial level of effectiveness for IO.1.**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL MATTERS

Key Findings and Recommended Actions

Key Findings:

Financial Intelligence (Immediate Outcome 6):

- a) Competent authorities (the EMCLU, the National Security Agency, the Administrative Control Authority, and the General Department of Public Funds Crimes) use information and have, to a large extent, direct and indirect access to a wide range of financial information, intelligence, and other relevant information while investigating ML/TF crimes and related predicate offenses.
- b) The reports and referrals of the EMLCU, particularly the TF-related ones, support the operational needs of competent authorities. However, the low number of STRs received by EMLCU regarding serious crimes with respect to the country's context (such as drug trafficking, corruption crimes, firearms, and ammunition crimes, fraud, and theft) may negatively affect the LEA's comprehensive use of the EMLCU's reports and financial investigations it carries out. The failure to pursue stand-alone ML crimes has led to the archival of a significant number of STRs by the EMLCU and LEAs.
- c) The EMLCU has a safe headquarter and good human, logistical, and IT resources. This helps it in processing and analysing the financial information it receives or collects. However, the limited number of STRs received from the reporting entities, other than banks, and the EMLCU's reliance mainly on banks in requesting information, without directly resorting to DNFBPs to obtain financial and non-financial information may relatively affect the comprehensiveness of the information used in its operational and strategic analysis, even if the banking sector is the financial sector exploited the most in ML/TF crimes and dominates around 89% of the total assets of the financial sector.
- d) The EMLCU provides feedback to banks and financial institutions in particular (yet still insufficient), and to supervisory authorities and LEAs in the form of statistics and workshops or through phone calls and bilateral meetings with compliance officers at the reporting entities. The EMLCU receives from LEAs the results of investigations it requests and uses this feedback to update the structure of the financial intelligence reports that it provides to these entities.
- e) AML competent authorities (the EMLCU, the Administrative Control Authority, the General Directorate for Public Funds Crimes Investigation,) have access to a wide variety of financial intelligence and use it for their operational needs, to the exclusion of the Anti-Narcotics Administration and the Antiquities Department whose efforts are still not enough.
- f) The National Security Agency accesses and uses financial intelligence for CFT purposes and cooperates to a large extent with the EMLCU from which it receives requests for investigation. This has enabled it to prove the commission of TF crimes at a significant rate which exceeded 64%.
- g) The EMLCU signed MOUs with most competent authorities. It also cooperates and exchanges information with most relevant competent authorities. However, no information was exchanged with the Ministry of Trade and Industry on the real estate sector, considered as one of Egypt's high-risk sectors.

ML Investigation and Prosecution (Immediate Outcome 7):

- a) ML cases are identified either through investigations conducted by competent authorities or by the EMLCU based on STRs received from reporting entities. The types of ML activities being investigated and prosecuted are not fully consistent with the country's risk profile. Some crimes generate very large financial proceeds, such as organized crime and smuggling of antiquities but were not mentioned in the NRA, nor did they appear in the investigation of ML cases.

- b) The law requires a conviction for the predicate offence to prosecute stand-alone ML cases. Investigations are also mostly limited to self-laundering, and third-party cases are not investigated because organized crime is not criminalized, except in some specific laws.
- c) The limited number of ML investigations is inconsistent with the large number of predicate offences. More than half of the referrals by the EMLCU were archived, and one third of the ML cases investigated by prosecution authorities were archived and not referred to the court.”.
- d) In the case of most predicate offences, no parallel financial investigation is conducted. Moreover, some high-risk cases, particularly related to tax crimes, are settled, which ends the prosecution of predicate offences and ML crimes related to them.
- e) Despite the efforts of prosecution authorities, there is no clear coordination mechanism to initiate the ML investigation. Moreover, some authorities have an insufficient understanding of ML risks and requirements. Additionally, the number of court judgments issued in ML cases is very low with only 13 convictions rendered.
- f) The Egyptian law imposes a set of dissuasive sanctions on natural and legal persons who commit ML crimes. Nonetheless, the number of verdicts (only 13 in five years) is still low. The investigations conducted concerning legal persons did not establish any acts or transactions that fall within the scope of the ML crime.
- g) Except for the cases where the cross-border funds are forfeited for the violation of the declaration requirements, Egyptian authorities do not implement alternative measures for criminal justice when it is impossible to pursue ML crimes and secure a ML conviction.

Confiscation (Immediate Outcome 8):

- a) Taking into account the statistics provided by the country and the value of funds and assets subject to confiscation, Egypt considers confiscation an objective of the national policy; however, confiscation is very often a result of the assets seized in the accused’s possession upon their arrest and not the result of tracing proceeds and property of equivalent value.
- b) Law enforcement authorities seize the funds that are direct criminal proceeds of predicate offenses, ML and TF crimes upon the arrest of the suspects. Yet, the remaining criminal proceeds of the predicate offense are often not traced and seized, since some authorities do not have a sufficient understanding of the parallel financial investigation procedures and the means to access all criminal proceeds.
- c) In view of the significant amounts confiscated in various predicate offenses (more than USD 1 billion), there is a consistency to some extent between the results of the confiscation and the country’s risk profile in most of the predicate offenses, including drug trafficking, weapons and corruption. The inconsistency of the number of investigations, the number of convictions and confiscation rulings in ML crimes with the large number of predicate offenses, and the value of seized funds limits the effectiveness of the confiscation system, especially for the most serious crimes in the country.
- d) Failure to benefit from formal international cooperation to trace funds that might be abroad, recover and confiscate the same, limits the effectiveness of the confiscation system, especially in cross-border offences.
- e) Egypt implements a cross-border currency and Bearer Negotiable Instruments declaration system for incoming and outgoing travellers, as the Customs Department is the authority specialized in receiving declaration forms and imposing sanctions on persons who fail to declare the funds moved across the borders or who give false information. The applied sanctions are proportionate and dissuasive.

Recommended Actions:

Immediate Outcome 6:

- a) The EMLCU should continue to cooperate with reporting entities by providing feedback and training in order to encourage them to report suspicious cases to the EMLCU and improve the quality of reports, especially on serious crimes with respect to the country's context (such as drug trafficking, corruption crimes, firearms and ammunition crimes, fraud and theft). The quantity and quality of reporting by DNFBPs should also be improved.
- b) The EMLCU should improve the channels of communication with the DNFBP supervisors, namely the Ministry of Industry and Trade concerning the real estate sector, which would enable the EMLCU to support the operational and strategic analysis by accessing the information held by various sectors, including the conventional real estate contracts.
- c) Egypt should consider raising awareness about the importance of accessing and using financial intelligence by investigative authorities, especially by the Anti-Narcotics Administration and the Antiquities Department, when pursuing ML and associated predicate offense cases. These authorities should strengthen cooperation with the EMLCU to use the financial intelligence that such authorities can access in order to pursue stand-alone ML offences.
- d) The EMLCU should conduct, in cooperation with prosecution and investigative authorities, a strategic analysis of the major serious crimes with respect to the country's context and circulate the findings of these studies to subject entities, which may improve the quantity and quality of reporting.

Immediate Outcome 7:

- a) Competent authorities should put in place a legal and operational framework to regulate the following:
 - Investigate stand-alone ML and punish its perpetrators regardless of decisions taken on the predicate offence, including the possibility to pursue money laundering even when the predicate offence follow-up procedures stop due to reconciliation or any other reason.
 - A full comprehensive criminalization of organized crime.
 - Parallel financial investigations, especially with regard to criminal procedures to access financial intelligence, special deadlines for responding to requests by prosecution and investigative authorities, and legal guarantees for persons in this regard.
- b) Prosecution and investigation authorities should - trace all ML crimes and focus on the stand-alone and third-party ML crime, in consistency with the country's risk profile.
- c) Prosecution and investigation authorities should undertake parallel financial investigation when investigating predicate offences in order to collect sufficient evidence, trace criminal proceeds and uncover the largest volume of ML crimes.
- d) Prosecution and investigation authorities and the EMLCU should collect evidence, and give priority to investigations into serious crimes that generate large financial returns and complete them in a timely manner.
- e) Dissuasive sanctions, including sanctions against legal persons, should be applied for ML. Prosecution and investigation authorities should provide feedback to the EMLCU.
- f) The General Directorate for Public Funds Crimes Investigation and the Public Prosecution should organize training courses for prosecution and investigation authorities on the operational aspects of ML investigations and parallel financial investigations.

- g) Authorities should put in place alternative criminal justice measures when ML conviction cannot be secured, provided that these measures include all funds and criminal proceeds.

Immediate Outcome 8:

- a) Competent authorities should seek to confiscate property of equivalent value as far as predicate offenses are concerned and to confiscate the proceeds and the funds allocated to finance a terrorist person, in order to pursue confiscation as a national policy objective.
- b) Prosecution authorities should seek to trace all criminal proceeds and not only seize the assets found with the suspects upon their arrest, in order to enable the confiscation of all the criminal proceeds.
- c) Prosecution authorities and the judiciary should increase the use of formal international cooperation to trace, confiscate and recover criminal proceeds abroad and execute foreign judgments ordering confiscation.
- d) Prosecution authorities should organize training sessions where they should focus on the seizure, freezing and confiscation measures.

151. The Immediate Outcomes considered and assessed in this chapter are IOs.6-8. The relevant Recommendations under this section are R.1, 3, 4, 29-32 and elements of R2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Use of Financial Intelligence ML/TF)

Use of financial intelligence and other information

152. Most authorities in Egypt, including the Administrative Control Authority ("ACA"), the National Security Agency, the Public Prosecution, the Supreme State Security Prosecution, and the General Department of Public Funds Investigation, use financial and other relevant information to develop evidence to investigate ML transactions and ML/TF associated predicate offences and trace criminal proceeds. They also rely on financial intelligence during the investigation of ML/TF crimes and relevant predicate offences, including financial intelligence developed by the EMLCU. Authorities can use financial intelligence through direct and indirect access, to a large extent, to many national databases used by authorities, including the EMLCU's and other financial databases, which helps monitor any potential financial movements. Despite the discrepancy in LEAs' ability to use information, they have, in general, a high technical capacity that allows them to link and use national databases to trace crimes and establish direct relationships with supervisors of reporting entities. LEAs resort to financial institutions and DNFbps, when necessary, and obtain the information required for their investigations and inquiries. LEAs rely to some extent on the EMLCU to investigate financial transactions, given that the EMLCU is responsible for financial analysis and supports their financial investigations through its database, namely predicate offense and TF investigations.

153. The table below indicates the most important sources of information used by the EMLCU, LEAs and prosecution authorities in their financial and criminal investigations:

Table No. (3.1): Sources of information

Database	Where it is kept	Description of the nature of the information
STRs database	The EMLCU	Includes information related to the following reports: STRs, local information requests, international information requests, local information reports, international information reports, seizure decisions, terrorist entities and terrorists reports, foreign currency and BNI disclosure reports.
Real estate properties database	Urban Communities Authority	Lands and real estate owned by natural or legal persons.
Central Credit Registry	Central Bank of Egypt	Information on credit facilities obtained by natural or legal persons themselves and natural or legal persons related to them.
Mortgage finance companies database	Financial Regulatory Authority (FRA)	Size of financing granted, repayment periods, capitals, number of investors, geographic distribution.
Financing lease contracts database	Financial Regulatory Authority (FRA)	Number of financing lease contracts based on the activity and total value
Factoring companies database	Financial Regulatory Authority (FRA)	Factoring companies data, number of customers, volume of balances, size of securities, share capitals, market shares.
Commercial Register Database	Internal Trade Development Authority ("ITDA")	Data on companies and their beneficiaries.
Civil Status database	MOI	Data on the accused persons and their families.
Criminal information database	MOI	Criminal information on the accused person (s).
Vehicles database	MOI	Data on cars, motorbikes and their owners.
Passports database	MOI	Movement of people leaving and arriving to the country.
Tax reports	MOF	Financers' tax transactions.
Social insurances	Ministry of Social Solidarity	Data on persons insured, their professions and addresses.
NPOs database	Ministry of Social Solidarity	Data of NPOs, their members and boards of directors.
Rulings of the Court of Cassation	Court of Cassation	Rulings issued against the accused persons.

Box No. (3.1) Use of the EMLCU's financial intelligence by the Ministry of Interior

During the last quarter of 2019, the Ministry of Interior asked the EMLCU to conduct financial inquiries regarding the suspect (M) for laundering money generated from document forgery and illicit immigration.

The EMLCU replied to the Ministry of Interior, stating that the accused person (M) holds two accounts with a local bank. By checking the first account, it appeared that each of (H) and (A) made cash deposits in his account, and in return, the suspect (M) put aside the deposited amounts. By checking the second, it appeared that transfers were made to the account from (G) while being abroad.

The inquiries made by the Ministry revealed that the afore-mentioned persons committed the crime of forging official documents to issue false personal identification documents used for travel, in return of amounts of money and they laundered these proceeds by depositing a part of this money in the account of the suspect (M) who used it to purchase saving pools. They also revealed that the accused person (G) made, while being abroad, transfers to the account of the suspect (M) as mentioned in the EMLCU's financial intelligence.

The Ministry arrested the accused persons and referred them to the prosecution, which ordered their prevention from disposing of their funds, based on evidence proving their commission of forgery and illicit immigration and the laundering of the proceeds generated from these crimes. The EMLCU was informed of the mechanism for disposition.

Box No. (3.2): ML case based on suspicion received from the EMLCU

The Ministry received an STR sent by the EMLCU about some suspicious financial transactions involving Mr. R.E. H - an Egyptian national, a manager of a shipping company. The suspect received large amounts of money transfers into his bank account from Mr. S.E.B. accused of committing bribery and corruption in a foreign country. The nature of the relationship between the two and the purpose of the transfers was not clear. The case was listed in the AML Department's database, and the necessary measures were taken to access all information available on the suspect:

Criminal inquiries were run on the two accused persons without finding any previous accusations or judgments against them in the MoI database.

An internet search revealed the same information received from the EMLCU about one of the suspects being involved in bribery and corruption cases in a foreign country.

The Arab and International Criminal Police Department [Cairo Interpol] was addressed.

Suspect S.E.B. was charged with corruption, profiteering, and taking possession of huge commissions amounting to \$70 million. By conducting field investigations in the suspect's workplace and residence in Egypt, and by looking into his relationship with Mr. R.H.E. – it was found that they did business together: S.E.B. purchased agricultural land from R.H.E at 18 million EGP. The sale contract was made available during the investigation.

The MOI sent the information available about Mr. S.E.B to the EMLCU stating that he owns a company outside the country and is accused of misappropriation of large amounts of money abroad.

Parallel financial investigations and analysis on S.E.B and his family were conducted after a search in the civil status database, which is accessible to the Department to determine the size of his criminal proceeds. The following officials were contacted:

The Egyptian Authority for Maritime Safety (EAFMS) stated that he owns a yacht.

The Urban Communities Authority stated that he owns a luxurious mansion in one of the new urban communities.

According to the database of the MoI's General Traffic Department, he has 3 luxury cars.

Agricultural associations reported that he owns 3 agricultural lands.

Reports were drafted regarding both suspects (S.E.B.) and (R.E.B.), and a notification was sent to the Public Prosecution. The EMLCU was informed of the investigation's outcome.

154. The statistics below show the extent to which the EMLCU can access the information held by various national agencies. Between 2015 and 2019, the EMCLU submitted 3,271 requests to local LEAs (an average of 654 requests per year), 218 requests to Prosecution authorities (an average of 44 requests per year), and 113 requests to supervisory authorities (an average of 23 requests per year). The following are statistics on the number of requests sent by the EMLCU to the major entities in Egypt:

Table No. 3.2: Information Requests sent by the EMLCU to Competent Authorities between 2015 -2019

Requested party	2015		2016		2017		2018		2019		Total		Total
	ML and PO*	TF	ML and PO*	TF	ML and PO*	TF	ML and PO*	TF	ML and PO*	TF	ML and PO*	TF	
Public Prosecution	23	2	34	5	41	6	38	4	47	9	183	26	209
Illicit Gains Authority	2	0	2	0	1	0	1	0	3	0	9	0	9
Prosecution authorities	25	2	36	5	42	6	39	4	50	9	192	26	218
Ministry of Interior	278	0	413	0	459	0	432	0	491	0	2,073	0	2,073
National Security Agency	0	217	0	28	0	30	0	21	0	38	0	334	334
Administrative Control Authority	83	0	104	0	167	0	214	0	296	0	864	0	864
Investigative Authorities	361	217	517	28	626	30	646	21	787	38	2,937	334	3,271
Central Bank of Egypt	8	0	12	0	14	0	11	0	15	0	60	0	60
Financial Regulatory Authority	11	0	10	0	13	0	8	0	11	0	53	0	53
Supervisory authorities	19	0	22	0	27	0	19	0	26	0	113	0	113
Tax	121	0	175	0	198	0	181	0	395	0	1,070	0	1070
Customs	6	0	4	0	5	0	3	0	14	0	32	0	32
Ministry of Social Solidarity	5	0	5	0	10	0	5	0	7	0	32	0	32
Total	942	438	1,334	66	1,603	72	1,597	50	2,142	94	7,618	720	8338

* PO: Predicate Offence.

155. The table above indicates that the degrees to which the EMLCU can access the information to use it in processing incoming STRs and requests vary. According to statistics, the Ministry of Interior comes in the first place. This indicates that it is the main ML investigative authority because it has prerogatives over most predicate offences (44%). It is followed by the Egyptian Tax Authority (23%), the ACA concerned with corruption crimes (18%), the National Security Agency (7%), and the Public Prosecution (4%). The Central Bank, the Financial Regulatory Authority, the Ministry of Social Solidarity, the Illicit Gains Authority and the Customs Department share the remaining 3.92%. The apparent difference in the EMLCU's cooperation with the various parties may be attributed to the wide powers these entities have and the adequate information sources they provide. Despite the EMLCU direct access to the real estate database, and the possibility of seeking the assistance of LEAs to obtain various information such as real estate information and from supervisory authorities, it did not submit any request to the Ministry of Industry and Trade regarding the customary real estate contracts, which impedes access to comprehensive information in this regard.

156. The EMLCU receives requests for information from competent authorities and prosecution authorities and considers them as suspicious reports. In fact, LEAs request information and financial intelligence from the EMLCU, and the latter in return seeks information from FIs that provide it with the relevant transactions and documents. The EMLCU then studies and examines those transactions and documents and responds to LEAs. The EMLCU benefits from these requests as they help inform its database with new financial intelligence and information on suspicious persons and transactions. During 2015-2019, the EMLCU received 3,929 requests from different authorities, which can be summarized as follows:

Table (3.3): Responding to local information requests

Year	Number of incoming information requests		LEAs				Prosecution authorities				Other	
	ML/PO	TF	ML and PO		TF	ML and PO		TF	Total	ML		
			MOI	ACA		Homeland Security	National security				Public Prosecution	Illicit gains
2015	582	98	338	38	13	55	153	13	166	43	209	27
2016	631	122	374	33	16	67	166	16	182	55	237	26
2017	677	124	405	34	19	59	159	23	182	65	247	37
2018	689	138	393	33	17	63	183	21	204	75	279	42
2019	756	112	456	32	18	55	176	24	200	57	257	50
Total	3335	594	1966	170	83	299	837	97	934	295	1229	182

157. The table above shows that with regard to LEAs, the Ministry of Interior maintains the largest share of requests, which accounts for 78%, followed by the National Security Agency with respect to TF-related requests, then the ACA. As for the prosecution authorities, the Public Prosecution achieved 68%, and the Supreme State Security Prosecution 24% represented in TF-related requests, while the Illicit Gains Authority settled for 8%. This may explain that the Ministry of Interior is conducting investigations on many crimes that constitute a major threat according to the NRA results, while the National Security Agency and ACA have specific competencies and rely mainly on their internal resources, including their sources of information and their wide powers to conduct investigations and refer them to the competent authorities. Furthermore, the national list as per the UNSC Resolution and a special report on terrorist entities and terrorists, as drafted by virtue of Cabinet Decision No.2910 of 2019 which requires FIs to report matches and/or similarities to the EMLCU, helped the EMLCU receive a large number of reports on terrorist entities and terrorists that resulted in referrals to the National Security Agency and requests on the same matter.

158. The EMLCU has the ability to produce financial intelligence using a variety of sources, which can then be used by LEAs and other competent authorities to develop evidence and trace criminal proceeds. The EMLCU uses the financial intelligence it collects directly from FIs (mainly banks, the National Post Authority, money exchange, and money transfer companies). It resorts to DNFBPs to a lesser degree to request information

that might support its investigation into STRs regarding suspicious transactions involving ML/TF proceeds or attempted ML/TF operations and uses financial and administrative information, information of LEAs and open sources, in addition to the review of the national databases, (real estate property, for example) and informal outreach to DNFBPs when necessary. The EMLCU requests financial information from governmental entities. It also requests these governmental entities, directly or indirectly, to provide information that it deems necessary to carry out its tasks, especially to conduct a financial investigation (see R.20, R.29, and R.35). The EMLCU obtains financial information from FIs and DNFBPs, administrative information from various governmental entities (commercial register, company registry, water and electricity facilities, ...), and information from LEAs (criminal information, cross-border movements...). The EMLCU also has access to commercial databases.

159. The table below shows the requests for information made to the EMLCU by DNFBPs for 2015-2019. Although their number is relatively low compared to the number of those made to the financial sector, it increased from 172 requests in 2015 to 208 in 2019, at a rate of around 20%. It is noticed that the largest number of requests for information is made to real estate brokers and dealers in precious metals and stones, where it represented, respectively, 35% and 26% of the total number of requests:

Table No. 3.4: Requests for information made by DNFBPs to the EMLCU during 2015-2019

Sector	2015	2016	2017	2018	2019	Total
Dealers in precious metals and stones	45	56	47	44	58	250
Real estate brokers	60	76	63	61	72	332
Accountants	28	35	29	24	32	147
Lawyers	22	28	24	22	27	123
Casinos	17	22	18	18	19	94
Total	172	216	181	169	208	946

160. Nonetheless, the number of high-risk crimes reports received by the EMLCU is considered low compared to the country's context (such as drug trafficking, corruption crimes, firearms and ammunition crimes, fraud and theft), which may relatively affect the comprehensiveness of the production of financial intelligence by the EMLCU for the benefit of LEAs and prosecution authorities, although it is not necessary to obtain a perfect match between the EMLCU's statistics and the NRA findings.

Box No. (3.3): Case study on cooperation between the EMLCU, FIs and competent authorities on the exchange of information and financial intelligence

The EMLCU received two STRs from two local banks about the suspect (X) who is repeatedly collecting cheques on behalf of her employer and depositing their value in her accounts at both banks. The EMLCU's examination revealed that the suspect had opened two accounts with the two banks in which she deposited cheques made to her employer. She was also depositing cash in her accounts. At the same time the suspect withdrew part in cash and purchased saving pools with the rest. After the inquiry, a request for investigations was sent to a law enforcement authority.

LEA investigations revealed that the suspect unlawfully appropriated sums of money from the government agency's account where she is employed, as she falsified the books of accounts and issued 31 cheques that she deposited in her personal accounts at the two reporting banks.

According to the inquiries results, a letter was sent to the Assistant Minister of Justice at the Illicit Gains Authority, stating that the suspect was referred to the criminal court, which convicted her and sentenced her to 7 years of prison

161. Besides the EMLCU, other authorities prepare intelligence reports, conduct investigations, and use financial intelligence for combating predicate offenses, ML and TF. This is the case, in particular, of the ACA, MOI, and the National Security Agency. These authorities have the necessary resources and expertise to investigate ML/TF cases and rely on financial intelligence. The efforts of the Anti-Narcotics Administration and Antiquities Department remain insufficient in this regard.
162. The National Security Agency obtains information on any assets owned by a person under investigation. The Agency requests financial intelligence from the EMLCU because the said Unit has quick access to all the information held by financial and non-financial institutions. It also requests information on persons under international investigation. The Agency cooperates with 38 countries and uses the available financial intelligence to develop evidence or trace funds during inquiries and investigations into TF cases. The Agency identifies the assets used in TF operations, whether to provide financial or logistical support or for recruitment. Financial investigations are not limited to identifying funds used in financing terrorist individuals, but also funds used in financing a terrorist act or a terrorist group.
163. It appears through the cases submitted that the Financial Regulatory Authority (FRA) can access a wide range of accurate and detailed data and information, including all stages of analysis and investigations, held by a large number of entities (commercial registry, tax reports, social insurance, civil registry, criminal record, cars, ships, lands and aircrafts, water utility documents, cross-border movement data, building permit documents, electricity utility documents, judicial rulings and sanctions, civil societies, real estate taxes, real estate registration, real estate property). As for the information kept by FIs and DNFBPs, it obtains it directly or through the EMLCU. The FRA has an IT system that can be used for analysis and for investigation purposes.

Box (3.4): Report sent by ACA to the EMLCU

During the third quarter of 2019, the ACA asked the EMLCU to conduct a financial investigation about Mr. (M). and Mr. (A) suspected of embezzlement.

According to the EMLCU's response to the ACA, Mr. (M). owns real estate and has two accounts with two local banks. After looking into the first account's activity, it was found that cash deposits were being made into the account then used to buy saving pools. The same pattern was repeated on the second account which recorded cash deposits by the said person, followed by the purchase of saving pools.

It was also found that Mr. A. holds an account with a local bank. The account's activity revealed that he deposited cash into the account and used it to buy saving pools.

It is worth nothing that the real estate owned by the first suspect and the saving pools held by both suspects were purchased after the embezzlement crime was committed.

ACA's investigations revealed that the two accused persons embezzled money from the account of a client at the bank where the second suspect works. In cooperation with the EMLCU, the ACA was able to identify what the suspects did with the money embezzled. In fact, the accused persons (M) purchased movables and real estate, and both accused persons deposited part of the embezzled money in bank accounts and used it to buy saving pools to hide the source of the money and make it look legitimate.

The Public Prosecution was informed of the embezzlement and ML crimes committed by the two accused persons in order to take legal actions, and the Unit was informed of this matter.

164. The Anti-Narcotics General Administration conducts investigations into predicate offences related to the criminal proceeds of predicate offenses that fall within its competencies. It identifies ML cases mainly through its investigations and cooperates with the EMLCU to request information to identify ML cases, as shown by the table below in order to identify the ML cases, between 2015 and 2019:

Table No.(3.5): Statistics on requests for cooperation with the Anti-Narcotics Administration during 2015-2019

Year	Information requests received by the Anti- Narcotics General Administration	Information requests sent by the Anti- Narcotics General Administration
2015	74	14
2016	85	21
2017	97	26
2018	89	24
2019	109	31
Total	454	116

165. The table above shows the extent of cooperation between the two entities. The following is a case study:

Box No. 3.5: Case on importing and trafficking in drugs through local transfers and company establishment

The EMLCU cooperated with the Anti-Narcotics General Administration in conducting financial and criminal investigations regarding the first suspect A.S. and his son S.B, the second suspect who owns an import and export company. The investigation revealed the following:

- They imported, trafficked in, and sold narcotic substances to their clients. The amounts of money collected from these activities was estimated at 2 million Egyptian pounds (USD 127.000) and the proceeds generated from this illicit trade was laundered. Warrants related to drugs have previously been issued against them.
- The two suspects committed many proceeds laundering acts. They deposited some of these proceeds in Egyptian banks and post offices under their names and the names of their relatives. The first suspect assisted his wives (four wives) in conducting domestic transfers between accounts under his name and the names of his wives and children (16 sons and daughters). The suspect also made partial deposits, and another portion of the remaining illegal funds was invested in establishing companies. One of the companies established dealt with import and export. He also bought many agricultural lands, residential units, and cars to conceal and legitimize the criminal proceeds nature of the funds generated from the predicate offense.

166. The EMLCU requests information from the Ministry of Finance as part of its task to process the incoming STRs on tax evasion. The EMLCU has indeed submitted 1102 requests between 2015 and 2019 to the Ministry of Finance for the purpose of conducting the examinations required to uncover any tax evasion crimes. Nonetheless, no criminal lawsuit seems to have been filed for these crimes since authorities resort to reconciliation as an alternative measure, which would affect the AML/CFT process and result in the failure to complete the necessary search and investigation measures (see IO.7). Furthermore, there was no evidence of any fines that had been imposed. It is worth noting that the country receives several international cooperation requests regarding tax evasion.

167. With regard to cooperation with the Ministry of Social Solidarity, it is worth mentioning that the EMLCU has made only 32 requests for information to the said Ministry in 5 years, which is considered a relatively limited number, considering the risks of NPOs and their potential misuse in TF. It is also noted that the search for information from the regulatory authority is limited (despite some basic information on NPOs which is available on the Ministry’s website), and the number of STRs related to receiving donations is low, especially those related to branches of foreign organizations active in Egypt. As a result, cooperation may be restricted to suspicious cases that require requests for additional information (see IO.10).

STRs received and requested by competent authorities

168. The EMLCU receives STRs from FIs and DNFBPs on transactions suspected of involving ML/TF crimes or proceeds, although a large number of ML-related STRs is temporarily archived as shown below¹³. It also receives information from the competent authorities about ML/TF crimes and the measures taken in their regard. Considering the important number of STRs which are being archived by the EMLCU, this is mostly due to the significant number of STRs related to tax evasion (900 STRs) which end up being processed in most cases through administrative reconciliation and also due to around 2900 STRs which were related, according to the authorities, to forged bank statements for the purpose of obtaining foreign visas, as revealed by the investigations with stakeholders and which were therefore archived. The EMLCU's database is updated with data from cross-border transportation of currency and BNI disclosure reports. The database also includes disposal prevention decisions issued by the Public Prosecution, STRs on terrorist entities and terrorists sent by FIs to the EMLCU, domestic and international requests for information, other than the spontaneous information reports received by the EMCLU from local and international agencies. The following are the types of reports contained in the EMLCU's database:

Table No. (3.6): Statistics about the types of reports received by the EMLCU

	2015	2016	2017	2018	2019	Total
STRs	3,013	3,747	3,841	3,235	3,826	17,662
IRD	680	753	801	827	868	3,929
RFI	68	87	46	49	54	304
BNI	584	1,352	1,361	1,715	1,792	6,804
SPOD	234	4	98	53	61	450
DTET*	-	-	-	-	298	298
DOP	-	-	-	-	72	72
Total	4,579	5,943	6,147	5,879	6,971	29,519

* Created pursuant to Cabinet decision No. 2910 of 2019.

169. The following are details of STRs between 2015-2019, by type of suspicion:

Table No. (3.7): Statistics on STRs by type of suspicion

Year	STRs received		
	ML and PO	TF	Total
2015	2,896	117	3,013
2016	3,686	61	3,747
2017	3,758	83	3,841
2018	3,193	42	3,235
2019	3,732	94	3,826
Total	17,265	397	17,662

170. Between 2015 and 2019, the number of STRs reached 17,662 (including TF STRs) which is an average of 3,532 STRs per year. The EMLCU processed all STRs and archived 3054 out of 17,265 ML STRs (or about 18%) and 98 out of 397 TF STRs (an average of 25% approximately). The number of STRs received by the EMLCU in one year and completely processed only in the next year is weak, as it reached 84 in 2015, 109 in 2016, 115 in 2017, 68 in 2018, and 92 in 2019. The EMLCU referred more than 11.000 to investigative authorities. The predicate offenses and ML crimes related to the STRs referred were investigated. On the other hand, the EMLCU sent more than 2.900 other reports to notify investigative authorities on the use of

¹³ Knowing that there is no permanent but only temporary archiving at the EMLCU, pending the emergence of other indicators and information that support the suspicion in order to re-open and re-analyze the case, where the EMLCU has recourse to the IT system to do so.

forged documents without involving funds, and LEAs are taking legal actions against the users of these documents and inform the EMLCU of the actions they have taken concerning these reports.

171. Most STRs received by the EMLCU up to 2019 were sent by banks, given that they sent about 14,192 STRs, over the last five years, which is more than 80% of the total number of STRs. The EMLCU mainly relies on banks in requesting information and the informal recourse to DNFBPs to obtain financial and non-financial information as part of its investigations may relatively affect the accuracy and comprehensiveness of the information used in its operational and strategic analysis on the one hand and in supporting the operational needs of the authorities on the other hand, even if the banking sector is one of the financial sectors exploited the most in ML/TF crimes and dominates around 89% of the total assets of the financial sector¹⁴.
172. The following are statistics on the distribution of STRs by sectors:

Table No. (3.8) Distribution of STRs by sectors

Sector	2015		2016		2017		2018		2019		Total		Percentage %
	ML and PO	TF	ML and PO	TF	ML and PO	TF	ML and PO	TF	ML and PO	TF	ML and PO	TF	
Banks	2,298	98	2,974	50	3,069	69	2,534	34	2,989	77	13,864	328	80.40
Money transfer companies	133	4	168	4	174	4	157	2	187	5	819	19	4.75
Exchange companies	68	4	89	2	93	2	86	1	106	3	442	12	2.57
Post	162	10	211	4	218	5	189	3	226	5	1,006	27	5.85
Securities companies	133	1	168		169	3	144	2	175	4	789	10	4.53
Other sectors	102	0	66	1	35	0	83	0	49	0	335	1	1.9
Total	2,896	117	3,676	61	3,758	83	3,193	42	3,732	94	17,255	397	100

173. The EMLCU explained that most of the STRs were sent by banks because of the importance of the banking sector, which accounts for about 89.8% of the total financial assets, while the non-banking financial sector only represents about 10.2%. Moreover, banks have a large customer base. They are geographically spread across the country, offer diverse banking services and monitor customers' transactions through information systems that permit the detection of suspicious transactions. The country explained that the number of STRs sent by the rest of the sectors is low because they provide limited products or services to a specific segment of customers (most of them are bank customers), and customers use the products and services of those sectors through their bank accounts. Nevertheless, the assessment team believes that some sectors (casinos, real estate, DPMS...) would pose high risks due to the prevalence of cash-based transactions and their difficult traceability, especially in the unregulated sectors.
174. For example, the EMLCU received only 5 STRs from real estate brokers between 2017 and 2019 and only 11 from casinos during the same period, even though these sector deals in large sums of cash whose source is difficult to identify, as reported by some banks. It is worth noting that the EMLCU received 445 STRs on

¹⁴ The country reported that the number of STRs filed by DNFBPs has increased in 2020 and reached 86 by end of November 2020.

the sale and purchase of real estate from banks specialized in this sector, and the Post Authority represented in its State-owned department through the Urban Communities Authority. They are detailed as follows:

Table No. (3.9): STRs received by EMLCU from specialized banks and post regarding buying and selling real estates.

Year	Bank specialized in real estate	Other FIs	Total
2015	53	16	69
2016	70	21	91
2017	79	24	103
2018	62	18	80
2019	77	20	97
Total	341	99	440

175. Egypt made great efforts to combat terrorism and its financing (see IO.9); yet, the number of TF-related STRs is still insufficient, taking into consideration the high TF risks, as identified by the NRA report or the types of transactions that can be potentially used for TF (bank transfers in banks, according to the NRA outputs, selling of real estate in traditional ways, physical transportation by hand or through prearranged spots, known as "dead drop" locations where the funds are left, then picked up later). The number of TF-related reports decreased from 117 reports in 2015 to 42 in 2018 but increased to 94 in 2019. Egypt scores an average of 80 reports per year. Money transfer and currency exchange sectors (Money transfer companies, Exchange companies, Securities companies, Postal companies, and DNFBPs) contribute to a low number of STRs, which negatively affects the competent authorities' ability to obtain information that support their operational needs to combat terrorist financing.
176. The country indicated that there had been a noticeable improvement, since 2018, in the quality of reports and information that are sent to the EMLCU using a sophisticated IT system, and the EMLCU provided entities that send reports through the system with guidance on how to report and on the information that should be available in the STR and provided training to all these entities on how to report using the aforementioned software. However, in addition to the spontaneous archiving of STRs by the EMLCU following the examination, it also keeps a large percentage of STRs after it receives the inquiry results from prosecution authorities. The following are statistics that illustrate the foregoing:

Table No. (3.10): Percentage of STRs archived (*) after inquiries

	2015	2016	2017	2018	2019
ML investigation requests	1,884	2,542	2,038	2,101	2,699
Archiving ML requests following inquiries	1,646	2,137	1,718	1,738	2,093
Percentage of ML requests archived	87%	84%	84%	83%	78%
TF investigation requests	97	48	55	25	74
Archiving TF requests following inquiries	20	15	18	1	53
Percentage of TF requests archived	21%	31%	33%	4%	72%
* Archiving STRs means temporary archiving until new developments emerge to reopen the case.					

177. The table above reveals that the percentage of archiving reports related to predicate offences and ML crimes and referred to investigative authorities by the EMLCU, ranges between 78% and 83%. Despite their decrease from 87% in 2015 to 78% in 2019, they are still rather high. This may be due to the fact that investigative authorities do not pursue stand-alone ML crimes, which led to the archiving of an important percentage of the EMLCU's STRs. This fact cannot be regarded as an indicator of a poor quality of STRs received or sent by the EMLCU, which is confirmed by the relative increase in the level of reporting to prosecution authorities by the EMLCU, where it increased from 16% in 2017 to 17% and 22% in 2018 and 2019, respectively.

178. On another note, the percentage of archived TF STRs does not exceed 32%, which indicates that the TF related STRs are of good quality and that reporting entities and the EMLCU are concentrating their efforts on this crime as considered a high-risk crime that poses a threat to State security. What could possibly underpin these efforts is the fact that the crime rate that figures in the STRs sent by the EMLCU to the National Security Agency varies between 28% and 96%, according to the following table:

Table No. (3.11): Statistics on the crime rate as per the inquiry requests made by the EMLCU to the National Security Agency

Year	Inquiry Requests to the National Security Agency	Response of the National Security Agency	
		Existence of a crime	Crime rate
2015	97	77	79
2016	48	33	69
2017	55	37	67
2018	25	24	96
2019	74	21	28
Total	299	192	299

Table No. (3.12): Major crimes detected by the financial analysis of the EMLCU for the period of 2015-2019

Crime	2015	2016	2017	2018	2019	Total
Tax Evasion	109	137	141	138	377	902
Carrying out unlicensed banking activity	52	144	97	100	85	478
Trade in foreign currency	49	91	46	74	79	339
TF	77	33	37	24	21	192
Corruption crimes ¹⁵ (Illicit gains, misappropriation, embezzlement, bribery, profiteering)	16	19	15	13	10	73
Forgery	2	11	3	20	29	65
Receiving donations without permission	4	5	17	20	14	60
Fraud ¹⁶	3	4	2	1	-	10
Drug trafficking	1	2	2	-	5	10
Customs evasion	3	-	-	-	3	6
Illicit travel of labor force	-	-	-	1	3	4
Traffic in human beings and organs	1	1	1	-	-	3
Crimes of violating stock exchange law	1	1	-	-	-	2
Theft	-	1	-	-	-	1
Racketeering	-	-	1	-	-	1
Prostitution	1	-	-	-	-	1
Total	320	447	363	390	633	2,153

179. The table above shows that there are other crimes of great importance in Egypt according to the EMLCU's analysis, especially the crime of tax evasion. The country analysed it in the national risk assessment report, and it did not figure on the list of high-risk crimes, due to the reconciliation measures applied by the country to this end. Statistics also indicate that drug trafficking and corruption crimes were the subjects of only 10 and 73 STRs, respectively, which is not commensurate with the results of the NRA that rates them as high-risk crimes.

180. According to the authorities, the inconsistencies between the underlying predicate offences that are most analysed by the EMLCU are basically due to the NRA's recency whose report was only adopted in August

¹⁵ The crimes of illicit gain, misappropriation, embezzlement, bribery and profiteering were grouped under one title "corruption crimes".

¹⁶ Deception crimes were merged with fraud.

2019. Nonetheless, the assessment team considers that the NRA methodology relied on the EMLCU's STRs as a major source of information where the EMLCU's indicators were expected to largely mirror the risks set out in the NRA report (see IO.1).

181. During 2015-2019, the EMLCU received 111 reports from supervisory authorities. They included information which helps the EMLCU performing its functions, given that these reports are based on complaints or notifications made by individuals to the supervisory authorities or on inquiries made by individuals or entities about financial transactions associated with foreign jurisdictions or dealings carried out by individuals or companies in more than one financial institution. The EMLCU includes them in its database and examines them before taking the appropriate actions on a case-by-case basis. The reports are distributed as follows:

Table No. (3.13): Reports received by the EMLCU from supervisory authorities.

Authority	Predicate offence/ML	TF
Central Bank of Egypt	49	0
Financial Regulatory Authority (FRA)	62	0
Total	111	0

182. During 2015-2019, the EMLCU received 6,804 reports on foreign currency as shown in the table below provided by the Customs Administration, with respect to violations of the Declaration System by travellers. They were fully processed, while 79% were archived after the EMLCU examined them. Inquiries were requested with respect to 1,454 reports, which led to the archiving of 1,441 following the inquiries. prosecution authorities were informed of evidence proving the commission of crimes in 13 cases. In general, the foreign currency declaration reports are used by the EMLCU to enhance and support its database with accurate information on cash couriers, their nationality, activities, internal and external relationships and other information that the EMLCU uses while processing the reports it receives or while deciding on the requests for information it receives from domestic entities and counterparts. The EMLCU prioritizes the increase in the value of the amounts moved and the repeated declarations at entry and exit. It also shares this information with LEAs which use it in supporting their database and while conducting ML and predicate offense investigations, particularly TF cases, in view of the risks posed by the cross-border physical transportation of funds and their use in financing terrorist organizations.

Table No. (3.14): Statistics on foreign currency disclosure reports

	2015	2016	2017	2018	2019	Total
Reports on foreign currency	584	1352	1361	1715	1792	6804
Reports examined	584	1352	1361	1715	1792	6804
Reports archived after the EMLCU's examination	325	836	1185	1525	1479	5350
Inquiry request	259	516	176	190	313	1454
Reports archived based on inquiry	257	511	173	188	312	1441
Reporting to investigative authorities	2	5	3	2	1	13

183. The EMLCU spontaneously provides LEAs with information it receives from various entities, including counterpart FIUs. The referral of 16233 reports by the EMLCU to LEAs during 2015-2019 denotes that the EMLCU gives a significant importance to the sharing of financial intelligence with these entities, specifically the National Security Agency, the Ministry of Interior and the Administrative Control Authority. These reports include STRs, international requests for information, international spontaneous disclosure and foreign currency disclosure reports. The EMLCU received feedback from them stating that the reports it has spontaneously referred include accurate information that helped support their databases. The following is a statistic demonstrating this fact:

Table No. 3.15: Number of reports spontaneously referred by the EMLCU during 2015-2019

Year	Number of reports the EMLCU referred to LEAs					Total
	Reporting to investigation agencies		Request for inquiries			
	Interior	National Security	Interior	ACA	National Security	
2015	421	10	2,106	78	100	2,715
2016	422	0	2,992	106	52	3,572
2017	1,101	16	2,164	85	58	3,424
2018	583	5	2,220	90	28	2,926
2019	473	7	2,945	91	80	3,596
Total	3,000	38	12,427	450	318	16,233

184. The EMLCU provides feedback in various ways to supervisory and LEA, though feedback to reporting entities is insufficient (see IO.4). The feedback can be in the form of statistics, meetings, workshops, or through phone calls. The EMLCU receives feedback from LEAs concerning the inquiries, based on EMLCU outgoing requests, whether the results of the inquiries were positive or negative. The EMLCU also holds periodical meetings with LEAs to explain the status of the information requests and inquiry requests and the crimes uncovered by these investigations. Prosecution authorities inform the EMLCU of the final disposition of the reports that the EMLCU sends, by stating whether the accused persons were referred to trial, the case was archived or is being investigated. The EMLCU made use of the feedback it received from investigation and prosecution authorities, during the period 2015-2019, by amending the structure of the financial intelligence report it provides to these authorities.

Operational needs supported by FIU analysis and dissemination.

185. The LEAs resort to the EMLCU to benefit from the various reports received during the investigations in ML/TF and related crimes. Even though most STRs are focused on the banking sector and not on other important sectors, the EMLCU's analysis and dissemination largely support the operational needs of the competent authorities, namely with respect to predicate offenses and TF, which include investigation and prosecution of ML crimes, TF and predicate offenses. However, there is more focus on TF cases. In reaching this conclusion, the assessment team relied on discussions with the EMLCU and LEAs, visits to the EMLCU's headquarters, a review of case studies and strategic studies provided by the EMLCU, in addition to statistics on disseminations and investigations provided by the EMLCU and various stakeholders.

186. The following are statistics on the number of cases referred by the EMLCU to the relevant ML/TF prosecution authorities and investigated by the ACA, MOI and the National Security Agency:

Table No. (3.16): EMLCU reporting to prosecution authorities (by LEAs conducting the investigation)

Year	ML/ Predicate offence		TF	Total
	Administrative Control	MOI	National Security Agency	
2015	11	227	77	315
2016	15	390	33	438
2017	16	304	37	357
2018	16	347	24	387
2019	13	593	21	627
Total	71	1,861	192	2,124

187. The table above shows that the Ministry of Interior, as an investigative body, benefits from 88% of the total reports referred by the EMLCU. The MoI conducts investigations into many crimes and cooperates with other bodies in this regard. The National Security Agency and ACA cooperate with the EMLCU and rely mainly on their internal resources, including their sources of information, various databases, and wide powers to conduct investigations and refer them to the competent authorities. Some agencies have strong national databases (the ACA and the National Security Agency, for example) that support operational needs and facilitate the development of evidence and the tracing of criminal proceeds related to ML/TF and predicate offences.
188. The EMLCU has a team specialized in monitoring TF cases, and it provides any information that would assist the National Security Agency in tracing terrorist funds. The EMLCU also benefits from the comments it receives, especially from the Agency. The following are statistics on the number of STRs sent by the EMLCU to the National Security Agency and the extent to which the use of financial information was beneficial:

Table No. (3.17): Statistics on investigation requests issued by the EMLCU to the National Security Agency at the Ministry of Interior and the Agency's response to them

Year	Number of TF STRs	Investigation requests - National Security Agency	The Agency's response to the investigation request			
			crimes committed	%	No crime committed	Total
2015	117	97	77	79	20	97
2016	61	48	33	69	15	48
2017	83	55	37	67	18	55
2018	42	25	24	96	1	25
2019	94	74	21	28	53	74
Total	397	299	192	64	107	299

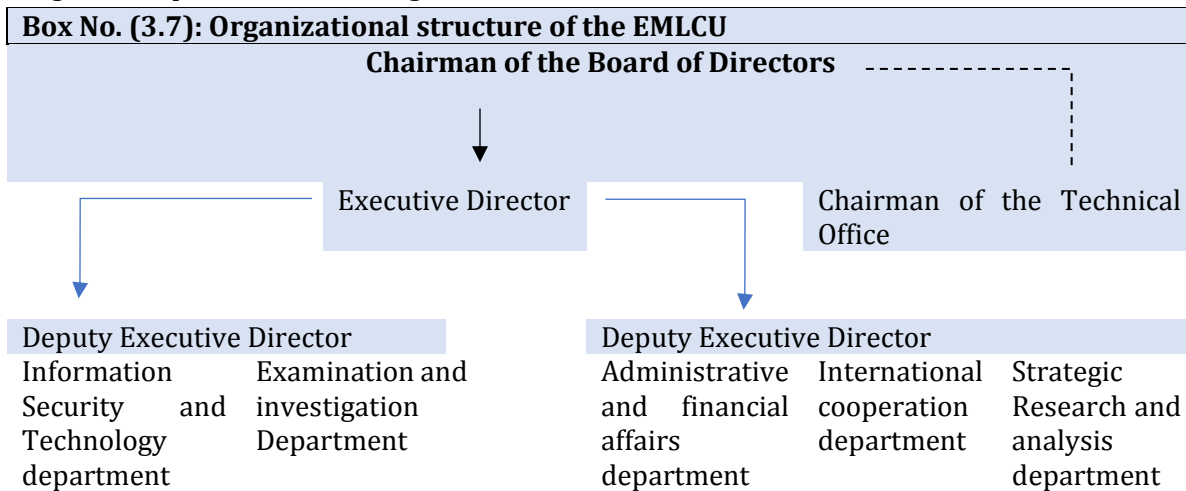
189. The table above shows the extent to which the National Security Agency and the EMLCU have benefited from using financial information to combat terrorism financing. The EMLCU examined 397 STRs on TF between 2015 and 2019 and subsequently submitted 299 requests for investigation to the Agency. The responses show that in more than 64% of requests, a crime was actually committed. In addition, during the same period, the National Security Sector responded to all EMLCU's requests (334 requests between 2015 and 2019). It is worth noting that the STRs referred to the National Security Agency resulted from TF indicators. The said Agency benefited from the lists of frozen terrorists' funds designated at the national and international levels that the EMLCU has.
190. Egypt presented case studies on TF crimes. Below is one example:

Box (3.6): TF cases (misuse of FIs)

The EMLCU received a STR from a money transfer company stating that the person in question received several transfers abroad. The nature of his relationship with the person making the transfers was not clear. The sums transferred were significant. The EMLCU, therefore, sent an information request to competent authorities. LEAs revealed that the person in question has established and leads a group affiliated with a terrorist organization. He communicated with a woman who supports this terrorist group through Telegram. She requested him to collect a sum of money sent through a money transfer company and deliver it to the wife of a member of the terrorist group who died in Libya. This information was confirmed after inspecting the electronic devices seized from the main suspect, including computers and mobile phones.

After referring the case to the Public Prosecution, the EMLCU received information indicating that the Supreme State Security Prosecution had charged the suspect with committing a TF crime on behalf of a terrorist group based outside the country. This led to examining both the suspect and the lady's accounts at all FIs operating in Egypt (banks and money transfer companies).

191. The EMLCU has good human, financial, and technological resources. Its organizational structure includes five departments (examination and investigation, research and strategic analysis, international cooperation, information systems, financial and administrative affairs) and the technical office. The following chart explains the Unit's organizational structure:



192. The EMLCU organizational structure consists of 5 departments comprising 79 employees, as follows: the Examination and Investigation Department that has 38 employees (i.e. 48.10%), the Research and Strategic Analysis with 13 employees (i.e. 16.45%), the International Cooperation Department with 10 employees (12.66%), the Information Technology with 6 employees (7.60%), the Financial and Administrative Affairs with 7 employees (i.e. 8.86%), and finally the Technical Office with 5 employees (i.e. 6.33%), in addition to 24 employees concerned with security and assisting services. Therefore, it appeared to the assessment team in this regard that the EMLCU has the necessary resources and skills that enable it to perform its functions, but the percentage of employees charged with security and assisting services is still high and disproportionate to the total number of staff on the one hand and to the staff charged with analysis, research, and IT in particular.

193. EMLCU started using the software in August 2018, system supported that allows receiving reports from banks, money transfer companies, post offices and exchange companies. As to the remaining non-banking financial institutions, their linking was completed during 2020, while all the DNFBPs have not been linked yet. This system allows to store information and is considered a secure and encrypted channel for exchanging information, and providing statistics It also has many features that facilitate operational and strategic analysis.

194. The Examination and Investigation Department studies the reports in terms of the grounds for suspicion, indicators of suspicion, and suspects before processing them by searching the databases available to the EMLCU. According to the report's priority (based on the criteria adopted by the EMLCU), a time period is set for processing the reports, where TF related reports are completed first.

195. Regarding the level and depth of the operational analysis carried out by the Examination and Investigation Department at the EMLCU, it was found that it traces financial transactions and collects information on suspects. The EMLCU submitted a sample of some STRs filed to the Public Prosecution after completing its analysis, which showed a good financial analysis level and a clear methodology used for the conduct of its inquiries and the collection of information it seeks from the investigative authorities and counterparts when needed. Regarding TF cases that are prioritized, the EMLCU handles them efficiently and expeditiously,

where over 64% of the EMLCU's referrals to the National Security Agency confirmed that the crime had been committed.

196. The EMLCU, through its Research and Strategic Analysis Department which consists of 13 employees, undertakes the strategic analysis of the reports and information received, to identify trends and patterns of money laundering and terrorist financing. The EMLCU undertook many studies in a number of fields and sectors (the human trafficking and migrant smuggling phenomena, mobile payment services, foreign currency trading in international stock markets, misuse of safe deposit boxes at banks, the Foreign Terrorist Fighters phenomenon...). They are used in the preparation of indicators of suspicion that are regularly disseminated to reporting entities and LEAs. The major outputs are also published in the EMLCU's annual report. These outputs are addressed at training workshops intended for the private sector and competent authorities. The assessment team considers that the studies it has examined are more related to the risks of cash than to the other risks facing Egypt, according to the NRA findings.

Box No. (3.8): Example of the EMLCU's Strategic Analysis - Foreign Terrorist Fighters Phenomenon

Reasons for studying the phenomenon:

This study is conducted as part of the negative effects the foreign terrorist fighter's phenomenon has at the local and international level. The financing of these persons and the provision of material and logistic support is one of the main forms of material support to terrorist groups and terrorists and affects the economic and political situation in the country, harms the State's reputation in front of international entities and weakens its ability to face the various global challenges, in view of the terrorist groups which are present in Egypt and also in neighboring countries, in addition to the political instability at the regional level, in general, taking into account the terrorist attacks that targeted the Middle East region over the past years, the escalation of terrorist crimes in Egypt after the events of the revolution of June 2013 and the spread of terrorism that the world is witnessing, together with the increasing activity of terrorist groups and the emergence of the foreign terrorist fighters phenomenon which represents a serious threat to the whole world.

Sources of information which were relied on:

The EMLCU prepared this study by relying on various sources of information and covered the period of 2014-2018. These sources included information provided by LEAs and investigative authorities, with respect to TF cases in general, and cases related to foreign terrorist fighters and patterns related to the commission of the TF crime, in particular. The EMLCU analyzed the TF STRs and several spontaneous international information reports it receives through its membership of the Multilateral information Exchange Group on ISIS. These sources also include the requests for information it obtains from counterpart FIUs. The EMLCU also relied on the results of studies conducted by the Egmont Group and the Financial Action Task Force and other published scientific papers on the foreign terrorist fighters phenomenon.

Analysis of the phenomenon:

The EMLCU's analysis of the foreign terrorist fighter's phenomenon revealed that the average age of terrorists ranged between 20 and 30 years old and their sources of income consisted of payments made by friends and relatives, loans, salaries and State social support payments. Some investigations also showed that some legal persons were established for use in terrorist financing and that assets, including personal belongings and assets purchased by credit, were unexpectedly sold before the planned travel.

This phenomenon goes through many phases which have been examined with respect to the relocation of terrorist fighters and the financial transactions related to them. These phases start with the preparation for the travel, where foreign terrorist fighters try to raise money which is used either to pay the expenses of the travel to conflict areas or to support the terrorist groups by merely leaving their countries. Then comes the stage of their travel and transit in order to reach the conflict zones; this is followed by their presence in these zones where they undertake at this stage the financing and the execution of terrorist operations or the provision of training to terrorist entities which execute such operations. This financing can be represented in electronic transactions, withdrawals from ATMs or money transfers sent to the conflict zones. The fourth stage is the return to the country of origin after training or engaging in the armed conflict, where the foreign terrorist fighters may try to return to their country. The final stage is after their return to the country of origin and in most cases their financial activities are resumed. They may also try to recruit others or plan for or execute terrorist operations.

The study resulted in the identification of some trends and patterns related to the phases of relocating the foreign terrorists and the financial transactions associated to them, such as:

- Receiving or sending money repeatedly by or to persons residing in geographic areas near the conflict zones, without any apparent economic purpose or a clear relationship between them.
- Cash withdrawal by using ATMs in airports located near the border areas of conflict zones, in a way that is inconsistent with the nature of the customers activity or with the history of their previous dealings.
- Conducting repeated transactions on the accounts including the use of prepaid cards, within a relatively short period, without an apparent economic purpose.
- Resuming the activity on accounts that have been inactive for a long period.
- Receiving transfers from persons suspected of being related to terrorists or terrorist entities.
- The study concluded with some recommendations to limit the risks of the foreign terrorist fighters phenomenon:
 1. Enhance the abilities of competent authorities, including LEAs and the EMLCU, in exchanging information, including financial intelligence, at the local, regional and international level.
 2. Review the legislative framework related to the criminalization of terrorism and terrorist financing with respect to foreign terrorist fighters.
 3. Tighten control and monitoring of the movement of funds and financial transactions
 4. Disseminate the indicators of suspicion which were drawn from this study to all the reporting entities.
 5. Importance of coordination among various security agencies at the local, regional and international level, to tighten control at the border posts, and particularly with the conflict zones or neighboring countries.

197. The EMLCU informs the Public Prosecution of the indicators revealed by its analysis regarding the commission of any of the crimes provided for in the law, and exchanges information with the judicial authorities and other public supervisory entities in the country for the purposes of examination and investigation. The reports disseminated by the EMLCU to LEAs and prosecution authorities were distributed as follows:

Table No. (3.18): Statistics of the EMLCU and the reports provided to LEAs

Year	Reports			Reporting to investigative authorities			Inquiry request			Under study	Archiving based on inquiry results		
	ML and PO	TF	Total	ML and PO	TF	Total	ML and PO	TF	Total		ML and PO	TF	Total
2015	3557	342	3899	421	10	431	2184	100	2284	0	1941	23	1964
2016	5109	81	5190	422	0	422	3098	52	3150	0	2684	19	2703
2017	5229	117	5346	1101	16	1117	2249	58	2307	0	1923	21	1944
2018	4996	56	5052	583	5	588	2310	28	2338	0	1944	4	1948
2019	5615	118	5733	473	7	480	3036	80	3116	0	2424	59	2483
Total	24506	714	25220	3000	38	3038	12877	318	13195	0	10916	126	11042

198. The statistic above shows that the EMLCU disseminates various reports to most LEAs 17 (MOI, ACA, National Security Agency) to support their operational needs, given that they rely on the EMLCU's STRs to launch investigations and refer them to the court, as shown in the table below. Although the country stated that there is cooperation that supports the needs of the Anti-Narcotics General Administration, the assessment team considers that the frequency of cooperation is inconsistent with the increased risks of drugs in Egypt. The EMLCU disseminates a significant number of various types of reports, namely STRs,

¹⁷ The Egyptian EMLCU operates subject to the following procedures:

1. It conducts the analysis and decides at first to temporarily archive the reports and refer the remaining ones to investigative authorities and not the prosecutors.
2. As a second step, it considers the responses it receives from investigative authorities and decides whether to archive or refer the reports to the Public Prosecution, based on the evidence provided by the investigative authorities.

incoming international requests for information, spontaneous international disclosure reports, and foreign currency disclosure reports.

199. Based on the information provided to the assessment team, it was found that the STRs disseminated by the EMLCU to LEAs resulted in new investigations. In general, the EMLCU provided 1,961 cases which were investigated in the period of 2015-2019, 1,481 of which were referred to the court and 954 convictions were rendered during the same period. The following is a statistic indicating this fact.
200. The statistic below shows that the EMLCU reports to prosecution authorities the evidence and indicators revealed by its analysis regarding the commission of any of the crimes provided for in the AML/CFT law. The number of reports submitted between 2015-2019 is 2153, with an average of 430 every year. This number is divided between 1961 ML and Predicate offense related reports, which represents 11% of the number of reports received by the EMLCU during the period 2015-2019 and 192 TF related reports for the same period, which represents 27%. These percentages are considered acceptable and indicate that the

Table No. (3.19): Statistics on the reporting to prosecution authorities

Year	Reports			Reports to Prosecution Authorities			Total
	ML and PO	TF	Total	Reporting illicit gain	Reporting to the Prosecution		
				ML and PO	ML and PO	TF	
2015	3,557	342	3,899	9	234	77	320
2016	5,109	81	5,190	12	402	33	447
2017	5,229	117	5,346	10	316	37	363
2018	4,996	56	5,052	11	355	24	390
2019	5,615	118	5,733	10	602	21	633
Total	24,506	714	25,220	52	1,909	192	2,153

information that would support the needs of stakeholders is of good quality, despite the large percentages of the temporary archiving of STRs made by the EMLCU following the responses of investigative entities on the one hand, and the percentages of archiving the cases referred by the EMLCU to investigative entities, for information purposes, on the other hand.

Table No. (3.20): Predicate offenses investigated based on financial intelligence provided by the EMLCU during the period 2015-2019

Year	2015	2016	2017	2018	2019	Total
Cases investigated based on financial intelligence reports provided by the EMLCU	243	414	326	366	612	1961
Cases referred to the court based on financial intelligence reports provided by the EMLCU	196	322	244	252	467	1481
Convictions	138	223	158	169	266	954

Cooperation and Exchange of Information / Financial intelligence

201. Domestic cooperation and coordination is overall good, as noted in IO.1. The EMLCU plays a fundamental role in cooperation and exchange of information with law enforcement entities on the predicate offences underlying the reports and notifications disseminated to law enforcement and on the outcomes of those disseminations.
202. Egypt created the National Committee on AML/CFT Coordination which brings together representatives of all the entities¹⁸. Information is regularly exchanged at the operational level and coordination is undertaken through the compliance officer of these entities at the EMLCU. Coordination with

¹⁸Law enforcement agencies, prosecution authorities, supervisors, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Justice, the Egyptian Banking Institute, the Ministry of Social Solidarity, in addition to the EMLCU.

- representatives of the Administrative Control Authority, the General Department of Public Funds Crimes and the National Security Agency at the Ministry of Interior is more frequent since they are considered the most active entities in combating money laundering and terrorist financing. On the other hand, the National Coordinating Committee includes several entities specialized in combating terrorism and terrorist financing and constitutes a platform for a regular exchange of financial and non-financial information. This has resulted in the freezing of significant amounts of money and the designation of several persons and entities.
203. Statistics and case studies provided, and interviews made with stakeholders show that the EMLCU cooperates with various competent authorities. LEAs share with the EMLCU the names of persons they prosecute, which may enrich its database. If the requests for information addressed to the EMLCU relate only to inquiries about the information available in its database, then the response is given within one working day from the date of receiving the request, but if the request addressed to the EMLCU relates to a suspicion of ML, TF or predicate offense, then the time taken to provide the competent authority with information depends on how long the EMLCU takes to complete the procedures needed and conduct examinations and financial analysis, which varies from one case to another, depending on the number of suspects involved, the number of accounts, and the complexity of the ongoing transactions. In all cases, the EMLCU responds to the competent authorities' requests, which enables them to benefit from the reports and other information held by the EMLCU in performing their functions.
204. Egypt has committees and entities that coordinate the AML/CFT procedures in several fields, the most important of which are the fight against corruption, the fight against terrorism and the implementation of UNSCRs. The Authorities in Egypt signed a significant number of MOUs to facilitate domestic coordination and cooperation. They mainly involved the EMLCU, the court of cassation, the ACA, the CBE and the FRA. Financial and intelligence information is securely exchanged between the EMLCU and LEAs, as well as between LEAs. International cooperation information is exchanged through the Egmont secure web (ESW).
205. The EMLCU has an Information and Technology (IT) department which allows access to information and databases and ensures the protection of classified and confidential information. The EMLCU takes all the necessary actions to keep the data and information exchanged with reporting entities through the said software confidential. For this purpose, it has an independent internal web for this software which is equipped with all the means that ensure the safety of the information (intrusion prevention systems and firewalls...).
206. Since August 2018, all the paper documents are inserted in the software once received. The EMLCU has measures to protect the documents and ensure their security and confidentiality. They are stored and kept at the Examination and Investigation Department, knowing that there is a limited number of documents the EMLCU receives outside the scope of the software (see R.29).
207. The EMLCU's headquarters are located inside one of the Central Bank of Egypt's buildings and are secured by trained security personnel working in the Central Bank. The outside perimeter of the building is secured by army personnel and police forces. CCTV cameras monitor the building from the outside and inside, and the screens are monitored in real-time. security team. X-ray scanners are present at the entrance gate.
208. **Overall conclusion on IO 6:** Competent authorities in Egypt have sufficient resources that enable them to access, directly or indirectly, a wide variety of financial intelligence and other related information and to collect and use them for their operational purposes, except for the Anti-Narcotics Administration and the Antiquities Department whose efforts are still not enough. The EMLCU receives a number of various reports that include accurate data that largely helps it prepare financial intelligence reports of good quality. However, the limited number of STRs filed by DNFBPs relatively affects the comprehensiveness of the

information used in the operational and strategic analysis. The banking sector is the main source on which the EMLCU relies, particularly that it represents 89% of the total assets of the financial sector and is considered as the sector exploited the most in ML/TF. The EMLCU's analysis largely support the competent authorities' operational needs, by providing financial intelligence that enables to trace the criminal proceeds and develop evidence to investigate predicate offenses and ML/TF operations. However, the low number of incoming STRs related to the major serious crimes with respect to the country's context affects the comprehensiveness of the benefit that LEAs derive from the EMLCU's STRs.

209. The EMLCU provides reporting entities with feedback in various forms. It has the appropriate expertise and resources to perform its functions. The EMLCU and the competent authorities maintain the confidentiality of the information exchanged with all the entities, internally and externally. The EMLCU regularly cooperates with competent authorities and exchanges information with them; however, no information was exchanged with the Ministry of Industry and Trade regarding the real estate sector which is considered as one of the high-risk sectors in Egypt. LEAs need to enhance the investigations of stand-alone ML crimes.

210. **Egypt is rated as having a Substantial level of effectiveness for IO.6.**

Immediate Outcome 7 (ML investigation and prosecution)

ML identification and investigation

211. AML law No.80 of 2002 provides an appropriate basis for - ML cases investigation, as it permits judicial authorities to take the necessary legal actions to trace, freeze or seize funds or proceeds of ML crimes, without prejudice to the rights of bona fide third parties.
212. Egypt has various entities concerned with the identification of ML crimes, such as LEAs, prosecution authorities and the EMLCU.
213. LEAs (the ACA, MOI) identify ML cases through the investigations they conduct while looking into the predicate offense that falls under their competences. Accordingly, they seek to identify and trace the proceeds of the predicate offense to determine whether or not a ML crime was committed.
214. Prosecution authorities (the Public Prosecution and the Illicit Gains Authority) identify ML cases in two ways. The first is represented in the event where preliminary investigations into the predicate offense reveal that the suspect initiated any form of ML (placement, transfer, or integration) and the second in the event where the examination of rogatory letters received from abroad shows that there are indications of a ML crime in Egypt resulted by a foreign predicate offense. In this case, the Public Prosecution mandates law enforcement authorities to conduct- investigation to determine whether there is evidence proving that a ML crime has been committed or not.
215. Prosecution authorities handling predicate offenses are not making sufficient use of the evidence that the parallel financial investigation provides on the role of the concerned suspects in the laundering activity, their link to the predicate offense, how to establish the link between ML/TF suspects and those accused of the predicate offense, the amount of money subject of the laundering activity and whether any part of this money was handed over to suspects' family members (ascendants and descendants) or their relatives. The results reached by the assessment team, based on the statistical data provided by Egyptian authorities, confirm that the investigation of ML activities is not a usual practice carried out by all the Egyptian authorities in cases involving financial proceeds, otherwise the number of ML investigations would have been higher than the recorded number which did not exceed -601 between 2015 and 2019, while the number of predicate offense investigations is more than 300000.

216. The following are case studies indicating how ML activities are identified by competent authorities:

Box No. 3.9: Case study illustrating how to identify a ML case based on parallel financial investigations while looking into the predicate offense

A law enforcement authority received information stating that a lady and other persons embezzled the money of her employer by drafting bank cheques which were withdrawn unlawfully from the account of the administration department where she works. The embezzled sums were estimated at EGP 235 million. The parallel financial investigations revealed that the said lady established companies and purchased real estate and cars. She also deposited a part of the money in bank accounts, which indicates that she participated with others in the laundering of the money generated from her criminal activity. Given the evidence proving the commission of the two crimes, the Public Prosecution issued an order that prevented the disposition of the funds subject of the laundering activity. However, there was no information on the results of the case and the final court judgments rendered against the lady and her accomplices in the laundering of the proceeds of the afore-mentioned predicate offense.

Box No. 3.10: Identification of a ML case resulted from an illicit gain crime

A prosecution authority received a report stating that a governmental officer has not been submitting the financial declarations since he assumed his function until the date of the investigations. It was found that his wealth and that of his two wives and minor son increased in a way that is inconsistent with his sources of income, where it appeared that defendant has been abusing his job position and committing the illicit gain crime by accepting bribes from those who were dealing with his employer, to facilitate the award of contracting and supplying works to them. As a result, he purchased real estate and cars while he did not seem to have inherited or been granted any money.

The said person laundered the money generated from his afore-mentioned criminal activity by gaining and investing it in the purchase of several real estate assets, housing units and cars and through his wives owning several companies and depositing a part of this money in his name and in the names of his relatives' bank accounts to hide the truth and origin of this money – resulted by the illicit gain – conceal its nature and legitimize it and prevent the discovery of his acts. The prosecution authority referred the accused person to the judiciary for the illicit gain crime and the money laundering crime resulted from the first crime.

Box No. 3.11: A case study -illustrating how the Anti-Narcotics General Administration identified a suspicion of ML crime, based on parallel financial investigations pursued during - predicate offence investigations.

The Anti-Narcotics General Administration made an investigation into a crime of trafficking in narcotic drugs committed by two persons who appeared to have brought shipments of captagon pills from abroad and sold them in the country. Based on the information held by the Administration on the accused persons being reputed to be engaged in drug trafficking and to be well-connected with drug dealers abroad, it initiated parallel financial investigations to determine the extent to which they have committed the -ML crime derived from the predicate offense. Investigations revealed that they committed several acts with respect to the proceeds of this criminal activity by placing them into fictitious economic entities as a cover and a front, engaging in fictitious business transactions to legitimize the criminal proceeds, purchasing, and selling (agricultural – empty) lands, building residential property and buying cars, with a view to hiding and disguising the source of these funds and dissociating them from their illegitimate criminal origin. This was supported with evidence showing the commission of -the ML crime by the accused persons. The crime of trafficking in narcotic drugs and the ML crime were both reported to the Public Prosecution.

217. Except for illicit gain crimes and crimes investigated by the ACA, no parallel financial investigation is conducted in most cases, including the proceeds-generating crimes to identify potential money laundering, due to the poor understanding by most of the investigative authorities of the parallel financial investigation mechanisms. This is confirmed also by the low number of ML investigations compared to the large number of predicate offense investigations, which total is no less than 300,000 investigations. The Egyptian

authorities reported that parallel financial investigations orders were issued and implemented by various competent authorities.

218. Statistics provided by the authorities to the assessment team confirm that the EMLCU referred, between 2015 and 2019, 1932 cases to investigative authorities, specifically, the ACA (71 cases) and MOI (1861 cases). However, only 601 cases were investigated, which means that 1,331 cases were archived by investigating authorities -before they were investigated. Moreover, one third of ML cases investigated (208 out of 601) ended up being archived, bringing the total number of cases that have been archived to 1539. The issue of archived cases may be due to the fact that the aforementioned authorities do not conduct investigations into ML unless there is a predicate offense.
219. 20% of the cases referred by the EMLCU to investigative authorities have mostly resulted in the establishment of a predicate offense, and to a lesser degree, the establishment of the ML crime, which denotes that investigative authorities are able to use financial intelligence in some cases referred to them. The cases which were archived account for approximately 80% of the total cases, which is due to various reasons, such as the absence of the (material and mental) elements of the ML crime in some cases and to the fact that investigative authorities initiate their ML investigations only after establishing the elements of the predicate offense, bearing in mind that they may reconsider the cases which have been archived, before the expiry of the period prescribed for the lapse of the criminal proceeding.. From the above-mentioned statistics, the ML investigations conducted over the last three years (from 2017 to 2019) totalled 334.
220. Egyptian authorities did not provide the assessment team with the total number of predicate offences investigated during the last five years. However, by comparing the number of convictions issued during five years in the five highest risk predicate offences, the disproportion between the number of the predicate offences and the resulting ML crimes is confirmed. In fact, the total number of judicial rulings issued for convictions in the five highest risk predicate offences is 298531, while the number of ML convictions did not exceed 13, mostly issued in 2015. Only one conviction was issued in 2018 and none in 2019.
221. There are various predicate offences subject to investigation. This is consistent with the findings of the NRA in terms of the most serious crimes (illicit drug trafficking, corruption crimes, theft and misappropriation of funds, and fraud), although the assessment team has some concerns about some crimes (such as organized crime, tax crimes and antiquities smuggling) as they generate significant amounts of proceeds, yet they did not figure in the NRA.
222. Given the low number of ML cases compared to the large number of high-risk crimes according to what was explained above, it can be concluded that there is no consistency between the size of risks and the number of ML investigations.
223. The following are statistics on the number of ML investigations between 2015 and 2019.

Table No. 3.21: ML Cases during 2015-2019

Year	Total
2015	222
2016	45
2017	86
2018	110
2019	138
Total	601

224. Statistics above show that the number of ML cases in 2015 is higher than the number of cases in subsequent years, which decreased in 2016 and 2017 and then slightly increased in 2018 and 2019. This is due to the

increase in the number of cases involving crimes of dealing in foreign currency and the number has decreased because of the decision to liberalize the foreign exchange rate which was issued in late 2016.

Table No. 3.22: Statistics on the number of ML cases investigations as per the reporting source for 2017-2019

Authority (reporting source)	2017	2018	2019	Total
EMLCU	27	34	44	105
LEAs	56	72	86	214
Individuals	3	4	8	15
Total	86	110	138	334

225. Statistics show that most investigations into ML cases received from LEAs, followed by those -received from the EMLCU.

Table No. 3.23: Statistics on the number of investigations, prosecutions, convictions, and acquittals in ML cases

Case	2015	2016	2017	2018	2019	Total
Referred to investigation	222	45	86	110	138	601
Archived by – Public Prosecution	88	18	32	36	45	219
Referred to court	14	4	6	11	6	41
Cases under investigation	120	23	48	63	87	341
Convictions	8	2	2	1	0	13
Acquittals	1	1	0	0	0	2

226. According to the statistic above, the ML cases referred to the court account for approximately 7% of the total cases investigated. The cases which were not referred to court and which are still under investigation account for approximately 56% of the total cases referred for investigation between 2015 and 2019. This is an indication that the investigation of cases takes a long time and is not completed within a reasonable time. It is noted that 2015 witnessed the largest number of investigations (222) that led to 8 convictions, one conviction was rendered in 2018 and none in 2019.

227. During investigations of most crimes, LEAs focus primarily on seizing funds, assets and property that are in the suspect’s possession when they are arrested, without conducting a more comprehensive investigations into other proceeds that may have been generated by the predicate offences and then laundered.

228. As for ML cases received by the Public Prosecution, investigations are requested by several entities, including the Administrative Control Authority and the MOI. According to statistics provided by Egyptian authorities, the total number of ML cases recorded between 2015 and 2019 amounted to 601. It is also noted that, during the last five years, 219 cases were archived by the Public Prosecution, and only 41 cases were referred to trial. Only 13 court judgments were issued (in five years). This indicates that parallel financial investigations are not sufficiently used, and international cooperation not benefitted from to trace the proceeds of crime abroad.

229. Regarding human resources, the number of the judicial police members investigating ML crimes is: [148] officers and [436] individuals in the administration, its geographical branches, and AML units in some public administrations and departments which combat public financial crimes and ML at different security directorates across the country. Egypt has public prosecution offices specialized in ML in courts, which is considered a good practice. The number of members of the Public Prosecution for Financial and Commercial

Affairs is 25 and the number of specialists in the Major Prosecutions is 141, in addition to 22 judges delegated throughout the judicial year at the Illicit Gains Authority, where each of them undertakes the examination of complaints presented to them, and they are assisted by 161 employees.

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

230. The general context of risks in Egypt and the country’s geographical location, as well as the NRA results show that the most prominent high-risk predicate offences generating criminal proceeds are trafficking in narcotic and psychotropic substances, fraud, illicit trafficking in arms, theft, corruption, and murder. - (see IO.1).
231. Some crimes generate very large financial proceeds but were not mentioned in the NRA, nor did they appear in the investigation of ML cases. This is the case for crimes committed by criminal groups and antiquities smuggling. According to the Antiquities Department, criminal activities related to smuggling antiquities are committed, and many operations have an international dimension. Antiquities are recovered from abroad. However, antiquities crimes did not appear in the NRA, and there is no case related to an investigation into the laundering of proceeds of antiquities smuggling, despite the huge financial returns that this type of crime generates, and despite it being committed as an international organized crime.
232. Tax evasion is one of the most recurrent crimes in the suspicious transactions reported to the EMLCU, particularly by the banking sector. However, this was not reflected in the number of investigations into ML cases resulting from a tax crime. Egyptian authorities justified that reconciliation procedures for tax evasion as a predicate offence prevent the investigation of ML generated from those crimes. Therefore, it is impossible to trace the money laundered, given that reconciliation puts an end to the prosecution of the predicate offence and ML crime.

Table No. 3.24: Statistics on the number of ML cases investigations by predicate (2017-2019)

Crime	2017	2018	2019	Total
Foreign exchange crimes	5	2	-	7
Bribe	4	3	5	12
Violation of public funds	2	4	7	13
Treachery	0	1	0	1
Misappropriation of public funds	1	4	5	10
Scam and Fraud	12	24	23	59
Possession and trafficking in narcotic substances	41	50	75	166
Funds theft	12	13	15	40
Debauchery and prostitution	2	1	1	4
Others	7	8	7	22
Total	86	110	138	334

233. Given the low number of ML cases compared to the large number of high-risk crimes, it can be concluded that there is no consistency between the country’s risk profile and the number of investigations and convictions in ML cases.

Types of ML cases pursued (prosecution and conviction)

234. The Egyptian Public Prosecution is responsible for investigating some types of ML cases. It pursues self-laundering crimes in most cases and to a lesser extent third party-laundering, but not stand-alone laundering, because the jurisprudence (a decision issued by the Egyptian court of cassation at the session held on 14/04/2018) has ruled – that a conviction for predicate offense is required to prove the link

between ML and the predicate offence (see R.3), although ML is one of the felonies for which the law requires to initiate investigation and to deal with (referral or issuance of an order stating that there is no legal ground to file the criminal case).

235. According to the NRA findings, investigations focus on some high-risk offences, such as self-laundering and local ML, as this is the prevailing pattern, even if this is inconsistent with the country’s profile and context, in the opinion of the assessment team. Statistics provided by the country and the cases presented by Egyptian authorities show that predicate offences are committed in an organized manner by criminal groups, namely drug trafficking crimes, where large amounts of money and instrumentalities of crime which value exceeded EGP 3,4 billion (around USD 216 million) (see IO.8) were seized, knowing that criminal groups can use the self-laundering or third-party laundering pattern. This technique varies from one group to another and depends on the size and expertise of the group.
236. Regarding ML, where the predicate offence is foreign, it is not being pursued and the efforts made to track down crimes committed abroad and their proceeds are insufficient, given that there are many crimes which involve foreign perpetrators. It was also not clear to the assessment team what criteria prosecution authorities adopt to identify the different types of ML, especially since the number of prosecutions remains low.

Effectiveness, proportionality, and dissuasiveness of sanctions

237. The number of ML convictions from 2015 to 2019 did not exceed 13, which is a low number. This indicates that the ML penal system is weak, taking into consideration the large number of persons accused of predicate offenses regarding which convictions were rendered and sanctions were imposed.
238. The Egyptian law imposes financial and custodial penalties on both natural and legal persons for the commission of ML crimes. In addition, the funds seized are confiscated, or an additional fine equivalent to the value of money laundered is ordered if the funds cannot be seized or if they are disposed of.
239. However, there was no evidence of a penalty imposed on a legal person involved in ML, although the Egyptian law provides for penalties against legal persons. Egyptian authorities justified this fact by stating that the investigations conducted regarding ML crimes did not prove that any dealings or acts that fall within the scope of -ML crime were carried out by legal persons.
240. After reviewing ML convictions, the assessment team found that custodial sentences range between one and seven years. The following is a statistic indicating the number of cases regarding which ML convictions were rendered and provided by the authorities:

Table No.3.25: Showing some cases ML conviction regarding which ML convictions were rendered.

Case	Crime	Number of persons accused of ML crime	ML sanction
E.E.M	Forgery - Misappropriation - Money Laundering	Convicted person	Five years of imprisonment, confiscation of gold jewelry and a car both amounting to EGP 126,000 approximately, and a fine of EGP 252,000 (twice the value of funds laundered)
M.A.E.	Forgery - Misappropriation - Money Laundering	Three convicted accused persons	Five years of imprisonment, confiscation of a car, two apartments and about EGP 8,000, and a fine of EGP 4 million.
F.F.E.	Theft - ML	One convicted accused person	Three years of imprisonment, confiscation of liquid funds, movable assets, and real estate (estimated at around \$320,000, €40,000, and

			EGP 250,000), and fines of \$640,000, €80,000, and EGP 500,000
S.E.D.	Scam - Forgery - ML	Two convicted accused persons	Seven years of imprisonment, a fine of EGP 28 million , and an amount of EGP 14 million restituted.
M.E.M.	Misappropriation - Forgery - ML	Four convicted accused persons	Five years imprisonment, confiscation of liquid funds, movable assets, and real estate (estimated at EGP 6 million approximately) and a fine of EGP 12 million approximately.
H.A.H.	Obtaining a benefit from the job duties - - ML	One accused person	Five years of imprisonment, confiscation of about EGP 4.5 million and a fine of EGP 9 million
A.E.E.	Profiteering - Misappropriation - ML	One accused person	Seven years of imprisonment, a fine of EGP 12,858,074,000 and an additional fine of EGP 6,429,037,000

241. Reconciliation is made in some predicate offenses, which reduces the importance of prosecution and conviction in ML cases. Reconciliation in tax evasion cases puts an end to the prosecution and conviction of the predicate offence and ML crime. A specialized committee of experts was established to consider requests for reconciliation and settlement in cases of violation of public funds and it made reconciliation in many cases.

Table No. 3.26: shows cases of reconciliation in crimes of violation of public funds (2016-2018)

Year	2016	2017	2018	Total
Reconciliation requests submitted	96	128	146	390
Reconciliation requests granted	32	67	71	170
Total amounts recovered (in Egyptian pounds)	545,073,982	431,817,731	54,347,080	1,031,238,793

242. Reconciliation takes place with the knowledge of the committee of experts. A report is prepared to be signed by the parties and submitted to the Council of Ministers for approval. Following approval, the reconciliation report shall have the force of a writ of execution. The incident subject of reconciliation, in all its aspects, entails the termination of the criminal proceeding, and the Public Prosecution orders the suspension of the implementation of the penalties imposed on those accused of the incident if the reconciliation takes place before the judgment is issued in this regard.

243. The following is a case study - illustrating reconciliation in a predicate offence of “illicit gain”:

Box No. 3.12: Case study (Reconciliation in a predicate offence of “illicit gain”)
 Mr. (G.B) submitted a reconciliation request to the Prime Minister for an illicit gain crime. An agreement between the two parties was drafted. It included the terms of reconciliation to be agreed upon and mutual obligations. Two statements were attached to the report. The first included all types of property and assets owned by the suspect inside and outside Egypt. The second included all assets and property ceded. An appendix to the agreement detailed the obligations of the second party (the suspect), including the irrevocable and final assignment of 75% of all their property of all types inside and outside Egypt. It also included an acknowledgment that the assignment of the transferred rights and property is final. The agreement included the obligations of the first party, namely issuing a decision to end the criminal proceeding through reconciliation in the charges pressed against the second party in the reconciled illicit gain crime within ten days at the latest+ from the date of assignment and transfer of the ownership of the assets and property subject of reconciliation by the second party to the first party, undertaking to cancel the precautionary measures against the second party inside and outside Egypt and Egyptian competent judicial authorities addressing foreign authorities to inform them that the second party is no longer prosecuted and wanted by Egyptian authorities.

Use of alternative measures.

244. Customs authorities in Egypt may also accept the assignment of funds by a person who fails to make a declaration in violation of the law, in cases where there is insufficient evidence of ML, in exchange for not filing a criminal proceeding. The following are two case studies illustrating the circumstances in which the Egyptian customs authorities accept the assignment of cross-border funds due to insufficient evidence to secure a ML conviction.

Box No.3.13: Two case studies where Egyptian customs authorities accepted the assignment of - funds due to insufficient evidence to secure a ML conviction

Case (1) A person (H.M.) traveling outside the country was carrying a sum of money in violation of the established rules. Due to insufficient evidence proving that the person is guilty of committing ML, the Egyptian customs authorities accepted the person's assignment of the amounts exceeding the permitted threshold.

Case (2) A person of a foreign nationality was traveling outside the country carrying a sum of money which violates the established rules. Due to insufficient evidence proving that the person is guilty of committing ML, the Egyptian customs authorities accepted the person's assignment of the amounts exceeding the permitted threshold.

245. Except for the cases of assignment of cross-border funds for violating the declaration requirements, it does not appear that Egyptian authorities apply other alternative criminal justice measures where it is not possible to secure a ML prosecution and conviction.
246. **Overall conclusion on IO.7** Egypt has various entities concerned with the identification of ML crimes, such as LEAs, prosecution authorities and the EMLCU. The number of ML investigations and prosecutions is very low compared to the number of the investigations of predicate offenses, namely the most serious offenses, with respect to the country's risk profile. This is due to the fact that authorities do not sufficiently conduct parallel financial investigations in most predicate offenses that generate significant financial proceeds in order to identify potential ML transactions. This in turn explains why the number of ML convictions rendered is low. The prevailing ML pattern in Egypt is self-laundering, and to a lesser degree, third party-laundering. There are no prosecutions and convictions for stand-alone money laundering, which is basically attributed to the fact that authorities do not conduct their investigations in money laundering unless there is a predicate offense. Reconciliation procedures for tax evasion as a predicate offence prevent the investigation of ML. Investigations concerning legal persons did not establish any acts or transactions that fall within the scope of the ML crime.

247. **Egypt is rated as having a Low level of effectiveness for IO.7.**

Immediate Outcome 8 (Confiscation)

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

248. Confiscation in Egypt is a secondary sanction under the criminal conviction and encompasses the confiscation of funds, proceeds and instrumentalities used or intended for use in ML or predicate offenses. The assessment team considers that Egypt pursues confiscation as one of its main policy objectives and seeks to seize the funds, assets and instrumentalities of crime, to the exclusion of all the proceeds and property of equivalent value. Authorities have provided the assessment team with some periodical letters issued by the Public Prosecutor, as well as seizure orders, confiscation judgments and seizure and confiscation procedures which are applied by the Public Prosecution and the Illicit Gains Authority.

249. Egypt provided case studies demonstrating that it confiscated, in some cases, the seized funds and property, including the funds found in the possession of third parties. It also provided a statistic showing the confiscation of large amounts of funds as indicated below.

Box No. 3.14: Case study on the confiscation of funds found with third parties

- Case No# of year #, first instance, North Cairo: the so-called M.S. who works as a supervisor at the information security department at TE Data Egypt exploited his job capacity as being specialized in the supervision of a team in charge of securing the information network and systems against any internal or external hacks and being authorized to make any modifications in the network and the systems. He agreed with the officers of some companies inside and outside the country and allowed them to access the company's network systems and to download some applications that facilitate their delivery of voice messaging telephony "VOIP" in an illicit manner, with a total of 215 million minutes. In return, he received with another person amounts of money that totaled around USD 14 million; thereby causing damages to the funds and interests of the company where he works.
- The accused person disposed of the funds by purchasing housing units and lands in his name and that of his relatives. He assigned some housing units to his wife, bought some cars and hid a part of the money at the banks. The total value of the foregoing items was estimated at EGP 58,774,000 (around USD 3,7 million).
- The judgment on the case ordered the following: (1) First: Sentence the accused person (M.S.) to imprisonment for 15 years and to the restitution of EGP 58,774,000 (only Egyptian Pounds fifty-eight million, seven hundred and seventy-four thousand, (2) Second: Execute the judgment to return the funds of his wife, minor children and in-laws, by the amount they have benefited from.

250. According to the judicial rulings and information presented, it appears that confiscation undertaken by the competent authorities in predicate offenses and ML/TF crimes is mostly limited to the funds seized during the suspects' arrest, without seeking to identify and trace all criminal proceeds since, as noted in IO7, which could be basically due to the fact that no parallel financial investigation is carried out, regularly, in most predicate offenses including serious crimes involving considerable financial returns. This also affects the adoption of temporary provisional seizing measures early on to prevent the dissipation of assets related to any criminal activities.

251. The country provided cases demonstrating its ability to seize instrumentalities of crime and funds upon the detection of the crime and the arrest of criminals, where the National Security Agency cooperates with competent entities and the private sector to trace the funds and establish the links between the persons and the financial and non-financial transactions, with a view to applying measures to confiscate the funds and property intended for use in TF (see IO.9). As specifically regards confiscation in ML cases, out of 13 convictions in ML cases, confiscation was ruled only in 4 of them, which is a very low number that is not proportional with the high number of predicate offenses that have been investigated and their corresponding proceeds. The assessment team examined some judgments that confirm the veracity of these statements.

252. The Public Prosecutor Office manages the seized funds and other assets; but if the final judgment rendered orders the confiscation of the funds which also need to be managed, the implementation bodies at the Major Prosecutions departments at the country's level have the jurisdiction to manage these funds/other assets under the supervision of the public prosecution's authority related to the Public Prosecutor Office. Egypt has mechanisms in place to keep and dispose of the various seized items which have been confiscated, such as firearms, ammunition, funds, precious objects and narcotic drugs. The funds which were confiscated and actually collected and transferred to the public treasury account during 2015-2019, for example, amounted to EGP 6729 million (around USD 425 million) in total.

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

253. The statistic below shows the significant value of seized items, namely in the crimes of drugs and arms, which have been seized upon the arrest of the accused persons who were prohibited from disposing, promoting, selling or smuggling them and there is no access to the proceeds of these crimes. In the event where the perpetrators manage to sell mostly arms and/or drugs (in rare cases), they generate proceeds which are seized and confiscated. The country seeks the assistance of experts to appraise the estimated value of the seized items (narcotic drugs and arms). Regarding the real estate assets, the country provided a case study demonstrating how the value of confiscated property was calculated, to settle the dues owed to the State, in execution of the court judgment on the illicit gain case. On this note, following the identification of the fixed assets belonging to the accused persons, experts from the Illicit Gains Authority, the -MOJ or the Egyptian Survey Authority are delegated to visit the asset to be evaluated and appraise.

Table No.3.27: Total confiscations of firearms, ammunition, drugs and corruption crimes (2015-2019)
(Amounts in EGP)

Crime	Number of cases for which a conviction is rendered	Value of the seized funds	Value of the instrumentalities of crimes which were confiscated	Confiscated proceeds	Value of seized items (drugs and arms)	Equivalent value and additional penalties collected
Possession and trafficking in narcotic substances	211,258	54,566,723	3,425,463,158	3,000,015,444	1,049,222,109	3,000,000,000
Firearms, ammunition (trafficking, production, manufacture)	4,230	703,593,370	770,181,244	32,221,880	64,442,797	10,740,460

254. The statistical statement below indicates the estimated value of the instrumentalities of crime, funds and assets which have been confiscated in various ML predicate offenses, including the crimes of corruption, money theft and misappropriation, concealing of stolen goods which are proceeds of a felony or a misdemeanour and crimes against persons (theft, fraud...). A judgment was rendered ordering the restitution of the funds to the aggrieved parties, whether individuals or institutions. The country provided a sample of cases in which it was ordered to return funds to the aggrieved parties.

Table No.3.28: confiscation of funds, assets, and instrumentalities - respect to the following crimes (2015-2019)

Crime	Funds/assets which were confiscated	Value of seized items (funds/assets)	Equivalent value and penalties collected
Corruption (bribe, violation of public funds, treachery, misappropriation of public funds)	3,221,916,213	3,000,000	1,777,872,952
Crimes of trafficking in human beings	22,614,000	3,980,250	11,940,750
Dealing with cash in violation of the rules	407,278,845	209,993,868	52,498,467

Money laundering crimes	640,834,881	34,561,240	69,122,479
Money theft crimes	200,000,624	167,530,079	27,921,680
Tax evasion	112,399,462	17,403,073	46,408,194
Crimes of concealing stolen objects which are proceeds of a felony or a misdemeanour	64,707,208	27,026,898	45,044,830
Crimes related to antiquities	44,370,213	25,506,941	7,652,082
Customs evasion	33,625,551	5,318,989	17,729,963
Swindling and deception	28,760,623	12,686,842	4,531,015
Crimes of forgery of coins and specie	11,467,540	5,515,968	2,131,170
Domestic felonies and misdemeanours against the State security	6,717,559	4,019,135	365,376
Terrorist financing crimes	7,543,771	1,854,215	222,506
Organized crimes	1,394,280	830,610	75,510
Debauchery and prostitution	963,168	318,598	136,542
External felonies and misdemeanours against the State security	559,518	240,073	10,670
Fraud crimes	34,618	8,892	57,798

255. The following are statistical tables indicating the amount of criminal assets seized and value of confiscated proceeds of funds and assets generated from illicit gains crimes:

Table No. 3.29: illustrates the amount of criminal assets seized in the illicit gains crime

Year	Assets value in EGP	Estimated assets value in USD
2015	45,418,669	5,822,906
2016	37,071,185	4,752,716
2017	131,748,133	7,443,397
2018	120,667,342	6,756,290
2019 until the end of June	70,996,585	4,238,602
Total	405,901,914	29,013,911

Table No. 3.30: illustrates the amount of proceeds confiscated from assets and funds generated from illicit gains crime

Year	Proceeds in EGP	Proceeds in USD
2015	90,837,338	11,645,812
2016	38,068,586	4,880,587
2017	263,496,266	14,886,794
2018	241,334,684	13,512,580
2019	141,993,170	8,477,204
Total	775,730,044	653,402,979

256. The two tables above show the effectiveness of the Illicit Gains Authority in pursuing crimes that fall under its jurisdiction, in seizing criminal funds and in tracing and confiscating funds, assets and instrumentalities of crime, in consistency with the country's risk context.

257. The following is a case study on the confiscation of funds and assets generated from predicate offenses:

Box No. 3.15: Case Study on the confiscation of funds and assets generated from predicate offenses (bribery offense)

In the case of the Public Prosecution against 7 suspects, a link was established between the first suspect (in his capacity as a civil servant) and the second and third suspects who work as customs clearers in the city of Port Said. These two offered money and gifts as a bribe through the mediation of a fifth, sixth and seventh suspects in exchange for using their influence before specialists in the General Administration of Customs, Free Zone and Investment in Port Said, to obtain permissions and privileges in their favor.

In this regard, the court sentenced the first suspect to ten years of imprisonment with hard labor, a fine of 768,935 Egyptian pounds, dismissal from his job, and confiscation of the value of bribes and seized items.

258. The statistic above shows that Egyptian authorities are giving effect to the confiscation of funds and assets generated from serious crimes (the illicit gain crime, trafficking in drugs, theft and illicit trafficking in arms). The value of the funds and assets subject of confiscation reached a total of EGP 1,728 million (around USD 110 million) during the period of 2015-2019. It should be noted that the funds that are confiscated relate, in most cases, to those in the possession of the accused during his arrest, namely with respect to the crimes of trafficking in drugs and arms that perpetrators are prohibited from disposing of, selling and smuggling them.
259. Egyptian authorities provided the statistics below on the number of crimes committed abroad or in the country which gave rise to funds that were transferred or moved abroad, as follows:

Table No. 3.31: Number of cases pursued in crimes committed abroad or committed in Egypt and which gave rise to funds that were moved abroad.

Year	Number
2015	4
2016	-
2017	1
2018	-
2019	2
Total	7

260. The statistics above do not indicate the type of crimes (predicate offences or ML), the value of proceeds generated from foreign crimes for which confiscation or seizure had been ordered in Egypt and the value of the proceeds that were moved or transferred to other countries was not indicated either. In all events, the number of cases where crimes committed abroad or in Egypt and whose proceeds were transferred abroad is still low.
261. Egypt created a mechanism for the recovery of funds since 2015, by forming the national committee for the recovery of funds, assets and property abroad. This committee represents the country before the stakeholders in countries and international organizations with respect to the recovery of assets, funds and property abroad, and also before foreign courts and international arbitration panels. Given the absence of data on funds recovered from abroad, the assessment team considers that what limits the committee's ability to effectively perform its functions is its failure to make enough use of the international cooperation mechanisms (see IO.2).
262. Over the last three years, no criminal proceeds found abroad have been recovered. Although foreign persons are arrested at the border posts for international drugs trafficking; however, formal international cooperation mechanisms are not used to gather information about them and the rest of the criminal group members and criminal proceeds abroad are not traced. This is attributed, according to the country, to the fact that these are cross-border crimes where the authorities only arrest the suspects and refer them to court for sentencing them.

263. The country did not provide the assessment team with any information or data on the number of cases where criminal proceeds generated abroad or transferred outside Egypt were prosecuted and for which requests for freezing and recovery of liquid, movable and immovable funds were made.

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

264. Egypt implemented the Declaration System for the physical cross-border transportation of currency and BNIs by incoming and outgoing travelers with respect to stakeholders, and the Customs Department is the authority specialized in receiving disclosure forms at entry and exit points and sets up guiding signs for passengers in the departure and arrival halls. The sample examined by the assessment team shows that the measure applied to those who make a false declaration or who do not make any declaration consists of the confiscation of the amount of money and the payment of a penalty which often exceeds 100%, at least, of the total amounts which were not declared, in addition to the sentence of imprisonment. Therefore, the applied sanctions are considered proportionate and -dissuasive.

265. The Customs Department cooperates with the EMLCU where information on foreign currency is exchanged, also with the CBE to tighten the control over the incoming and outgoing foreign currency. It also coordinates with the Department of Hallmarks and Measures, with respect to the records for seizing bullions and crafted gold, to estimate the value of the seized bullions and precious objects which amount to around EGP 92,5 million (around USD 5,8 million) during 2015-2019.

Table No. 3.32: Statistic on the number of records for seizing foreign currency, bullions, and crafted gold

Statement	2016	2017	2018	2019
Egyptian currency	178	60	45	46
Foreign currency	165	37	28	41
Bullions and Crafted Gold	34	30	44	58
Total	377	121	117	145

Table No. 3.33: Statistics on the total amount related to the seizure of cross-border currency for 2015-2019

Year	Egyptian Pounds	USD
2015	6,154,120.00	6,317,991.00
2016	11,355,700.00	2,000,245.00
2017	12,325,910.00	1,280,350.00
2018	3,625,340.00	450,163.00
2019	823,050.00	796,488.00

Table No. 3.34: Statistic on the value of seized bullions and crafted gold for the period of 2015-2019

Year	EGP	USD
2016	15,706,254	994,066
2017	2,688,442	170,154
2018	4,042,730	255,686
2019	4,644,497	239,955

Table No. 3.35: Number of non-disclosure cases identified by the Customs Department between 2015 -2019

Port/ Airport	Number of non-disclosures or false disclosures	Year
Cairo International Airport	17	2015
	45	2016
	12	2017
	8	2018
	3	2019

266. The table above shows an increase in the number of non-disclosure or false disclosure in 2016 compared to other years. According to authorities and based on the risk assessment findings, this is attributed to the risks of smuggling currency through airports as mentioned in the NRA report and to the travellers (incoming and outgoing) having more recourse to currency smuggling in the years that followed the revolution of 30 June 2013 and which also resulted in an increase in this phenomenon between 2014 and 2016, where the country started taking all the necessary measures to prevent it by amending the procedures for the disclosure of currency by the travellers and requiring them to disclose to Customs authorities the foreign currency and BNIs they carry, updating the disclosure forms and developing the relevant guiding signs. It is worth noting that the large majority of the currency and crafted gold seizure reports was drawn up on their way to Egypt. The statistics provided by the Customs show that most of the incoming and outgoing requests are related to customs evasion cases at a rate not less than 90%. The international cooperation resulted in the referral of 44 cases to the Egyptian courts, where convictions were rendered in 22 of them and the remaining cases are still being investigated.
267. Egyptian authorities provided the assessment team with a statistical data on 22 cases involving the incoming and outgoing cross-border transportation of Egyptian and foreign banknotes whose value exceeded EGP 5,000 and USD 10,000 respectively. Judgments for currency smuggling crimes were rendered on these cases, ordering the application of financial penalties ranging between EGP 5,000 and EGP 22,000 and the confiscation of the seized items.

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

268. Egyptian authorities provided some statistics on the criminal instrumentalities and assets seized or confiscated in cases considered as high-risk, according to the NRA outputs, including cases of drug trafficking, corruption, arms trafficking and money theft and violation crimes. In view of the significant amounts of money which were confiscated in various predicate offenses (over USD one billion), the assessment team considers that there is a consistency to some extent between the confiscation results and the country's risk context. However, the fact that the proceeds of crime are not being regularly traced limits the effectiveness of the confiscation system, namely in the most serious crimes in the country.
269. Overall, according to the statistics provided by the country, the confiscated amounts related to drug trafficking crimes (\$663 million) and corruption (\$316 million) have remarkably exceeded, throughout five years, those related to arms trafficking crimes (\$55 million), money theft crimes (\$25 million) and scam (\$6 million). This is largely consistent with the NRA outputs, given that the total value of confiscations with respect to the crimes which are considered as a source of threat to the country's context, such as the illicit drug trafficking and corruption crimes reached around (\$1 billion), while the total value of the confiscated proceeds generated from arms trafficking, money theft and scam crimes did not exceed (\$86 million).
270. The estimated value of the criminal instrumentalities which were confiscated in drug trafficking crimes reached around (\$216 million), while the value of confiscated funds and other assets reached around (\$446 million), which accounts for approximately 67% of the total confiscations.
271. Authorities reported that drug crimes in Egypt are predominantly domestic, individual and familial with the presence of a low number of gangs of an international character involved in shipments from abroad. In the event where there is an international element, outgoing information is requested through the International Cooperation Department which was created for this purpose at the Anti-Narcotics General Authority. Nonetheless, it did not appear whether the criminal instrumentalities confiscated in drug trafficking crimes are resulted by cooperation and coordination with other countries or by efforts made at the domestic level, in the context of combating the drug trafficking crime. The seizure and confiscation of large quantities of

criminal instrumentalities limit the chances of their trafficking and obtaining illicit money in return. However, it is not clear whether authorities seek to trace the persons who paid for the criminal instrumentalities, channels, products and sectors exploited in this process. Accordingly, the assessment team considers that despite the country's efforts to seize and confiscate the criminal instrumentalities, more focus should be placed on the confiscation of funds belonging to persons implicated in the purchase of drugs with the purpose of selling them instead of settling only for the seizure and confiscation of criminal instrumentalities.

272. The value of assets seized between 2015 and 2019 in the illicit gains crime reached around (\$29 million) and that of the confiscated proceeds of funds and assets generated from this crime reached around (\$53 million). The highest percentage of confiscated proceeds (53%) was recorded in 2017 and 2018, reaching, respectively, (\$14,8 million) and (\$13,5 million), while the value of proceeds during 2016 and 2019 was relatively the lowest and reached, respectively, (\$4,8 million) and (\$8,7 million). The Illicit Gains Authority indicated that the proceeds moved abroad represent a small percentage of the criminal assets that Egypt managed to confiscate internally, knowing that the country was able, over the past five years, to recover funds based on settlement, and requests for reconciliation which reached around \$8 million in one of the cases and around \$55 million in another. Given the lack of information on the countries that pose a source of threat to Egypt, in the NRA, it is not possible to state an opinion on the extent to which the restitution measures are consistent with Egypt's risks, even if the country was able to recover funds based on settlement and requests for reconciliation.
273. Egyptian authorities reported that the estimated value of the arms which were confiscated reached around (\$55 million) and that the confiscation was made in cooperation and coordination with Egyptian national entities in general and in many cases in cooperation with counterpart authorities, without providing any additional details in this regard.
274. Considering the statistics above, it is noticed that most of the crimes for which convictions are rendered are related to drug trafficking (around 211,000 convictions), theft and scam crimes (around 80,000 convictions), followed by the crimes of hiding stolen objects generated from a felony or a misdemeanor (18,000), swindling and deception crimes (16,000), arms trafficking crimes (4,000) and corruption crimes (3,000). These judgments ordered the confiscation of significant amounts, which is somewhat in line with the threats facing Egypt.
275. Funds or assets in cases where the suspect could not prove the legitimacy of his funds were not confiscated, given that the Egyptian system does not permit investigation or punishment of the person who engages in stand-alone -ML.
276. No case related to the misuse of virtual assets in Egypt was found among the sample of cases that the NRA drew upon. It is worth noting that the Public Prosecution and the judicial authorities are the entities specialized in seizing or confiscating virtual assets in cases where they are misused in ML/TF.
277. The country provided statistics on the major modern instrumentalities of crimes which were confiscated between 2015 and 2020 in ML/TF cases. These instrumentalities include (595) electronic devices, (678) mobile phones, (199) bank cards. The statistics show an increase in the number of electronic devices and mobile phone which were confiscated, compared to other types of instrumentalities of crime, such as (514) cars and (61) yachts and vehicles.
278. **Overall conclusion on IO.8:** Egypt considers confiscation as a national policy objective and seeks to seize the funds, assets and instrumentalities of crime, to the exclusion of the proceeds and property of equivalent value. It showed its ability to seize and confiscate significant amounts of funds and instrumentalities of

crime in most of the serious predicate offenses (crimes of corruption, trafficking in drugs and trafficking in arms), in consistency with the country's context to some extent. However, settling for the seizure of funds upon the arrest of the accused persons without tracing all the proceeds of crime and property of equivalent value limits the effectiveness of the confiscation system in Egypt.

279. Egypt is rated as having a Moderate level of effectiveness for IO.8.

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings:

TF investigation and prosecution – TF offense (Immediate Outcome 9)

- a) Authorities pursue several TF patterns, including the collection, movement and use of funds and conduct TF investigations independently or as part of their investigations of terrorist cases.
- b) The National Security Agency (NSA) is the main authority responsible for investigating TF cases. The NSA has a good understanding of the risks, and focuses on TF activities, including the collection, provision and use of funds. It cooperates with the EMLCU and other related national entities, as well as counterparts abroad to identify and investigate TF cases.
- c) The charge of terrorist financing as a distinct crime was laid in several cases and is listed among other terrorist cases to apply the most severe sanctions. The number of TF convictions is in constant decline as a result of the decrease in the number of terrorist acts in Egypt, due to the country's efforts in eliminating several terrorist groups. However, this does not mean a decrease of the risks of terrorism that Egypt might be exposed to.
- d) Authorities use the parallel financial investigation techniques and some special investigative methods, on an irregular basis, while pursuing investigations of terrorist and TF cases. They cooperate with the EMLCU, the CBE and other related competent authorities and seek information and data from the private sector, which enables them to establish the links between the persons and the operations and to trace the funds.
- e) Egypt applies effective, proportionate and dissuasive sanctions when a TF crime is committed, including stand-alone TF. These sanctions ranged from 5 years of imprisonment to life sentence. In some cases, the capital punishment is imposed. It does not seem that there were any convictions or sanctions imposed on legal persons for TF.
- f) There are regulatory or other measures to disrupt TF activities in cases where a TF conviction cannot be secured.

Implementation of targeted financial sanctions for TF without delay, and NPOs (IO.10):

- a) Egypt has a mechanism for implementing UNSCR 1267 and 1988 and subsequent resolutions. It participated with other countries in designating persons and entities, provided detailed information about some designated names. However, over the past five years, it has not made any proposal for designation, *ex-parte*, to the Sanctions Committee, and no matches with names of persons and entities designated on the 1267 List were detected, to freeze their assets and funds in implementation of this resolution.
- b) The UNSCRs and their updates become enforceable once the entities charged with the implementation receive the disseminations from the supervisors. The remaining natural and legal persons who are not subject to a specific AML/CFT supervisory authority do not receive any dissemination, which may have an impact on the implementation of the freezing obligations without delay. The EMLCU regularly monitors the implementation of targeted financial sanctions by publishing the lists and updates on its website and disseminating them to supervisors, which in turn, disseminate them to FIs and DNFBPs to carry out their obligations without delay. However, a delay was noticed in dissemination of some lists and updates to the subject entities; but this delay does not seem to affect the implementation of the obligations of these reporting entities, given that most of them use electronic systems that permit them to have direct and regular access to the Security Council lists, to carry out their obligations without delay. The Lawyers Association and the Syndicate of Commercial Professions do not have appropriate mechanisms for the dissemination.
- c) Egypt has an appropriate mechanism for implementing UNSCR 1373. It has actually included several natural persons and terrorist entities on both domestic lists of terrorist entities and terrorists and there is prior coordination between competent authorities and subject entities to carry out the freezing obligations before designating persons and entities on the domestic lists in implementation of this resolution.
- d) Egypt froze the shares and profits of shareholders and officers in legal entities after their designation on both domestic lists of terrorist entities and terrorists. Egypt is adopting this approach as a way to protect the rights of bona fide third parties. It also froze the balances of charities temporarily and shut down other charities for various reasons. Despite the positive measures taken by Egypt toward some NPOs with frozen assets, the overall approach to freezing NPO assets may not be always proportionate.

- e) The Ministry of Social Solidarity has a good understanding of the TF risks related to NPOs, given that it identified the subset and classified its risks, applied the risk-based approach to supervision and subjected it to awareness and training workshops and imposed proportionate and dissuasive sanctions against NPOs in breach, namely those that fall under the subset.

PF financial sanctions (Immediate Outcome 11)

- a) There are no economic or trade dealings between Egypt and North Korea. Trade with Iran is subject to enhanced measures to verify that it is not banned, pursuant to UNSCR 2231. Egypt has mechanisms for the implementation of UNSCRs on targeted financial sanctions relating to proliferation and the EMLCU follows up their implementation.
- b) The Customs Department is aware of its responsibilities in terms of implementing targeted financial sanctions (TFS) relating to the combating of financing of proliferation and follows up the relevant UNSCRs and disseminates their updates across all the border posts without delay. The Customs Department seized dual-use chemicals of high value and referred them to the Public Prosecutions and the list of dual-use goods on which the said Authority relies includes dual-use chemicals, and other Technical goods, software and advanced technology.
- c) The UNSCRs and their updates become enforceable once the subject entities receive the disseminations from the supervisors. The EMLCU publishes without delay the lists and relevant updates on its website and disseminates them to FI and DNFBP supervisors which in turn disseminate them to subject entities to carry out their obligations without delay; however, there is a delay in the dissemination of some lists to subject entities, but this does not affect the effectiveness of the implementation of obligations by these entities, given that they carry out their obligations without waiting to receive the lists and their updates from supervisors. However, these autonomous actions by the private sector do not substitute the need for prompt enforcement by the authorities. It is worth noting that the mechanisms adopted by the Lawyers Association and the Syndicate of Commercial Professions for the dissemination of the lists and their updates to lawyers and accountants are not appropriate.
- d) FIs, namely banks, have a good understanding of their responsibilities toward the implementation of TFS relating to proliferation, except for the insurance companies whose understanding of their obligations is still not enough. The EMLCU provided a guidance to these institutions, whereas DNFBPs have a moderate understanding in this regard given that no such guidance was disseminated to them.
- e) FIs supervisors verify subject entities for their compliance with the implementation of relevant UNSCRs. The CBE and the FRA formed specialized inspection teams, including the combating of proliferation. The CBE did not find any violations related to the financing of proliferation. The understanding of the beneficial ownership concept by FIs and DNFBPs is mixed.

Recommended Actions

Immediate Outcome 9

- a) The National Security Agency should continue to cooperate with the EMLCU, other competent authorities and the private sector to identify and investigate TF, pursue the financiers and prosecute them and abide by the provisions of article 2 of the international TF Convention.
- b) The National Security Agency should further and proactively pursue special investigative techniques, especially controlled delivery, and other undercover operations, given their importance in detecting TF crimes and tracing all sources of financing.
- c) The State Security Prosecution and the NSA should pay adequate attention to investigating TF sources when investigating terrorism crimes, and conducting independent financial investigations in TF cases, regularly, in order to prevent the refinancing of other terrorist crimes.
- d) The State Security Prosecution and the judiciary should take advantage of formal international cooperation, to obtain the necessary evidence to reveal the relationship of local terrorist groups with foreign organizations.

Immediate Outcome 10

- a) Competent authorities should reconsider the mechanism for publication and dissemination, thereby ensuring the implementation of the UNSCRs without delay by the entities charged with implementation, including all natural and legal persons not subject to any AML/CFT supervisory authority.
- b) Competent authorities should seek to propose, ex parte, persons and entities for designation to the Security Council Sanctions Committee.

- c) Supervisors should disseminate the UN and domestic lists and their updates without delay. The Lawyers Association and the Syndicate of Commercial Professions should adopt appropriate mechanisms for the dissemination of the lists and updates to lawyers and accountants and verify that lawyers are carrying out their obligations without delay.
- d) Competent authorities should require subject entities to follow up the updates made to the UN lists directly on the Security Council's website or the EMLCU's website. Regarding the updates made to the domestic lists, they should require them to follow them up on the EMLCU's website.
- e) Competent authorities in Egypt should consider reviewing the regulations related to the civil work and ensure that the measures are proportionate to the risks and do not disrupt the activities of NPOs that are engaged in legitimate activities.
- f) "Committee on Seizure, management and disposition in terrorist groups and individual terrorists" and relevant authorities must:
 - Put in place procedures on the steps to be taken to release assets of NPOs with the goal to minimize disruption to their operations to the least possible.
 - Put in place guidance to speed up the consideration of requests for authorization to access frozen funds and use thereof to cover basic and extraordinary expenses.
- g) The Ministry of Social Solidarity and other related entities should continue:
 - to use the risk-based approach to supervision toward NPOs, namely the NPOs that fall under the subset.
 - to raise the awareness of NPOs, namely those that fall under the subset, regarding the risks of being misused for TF purposes.

PF financial sanctions (Immediate Outcome 11)

- a) Competent authorities should consider the mechanism for publication and dissemination, thereby ensuring the implementation of the UNSCRs without delay by the entities charged with implementation.
- b) The CBE should disseminate the updates to subject entities immediately and without delay and all the DNFBP supervisors should do the same. The "Syndicate of Commercial Professions" and the "Lawyers Association" should rely on appropriate dissemination methods that ensure the access of all the reporting entities to the updates without delay.
- c) The EMCLU and the supervisors should provide a guidance to DNFBPs with respect to the implementation of PF-related TFS and enhance the communication in this regard.
- d) Egypt should continue to enhance policy coordination and operational coordination for the implementation of TFS for both DPRK and Iran, with a view to enhancing their ability to identifying individuals and entities involved in sanctions evasion.
- e) The FRA should enhance the insurance companies' understanding of their obligations with respect to proliferation.

280. The relevant Immediate Outcomes considered and assessed in this chapter are IOs. 9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39, and elements of R 2, 14, 1516, 32, 37, 38 and 40.

Immediate Outcome 9 (TF Investigation and prosecution)

- 281. TF risks in Egypt are high due to its large area, geographical location, long common borders with some conflict areas, and the heavy reliance of its economy on cash, which could possibly increase the cross-border transportation of funds or terrorist crossings. This also due to the presence of domestic terrorist groups in Egypt, affiliated with dangerous external terrorist groups, such as ISIS.
- 282. The major terrorist groups that constitute a threat to Egypt are Hasm Vanguard Group affiliated to the Muslim Brotherhood, Hasm Movement and the Revolutionaries Brigade Movement, the Islamic Group, the Sinai Province Group, the group affiliated to Daesh in Matruh, the Takfiri Group which was led by the deceased Mohammad Salameh Mahmoud Ali and Ansar Bait Al-Maqdis Group. These terrorist groups receive internal and external funding. In some cases, funds are collected abroad and transferred through the banking system. In other cases, they are moved across the borders. Case studies examined by the assessment team reveal that the National Security Agency seized cash amounts that were being moved

across the borders to finance terrorist groups. Financial and intelligence information is exchanged between the National Security Agency and 38 countries worldwide when realizing that the amounts collected abroad have been used in organizing a terrorist group in Egypt. At the domestic level, funds are raised from the public and moved by persons associated to the terrorist groups, whether directly or indirectly. Furthermore, the funds can be left at specific locations and picked up later by different persons and this method became known as the dead drop locations.

283. The table below shows a decrease in the amount of funds used or intended for use in TF, based on the inquiries, investigations and convictions and on the incoming and outgoing cross-border funds seized from terrorists:

Table No. 4.1: of funds used or intended for use in TF during (2015-2019)

Year	Funds used or intended for use in TF (in EGP)	Amount in USD
2015	1,911,255	121000
2016	1,621,345	103000
2017	232,194	15000
2018	103,027	6500
2019	55,610	3500

284. According to the Global Terrorism Index¹⁹, Egypt had the third largest fall in deaths from terrorist operations as a result of reduced activity of Sinai Province of Islamic State following military operations by the Egyptian government. The number of terrorist acts in Egypt has largely decreased over the last five years, reaching (594) operations in 2015, (199) in 2016, (50) in 2017, (8) in 2018, down to (2) in 2019, as a result of the country’s efforts made in this regard.

285. The definition mentioned in article 3 of the Egyptian Anti-Terrorism Law No. 15 of 2020 includes at a minimum all the acts set out in the International TF Convention (see Recommendation 5).

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

286. Egypt largely secures TF convictions. In this context, the country identified many cases involving TF activities, where it appears that the charge of terrorist financing was laid as a stand-alone crime independently of the other terrorist charges in 42 cases, during 2015-2019 (as per the statistics provided by Egypt), which accounts for 14% of the total TF convictions. Therefore, TC cases are not always considered as part of the terrorist cases, knowing that Egypt includes the financing of terrorism among the anti-terrorism cases as they are considered the most severe in terms of sanctions. This fact indicates that the country is adopting a holistic approach to combat all forms of terrorism, including TF. It provided many cases studies where convictions on stand-alone TF were rendered. The following are two case studies:

Box No. 4.1: Stand-alone TF case
<ul style="list-style-type: none"> • The National Security Agency inquiries revealed that the accused person communicated with a person named (b) and gave him an amount of Egyptian money and also bought two cars to execute a terrorist act against members of the armed forces and the police. • The Public Prosecution investigations in case No.# of year # revealed that the accused person (M.M) committed one of the TF offenses as he financed members of a Takfiri group in North Sinai through the provision of an amount of EGP 34,0000 (around USD 2100), in addition to two cars for two members of the Takfiri groups

¹⁹ <https://www.visionofhumanity.org/wp-content/uploads/2020/11/GTI-2019-web.pdf>

Box No. 4.2: Stand-alone TF case

- The Public Prosecution investigations in case No.# of year # revealed that the accused person (M.S) committed one of the TF offenses by receiving amounts of money from an unknown person abroad and delivered them to a member of the terrorist groups to use them in the commission of terrorist crimes against members of the armed forces and the civil police.
- The investigations revealed that the accused person has agreed with an unknown person residing in country (S) to which he fled after 2013, to act as a middleman to receive funds from him and deliver them to leaders of some terrorist groups in order to finance their hostile activities that target the State security agencies. He received from the afore-mentioned person that he named (A.S) the amount of USD 7000 through a branch of a money transfer company and gave it to one of the terrorist group leaders, with his knowledge that it will be used in terrorist operations.
- The case was referred to the court which ruled for life sentence against the accused person, on the charges laid against him in the indictment and his designation on the domestic lists of terrorist entities and terrorists.

287. On the other hand, Egyptian authorities have temporarily frozen, as a prudential measure, the bank account balances of (1132) NPOs under the pretext of investigating with their managers, members and owners on TF charges. This was followed by their designation on the lists of terrorist entities and terrorists. Investigations did not show that these NPOs have been implicated in the TF crime, given that no cash amounts were transferred through their bank accounts or through the use of their fund-raising receipts. In parallel, authorities monitored these NPOs and shut down (720) of them according to the administrative procedures (see IO.10) and referred the rest to management by committees intended for this purpose, as a way to prevent their misuse for TF purposes. The same applies to exchange companies whose accounts were frozen (18 companies), where the CBE appointed delegates to manage 6 of them and withdrew the licenses of 12 companies (see IO.10). None of them has been convicted of TF crime and the authorities have only referred them for management by committees intended for this purpose.
288. The NSA investigates TF and has a good understanding of the risks. It focuses on all the TF patterns, such as the use of cash known as the dead drop, donations, bank transfers, proceeds of criminal acts such as robbery. The NSA is the main body specialized in collecting information, inquiring into terrorist cases, including TF related cases, and conducting related investigations and inquiries. However, according to Recommendation 5, the definition of terrorist acts is broad and encompasses some other acts, such as “harming national unity, social peace or national security” or “hindering public authorities, judicial bodies, government facilities and others”. Considering the broad definition, it is possible for the authorities in Egypt to pursue the TF cases that may go beyond the scope covered by the international Convention for the Suppression of the Financing of Terrorism. By examining a sample of 60 convictions, it became clear that 30 of them are related to TF, of which only a small percentage go beyond the scope of the definition of TF according to the international Convention for the Suppression of the Financing of Terrorism.
289. The NRA report which covered the period of 2014-2017 revealed that TF threats facing Egypt are high, given that the terrorist crimes in Egypt have escalated after the June 2013 revolution and terrorist groups have been exploiting their links with other domestic and foreign organizations by establishing cluster cells. The country’s efforts resulted in the decrease of the number of terrorist operations, which is asserted by the country through the preliminary results of the review and update of the NRA process.
290. The major sources used in TF are represented in the collection of donations from the public, the support provided through the legitimate income sources of businessmen who belong to or are loyal to terrorist groups, (through the establishment of companies, schools, hospitals, organizations) inside and outside

Egypt, the reliance of some small groups or cells on funds provided by international terrorist groups in return for announcing their affiliation with them and carrying out terrorist operations on their behalf and on proceeds of criminal activities such as the robbery of post offices, cash transport vehicles and ATMs.

291. Authorities prosecute several patterns of TF operations, including the collection, movement and use of funds. The following case studies illustrate TF operations through fundraising, the use of foreign currency, the provision of material and logistical support, theft and armed robbery, and financing of the travel of terrorists:

Box. No. 4.3: A TF case through fundraising and the use of foreign currency

The National Security Agency inquiries revealed that two persons were implicated in terrorist financing by providing funds, arms and ammunition to a terrorist organization, with their knowledge of the terrorist acts that this organization commits and the terrorist means it uses. The first accused person raised funds from citizens in the name of an unregistered foundation, on the pretence of distributing them to the poor, but provided them instead to the terrorist organization to buy weapons from various locations in Sharqia Governorate and Tukh Centre. The special investigative techniques used and the interception of their phone calls revealed that they provided USD 10,000 to one of the leaders of the organization to be used in the commission of terrorist acts in the country. In November 2015, the judgment on the case was rendered, where one of them was sentenced to execution by hanging and the other to life imprisonment for the TF charge and the two bombs, the pocketknife and the mobile phones which were seized were also confiscated.

Box. No. 4.4: TF case through the provision of material and logistical support

A TF charge was laid according to the judgement rendered in criminal case No.*** of 2016 which was known to the media as the “murder of the former public prosecutor” where the charge of terrorist financing was brought against each of:

- The 62nd to the last accused persons
- The 1st to the 17th accused persons, the 22nd to the 37th accused persons and the 60th
- The 5th, 11th, 15th, 28th and 38th accused persons

The clauses of indictment set out in the court judgment stipulated the following:

Third: The 62nd to the last accused persons have participated in a group which was created in violation of the provisions of the law, where the first of these persons provided the group – subject of the indictment set out in clause 1 – with cars to be purchased under false data and the others facilitated the escape of its members through the southern borders of the country, with their knowledge of the group’s objectives, as revealed in the investigations.

Fourth: The 1st to the 17th accused persons, the 22nd to the 37th accused persons and the 60th accused person provided a group which was created in violation of the provisions of the law with material and financial aid, where they provided the group – subject of the indictment set out in clause 1 – with arms, ammunition, explosives, missions, machines, money and information, with their knowledge of what the group calls for and the means it uses to achieve its targets, as revealed in the investigations.

Tenth: the 5th, 11th, 15th, 28th and 38th accused persons participated, with other anonymous persons, by abetting, agreeing to and aiding in the commission of felonies of attempted murder, use of explosives, sabotage and destruction - subject of the indictment mentioned in clause 9, where the 5th abetted the 28th accused person in committing the felonies and aided him by informing him about the results of monitoring the garage entry and exit. The 28th accused person agreed with them to execute the crime by developing a scheme in which he determined their roles and supervising its execution. The 11th accused person helped by providing them with the bomb and its electronic detonator which was prepared by the 15th and 38th accused persons. The crime was committed through this abetting, this agreement and this aid, as revealed in the investigations.

The judgment was rendered against the accused persons as follows:

- The 1st to the 13th accused persons, the 15th and the 16th accused persons were sentenced to execution by hanging.

- The 14th, 22nd, 23rd, 20th, 31st, 32nd accused persons and the 34th to the 36th accused persons and the 60th accused person were sentenced to life imprisonment.
- The 24th, 66th and 67th accused persons were sentenced to aggravated imprisonment for fifteen years
- The 63rd to the 65th accused persons were sentenced to aggravated imprisonment for ten years.

Box. No. 4.5: TF case through the commission of theft and armed robbery

A TF charge was laid according to the judgement rendered in the Public Prosecution case No.*** of 2017, felonies, Talibiya Police Department, which is known to the media as “Upper Egypt State” case where the charge of terrorist financing was brought against each of the 1st to the 7th accused persons, the 13th to the 18th accused persons, the 31st, 43rd, 64th and 65th accused persons.

The indictment clauses set out in the court judgment stipulated the following:

Clause 2: They committed the TF crime by providing the terrorist group subject of the indictment with money, arms, ammunitions, organizational headquarters, vehicles and safe havens for terrorists, with their knowledge of what the group calls for.

According to the details of the charge set out in the judgment, they committed the following:

- The accused persons.... provided the group with accommodation to hold the organizational meetings of its members and delve into Takfirism
- The accused person.... provided the group with the ranch located in Matay to use it as a camp for physical and military training
- The accused persons.... donated money to execute the terrorist operations
- The accused persons.... provided the group with arms, ammunition and explosives
- The accused persons.... provided the group with accommodation for its members in case of their escape after committing the attack
- The accused person.... provided the accused person.... with a car in order to track the movements of the police forces
- The accused person.... provided the group with money, firearms, ammunition, information, vehicles, organizational headquarters and safe havens for its members prosecuted by the security agencies. He provided it also with the necessary material support to engage some of its members with Daesh in Syria and Libya. ... etc.

The judgment against the accused persons was rendered as follows:

the 1st to the 7th accused persons, the 13th, 14th, 15th, and 18th accused persons were sentenced to life imprisonment, and the 16th, 17th, 31st, 43rd, 64th and 65th accused persons were sentenced to aggravated imprisonment for fifteen years.

Box No. 4.6: TF case involving the financing of the travel of terrorists and financing through legitimate funds and fundraising

A TF charge was laid according to the judgement rendered in case No.*** of 2018 which was known to the media as “Al-Nusra Front” case where the charge of terrorist financing was brought against the 2nd accused person who provided the group subject of the indictment with money for the purpose of using it to commit terrorist crimes, with his knowledge of what the group calls for and the means it uses to achieve its targets, as revealed in the investigations. The 5th and 6th accused persons were charged with providing the group members with airline tickets to transport them outside the country, in coordination with the 16th accused person. The details of the indictment as mentioned in the investigations were as follows:

- The 2nd accused person provided the 3rd and 12th accused persons with the necessary money to facilitate their entry to the battlefields in Syria.
- The 2nd accused person provided a member of Al-Qaeda with EGP 2,000 to facilitate his entry to the battlefield in Syria.
- The 2nd accused person provided the 3rd accused person with EGP 20,000 to facilitate his entry to the battlefield in Syria.

-The 2nd accused person provided the 5th accused person (one of the persons in charge of the travel of the members wishing to join Al-Qaeda in Syria) with the necessary amounts from his money deposited with a bank, in addition to zakat money he raised from those around him.

-The 2nd accused person sent to the 5th accused person around 5 cash transfers totaling EGP 20,000 approximately.

-The 2nd accused person provided the 3rd accused person with EGP 10,000.

-The 3rd accused person provided the 10th accused person with EGP 10,000 to finalize his travel arrangements.

-The 2nd accused person provided a participant in Rabaa and Al-Nahda sit-ins with EGP 5,000 to buy firearms “automatic rifles”.

-The 2nd accused person provided the 3rd and 4th accused persons with the necessary money to help them join the battlefields in Syria.

-The 2nd, 5th and 6th accused persons found airline tickets and provided financial support to the members of cells to participate in the battlefield in Syria.

The accused persons were sentenced as follows:

-The 1st, 2nd, 3rd, 4th, 5th, 8th to 12th, 14th to 16th accused persons were sentenced to life imprisonment

-The 6th, 7th and 13th accused persons were sentenced to aggravated imprisonment for fifteen years.

-The accused persons were sentenced to a fine amounting to EGP 3 million to be divided among them.

-Confiscation of all the seized items.

All the convicts shall be placed under police surveillance for 5 years starting after the completion of the sentence.

292. Egypt provided a statistic on TF cases showing that the number of TF convictions in Egypt reached 307 and the details of the statistics are as follows:

Table (4.2): Actions taken by the Prosecution on TF cases

	2015	2016	2017	2018	2019	Total
Number of terrorist acts	617	199	50	8	2	876
Number of persons investigated in TF cases	433	583	433	2393	154	3996
Number of TF cases referred to the prosecution	297	259	225	259	61	1101
Number of TF cases referred to the court	252	300	38	56	1	647
Number of TF convictions	154	130	15	4	4	307
Convictions of TF as a stand alone crime	19	14	10	2	1	42

293. It is evident from the above statistic provided by the country and the judgments analysed (60 court judgment representing the sample provided by the country) that the number of TF convictions is in constant decline as a result of the significant decrease in the number of terrorist operations between 2017 and 2019, within Egypt, due to the country’s efforts. This is due to the elimination of several terrorist groups, the application of enhanced sanctions against the persons affiliated to them and the intensification of the informal international cooperation (with 38 countries, see IO.2). However, this does not mean a decrease of the risks of terrorism that Egypt might be exposed to.

294. Egypt is conducting TF investigations as part of its investigations of terrorist cases, as they are considered the most severe in terms of sanctions. On this note, it is found that other charges related to terrorism were laid and relevant convictions rendered. During the period 2015-2019, 3996 persons were investigated,

2754 prosecuted and 1927 convicted in 307 TF cases. The following is a table showing the number of persons convicted according to their affiliation:

Table No.4.3 Number of individuals convicted of TF crimes (2015-2019) according to their affiliation.

Number of persons	The organization
504	Cluster cells that practice a Takfiri and Jihadi ideology(*)
62	Hasm Vanguard
41	Hasm Movement
36	Revolutionaries Brigade
64	Ansar Bait Al-Maqdis
44	Soldiers of Egypt
571	Muslim Brotherhood
369	Sinai Province Group
112	Islamic Group
34	Cells that practice ISIL radical ideology
90	Individuals who do not belong to organizations
1927	Total

(*) They represent individuals who do not belong to specific terrorist organizations but they adopt takfiri thoughts and have been convicted of TF crimes.

295. The table above shows that 90 persons who do not belong to terrorist organizations were convicted, which indicates that the country is pursuing terrorist financing committed by third parties.
296. The assessment team considers that the country is exerting significant efforts to trace the different sources and modalities of terrorist financing, despite the need to give more focus to parallel financial investigations considering the country’s context and the significant increase in the number of designations and frozen accounts belonging to terrorists over the last five years, particularly in the NPO sector (see IO.10). Confiscation in TF cases for example is limited to seized items without extending to cover the confiscation of all the proceeds related to terrorist financing. The seizure of funds and things found in possession of the accused person upon their arrest, the confiscation of their property and the inquiry about, and seizure, of their accounts are brought into focus, during investigations.
297. The National Security Agency seeks the assistance of supervisory and monitoring authorities to identify the persons, accounts and their balances and transactions. It also has recourse to the EMLCU which is the national centre for receiving STRs and other related information. It sends requests to financial and non-financial institutions directly to obtain the necessary information and data to identify the links between the persons, trace the funds and use the information to support its investigations. In addition, it obtains financial intelligence through other legal instruments permitted by the law, namely the statements made by the accused persons. The rendering of 42 convictions in terrorist financing as a stand alone crime²⁰ indicates that authorities are using the parallel financial investigation techniques. The assessment team examined some case studies proving this fact. It also examined 60 other case studies involving terrorist cases, some of which were subject to TF investigation and regarding which TF convictions were rendered.
298. Between 2014 and 2019, the country investigated and prosecuted 14 cases that involved foreign terrorists, and according to the investigations conducted by the Supreme Public Prosecution for State Security, a

²⁰ According to the statistics provided by Egypt, as the assessment team has only examined 6 convictions for stand-alone TF offense.

charge was brought against several persons designated as foreign fighters, whether they were foreigners or Egyptians. Investigations revealed that the number of foreign fighters reached 398, 23 of them were foreigners and were prosecuted and convicted, while 375 left Egypt. The number of fighters who have the Egyptian nationality and returned to the country where they were prosecuted and convicted reached 145 and the number of those who have the Egyptian nationality and were prosecuted and convicted in absentia reached 141, while the number of those who were killed was 89. The foregoing shows the scope of the efforts made by Egypt regarding foreign fighters and their prosecution.

299. The National Security Agency undertakes international and regional cooperation, namely through informal ways. During the period of 2015-2019, it cooperated with 38 countries in numerous locations in West Asia and the Southern Desert in Africa, in addition to several European and Arab countries which have relations with terrorist organizations or persons suspected of being affiliated to terrorist organizations based in Egypt. Nonetheless, the assessment team considers that the limited formal international cooperation to obtain evidence may affect the authorities' ability to investigate transnational TF cases (see IO.2). The following is a case study:

Box 4.7: TF case involving the sale of property

NSA investigations revealed that there is a terrorist cell consisting of about nine individuals and a woman whose leader communicates with a member of the organization abroad. The funding of the cell relied on the woman who managed to raise funds under the title of donations and sent them to the cell leader. During the interrogation, the cell leader admitted that he had a relationship with another person abroad who wanted to send funds as charity donations.

By examining the mobile phones, hard disks, storage media, and memory cards found in the possession of the cell leader, the investigations of the Public Prosecution revealed that one of the mobiles contained voice recordings between the cell's leader and a member of a terrorist organization abroad who informed the leader about the sale of a real estate property which he owned with others to fund the cell, enable it to carry out its terrorist operations, provide a safe haven for its members, manufacture explosives, and establish a workshop to manufacture firearms. After examining what was seized, the Public Prosecution found a copy of a contract between the cell leader and others to sell the property at about EGP 12 million and the leader received a sum of EGP 2 million approximately upon the signature of the contract. The Public Prosecution checked the documents of this sale with the Real Estate Registration Office and interrogated the buyer. NSA investigations confirmed the incident as stated, which substantiated its validity to the Public Prosecution.

The judgment rendered sentenced the first accused person to life imprisonment for the charge of terrorist financing brought against him.

300. Specialized courts were established to look into terrorism cases, which included one or more criminal court departments. This had a positive impact on increasing the familiarity of judges with the nature of terrorist crimes, the circumstances of their commission, the motive behind them and the means for their financing. This also increases the ability to establish evidence of the availability of its elements. These specialized courts adopted "continuous trials" as an approach to adjudicate cases. This contributed to the implementation of legislative texts to achieve the desired results of the national strategy and punish the perpetrators of terrorist and TF crimes.

TF identification and investigation

301. Egypt is exerting significant efforts to identify and investigate TF activities. The NSA has a sufficient number of financial investigators in its headquarters and departments in all governorates with a specialized CFT department headed by a public administration director who reports directly to the head of NSA. There are 537 specialized officers in the NSA and they all received specialized training courses.

302. The entities specialized in identifying the TF offenses in Egypt are chiefly represented in the National Security Agency, followed by the EMLCU. After examining the information held by both entities, the cases are then referred to the Public Prosecution in order to file a criminal lawsuit and initiate the prosecution, namely when there are tangible facts and enough evidence on the implication of the concerned parties in the TF offense.
303. The NSA initiates the investigation in TF cases based on the information it receives from the EMLCU or counterparts abroad or the information it collects while inquiring into terrorist cases, as part of the operational coordination and cooperation with various competent authorities. It also relies on analyzing the outcomes derived from the information it has received or collected and from the inquiries and investigations. It relies on examining the position of the accused and determining their circles of engagement to identify their funding sources and track them in order to legally drain them. The Agency accords all terrorist cases the utmost importance in light of the special nature of terrorist crimes and their dangerous repercussions on the security and stability of society.
304. Upon completion of the investigation, LEAs refer the case to the Public Prosecution, which is responsible for referring it or not to the court in view of the evidence gathered by LEAs. It is clear from the cases referred by the PP to the court and the statistics that the evidence presented by LEAs may be insufficient to refer the cases to the court or secure a conviction, given that during the period of 2015-2019, the number of TF cases referred to the Public Prosecution reached 1101, 647 of which were referred to the court and 307 TF convictions were rendered (see table 4.1 above). For the record, Egypt brought other terrorism related charges (other than TF) against several suspects of which they were convicted. This indicates that the investigations are being focused on the dismantling of terrorist cells, which does not permit the courts to base their judgments with respect to terrorist financing on concrete data.
305. The Supreme State Security Prosecution is responsible for investigating, gathering evidence, and initiating prosecution of domestic and international crimes affecting the State security across Egypt, including terrorism and TF crimes. It is directly affiliated with the Prosecutor General's office. It has 153 members who participate in training courses specialized in cases of terrorist financing, its patterns, the major sources of financing, the new methods used by terrorist financiers and the networks that facilitate the financing of terrorist activities. The members of the State Security Prosecution are technically among the most competent staff of the Public Prosecution. The assessment team considers that the Supreme State Security Prosecution has enough human and technical resources to perform its functions.
306. The Public Prosecution and LEAs resort to a set of investigative techniques to gather evidence on TF activities. This includes examining cell phones, hard disks, storage media, and electronic memory cards seized from the suspect, as well as examining audio recordings, and requesting financial data from FIs, especially banks and money transfer companies. The country provided a case in which the Public Prosecution obtained permission to record telephone conversations of one suspect and intercept emails. Nonetheless, authorities may need to use the afore-mentioned investigative methods more regularly, including undercover operations and controlled delivery, while investigating TF cases.
307. The EMLCU identifies cases involving a suspicion of TF, as it received during the period of 2015-2019 (397) TF STRs and referred 48% (192 cases) of these STRs to the Public Prosecution. The TF investigations triggered by the EMLCU's referrals to the Public Prosecution during the same period reached around 21% of the total investigations (925). By examining the STRs received by the EMLUC, it is found that the products misused the most are the financial transfers, which is consistent with the NRA outputs. On the other hand, the EMLCU has sufficient analysis resources and tools to process the cases it receives domestically and

internationally, with respect to TF suspicions. It also has a department concerned with the follow-up of these cases (see IO.6).

308. The country provided case studies showing that the EMLCU is receiving feedback on the financial information reports it is providing to the National Security Agency, whether spontaneously or upon request. Cooperation and coordination are undertaken between the said Agency and the EMLCU on TF cases which are investigated. In this context, the Agency provides the EMLCU with details about terrorism and TF cases and seeks information from the EMLCU on a regular basis. Statistics provided in this regard show that the EMLCU received a total of 299 requests for information from the NSA during 2015-2019, while the said agency was considering TF cases (see IO.6). It also received a total of 295 requests for information from the Supreme State Security Prosecution during the same period. below is a table showing TF cases investigated and referred by the NSA to the Public Prosecution:

Table 4.4: TF cases investigated and referred by the NSA to the Public Prosecution

2015	2016	2017	2018	2019	Total
220	226	188	235	56	925

309. The table above shows an increase in the number of TF cases which were investigated and referred to the Public Prosecution during 2018, compared to the previous years and a significant decrease in this number during 2019, but this does not mean a decrease in the TF risks that Egypt might be exposed to, although the preliminary draft of the NRA report indicates, according to the country, that terrorist threats have decreased between 2018-2019. The assessment team found that the investigations target the TF activity which is represented in the provision of assistance to a criminal organization by its members or by third parties (businessmen or Egyptians residing abroad). It was also found that the country monitors the activities involving the raising of funds intended to be provided to terrorists. The assessment team was provided with several cases on a NPO whose name was misused to raise funds for TF purposes and on the transfer of funds through banks, their movement and their delivery at prearranged spots known as the dead drop locations.

TF investigation integrated with –and supportive of– national strategies

310. Egypt adopted a national anti-terrorism strategy in 2015 and the Supreme Council for Countering Terrorism and Radicalism²¹ was established in 2018. The President of the Republic issued a presidential decree to form the national Anti-Terrorism Council in July 2017. The strategy has the flexibility that allows for its amendment according to the international and local developments that occur in the phenomenon of terrorism. Its key aspects are based on the legislative, security and preventive elements, capacity building and international cooperation in the security field. The competences of this Council include the establishment of executive mechanisms to deplete the sources of terrorist financing and radicalism, along with the intensification of the efforts in this regard.

311. Egypt adopted a national AML/CFT strategy which extended from October 2013 to September 2016. Its implementation was extended until September 2019 and September 2022, respectively, to enable stakeholders to carry out the relevant operational plans. The NSA which is mainly concerned with combating terrorism and terrorist financing was one of those stakeholders. Authorities relied on the outputs of the national assessment of TF risks in establishing their strategy. This assessment covers all

²¹ It is formed of the Speaker, the Prime Minister, Sheikh Al-Azhar, Saint Mark’s Orthodox Church Pope of Alexandria, the Commander in Chief of the Armed Forces, the Minister of Defence and Military Production, the Minister of Awqaf, the Minister of Youth and Sports, the Minister of Social Solidarity, the Minister of Foreign Affairs, the Minister of Interior, the Minister of Communications and Information Technology, the Minister of Justice, the Minister of Culture, the Minister of Education, the Minister of Higher Education and Scientific Research, the Chief of the Financial Intelligence Service and the Head of the Administrative Control Authority.

forms of terrorist financing which are drawn from relevant cases which have been carefully selected, such as cases of designation on the domestic lists, cases of self-financing, cases related to specific terrorist organizations, cases of autonomous TF and other relevant cases.

312. Combating terrorism and terrorist financing is pursued as a policy objective in the country and Egypt considers that investigation of terrorism and terrorist financing is part of the national strategy. It took several actions to integrate investigations with its national strategy, such as the designation of persons and entities on both domestic lists of terrorists and terrorist entities and the regional cooperation in this field (see IO.10). This is also evidenced by the coordination between religious institutions and security agencies in order to enable moderate and balanced religious discourse and spread the correct religious concepts in society in an attempt to counter all forms of extremist language.
313. Egypt is increasing the authorities' ability to identify potential TF activities and to conduct investigations of activities related to terrorism, through departments specialized in examining relevant cases and through training provided to their staff in order to improve the quality of the investigations and thus achieve the national strategic objectives.
314. In implementation of the clause related to the security aspects when taking security measures, such as monitoring and targeting radical organizations and depleting their sources of funding, the NSA targets terrorists and terrorist networks, according to the information provided to the assessment team, stating that Egyptian authorities brought down the group called Ansar Bait al-Maqdis^{16F22} and the organization called Soldiers of Egypt^{17F23}. Since the NSA undertakes the combating of terrorism and terrorist financing and has a wide database that includes the forms of terrorism and terrorist financing, it can make use of this information and integrate it with its investigations to combat terrorism and its financing.
315. At the operational level, the EMLCU contributed to the NRA process through its database and the analysis of the evolving TF indicators in the country. It also contributed through a department intended for TF cases which cooperates with the National Security Agency with respect to the UN and domestic lists and TF STRs. This department also provides the appropriate financial analysis and exchanges information with the Agency on a routine basis, which allows to combat terrorism and terrorist financing according to the objectives of the national strategy (see IO.6 and IO.10).

Effectiveness, proportionality and dissuasiveness of sanctions

316. In general, Egypt applies effective, proportionate and dissuasive sanctions against TF crimes, taking into account the cases examined which showed that the country conducts TF investigations as part of its investigations of terrorist cases. They also showed the low number of stand-alone TF investigations, where the judgments that the assessment team perused revealed that charges laid and convictions rendered were for terrorism and not for terrorist financing or where the judgments were mixed with other criminal judgments.
317. In general, article 13 of the Anti-Terrorism Law provides for dissuasive sanctions against TF acts or any terrorist act. Article 32 of the Penal Code orders a more stringent sanction if several crimes were committed for the same purpose and became indivisible. Considering the cases examined by the assessment team and the statistics provided by the country, it appears that the sanctions applied range between imprisonment

²² This group emerged in 2013 and its members committed around 55 terrorist operations in various governorates of Egypt, including the targeting of a battleship while crossing the Suez Canal, in addition to theft of post offices, cash transport vehicles and cars owned by civilians in order to receive a source of financing the group.

²³ Its members have radical ideologies and committed several terrorist operations using explosives and remote detonators in various ways.

from 5 years to life imprisonment and required, in some cases, capital punishment, as shown in the following table:

Table No. 4.5: Criminal sanctions on TF

Year	Number of convicted TF cases	Summary of criminal sanctions
2015	154	<u>First:</u> imprisonment, aggravated imprisonment and life sentence <u>Second:</u> - The death penalty
2016	130	Imprisonment and life sentence
2017	15	Imprisonment, life sentence and confiscation of what was seized
2018	4	Imprisonment and life sentence
2019	4	Imprisonment and life sentence
Total	307	-

318. Considering the statistic above, it appears that the number of convictions ruled in TF cases has increased in 2015 and in 2016, and decreased in subsequent years, due to the decline of the terrorist threats in the past years. The sanctions applied by the judiciary range between capital punishment, imprisonment, aggravated imprisonment, life imprisonment and the confiscation of seized items. This resulted in bringing down a number of terrorist groups, such as the group called “Ansar Bait al-Maqdis” and the organization called “Soldiers of Egypt”.
319. On the other hand, the country did not issue any sanctions against legal persons for TF, given that it delegates their manager, instead, to ensure its continuity but this method is not proved to be adopted for all the legal persons managed by terrorists. (see IO.10).
320. Although the definition of TF in the Egyptian law meets the provisions of the Convention on the Suppression of the Financing of Terrorism, nevertheless, by examining a sample of 60 convictions, it became clear that 30 of them are related to TF, of which only 6 convictions go beyond the definition of TF according to the International Convention for the Suppression of the Financing of Terrorism. .

Alternative measures used where TF conviction is not possible

321. After seizing the funds of terrorists and bringing them to criminal trial before a competent court, they are either convicted or some alternative measures are taken against them. Such measures include prohibition of residing in a remote place or in a specific region, the obligation to reside in a specific place, prohibition of using or possessing certain means of communication, deportation of a foreigner from the country. If a terrorist has fled abroad, they are tried in absentia and Interpol is notified to track them and return them if they are arrested. But some terrorists seek asylum and are therefore not extradited. However, Egypt places them on watch lists and freezes their money.
322. Egyptian authorities may take organizational or other measures to disrupt TF activities in cases where it is not possible to secure a TF conviction. The country provided the following case study:

Box No. 4.8: A case stud illustrating the alternative measures taken - where it is impossible to secure a TF conviction against foreign suspects.

During July 2020, the National Security Agency received information from the EMLCU (according to its counterpart in country X) stating that a phone user in the country is implicated in the provision of financial and logistic support to a terrorist group. Security agencies were able to identify and capture him. It appeared that he is a citizen of country X and manages an illegal money transfer company from and to his country. He was then expelled and repatriated as one of the alternative measures taken in cases of this sort. The EMLCU notified its counterpart in country X of the phone numbers it has detected that he was communicating within country X, as part of the exchange of information between both countries. The FIU of country X thanked EMLCU and Egyptian authorities for the rapid response and the value of the information provided.

323. It is not clear how many Foreign Terrorist Fighters (FTFs) or Terrorist Financiers were subjected to other criminal justice measures when it was not possible to secure a TF conviction against them.
324. The Egyptian authorities have closed a number of exchange offices, NPOs and some legal persons by subjecting them to competent entities which undertook their management (such as the CBE, the Ministry of Social Solidarity, etc. ...). These preventive measures would reduce the risks of TF in the country.
325. Egypt cooperates with more than 38 countries worldwide. This cooperation led to the arrest of several terrorists, the dismantle of TF networks, the reporting of foreign terrorist fighters to other countries, the seizure of incoming funds at the borders, the arrest of many criminal networks, the detection, dismantle and prosecution of terrorist cells in other countries, the elimination of terrorist groups in Egypt, such as Ansar Bait Al-Maqdis, Soldiers of Egypt, and Kataeb Ansar al Sharia fi Ard al Kinanah (Brigades of Ansar al-Sharia in the Land of Egypt), in addition to the elimination of cluster cells affiliated to large terrorist organizations.
326. **Overall Conclusions on IO 9:** The NSA is the main authority responsible for investigating terrorism and TF cases, and cooperates with various bodies in Egypt and abroad so as to identify TF cases. It has been able to pursue several types of TF activities, including collection, movement and use of funds. It has been conducting investigations into stand-alone TF and in the context of investigating terrorism cases. It resorts for this purpose to some special investigation techniques and conducts parallel financial investigation, but on an irregular basis. The number of convictions for TF is in constant decline as a result of the decrease in terrorist acts after Egypt managed to eliminate a large number of terrorist groups, and the penalties applied are considered proportionate and dissuasive, but it turns out that there are no convictions and penalties against legal persons.

327. **Egypt is rated as having a Substantial level of effectiveness for IO.9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay:

UNSCRs 1989/1267 (and subsequent resolutions):

328. The EMLCU is the entity responsible for the follow-up of the implementation of the UNSCRs, where clause (26) of article (3) of the Executive Regulation of the AML Law stipulates that the EMLCU “takes the necessary measures to implement Egypt’s obligations according to the international treaties, conventions and charters relating to terrorist financing and proliferation financing, including the relevant United Nations Security Council Resolutions” (see IO6). Pursuant to the power conferred upon the EMLCU, the latter issued the mechanism for implementing TFS in 2007 and was updated in 2014 and 2018 and is available on its website²⁴.
329. The entities concerned with the implementation which were met are aware of their freezing obligations, once the UNSCRs and their updates are published. According to the mechanism, the UNSCRs and their updates become enforceable for all the entities concerned with the implementation in the country (including supervisors) once they receive the updates from the EMLCU and they become enforceable for subject entities once they receive the updates from the supervisors. It did not appear to the assessment team that authorities are disseminating the lists and their updates to other natural and legal persons who are not subject to a specific AML/CFT supervisory authority.

²⁴ <https://www.mlcu.org.eg/ar/3129/>, available only in Arabic.

330. The EMLCU, through a work team of 5 employees specialized in following up the Security Council sanctions lists, visits the Security Council website directly, on a daily basis, to follow up any updates of the sanction lists related to the implementation of UNSCR 1267 and relevant resolutions, in order to disseminate them by e-mail to supervisors and all the other authorities concerned with the implementation of the relevant targeted financial sanctions. These authorities forward them, in turn, to the subject entities to carry out the requirements without delay. The EMLCU publishes these lists and their updates on its website to enable those concerned to carry out the relevant obligations. In parallel, the EMLCU receives the UN lists and their updates from the Ministry of Foreign Affairs in written and electronic forms. The assessment team examined several disseminations received by the EMLCU from the Ministry of Foreign Affairs and it appeared that the EMLCU is making disseminations, regularly to supervisors. It also appears that there is a delay in the dissemination of some lists and updates made by supervisors to subject entities.
331. Supervisors handle the dissemination of updates to entities charged with the implementation once the disseminations are received from the EMLCU. The set of disseminations that the assessment team has examined revealed that their content varies depending on the entity that made the dissemination, where the disseminations are accompanied with a copy of the updates or the subject entities concerned with the implementation are required to refer to the UN's website or the EMLCU's website to carry out their obligations without delay. The vast majority of subject entities which were met follow up the updates published on the EMLCU's website or the UN website daily, on their own motion and take the necessary actions without delay and without waiting to receive any dissemination from supervisors.
332. The EMLCU provides all the relevant UN lists in the form of Excel files on its website²⁵ to enable subject entities (which do not use technological systems to update and monitor the extent to which there is a match with the sanctioned names) to access the website and use the tables easily, on the other hand another field has been dedicated in the website to provide the relevant UN lists updates, including the removal, addition and amendment²⁶, and a sample of these updates was checked, and it was found that they are being updated without delay (on the same day).
333. The NSA under the Egyptian Ministry of Interior monitors the movements of persons whose proposal for designation on the UN sanctions lists and seeks to complete the inquiries and investigations in coordination with the Public Prosecution which also gathers as much supporting information and data as possible for the designation of the concerned persons or entities and add them to the statement of case sent by the Ministry of Foreign Affairs to the competent UN Sanctions Committee in order to propose persons and entities for designation. The National Security Agency being an intelligence agency has enough information that the designation request should contain when making the said request. The Agency reaches out to the Ministry of Foreign Affairs, after having collected all the data on the person(s) whose designation is sought, with a view to designating them on the lists using the UN standard forms.
334. Egypt has previously proposed several persons for designation, ex parte, to the Sanctions Committee, given that it proposed, in 2005, 20 persons for designation on the 1989/1267 UN sanctions list and the Sanctions Committee agreed to list (7) names (3 of them were removed later) and (4) are still currently listed. In 2008 and 2010, it tried to re-propose the names whose designation was rejected, but these requests were refused. Over the last five years, it co-designated with other countries 4 persons and 4 entities on the 2368 list and two persons on the 1267/1989 UN lists. It also provided information on some persons and terrorist entities and did not provide during the last five years any requests "ex parte". Egyptian authorities consider that the

²⁵ <https://www.mlcu.org.eg/ar/3118>, available only in Arabic.

²⁶ <https://www.mlcu.org.eg/ar/3127>, available only in Arabic.

TF threat of persons and entities involved in the investigated cases does not warrant their designation on the UN lists and they are pursuing efforts to list several terrorist individuals on the 1267 Sanctions List. However, the assessment team considers that this is not fully consistent with the TF risks in Egypt, namely in light of the geographic threats and the presence of some entities that may meet the designation criteria because of their activities and association with cross-border terrorist organizations. On the other hand, no name has previously been designated on the 1988 Committee list, pursuant to a request made by Egypt.

335. There are 13 Egyptian persons designated on the 1989/1267 UN list. Egypt has never frozen any of the assets or funds of any of the terrorists designated on the UN lists, which is attributed, according to the country, to the fact that no funds, assets or economic resources which belong to those persons have been found, given that most of those persons (without specifying their number) were outside Egypt many years before their designation (before 2005). In case they return to Egypt, authorities would arrest them and deprive them of their property. On the other hand, subject entities have never reported any positive matches with any of the names included on the relevant SC sanctions lists. The assessment team considers that it is possible that these 13 persons could own other types of goods and substances subject to freezing (such as apartments, other forms of immovable property, vehicles, etc. ...), which the subject entities concerned with the implementation do not verify whether they belong to the listed persons or not, in order to take the required measures.
336. Egypt has an appropriate mechanism for petitioning requests to remove names from the SC sanctions lists and to authorize partial or full access to frozen funds or other assets (see R.6). Furthermore, the EMLCU made efforts to clarify the mechanism for petitioning requests to pay the basic and extraordinary expenses on its website and it is available to the public. Egyptian authorities indicated that they have never received requests to remove names of persons designated on the 1267/1989 lists or to pay them basic or extraordinary expenses.

UNSCR 1373:

337. The National Security Agency conducts the necessary investigations concerning the persons suspected of being involved in terrorist acts or terrorist financing. It also collects relevant information, draws up a warrant for presentation to the Public Prosecution which in turn reviews the facts and evidence before presenting the file to the Cairo Court of Appeal in order to take the appropriate decision. The said Court is specialized in the designation of persons or entities that meet the designation criteria in implementation of UNSCR 1373. The Public Prosecution prepares a list called (List of Terrorist Entities) in which it includes the names of terrorist entities that the competent division decides to list and those regarding which final criminal judgments ordering their designation as terrorist are rendered. The Public Prosecution also prepares another list called (List of Terrorists) in which it includes the names of terrorist individuals, if the said division decides to list them and if a final criminal judgment regarding any of them ordering their designation as terrorist is rendered. This list shall be governed by the same provisions prescribed for the list of terrorist entities. Laws and implementing regulations address the mechanism for the designation on the domestic lists and the effects resulting from this designation, the mechanism for the dissemination of names to the entities concerned with the implementation and the mechanism for the de-listing and the deduction of basic or extraordinary expenses from the frozen funds or other assets (see R.6).
338. Designations are published by the Public Prosecution in the official Gazette, once a conviction or a listing decision is issued against them by the competent criminal division. On the other hand, the EMLCU provides

these lists in the form of Excel sheets on its website²⁷ and sends the updates to the entities concerned with the implementation, including the supervisors, which in turn, re-disseminate them to subject entities. These entities are required to take the freezing measures once the updates are published in the official Gazette²⁸

339. The number of those designated on these lists during the period (2015-2018) reached 6 terrorist entities and 3303 natural persons. According to the latest amendment published on the EMLCU's website (in April 2020)²⁹, the number reached 6421³⁰ persons (8 terrorist entities and 6435 natural persons, 14 of them were de-listed³¹). These names also included around 1600 repeated names³², which indicates that the actual number of names is 4821³³. The following is a table showing the local terrorist entities as at April 2020.

Table No. 4.6: Local terrorist entities until April 2020

Entity's name	Case No.	Publication in the official Gazette
Muslim Brotherhood	Case No.653 of 2014	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(114) annex dated 18 May 2017
Hasm Vanguard Group affiliated to the Muslim Brotherhood	Case No.760 of 2017	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(139) annex (A) dated 20 June 2018
The Hasam Movement and the Revolutionaries Brigade Movement	Case No.420 of 2017	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(139) annex dated 20 June 2018
The Islamic Group	Case No.167 3of 2018	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(254) dated 11 November 2018
The Sinai Province Group	Case No.79 of 2017	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(52) annex dated 4 March 2018
The group affiliated to Daesh in Matruh	Case No.239 of 2015	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(125) dated 31 May 2017
The Takfiri Group which was led by the deceased Mohammad Salameh Mahmoud Ali	Case No.513 of 2016	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(125) dated 31 May 2017
Ansar Bait Al-Maqdis Group (supporters of the holy house)	Case No.423 of 2013	"Al-Waqa'i' Al-Misriyya" newspaper, issue No.(269) dated 1 December 2019

340. The designation request is made by the Public Prosecutor to the competent division (the Cairo court of appeal), accompanied with the investigations, documentation, inquiries or information supporting the request. Criminal investigations that precede the submittal of the designation request are not predicated

²⁷ <https://www.mlcu.org.eg/ar/3125>, available only in Arabic

²⁸ According to article 25 of the Executive Regulation of the AML Law.

²⁹ Egypt provided the assessment team with the numbers of terrorist persons classified according to the terrorist entity for the period from 2015 until the end of 2018. The total number of the designated names was 3303, distributed among 6 terrorist entities (1744 persons belonging to the Muslim Brotherhood, 459 to the Hasam Movement and the Revolutionaries Brigade Movement, 164 to the Islamic Group, 319 to the Sinai Province Group, 20 to the group affiliated to Daesh in Matruh, 24 to the Takfiri Group which was led by the deceased Mohammad Salameh Mahmoud Ali and 573 persons who were designated as terrorists). However, by referring to the lists published on the EMLCU's website, it was found that the last amendment of the table sheet was made in April 2020 and included 6421 terrorist persons and 8 terrorist entities.

³⁰ They included 3 Sudanese and 3 Palestinians.

³¹ During 2021, a number of listed persons submitted grievances to the PP, and about 50 persons were de-listed.

³² The repetition of names is due to the involvement of one accused person in more than one case and to their designation in all those cases (from 2 to 4 terrorist cases). Therefore, several names may be repeated depending on their accusation in many cases.

³³ The country stated that the actual number of listed persons in the local list – as of 23 November 2020 – (after the onsite) reached 4246, after having deleted the repeated names.

and the request does not need to be issued pursuant to an order of referral or to be given a specific form of indictment, but the information or even the documentation supporting this request is enough per se to complete the designation without being associated with any other element.

341. The country provided written criteria for the designation on the domestic list which are in line with UNSCR 1373. Authorities verify the extent to which all the necessary conditions are fulfilled by relying on these criteria. The assessment team noticed the increasing number of designations and the amounts seized over the last five years. This is due to the broad definition of the terrorist acts (see IO.9 and R.5).
342. The NRA mentioned that one of the TF sources is the creation of many legal persons inside and outside the country, and Egyptian authorities reported that there is a possibility that the profits generated from schools and hospitals are being largely exploited for TF, but the investigations did not reveal the direct implication of any of them in TF; furthermore, the decisions for designation on the list of terrorist entities and the list of terrorists as at the last update made in April 2020 resulted in the freezing of the funds of 4099 natural and legal persons, as indicated in the table below; which is attributed to the broad definition of terrorist financing in Egypt:

Table No. 4.7: Number of persons and entities whose funds and shares were frozen as of April 2020, in implementation of UNSCR 1373

Natural and legal persons	Number
Natural persons	2,320
Civil associations	1,132
Companies with diverse activities	419
Schools	104
Hospitals and medical centres	106
Exchange companies	18
Total	4,099

343. The table above shows that Egypt, based on the provisions of Article 7 of Law No. 8 of 2015 related to organizing the lists of terrorists and terrorist entities, froze the shares and profits of shareholders and officers in (1779) legal persons but without freezing the balances and assets of the legal persons given that none of them has been directly exploited in TF cases, according to the investigations conducted by the country. The country clarified that it adopts this approach as a way to protect the rights of *bona fide* third parties. Among the legal persons, the balances of 1132 NPOs were temporarily frozen.
344. On the other hand, Egyptian authorities adopted the method of managing legal persons to which designated persons contribute instead of designating them, in order to secure the continuity of their business and to ensure the rights of *bona fide* third parties. The revenues generated are deposited in the frozen accounts of the designated shareholders and officers. Regarding exchange companies whose accounts were frozen (18 companies), the CBE appointed delegates to manage 6 of them and withdrew the licenses of (12) without designating them on the domestic list. The same applies to the NPOs, given that during the period 2015-2019, (720) NPOs were shut down (an average of 145 NPOs per year) out of (1,132) NPOs³⁴ without designating them either.
345. According to the country, the shutdown of NPOs³⁵ is attributed to the fact that some of them are not practicing any activity or are practicing activities which are not included in their articles of association, or

³⁴ For not practicing any activity or in fulfilment of their members' wish or the death of some other members, as of 2019.

³⁵ The reason behind the shutdown of NPOs according to what was mentioned in the report of the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms is attributed to the broad definition of the banned activities, pursuant to Law No.149 of 2019 regulating the practice of civil work. The report is accessible through: [DownloadPublicCommunicationFile \(ohchr.org\)](#)

in fulfilment of their members' wish or due to the death of some other members or as a result of the poor activities they are engaged in. The number of these NPOs which have been shut down accounts for 1.4% of the total NPOs operating in Egypt and whose number has witnessed an increase over the last years (from 50,352 NPOs in 2017 to approximately 51,373 in 2019, which is an increase by 1,021 NPOs).

346. The examination of the statistical data provided by the country reveals that following the freezing of the NPO's accounts, the management of the NPO is transferred to an administrative committee with a judicial character (the Committee regulating the measures of seizure, management and disposal of the funds of the terrorist groups and terrorists). This committee appoints whoever it deems appropriate to manage the funds of the NPOs whose number is 412 in total. The average period from the date of designating those in charge of the NPO and freezing its accounts until the date of the NPO management varies between 3 and 10 business days and rarely exceeds 15 days, depending on the completion of the NPO's property inventory according to the size and nature of its activity.
347. No accounts have been frozen for any NPO after the designation of its employees, considering that they do not have the power to manage or control the NPO and given that they are not entitled to deal in its name, as their job is only limited to operational works.
348. The number of NPOs whose accounts were frozen totalled 412 and are still providing their services and many of them were provided with material and technical support (the material support ranges between EGP 100,000 and EGP 1 million, approximately USD 6400-USD 640000) (see table below). Out of these NPOs, the number of NPOs whose accounts were released and whose management was transferred to a new board of directors reached around 28 (equivalent to 7% of 412 NPOs in total), after de-listing those in charge of these NPOs from the domestic lists. The assessment team believes that this percentage is weak in light of the fact that investigations uncovered that none of them have been involved in TF. As for NPOs with frozen assets (384 NPOs), the State explained that they were established pursuant to the minimum threshold prescribed by the Law regulating civil works (up to two persons at most), which explains the difficulty of transferring management to other persons, and continue the management by the concerned committee without releasing their assets.

Table No. 4.8: Subsidies and aids received by NPOs in which a designated person was a member of their board of directors

Type of Support	Number
Financial support and development of the NPO's resources	490
Technical advice	312
Training	285
Facilitating bank transactions	244
Obtaining special approvals to carry out the NPO's activities	367
Facilitating benefit from tax exemptions	570

349. It is clear from the above that Egypt has taken measures to mitigate the disruption of the activities of some NPOs whose assets were frozen. However, there are still more than 400 NPOs with assets frozen and more than 700 NPOs were shut down, after their assets were frozen. Since no NPO has been found with connection with TF activity, the freezing measures taken by Egypt may not be proportionate in all cases³⁶.

³⁶ The report of the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms states that "the Law Regulating the Work of Associations and Other Institutions Working in the Field of Civil Work used similarly ambiguous and overly broad language as the Anti-Terrorism legislation, prohibiting all NPOs from conducting activities that "harm national security, public order, public morality, or public health".

350. Egyptian authorities provided the assessment team with a statistical data of the cash amounts belonging to persons and terrorist entities which were frozen by FIs, in implementation of Egypt’s commitment to the measures set out in UNSCR 1373. The assessment team examined the total amounts which were frozen as a prudential measure as mentioned in the table below, namely in the securities sector where the assessment team considers that the increase in the number of shares and amounts subject of freezing denotes the importance of the risks in the said sector (see IO.1):

Table No. 4.9: Financial institutions which froze the funds and assets of persons and entities over the last five years³⁷

Institutions which froze the funds or assets of their customers	Number
Post offices	74 P.O. boxes
Securities companies	28929884 shares + 26022570 discount coupons
Insurance companies	Insurance policies (number not specified)

351. Over the last five years, (22) requests were submitted to the Committee for the regulation of the measures of seizure, inventory, management and disposal of the funds of terrorist groups and terrorists, which is empowered to decide on providing the amounts to the person whose funds are seized to meet their needs. (11) of these cases were referred for investigations, where relevant documents were completed and inquiries undertaken, (7) were approved and (3) rejected. Whilst one was rejected for not completing the documents in support of the request. The decision taken regarding the other 11 requests was not clear.

352. Egyptian authorities provided several cases that show the approval of the competent authorities upon authorizing the use of frozen funds to pay basic and extraordinary expenses. Some of these cases revealed delays in deciding on the petition request to pay the basic expenses to verify that the amounts required will be spent for the purposes set out in the request and will not be exploited for TF, where it appears that the period from the date of submitting the petition request until the date of issuing the decision to approve upon the cancellation of the restraining order may be too long in some cases (four months). The following is a summary of these cases:

Box No. 4.9: A case showing the approval of the competent committee upon the disburse of extraordinary expenses.

On 06/06/2018, a lawyer acting on behalf of a person designated on the domestic list of terrorists made a request to obtain amounts of money for his client who needs surgery. After addressing the Ministry of Social Solidarity and obtaining its response concerning the value of expenditure the concerned person benefits from, the management committee held a meeting on 22/01/2019 where it was agreed to disburse the amounts set out in the request, if the accounts of the concerned person allow to cover the required amounts.

Box No. (4.10) A case showing the approval of the competent authority upon the cancellation of the decision to retain the funds of the claimant

On 24/11/2015, a person made a petition to the management committee requesting to exclude his salary which is transferred to two different banks from the restraining order, as he is the family's sole provider. On 22/02/2016, the committee approved upon excluding the salary from the amounts retained by the concerned banks and the request to remove the restraint on other frozen funds was refused.

³⁷ The table does not include the amounts, as they are confidential

Box No. (4.11): A case showing the approval of the competent authority upon the disbursement of basic expenses

First: On 11/10/2020, Mr.**** made a request to deduct a sum from his frozen accounts to pay the tuition fees of his sons. On 20/10/2020, the committee asked the Ministry of Social Solidarity to conduct a social inquiry by reaching out to the Ministry of Education. On 28/10/2020, the committee decided to approve upon the expenditures provided that they would be directly transferred from the petitioner's account to the schools' account. The CBE was also addressed to take the necessary action in order to transfer the amount of the expenditures directly from the account.

Designation requests to/ from other countries

353. In the context of implementing Egypt's obligations to combat terrorism, deplete its source of financing and combat radicalism and the tools used to spread and promote it, Egypt designated 68 persons of various nationalities and 21 entities in cooperation with 3 countries from the region. Cooperation with other countries resulted in the designation of the Soldiers of Egypt terrorist group on the lists of these countries and in the designation of the Muslim Brotherhood on their lists. Upon Egypt's request, as reported by the authorities, the Islamic Group was listed on one of the regional lists, following an intelligence work carried out between Egypt and this party. Moreover, Hasm Movement (also known as Arms of Egypt Movement) and its leaders were also designated on the sanctions lists in another country as a foreign terrorist organization, while two of its leaders were designated as international terrorists, through a formal declaration made by this country. The foregoing indicates that Egypt tends to designate names on the domestic lists and to undertake outreach and international cooperation to designate persons and entities on the regional lists or the lists of foreign countries.
354. On the designations made by other countries in implementation of UNSCR 1373, Egypt received, during 2015 and 2016 two requests, the first designation request was archived, and the concerned country was informed of this action, while the second was presented to the National Committee for International Cooperation in the Field of Combating Terrorism. A response was sent to the other country at the end of 2019 stating that the organization and its members are only being monitored by the concerned security agencies in Egypt and the immediate designation will be considered later in case some requisites arise.

Implementation of targeted financial sanctions by supervisors and subject entities

355. FIs supervisors disseminate any updates made to the UN lists and the domestic terrorist lists by email, given that the dissemination is the enforceable means for subject entities to do the necessary (see above). Some correspondences addressed to banks reveal a delay in disseminating the lists by the CBE (see table No. (4.10)) and that the disseminations do not include the information on the update but only mention a removal or an addition and they request banks to refer to the EMLCU's website to view all the information. On the other hand, the assessment team was provided with copies of the CBE correspondences to banks, regarding the dissemination of the domestic lists of terrorist persons who are designated pursuant to UNSCR 1373. It was found that some were delayed as well (see table No. (4.11)), which would affect the effective implementation of targeted financial sanctions, in case any of the banks relies on the disseminations without regularly (daily) referring to the EMLCU's website for updates. On the other hand, a sample of disseminations made by the CBE to exchange and money transfer companies was examined without perceiving any delay. It is worth noting that banks do not wait for the formal disseminations but rely instead on their internal tools and subscriptions in special databases to carry out the requirements. The box below shows an example of the measures for dealing with the negative lists.

Box No. 4.12: Examples of the implementation of measures for dealing with the negative lists*

All the CDD measures issued to FIs and DNFBPs included the obligation to establish policies, systems, and procedures for the management of risks related to persons and entities designated on the negative lists, including the detection of the extent to which the customer or the beneficial owner is designated on any negative list before conducting the transaction. In case either of them is designated, the service should not be provided to any of them and the EMLCU should be notified of this fact. Regarding the transfers, the establishment of policies, systems and procedures for the management of the risks posed by the transfers related to the persons and entities designated on the negative lists was verified, including the detection of the extent to which the originator or the beneficiary is designated on the negative lists before conducting the transfer and the implementation of the necessary measures to this effect, such as the freezing of funds according to the provisions of relevant laws, regulations, procedures and mechanisms.

356. All FIs which were met refer, directly and on a daily basis, to the EMLCU's website and/or to the UN website or use the updated commercial lists. They do not wait for the disseminations of the Sanctions Lists by supervisors to implement the freezing obligations. The detailed instructions – issued by EMLCU include the mechanism for the implementation of UNSCRs on targeted financial sanctions for combating terrorism, terrorist financing and the financing of proliferation which are issued to FIs and DNFBPs and how to access the UN lists and their updates through the UN website links. These instructions also included the requirement to follow up the updates of these lists on a daily basis as well as carrying out freezing and de-freezing measures, notifying the EMLCU and the supervisory authority of any procedures taken in this regard. All the banks which were met, in particular, use systems to follow up the updates and monitor the potential matches with the names. Besides, a delay in the CBE disseminations was noticed, as mentioned above.

Table No. 4.10: CBE disseminations to banks (updates of UN terrorist lists)

Decision No.	Date of CBE dissemination to banks	Date of designation on the UN lists	Observations
<u>SC/14014</u>	7 November 2019	5 November 2019	It falls on working days
<u>SC/14097</u>	6 February 2020	4 February 2020	
<u>SC/14113</u>	21 February 2020	18 February 2020	
<u>SC/14118</u>	25 February 2020	23 February 2020	
<u>SC/14256</u>	19 July 2020	16 July 2020	It falls on a weekend

Table No. 4.11: Delay of CBE disseminations to banks (updates of domestic terrorist lists)

Case No.	Date of the judgment	Date of publication in the official Gazette	Date of dissemination to subject entities	Observations
440-2018	19 February 2018	22 February 2018	25 February 2018	It falls on a weekend
1000-2017	16 May 2018	22 May 2018	29 May 2018	It falls on working days
671-2020	16 April 2020	18 April 2020	21 April 2020	It falls on working days

357. Since most institutions, namely banks, use electronic systems to carry out their obligations, as mentioned above, the delay in the dissemination of the lists and the updates of some resolutions by some supervisors does not affect the effectiveness of the implementation of the freezing obligations without delay, in implementation of the UN resolutions. Regarding the domestic lists, subject entities are reached out in advance before receiving the updates from the supervisors, and the afore-mentioned delay has no effect on the implementation of the freezing obligations without delay, pursuant to UNSCR 1373.

Table No. 4.12: Percentage of using electronic systems³⁸ to implement TFS by banks and DNFBPs

Nature of the entity's business	Entity	Percentage of entities which make use of electronic systems
Financial Institutions	Banks	100
	Exchange	100
	Money transfer	100
	Securities brokerage	67
	Insurance	47.2
DNFBPs		The existing percentage varies as it reaches its peak with respect to the casino sector. The remaining DNFBPs rely on Excel and Access databases and there is no entity that carries out the search manually (by relying on hard copies).

358. The assessment team reviewed a sample of the disseminations made by the FRA to subject entities and no delays were noticed. Regarding the National Post Authority, the assessment team examined a dissemination it received from the Ministry of Communications and Information Technology (the supervisory entity) regarding the updates of the domestic terrorist list on 20 April 2020, while the date of the judgment was 16 April 2020. Concerning the updates of the relevant SC lists, a delay in the dissemination was also noticed, as follows:

Table No. 4.13: Delay in the disseminations of the Ministry of Communications to the National Post Authority

Decision No.	Date of designation	Date of the dissemination	Observations
SC 14097	4 February 2020	6 February 2020	It falls on working days
SC 14195	16 July 2020	19 July 2020	Weekend
SC 14321	8 October 2020	11 October 2020	Weekend

359. Regarding the role of FIs supervisors in this regard, they verify, through the periodical inspections, the FIs' compliance with the implementation of their relevant obligations. The CBE uses commercial lists and advanced systems to check the names of members of the board of directors and senior managers of FIs for any matches with the names designated on the sanction lists, periodically, upon any change. On the other hand, the CBE has an on-site inspection team specialized in information technology which verifies that the technological systems used by subject entities to implement targeted financial sanctions are being updated regularly and that they are linked to the related lists, in addition to check the mechanism used for the uploading, using, and updating the domestic lists, to verify the rapidity, accuracy and absence of any delay in taking the required actions. The CBE detected a violation committed by an exchange company with respect to the two lists of terrorist entities and terrorists. The inspection revealed that the company converted the amounts of USD 1000 and Euro 300 for a person designated on the list of terrorists. A warning was sent to the company, so as to monitor the update and amend the electronic system. Besides, FI supervisors held several training courses for the subject entities in this regard.

360. Other DNFBPs which were met, except for dealers in precious metals and stones, do not wait to receive updates from supervisors and they access, on their own motion, the EMLCU's website directly and daily, to carry out their obligations to freeze or to refrain from conducting transactions if there are any matches or suspected matches. Some DNFBPs (casinos) use commercial lists to verify their customer databases against the lists of persons designated on the UN lists. However, most dealers in precious metals and stones do not

³⁸ Electronic systems to update names included on the relevant UN lists and monitor the extent of having matches to the names of their clients against these lists in order to issue red flags/notifications.

reflect the updates on their customer databases before receiving them from the concerned supervisory authority. It appeared during the meeting held with some dealers that the delay in disseminating the updates may take up to 6 months.

361. DNFBPs supervisors adopt a mechanism for disseminations which is different than that used by FIs supervisors. In this context, each of the Ministry of Tourism and Antiquities, the Ministry of Supply and Internal Trade, the Ministry of Industry and Trade issues periodical disseminations by email to subject entities, requiring them to refer on a daily basis to the EMLCU's website for updates without disseminating the updates as they occur. (The Syndicate of Commercial Professions) provided one dissemination (after the on-site visit) stating that it is necessary to refer to the EMCLU's website to receive the amendments through the Syndicate platform on (Facebook). The Lawyers Association reported that it sends the updates through (SMS) to the phone numbers it has. The assessment team believes that these means are not appropriate. During the on-site visit, it appeared that DNFBPs are unevenly implementing their obligations with respect to targeted financial sanctions, mainly casinos, dealers in precious metals and stones, real estate brokers and lawyers which are properly carrying out their obligations, unlike some accountants (see IO.4).
362. As to DNFBPs supervisors, they verify, through on-site visits, the compliance of the relevant subject entities. The Ministry of Supply and Internal Trade, being the supervisor of the sector of dealers in precious metals and stones, detected, during 2019 and 2020, 5 violations of the targeted financial sanctions requirements committed by three commercial shops. The sanction ranged from the lodging of a warning to the temporary withdrawal of a license. During an unexpected inspection of a casino, the Ministry of Tourism issued a warning for not keeping a record for the registration of the updates made to the domestic and UN designation lists.
363. Many FIs and DNFBPs reported matches with names of persons included on the domestic terrorist lists and none of them has ever seemed to have any positive matches with the UN prohibition lists; however, they reported false positives to the EMLCU, in implementation of their obligations and the assessment team was provided with the details of these cases as follows:

Table No. 4.14: Notifications of false positive matches made to the EMLCU (2015-2020)

Notifying entity/Year	2015	2016	2017	2018	2019	2020
Banks	2	5	3	1	2	1
Securities brokerage	0	0	1	0	0	0
Exchange	0	0	0	1	1	0
Real estate brokerage	0	0	0	1	0	0
Casinos	1	0	2	1	0	0
Total	3	5	6	4	3	1

364. During the visit made to the CBE, the efforts of the Financial Inclusion Department which has a system containing the names of the beneficiaries of the financial services (banks, the post offices, insurance companies and micro-finance companies) whose number is around 37 million persons were perceived. The said department monthly reviews the names for any match with the names of persons included on the UN and domestic lists. This is regarded as an additional measure to detect any potential dealing; in case the concerned institution could not notice the matches or the similarities. It was found that there have been no positive cases where violations were detected so far.

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

365. The charities sector in Egypt has been regulated for a long time, starting with the law on associations of 1964, then the laws of 1999, 2002 (where the associations were required to open bank accounts and deposit

the donation funds into these accounts), 2008, and 2017, followed by the promulgation of the last law of 2019 by virtue of Prime Minister Decision No.2395 of 2018 which required the formation of a committee that brings together representatives of various stakeholders, including representatives of the EMLCU, to work on the amendment of the law on associations for 2017 (see R.8).

366. The NPOs sector in Egypt consists of civil associations and foundations and foreign organizations. The work of all these organizations is regulated by the Ministry of Social Solidarity, according to the provisions of the afore-mentioned law. The number of associations that have been working until September 2020 (the end of the second half of the on-site visit) reached 51373 NPOs, which include 51308 civil associations and foundations, in addition to 65 foreign organizations, which are subject to the provisions of Law No.149 of 2019 which regulates the civil work³⁹

Understanding of risks

367. According to the NRA, donations are considered, in general, as one of the sources most used for the financing of terrorism (without mentioning that these donations were done by licensed organizations to raise funds or not). The Ministry of Solidarity has a good understanding of the TF risks which may be faced by the NPOs sector. Its understanding is in line with the results of the NRA in which it has participated. It also conducted a sectoral risk assessment which it shared with the associations, thereby causing the Ministry to update the sectorial assessment and to give it utmost importance to limit the risks of cash donations. The Ministry classified associations based on several criteria such as the financing aspect (foreign financing or raising donations), the activities undertaken (in collaboration with foreign entities or organizations) and border areas. Accordingly, the Ministry adopted the financial inclusion policy, by abandoning the "cash payment" system and converting into digital dealings through bank channels. In this context, a ministerial decision was issued to set a maximum limit for cash donation within the headquarters of the association (not more than EGP 10000 or its equivalent in another foreign currency (equivalent to approximately USD 640), unless it is made by banker cheque or any other banking procedure through the banks that are subject to the supervision of the CBE (see R.8)).

368. The NPO sector has not been misused for TF purposes, over the last five years, although the name of a NPO was exploited by anonymous persons to raise donations and use the funds to finance a terrorist act.

Identification of the subset

369. The Ministry of Social Solidarity initiated the sectorial assessment in 2010 by relying on a database that it created in 2004. Following the sectorial assessment, it started, in 2016, to identify the subset according to the FATF definition and to update it annually, as shown in table (4.15) below:

Table No. 4.15: Classification of the subset (2016-2019)

Year	Total number of subset each year	High-risk category	Percentage	Moderate-risk category	Percentage	Low-risk category	Percentage
2016	2245	430	19%	1500	67%	315	14%
2017	2327	466	20%	1521	64%	340	16%
2018	2398	478	20%	1560	65%	360	15%
2019	2429	478	19.7%	1572	64.7%	379	15.6%

370. In 2019, it updated the subset, according to the sectorial assessment, where the subset comprised 2429 associations, based on multiple and comprehensive criteria for classification, taking into consideration all

³⁹ The report of the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms states that Law No.149 of 2019 which regulates the civil work may limit the activity of NPOs in Egypt.

types of associations which are likely to be at risk of being misused for TF, due to their geographic location and activities, as shown in table (4.16) below. The Ministry of Social Solidarity also takes into account the violations detected during inspection rounds to classify the risks of NPOs.

Table No. 4.16: Criteria for the classification of the risks of the subset for 2019

Degree of risk	Number	Criteria for selection
High degree of risk	478 At the rate of (19,7%)	<ol style="list-style-type: none"> 1. Civil associations and foundations that have frequently received foreign grants. 2. Civil associations and foundations that have the largest budgets and activities at the country's level. 3. Civil associations and foundations that have licenses for fund raising through receipts or stamps. 4. Civil associations and foundations that are engaged in "Class A-Class B" micro-lending activity (that have fund raising licenses and frequently obtain a foreign financing). 5. Civil associations and foundations that are engaged in "Class C" micro-lending activity) in the border zones. 6. Non-governmental foreign organizations with large activities and which deal with a large number of civil associations and foundations 7. Non-governmental foreign organizations working in the border zones. <p>** **Knowing that there are some civil associations and foundations to which more than one criterion of these items applies.</p>
Moderate degree of risk	1572 At the rate of (64,7%)	<ol style="list-style-type: none"> 1. Civil associations and foundations that have frequently received foreign grants. 2. Foreign organizations with medium-size activities. 3. Civil associations and foundations engaged in micro-lending activity (having fund raising licenses and several branches in remote areas).
Low degree of risk	379 At the rate of (15,6%)	<ol style="list-style-type: none"> 1. Civil associations and foundations that have received grants from Egyptian local entities. 2. Civil associations and foundations that have licenses to raise funds through multiple cashless means (such as cheques, SMS, mobile phone portfolios).
Total	2429	

Supervision and monitoring

371. The Ministry of Social Solidarity is responsible for granting licenses to raise money and receive external grants. It adopted a strategy for combating terrorist financing which is based on a fivefold approach, as follows: Monitoring, supervision and follow-up; outreach and on-going training; local cooperation; international cooperation; and sanctions. Regarding monitoring and supervision, the Ministry of Social Solidarity has 27 directorates at the country level, which in turn have 301 social departments. Each department is specialized in the supervision and follow-up of the works of associations and foundations registered with it, by relying on an inspection guidance issued in 2013 and amended in 2016 and 2019. It includes themes related to on-site and off-site supervision according to the risk-based approach and additional measures for inspecting foreign organizations. The risk-based approach in Egypt relies on several criteria, such as the association's size, type, activities, current assets, number of branches, number of violations within a specific period at the administrative and financial levels, the geographic location, cash percentage and its recourse to donations.

Table No. 4.17: Number of inspection rounds that covered the subset during 2016-2019.⁴⁰

Year	Number of subsets	Number of high-risk NPOs	Off-site inspection (twice)	On-site inspection (3 times)	Number of moderate risk NPOs	off-site inspection (2 times)	On-site inspection (2 times)	Number of low-risk NPOs	On-site inspection (once)	On-site inspection (once)
2016	2245	430	860	1290	1500	3000	3000	315	315	315
2017	2327	466	932	1398	1521	3042	3042	340	340	340
2018	2398	478	956	1434	1560	3120	3120	360	360	360
2019	2429	478	956	1434	1572	3144	3144	379	379	379

372. According to the table above, it appears that all the subsets of NPOs ranked as high and moderate-risk have been subject to off-site and on-site inspection according to the risk-based approach, not to mention the unexpected off-site and on-site inspection which is conducted in case specific facts are noted or there is a complaint that requires verification, in addition to permanent on-site visits, with respect to the disburse of foreign grants for the purposes they are intended. Inspection uncovered several violations that resulted in the application of proportionate and dissuasive sanctions against the subset.

Table No. 4.18: Major violations and actions taken against associations which fall under the subset (2017-2019)

Violation	Action	2017	2018	2019
Raising donations in violation of the provisions of the law (by exploiting the name of other associations or foundations).	Dismissing the board of directors of the association, referring the matter to the Prosecution.	1	-	-
Raising funds without obtaining a license before the fund raising.	Requiring associations to return the amounts to the Associations Support Fund, along with depriving the association of obtaining the fund-raising license for a period of two consecutive years.	6	2	4
Failure to develop a CFT internal policy or regulation in the association or failure to adopt this internal policy or regulation by the board of directors.	Lodging a warning against the association and requiring it to develop a CFT internal policy or regulation.	40	35	10
Failure to provide specialized training on combating terrorism and terrorist financing for the staff of the organization.	Lodging a warning against the association requiring it to provide specialized training in the CFT field for its staff.	7	5	4
The organization's failure to check the names of its staff and volunteers against the domestic lists of terrorist entities and terrorists.	Lodging a warning against the organization to check the names of its staff and volunteers against the domestic lists of terrorist entities and terrorists.	5	11	7

373. The Ministry communicates with NPOs through the provision of on-going training, the organization of workshops and the issuance of several publications and guidelines on the risks of misusing NPOs in TF operations, as well as the preventive measures. It also urges citizens to use financial channels to transfer donations to NPOs, through conferences and by publishing videos aimed at raising the awareness of the Egyptian society on the risks of misusing NPOs for TF. NPOs receive training annually (see table 4.19) and higher-risk NPOs within the subset are mainly brought into focus. This is confirmed by the information examined during the meetings with the Ministry in charge and some NPOs (8 NPOs). On the other hand, the

⁴⁰ Note: No on-site visits were initiated from the start of the Corona pandemic until September 2020.

Ministry provided basic information on NPOs on its website, but this information does not include all the names of the NPOs founders and managers, although it is possible to obtain it by reaching out to the concerned Ministry.

Table No. 4.19: Number of civil associations and foundations which were provided training in the CFT field

Year	Total number of associations	Number of NPOs which were provided training on combating terrorist financing	Percentage
2017	50,352	32,226	64%
2018	50,531	33,856	67%
2019	51,373	35,961	70%

* The figures above include all the associations that fall under the subset of organizations

374. The Ministry provided a guiding paper to associations to implement the TFS obligations. It included links to the relevant UN lists and guidelines to refer to the domestic terrorist lists. It appears that associations do not wait to receive the on-going updates made to the UN and domestic sanctions lists from the Ministry, so as to carry out their obligations in this regard.
375. As part of the efforts made to limit the potential misuse of associations for TF purposes, the Ministry of Social Solidarity coordinates with the CBE in order to instruct banks on the conditions for opening the account for associations or for accepting internal and external grants or donations, which would reduce the potential use of bank accounts by the associations to carry out any operations that pose risks. The Ministry of Solidarity continuously cooperates with the Ministry of Foreign Affairs with respect to the foreign financing and to verify the foreign donor or the purpose of the donation or the grant.
376. During the on-site visit, (8) NPOs of moderate and high risks were met, for receiving internal donations and external grants. Associations have an understanding and knowledge of the outputs of the NRA and the sectorial assessment and the methods that terrorists can use to misuse them. They also have lists of the names designated on the domestic lists. They check the UN and EMCLU's websites on a daily basis to follow up on the updates of the sanctions lists. They also conduct on-going review to check any potential match with any of the names of donors and recipients, employees, and volunteers and the names of the donating associations and those in charge of them. However, the associations have never reported any match or potential match with the designated names.

Deprivation of TF assets and instrumentalities:

377. Egyptian authorities followed a double approach where freezing orders are published in the official Gazette and disseminated to all the supervisors and relevant entities. Significant amounts in different currencies belonging to persons and entities included on the domestic lists were frozen. Egypt presented (307) judgments which included terrorist financing judgments.⁴¹(see IO.9). Several accounts for natural and legal persons from companies, associations, schools, medical centers, and exchange companies were frozen (see table (4.7) above) and several post offices boxes, shares and insurance policies of designated persons were also restrained. This indicates the Egyptian authorities' effectiveness in depriving designated terrorists and terrorist organizations of TF assets, however, it did not appear to the assessment team that any assets belonging to terrorists, such as (real estate or any other types of economic resources) have been seized.
378. Egyptian authorities seized assets in connection with TF cases which amounted to EGP 4,6 million (around USD 295,000) and confiscated instrumentalities of crime whose value was estimated at around EGP 5,9

⁴¹ The assessment team examined them, and considering the sensitivity of the information, it only mentioned the major findings in IOs.9 and 10.

million (around USD 375,000). The total amount of confiscations (divided between funds, assets and instrumentalities of crime) reached around EGP 9,6 million (around USD 610,000), for the period 2015-2019. Besides, Egyptian authorities froze large amounts that belong to 4099 natural persons and entities, in implementation of UNSCR 1373.

379. Egypt undertakes the management of the frozen and retained funds to protect the State's rights in case a judgment to confiscate them is rendered, or to protect the rights of their owners in case of rendering a judgment to return them to the person or the entity, after being acquitted without being designated as terrorist. A committee presided by the representative of the Ministry of Justice (chairman) with the membership of several local authorities was formed for this purpose⁴². This committee has several functions, including making an inventory of the funds subject of all the judgments rendered, namely in terrorism and TF cases, appointing competent experts it deems appropriate to manage the funds and deciding the amount of money to be given to the person whose funds are retained to meet their needs, pursuant to a request supported with documents. The committee seeks the assistance of some entities to manage some foundations whose funds are retained, including the Ministry of Social Solidarity which handles the management of 384 associations and the CBE which appointed delegates to manage 6 exchange companies. In the same context, the licenses of 12 other companies were revoked. It is worth noting that the country is keen on preserving the rights of *bona fide* third parties, namely when there are shareholders in legal entities whose names are not designated on the lists.

Consistency of measures with overall risk profile

380. Egypt gives an utmost priority to CFT cases and has a good understanding of its TF risks. In this context, Egypt's NRA identified the donations made by the public and businessmen who belong to or are loyal to terrorist groups, the funds provided by terrorist groups and the proceeds of criminal acts, such as robbery, as being the main sources for TF. Authorities took prudential measures represented in the seizure of funds and assets of natural and legal persons, in implementation of UNSCR 1373. Egypt also has special procedures that allow for de-listing those persons and unfreezing their funds and assets, with the possibility to provide access to the frozen funds and protecting the rights of *bona fide* third parties.
381. Egyptian authorities communicate with other countries and a regional body to designate persons on the sanctions lists of these parties, in implementation of UNSCR 1373. Although Egyptian authorities have not made any requests for designation, *ex parte*, it has cooperated, over the last five years, with some countries, to complete the statement of forms for listing. This action led to the designation of 6 persons and 4 entities on the Security Council Daesh and Al-Qaida sanctions lists. These measures which have been taken are largely consistent with Egypt's risk profile.
382. The measures taken by the Ministry of Social Solidarity toward NPOs, such as the identification of the subset, conducting a sectorial risk assessment, the implementation of risk-based supervision, the application of sanctions, requiring associations to perform transactions through financial channels and organizing awareness and training workshops for them, issuance of publications related to the implementation of targeted financial sanctions aimed at combating terrorist financing are commensurate with the country's risk profile.
383. **Overall conclusion on IO 10:** Egyptian authorities have mechanisms for implementing UNSCRs 1267 and 1373 and relevant resolutions, which allow entities charged with the implementation to disseminate the lists and updates to them, even if there is a delay in the dissemination of some updates. However, this delay

⁴² A representative of each of: the Ministry of Interior, the Ministry of Finance, the Ministry of Social Solidarity, the Ministry of Local Development, the Central Bank of Egypt, the National Security Agency.

does not affect the implementation of the obligations of subject entities, given that a large percentage of these entities uses electronic systems that permit them to have direct and regular access to the Security Council lists, to carry out their obligations without delay. There is a prior coordination between competent authorities and subject entities to implement the freezing obligations before designating the persons and entities on the domestic lists, in implementation of UNSCR 1373. Egypt participates effectively with other countries and a regional body in proposing persons and entities for designation to the sanctions committees, even if it has not proposed persons and entities for designation, *ex parte*, over the last years. Egypt froze large amounts belonging to persons and entities in implementation of UNSCR 1373, while the names of persons and entities which were designated on the 1267 sanctions lists to freeze their assets and funds in implementation of this resolution have not been revealed. Regarding NPOs, Egypt took measures to identify and monitor the subset of organizations and provide it with awareness and training workshops and impose sanctions against the NPOs in breach. Egypt took several measures that support the development of NPOs, but some of the measures taken where the accounts of some NPOs were frozen may not always be proportionate.

384. **Egypt is rated as having a Moderate level of effectiveness for IO.10.**

Immediate Outcome 11 (PF financial sanctions)

385. The AML Law promulgated in 2002 and amended by Law No. 36 of 2014 grants the EMLCU the responsibility for implementing UN Security Council Resolutions related to PF. The TFS implementation system has been in effect in Egypt since 2014 (see R.7).

Implementation of UNSCRs on combating the financing of proliferation without delay.

386. There are no economic or commercial dealings between Egypt and Democratic People's Republic of Korea. Egypt complies with the banning of import and export of any goods with this country. Egyptian authorities inspect the ships and goods that go through their territorial waters, in implementation of UNSCR 2270 (see Box No. 4.12). As to dealing with Iran, Egyptian authorities check the goods exchanged with it (import and export) to verify that they are not banned, according to UNSCR No.2231. The total Egyptian exports to Iran amounted to approximately USD 6 million in 2019 and they include (books, clothing, glass, shaving blades), while the total imports reached approximately USD 8.1 million during the same year (oil, carpet and floor coverings, fresh and dried fruits)⁴³. The assessment team does not consider that the intra-trade volume is of a high value that is a cause for concern, particularly that the exchanged goods do not fall under the goods banned pursuant to UNSCRs.

387. Egypt has the legal framework for the implementation of the obligations according to the international agreements, conventions and treaties relating to the combating of proliferation financing (PF). It also has mechanisms in place to implement UNSCRs on targeted financial sanctions relating to PF.- The EMLCU is the entity responsible for the follow-up and dissemination of UNSCRs relating to PF with respect to Iran and North Korea and cooperates to this end with the National Coordination Committee for the Implementation of the UNSC Sanctions relating to PF at the Ministry of Foreign Affairs which was established pursuant to Cabinet Decision No.433 of 2016 (see Rec. 7).

388. The National Coordination Committee for the Implementation of the UNSC Sanctions relating to PF takes the necessary measures to coordinate the national stance on the UNSCRs which are related only to

⁴³ The team obtained this information from Egyptian authorities.

proliferation. It includes several entities concerned with the implementation⁴⁴, and a national sub-committee concerned with the SC sanctions imposed against the Democratic People's Republic of Korea derives from it, with the purpose of coordinating the national efforts in this regard. The sub-committee holds meetings after the issuance of relevant resolutions by the Security Council to discuss the most important topics addressed in these resolutions and to undertake coordination to this effect; however, the measures taken by the said sub-committee were limited to the implementation of UNSCRs 2397 (2017), 2371 (2017) and 2375 (2017) deriving from UNSCR 1718⁴⁵. As to the coordination of efforts to implement other UNSCRs relating to proliferation and the coordination for the application of TFS against Iran, the entity entrusted with the application and follow-up of the implementation of all the relevant UNSCRs and their immediate dissemination is the EMLCU which is assuming its role in this regard.

389. The mechanisms adopted for the implementation of UNSCRs related to the combating of PF are not different than the mechanism for the implementation of UNSCRs related to countering terrorism and its financing. The EMLCU visits the Security Council website directly, on a daily basis, as indicated in IO.10, to follow up any updates of the lists of sanctions concerning the UNSCRs relating to the combating of financing of proliferation, in order to disseminate them by e-mail to supervisors and all the other authorities concerned with the implementation of these sanctions. These authorities forward them, in turn, to the subject entities to carry out the requirements without delay. According to the mechanism, it appears that the UNSCRs become enforceable once the subject entities receive the disseminations and updates from the supervisors and not once they are published on the Security Council's website. The EMLCU publishes these lists and their updates on its website to enable those concerned to carry out the relevant obligations, but what is published on the EMLCU's website is enforceable only if subject entities receive a dissemination from supervisors requesting them to refer, on a daily basis, to the updates published on the website. Moreover, the EMLCU receives the UN lists and their updates from the Ministry of Foreign Affairs in writing and in electronic form (the assessment team examined several copies of disseminations provided to the EMLCU by the Ministry of Foreign Affairs and it appeared that the said Ministry is making disseminations, regularly and without delay). Any delay caused by the Ministry of Foreign Affairs, if any, does not affect the implementation of Egypt's obligations without delay.
390. The EMLCU also provides all the UN lists relating to proliferation on its website in the form of Excel files⁴⁶, to enable subject entities to access the website and use the table sheets; in order to facilitate their work. It also provided another field concerning the updates of relevant SC lists⁴⁷ 30 on its website, but this list is not updated, given that, until the end of the on-site visit, it comprised only 6 updates for the period extending between 15 February 2018 and 11 May 2020³¹⁴⁸. This fact may affect the effectiveness if a subject entity only relies on this list to update its own. However, there is little chance of this happening, since not all the FIs which were met rely on the disseminations they receive from supervisors, so is the case with DNFBS which were met, except for some accountants.
391. The assessment team examined a sample of disseminations made by the CBE to banks concerning UNSCR No.2375 (2017) on the sanctions against North Korea, which revealed that there is a delay of around 10

⁴⁴ The "National Coordination Committee for the Implementation of the UNSC Sanctions relating to Proliferation" is formed of: (the Ministry of Defense, the Ministry of Supply and Internal Trade, the Ministry of Finance, the Ministry of Civil Aviation, the Ministry of Investment, the Ministry of Interior, the Ministry of Justice, the Ministry of Transportation, the Ministry of Commerce and Industry, the General Intelligence Department, the CBE, the Suez Canal Authority). It calls the EMLCU to attend its meetings, in its capacity as an expert in the field.

⁴⁵ [Resolutions | United Nations Security Council](#).

⁴⁶ <https://www.mlcu.org.eg/ar/3118>

⁴⁷ <https://www.mlcu.org.eg/ar/3128/%D8>

⁴⁸ <https://www.un.org/securitycouncil/sanctions/1718/press-releases>

days in a dissemination made by the Ministry of Foreign Affairs to the CBE (from 11 to 21 September 2017).⁴⁹, which resulted in a delay in the dissemination to banks during the same period; but banks follow up the Security Council resolutions and updates without relying on receiving any disseminations and they use 100% of the commercial databases to this end; however, the assessment considers that reliance on commercial databases is not a substitute for the effective implementation of sanctions without delay.

392. The assessment team examined several disseminations issued by all FIs supervisors without having any delay noticed. Most DNFBP supervisors issue disseminations and guidance stating that it is necessary to refer to the EMLCU's website on a daily basis. In this context, each of (the Ministry of Tourism and Antiquities, the Ministry of Supply and Internal Trade and the Ministry of Industry and Trade) issues periodical disseminations by email to subject entities, requiring them to refer on a daily basis to the EMLCU's website for updates without disseminating the updates once made. (The Syndicate of Commercial Professions) provided one dissemination (after the on-site visit) stating that it is necessary to refer to the EMLCU's website to receive the amendments through the Syndicate platform on (Facebook). The (Lawyers Association) reported that it sends the updates through (SMS) to the phone numbers it has. The assessment team considers that these means are not appropriate. During the on-site visit, it appeared that DNFBPs are unevenly implementing enhanced CDD measures with respect to targeted financial sanctions, mainly casinos, dealers in precious metals and stones, real estate brokers and lawyers which are properly carrying out their obligations, unlike some accountants (see IO.4).
393. By examining a sample of the disseminations received by the Ministry of Finance (the entity supervising the Customs Department concerned with the targeted financial sanctions), a delay of around 5 days (from 2 to 7 March 2016) was noticed in the dissemination of UNSCR 2270 (2016), in addition to another delay of around 6 days (from 30 November to 6 December 2016) in disseminating UNSCR 2321 (2016); which may affect the implementation of targeted financial sanctions without delay. On the other hand, it appears that they are directly made by the Ministry of Foreign Affairs to the Ministry of Finance (not by the EMLCU. The country explained this fact by stating that in parallel, the Ministry of Foreign Affairs disseminates the most important topics cited in the relevant UNSCRs to the members of the "National Coordination Committee for the Implementation of the UNSC Sanctions relating to Proliferation".

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

394. The Customs Department is responsible for inspecting ships in the ports and the goods sent and received by customs departments, analysing all the information mentioned in the shipping documents and enclosed invoices, checking the names mentioned in the documents for any match with the names designated on the UN sanction lists, reviewing the names of travellers and ship crews, inspecting the ships to verify the extent to which they contain dual-use goods or not and following up the EMLCU's website to obtain the details of the designated names through a special AML/CFT department. The Customs Department has a mechanism in place for domestic cooperation with local authorities and counterparts on the implementation of PF-related TFS. -.
395. The Customs Department provides training to all the officers and persons concerned with the implementation of PF-related TFS. It also has an understanding of the methods criminals may use to evade these sanctions. It uses, for this purpose, a list of the dual-use goods to compare and verify the types of imported goods, a copy of which was given to the assessment team. However, the list only includes the dual-use chemicals. A letter sent by the National Telecom Regulatory Authority to the president of the Customs

⁴⁹ 11 September is the date on which the UNSCR resolution was issued and 21 September is the date of the dissemination made by the CBE.

Department in order to take the necessary actions concerning the names of the telecommunication networking systems was examined. According to the country, the lists used comprise all the equipment, advanced technology and software⁵⁰ that can be used to develop weapons of mass destruction⁵¹.

396. Egyptian authorities reported that funds and assets were not being frozen in implementation of PF-related UNSCRs. On the other hand, no positive match has ever been recorded by FIs, in response to the UNSCRs; however, over the last five years, a bank reported one false positive match concerning a person included on the prohibition lists related to - DPRK.

Box No. 4.13: Case study on dealing with dual-use goods (2015-2020)

When the Egyptian Customs Department selected a sample of the materials found in containers No. XX to inspect the materials imported in these containers and compare them with the documents held by the said Authority, the reports received from the factories accredited by the Customs Department to analyze the samples revealed that they consisted of Ammonium Perchlorate, which contravenes what was mentioned in the documents of the imported shipment. The Authority referred to the lists of banned chemicals which are considered as dual-use materials, where the Ammonium Perchlorate was found to be included in the list of substances, materials, equipment, goods and technology related to proliferation and to figure among the oxidizers that could be combined with the fuel for rocket engines, according to UNSCR No.1718 (2006) regarding the - DPRK; therefore, it is listed in the table of explosives prohibited from importation held by the Egyptian Customs Department.

As a result, the said Authority seized and confiscated the containers and reached out to the Public Prosecution to investigate into the incident and file a public lawsuit against Mr....., the owner of “....., for import and export”, because this substance is prohibited. A judgment was rendered ordering the owner of the enterprise to pay the amount of EGP 3679830 (around USD 235,000), which is double the value of the prohibited substance, with the confiscation of the shipment.

Box No. (4.14): Case study to demonstrate the effectiveness of the measures taken to tighten monitoring and control over the seizure of dual-use goods

When the Customs Department reviewed the shipping documents and compared the imported goods with the list of prohibited chemicals, the Customs Department (at Port Said Customs Department) was able to thwart an attempted smuggling of dual-use goods, where the so-called (I), who owns an import and export company was caught smuggling (Ammonium Chloride), by submitting a false certificate to the Customs claimed to be issued by the Chemical Administration, contrary to the fact that the goods have been approved.

The results of the analysis made by the Chemical Administration revealed that the substance is used in the manufacture of explosives, therefore, it figures among the prohibited substances and weighs 47,225 tons.

The crime (customs smuggling): The import of Ammonium Chloride which is a prohibited substance and the provision of false documents to the Customs, contrary to the fact, so that he can introduce it into the country, which is considered a custom smuggling crime, according to the provisions of Customs Law No.66 of 1963 and its amendments. Legal actions were taken, and a criminal lawsuit was filed against him for the customs smuggling incident. The so-called (I) who is the owner of the import and export company was sentenced to imprisonment for one year and a fine amounting to EGP 148,000 approximately (around USD 9500) with the confiscation of the shipment.

397. The two boxes above show that Egyptian authorities are seizing, investigating and referring dual-use commodities (according to the list adopted by the Customs Department).

⁵⁰ Prohibited substances United Nations – Security Council (un.org).

⁵¹ Resolution 1737 (unscr.com).

398. The Suez Canal Authority⁵² is specialized in authorizing or denying the transit of ships through the Canal from South to North (from the Suez Canal to Port Said) or from North to South (from Port Said to the Suez Canal). It has a mechanism in place for the application of - TFS. In this context, it checks the names of ships that wish to transit through the Canal, in addition to the type of cargo, the crew list and all the relevant information. The list is checked through the Authority's automated system which helps identify any UN sanctions immediately. The assessment team was provided with the mechanism for coordination between the Suez Canal Authority and the Customs Department. A success case study was provided regarding the Suez Canal Authority implementing - PF-related TFS by intercepting a designated ship and destroying the bombs found on-board, in cooperation with the United Nations. This indicates that the Suez Canal Authority is aware that Egypt's territorial waters are potentially at risk of being a transit channel for banned shipments and it is taking the necessary measures in this regard.

Box No. 4.15: Case study on the interception of a prohibited ship and the destruction of the cargo found on board.

Cooperation undertaken between the Suez Canal Authority, the Border Port Security Department and the Egyptian security agencies resulted in the interception of a ship designated on the prohibition lists, that was sailing from the - DPRK to the Suez Canal, while it was approaching the southern entrance of the Canal and in implementation of UNSCRs on the Democratic People's Republic of Korea, particularly UNSCR No.2270 which required countries to conduct a mandatory inspection on cargo destined and originating from DPRK. The inspection uncovered a cargo containing several rocket-propelled grenades, which was destroyed by Egypt in the presence of the members of the 1718 Sanctions Committee.

399. As mentioned in IOs. (3, 4, 5), the deficiencies related to the failure to identify the beneficial owner by some stakeholders, particularly the licensing entities, affect the possible existence of entities where the person who ultimately controls them is among the persons designated according to the lists of PF-related TFS.

FIs and DNFBPs' understanding of and compliance with obligations

400. This clause does not apply to the supervisors of Virtual Assets Service Providers (VASPs), given that they are basically forbidden by the Egyptian legislator, see IOs (1, 3, 4).

401. The EMLCU provided a guidance on the obligations relating to proliferation only for financial institutions⁵³, without including DNFBPs. The guidance included the recognized forms of financing and how to face them. It also provided references to rely on in monitoring dual-use commodities. The absence of guidance for DNFBPs affects the understanding of their responsibilities, which does not amount to that of FIs, despite the several training courses held by the country for FIs and DNFBPs to this effect.

402. Banks which were met have a good understanding of their obligations relating to PF-related TFS. They initiate the implementation without waiting to receive any disseminations to carry out their responsibilities. They also refrain from executing any transactions with Iran and North Korea (although there is business with Iran) and use advanced computer systems to uncover any suspicious activities involving dealings related to both countries. In addition, they examine all the supporting documents of the commercial remittances, such as invoices, certificate of origin, certificate of inspection and bills of lading, including the verification of all the parties to the commercial relationship, the names of intermediary

⁵² It is a waterway that connects the Red Sea and the Mediterranean Sea. There is no handling of goods (stevedoring) and it is not permitted to undertake any type of exchange of goods inside the navigation route of the Canal; ships cross the Suez Canal as if they are navigating in the open sea. They do not stop in the Canal, and there are no ports, no shipping, no discharge of goods, no disembarkation or boarding of individuals.

⁵³ A guidance for FIs on combating the financing of proliferation, available only in Arabic language.

companies and shipping companies, the names of ships and the involved countries. However, the assessment team could not perceive the method used to conduct the incoming and outgoing commercial transfers with Iran, in view of the intra-trade transactions between both countries.

403. Banks which were met use commercial lists and publicly available lists, to monitor dual-use commodities. They verify the extent to which the commodities mentioned in the commercial invoices and relevant shipping data correspond to the commercial remittances made by their customers. They also use online search engines to verify the usages of these goods and to check the extent to which they are related to the customer's activity. All the chemicals are subject to the same level of due diligence regardless of whether they are for dual use. A large bank which was met has commercial systems to track the sea freight vessels and their routes and to detect any suspicious cases represented in their passage through the regional waters of Iran and North Korea or their anchorage at their ports and to track the route of the containers belonging to their customers, by entering all the relevant information into their systems. Other FIs have a good understanding of their obligations, namely those relating to the implementation of targeted financial sanctions, with respect to the review of the designated names for any match, except for insurance companies which have an insufficient understanding of their obligations. As to DNFBPs, they have a moderate understanding but it does not amount to that of FIs, due to the absence of guidelines disseminated to them, as mentioned above.

Competent authorities ensuring and monitoring compliance

404. It appeared that FIs supervisors (there are no VASPs in Egypt – see IO.3) are monitoring subjected entities to verify the implementation of their obligations with respect to relevant UNSCRs, through an inspection plan that relies on the RBA. (See IO.3).
405. The CBE formed inspection teams specialized in the AML/CFT field, where the CBE examines the application of the procedures for implementing the relevant UNSCRs and verifies that these systems permit institutions to identify any potential dealing with any person or entity designated on the sanctions lists; to consider the cases where the institutions review the sanctions lists and the frequency of this review, and to identify the number of false positives and determine whether reports in their regard were submitted to competent authorities. The CBE appointed a specialized technical inspection team to review these systems (see IO.10). Verification is made to check if these systems are being periodically updated and if they include lists of dual-use goods. Policies and work procedures of subject entities are also reviewed to ensure that they cover the UN resolutions on proliferation and dual-use goods, in addition to the verification of the procedures followed by banks in cases where dual-use goods are detected. It did not appear that any violations have been detected in this regard.
406. The FRA assesses, through a competent inspection team, the effectiveness of the controls applied by non-banking FIs, including insurance companies, to identify any potential dealing (through insurance policies) with persons designated by the UN or to identify dual-use goods insured by these companies, bearing in mind that the insurance sector's understanding of the relevant risks is still not enough.
407. Supervisors of DNFBPs verify that subject entities have the lists of designations, in implementation of UNSCRs 1718 and 2231 and that they update and review them before engaging in a business relationship or conducting a transaction.

408. **Overall conclusions on IO.11:** Egypt has a mechanism for implementing targeted financial sanctions relating to proliferation which has been applied since 2014. It took important steps reflected in cutting the commercial ties with North Korea. The goods exchanged with Iran are not listed among the banned goods and the trade volume with Iran is still limited. The EMLCU follows up the implementation of the relevant UNSCRs and disseminates them to supervisors, which in turn, disseminate them to subject entities to carry out their obligations without delay. The delay in disseminating the lists and updates by supervisors does not affect to a large extent the effectiveness of the implementation of the obligations by subject entities, given that they are doing so without waiting to receive disseminations from supervisors. There are cases and examples showing that competent authorities (the Customs Department) seized dual-use goods, intercepted a designated ship and destroyed the bombs found on-board in cooperation with the UN. This demonstrates the competent authorities' effectiveness in carrying out their obligations in implementation of UNSCRs on proliferation. FIs are also aware of their obligations relating to the implementation of the UNSCRs on proliferation. No funds or assets have been frozen in implementation of UNSCR related to proliferation.

409. **Egypt is rated as having a Moderate level of effectiveness for IO.11.**

CHAPTER 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 4

- a) Banks have a good understanding, compared to other FIs that have an understanding of risks which is considered fairly acceptable, except for the insurance sector. The understanding of risk by some banks is however affected by the insufficient assessment, at national level, of the risks of certain sectors (e.g. casinos, DPMS and NPOs), which results in different risk-categorizations of these types of customers by banks. DNFBPs do not have a consolidated and comprehensive understanding of risks and varies between good and weak. All sectors are aware of the AML/CFT requirements; however, this awareness is not considered sufficient across some sectors, namely the DNFBP sector.
- b) FIs, particularly banks, are applying risk mitigating measures in a satisfactory manner, toward some sectors that pose risks according to Egypt's context. Measures applied by DNFBPs are considered, in general, less advanced, except for dealers in precious metals and stones who are not applying appropriate measures other than examining the sanctions lists. As to lawyers, they are applying only basic forms of risk-mitigating measures.
- c) FIs, particularly banks, are applying CDD measures in a satisfactory manner to some extent. The understanding of the beneficial ownership concept, is mixed, given that there are several entities that identify the beneficial owner only based on fixed thresholds related to the percentage of ownership or voting rights. Nonetheless, most FIs monitor the transactions to ensure consistency with the information they obtained upon the establishment of the business relationship, including beneficial ownership information. The level of application of the CDD measures by DNFBPs is satisfactory when it comes to the identification and verification of the customer but to a lesser degree for on-going CDD measures and monitoring of transactions, particularly, by casinos.
- d) In general, the implementation of enhanced due diligence measures by FIs, especially banks, with respect to correspondent banking relationships, wire transfers, new technologies, higher-risk countries and targeted financial sanctions is considered fairly satisfactory but less satisfactory with respect to PEPs. DNFBPs exhibited a good understanding regarding the implementation of enhanced due diligence measures toward higher-risk countries, but the implementation of other enhanced CDD measures is uneven.
- e) FIs, particularly banks, have reported STRs the most to the EMLCU, while the STRs filed by DNFBPs are still very limited. The quality of TF STRs is better than those related to ML, due to the absence of typologies disseminated to all sectors, including ML trends and patterns relevant to the major serious crimes, with respect to Egypt's context.
- f) In general, FIs, especially banks, have AML/CFT internal controls and procedures in place, however, human resources at some banks are not enough to review unusual transactions within a reasonable period of time, given the high number of alerts. It did not appear that any FIs share the information mentioned in STRs within the same group to make use of it.

Recommended Actions

- a) Supervisory authorities should:
 - 1) Require casinos, and larger DPMSs and real estate brokers to adopt risk management information systems to detect suspicious transactions based on ML/TF trends and techniques, taking into account the firms' size.
 - 2) Reach out to obliged entities to ensure that there is a uniform understanding of the beneficial ownership concept and the enhanced due diligence requirements.
 - 3) Issue guidelines to FIs and DNFBPs to enhance their concept of PEPs and the due diligence measures to be applied before establishing business relationships with them.
 - 4) Issue guidelines to financial and non-financial institutions on how to apply targeted financial sanctions.
 - 5) Verify that insurance companies, casinos and some accountants conduct enterprise-wide risk assessments, taking into consideration NRA results, and ensure that all the subject entities are applying appropriate measures to mitigate the risks.

- 6) Require FIs to implement group-wide programs against ML/TF to ensure sharing information contained in STRs or activities which appear unusual with branches and subsidiaries in Egypt and abroad.
- 7) Issue guidelines to FIs to help them detect any potential dealing with persons in or from higher-risk countries.
- 8) Ensure that FIs, particularly banks, allocate sufficient resources that enable them to examine and review unusual transactions within appropriate deadlines.
- b) The EMLCU should provide feedback (typologies and ML patterns relevant to high-risk crimes) to enhance the quality of STRs filed by the financial and non-financial sectors, in terms of quantity and quality, particularly for ML-related STRs.

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

Immediate Outcome 4 (Preventive Measures)

- 411. Considering their materiality and risks in Egypt's context, implementation issues were weighted most heavily for the banking sector, heavily for important sectors (real estate brokers, DPMSs and casinos), moderately heavily for the securities, lawyers, accountant, post and exchange sectors and less heavily for less important sectors such as the insurance, financing of various types and money transfer sectors.
- 412. The effectiveness of the implementation of obligations by banks, real estate brokers, dealers in precious metals and stones and casinos will largely affect the level of effectiveness that the assessment team will give to IO.4.
- 413. The assessment team built its conclusions on the discussions that were held with a group of FIs (including the CBE⁵⁴ in its capacity as financial institution and follow up on the 2009 MER recommendation on the subject) and DNFBPs of different categories and sizes, on their understanding of the risks, the actions taken to manage and mitigate them, and how to implement preventive measures. It sought, during the discussions, to ask many questions, in order to confirm the information, it has obtained from more than one source and the answers given by the entities intersected, thereby confirming the conclusions reached by the assessment team. The statistics provided by supervisors, namely the CBE and the FRA, on how the AML/CFT requirements are being implemented by reporting entities subject to their supervision were also examined.
- 414. Egypt does not allow the issuance of, trading in or promotion of encrypted currency, nor does it permit the creation of platforms to deal in this currency without obtaining a license from the CBE. FIs, namely banks, are aware of the risks which might arise from customers dealing with VASPs and took, to this end, measures to prevent or detect any potential dealing with them (see R.15).

Understanding of ML/TF risks

FIs

- 415. Banks have a good level of understanding compared to other FIs which have a level of understanding that varies from one sector to another and is fairly acceptable, except for the insurance sector where products are less used in ML/TF transactions, unlike other institutions, particularly banks, according to the NRA findings.
- 416. The national risk assessment questionnaire the CBE has disseminated to FIs to gather the required information based on the NRA, has contributed to the increase of the banks' awareness of ML/TF risks, as

⁵⁴ The CBE carries out financial activities covered in the FATF definition of the financial institutions. These activities are represented in a limited range of banking services offered to its employees. In the Mutual Evaluation Report adopted in 2009 within the first round of the mutual evaluation for Egypt, the assessment team recommended that the CBE should establish and continue to apply procedures, policies and internal controls against money laundering and terrorist financing.

it comprises questions that called the banks attention to the higher-risk categories of customers, their business activity, the complexity of the products and the risks of dealing with customers depending on the geographical presence.

417. Banks with which meetings were held have a good understanding of ML/TF risks which stems not only from their participation in the assessment process but also from carrying out a self-assessment of risks regularly. They have provided several examples of what could potentially pose a ML/TF risk that exceed in terms of scope and depth, the examples provided by other FIs. This explains why it is considered that Banks' level of understanding of risks differs from that of other FIs. Cash deposits in large amounts or repeated cash deposits by the customer or any of his agents constitute a ML risk; while a TF risk could be posed by incoming transfers that are followed by withdrawals in cash or at ATMs or transfers that are made by several persons to one person or by one person to several persons or between local or foreign accounts or to border areas.
418. The NRA impacted the banks' understanding of the risks posed by some products, such as the (local and external) electronic transfers which were reported as being the most exploited in ML/TF. The assessment also impacted the banks' understanding of risks posed by some sectors, such as real estate brokers, unlike casinos and dealers in precious metals and stones which are identified as moderate to high-risk. Banks consider that these two sectors pose high ML risks, as it is difficult to determine the sources of deposits generated from gambling winnings and the effectiveness of the due diligence measures applied by casinos is not reliable and concerning DPMS since they deal with cash money in return for expensive goods.
419. Although some banks consider the risks of these sectors still pose high ML risks. Issues related to the assessment of NPO risk (see IO10) have also resulted in a different appreciation by banks of risks posed by their NPO clients.
420. Banks are aware of the risks related to import and export operations and those related to products (such as the use of bank cards at ATMs by third parties), as well as the risks posed by the internal and external electronic transfers, particularly those conducted with or in favour of high-risk persons (such as PEPs or associations engaged in raising and distributing donations or in favour of persons based in countries which are sanctioned or located near conflict areas).
421. Banks have been applying the risk-based approach to supervision since no less than ten years. The bank customers database is divided into three categories (low, moderate and high risk). The percentage of high-risk customers at banks varies depending on the customers database and the classification criteria adopted which vary relatively from one bank to another, particularly with respect to legal persons⁵⁵. The computerized information declared in the KYC form and the transaction monitoring systems allow the allocation of t banks' resources and the application of the risk-based approach to supervision.
422. Regarding other FIs (other than banks), their understanding of risks seems mainly based on their participation in the NRA and on the self-assessment of risks, unlike the insurance companies which do not seem to have sufficiently benefited from the NRA outputs. FIs with which meetings were held conduct a self-assessment of risks taking into consideration the risks posed by the customer, the geographic areas, products and services, operations and delivery channels. It does not appear that this is undertaken on an on-going basis among some institutions, namely insurance companies.

⁵⁵ Companies with complex structure, non-resident companies, companies operating in high-risk countries, companies to which persons of different nationalities or PEPs contribute, or in case one of the authorized signatories in these companies is a PEP.

423. Exchange houses 40F 56 and securities companies with which meetings were held have a good understanding of ML/TF risks. They consider that the size of the transaction that does not correspond to the customer's activity constitutes a ML/TF risk, especially when dealing with customers from specific regions or countries or with customers who have terrorist affiliations or support specific terrorist groups.
424. The assessment team considers that some insurance companies have an insufficient understanding of what could constitute ML/TF risks, which might negatively affect how the risk-based approach to supervision is implemented. This is emphasized by the fact that an insurance company classifies State-owned companies as high-risk, knowing that life insurance companies, in view of their work, do not deal with legal entities, whether they are State-owned or not.
425. Real estate finance companies, financing lease companies and factoring companies are aware of their risks. The companies' understanding of the nature of their activity that they cannot be misused for terrorist financing is considered unsatisfactory, given that it is possible to misuse the assets financed by companies to undertake or perform terrorist acts or to provide support to terrorist organizations or terrorists (financing the purchase of a car, a factory or equipment...).
426. Discussions held with FIs representatives reveal that their level of awareness of their AML/CFT obligations is satisfactory. FIs especially banks know how to implement CDD and enhanced due diligence measures and their obligations related to the reporting requirements.

DNFBPs

427. DNFBPs appeared to have an unconsolidated and uncomprehensive understanding of ML/TF risks despite their participation in the NRA process. Some of them seem to have fairly benefited from the NRA outputs, given that DPMSs, real estate brokers, lawyers and some accountants have a good understanding of ML risks, unlike casinos; while the level of understanding across all the sectors of what could pose a TF risk varies between good and weak. Some DNFBPs do not conduct a self-assessment of risks, namely casinos and some accountants.
428. Dealers in precious metals and stones which were met have a good understanding of what could pose ML/TF risks, given that the major ML threats are reflected, for example, in theft crimes, where the dealer falls victim to a theft or is offered to buy stolen gold and the major TF threats are represented in dealing with persons from border areas or high-risk countries.
429. Casinos have a moderate understanding of what could pose ML/TF risks. The assessment team reached this conclusion based on examples provided during the on-site visit by representatives of the sector who consider that the major ML risks are represented in the use of significant cash amounts and gambling not for the purpose of entertainment and in the replacement of a large amount of money and the use of a small part of it for gambling, while the major TF risks are represented in the replacement of small denomination currency with large denominations or the use of many credit cards to buy gambling chips, without mentioning the risks of dealing with persons from higher-risk countries, given that casinos exclusively deal with persons who have a foreign nationality.
430. Real estate brokers^{41F57} which were met have an acceptable understanding of ML risks in the real estate sector, given that the factors that increase its risks are reflected in the number of real estate developers and the great interest of persons in investing in the real estate sector. The sector's representatives are aware of

⁵⁶ Activities they perform are only limited to currency exchange, because they are prohibited from conducting any other financial transactions, including online transfers

⁵⁷ Real estate brokers conduct brokerage activities in real estate, real estate and housing marketing, residential and non-residential compounds. They can sell and purchase real estate on behalf of their customers.

the ML risks represented by the buyer's indifference to the price of the real estate, buying real estates or a large number of them without a clear source of funds or the need to buy very quickly, provided that they shall be kept in good order to be sold later, or the use of funds generated, for instance, from predicate offenses (arms or drugs trafficking) to purchase real estate. However, they have an almost weak understanding of what could constitute a TF behaviour. The assessment team reached this conclusion based on examples provided by representatives of the sector, reflected in the co-ownership of a real estate by a person with foreign persons from high-risk countries or the ownership of a real estate by a person designated on the sanctions lists. Regarding the risks posed by charities, the sector's representatives indicated that no charity has previously sought their services in any purchase/sale of a real estate or a residential unit.

431. Lawyers are aware of what could pose a ML risk, namely the customer who wishes to purchase a real estate without knowing its actual value or the wish to purchase an overpriced real estate without minding its value or the wish to establish a company which is different than his activity or expertise. Accountants have an unconsolidated understanding of the ML risks, and some representatives of the sector were able to provide examples of categories of customers, countries and services that represent high ML risks, namely legal persons that are engaged in contracting and real estate brokerage or companies established in tax havens or those which deal with companies located in these havens.
432. Accountants and lawyers are aware of the risks that may arise from dealing with persons designated on the UN and domestic sanctions lists. They check the EMLCU'S website before engaging in a business relationship or initiating the establishment of a legal entity, and with the exception of these facts, it appears that they have a weak understanding of what could pose a TF risk, as most of the examples provided by representatives of the lawyers and accountants sector fall within the ML risks as mentioned above.
433. DNFBPs' understanding of their AML/CFT obligations is considered less developed than FIs' understanding of theirs. The assessment team reached this conclusion based on the interviews it made with representatives of these sectors, particularly with respect to the beneficial ownership concept and the reporting obligations.

Application of Risk Mitigating Measures

FIs

434. Banks operating in Egypt have taken a number of measures to mitigate ML/TF risks they face, based on the size of their customer base, the diversity of their services and products, the service delivery channels, and the size of their assets, which account for about 89% of the total assets of the financial sector. Banks indicated that the major actions they took to mitigate risks are represented by the classification of customers, the implementation of enhanced due diligence measures toward higher-risk categories of customers (casinos⁵⁸, dealers in precious metals and stones and PEPs), transactions (cash deposits) and products (internal and external transfers), the scope and frequency of transaction monitoring. These actions also included the verification of the source of income (for example, a statement of the monthly salary), setting thresholds for cash deposits and their link to the KYC form, searching for the name of the depositor (when another person deposits the funds in the customer's account on his behalf by virtue of a power of attorney), for operations that exceed a certain threshold, carrying out on-site visits to verify the actual existence of the legal person, in order to avoid dealing with fictitious entities, periodically updating the suspicion criteria, searching through publicly available information or through social media, requesting and

⁵⁸ Most of the banks with which meetings were held refuse to establish business relationships with casinos or to accept cash deposits from casino customers.

reviewing documentation in support of the operation, relying on special databases to verify, for example, the import and export operations by tracing shipping routes and examining containers, etc...

435. Exchange companies apply specific measures to mitigate ML/TF risks by applying enhanced due diligence measures to recurring transactions or when their value, exceeds, on a consolidated basis, a specified threshold, which varies from one company to another. These measures are represented by requesting documents in support of the transactions before approving the execution of the transaction. In 2019, exchange houses began implementing a risk-based approach and allocating their resources towards categories of customers and transactions that pose high ML/TF risks. They also made some changes to the criteria related to their screening systems that take into consideration the risks of customers, border areas and countries which are a source of concern.
436. Insurance companies have some measures in place to mitigate ML/TF risks, which are represented in inquiring about the source of funds of the insurance contract owner and his relationship with the beneficiary, setting thresholds for cash deposits (up to EGP 100,000, equivalent to USD 6,300 approximately). These measures are considered fairly sufficient in light of the risks of the sector which is ranked as low risk according to the NRA outputs.
437. Securities companies implement measures to mitigate their risks by updating the data in consistency with the customer risks. Regarding foreign customers, securities companies request them to provide the customs declarations related to the cross-border transportation of funds.

DNFBPs

438. Beyond screening the sanction lists and conducting CDD, DPMS do not apply measures to mitigate the risks affecting their sector.
439. Casinos which were met apply measures to limit ML risks, as their measures prevent visitors, once the gambling is over, from replacing the gambling chips with cheques or transfers, and only allow those who used a credit card to buy gambling chips, to replace the value of these chips whether with cash or by re-transferring the withdrawn or remaining value to the card account, with the exclusion of the gambling winnings. These consolidated measures largely limit the potential misuse of casinos in ML operations, except for exchanging casino chips with cash, which have basically been purchased using credit cards.
440. Real estate brokers apply mitigating measures which are represented in the implementation of enhanced measures before engaging in a business relationship or performing a transaction for natural persons from high-risk border areas, and for legal entities co-owned by foreigners from high-risk countries. Real estate brokers are aware of the country's pursuit to promote financial inclusion and some of these brokers are refraining from collecting the brokerage commission in cash.
441. Accountants have risk mitigation measures represented in the implementation of enhanced measures before approving upon engaging in a business relationship by refraining from dealing in cash upon the establishment of companies and verifying the source of funds.
442. Lawyers apply only basic forms of risk-mitigating measures (verification of the source of funds).

Application of CDD and record keeping requirements.

FIs

443. Banks surpass other types of FIs in the implementation of CDD measures (towards natural and legal persons) which are implemented in a satisfactory manner to some extent. These measures consist of identifying and verifying the identity of the customer by requesting evidentiary documents using original data from a reliable and independent source and understanding the purpose and nature of the business relationship.

444. Most FIs, particularly banks, largely rely on electronic systems to monitor financial transactions regularly and to detect any transactions that fall outside the scope of the ordinary dealings of the customer, based on the information declared in the KYC form and on scenarios which are regularly updated, in coordination either with the EMLCU or with the external FIs to which the FI (mainly branches of foreign banks) belong.
445. The measures taken by FIs to update the customers' data vary among the institutions with which meetings were held. The update period ranges between one and three years, depending on the level of risks posed by the customer. In some cases, it may reach up to 5 years. Regarding high-risk customers, their data is updated, once a year, at a minimum, while the update period for moderate and low-risk customers may take up to 5 years at most. FIs refrain from conducting any transactions on the customers' accounts in the event where their data is not updated.
446. FIs have a mixed understanding of the beneficial ownership concept. Most banks understand that this concept is not only limited to the person who holds a controlling ownership interest but also extends to cover whoever exercises an actual control through other means or whoever holds a senior management position. Most banks apply the appropriate means by searching the ownership structure, reviewing the minutes of boards of directors and monitoring the dealings of the legal person to identify the beneficial owner. On the other hand, the beneficial ownership concept among some banks, exchange companies, securities companies and some companies engaged in various forms of financing is only limited to the identification of the person who holds an ownership interest that is equal to or above 10% of the capital of the legal person or who has the right to manage it.
447. FIs, especially banks, become doubtful about the identity of the BO in relation to the natural person in cases that involve unusual circumstances before engaging in or during the continuation of the business relationship, namely when the value of the transaction is not consistent with the customer's activity declared in the KYC form, or when detecting transactions with persons engaged in activities different from the activity of the customer. In general, banks seek to obtain an acknowledgment from the customer indicating the identity of the beneficial owner and make use of publicly available information. They also monitor accounts' transactions to determine whether he is working or not, for the benefit of another person. Suspicions about the identity of the BO arise in cases where the customer issues a power of attorney for the benefit of another person, and the signature of the latter appears on all notices of withdrawal or deposit, or when the customer attends along with another person, or when repeated deposits are made by another customer in the customer's account, or when the account balance is regularly transferred to a third party.
448. The CDD measures applied by other FIs (exchange, money transfer, securities, insurance, financing of various types, post offices) to identify the beneficial owner in case there are doubts about whether he is acting on behalf of another person are not very different and are considered satisfactory.
449. FIs, namely banks, have the power to access the database of the Commercial Registry through a specialized system to execute the requirements for the verification of the authenticity of the documents provided by legal persons, to the exclusion of the possibility to verify the identity of the beneficial owner in the legal person (see IO.5).
450. Due diligence measures applied by most of the toward legal persons include reviewing the company's documents of incorporation, as well as the names of shareholders and persons holding senior management functions, searching the ownership structure, determining the controlling interest up to (10%) and the right to sign, examining the minutes of the Board of Directors meetings to determine the cases where a delegation of powers is made by virtue of a power of attorney, or reviewing the repeated financial transactions

conducted in favour of natural persons or through the persons authorized to operate the customer's account. These measures would reveal the identity of the natural person who exercises an actual control.

451. As part of their work (currency exchange), money exchange houses deal with legal persons. In case of dealing with legal persons, some institutions identify the beneficial owner through the controlling interests or the managerial functions. To identify the BO of the legal entity, some securities companies and companies engaged in various types of financing review the ownership structure and controlling interests, and look at the person entrusted with the right to sign, the composition of the board of directors, the decisions taken and the person who contributes to decision-making. In cases where it is not possible to determine the identity of the BO through the ownership structure or the person authorized to manage, companies refuse to engage in a business relationship and notifies the EMLCU.
452. There is a concern that the basic and beneficial ownership information may not be accurate and updated regularly because financial institutions, especially banks, may not be always informed of the change in the ownership structure and the impact of this change on the identity of the BO, as the process of updating customer files does not always take place in a timely manner. What hinders FIs, namely banks, from monitoring any change in information related to the beneficial owner in the legal person, is that the beneficial ownership information which became available to the Commercial Registry Authority as of 01/03/2020 is not available to banks (see IO.5).
453. FIs (banks, exchange, money transfer, securities, insurance, financing of various types, post offices) are aware of the requirements upon failure to satisfactorily complete CDD measures.
454. All the FIs that were interviewed have previously notified the EMLCU of cases where it was impossible to apply due diligence measures toward natural and legal persons in a satisfactory manner. The following is a statistical statement on the number and categories of FIs which filed report with the EMLCU between (2015-2019) in cases where it was impossible to comply with CDD measures:

Table No. 5.1: STRs filed for failure to apply CDD

Banks	770
Money transfer companies	50
Exchange companies	29
Post offices	58
Securities companies	43
Insurance companies	7
Total	957

455. The CBE and the FRA provided, each, some statistics on the number of violations detected during inspections (2015-2019), which reached, respectively, (161) violations related to CDD measures (including updating data and the identification of the BO) and (129) violations related to the completion of the customer KYC form, updating customers data, identifying the BO and record-keeping. In view of the number of violations coupled with the number of the financial sector's customers, the number of the branches of banks⁵⁹ and the number of the branches of institutions that are subject to the supervision of the FRA, it can be said that most FIs are applying CDD measures and record keeping requirements in a satisfactory manner to some extent.
456. FIs (banks, exchange, money transfer, securities, insurance, financing of various types, post offices) maintain records related to domestic and international financial transactions and records obtained through

⁵⁹ The number of the financial sector's customers reached around 37 million (natural and legal) persons in 2019, while banks operating in Egypt had around 4423 branches as at the end of December 2019.

due diligence measures for a period of not less than 5 years according to Recommendation 11. FIs, especially banks and insurance companies, reported that records are kept in hard copy and electronic form.

457. According to the data available to the EMLCU, the number of bank branches regarding which observations with respect to record and document keeping were detected by the sectors responsible for inspection and internal control, during 2018 reached 510 out of the total number of bank branches recorded as at the end of 2018 which is 3926. 100 branches regarding which these observations were detected have addressed them during the same year, while the branches which have not addressed the observations represent 80% of the total number of branches regarding which observations were detected. The failure of around 80% of the branches to address the observations is considered unsatisfactory.

DNFBPs

458. CDD measures applied by DNFBPs (dealers in precious metals and stones, casinos⁶⁰, real estate brokers, lawyers, accountants) are represented in the identification and verification of the customer identity using documents from an independent reliable source and the update of the customer's data (based on the degree of risks posed by the customer), without extending to cover the monitoring of transactions continuously by some DNFBPs, namely casinos, larger dealers in precious metals and stones and larger real estate brokers. The assessment team reached this conclusion during the meeting held with the representatives of these entities which appeared to have databases concerning the transactions of their customers, without making use of them for the purpose of continuously monitoring such transactions.
459. The measures applied among the said sectors vary with respect to how to determine whether the customer is acting on behalf of another person; for example, regarding dealers in precious metals and stones, doubts arise when a customer negotiates with another person (over the phone) the details of the purchase transaction, in terms of quantity and price; regarding casinos, doubts arise in cases where gamblers use credit cards in the names of third parties or when they seek to gamble with large amounts of cash that are not consistent with their economic and commercial activity; and regarding real estate brokers, doubts arise when the customer hesitates about taking the decision or referring to an external party.
460. Lawyers and some accountants^{43F61} have a good understanding on how to verify the identity of the beneficial owner of a legal person, by searching in the ownership and control structure until the identity of the ultimate natural person who exercises a control is identified or through the control interests, unlike the real estate brokers and dealers in precious metals and stones, whose concept of the beneficial owner identification is limited to the identity of the person to whom the actual ownership is vested or who exercises moral control through the powers conferred upon him. Upon the failure to determine the identity of the beneficial owner, the establishment of the business relationship is refused and the EMLCU notified, knowing that dealers in precious metals and stones deal with legal entities in a limited way.
461. DNFBPs are aware of their requirements upon the failure to apply the CDD measures in a satisfactory manner, except for dealers in precious metals and stones, where it appeared that in case it is impossible for them to identify the beneficial owner, the transaction is executed and the EMLCU notified, which is inconsistent with the CDD measures.
462. Dealers in precious metals and stones and real estate brokers keep records of the transactions and documents related to CDD measures for not less than 5 years. Lawyers keep all documents related to the

⁶⁰ Casinos deal only with foreigners or with Egyptians who have foreign nationalities. The CDD measures only include the verification of passports.

⁶¹ An accountant verifies the qualifications and expertise of shareholders and those who hold senior management functions and also checks the savings of shareholders and whether they permit them to form the capital.

establishment of companies (incorporation documents, internal bylaw, and evidentiary documents belonging to shareholders and executives) for the same period, and one of the accountants which were met also keeps records and documents for a period ranging between 3 and 5 years according to the degree of customer's risk, which is not consistent with the requirements of Recommendation 11. Casinos, on the other hand, keep evidentiary documents, KYC forms and transaction records in paper and electronic forms for more than 12 years and keep the STRs filed with the EMLCU for not less than 5 years, unlike the reports not referred to the EMLCU, given that they keep them for a period not more than one year.

Application of Enhanced Due Diligence Measures

463. In general, the implementation of EDD measures by FIs, especially banks, in relation to correspondent banking relationships, wire transfer rules, new technologies, high-risk countries and targeted financial sanctions is considered fairly satisfactory, except for the measures applied toward PEPs.

FIs

PEPs

464. FIs (banks, exchange houses, money transfers, securities, insurance, financing of various types, post offices) understand their obligations in terms of determining whether the customer or the BO are PEPs. FIs have a clear understanding of the concept of PEPs, both domestic and foreign. Banks, exchange houses, insurance companies and money transfer companies have systems in place that allow them to determine whether the customer or BO is a PEP and take the necessary measures before and after entering into a business relationship in accordance with Recommendation 12. The afore-mentioned institutions were able to provide examples of persons who are recognized as PEPs. As for securities companies, companies engaged in various types of financing and post offices, they resort to the sources of information available to the public to determine whether the customer is a foreign PEP, and this can also be determined, in some cases, through passports. Regarding local PEPs, all FIs request the customer before engaging in a business relationship, to specify whether he is a PEP, and there is a field in the KYC form, intended for this purpose. The applied measures do not extend to cover relatives of PEPs and their business partners.
465. Some FIs, particularly banks, with whom meetings were held, have business relationships with PEPs, but none of their customers has previously become a PEP after the establishment of the business relationship. Institutions are aware of their obligations to verify the source of funds belonging to PEPs but did not provide tangible examples or evidence on how they do so, except for the request of bank account statements in some cases. They also did not provide practical examples on how to verify the source of wealth. EDD measures applied toward those persons by some banks include the search for any publicly available information on the Internet and the monitoring of the transactions carried out on their accounts on an on-going basis to ensure that they are consistent with the financial institution's knowledge of them and the risks they represent. In view of some deficiencies in the identification of the beneficial owner by some FIs, as mentioned above, this would hinder their ability to identify the beneficial owner of the legal person in case he is a PEP.
466. During the inspections of banks, the CBE was able to detect violations related to EDD measures toward PEPs, where the number of these violations reached 13 between 2015 and 2019.
467. The assessment team considers that the absence of any instructions to FIs that help them identify family members and relatives of PEPs may limit their ability to effectively apply the obligations set out in Recommendation 12.

Correspondent Banking Relationships and rules of wire transfers

468. Banks maintain correspondent relationships and have a good understanding of their relevant risks. They also apply the necessary measures before establishing the business relationship, according to Recommendation 13. By asking some banks for clarifications, it appeared that they do not keep accounts for respondent banks, in addition to the fact that they do not keep payable-through accounts. Banks which have been interviewed are aware of the measures that should be taken before engaging in correspondent banking relationships, namely in terms of gathering information, documents, licenses and questionnaires related to respondent banks, obtaining the approval of the senior management, and checking the names of shareholders, members of the board of directors and executive managers, against the sanctions lists.
469. During discussions with a bank, it appeared that it maintains accounts for respondent banks and takes the measures required according to Recommendation 13. It also appeared that it terminated the business relationship with one of the respondent banks, when the latter refused to update its data and the concerned bank has previously refused to establish a correspondent banking relationship with one of the respondent banks located in high-risk countries.
470. FIs, especially banks, are aware of their obligations when they send or receive transfers or when they play the role of intermediary bank in the payment chain. They also have measures in place to this end, in addition to specialized software, which are automatically updated, allowing them to comply with the requirements of Recommendation 6 and to refrain from carrying out any transfers to and from the persons and entities designated under Resolution 1267 and other relevant resolutions.
471. During the period of 2015-2019, the number of transfers refused by FIs, particularly banks, totalled 91355 due to the lack of the information which should be provided about the originator/beneficiary.

New technologies

472. FIs are developing a definition and a clear description of products and services related to new technologies, especially those that were recently launched in Egypt to enhance financial inclusion.⁶²³⁷, where controls have been put in place to ensure that they are not used in any transactions related to some activities, including, for example, lottery and gambling websites, as well as dating websites, online sale and purchase of gold, which may limit their misuse.
473. Products related to new technologies cannot be used to purchase all types of virtual currencies. During the meeting held with banks, it appears that they are informed about the CBE's circular in which it warns against dealing in all types of encrypted virtual currencies in view of the high risks they involve, and which is accompanied with a list of names of companies and websites on the internet that deal in virtual currencies. Banks have included it in their control systems to detect any potential dealing with any of the VASPs.
474. During discussions with some banks, it appeared that they have never launched new products (except for those related to the use of mobile phones and those which are recognized, i.e., internet banking services and credit, debit and prepaid cards). Banks have committees concerned with the study of products, which are assessed before their launch, in order to determine the weaknesses and the extent of being potentially misused in ML/TF operations, and to set thresholds to limit potential risks.
475. It did not appear that other FIs (exchange, insurance, money transfer, real estate financing, post offices) provide services through new technologies, with the exception of securities companies that provide an online service that allows the customer to access his account and view the executed transactions, account balance, and account status in general.

^{62 37} Mobile payment services, online banking services and pre-paid cards.

Higher-risk countries

476. In general, FIs have a good awareness of the higher-risk countries identified by the FATF, which do not apply or insufficiently apply the FATF recommendations, and FIs obtain the lists of these countries and update them through the supervisory authorities subject to their supervision, which usually coincides with the updates of the FATF.
477. In addition to the lists received by financial institutions from supervisory authorities, FIs which were met make additional efforts to identify higher-risk countries by searching several lists including the USA (OFAC), the EU and the SC sanctions lists, as well as the EU list of non-cooperative tax jurisdictions and the list of countries that are actively engaged in drug trafficking, issued annually by the US State Department and the Corruption Perceptions Index according to international transparency and other lists. Furthermore, EDD measures are taken towards customers and beneficial owners associated with those countries, for their geographical presence (through the place of residence or business location) or for their potential dealing with (natural and legal) persons from these countries. These measures also include the verification of the originators and the beneficiaries of transfers based in these countries.
478. FIs which were met perform these obligations, based on their internal procedures and policies. Considering the absence of instructions issued by regulatory authorities to this effect, this fact does not guarantee the performance of these obligations by all the subject entities in a systematic and effective manner.

Targeted Financial Sanctions (“TFS”)

479. In general, financial institutions, particularly banks which were met, resort directly to the UN lists, through the sanctions committee website and to the UN and domestic sanctions lists available on the EMLCU’s website before engaging in a business relationship or carrying out a transaction. In the event of any similarity or match between the customer’s name and any of the persons and entities designated on the afore-mentioned lists, the institutions refuse to establish the relationship or freeze the accounts or refrain from performing the transaction or refrain from providing them with financial resources or services and then, notify the EMLCU. FIs are aware of these requirements and are effectively applying them.
480. Upon each update of the United Nations sanctions lists circulated to banks by the CBE, banks which were met check the customer database on a regular basis (daily), to verify if any of them is designated on these lists. Banks use special electronic techniques in the screening processes and are aware of their obligations to conduct freezing procedures without delay when there is any match or similarity between the names of any of their customers and any of the persons or entities designated on the UN lists. It appears that all the accounts frozen by FIs, namely banks, belong to persons who are designated on the domestic lists, in implementation of UNSCR 1373, and do not belong to any persons listed on the UN lists under UNSCR 1267, which may be due to the absence of any dealing with them. As to (natural and legal) persons whose funds were frozen under UNSCR 1373, their number reached (4,099) and Egyptian authorities asked the assessment team not to include the value of the frozen funds on a consolidated basis in the MER for internal considerations (see IO.10).
481. The banks and the money transfer company are equipped with monitoring software to detect any match or similarity between the originator of the transfer and the beneficiary, and any of the persons and entities who are designated on the UN sanctions lists. In the event of any similarities, the execution of the transfer is suspended until the reason for the similarity is verified, by reviewing the identity data of the originator of the transfer and the beneficiary and comparing it with the identity data of the person designated on the sanctions lists in order to take the appropriate decision on whether to refuse to perform the transfer and notify the National Committee or to perform it.

482. The EMLCU posted on its website an Excel Sheet file that contains sufficient data (full name, passport number, date of birth, address and other details) on the persons and entities designated on the UN lists to reduce the number of false positives it receives, particularly from FIs, in implementation of its obligations, in accordance with UNSCR 1267 and relevant resolutions.
483. It appears that FIs that were met (banks, exchange, money transfer, insurance, securities, financing of various types, post offices (Central Compliance Department)) rely on special databases to access the UN lists without waiting to receive the lists from supervisory authorities. However, it appears that there is a delay in disseminating UN and domestic lists and any relevant updates to FIs by some supervisory authorities, which may not guarantee the implementation of targeted financial sanctions in a systematic and effective manner (see IO.10).

DNFBPs

484. Casinos and dealers in precious metals and stones have an acceptable understanding of their obligations toward higher-risk countries. Their obligations on how to apply targeted financial sanctions are good, given that the process of matching the customer's name with the UN and domestic lists is undertaken before or during the business relationship with respect to the casinos visitors, regardless of the amount of money which is to be replaced with casino chips. As to dealers in precious metals and stones, these obligations are applied when conducting a transaction equal to or above USD 12,300, but they are not applied toward occasional customers whose dealings are less than the said amount. In case of negative match or similarity, the sector's representatives refrain from conducting the transaction and notify the EMLCU. The assessment team was not provided with any statistics on the number and amounts of transactions that the said entities refrained from conducting in implementation of UNSCR 1373. Dealers in precious metals and stones showed an unclear understanding of the PEPs definition. As to casinos, they are applying some enhanced due diligence measures toward PEPs, to the exclusion of obtaining senior management approval before establishing a relationship with them and conducting ongoing monitoring on that business relationship.
485. Real estate brokers are aware of their obligations toward higher-risk countries and targeted financial sanctions, namely before engaging in the business relationship and upon any update made to the UN and domestic sanctions lists, except for their obligations toward PEPs, given that some of them consider that their obligations are limited to reporting to the EMLCU, in addition to the fact that the PEPs concept does not include their relatives and associates.
486. Accountants sector representatives deal with PEPs, but they do not have a consolidated understanding of how to identify these persons, given that some of them refer to websites that do not provide information on PEPs, while others refer to the EMLCU's website or access commercial databases to conduct searches and suspend business relationships in the event of any match. However, some access the UN and domestic lists before engaging in the business relationship if the customer is ranked as high-risk, in terms of geographical presence at the local and international level, or in case of a suspicion of money laundering. They also access, on a regular basis, once or twice a week, to the list of countries subject to sanctions and have a good understanding of the lists of sanctioned countries and those that are under follow-up process by the FATF.
487. Lawyers are aware of their obligations towards PEPs, higher-risk countries, and TFS, especially before engaging in a business relationship and when any update is made to the UN and domestic sanctions lists.
488. Deficiencies in performing the obligations of DNFBPs toward PEPs include how to verify their source of funds, to identify their family members and relatives and to identify the beneficial owner of the legal person if he is a PEP, particularly with respect to real estate brokers, dealers in precious metals and stones and some accountants.

489. It is clear that some supervisory authorities are late in circulating the international and local lists, and any updates on them, to the DNFBP sector. This may not warrant that TFS are implemented in a systematic and effective manner, regardless of the individual measures taken by some DNFBPs (see IO.10).

Reporting requirements, and tipping off

FIs and DNFBPs

490. In general, FIs with which meetings were held have a good understanding of the obligations related to reporting requirements. They carry out these obligations well with respect to money laundering; nonetheless, it is not clear whether this understanding equally applies to DNFBPs, given that the number of STRs filed by this sector is relatively very limited (see table below). As to the obligations related to terrorist financing, it appears that the STRs filed by FIs, particularly banks, in this respect, are relatively less than those filed with regard to ML suspicion.
491. In a positive step, the EMLCU implemented an advanced information system to increase the effectiveness of the reporting system, by receiving STRs electronically, which facilitates and expedites the reporting process. The first stage of the implementation of the system targeted all banks, the NPA and the money transfer company. It was initiated beginning of August 2018 and the EMLCU is trying to include the remaining FIs in the system at the next stage. This system allows subject entities to provide information to the EMLCU electronically and expeditiously. Its impact on the quality is limited to the provision of all the required data and to facilitate the EMLCU's work.
492. The EMLCU provides indicators to FIs and DNFBPs annually. There are also some cases studies posted on its website. No typologies have been made available to all sectors with respect to ML/TF cases. These indicators have relatively helped FIs detect and report suspicious transaction, where the major STRs filed are related to tax evasion, and to a lesser degree those related to serious crimes.
493. Banks are aware of their obligations related to reporting and confidentiality requirements. It appears that all the banks which were met have automated systems in place to detect unusual transactions⁴⁵⁶³ which are reviewed by specialized employees. Regarding the time taken to study unusual transactions, it appears that the review and checking process might take up to 90 days at some banks, due to the insufficient competent human resources to review unusual transactions which may reach (800) daily. In this context, banks confirm that the period of time between the date of ML suspicion and the date of reporting it to the EMLCU does not exceed two working days. Regarding TF suspicions, reporting is made immediately, which is a fact confirmed by the EMLCU during the discussion of the requirements and quality of the STRs referred to it by the reporting entities. Accordingly, the assessment team considers that the period of time taken up to 90 days to examine unusual transactions is considered very long, while the period of time taken (up to two working days maximum) to report to the EMLCU largely meets the reporting requirements.
494. The number of violations detected during the inspections conducted by the CBE for banks with respect to the monitoring of unusual transactions and to the suspicious transaction reporting systems reached around 91 between 2015 and 2019.
495. During the meeting held with insurance companies, it appeared that the compliance officer at a company undertakes the preparation and update of red flags, based on guidelines provided by the EMLCU during training workshops. Another company (a branch of a foreign company) maintains red flags which are updated by the parent company.

⁶³ The scenarios upon which the electronic systems are based are regularly updated in coordination with the EMLCU or with the external FIs to which the financial institution is affiliated (particularly, branches of foreign banks).

496. The NPA46F64 has a scenario-based electronic system for the detection of unusual transactions which allows to detect about 15 unusual transactions daily, which are reviewed by the compliance officer at the post office level, before they are submitted to the compliance officer at the department level, who in return, files the suspicious case to the Central Compliance Unit to take the relevant appropriate decision.
497. The EMLCU received from FIs and DNFBPs a total of (17,082) ML STRs and referred (1,880) to the Public Prosecution, while it received (396) TF STRs and referred a total of (192) to the Public Prosecution. It can be therefore concluded that the percentage of STRs referred by the EMLCU to the Public Prosecution out of the ML STRs it received, reached (10,8%), while those related to TF reached (48%). This means that the quality of TF STRs is better than that of ML STRs.

Table No. 5.2: Number of ML and predicate offense STRs received by EMLCU (2015-2019)

Reporting entity	2015	2016	2017	2018	2019
Banks	2,298	2,974	3,069	2,534	2,989
Money Transfer companies	133	168	174	157	187
Exchange houses	68	89	93	86	106
Post offices	162	211	218	189	226
Securities companies	133	168	169	144	175
DPMS	-	-	2	3	3
Real estate brokers	-	-	1	2	2
Lawyers	-	-	2	4	4
Accountants	-	-	1	2	3
Casinos	-	-	2	3	6
Insurance Companies	29	15	9	19	11
Financing companies	14	11	5	4	5
Total	2,837	3,636	3,745	3,147	3,717

498. Banks, the NPA, exchange houses, and the money transfer company are the entities that filed the most ML suspected transactions with the EMLCU, and the STRs received from the afore-mentioned sectors represented about 99% of the total STRs received by the EMLCU from FIs during the past five years, while ML and predicate offense STRs received from banks accounted for 81% of the total STRs received by the EMLCU. Crimes ranked as high-risk in the NRA are not highly reflected in the STRs filed by banks. In contrast, the STRs related to tax evasion are among the reports which are filed the most, unlike the other serious crimes that generate large proceeds, such as drugs and arms trafficking.
499. STRs received from other non-banking financial sectors (exchange, money transfer, post offices, securities companies) account for 18% of the total money laundering and predicate offences STRs, which is consistent with the NRA results to some extent, as the ML STRs received from the exchange sector are relatively lower than those received from other non-banking financial sectors, while the assessment of ML risks in the exchange sector revealed higher risks in terms of vulnerabilities and threats according to the NRA results (see IO.1).

⁶⁴ The NPA has around 4000 offices and maintains saving accounts for 6,5 million customers approximately. These accounts are ranked as low-risk, because they are available to small depositors and the account balance cannot exceed EGP 10 million (around USD 650000). The number of offices that provide money transfer services is around 1000. There is a compliance officer in each office. Some of the offices are equipped with retina scan devices. The 1000 offices are spread throughout various places and are concentrated in 38 departments. Each department is supervised by a compliance officer who receives notifications from the compliance officer at the office level and in turn studies them and completes the data and information required, before filing them with the Central Compliance Unit which examines them and takes the relevant final decision to whether notify the EMLCU or to dismiss the file.

500. A table showing the number of TF STRs received by the EMLCU from the reporting entities between 2015 and 2019:

Table 5.3 Number of STRs received by the EMLCU (2015 -2019)

Reporting entity	2015	2016	2017	2018	2019
Banks	98	50	69	34	77
Money Transfer companies	4	4	4	2	5
Exchange houses	4	2	2	1	3
Post offices	10	4	5	3	5
Securities companies	1		3	2	4
Total	117	60	83	42	94

501. The banking sector accounted for 83% of the total TF STRs referred to the EMLCU, while those received from other non-banking financial sectors (exchange, money transfer, post offices, capital market) account for approximately 17%. Although the largest number of STRs is filed by banks, their number is still relatively low in light of the increasing risks of the sector, according to the NRA results.
502. FIs include a warning against the disclosure of the confidentiality of reporting in the Code of Ethics and Behaviour, which urges employees to deal with all the information they peruse due to their work in strict secrecy. During the meeting held with banks, it appeared that they restricted access to the STRs system to the employees of the compliance department. This measure would limit any potential tipping-off to the customer or any third party. The assessment team considers that the measures taken by the banks which were met are good, since they are achieving the results sought for. Measures implemented by other FIs are similar to those applied by banks. By examining the violations detected by supervisors during inspections, it did not appear that there were violations of the tipping off and confidentiality requirements.
503. The feedback received by FIs from the EMLCU are limited in most cases to requesting additional information and in some cases to phone calls in order to inquire about some details contained in the STRs. Yet, the content of the feedback appears to be general and adds little value for the reporting entities (see IO.6). The STRs received from other DNFBPs are still limited, namely those received from the lawyers and accountants' sector, taking into consideration the risks of this sector, according to the NRA results, where it was noted that it represents moderate to high ML risks. Besides, the EMLCU did not receive any TF STRs from the DNFBP sector, which raises questions on the effectiveness of the reporting system in view of the increased risk of misusing legal persons in TF, which in turn would affect the lawyers and accountants' sector because they are usually involved in the establishment and management of property related to legal persons (see IO.1).
504. Although the representatives of the DPMS sector are well acquainted with the red flags represented in purchases involving large amounts of cash, repeated purchases, not minding or discussing the sale price or purchase of bullions without the need for it. However, the low number of STRs filed with the EMLCU (8 suspicious cases were reported to the EMLCU in 5 years) is not consistent with the risks of the sector, which is considered to represent moderate to high risks, according to the NRA findings.
505. Casinos which were met have no information systems in place to detect unusual transactions but rely instead on the expertise of their resources to detect them before taking the appropriate relevant decision in terms of whether or not to notify the EMLCU. While STRs are being filed with the EMLCU, the compliance officer or his assistant seek to contact the EMLCU in strict secrecy. According to the statistical statements presented by the EMLCU, it appears that the STRs received from the casino sector between 2017 and 2019 totalled 11 STRs. The assessment team considers that their number is limited, considering the number of customers (16,620,082) and the size of the financial transactions (USD 3,2 billion) in the sector during the

said period, while the size of the financial transactions between 2015 and 2019 reached USD 5,1 billion. Thus, the assessment team has some concerns about the measures taken by casinos to comply with the reporting obligations.

506. Given the context of the country and the role of real estate brokers which consists of gathering the seller and the buyer, since they can sell and purchase real estate on behalf of their customers, and considering the risks of the real estate sector classified among the high-risk categories of activities, according to the NRA results (see IO.1), the assessment team believes that the system for reporting suspicious transactions does not achieve its full effect as a tool for detecting money laundering transactions in the real estate sector, in light of the limited number of STRs received from the afore-mentioned sector, which totalled 5 between 2015 and 2019, taking into consideration that 68% of cash transactions take place outside the financial sector. Nonetheless, the measures set out in the executive regulation of law No.18 of 2019 which require legal persons to settle the price of lands and property through cashless payment methods when their value exceeds EGP 10,000 (approximately USD 640) would limit the potential misuse of the real estate sector by legal persons and not by natural persons.
507. It appears that representatives of the accountants, lawyers, casinos and dealers in precious metals and stones are filing STRs with the EMLCU and that the feedback received from the EMLCU is limited to case studies and indicators that it publishes on its website and to meetings and workshops held with compliance officers at the reporting entities, without extending to cover the provision of useful information to reporting entities on the quality of these STRs and the extent to which the EMLCU made use of them.
508. It also appears that a law firm informed the chairman of the board of directors about the details of a STR after reporting it to the EMLCU, which constitutes a violation of the reporting confidentiality according to Recommendation 21.

Internal controls and legal/regulatory requirements impending implementation.

FIs

509. In general, FIs, especially banks, have internal AML/CFT controls and procedures. These include the implementation of due diligence measures, keeping documents, appointing a person responsible for compliance, qualifying, and training employees, allocating an independent audit function to test compliance with policies, internal controls and procedures at the group level.
510. Compliance departments at most of the banks have human and logistic resources and have the power to access information and to seek information and documents from all the divisions and departments, which allows the effective implementation of the AML/CFT requirements. However, some banks do not have enough human resources at the compliance department level, which explains the delay in studying unusual transactions until an appropriate decision is taken in their regard.
511. The controls adopted by banks operating in Egypt are similar, as they rely on the applicable instructions, and the procedures vary due to the banks' structures and because some of them are part of a financial group whose policies may include additional or different procedures. During the meeting held with a bank affiliated to an external group, it appeared that its policies and procedures are consistent with the instructions of the home country and that it adopts the most stringent rules and instructions in cases where the requirements of the home country are different than the CBE rules and instructions.
512. Laws in Egypt (particularly secrecy laws) do not prevent FIs from applying AML/CFT obligations, namely those related to correspondent banking relationships and wire transfers and sharing customers and accounts information and the details of reports or unusual or suspicious transactions at the group, branches and subsidiaries level, whether in Egypt or abroad, which was confirmed by FIs during the meetings held

with them. However, none of them has ever shared the customers or accounts information or the information mentioned in the STRs at the group, branches and subsidiaries level, whether internally or externally, given the importance of this sharing in assisting financial groups in enhancing their internal control systems and ML/TF risk management systems.

513. FIs have a compliance department and apply specific criteria when appointing employees, represented in verifying the criminal status and their professional expertise, subjecting them to a test to verify their academic and professional qualifications. In some cases, their credit history and medical condition are also verified, particularly by some institutions which are namely represented in companies engaged in various types of financing. FIs, particularly banks, have on-going training programs for their employees, and an internal audit function to test the compliance of the concerned departments with the AML/CFT requirements. They are subject to regular external audit and reports on the results are submitted to the Onsite Monitoring Department at the CBE, which ensures regular examination of the AML/CFT compliance.

DNFBPs

514. DNFBP Representatives have persons holding the position of compliance officers and have ongoing training programs, whether internal or external in coordination with the supervisory authorities and the EMLCU. Employees are subject to screening procedures upon their appointment, and their criminal precedents are verified through the criminal record and the sanctions lists.
515. The transactions conducted by casinos and the DPMS sector are subject to internal inspection, which verifies the extent to which the customer identification procedures and other AML/CFT obligations are applied, namely the obligations related to TFS.
516. Professional secrecy does not prevent lawyers, when relying on them as a third party, from sharing CDD measures with FIs and DNFBPs. However, none of the lawyers with whom meetings were held has ever been relied on to implement due diligence measures on behalf of any of the subjected entities.
517. **Overall conclusion on IO 4** :In general, most FIs have a good understanding of ML/TF risks, unlike the DNFBP sector which has a mixed understanding. FIs, particularly banks apply the CDD measures in a satisfactory manner to some extent. The implementation of EDD measures by FIs with respect to correspondent banking relationships, wire transfers, new technologies, higher-risk countries and TFS is considered satisfactory, but less satisfactory with respect to PEPs. The implementation of CDD measures by DNFBPs is uneven. FIs, particularly banks, are considered to have reported STRs the most to the EMLCU and the TF STRs are of good quality. The STRs related to tax evasion were filed the most, unlike the other serious crimes, with respect to Egypt's context. Regarding the number of reports filed by the DNFBP sector, it remains low, namely the number of reports filed by real estate brokers, which is not consistent with Egypt's risk profile which is chiefly based on cash dealing.

518. **Egypt is rated as having a Moderate level of effectiveness for IO.4.**

CHAPTER 6. SUPERVISION

Key Findings and Recommended Actions:

Key Findings:

Immediate Outcome 3:

- a) Fit and proper tests applied by the CBE and FRA for shareholders and beneficial owners are generally robust, although some important gaps, given that the tests do not include the verification of the sources of funds used to own controlling ownership interests or the verification of the extent to which shareholders and beneficial owners are associated with criminals.
- b) Fit and proper tests applied by regulatory authorities for the DNFBP sector are similar and include testing some DNFBPs to determine how well they are acquainted with the profession, resorting to security authorities to verify the criminal status of shareholders or those who hold a controlling ownership interest of 25% or more, members of the board of directors and executives and checking their names against domestic and UN lists before and after granting the license. These tests are still not enough because they do not include the verification of the reputation of the managers and persons who exercise ultimate effective control through other means and the extent to which managers and shareholders are associated with criminals.
- c) The CBE cooperates with supervisors and security agencies to exchange information and file reports of persons or entities engaged in money transfer activities without a license. However, the number of cases detected is limited in light of known existence of large number of informal frameworks for money transfer.
- d) The Ministry of Industry and Trade cooperates with the Ministry of Interior to detect unlicensed real estate brokers, but the effectiveness of this cooperation has not led to concrete results, despite the existence of some real estate brokers who operate without a license.
- e) The understanding of the ML/TF risks varies among supervisors. Regulatory authorities of some sectors (banks, securities, casinos) have a good understanding of ML/TF risks. The CBE conducts a sectoral assessment for banks on an on-going basis, which allows it to continue to form a clear understanding of the risks faced by the banks and to target its work, unlike other regulatory authorities of most DNFBPs sector which have a level of understanding that varies between moderate and weak. Failure to conduct sectoral assessments by some regulatory authorities, namely the Bar Association and SCP, would limit their ability to continue to form a clear understanding of ML/TF risks in light of the risks of the sectors they supervise.
- f) Supervisors of most of the sectors (other than the sector of dealers in precious metals and stones, lawyers and accountants) apply a risk-based approach to supervision, however for DNFBPs supervision has only recently started. The depth of inspection work carried out by some supervisors, namely the CBE and the FRA, is good, given that the process of reviewing sample cases and assessing monitoring systems take into consideration the degree of risks of the obliged entities, but for some DNFBP supervisor supervision and inspections are not always satisfactory.
- g) Sanctions applied by supervisors of some sectors (banks - exchange - securities - post offices - casinos) are considered proportionate and dissuasive, whereas those applied by the Ministry of Supply and Internal Trade are considered satisfactory, and at a lesser degree, those applied by the Ministry of Industry and Trade. No sanctions are applied by the Bar Association and the Syndicate of Commercial Professions.
- h) Inspection and follow-up missions conducted by some supervisors have had a positive impact, to a large extent, in the compliance of certain sectors (banks - non-banking institutions - the post) with the requirements and rectification of the deficiencies. Inspections of the DNFBP sector have not had the same impact, despite some decrease in the number of violations and considering the increase of risks in some sectors, namely the real estate sector.

Recommended Actions:

- a) Regulatory authorities should regularly apply fit and proper tests for shareholders and beneficial owners (i.e. those who have ultimate effective ownership and controls (beyond shareholders)) of obliged entities, these should include verifying their sources of funds and wealth (for shareholders and beneficiaries of entities that are subject to the core principles), verifying the extent to which they are associated with criminals.

- b) The CBE should make more efforts in cooperation with all competent entities to identify persons who provide money transfer services without a license, in line with Egypt's risk profile. The same efforts should be exerted by the Ministry of Industry and Trade to detect real estate brokers operating without a license.
- c) Supervisors (other than the CBE and the FRA), namely the Bar Association and SCP, should regularly make sectoral assessments of the ML/TF risks in light of the risks posed by the sectors they regulate/supervise.
- d) DNFBP supervisors, particularly the Ministry of Tourism, should conduct an in-depth risk based inspections, to verify that casinos are implementing EDD measures toward gamblers based on materiality and risks. The Bar Association and the SCP should adopt RBA to supervision and give effect to the principle of sanctions gradation, commensurate with the nature and size of violations.
- e) DNFBP supervisors should provide training courses and workshops as well as publish guidance on how to implement due diligence measures and how to take precautions against the latest ML/TF patterns and trends.

519. The relevant Immediate Outcome considered and assessed under this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15.26-28,,34 and R.35, and elements of R1 and 40.

Immediate Outcome 3 (Supervision)

520. The CBE supervises banks, exchange and money transfer companies in the AML/CFT field. The FRA supervises companies working in the capital market sector, insurance sector and financing sector, of all types (real-estate financing, financing lease, factoring and micro-financing) and also supervises civil companies, associations and foundations which are engaged in micro-finance activities. The Ministry of Communications and Information Technology supervises the National Post Authority with respect to the financial services it provides, while the Ministry of Tourism, the Ministry of Trade and Industry, the Bar Association and the Ministry of Supply and Internal Trade, undertake, each within its competence, supervision of casinos, real estate brokers, accountants, lawyers and dealers in precious metals and stones.
521. The EMLCU supervises the CBE, with respect to the financial services it offers to its employees⁶⁵ and one bank (governmental bank) with respect to the social services it offers (loans to survivors of addiction, loans to purchase cattle, etc.). In light of the decrease in the risks faced by these two banks, supervision works undertaken for them will not be mentioned in this Immediate Outcome.
522. The afore-mentioned financial institutions and DNFBPs are not alike in terms of materiality and the risks they face. Therefore, the positive and negative aspects of supervision were weighted most heavily for the banking sector, the capital market sector, the real estate sector and casinos, as well as the dealers in precious metals and stones sector, moderately for lawyers and accountants and less heavily for other sectors, including the insurance and financing sectors, based on the materiality and risk in the Egyptian context (see chapter one).

licensing, registrations and controls preventing criminals and associates from entering the market

FIs

523. The CBE has a set of procedures regarding the conditions for granting licenses to practice a specific banking activity. The Banking Affairs Department (BAD) at the Banking Supervision Department⁶⁶ (BSD) in the CBE receives the applications for license. Upon examining the applications for acquiring more than 10% of the

⁶⁵ The CBE is considered a financial institution as well, given that it carries out financial activities covered in the FATF definition of the financial institution. They consist of providing a limited range of banking services to its employees. The assessment team recommended, in the MER adopted in 2009, within the first round of the mutual evaluation for Egypt, that the CBE should establish and pursue the implementation of internal procedures, policies and control to prevent ML/TF.

⁶⁶ The Department has around 18 employees.

capital by any natural or legal person, the CBE takes into consideration several controls before granting the approval, the most important of which are represented in the percentage of contribution of the applicant and his affiliated parties to the bank in which the acquisition of shares is sought and also to other banks and financial institutions in Egypt, the requirement that the applicant should not have been convicted by final judgment of an offense against honor or trust, or of one of the offenses set out in the AML Law, and that the applicant should be qualified and fit and should have a work experience.

524. Any person owning more than 5% of a bank capital⁴⁹^{F67}, members of the BOD, executive and senior managers are subject to fit and proper tests.⁴⁹³.
525. For new shareholders and beneficial owners (whether they are Egyptians, foreigners, or representatives of foreign legal entities) the fit and proper tests are considered generally robust, but up until September 2020 they did not have the obligation to verify the sources of funds used to own controlling ownership interests and the extent to which shareholders and beneficial owners are associated with criminals⁶⁸. Fit and proper tests include the verification of the financial liability⁶⁹, the financial solvency⁷⁰ and the reputation⁷¹, inquiries through the security agencies and obtaining a criminal record for the foreign shareholders authenticated by the concerned authorities in the home country. This is followed by a name scan for the new and current (Egyptian and foreign) shareholders against the United Nations and domestic sanctions lists. Besides, the CBE keeps an automated record of the names of shareholders in banks which is updated monthly based on a monthly statement provided by banks (whether any change occurs in the ownership structure or not) about the owners of 1% or more of the shares of the capital, voting rights or any other percentage that results in the actual control of the bank; this allows the CBE to identify the beneficial owners by searching the ownership structure on a regular basis.
526. The CBE conducts a security check for the new and existing members of the boards of directors of banks and also when renewing the structure, and this procedure is applied to senior officers. It also conducts personal interviews with them. The conditions for appointment require that the candidate should have professional qualifications and, inter alia, a declaration that they are not subject to any legal actions against honor, trust or money laundering. Between 2018 and 2019, the Central Bank rejected 3 applications for the positions of members of the board of directors for security reasons and 14 applications for the positions of Executive Directors in banks, due to the lack of sufficient expertise. In addition, the CBE keeps an automated record containing the names of members of the board of directors of banks and senior officers and checks them regularly (daily) through a commercial database and against the UN and domestic sanctions lists, which allows the CBE to apply fit and proper tests in a strict manner.
527. Regarding the applications filed by offshore banks for the possession of shares in banks operating in Egypt, the CBE received 4 applications between 2016 and 2019, which were approved. During the meeting with the CBE, it appeared that consideration is given to the reputation of the external entity, the integrity and expertise of the licensing authority, the ownership structure and the acquired interests. In addition, the

⁶⁷ It is not permissible for any natural or legal person to own more than (10%) of the issued capital of any bank or any percentage that leads to ultimate control over it, except after obtaining the approval of the CBE.

⁶⁸ In September 2020, the CBE issued decision No.194 of 2020 which provides for the licensing conditions in article 64. These conditions include the clarity of the ownership structure that guarantees the identification of the beneficial owner and the verification of the legitimacy of the sources of funds and that those concerned should have integrity, good reputation and financial solvency. However, this decision was issued by the end of the on-site visit, which hinders the assessment of the effectiveness of its implementation.

⁶⁹ Financial liability is verified through the investor identification form adopted by GAFI during the stage of establishment of the legal entity which precedes the licensing process by the CBE.

⁷⁰ Financial solvency is verified through accredited banks during the stage of subscription to all the shares of the legal entity which precedes the licensing process by the CBE.

⁷¹ The reputation of the shareholders and beneficial owners is verified through publicly available sources of information.

holders of controlling interests within the ownership structure are tracked down to the ultimate beneficiary who owns a controlling ownership interest in the external entity (this is done systematically as well for local banks). The CBE provided some examples showing these facts. In parallel, the CBE conducts an inquiry about the owners of the foreign entity through the security agencies. Regarding the applications for positions at local banks filed by foreign persons, the CBE resorts, in limited cases, to counterparts, to apply the fit and proper tests, given that the applications filed are not accepted unless supported by a letter from the foreign entity. By reviewing the statistical statement provided by the CBE in this regard, it appears that all the applications received between 2016 and 2019 which are 78 in total have been approved.

528. The licensing procedures applied by the central bank towards exchange houses and money transfer companies^{51F72} do not differ from those applied to banks. The CBE rejected most of the applications (13 out of 16) filed between 2014 and 2018 for the license to practice the exchange activity, due to the market's lack of need for more companies, in light of the strategic trend of the CBE.
529. The CBE cooperates with supervisory authorities (such as the FRA) and security agencies (such as the Public Funds Investigations) to exchange information and report cases where persons or entities are found engaged in money transfer activities without a license, in addition to monitoring any information that is circulated through the media or among the institutions operating in the market. During 2015 and 2019, around 26 cases were detected without being legally pursued and considering the very limited number of cases (2) which were legally pursued against persons for practicing the money transfer activities without a license and considering the informal frameworks which are commonly used in Egypt as a way to smuggle currency abroad, as mentioned in the NRA (see IO.1), there are still concerns about the extent to which authorities are able to identify and punish persons who provide financial services without a license.
530. Regarding other licensed FIs (securities, insurance, financing of various types) and in implementation of fit and proper requirements, the FRA examines the necessary documents to establish companies, such as a statement of the ownership structure and detailed information on those who contribute to 10% or more of the capital, the personal resume of shareholders, and certificates stating that no adjudication in bankruptcy is made against them and the certificate of capital deposit, in addition to the investor identification form adopted by GAFI. The FRA verifies the identity of beneficial owners through the ownership structure and by referring to the minutes of the general assembly meetings which provide information about the shareholders who attended these meetings and the cases where the delegation of powers is sought by virtue of a power of attorney, which would disclose the identity of the person who exercises an effective control. When any change occurs in the ownership structure, the FRA communicates with security authorities, and this is undertaken on a regular basis.
531. The fit and proper tests involve the FRA's recourse to primary sources of information represented in having original documents that include a recent criminal record issued by the Ministry of Interior and to secondary sources of information that include the sanctions database prepared by the EMLCU. They also involve communication with the concerned security services to inquire about local shareholders. With respect to Egyptian legal persons, the criminal record of each member of the board of directors and main functions shall be obtained, and with respect to foreign shareholders, a security check is conducted about them (legal and natural)
532. During 2018 and 2019, the FRA approved all the applications for licenses to practice the activities subject to its supervision (securities, insurance, financing of various types), except for one application for incompleteness of the necessary documents. Besides, no negative indicators on shareholders, owners or

⁷² There is only one money transfer company operating as the main agent of one of the international money transfer companies.

managers in these institutions⁵² 73 were provided. During the same period, it approved upon 924 applications for the practice of the micro-finance activity and rejected 128 for failure to fulfil some requirements necessary for the licensing. The fit and proper tests applied to founders and managers of this activity are no different than those applied to owners and employees of other activities, such as persons holding senior management positions.

533. Except for the request made to a counterpart entity to inquire about the criminal status of a person wishing to subscribe to the private offering of securities of a company listed on the Egyptian stock exchange, the FRA⁵³ 74 has never addressed its counterparts regarding the application of fit and proper tests towards foreign (natural and legal) persons seeking to contribute to or to acquire controlling interests in any of the institutions subject to the supervision of the FRA. It replaces this measure with an inquiry about those persons with the security agencies and requiring them to have their papers certified by referring to the Ministry of Foreign Affairs. These measures are still not enough to verify the reputation of foreign shareholders through counterparts and to verify the extent to which they are associated with criminals or terrorist entities. Therefore, it can be concluded that fit and proper tests toward those persons are not being applied in a strict manner.
534. The FRA applies fit and proper tests with respect to senior management and main directors, during the grant of license and upon any change in the company's management, by testing the candidates nominated to work in all the sectors it supervises, verifying the certificates of experience and the criminal status and inquiring about the foreign person through the security agencies. The FRA rejected (3) applications for the position of AML officer, due to the failure of the candidates to pass the fit and proper tests.
535. The registration and licensing procedures do not apply to the National Post Authority (NPA) with respect to the financial services it provides, as it is a governmental body to which all the procedures governing the work of governmental bodies apply, knowing that all officials and employees of the NPA are subject to fit and proper tests on an ongoing basis.

DNFBPs

536. Licensing and registration controls applied by regulatory authorities are rather similar across the DNFBP sector. Fit and proper tests include, subjecting some professions to a test with a view to determining how well they are acquainted with the profession, resorting to security agencies to verify the criminal status of the shareholders or those who own a controlling ownership interest of 25% or more, the members of the board of directors, the executive managers and the authorized signatories and checking their names against domestic and UN sanctions lists before and after granting the license. These tests are still not enough because they do not include the verification of the reputation of the managers and persons who exercise ultimate effective control through other means and the extent to which managers and shareholders are associated with criminals, in order to prevent criminals from acquiring, controlling or holding management functions in all DNFBPs.
537. The Ministry of Supply and Internal Trade issues licenses to dealers in precious metals and stones after implementing a number of measures such as obtaining the commercial register and subjecting natural

⁷³ Names of shareholders of foreign and Egyptian natural persons and legal persons are verified against the domestic and UN sanctions lists. The criminal records and inquiry documents related to foreigners are examined after their authentication by the Egyptian Ministry of Foreign Affairs. The inquiry resulted in a no-objection.

⁷⁴ The assessment team was provided with a statistical data showing the requests received and made by the FRA during the period 2014-2019; where it appeared that on 17 May 2018, the FRA received a request from the "Central Department for Capital Market Surveillance" to address the US Securities Commission in order to request some data on US investment funds.

persons to a test with a view to determining how well they are acquainted with the profession. For legal persons, fit and proper tests include the verification of the criminal status of shareholders, members of the board of directors and executive managers as mentioned above. During the on-site inspection, the Ministry verifies that the information on the legal owners and persons in control is in line with the information set out in its registers.

538. Over the last five years, the Ministry received 475 applications, of which 80 were rejected for various reasons, the most important of which included criminal judgments rendered against the applicants for the license and the absence of an appropriate location to exploit the activity. On the other hand, the number of applications for a license which were withdrawn was 15, due to criminal judgments rendered against the applicant or to death.
539. The Ministry of Industry and Trade issues licenses to real estate brokers after fulfilling the conditions and completing the documentation required for the license. The fit and proper tests applied toward those who practice this profession whether natural and legal persons are no different than those applied toward dealers in precious metals and stones. The Ministry is aware that there is an undetermined number of persons who are engaged in the brokerage business without a license, and it holds coordinating meetings with the departments of the Ministry of Interior to identify and subject them to the registration and licensing conditions. However, the effectiveness of this coordination was not perceived, nor the number of unlicensed real estate brokers. Between 2019 and 2020, the Ministry received 2506 applications for a license to practice the activity, whereas it approved 700 and rejected the rest (1806) for various reasons, such as the failure to complete some documentation, the failure to pass the fit and proper tests, and bad reputation according to the criminal record.
540. The Ministry of Tourism is the authority responsible for licensing casinos (24 casinos are currently operating in Egypt, whose management is supervised by foreign companies.) During the period 2015-2019, the Ministry received 3 applications from foreign companies to manage casinos, but it is not clear that there is any cooperation with counterparts to apply fit and proper tests towards shareholders and managers of foreign companies, which does not guarantee the prevention of criminals from owning or managing casinos in Egypt. However, the GAFI regularly resorts to security agencies to verify the criminal status of shareholders and managers of the foreign company, in its capacity as the body responsible for registering the company in the commercial registry as a branch of a foreign company inside Egypt. The fit and proper tests applied to this end are still not enough.
541. The Ministry of Finance applies specific procedures before approving upon the practice of accounting and registering the information related to the applicant for the profession with the General Register for the Accountants and Auditors, provided that the applicant meets a number of conditions, such as having the Egyptian nationality and not having been convicted of a felony or a misdemeanor.
542. In the event where the applicant for the establishment is a legal person, the identity of the shareholders (excluding BOs⁷⁵) is identified through the commercial registry and the companies record. In the event where the applicant for the establishment is a foreign legal person, the identity of the shareholders is verified and the numbers of bank accounts they hold inside and outside Egypt are also requested, in addition to the documents evidencing the establishment of the legal person issued by competent authorities abroad, provided that they are authenticated by the Egyptian embassy in the country of incorporation. It does not appear that the fit and proper tests cover the verification of the reputation of owners, BOs and managers

⁷⁵ Legal persons were not required before 1/3/2020 to make the information on BO available to the commercial registry.

and the verification of their criminal status on a regular basis, and the extent to which they are associated with criminals.

543. During the last five years, the Syndicate received 8027 applications for the license to practice the profession, where 8002 applications were approved and 25 rejected due to the applicants' failure to pass the fit and proper tests made by the Committee in charge of registration in the accountants register. During the same period, 808 accountants were excluded from practicing the profession for violating the license conditions, without perceiving the extent to which this fact is associated with the fit and proper tests.
544. The Bar Association applies specific procedures that require verification of the lawyer's good conduct, behavior, criminal status, and intensive training courses for everyone intending to engage in any activity in establishing companies. Before and after granting the license, it regularly refers to the UN and domestic sanctions lists to verify the criminal status of the lawyer and to withdraw the license with respect to anyone whose relation to any acts against ethics and honor or acts involving mistrust and theft is established. It also withdraws the license of anyone who obtained it but did not actually practice the profession. Over the last four years, the Bar Association managed to reduce the number of lawyers from (600,000) to nearly (80,000)⁷⁶, due to the adoption of a post-licensing offsite examination approach; from which it can be concluded that it is applying accurate and effective precautionary measures in this regard.
545. According to article 206 of CBE law No.194 of 2020, it is prohibited to issue, trade in or promote encrypted currency or electronic money, to create or operate platforms to trade in them or to carry out related activities without obtaining a license from the CBE (see R.15). Financial institutions are aware of their obligations toward companies and websites that deal in virtual currencies. During the meetings held with some banks, it appeared that the names of companies and websites were entered in their control systems to detect any possible dealing with VASPs and notify EMLCU upon the detection of any potential dealing.

Supervisors' understanding and identification of ML/TF risks

FIs

546. Although all the supervisors participated in the NRA process, their understanding of the risks is diverse. The CBE and the FRA, for example, have a good understanding of ML/TF risks, while the Ministry of Communications and Information Technology has a lower level of understanding which is considered largely moderate. The CBE and FRA have an understanding which is derived from their participation in the NRA process and from the collection of data from financial institutions and non-banking financial institutions through questionnaires which permit, for example, to identify the size of transactions, the number of customers, the diversity of products and services, and the major countries they deal with.
547. The ML/TF risks that financial institutions and non-banking financial institutions are exposed to in Egypt vary significantly. On this note, the NRA identified banks as high-risk sectors, while exchange houses were identified as moderate to high-risk sectors. Securities companies and the Post were identified as moderate-risk sectors, while the money transfer, insurance and financing sectors were identified as moderate to low-risk sectors.
548. The classification of banks as a high-risk sector in the NRA is based on the fact that they are one of the channels most used for the transfer of funds collected for TF and that the financial products and services used in ML cases were concentrated in the banking sector's products, in addition to the fact that proceeds of crime which revenues are laundered were mainly concentrated in the banking sector.

⁷⁶ This refers to the total number of lawyers in Egypt, out of which only 300 lawyers practice some of the activities mentioned in Rec 22, and especially the one that is related to the creation of legal persons.

549. Beside the participation in the NRA process, the CBE and the FRA conducted a sectoral assessment based on a number of tools and techniques that also allow to incorporate the results of the NRA; The findings of the sectoral assessment were consistent with that of the NRA, as the sectoral assessment is mainly based on the quantitative and qualitative indicators included in the NRA.
550. Between 2004 and 2005, the CBE developed an automated network linked with banks operating in Egypt and allows to upload the data required from banks electronically and periodically (for example, daily and monthly). The quantitative data received from banks includes for instance the number of customers, their daily cash deposits and withdrawals, incoming and outgoing external transfers and the customers' geographical distribution. The data allows to identify high-risk customers in view of their political positions, non-resident customers and NPOs. This is followed by an assessment and measurement of the risks of each bank apart, which allows the CBE to conduct a sectoral risk and continuously maintain an understanding of the ML/TF risks in the banking sector.
551. In 2019, the Offsite Supervisory Department at the CBE prepared a sectoral assessment for the risks of banks and exchange companies using the methodology for risk identification prepared by the EMLCU56F77. The said department relied on the results of the sectoral risks to prepare an AML/CFT on-site inspection plan, to set the priorities and to focus on high-risk elements during inspections (types of customers - products and services - geographic areas). The Offsite Supervisory Department at the CBE takes into consideration the quantitative elements (activity risks, such as the types of customers and beneficial owners, geographic areas and activities of customers) and the qualitative elements (structural risks, such as the institutional structure, and the size of the financial institution) when determining the risks of banks and exchange companies with a view to classifying them into three categories of risks.
552. The FRA classified the institutions subject to its supervision (insurance, mortgage financing, financing lease, factoring) according to risks, by preparing a sectoral assessment made through three stages; the first stage (2014-2018) relied on 4 criteria represented in the size of the institution's market share, the average size of dealings for the past three years, the time period since the establishment of the institution and the institution's record of sanctions held by the FRA. The second stage was carried out following the NRA results from January 2019 to September 2019 and relied on a guidance issued by the EMLCU regarding the sectoral risk assessment, and also made the necessary alignments so that the risks would be commensurate with the non-banking financial sector, by using sets of risks to give ratings to the quantitative and qualitative indicators, according to various weights divided into activity risks indicators and structural risks indicators. The third stage was carried out by seeking the assistance of international expertise to develop the FRA's implementation of the RBA, in cooperation with an international centre.
553. After conducting the sectoral assessment, the FRA established a supervisory plan according to the RBA. The risk indicators include the size of the financial portfolio, number of customers, rates of early settlement, geographic expansion and number of branches. The on-site inspection sample targeted headquarters and branches. As part of the development of the work methodology, the FRA developed a software, in 2019, to rate the risks of institutions that are subject to its supervision, which is used as a base to implement the RBA to supervision, based on three levels of risk, as follows:

⁷⁷ This methodology aims at assisting supervisors in calculating the degree of risks for institutions subject their supervision by focusing on the operational and structural elements which affect the ML/TF risks

Table No. 6.1: Levels of risks related to the institutions subject to the supervision of the FRA

Category of risk	Securities Market		Insurance		Non-banking Financing	
	Number	Percentage out of the total market	Number	Percentage out of the total market	Number	Percentage out of the total market
High	27	5.9%	4	11%	19	2.3%
Moderate	37	8.1 %	6	16.7%	15	1.8%
Low	396	86%	26	72.3%	791	95.9%
Total Market	460	100%	36	100%	825	100%

554. In 2020, the FRA created an electronic software to classify the risks of institutions subject to its supervision, by providing an online risk assessment questionnaire (formed of 4 main sections and 127 sub-sections) to be filled out by non-banking financial institutions so that its inputs can be used by a competent offsite supervisory division at the FRA to conduct a sectoral assessment. This allows it to continue to maintain an understanding of ML/TF risks in the sectors subject to its supervision.
555. The Ministry of Communications and Information Technology has not previously conducted a sectoral ML/TF risk assessment in the post sector. The Ministry focuses on the self-assessments of risks that the National Post Authority undertakes, in order to understand the risks, where the real estate brokers were ranked among the moderate-risk customers, unlike what was cited in the NRA. Besides, it does not appear that these assessments take into consideration the offices which have been exploited more than others in ML/TF activities, which may affect the Ministry's ability to continue to form a clear understanding of the risks.

DNFBPs

556. All the DNFBP supervisors participated in the NRA process and few conducted also sectoral assessments, although the assessment team was not provided a copy of these assessments or of the methodology applied. The Ministry of Tourism and the Ministry of Trade and Industry have a good level of understanding compared to the other DNFBP supervisors which have a close level of understanding of the ML/TF risks considered largely weak, particularly with respect to the Syndicate of Commercial Professions which supervises the accountant's sector.
557. The Ministry of Supply and Internal Trade has a weak understanding of ML/TF risks because it considers that the sector of dealers in precious metals and stones is a moderate-risk sector, given the sector's compliance with the AML/CFT requirements and the fact that it is not attractive to criminals, that most dealers use online payment methods, and also given the limited number of STRs filed by the sector, without addressing the risks of the currency in the sector and how it is being misused in ML/TF cases.
558. Following the NRA, the Ministry conducted a sectoral ML/TF risk assessment in 2019. Based on the classification criteria (geographical location, number of branches and sales volume), dealers were divided into three categories of risks (high (1005 dealers), moderate (4992) and low (18003)). In 2019, all dealers were subjected to on-site inspection to verify the extent of their compliance with the AML/CFT requirements. More focus is placed on higher-risk dealers, where a larger sample of transactions is examined, a longer time is invested (not exceeding 3 hours) and more human resources are allocated (the maximum number of inspectors could not be perceived). However, in light of the number of dealers ranked as moderate to high risk (around 6000 dealers), the number of inspectors (40) may not be enough to undertake an in-depth inspection in view of the average duration taken for the inspection which does not exceed 3 hours.

559. The Ministry of Industry and Trade has a good understanding of ML/TF risks in the real estate broker sector which is ranked as representing high ML risks according to the NRA. In 2019, the Ministry conducted a sectoral risk assessment that led to the classification of real estate brokers into three types of risks (high, moderate, low). The Ministry based its classification of the brokers on the geographical location where the broker exercises his business, the size of his transactions and number of his branches. From the Ministry's point of view, the major vulnerabilities of the sector are reflected in the insufficient implementation of the due diligence and record keeping procedures, without having regard, for example, to the companies' ownership structure, how their capitals are formed and the extent to which their data is accurate and true.
560. The Ministry of Tourism, which supervises casinos, has a good understanding of the ML/TF risks. In 2017, it conducted a sectoral risk assessment, and its understanding of casinos' risks is based on three main elements that can be summarized in the size of transactions, the number of customers, and the geographical presence of casinos. The meeting with the representatives of the Ministry revealed that the more the transactions and customers, the higher the risks. Furthermore, casinos' risks increase depending on their geographical location and casinos located close to borders are considered high-risk. Their risks become higher if they have a large size of transactions and a high number of customers.
561. The Bar Association and the SCP's understanding of ML/TF risks was not satisfactory, particularly the risk related to lawyers' involvement in the creation of legal entities and the risk of ML/TF abuse posed by legal entities. The Bar Association classified the risks of (300) law firms according to the classification criteria represented in the number of lawyers working at the firm, the number of branches of the firm, the geographical areas where they are located and the type of activity, they are engaged in. This classification resulted in identifying (55) law firms as high-risk, (85) as moderate-risk and (160) as low-risk but none of them conducted a sectoral ML/TF risk assessment related to legal entities, nor they risk-profile lawyers and law firms for the purpose of applying a RBA.

Risk-based supervision of Compliance with AML/CFT requirements

FIs

562. The CBE established the basis for applying the RBA to supervision in accordance with an action plan that takes into account the results of the sectoral risk assessment, which relies to some extent on the NRA results, given that the weighting algorithms do not appear to take into consideration banks most at risk of (unwittingly) laundering the proceeds of serious crimes according to the country's context (see IO.1). In implementation of this plan and according to the level of risks, the size of the institution, the results of the previous inspection, the extent of compliance with the plan for remedial actions, the percentages of data update, the internal inspection reports, and the reports of the auditors or any independent entity on the extent of compliance with the AML/CFT requirements, the priorities, the number of the inspection team members and the scope of examination are determined.
563. The on-site inspections conducted by the CBE include a periodical inspection every two years at most, which is based on several factors (the size of the bank, the rating of the risks and the deficiencies detected...) and a limited inspection where the focus is placed on specific issues at the level of all or some of the banks and on special missions namely when a weakness is detected in the AML/CFT internal control systems, or to follow up the status of remedial actions or to address some important observations.
564. In 2009, the CBE classified banks into three categories of risk, where 11 banks were ranked as high-risk, 13 as medium-risk and 14 as low-risk. The frequency of inspection of banks was determined, where high-risk banks are inspected once a year, while medium and low-risk banks, once every 18 and 24 months,

respectively. Among the inspection items, the focus was placed on products and services, transactions and activities of relative importance that affects the increase of risks in banks.

565. The onsite inspections conducted during 2015 and 2018 were based on the risks, in the context of the general inspection of banks. In 2019, the CBE created a specialized department for AML/CFT supervision that consists of 3 inspection teams of 12 employees specialized in AML/CFT onsite supervision. The staff have at least a 15-year experience in monitoring and supervision of AML/CFT compliance. At the technical level, the staff attended intensive training courses. Considering the number of banks ranked as high-risk (11 banks), the assessment team considers that the human resources available to undertake on-site supervision of banks by relying on the RBA are fairly sufficient and appropriate.
566. The maximum inspection period is 24 working days, while the minimum is 18 days, and it varies depending on the size of the bank's business and risk degree, according to the sectoral risk assessment in the AML/CFT field. During the onsite inspection rounds, the CBE focuses on the efficiency, adequacy and independence of the AML/CFT officers, the level of effectiveness of the implementation of due diligence measures toward customers, the effectiveness of enhanced due diligence procedures, and the effectiveness of the monitoring of transfers, their size and the countries from which they are sent, the data available on the sender and the recipient of the transfer, the effectiveness of automated systems used in monitoring unusual transactions, the effectiveness of the application of targeted financial sanctions, namely in terms of the frequency of updating the lists, the number of false positives and the number of cases reported. The durations of the inspections of banks vary between 18 and 24 working days, and more samples are selected from the banks which are ranked as high-risk. The assessment of the control systems of high-risk banks is more thorough and interviews are made with a larger number of employees unlike the banks ranked as being exposed to lower risks.
567. As a result of the onsite inspections, the CBE detected recurrent violations reflected in the failure to comply with the identification measures, the failure to complete some necessary documentation upon the execution of some transactions (such as outgoing external transfers) and the failure to verify the purpose of some cash transactions. It also detected some violations related to BO identification measures, customer data update measures, EDD measures toward PEPs (how to verify their source of wealth and source of funds), monitoring unusual transactions and systems intended for detecting suspicious transactions that are not consistent with FI's knowledge of the customer, their business and risk profile.
568. Following the completion of the inspection rounds, the CBE's Onsite Supervision Department provides the Offsite Supervision Department with the final observations after discussing them with banks, provided that the Offsite Supervision Department follows up on the banks in order to address the deficiencies. In case the bank delays or fails to rectify the observations, appropriate actions will be taken against it, provided that the Onsite Supervision Department follows up on the banks, during subsequent inspections, to verify that the observations were rectified.
569. In 2019, the CBE formed a specialized team of 7 inspectors⁷⁸ to supervise exchange houses and money transfer company⁷⁹ in the AML/CFT field. An annual inspection plan was established, afterwards, to target companies according to the RBA.

⁷⁸ The years of experience the team has in the monitoring field vary between 15 to 20 years. The members of the team attended training courses on the inspection of exchange companies in the AML/CFT field.

⁷⁹ There are 38 exchange companies with 249 branches, while the money transfer company has 38 branches.

Table No. 6.2: Inspections of financial institutions in the AML/CFT field

Year	Banks	Exchange	Money transfer
2016	11	6,244	4
2017	13	1,988	4
2018	14	4,496	2
2019	19	4,080	1

570. Inspections conducted by the CBE in 2019 covered 19 banks, including all the (11) banks ranked as high-risk. Exchange companies are inspected monthly, at the rate of three times, moderate-risk companies twice and low-risk companies once. Money transfer company are inspected once every two months.

571. The average inspections hours for exchange companies vary between two to three hours, while the average inspection hours for branches of the money transfer company also varies between 2 to 3 hours, where the headquarters of the company is inspected the whole day. The company and its branches are subject to dual monitoring consisting of a complete periodical inspection and an inspection specialized in the AML/CFT field. The nature and intensity of inspection and the size of samples vary according to the degree of risks of each company. 119 inspections should be conducted monthly according to the inspection plan. There are concerns about the depth of the inspection rounds conducted for exchange companies, given that the average rate of inspection hours per company does not exceed three hours, due to the limited human resources required to conduct 119 inspection rounds per month, according to the annual inspection plan.

572. The FRA initiated on-site supervision according to the risk-based approach in 2007. It relies on several criteria, such as the average market share of the institution, the volume of its transactions, the geographical spread of its branches, and the increased percentage of foreign customers in the company's portfolio compared to other companies.

573. The supervisory activity of the FRA is based on offsite supervision through statistical data received periodically and onsite supervision through onsite inspections. Onsite supervision is divided into several types of inspections, including general precautionary supervision, compliance supervision, and targeted supervision. The inspection teams consist of 6 committees concerned with specialized onsite inspection to verify the compliance of institutions with AML/CFT requirements. Each committee consists of three members; a chairman and two members, all of them from the AML/CFT Central Department, and undertakes specialized onsite inspection works with respect to all the entities classified as high and medium risk at different frequency, as adopted in the inspection guide and the annual inspection plan.

Table No. 6.3: Inspections of non-banking financial institutions in the AML/CFT field

Year	Securities	Insurance	Financing
2016	267	52	64
2017	175	55	160
2018	227	26	112
2019	305	40	144

574. In 2019, the FRA created 6 inspection teams specialized in the AML/CFT field, consisting of 28 inspectors (18 on-site inspectors and 10 off-site inspectors), in addition to four managerial positions. The supervision/inspections conducted by FRA are similar in scope to those conducted by the CBE. It appears that the assessment of the control systems and the case samples examined take into consideration the degree of risks of the institution. The duration of the inspection, the number of inspectors and the level of frequency vary as well, depending on the degree of risks of the institution.

575. The Ministry of Communications and Information Technology.⁸⁰ adopts a risk-based approach to supervision that is basically built on the classification of offices into three categories of risks (high, moderate and low), according to the nature of services offered by the office, the number and size of transfers, the activity of customers, and the geographic location. Inspection of each office is undertaken by two inspectors and this process takes one working day per office, with a possibility to extend the time period up to 3 working days, depending on the size of transactions performed by the office, which requires to select a large sample of financial transactions, mainly those performed by higher-risk offices. Following the completion of the inspection process, a report on the violations is prepared and warnings are sent out, depending on the seriousness of the violation. Inspections are repeated to verify the deficiencies have been addressed.

Table No. 6.4: Inspections of the post in the AML/CFT field

Year	Post
2016	1,712
2017	1,703
2018	1,537
2019	1,134

576. The inspections conducted by the Ministry have contributed to enhancing the post offices' understanding of ML/TF risks and AML/CFT obligations, and this is evidenced by the number of reports submitted to the EMLCU, distributed between ML/TF related STRs and cases in which the CDD measures were not completed satisfactorily (see IO 4)

DNFBPs

577. Most supervisors of the DNFBP sector have only recently started to adopt a risk-based approach to supervision. They created inspection departments for this purpose and entities subject to their supervision were classified according to the degrees of risks and the frequency and intensity of the inspections were determined.

578. The Ministry of Supply and Internal Trade does not follow a risk-based approach. It has a unit specialized in on-site supervision that was established in 2018. It became operational in the middle of 2019 and is formed of 40 inspectors, to conduct inspection rounds on dealers in precious metals and stones, verify the extent to which due diligence and record keeping requirements are being implemented and verify that the updates made to the UN and domestic sanctions lists are being followed-up daily and that the employees are receiving training. The number of inspectors does not vary regardless of the degree of risks posed by the dealer and is not less than two during all the on-site visits. However, the duration of the on-site visit increases depending on the degree of risks posed by the dealer, where a larger sample of transactions is inspected. For example, an inspection process with respect to a high-risk dealer takes 90 to 120 minutes, while the time allocated to a low-risk dealer is not more than 30 minutes and is considered not sufficient.

579. The Ministry of Industry and Trade has a division specialized in on-site and off-site monitoring and formed of 10 inspectors. In 2019, the Ministry initiated the on-site monitoring according to the risk-based approach and the inspection rounds covered all the high and moderate-risk real estate brokers. It is noticed that the inspection of high-risk real estate brokers takes place twice a year, and at a lower frequency for brokers ranked among the moderate and low-risk categories. A decrease in the number of inspection rounds is also noticed in 2020 (until August), as they covered 56 out of 350 brokers ranked as high and moderate-

⁸⁰ The Ministry has 25 employees, 20 of them work on a full-time basis to conduct inspection works and 5 employees hold functions at the Ministry and supervise the work done by inspectors.

risk⁶⁰F81. During inspections, the implementation of CDD measures and record-keeping are verified, so is the follow-up of the UN and domestic sanctions lists. The frequency and duration of the inspection vary depending on the risks posed by the broker; for example, the inspection of a high-risk broker is no longer than two hours, while the time allocated to a moderate and low-risk broker is no longer than one hour and is considered not sufficient. The assessment team considers that the on-site monitoring undertaken by the Ministry, to verify, in particular, the extent to which the sector is compliant with the reporting requirements, does not seem to have contributed to an increase in the number of STRs filed with the EMLCU, considering the risks of the sector (see IO.1) and the volume of sales made through real estate brokers in 2019, which reached EGP 30917 million, i.e., the equivalent of approximately USD 2 billion.

580. The Ministry of Tourism supervises and monitors casinos according to the risk-based approach. During 2017 and 2019, the Ministry conducted inspection rounds according to the risk-based approach that included all casinos operating in Egypt. During inspections, several issues are brought into focus, including the extent to which the customer identification measures and document and record keeping requirements are applied. The sample of transactions and records which is examined varies, depending on the degree of risks posed by casinos.
581. The number of accountants in Egypt is about 23,000. The SCP focuses on the accounting offices which total around 400. An inspection team consisting of 7 persons has been formed at the SCP, to carry out supervisory work at the governorate level, where a random sample of accounting offices that the inspection rounds will cover is selected. The Syndicate has no action plan in place to apply the risk-based approach to supervision, knowing that the resources it has are not enough to effectively carry out the supervisory work.
582. The number of lawyers in Egypt is about 80,000, out of which only 300 law firm practice some of the activities mentioned in Rec 22. The role of the Bar Association is to undertake supervision work, through 38 sub-committees, at country level, in order to follow up on the extent to which lawyers are familiar with the AML Law and its Executive Regulation, as well as the method used to apply targeted financial sanctions where the implementation of the obligations relevant to these sanctions is also followed up through text messages or email correspondence or through a follow-up of the EMLCU's website by the lawyers. In 2019, the Bar Association initiated onsite supervision with respect to law firms through the sub-committees.
583. During 2019, the inspection team conducted 14 inspection rounds, specialized in the AML field, in a number of governorates. Each inspection round covered 5 to 8 law firms. By comparing the number of inspection rounds with the number of law firms classified as high-risk (55), it appears that onsite supervision covered all the offices classified within this category and it included most of the offices classified as moderate-risk (85).

Remedial actions and effective, proportionate, and dissuasive sanctions

Fls

584. Supervisors of the financial sector have sufficient powers that permit them to impose a wide range of disciplinary and financial sanctions, starting with the issuance of warnings up to the withdrawal of licenses, in addition to the application of financial penalties. A discrepancy is noticed in the severity and nature of the sanctions applied based on the number and seriousness of the violations detected; they varied between disciplinary sanctions (warnings up to lay-off or license withdrawal) and financial sanctions that targeted some subjected entities and are considered proportionate and achieve the element of dissuasiveness.

⁸¹ The Ministry indicated that the decrease in the number of inspections rounds during 2020, compared to 2019, is due to the Covid-19 pandemic.

585. The CBE has sufficient powers to apply sanctions against violating institutions. The onsite inspection teams present all the violations related to the AML/CFT requirements, and the violating entities are required to take the necessary remedial actions regarding each violation. Sanctions are applied according to the size and seriousness of the violation, and the Offsite Supervisory Department monitors the implementation of the remedial actions and the imposition of fines in the event of failure to implement the required actions within the time period specified in the request.
586. During the period 2014-2018, financial sanctions were applied against 4 banks, totalling USD 390.6 million, which are frozen deposits in the CBE for up to a year without return. Disciplinary sanctions extended to include warnings (4) and the exclusion of the compliance manager (1). Therefore, the assessment team considers that the sanctions applied by the CBE (the interest produced by the sanctions applied against 4 banks can be estimated at around USD 22.9 million) are considered proportionate and dissuasive. In addition to the sanctions applied against the four banks, 4 warnings and 3 observations were addressed to other banks operating in Egypt (34 banks) which rectified around 18% of the observations during the inspection rounds and 76% of them afterwards, according to the timeline prepared for this purpose.
587. Multiple inspection rounds were conducted with respect to a large number of exchange houses that led to a number of violations and breaches related to non-compliance with the AML/CFT regulatory controls and due diligence measures, especially those related to customer identification. Sanctions were imposed on the violating companies, ranging from suspending the violating company for periods that varied between three months to a year and striking off some companies from the CBE's records:

Table No. 6.5: Sanctions applied against exchange houses

Year	Number of violations	License withdrawal	License suspension for 3 months to 1 year
2015	20	20	0
2016	54	24	30
2017	10	0	10
2018	27	12	15
2019	7	1	6

588. Accordingly, the assessment team considers that the sanctions applied against exchange companies which are found to have deficiencies in compliance with the AML/CFT requirements, are proportionate and dissuasive, since the temporary closure (up to a year) and the permanent closure can be viewed as a message to other entities that non-compliance with the AML/CFT requirements cannot be tolerated.
589. During the inspections on the microfinance companies between 2016 and 2018, the FRA detected 1,350 violations, the most important of which were represented in the failure to obtain all the data that should be provided to complete the customers' profiles, the failure to complete and send the regulatory reports to the FRA, and the failure to designate an AML officer. The FRA took a series of sanctions that varied between imposing financial fines totalling EGP 100000 (equivalent of USD 6400), lodging warnings and revoking a company's license. In 2019, the financial sanctions imposed reached a total of EGP 8838000 (equivalent to USD 560000).
590. Administrative measures and procedures imposed by the FRA on all the sectors with respect to AML/CFT violations:

Table No. 6.6: Sanctions applied against non-banking financial institutions

Type of Sanction	2014	2015	2016	2017	2018	2019
Warnings	46	46	20	56	78	17
Another warning to respond from the second time (partial remedy)	9	8	2	11	7	11
Suspension	2	1	7	9	13	5
License revocation	0	0	1	0	2	0
Banning from practicing the activity	1	4	1	1	0	0
Total	58	59	31	77	100	33

591. Sanctions applied by the FRA ranged from warnings up to the revocation of license and banning from practicing the activity; which shows that the FRA is applying the principle of gradual sanctioning. During 2016 and 2018, financial penalties totalling EGP 240,463,481 (equivalent to USD 15,2 million approximately) were imposed and covered all the sectors subject to the supervision of the FRA. Regardless of the nature and seriousness of the violations detected, the sanctions achieve the elements of dissuasiveness and proportionality.
592. In light of the scope of the sanctions applied as shown above, together with the value of the collected financial penalties; the assessment team believes that the sanctions imposed on companies that violated the AML/CFT instructions are considered satisfactory, as it is noticed that there is a decrease in the number of sanctions applied in 2019 compared to previous years; which indicates that the implemented sanctions had a positive impact on improving the level of compliance with the AML/CFT requirements.
593. The AML/CFT inspection of post offices carried out by the Ministry of Communications and Information Technology resulted in the detection of several violations that ranged between violations related to the customer identification procedures, customer data update, establishment of suspicion criteria, and provision of AML/CFT training to some staff working in post offices. These observations were recorded and sent to postal areas in order to hold non-compliant officers to account. A number of cautions, warnings and financial sanctions have been applied. The sanctions imposed on post offices ranged between warning, salary deduction or termination of employment (lay-off). The assessment team considers that the sanctions applied to the officers working in post offices are proportionate and dissuasive, as lay-off is a message to other officers that failure to comply with the AML/CFT requirements cannot be tolerated.

DNFBPs

594. Regarding the DNFBP sector, the approach taken in the case of non-compliance with AML/CFT requirements is not always satisfactory. Some supervisors apply proportionate and dissuasive sanctions unlike others, namely the Bar Association and SCP. It is also noticed that the current supervisory system for some DNFBPs has not been in place long enough to review a whole cycle during which violations would be detected and addressed and sanctions imposed.
595. The Ministry of Supply and Internal Trade initiated the inspection works in the middle of 2019. The violations detected during the inspection rounds varied between the failure to properly identify the customer, the failure to keep documents for a period of 5 years, the employees' unawareness of risks and the failure to check the sanctions lists on a regular basis. The sanctions extended to cover mainly the lodging of warnings (6000 warnings), followed by the withdrawal of the license for a temporary period and up to the complete business closure for 13 dealers for non-compliance with AML/CFT requirements, but these sanctions did not cover any financial penalties. The Ministry gave some examples showing that it has imposed gradual sanctions that started with the lodging of a warning and ended with the suspension of the license to practice the activity for a period of two months.

596. Sanctions imposed on real estate brokers were limited to 3 cautions lodged against three companies, but it did not appear that any financial sanctions were applied, given that the three companies took remedial actions within one week at the latest; however, it is not possible to assess the extent to which the sanctions affected the sector's compliance with the AML/CFT requirements, given that the supervisory system for real estate brokers has not been in place long enough to review a whole cycle during which violations would be detected and remedied and sanctions imposed.
597. The Ministry of Tourism applies sanctions on casinos which are not compliant with the AML/CFT requirements. Financial sanctions covered 9 casinos for violating the AML/CFT rules. The most prominent violations are represented in the entry of some customers without registering their IDs in the casino records. The maximum financial sanction reached /USD 150,000/⁸² in addition to the revocation of a license for the person responsible for managing a casino and who has a license issued from the Ministry due to a violation of the regulations and laws regulating the casino's operation. This action was taken in light of repeated violation. The financial and administrative sanctions applied resulted in all casinos setting up online systems and activating internal control procedures to control any violation or to detect any cases of conspiracy or theft, which indicates that the sanctions applied were effective, proportionate and dissuasive.
598. There are no sanctions applied by each of the Bar Association and SCP, against lawyers and accountants, whether individuals or offices.

Impact of supervisory actions on compliance

FIs

599. Inspections and follow-ups conducted by the CBE have had a positive impact on the banks' compliance with the AML/CFT requirements, as it appeared that banks have largely addressed the observations during 2015-2019, given that the observations addressed varied between 94% and 100%, although an increase in the number of observations was noticed in 2019, compared to the other years. This is due to the work methodology adopted by the inspection team created in 2019⁸³. Furthermore, the follow-up conducted also affected the exchange sector's compliance with the AML/CFT requirements, as the sector has largely addressed the observations during 2015-2019, given that the observations addressed varied between 92.4% and 100%. In view of the decrease in the violations detected among non-banking institutions subject to the supervision of the FRA, it can be said that the inspections undertaken by the FRA have significantly contributed to the compliance of the entities subject to its supervision with the AML/CFT requirements, particularly with respect to compliance with the reporting requirements. On the other hand, statistics on violations and sanctions applied to post offices indicate an improvement of 96% in their AML/CFT compliance, where a total of 174 out of 180 observations have been addressed between 2018 and 2019.

DNFBPs

600. The Ministry of Supply and Internal Trade provided statistics showing that the percentage of observations that have been addressed reached 80% in 2019 and 94% in 2020, respectively. The Ministry of Tourism also provided statistics showing that the percentage of observations processed in the casino sector was 100% in 2017, 83% in 2018 and 75% in 2019, respectively. In light of the recency of the inspection works carried out by the Ministry of Industry and Trade, the SCP and the Bar association and in the absence of any sanctions as indicated above, it is not possible to measure the extent to which these facts have affected the

⁸² Minister of Tourism decision No.365 of 2019 permits the application of financial penalties ranging between /USD25,000/ and /USD150,000/ and the penalties double in case of repetition.

⁸³ Given that the new inspection team which is specialized in the AML/CFT field has initiated its work and scope of inspection was broadened to cover the AML/CFT systems and their associated technological environment.

compliance of obliged entities with the AML/CFT requirements. In addition, the effect of supervision and follow-up undertaken by the said ministries to verify the DNFBP sector subject to their supervision for its compliance with the AML/CFT requirements, particularly the reporting requirements, could not be perceived, given that the STRs filed by the sector with the EMLCU are still very limited, despite the risks of some sectors, namely the real estate and despite the volume of gold sales recorded in 2019⁸⁴ which was no less than 62328 kg, i.e., the equivalent of approximately USD 3 billion.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

FIs

601. There is good cooperation between supervisory authorities and financial institutions, through workshops and regular meetings that receive great interest, especially by all representatives of the regulatory authorities, namely the Central Bank, which held several workshops in order to explain the AML/CFT obligations and the related risks to which obliged entities are exposed. It has become clear that the obliged entities have a clear understanding of their AML/CFT obligations and the related risks they face.
602. Besides, the CBE undertakes awareness raising by publishing guidance on its website and through training courses. In light of the NRA results, it issued guidelines and instructions to banks to enhance financial inclusion. It also organized workshops to clarify the NRA outputs. In addition, it required FIs subject to its supervision to implement on-going training programs for their employees and seek the assistance of specialized training centres. The FRA and the Ministry of Communications and Information Technology took steps which are similar to those taken by the CBE. It seems that the steps taken by all the supervisors of financial and non-banking financial institutions were successful and affected, at varying degrees, awareness raising and compliance of obliged entities, particularly banks, with the AML/CFT requirements, namely their compliance with reporting and targeted financial sanctions requirements.

DNFBPs

603. Efforts made by DNFBP supervisors have contributed, at varying degrees, to promoting a clear understanding of the sector's AML/CFT obligations and the relevant risks. This finding was drawn from the discussions held with those working in the DNFBP sector, as they seem to have an unconsolidated understanding of the AML/CFT requirements and related risks, from which it can be concluded that the efforts made by supervisors are uneven and ineffective, particularly with respect to how to determine the BO. In addition, it does not seem that the efforts contributed to the DNFBP sector's compliance with the reporting obligations (see IO.4).
604. **Overall Conclusion on IO 3:** The AML/CFT financial sector supervisors (CBE, FRA and Ministry of Communications and Information Technology) supervise and monitor FIs for compliance with AML/CFT requirements commensurate with their risks. Egypt implements a risk-based approach to AML/CFT supervision and ML/TF sectoral risk assessments have been an integral part of that approach for most supervisors of the financial sector. The supervision for most DNFBP sectors are nascent, so the risk understanding and risk-based supervision of these sectors are developing. Supervisory activities conducted by supervisors of the financial sector are generally targeted towards higher risk entities so is the scope and depth of the inspections, but for some DNFBP supervisors, inspections are not always satisfactory. Existing licensing and registration requirements are generally robust, although some important gaps exist. There is

⁸⁴ The sales volume was calculated based on the hallmarks provided to the Department of Hallmarks and Measures at the Ministry of Supply and Internal Trade.

some evidence that the efforts of some supervisors have had a positive impact on AML/CFT compliance. Sanctions applied by DNFBP supervisors are not always satisfactory.

605. Egypt is rated as having a Moderate level of effectiveness for IO.3

CHAPTER 7. LEGAL PERSONS AND LEGAL ARRANGEMENTS

Key Findings and Recommended Actions:

Key Findings

Immediate Outcome 5

- a) Information on the creation of legal persons is publicly available through the website of the General Authority for Investment and Free Zones (GAFI). Regarding endowments (waqfs), the information on their creation is available publicly, whereas the information on the endowment grantor (the settlor) and the beneficiaries it is only available to all competent authorities with the approval of the public prosecutor.
- b) Egypt conducted an assessment on how legal persons are being misused for ML/TF purposes, but the assessment was based on sample cases that date back to 2017. Considering the absence of ML/TF convictions against legal persons, there are concerns that the authorities' understanding of how legal persons are being misused may not be comprehensive, accurate and current.
- c) Egyptian authorities have taken several measures that mitigate the risks of misusing legal persons, by resorting to security agencies to have the criminal status of owners and managers verified and their names checked against UN and domestic sanction lists before and after the establishment or upon any change in the ownership or control structure.
- d) There are many channels to access basic and beneficial ownership information, including the recently established register with BO information. However, availability of current and accurate basic and beneficial ownership information implies that the entities committing to provide timely information, verifying that they are doing so on an on-going basis and checking the accuracy of information, namely with respect to the beneficial ownership, which is not always the case. In particular, the fact that not all the companies are required to open bank accounts and that a large percentage of companies does not keep beneficial ownership information and did not file beneficial owner information with the register limit the competent authorities' ability to access relevant information, even if these competent authorities have the power to enter the companies' premises and look for beneficial ownership information. Besides, no case studies were provided to verify that they are doing so in a systematic manner.
- e) Beneficial ownership information made available by companies to the Commercial Register is not available to FIs, namely banks, which limit their ability to sufficiently apply due diligence measures toward legal persons, even if some banks have enough expertise to do so.
- f) GAFI's suspension of the activity of entities that do not keep documents on the licensing requirements and those that do not keep a record containing the names of beneficial owners achieves the elements of dissuasiveness and proportionality. However, the pecuniary sanctions applied are not considered proportionate and dissuasive.

Recommended Actions

- a) GAFI should take reasonable measures to verify the accuracy of beneficial ownership information provided by legal entities, before approving the entry of this information in the Commercial Register.
- b) Egyptian authorities should:
 - Update the ML/TF risks related to all types of legal persons, and conduct a more comprehensive analysis of their threats and vulnerabilities.
 - On the basis of improved risk understanding, conduct proportionate mitigating measures, including targeting the monitoring activities of GAFI towards the higher risk legal persons.
- c) LEAs should more proactively and timely access basic and beneficial ownership information as part of their investigations, including by cooperating with the EMLCU where necessary.
- d) Authorities should ensure that all legal entities file the required beneficial ownership information with the Register.
- e) Beneficial ownership information on legal persons should be provided to financial institutions and DNFBPs to enable them to apply the CDD requirements in an acceptable manner. Egypt could also consider ways to encourage all companies to open and maintain bank accounts in the country.
- f) The provisions of the Commercial Register Law No.34 of 1976 should be amended, to enable the Commercial Register to impose dissuasive financial penalties against anyone who violates Prime Minister Decision No.457 of 2020.
- g) Instructions explaining the beneficial owner concept should be issued to ensure the implementation of obligations according to the Cabinet decision, in a systematic and effective manner.

606. The Immediate Outcome considered and assessed in this chapter is Immediate Outcome 5. Recommendations relevant for the assessment of effectiveness under this section are: R24 and R25.⁸⁵ And elements of R 1, 10, 37, and 40.

Immediate Outcome 5 (Legal Persons and Legal Arrangements)

Public availability of information on the creation and types of legal persons and arrangements

607. Different types of legal persons can be created according to the legislative frameworks in Egypt, but it is not possible to create legal arrangements except for Awqafs.
608. There is a diverse set of information and documents available in the Commercial Register. The registration process requires the provision of all the information related to the company's name, legal status, address, branches (if any) and their addresses, names of the partners, authorized agents, members of the board of directors (in shareholding companies) and their extent of power in managing the company and signing on its behalf, the company's activity or purpose of establishment and its capital.
609. Information on the creation of securities companies, partnerships and sole corporations is available to the public through the "Investor's Guide" available on the website of GAFI⁸⁶, which is the authority responsible for the publication of the certificates of incorporation, articles and memorandums of association of companies and data of the facilities which were established, and the publication of amendments made to them in the Investment Journal.
610. Egypt has a type of legal arrangements similar to the trust funds, which is "the charitable endowments (Awqaf)". Endowments are considered as public contracts supervised by the Egyptian Endowments Authority ("EEA") which is a governmental entity whose employees are considered as civil servants. Information on the formation of awqaf is publicly available through the website of the Ministry of Awqaf⁸⁵.

Table No. 7.1: Legal persons created in Egypt (as at 27/02/2020)

Type of Legal Persons		Foreign ⁸⁷	Egyptian
Securities Companies	Shareholding Companies	3,403	13,445
	Private company limited by shares	0	1
	Limited Liability Companies	7,119	40,503
	Sole Proprietorship Establishments	596	2,051
Partnerships	Joint-liability companies	1,339	3,404
	Simple partnership Companies	511	5,143
	Co-operatives	2	565
Sole corporations	Traders	1,640	21,297

Source: GAFI, Commercial Register.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal persons

611. Egyptian authorities assessed how legal persons are being misused for ML/TF purposes, based on the NRA process which has basically drawn upon data and statistics dating back to the period between 2014 and 2017 without including 2018 and 2019, despite Egypt's decision taken in 2019 to update the assessment. However, this update has not been issued by the time of the on-site visit, therefore, the authorities' understanding of how legal persons are being misused may not be accurate and current.

⁸⁵ The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

⁸⁶ www.gafi.gov.eg

⁸⁵ <http://ar.awkafonline.com/?p=87240>

⁸⁷ They include companies that amended their ownership or control structure through the admission of foreign natural or legal persons at a rate not exceeding 49% of the capital.

612. The assessment was prepared, based on approximately 550 ML/TF cases listed in the NRA database. This was followed by an analysis and an assessment of ML/TF threats and consequences, as well as an assessment and analysis of vulnerabilities related to legal persons that may potentially be misused in ML/TF, through several relevant elements, the most important of which include the ownership structure of various types of companies, how their capitals are formed, the extent to which their data can be accessed by stakeholders, the accuracy and authenticity of this data. Accordingly, the risks of misusing legal persons in ML/TF operations were rated as being of a moderate level.
613. Many cases showed that the proceeds of the predicate offence, whether funds or assets, were used to create legal persons⁸⁸, at varying amounts, which confirms the possibility of misusing legal persons to integrate the proceeds of crime into the economic cycle. This means that the paid up capital received from shareholders in exchange for their shares is derived from illegal activities.
614. In a number of cases, companies were established to conceal the illicit sources of income and these companies were predominantly “partnerships”. The activities of companies misused the most in ML are diverse and the most important of which were those engaged in real estate contracting.
615. Based on the TF cases which have been analysed, it was found that the sources used the most to finance terrorism are the legitimate sources of income, which means through profits generated by companies owned by leaders and members of terrorist groups. The companies whose profits were misused to finance terrorism varied; however, most of these companies were securities companies, namely “shareholding companies”. Given that these companies are owned by persons, their funds and assets were frozen following the designation of their names on the lists of terrorists and terrorist entities in implementation of UNSCR 1373 (see IO.10). On the reasons behind the exploitation of shareholding companies more than other companies in TF, as most shareholding companies engage in activities that generate large profits that allow them to be exploited in TF.
616. Vulnerabilities and risks legal persons are exposed to through the misuse of the service providers are not totally clear, given that a large number of lawyers and accountants can provide services to legal persons in Egypt. The country identified around 80000 lawyers⁸⁹ and 23000⁹⁰ accountants who can provide services such as legal consultancy (preparation of legal documents and provision of legal support in the establishment of legal persons). Those persons are subject to the AML law and can provide advice on legal persons in Egypt in return for a fee; however, they are not well supervised (see IO.3) and only a few information is available on the risks of the lawyers and accountants’ sectors. On this note, the NRA indicated that the increase in the risks of misusing legal persons would affect this sector as it is usually involved in the establishment and management of the property of legal persons.
617. There is no entity in Egypt named “Trust and Company Service Provider” (TCSP), as no licenses are issued for a company or entity that carries out this activity independently. These services are included within those provided by lawyers and accountants licensed to establish legal persons as mentioned above. The non-existence of any TCSPs in Egypt as affirmed by the authorities, does not justify why the authorities have not conducted an assessment of corporate service providers, given the possibility of the presence of trustees in Egypt that might be providing services to trusts created abroad.
618. On the other hand, the NRA covered the endowments and Egyptian authorities consider that endowments cannot be misused for money laundering, due to the inability to transfer ownership, and the risks of misusing them to finance terrorism are very low, given that the EEA is the government body that controls the administration of the endowment and the disbursement of charitable revenues derived from the endowment's investment to beneficiaries (people in needs, whether widows, persons with permanent disabilities, the sick...). Aids are disbursed after verifying their living conditions. . The assessment team

⁸⁹ This is the total number of lawyers in Egypt, out of which only 300 law firms practice some of the activities mentioned in Rec 22.

⁹⁰ The SCP is focusing on accounting offices totalling 397

considers that the sharp decrease in the number and value of the newly created endowments, combined with the aforementioned information, explains the reason for rating the risks of misusing endowments in both ML/TF operations as low.

619. In short, Egypt conducted an assessment on how legal persons are being misused for ML/TF. Since the assessment was based on a sample of cases that date back to 2014 until 2017 and in view of the absence of ML/TF convictions against legal persons (see IO 7 and 9), the assessment team considers that the authorities' understanding of how legal persons are being misused may not be comprehensive, accurate and current.

Measures to prevent the misuse of legal persons and arrangements

620. Egypt took some measures to prevent the misuse of legal persons for ML/TF purposes. In 2018, the FRA required the conversion of bearer shares into nominal shares. "Misr for Central Clearing, Depository and Registry (MCDR)" undertook the process of converting the shares of each owner, based on a letter addressed to it by the issuing company. The issuing companies declare the cancellation of the bearer shares that have been converted, on the working day following the end of the one-year deadline. The bearer shares are written off from the stock exchange schedules once the conversion procedures are completed, while recording the nominal shares replaced. Cancellation of bearer shares and their replacement with nominal shares enhances transparency in legal persons.
621. Only one company in Egypt has previously issued bearer shares (totalling 1,4 million shares) before they were converted into nominal shares in 2018, after becoming banned under Law No.17 of 2018. Before the promulgation of the said law, holders of bearer shares were required to hand over their shares to an entity licensed by GAFI to deposit them with "MCDR" on their behalf to keep them centrally in the name of the holder of the shares. This mechanism permitted to identify the number of shares and the number of companies that are required to comply with the provisions of the law.
622. All the legal persons are required to be registered, and the registration process requires verification of the authenticity of the information concerning the company and its founders and managers before starting the establishment of the legal person. This is done by examining the documents required to register the company in the Commercial Register (i.e. the memorandum of association, the articles of association, the document indicating the company's authorization granted to the person who represents it, as well as the evidentiary documents to verify the identity...) and by verifying that none of founders or managers is designated on the Security Council Sanctions Lists, or lists of persons banned from acting or persons rejected by the security services^{66F91}. The names of the existing founders and managers are also checked against these lists in a regular manner after the establishment and this process is not conditional upon any amendment that occurs in the ownership structure, the composition of the board of directors or the key management positions in the company; the process of checking the names against the sanctions list is made electronically through a system allocated for this purpose.
623. Before granting the approval upon the establishment of the legal entity, GAFI undertakes also a security check (Egyptian National Security Agency at the Ministry of Interior – Homeland Security) about the shareholders, partners or owner of the sole corporation or the company's manager. It rejects the applications for establishment for security reasons. Additional reasons for rejection are represented in cases where the start-up capital is not consistent with the nature of activity the entity wants to engage in, or if forgery is proven in the submitted documents (bank certificates, for example) or if the tracking of the imputed contributions within the entity reveals that foreign persons acquired more than 49% of the entity's capital. The assessment team was provided with some case studies evidencing the same. These measures are applied following the

⁹¹ GAFI's companies registration and amendment system comprises a domestic sanctions lists containing the names of natural persons, entities and organizations against which court judgements in ML/TF cases were rendered or orders preventing from the disposition of funds were issued. It also has a UN sanctions list

establishment in case of assignment of shares or interests to third parties or upon the appointment of new persons to hold any of the management functions in the legal entity.

Box No. 7.1: A case on the refusal to increase the capital for a suspicion about the authenticity of the bank certificate.

An Egyptian shareholding company engaged in the tourism activity applied for an increase of its capital from EGP one million to EGP 2 million (equivalent of USD 126500). It enclosed with the application a bank certificate evidencing the payment of the amount of the increase at an Egyptian bank. Based on a suspicion about the authenticity of the signatures and stamps affixed on the certificate, the concerned bank was addressed and it was found that the certificate is not true and falsified. Therefore, the increase of the capital was rejected, the Public Prosecution notified and the company's activity suspended.

624. Statistics provided by GAFI show that, during 2018 and 2019, a total of 16,901 requests were sent to the security services to inquire about (natural and legal) persons seeking to establish legal persons in Egypt, where 13,786 requests were approved and 3,115 rejected for security reasons.
625. The measures also stipulate that shareholder must disclose their years of experience, the number of their bank accounts (in Egypt and abroad), residential and commercial real estates owned in Egypt, companies in which they contribute and the percentage of such contribution. The measures referred to above, in addition to the verification of the extent to which the capital is consistent with the nature of the entity's activity are considered satisfactory to determine the extent to which shareholders are able to acquire interests in, or contribute to the legal entity or to determine the extent to which persons are able to hold senior management functions^{67F}.
626. The company acquires the legal personality from its date of registration in the commercial register; therefore, it cannot engage in any activity prior to this date. These controls and measures are effective to ensure the registration of legal persons.
627. During 2018 and 2019, GAFI conducted a security check on natural persons and legal persons seeking to own interests in the ownership structure of existing legal persons or to hold management positions therein, where 13,530 correspondences were sent to the security agencies which have approved upon 13,362 requests and rejected 168. This indicates that GAFI regularly checks the criminal status of shareholders or managers whenever any change is made to the ownership structure of the company or new persons appointed to assume positions in the company's management, by conducting a security check regarding new owners and managers.
628. During the period from January 2018 until June 2020, GAFI conducted a security check on all the companies established with foreign contributions (such as natural or legal persons or their board of directors) and on all companies that amended their ownership or control structure through the admission of foreign natural or legal persons.
629. Regarding the applications for incorporation, security agencies rejected 4656 out of 24317 applications. As to the requests for admitting foreign persons in the company's ownership or control structure, security agencies rejected 264 out of 20926 requests. Before approving upon requests made to acquire interests or hold a senior management position, a criminal record authenticated by the Ministry of Foreign Affairs and the concerned embassy abroad should be obtained. These measures are considered rather satisfactory to prevent foreign criminals from acquiring interests or holding management functions in Egyptian legal persons; given that GAFI can obtain useful information through counterpart entities, however, cases where assistance is sought from these entities remain insufficient, as mentioned above.
630. Companies undertake to submit to GAFI a copy of their financial statements after they have been approved by the General Assembly and an annual data form that includes, in particular, the size of labor and investments, as well as an update of their basic data, organizational structure, company branches and locations, provided that the form is delivered either at GAFI's headquarters or through the company's website by the official representative of the company, his agent, or his delegate. This procedure helps to verify the existence of actual business activities of the company, in order to ensure transparency of the financial

- transactions. During 2018 and 2019, a criminal lawsuit was filed against 56 companies for not submitting periodical balance sheets to GAFI, as this is considered a crime of tax evasion.
631. There are measures in place that can prevent the misuse of Awqaf for ML and TF. In particular, the Endowment Affairs Department (the Charitable and Benefits Division) at the Ministry of Awqaf implements the conditions of donors to disburse the deposit amounts to beneficiaries, disburse charitable benefits, and distribute the annual charitable proceeds to the charitable associations and foundations. A social inquiry is carried out at the regional directorates to identify the beneficiaries of the endowment, followed by an on-site visit to the place of residence of the applicant for the aids, to learn about his social status, and to request documents and evidence showing the applicant's eligibility. When the applicants are eligible for the aids, their debit cards are fed electronically and used to secure life necessities. These controls, combined, contribute to following up the disbursement of subsidies to beneficiaries and limiting the risks of misusing the endowment for TF purposes, in line with the NRA results, where it was indicated that the vulnerabilities associated with legal arrangements were rated as low. It is worth noting that all the endowments in Egypt can only be for charitable purposes and that the family endowments are not allowed, which means that Egyptian endowments disburse the subsidies to certain categories, and not to specific persons, thus also reducing ML risks.
632. In conclusion, many measures have been put in place to help mitigate the risks of misusing legal persons, namely by seeking the assistance of security agencies to verify the good conduct of the owners and managers and to have their names checked against the UN and domestic sanction lists before and after the establishment or upon any change in the ownership or control structure. Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons and arrangements in the country
633. Access to basic and beneficial ownership information can be obtained through several channels, although there are issues that may affect the adequacy, accuracy, and recency of such information, particularly in the case of beneficial ownership information.
634. The basic information published in the Commercial Register, which is issued in the first week of every month, is available online through the Internal Trade Development Authority^{68F 92} ("ITDA") website which provides information about sole corporations and companies established between January 2018 until October 2020^{69F93} and the amendments made thereto (i.e. modification of capital, address, activity, type of company, right of management and signature....). It is not possible through the afore-mentioned website to search for information by national number, company name or address or partner's name, which would hinder any search for information by any entity, including competent authorities, in addition to the fact that basic information on entities created after the elapse of one week from each month will not be available before the first week of the following month.
635. In March 2020, the Internal Trade Development Authority^{70F94} launched a service on its website allowing inquiry about the commercial register data, by commercial register number, tax number or national identification number for natural persons, but this service is only available to Egyptians.
636. The Ministry of Supply and Internal Trade maintains a register called "the Commercial Register" in order to gather all the data on traders and their commercial activities in Egypt. A page was allocated to each trader, containing all the data related to his commercial activity, whether it consisted of small or large enterprises. All the required updates are made to this data periodically and continuously. The data declared in the

⁹² www.itda.gov.eg/jurnal-sgl.aspx

⁹³ The ITDA's website was visited on 15/03/2020

⁹⁴ <http://www.itda.gov.eg/cra/index.aspx>

- Commercial Register for all types of companies is available publicly upon request, for a fee, in the form of an official extract of the registration data^{71F95}.
637. Basic information related to companies working in the field of securities, insurance and financing (real estate - factoring - financial leasing) is publicly available through the FRA's^{72F 96} website which provides information on the company name, type of activity, date of incorporation, registration number, address and methods of contact (phone number, fax and e-mail). It also provides in some instances, the name of the chairman of the company's board of directors.
638. Regarding access to basic information, this is achieved through the access to the information held by the Commercial Register. Entities are required to submit current basic information (i.e., upon any amendment of the ownership and control structure) to GAFI, during the validity period of the registration. These measures guarantee the timely access to basic information by all the competent authorities, especially through the Commercial Register database or through the official extract from the registration data in the Commercial Register. Competent authorities and the EMLCU's access to current information is conditional upon the entities' commitment to provide basic information in a timely manner, namely upon the amendment of the ownership structure.
639. GAFI reviewed the basic information of a sample section of companies created between 2018 and 2019 by relying on their capital as a criterion for selecting the size of the sample. Violations committed by (768) out of 5875 companies were detected but it did not appear whether GAFI adopts a clear methodology to regularly verify that companies are providing basic information in a timely manner to ensure that it is accurate and current, namely upon any change in the company's ownership or control structure.
640. In order for a foreign investor in partnerships to obtain the residence in Egypt, a bank account should be opened in the name of the company/corporation and a bank certificate stating the deposit of 25% of the capital of the partnership should be submitted; in case of sole corporations, a bank certificate stating the placement of a deposit in the amount of USD 200,000, blocked for one year, should be submitted. In case of a foreign legal person purchasing interests, Egyptian companies shall record such purchase in their partners' records and shall apply the procedures for holding an extraordinary general assembly to amend the article that includes the structure of the partners according to the latest status of ownership of interests, and to present them to GAFI, which in turn, addresses the security agencies to conduct a security check. In case of responding with approval, the minutes of the assembly submitted by the company is approved with a view to annotating the amendment in the Commercial Register. In case of responding with disapproval, the company's request shall be rejected, the minutes of the assembly not approved and the amendment not annotated in the Commercial Register.
641. Companies to which foreign persons contribute and which are created between 2015 and 2019 reached a total of 13953, where the value of foreign contributions reached around EGP 159.1 billion (equivalent to USD 10 billion approximately). Companies regarding which GAFI sought assistance from counterparts in order to apply the fit and proper tests toward their foreign shareholders reached a total of 2058; which means that GAFI refers to counterparts regarding 14% of the companies to which foreigners contribute. Yet, that percentage is still unsatisfactory, especially that it does not appear that resorting to counterparts is based on materiality and risk.
642. As regards beneficial ownership information, there are several ways to obtain such information. In March 2020, Cabinet decision required every entity which is registered in the Commercial Register to prepare and keep records that contain beneficial ownership information and update them whenever a change is made.

⁹⁵ The services related to providing information services to the public are being developed, as it is scheduled to finalize the launch of an electronic platform for the commercial registry that allows the public to obtain available information on legal persons on the basis of name, activity or commercial registration number, and will be operated and made available on the website of the Egyptian Services Portal (digital.gov.eg) by the end of March 2020.

⁹⁶ www.fra.gov.eg

Inspections conducted until August 2020 revealed violations committed by 41% of the companies which were inspected, and which totalled 3350, and this is considered reasonable given that the new requirements have recently come into force. The failure to keep records containing the names of beneficial owners may hinder the possible access of competent authorities to the beneficial ownership information, particularly that the assessment team was not provided with any information on the extent to which the said authorities are making use of the power or the mechanism to enter the companies premises to look for beneficial ownership information.

643. There are no instructions or texts addressed to companies that clarify the beneficial ownership concept, and how to establish who the BO is, which might affect the implementation of the obligations set out in the aforementioned Cabinet decision in a systematic and effective manner.
644. Following discussions held with concerned authorities, the concept of beneficial ownership among some of them, namely GAFI includes, at the time of the establishment or the amendment, the identification of the natural person who owns a controlling interest in the company. The controlling ownership represents a share of 25% or more of the company's capital. The identification of the said natural person is done by obtaining and verifying the authenticity of the required data and documents, and requesting them to acknowledge that they are the actual owner. This measure is carried out before completing the establishment procedures and registering the company or annotating the amendments in the commercial register. The measures in place also include checking the financial liability and the personal resume of the natural person to ensure that they are credible vis-à-vis the stated purpose of activity of the company.
645. Financial institutions and DNFBPs are required to establish the identity the BO of legal persons before establishing business relationship with them. Securities companies (shareholding - limited share partnership companies - sole corporations) are required to open a bank account with one of the licensed banks, where the capital is deposited when the company is established, or the value of the increase in the capital is deposited. The bank, then, issues a bank certificate stating the same and applies all the controls prescribed to identify customers. The request to obtain a bank certificate includes the names of the shareholders or founders, their nationalities, the number of shares or interests, the value of the contribution, the paid percentage, and the capital, as well as an undertaking not to withdraw the deposited amount until after the completion of the company's incorporation and extracting the commercial register. This would ensure that the commercial Register is informed of the companies' bank account.
646. All the companies which were incorporated during March and August 2020, and which total 7952 companies provided beneficial ownership information to the commercial register; while those formed at 1 March 2020 which provided beneficial ownership information, totalled 17463 out of 93333 companies. It appears that the companies which are not compliant with the ministerial decision totalled 75870 (i.e., 81% of the formed companies have violated the ministerial decision).
647. During discussions with FIs, especially banks, it appeared that the information available through the system connected with the Commercial Register only includes basic information and does not include beneficial ownership information. It also appeared that most banks rely on their expertise to verify the identity of the beneficial owner within the legal person, by identifying the ownership structure, the controlling interest up to (10%) and the right to sign and by examining the minutes of meetings of the board of directors to determine the cases where a delegation of powers is made by virtue of a power of attorney or by reviewing the repeated financial transactions conducted in favor of natural persons or through the persons authorized to operate the customer's account. However, as noted in IO4, the understanding of the beneficial ownership concept, is mixed, given that there are several entities that identify the beneficial owner only based on fixed thresholds related to the percentage of ownership or voting rights.
648. Banks have the power to access the database of the Commercial Register through an automated system in order to carry out the requirements for the verification of the authenticity of documents submitted by legal persons (before engaging in the business relationship and this power allows banks to update their customer

- data upon any change in the ownership or control structure); however, banks do not have the power to access beneficial ownership information, which limits their ability to notice any difference in the information declared by the official representative of the company (his agent or delegate) and the information held by the Commercial Register, given the importance of this fact to ensure, to some extent, that the beneficial ownership information is accurate and current.
649. With the exception of the basic information available through the Commercial Register as mentioned above, the beneficial ownership information was not available to LEAs before 01/03/2020, due to the absence of any obligation requiring companies to prepare, keep and update records of beneficial ownership information, and make them available to competent authorities (including GAFI) at the time of the validity period of the registration. Furthermore, it did not appear whether LEAs have resorted, before the said date, to the companies headquarters to look for basic and beneficial ownership information, either by examining the shareholders' record, the minutes of meetings of shareholders or the minutes of meetings of the board of directors; as this action would compensate the shortage resulted by the absence of any obligation before the said date requiring to make the beneficial ownership information available to competent authorities as mentioned above.
650. Competent authorities (namely LEAs and the EMLCU) have the power to access information held by financial and non-financial institutions, especially banks, which allows them to access beneficial ownership information with respect to entities required to open a bank account and any other entities that have financial transactions. There are also concerns that this information may not be accurate, given the difference in the measures applied to verify the identity of the beneficial owner, as they are limited in some cases to the ownership structure being traced down until the identification of the natural person who owns a controlling ownership interest above 10% of the capital. This measure does not extend to cover the verification of the identity of the natural person who exercises ultimate control or the natural person who holds a senior management position (see IO.4).
651. Limited liability companies and partnerships that comprise joint partnership companies which are not required to open a bank account, and which have no bank account totalled 34415 out of 70396 entities, as at 1 March 2020. Therefore, the beneficial owner of these entities was not available to LEAs before 01/03/2020, even if these authorities have the power to enter the companies premises to look for beneficial ownership information (by examining, for instance, the shareholders' record, the voting rights, the minutes of the general assembly meetings or the minutes of meeting of the board of directors). The assessment team was not provided with any case studies to verify that the search for beneficial ownership information is part of the usual and systematic efforts made by authorities, namely when conducting any investigations or inquiries or when considering the requests for assistance made by counterparts.
652. In conclusion, there are many channels to access basic and beneficial ownership information, although there are issues that may affect the adequacy, accuracy and recency of such information. The availability of current basic and beneficial ownership information is predicated on the entities committing to provide timely information and verifying that they are doing so on an on-going basis. However, the fact that a large percentage of companies does not keep beneficial ownership information limits the competent authorities' ability to access relevant information, even if these authorities have the power to enter the companies' premises and look for beneficial ownership information. However, no case studies were provided to verify that they are doing so in a systematic manner.
653. Beneficial ownership information made available by companies to the Commercial Register is not available to FIs, namely banks, which limit their ability to sufficiently apply due diligence measures toward legal persons, even if some banks have enough expertise to do so.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

654. The Ministry of Social Solidarity keeps information on the endowment grantor (originator) and beneficiaries. This information is available to all competent authorities with the approval of the Public Prosecutor. The information kept by the Ministry on the beneficiaries of the subsidies is updated, through the onsite review it conducts to verify the social status of the applicant for aid and through the documents and evidence it obtains on a case-by-case basis, whether regarding the national number, income or salary statement, medical reports, or death, marriage, birth and divorce certificates, in accordance with the rules and deadlines set in this regard, in addition to the proof of study, agricultural possession, social solidarity, postal payment cards for those in need and any other documents. These documents and information are available to all competent authorities after obtaining the approval of the public prosecutor.
655. The Egyptian law does not allow the creation of other legal arrangements (Trusts or trust like structures). Still, this does not impede trustees based in Egypt to provide services to trusts created offshore. The assessment team was not provided with any information in this respect.

Effectiveness, Proportionality and Dissuasiveness of Sanctions

656. Egyptian authorities have the powers to impose sanctions (imprisonment and penalty) when anyone violates the provisions of the Companies Act (see R.24).
657. During an onsite inspection conducted by GAFI for a number of companies to verify their data, cases involving incorrect or inaccurate information on the legal owners and how serious the practice of the licensed activity is, were detected. Accordingly, the activity of 561 companies or corporations was suspended, the licenses of 207 companies cancelled and the boards of directors of 21 companies dismissed during 2018 and 2020.
658. During the period from March to August 2020, sanctions were imposed on some companies for violating the requirements related to the beneficial owners. They ranged between the suspension of dealing, which covered 36 corporations, and penalties, which covered 508 corporations. The maximum amount of penalties reached EGP 100, which is approximately USD 6.
659. The sanctions applied as described above, in terms of suspending the company's activity, cancelling the license or dismissing the board of directors, are considered proportionate and dissuasive, while the financial penalties applied in practice are not dissuasive or proportionate, as they do not exceed EGP 100, given that the maximum amount of the penalty that can be imposed by virtue of article 19 of Commercial Law No.34 of 1976 does not exceed EGP 100, and EGP 200 (equivalent of USD 12), in case of repetition.
660. With regard to endowments, there are no cases involving the failure to keep the information requirements, given that the Egyptian Endowments Authority manages the endowment based on a specific mechanism as previously mentioned in this regard.
661. **Overall Conclusions on IO 5:** There is publicly available information on the creation and types of legal persons. Egyptian authorities have conducted an assessment on how legal persons are being misused for ML/TF, but this assessment may not be comprehensive, accurate and current. Several measures are in place to prevent the misuse of legal persons, these include seeking the assistance of security agencies to verify the good conduct of owners and managers of legal persons and checking their names against sanction lists, regularly with and without a change in ownership or control structure. There are insufficient measures to ensure accurate and up-to-date beneficial ownership information of legal persons. While this information may be available from reporting entities, there are several entities that identify the beneficial owner only based on fixed thresholds related to the percentage of ownership or voting rights. Egypt has applied proportionate and dissuasive sanctions to companies through its ability to deregister companies for breaching information requirements, yet the financial penalties applied are not dissuasive.
662. **Egypt is rated as having a Moderate level of effectiveness for IO.5.**

Chapter 8. International Cooperation

Key Findings and Recommended Actions:

Key Findings:

Immediate Outcome 2

- a) In general, Egypt provides timely legal assistance, and the responses have the required quality to some extent, despite the delay in responding to some incoming requests. Although Egypt's Constitution does not allow the extradition of Egyptian citizens, Egypt is able to prosecute them once the charges made against them are established. It is also able to extradite foreigners within a period of time considered very reasonable and which does not exceed 103 days.
- b) In general, the number of legal assistance requests is not consistent with the ML risks facing Egypt and more importantly terrorism and TF risks. Despite the country's efforts to recover the funds; however, the small number of requests issued in this regard is not in line with Egypt risk profile.
- c) The National Security Agency cooperates effectively with counterparts, since this cooperation has led to the arrest of several terrorists, the dismantling of TF networks, the reporting of foreign terrorist fighters to other countries, the seizure of funds at the borders, and the arrest of many criminal networks.
- d) Egypt uses many other forms of international cooperation with its foreign counterparts to exchange various types of financial and intelligence information for AML/CFT purposes. It was found that law enforcement authorities are making sufficient use of the cooperation with counterparts, given that this cooperation led to judgments of conviction being rendered in several crimes.
- e) The EMLCU is not making sufficient use of the channel of cooperation with counterpart Financial Intelligence Units. It appears from the responses provided by countries that the information received from the EMLCU is of the required quality, even if there are comments raised from some countries on the quality of the information provided and responses' expediency.
- f) The Customs Department exchanges information with counterparts on cases that mainly concern customs evasion, including the physical cross-border transportation of funds related in some cases to false or non-disclosure.
- g) There is a weak international cooperation between supervisory authorities (the CBE and the FRA) and counterpart entities with respect to the collection of basic and beneficial ownership information, namely in terms of verifying the ownership structure, members of the board of directors, executive officers, and beneficial owners of external entities which are seeking to hold controlling interests in a financial institution operating in Egypt (refer to IO.3).
- h) Efforts made by competent authorities in Egypt for international cooperation to exchange basic and beneficial ownership information in the legal person vary. For example, the EMLCU exchanges beneficial ownership information while there are concerns about the quality of information shared with counterparts. On the other hand, GAFI rarely seeks counterparts' assistance, before licensing and on a regular basis, to apply the fit and proper tests to foreign (natural and legal) persons who seek to contribute to legal persons in Egypt.

Recommended Actions:

- a) Egyptian authorities should make more use of the official international cooperation mechanisms, in a way that is consistent with the size of predicate offenses and ML/TF crimes, for example, by increasing awareness of the available cooperation tools among law enforcement and prosecution authorities.
- b) Enhance early communication with countries that reported a weakness in the quality of rogatory letters to overcome potential obstacles, before issuing these letters through official diplomatic channels.
- c) The Investigative authorities, the Public Prosecution and the judiciary should benefit from all the channels allowed by the formal international cooperation to trace, confiscate and recover criminal proceeds abroad.
- d) The EMLCU should continue to enhance the quality of the information provided to counterparts and should provide it in a timely manner. It should also increase the outgoing requests to meet the operational needs of the EMLCU and the local stakeholders.

663. The Immediate Outcome considered and assessed in this chapter is Immediate Outcome 2. The recommendations relevant for the assessment of effectiveness under this section are: R36-40, and elements of R 9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation):

664. Although Egypt is not a regional financial centre, international cooperation is important in the context of Egypt due to its geographical, cultural, and economic characteristics as it is still somewhat at risk in view of the serious crimes (such as drugs and arms trafficking) which generate criminal proceeds and which are transnational crimes by nature, in addition to the presence of a terrorist group in the Sinai, the reliance of terrorist groups in Egypt on the funds they receive from international terrorist groups, and the regional political instability in general (see chapter 1).
665. The conclusions reached by the assessment team were formed based on case studies and statistics provided by Egyptian authorities, responses received from the global network and discussions held with the International Cooperation Department at the Ministry of Justice, the International Cooperation Bureau at the Egyptian Public Prosecution, the EMLCU, and other competent authorities.

Providing constructive and timely MLA and extradition

666. Egypt has procedures in place to respond to mutual legal assistance requests, where MLA requests are received by diplomatic means through the Ministry of Foreign Affairs, which refers them to the Ministry of Justice (International Cooperation Sector "ICS") in its capacity as the central authority, and then the ICS receives and classifies the requests according to their type (related to terrorist financing or extradition or rogatory letters...) in separate official records after being marked and numbered sequentially by the Assistant Minister of Justice for International Cooperation, and then distributed to the judges in the Ministry of Justice according to the type of crime and the country from which the request is made to examine these requests and the accompanying documents to ensure their conformity with the conditions set out in bilateral, regional or multilateral agreements.
667. The request is sent to the International Cooperation Bureau at the Public Prosecutor Office on the same day of its receipt or the next, at the latest, to avoid delay. Once the International Cooperation Bureau receives these requests at the Office of the Public Prosecutor, they are thoroughly checked and the information mentioned in the request is fed into an electronic case-management system (since 2015) which is based on criteria in order to arrange them according to the priority of execution. Requests are given priority over others based on the classification criteria adopted by the said Bureau, such as the requests received from countries and whose execution is required at a specific time, requests related to terrorist financing and those related to the tracing and freezing of funds. Once the request is decided, the requesting country is notified through the Ministry of Justice about the start of the execution of the request if it is approved or about the impossibility of its execution along with the reason for that so that it can be approved immediately. As to the working mechanism followed by the International Cooperation Bureau, assistance requests received from abroad are divided among the (10) members of the Bureau where each member sorts them and indicates those that should be executed immediately or not, with a view to executing them according to priority.
668. Cooperation between the Ministry of Justice and the Public Prosecution is continuously coordinated while ensuring speed and confidentiality as communication is done through sealed files that are opened only with the knowledge of the addressee and marked as "top secret". Correspondences or inquiries related to requests are exchanged through the e-mail of both authorities and other entities. By examining the documents provided by Egypt, it appears that the period between the date of receiving the assistance request and the date of sending it for execution is no more than three working days.
669. Egypt provided some case studies on how to process cases received from counterparts. It also provided statistical data on the type of assistance required by the counterparts with respect to 15 cases, in terms of requesting documents, hearing witnesses, interrogating persons, inquiring about balances, financial transactions, property and beneficial ownership data, and requesting to trace and seize funds. Egyptian authorities provided requesting countries with partial and full responses.

670. Egypt received 3 requests to freeze bank accounts of the accused in cases subject to requests for assistance, but it is unable to indicate the value of the funds that have been frozen, as investigations are still ongoing. In addition, Egypt clarified that an amount of about 13 million euro derived from embezzlement of public funds was returned to a foreign country as part of the efforts exerted to respond to international requests and to return funds.
671. The following is the case provided by Egyptian authorities, which indicates the period from the date of receiving the request until the date of sending the reply to the requesting country:

Box No. 8. 1: A request from a counterpart country

On 14/6/2015, a request was received from a requesting country in a case related to the sale of a kidney of a citizen (the victim) of the requesting country. On 5/9/2015 Egypt provided the requesting country with some required documents and information gathered from witnesses, medical staff, and the victim; the remaining required information was sent to the requesting country on 8/2/2016.

672. Although the requests for legal assistance are received through diplomatic channels, the requesting country and the Egyptian Public Prosecution undertake, in some cases, unofficial consultations to verify that the request meets the conditions which should be fulfilled by the request to execute it before sending it officially. Many countries have previously communicated with the Public Prosecution unofficially through email or fax before providing the Egyptian authorities with the request through diplomatic means. This procedure is applicable to several countries, namely those with which Egypt entered into Memorandums of Understanding, which total (19) countries.
673. Egypt did not receive a large number of requests for mutual legal assistance compared to requests for cooperation and exchange of information between competent authorities and foreign counterparts, as it received (395) requests during the period (2015-2019), and these requests were received from 32 countries, and most of them came from Turkey (27.6%), Saudi Arabia (16%), Poland (10.8%), France (5.7%), and the United States (4.83%).
674. Based on the NRA results which indicated that most ML patterns are domestic self-laundering and given that no information on the countries which pose a source of threat to Egypt was mentioned in the NRA, the assessment team cannot state an opinion about whether the legal assistance requests are in line with the NRA results or not (See IO 1).

Table No. 8. 1: Incoming MLA requests (2015-2019)

Year	2015	2016	2017	2018	2019
Number of incoming requests	81	73	51	70	120
Requests partially and fully answered	81	73	48	67	49
Requests under execution	-	-	3	6	70

675. MLA Requests are returned to the requesting country to complete the information which should be provided in the request. The reasons for returning the incoming requests relate to the data of the person concerned, especially the inaccurate address (missing data or failure to inquire about the address of the person required to make a statement). These (7) requests accounted for (1,77%) of the total incoming requests, from which it can be concluded that the requests returned by Egypt to complete the basic information are considered limited. It appears that Egyptian authorities inform the requesting entities about the receipt and the processing of the request and seek any missing information. In some cases, the requesting country is informed about whether the information required is available or not, knowing that the information is sent in a partial or final manner.
676. The assessment team was provided with a sample of the incoming requests which were executed in a partial and final manner, where it is found that incoming requests are answered partially within 6 months at the latest and finally within 8 months at the latest, except for one request which was answered after three years due to the requesting country's delay in providing the complementary information, noting that it became

clear that Egypt received a request in 2016 and there is no information on whether it was answered. The average response period varies between 4 and 6 months, and this is considered acceptable to some extent, but this is predicated on the quality and accuracy of the information sent. The response period may reach two months at the latest and sometimes two weeks, only when the request includes a telephone number owned by the person subject of the request. During the meeting held with concerned authorities, the more the requests are clear and made in the language agreed upon in Memorandums of Understanding, the faster the response to the requesting entities.

677. The review of responses given by the Global Network on the cooperation experience with Egyptian authorities revealed that most countries affirmed that the cooperation provided by Egypt was of the required quality, except for one country which clearly and explicitly stated that the responses to some requests were late and slow, where it appears that the response was made after the elapse of one year because there was a need to communicate with the requesting country to seek more information on the person subject of the request before it is executed.

Table No. 8.2: Incoming requests according to the type of the crime (2015-2019)

Crime	2015	2016	2017	2018	2019
Drugs	2	-	1	2	2
Terrorism/terrorist financing	2	2	3	3	1
Money laundering	1	2	2	2	10
Customs evasion	33	40	34	40	57
Embezzlement	6	3	-	10	5
Misappropriation of funds	8	14	2	4	3
Forgery	10	4	4	2	4
Theft	8	3	4	2	13
Cybercrimes	6	3	-	4	10
Kidnapping	3	-	1	-	5
Murder	-	1	-	-	2
Sexual abuse	2	1	-	-	3
Illicit immigration	-	-	-	1	3
Formation of armed gang	-	-	-	-	1
Tax evasion					1
Total	81	73	51	70	120

678. During the period (2015-2019), the total number of requests received for money laundering crimes reached 17 requests, 2 requests were related to TF crime, and 9 to terrorist crime. It appears that the higher percentage of the incoming request is related to customs evasion (51,6%), which is not counted among the serious crimes, according to the NRA results (see IO.1). By reviewing some cases, it appeared that they had been referred to competent prosecution offices to follow up on the investigations, given that the major persons accused are Egyptians.

Extradition

679. The International Cooperation Department at the Ministry of Justice is the central authority for receiving requests for legal assistance from abroad, including requests for extradition, where it receives requests which are forwarded to the International Cooperation Bureau in the Office of the Public Prosecutor, who submits the matter to the Public Prosecutor to issue a relevant decision in the event where there is an agreement on which the request for extradition is based. If there is no agreement, the provisions of Law No.140 of 2014 shall apply, as it stipulates that the President of the Republic may, upon the proposal of the Public Prosecutor, and after the approval of the Cabinet, agree to extradite the accused and transfer the convicts to their countries in order to prosecute them or execute the punishment, as the case may be and whenever it is related to the best interests of the State, without prejudice to the provisions of international laws applicable in Egypt and agreements related to the extradition of the accused and the transfer of

- convicts⁹⁷. Egypt does not extradite its nationals and political refugees, as it is not allowed, according to articles (62) and (91) of the Egyptian Constitution (see Recommendation 39 of the TC Annex).
680. During the period between (2015-2019), the number of incoming extradition requests reached 265 with respect to the extradition of 265 persons, divided between 261 Egyptians and 4 foreigners on various charges. The requests were received from 21 countries (mainly from KSA, UAE and Kuwait). 4 foreigners were extradited within a short period that ranged between (62-103) days.
681. In those cases, in which Egyptian nationals could not be extradited because of article (62) of the Constitution, Egypt took actions to prosecute them. In particular, (181) cases were referred to the court, which issued (49) convictions and (20) acquittals. The Egyptian court also pointed that due to the lack of sufficient evidence, there is an inability to file a lawsuit with respect to (29) cases, and it is still considering the remaining cases which total (83), knowing that Egypt has not received the (80) extradition files from the requesting countries, with a view to implementing the appropriate measures as required by the law.
682. Offenses related to breach of trust, cheques, embezzlement, forgery and murder are the most related to incoming extradition requests, unlike the requests associated with ML crimes (2) and terrorist acts (1), which do not exceed (3) in total between 2015 and 2019. In the case of the request of extradition for terrorism related charges, the requesting country refused to send the request for extradition and the extradition file. As for (2) requests associated with ML, one of them was received at the beginning of 2017, and the concerned person is in a trial, in Egypt, while the other request was received in October 2018. It was decided to arrest the concerned person in September 2019, which indicates a delay in deciding on this request before issuing a warrant of search and inquiry against the concerned person.
683. In general, it appears that the execution and response to the extradition requests are not time-bound, given that the Public Prosecution, specifically the International Cooperation Bureau, proceeds to the examination of the incoming requests and the preparation of the relevant responses; however, the period for the execution of the incoming requests still depends on receiving the extradition case file and the necessary documents required from the countries requesting the extradition.
684. The foregoing reveals that Egypt refuses to extradite its nationals but can prosecute them once the charges made against them are confirmed. It is also able to extradite foreigners during a period of time that is considered very reasonable (62-103 days). However, a file contained some facts that showed a delay in rendering the decision to apprehend the concerned person before issuing a warrant of search and inquiry against him to arrest him and proceed with the judicial actions.

Seeking timely legal assistance to pursue domestic ML, TF, and associated predicate offense cases

685. According to the results of Egypt's NRA, crimes of illicit trafficking in narcotic drugs and psychotropic substances, fraud, illicit trafficking in weapons, ammunition, and explosives, money theft, and corruption are considered as a source of threat and among the most serious crimes with respect to Egypt's context. Given that most of these crimes have a cross-border nature, international cooperation is an important element to trace and recover the proceeds of crimes from abroad and prosecute criminals.
686. The central authority (the International Cooperation Department at the Ministry of Justice) handles the preparation of outgoing information requests, requests for assistance, and rogatory letters. It communicates with foreign counterparts with respect to various offenses, including judicial cooperation for TF, ML, and associated predicate offenses. The International Cooperation Bureau at the Office of the Public Prosecutor receives memos with information on cases investigated by different public prosecutions across Egypt, which requires sending requests for legal assistance. Afterward, the Bureau members prepare and send the request

⁹⁷ A draft law on "international judicial cooperation in criminal matters" was prepared and sent to the Parliament. The law regulates the various aspects of the international cooperation matter, the most important of which are the judicial assistance, extradition, transfer of convicts and recovery of funds, and it gives effect to the criminal procedures to this end. The law also targets the support of Egypt in its efforts to combat corruption and recover the Egyptian funds smuggled abroad. The necessary measures are being currently undertaken to issue the said law.

for assistance to the central authority in the Ministry of Justice in hardcopy, which in turn sends it to the country from which cooperation is sought, given that it is the only acceptable way, according to international conventions. According to the information provided by Egyptian authorities, the period of time taken at the Ministry of Justice to review and send the requests takes from 1 to 3 days. In cases of urgency, the Public Prosecution, being the only entity charged with the investigation and indictment in Egypt, unofficially sends the request to the entity from which cooperation is sought abroad to initiate the extradition procedures until the extradition file is officially received.

Outgoing mutual legal assistance requests

687. The number of outgoing mutual legal assistance requests reached a total of (113) during the period (2015-2019). The countries which received requests the most were: KSA (20%), France (9,4%), UAE (7,2%), USA and Germany (5,8% each), Kuwait, Jordan, Russia, and Switzerland (5,1% each). The assessment team was provided with statistical data containing the number of requests executed (65), those which are still under execution (42) and those rejected (6). The reasons for rejecting outgoing requests, in some cases, are represented in the absence of legal grounds against the owner of the artifacts⁹⁸ and in one case due to the unclear relationship between the funds whose seizure is required and the crime,
688. Informal consultation is usually undertaken before sending the request formally to avoid any potential obstacles or to meet other countries' requirements and reduce the period of time to the extent possible to initiate the execution of the request once received. The overall percentage of informal consultations is estimated at 60% of the number of requests sent. The major countries with which consultations are undertaken are KSA and UAE. All the requests are sent to these two countries through email before sending the request formally. There are consultations with other countries for some important requests.
689. Countries responses vary with respect to the quality of the rogatory letters sent from Egypt. Some countries mentioned that the rogatory letters received are of good quality, namely those related to the crimes of drug trafficking, money laundering, corruption, and embezzlement of funds. The feedback received from two countries (although it should be noted that the dates of requests made by one of the two countries are outside the assessment period) indicates that the rogatory letters received from Egypt are largely insufficient, given that the information therein lacks accuracy to identify and recover the embezzled assets and in other cases, because the type of action Egypt is required to take is not clear, the names are not clear, the data is incomplete, or the type of crime committed is not clear. Although Egypt undertakes early communication in informal ways regarding approximately 60% of the outgoing requests, before it sends them in formal ways, the assessment team considers that it is important to continue to communicate in advance with the countries that reported a weakness in the quality of rogatory letters in order to overcome the potential obstacles before issuing such letters through the formal diplomatic channels.
690. By examining the two case studies provided by Egypt, it appears that judicial authorities are chiefly relying on the information sent by the EMCLU, as a result of the international cooperation, before issuing a rogatory letter to counterpart judicial authorities requesting the seizure of funds.

Table No. 8.3: Number of legal aid requests issued during the years (2015-2019) according to the type of case

Crime	2015	2016	2017	2018	2019
Drugs	1	1	-	1	1
Terrorism	1	-	3	2	1
Terrorist financing	-	1	-	-	-
ML	3	2	1	1	1
Embezzlement and misappropriation of funds	8	6	11	15	3
Forgery	3	4	5	2	2
Theft	4	3	6	3	4

⁹⁸ What is meant by the owner of antiquities is the person who purchased them through an auction house abroad and is not involved in smuggling them.

Murder	-	-	2	1	2
Cybercrimes	-	-	-	-	2
Kidnapping	-	-	-	-	3
Sexual exploitation	-	-	-	-	2
Illegal immigration	-	-	-	-	2
Total	20	17	28	25	23

691. In general, the number of outgoing legal assistance requests related to ML, TF, and serious predicate offences, involving a cross-border dimension is low (the average number of rogatory letters does not exceed 23 annually) and not commensurate with the ML/TF risk that Egypt is facing. It is also worth noting that the rogatory letters sent abroad with respect to potential money laundering crimes are triggered primarily by the results of inquiries made to the EMLCU through counterparts, and not by the results of the investigations conducted by the law enforcement authorities themselves, as the latter rarely resort to formal international cooperation, given that they prefer informal cooperation over formal cooperation, such as the NSA which has recourse to informal cooperation for the quick exchange of information and for the sensitivity and confidentiality of the information exchanged.

692. What also explains the low number of outgoing rogatory letters is the fact that the number of STRs with a transnational characteristic which are referred by the EMLCU to the Public Prosecution is considered low (see IO.6).

Outgoing MLA requests for the execution of confiscation orders and sharing assets:

693. During the period (2016-2019), Egyptian authorities sent 6 requests to 4 countries to place funds under custody in profiteering and misappropriation of funds. Cooperation with counterparts led to the freezing of the account of a company owned by one of the accused and the seizure of a property owned by another one in one of the European countries, where the ruling issued by the Egyptian courts is being executed before the courts in the concerned country. However, most of the requests (3) are sent to another European country that did not respond regarding two requests. In contrast, its third response stated the need to establish the relationship between the funds deposited abroad and the crime committed in Egypt. The assessment team considers that the number of outgoing requests is not commensurate with Egypt's risk profile.

Outgoing extradition requests

694. The Public Prosecution is the authority responsible for issuing and preparing all extradition requests. The International Cooperation Department at the Ministry of Justice is responsible for receiving all extradition requests received from the Office of the Public Prosecutor to examine them and verify that they fulfil all the legal conditions and requirements pursuant to the international, regional, and bilateral agreements. After verifying that the extradition requests meet the conditions, they are sent to the Ministry of Foreign Affairs for delivery to the counterpart abroad through diplomatic means.

695. The number of criminals against whom extradition requests were issued during the period (2015-2019) totalled (218). (52) criminals were extradited during a period of time that ranged between one and (18) months. The major countries to which extradition requests were sent and which approved the extradition are the KSA, the UAE, Kuwait, Russia, France, Cyprus, Lebanon, and Qatar. Only three countries refused to extradite criminals for various reasons, because the accused person acquired the refugee's status, the crime of issuing bad cheques is not criminalized, and the conditions for extradition were not met. One of these three countries has previously agreed to extradite criminals for various charges, and it did not appear whether the conditions for extradition were met in the remaining extradition files (166) and whether their extradition or prosecution abroad is under process, nor did it appear whether Egyptian authorities have exerted enough efforts to meet the conditions for extradition or to follow up the extradition file with the requested countries, given that the outgoing requests since 2015 have not been decided and are still under execution. On the other hand, it appears that Egyptian authorities have a system in place to follow up the outgoing requests and monitor any progress made in their regard or not.

696. Regarding the crimes attributed to persons whose extradition is sought, there are two requests related to money laundering, 7 requests to terrorist acts, and the remaining requests (209) to other crimes, the most important of which are bad cheques, dissipation of funds, breach of trust, and murder, which do not fall within the serious crimes according to the NRA. Considering the very small number of requests related to money laundering (0,9%), compared to those related to other crimes and the size and level of external ML threat, the number of extradition requests is not commensurate with the overall ML/TF risks faced by Egypt.
697. Feedback made by a country revealed that it received 4 requests from Egypt and was unable to execute them due to the principle of reciprocity (there should be mutual obligations for extradition according to bilateral or multilateral agreements), as well as the absence of provisions ensuring that the capital punishment will not be applied. In addition, it could not execute 3 requests because the persons whose extradition is requested are not present in its territories. Although the principle of reciprocity is provided for by the Egyptian law, Egypt indicated that it is seeking through contact points at the Egyptian embassy in the concerned country to narrow the gap between points of view.

Seeking and providing other forms of international cooperation for the purpose of combating ML/TF and associated predicate offenses

698. Egypt uses a wide range of international cooperation forms with its foreign counterparts to exchange various types of information, including financial and intelligence information, to combat money laundering, associated predicate offenses and terrorist financing. With respect to terrorism and terrorist financing crimes, the National Security Agency cooperates effectively with counterparts. It was found that LEAs are benefiting enough from their cooperation with counterparts, which explains the low number of outgoing rogatory letters for money laundering, terrorist financing and serious crimes. Furthermore, there is a low number of requests made by monitoring authorities, namely with respect to the application of fit and proper tests toward owners and managers of legal persons by foreign (natural and legal) persons.

The Ministry of Interior:

699. 55 security agreements and a cooperation protocol have been signed with counterpart security agencies. These agreements aim to enhance cooperation between Egyptian authorities and foreign counterparts in many fields, including exchanging information for money laundering and terrorist financing, sharing security expertise in combating terrorism, and dealing with extremist organizations and tracking their members. The Ministry of Interior includes several agencies and departments that cooperate with counterpart entities, as follows:

The National Security Agency:

700. The National Security Agency cooperates effectively with counterparts, with respect to terrorism and terrorist financing crimes, through contact points in many countries at the international and regional levels. This cooperation resulted in the arrest of several terrorists, the dismantling of TF networks, the reporting of foreign terrorist fighters to other countries, the seizure of incoming funds at the borders, and the arrest of many criminal networks. Cooperation with counterparts also contributed to the detection, dismantling, and prosecution of terrorist cells in other countries. For security reasons, data in this regard is limited, so the assessment team based its conclusions on discussions with the relevant authorities, some statistics it was provided with and the details mentioned in 8 case studies about the extent of benefiting from the mechanisms of international cooperation with counterparts for arresting several suspects charged with the formation of, or provision of support to terrorist cells.

Table No. 8.4: Information requests received and made by the National Security Agency

Year	2015	2016	2017	2018	2019
Number of incoming requests	11,980	11,257	9,980	9,500	9,481
Number of outgoing requests	10,621	10,547	9,673	9,153	8,764

701. The table above shows the size of cooperation between the National Security Agency and counterpart entities. A relatively limited decline is noticed in the number of outgoing and incoming requests in 2019 compared to 2015, due to an increase in the cross-border smuggling of cash during the period that followed the revolution of January 2011 until 2016. On this note, a decline was noticed in this phenomenon afterward. Besides, Egypt witnessed the highest rates of terrorist acts in 2015 compared to subsequent years. The incoming and outgoing requests varied, in terms of the type of crime, between terrorist crime (52%), terrorism and TF crimes (27%), and other crimes such as drug crimes (21%).
702. Cooperation is undertaken with several countries worldwide (38), particularly those with terrorist organizations that might have links with Egypt. Cooperation has often contributed to supporting existing issues and clarifying inter-person/terrorist relations in diverse organizations. Incoming requests are answered, and sometimes, they are spontaneous and do not require a response but contain confidential information that might be useful for Egypt.
703. The following are two case studies showing the quality of intelligence information exchanged between the National Security Agency and counterpart entities, which contributed to the capture of terrorists in Egypt and abroad.

Box No.8.2: Two case studies showing how to make use of the information exchange between the National Security Agency and counterparts

First case: Investigations carried out by the National Security Agency resulted in the detection of a person using social media to recruit people and facilitate their travel to conflict areas, where he persuaded some Egyptians and persons of some other nationalities. Information was shared with three counterpart entities, and all the members of the terrorist network were arrested while crossing the border to one of the three countries. The mobile phones used were seized, and the investigations revealed that they had called the primary suspect who gave them amounts of money, ranging between USD 500 and USD 2,500. The suspects were brought to trial in that country.

Second case: The Egyptian National Security Agency received information from a country about some persons suspected of belonging to terrorist organizations who intend to transfer funds to Egypt across the borders for the purpose of financing terrorist operations. (3) persons were detected while going through the customs department at one of the border ports. They were immediately arrested and caught in possession of amounts of money. A technical scan of the memory card of one of the mobile phones seized revealed files and writings involving radical causes and military information on how to make arms and ammunition. Accordingly, the matter was referred to the Public Prosecution.

The Interpol:

704. The Interpol which is placed at the Ministry of Interior undertakes communication with the Interpol offices around the world on behalf of the local authorities. It also received requests from abroad and seeks the assistance of all the governmental entities in the country, including GAFI. It searches in the various databases at the Ministry of Interior to gather and send the information required to the requesting entity. During the period (2015-2019), the Interpol in Egypt received a total of (30,215) requests for information regarding various crimes (money laundering and predicate offenses) and accused persons involved in these crimes. The requests are often related to the request of intelligence information for inquiry purposes. There are requests received from most Interpol offices worldwide, mainly from Arab countries, the USA, and some European countries such as Italy, Spain, and France. In general, incoming requests are not rejected, and in the event of receiving a request that does not meet the data or is incomplete, a follow-up is made with the requesting office in order to meet the data required with a view to processing the request. The response period takes one to 15 working days. In one of the cases, the Interpol office in an Arab country immediately responded, and the accused was arrested in Cairo only five hours after sending the request for information.
705. During the period (2015-2019), the outgoing requests made at the request of law enforcement authorities totalled (26,958). They were related to money laundering (0,4%) and associated predicate offenses (the most

important of which were represented in crimes of theft (18,5%), corruption (15,7%), fraud (14,5%), arms and ammunition (6,3%), drugs (1,7%). (869) of the requests were made by the Public Funds Investigation Department, (294) by the police force for countering antiquities smuggling, and (462) by the Anti-Narcotics Investigation Department. In general, outgoing requests are not rejected, and sometimes, the country from which the assistance is sought does not respond. This happened in 5 cases involving countries that Egypt has tensed relationships with. In such events, the request for information or (the red notice) is disseminated to all member countries to inform them about inquiries/investigations regarding wanted persons, in order to inquire about them, or arrest them if they travel to these countries. The major countries with which cooperation is undertaken are Arab countries, namely the Gulf States, in addition to European countries with large communities, namely Italy, Switzerland, and Spain. Direct relations with points of contact at the counterpart agencies are often used; however, it is not possible to set a specific period of time to respond to the requests, but the response to some may be delayed for a period exceeding 6 months, where the Interpol department would remind the counterpart agencies once a month. Outgoing requests related to corruption (15.7%) and theft and fraud (33%) are commensurate with Egypt's risk profile, except for those related to drugs which accounted for (1.7%).

The Public Funds Investigation Department:

706. Considering the transnational nature of the financial crimes, the Public Funds Investigation Department seeks to cooperate with counterpart entities at the international level, even if cooperation is indirectly undertaken through the National Security Agency, the EMLCU, or the Interpol. During the period (2015-2019), the number of requests made by the Interpol reached (869), and by the National Security Agency and the EMLCU (171) and (15), respectively. Cooperation was also undertaken with respect to several offenses through Interpol. These offenses were mainly represented in crimes of fraud (23%), theft (16%), customs evasion (14%), embezzlement/misappropriation (12%). In many cases, information is exchanged for the purpose of making inquiries about persons and their activities. These inquiries may eventually result in a lack of evidence to file a formal international cooperation request. The Agency received many requests from abroad through the Interpol during the period (2015-2019) which totalled (2,487) and included a set of criminal offenses, the most important of which were represented in crimes of fraud (37%), forgery, including payment cards (23%), theft (11%) and bribe (8%). The response period for each request would take up to 15 working days, or maybe less if the information is available in the Ministry's database, which does not require to conduct a search in the databases of other local authorities. According to the NRA results, the customs evasion crimes accounted for (14%) of the total outgoing requests, although they do not figure among the major serious crimes. Although it is not possible to anticipate a perfect match, there is a consistency to some extent between crimes of (theft, embezzlement and fraud) regarding which international cooperation requests were made and the serious crimes according to the country's context. It is worth noting that the international cooperation led to the referral of 98 cases to the courts, regarding which 60 convictions were rendered, in addition to the seizure of funds and the confiscation of around USD 18 million and EGP 200 million (without specifying the nature of crimes attributed in these judgments), which proves the effectiveness of international cooperation.

The Anti-Narcotics Administration:

707. The Anti-Narcotics Administration cooperates with its counterparts in foreign countries on a regular and systematic basis. Cooperation is also undertaken, particularly with neighbouring countries. and also with countries which have a large volume of intra-trading (one of the smuggling methods is through hidden compartments in cargos) with Egypt. In this context, several cargos bound to other countries were found onboard the ship anchored at an Egyptian harbour, in coordination with other national authorities. It also exchanges information through its own channels (the International Cooperation Department within the

Administration) and through the Egyptian Interpol. International cooperation resulted in the interception of drugs smuggled into the country. The following are examples of substances that have been seized:

Table No. 8.5: Drug seizures

Country	Quantity	Value (in EGP)	Value in USD
Country A	50 million pills	125.000.000	7.900.000
Country B	3,6 kg of heroin	20.000.000	1.250.000
Country C	4 tons of weed	200.000.000	12.650.000
Country D	33,000 captagon pills	845.000	53.500

The police force for countering antiquities smuggling:

708. The police force for countering antiquities smuggling cooperates with foreign counterparts through the Egyptian Interpol to track smuggled antiquities, considering the Interpol’s ability to obtain information rapidly by communicating with foreign counterparts. The police force communicates with archaeology professors and researchers through the archaeological delegations to Egypt and through phone calls and email correspondence to follow up on the possibility to obtain information on the artifacts that are being tracked. In 2015, the Antiquities Investigation Department found that during the periodical monitoring of world auction houses, one of them is organizing an exhibition for (17) pharaonic artifacts in a foreign country. It contacted the Interpol to stop their sale. In 2018, cooperation also resulted in tracking and recovering artifacts that included pieces from two Egyptian tombs and 91 artifacts from the UAE, and Jordan, in addition to the recovery of more than 50 artifacts from Mexico, Switzerland, France, England and the USA.

The Administrative Control Authority:

709. The Administrative Control Authority exchanges information with counterpart entities. The outgoing requests reached a total of (300) during the period (2015-2019), (42%) of these requests were related to corruption (misappropriation of public funds, illicit gain, and abuse of power), (30%) to customs smuggling, (14%) to trafficking in human beings and (14%) to forgery. The incoming requests for the same period reached (453), (48%) of them were related to corruption (misappropriation of public funds, illicit gain and abuse of power), (16%) to forgery, (16%) to tax evasion, (13%) to customs evasion, and (7%) to trafficking in human beings. Thanks to cooperation with counterparts, the Authority was able to bring down an international network involved in the sale and trafficking of human organs in 2016. This network included doctors and persons of Arab nationalities, whether as donors or receivers. The funds generated from the sale of human organs were seized, and the case on money laundering charges is still under trial. Another network was brought down in 2020. The money laundering pattern in the first case was examined, and it consisted of cash amounts that the accused persons have deposited in their personal accounts or the accounts of their relatives, in addition to the purchase of real estate and cars, and the case is still being investigated. Information regarding the case in which some Arab nationalities were involved, whether as donors or receivers, was provided to counterpart agencies abroad, and coordination was undertaken to protect the foreign victims (donors) and provide them with medical care in Egypt. Outgoing requests regarding crimes of corruption (42%) and trafficking in human beings (14%) are consistent with Egypt’s risk profile, even if the crimes of trafficking in human beings are not among the serious crimes, with respect to Egypt’s context, given that it is not possible to anticipate a perfect match. It is worth noting that the international cooperation led to the referral of 23 cases to the courts, where conviction was ruled in 7 of them (without specifying the nature of these crimes) against 196 accused persons and EGP 170 million (approximately USD 10,7 million) was seized; this proves the extent of benefiting from the international cooperation.

The EMLCU:

710. The EMCLU (the Unit) cooperates with counterpart FIUs through the Egmont Secure Web. It entered into (27) Memorandums of Understanding with counterpart FIUs. The counterpart FIUs with whom the Unit is seeking to enter into Memorandums of Understanding were selected based on certain determining factors,

such as the existence of intensive commercial relationships between both countries or the presence of Egyptian or foreign communities in both countries.

Outgoing requests

711. The Unit seeks information in the context of completing the financial inquiries it is conducting or requesting information to complete the investigations conducted by competent authorities. Based on the procedures applied by the EMLCU, cases where information is sought from counterpart FIUs vary, such as the extent to which there are inquiries or investigations related to foreign nationalities, financial dealings made with these countries, travel of the person subject of the request for information from/to this country, companies established in this country or having dealings related to it, STRs received concerning financial transactions or persons from/in foreign countries, declarations of foreign currency received concerning persons from foreign countries or persons who frequently come from or go to foreign countries.
712. The requests for cooperation made by the Unit reached (300) during the period (2015-2019), (55) of which were made on behalf of competent local authorities ((15) requests made by the Public Funds Investigation Department, (9) by the Illicit Gains Authority, (16) by the Public Prosecution, (10) by the National Security Agency, and (5) by the Anti-Narcotics General Administration. Most of the requests were sent to the UAE FIU (11,81%), the British FIU (5,9%), the Saudi FIU (5,21%), and the British Virgin Island FIU (5,56%).
713. Outgoing requests varied between those associated with ML and associated predicate offenses (63%) and TF offenses (37%). The EMLCU sent out requests for many reasons that included the inquiry about the extent to which the suspect kept assets in the counterpart country (22%) or to which he is associated with financial transactions performed through financial institutions in the counterpart country (36%) or the request for information about the beneficial owners of the transactions, accounts, companies or assets or the tracing of funds (42%), in addition to any other information held by competent authorities (criminal and police records of the suspect).

Table No. 8.6: Requests according to the type of request

Year	Money Laundering					Terrorist Financing					Predicate Offenses					Requests involving ML & predicate offenses					
	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total ML only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total TF only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total predicate offenses only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total Requests involving ML & predicate offense	Total requests during the year
2015	1	2	3	6	12	1	13	-	1	15	5	-	4	3	12	-	2	1	3	6	45
2016	-	-	3	6	9	-	9	-	7	16	1	2	4	3	10	-	-	16	2	18	53
2017	1	-	4	2	7	-	6	5	9	20	2	1	15	3	21	-	-	4	3	7	55
2018	-	-	2	2	4	1	3	6	7	17	2	-	5	2	9	-	-	18	1	19	49
2019	2	-	4	3	9	-	29	5	9	43	5	-	4	-	9	-	-	-	37	37	98
Total requests according to the type of request	4	2	16	19	41	2	60	16	33	111	15	3	32	11	61	-	2	39	46	87	300

714. The number of requests made by the Unit to its counterparts witnessed an increase, given that it was 45 in 2015 and reached 98 in 2019. But the number of requests, which is (300), is still low compared to the number of STRs and requests for domestic assistance that the Unit has received during the period (2015-2019), given that the STRs totalled (17,500). It can be concluded that the Unit rarely seeks to communicate with

counterpart FIUs to request information to support its operational needs and those of law enforcement authorities. Cooperation between the Unit and its counterparts was judged as weak based on the information provided to the assessment team during the meeting held with the representatives of the Unit, where it appeared that outreach to counterparts is undertaken, when necessary, regardless of whether or not the STRs were related to external entities.

715. During the period between (2015-2019), the EMLCU sent (29) spontaneous requests, some of them related to customs evasion and others to the collection of savings of persons working abroad by an exchange company. The EMLCU agreed to authorize both concerned counterpart FIUs to disclose the information it sent to the concerned authorities abroad. In this context, it was reported that the requests in the first case were referred to law enforcement authorities for investigation, while the EMLCU did not receive any information on the usefulness of its information concerning the second case.

Incoming requests

716. The number of requests received by the Unit totalled (325) during the period (2015-2019). Two requests were not answered, and the response to those which were answered were made within various periods of time, depending on the quality and accuracy of the information sent by the counterpart FIU. In case this information is complete, a partial response is provided after examining the Unit's databases, whether on the same day or within one working week at the latest. In case the counterpart FIU requests an expeditious response, or when the matter concerns terrorist offenses, the response is given within two days at the latest. Partial answers are followed with final responses in case of referring to the requesting country to complete some information so that the Unit can start processing the requests.

717. Most of the requests were received from FIUs of the USA (10,4%), Island of Jersey (7,5%), the UK (6,1%), Russia (5,2%) and KSA (4,3%).

Table No. 8.7: Statistical data on the number of incoming requests according to the type of crime and inquiry about the beneficial owner

Year	Money Laundering					Terrorist Financing					Predicate Offenses					Requests involving ML & predicate offenses					
	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total ML only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total Tf only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total predicate offenses only	Inquiry About BO	Inquiry about assets	Inquiry about BO and assets	Financial transactions	Total Requests involving ML & predicate offense	Total information requests during the year
2015	4	1	4	19	28	1	-	4	8	13	1	1	2	8	12	2	2	2	9	15	68
2016	9	3	3	17	32	3	2	5	10	20	1	1	1	15	18	3	5	3	6	17	87
2017	2	4	2	7	15	1	3	-	4	8	0	3	2	5	10	5	3	1	4	13	46
2018	4	4	3	6	17	2	1	-	6	9	3	1	3	6	13	2	2	1	5	10	49
2019	7	2	3	9	21	6	4	3	10	23	4	2	4	6	16	6	2	4	3	15	75
Total requests according to the type of request	26	14	15	58	113	13	10	12	38	73	9	8	12	40	69	18	14	11	27	70	325

718. By examining the Global Network responses regarding the effectiveness of coordination and exchange of information between the Unit and counterpart FIUs, it appeared that there are different views expressed on the quality of the information received and the extent of cooperation with counterpart FIUs. In this context, some of them (9) praised the quality of the requests received and the on-going improvement in the deadlines set for responding and mentioned that no difficulties or obstacles had been noticed in this regard. However, the responses of some FIUs (6) reveal that in some cases, requests were not answered by the Unit in Egypt (as mentioned by one FIU concerning 2 requests), while in others, it was mentioned that the requesting FIU gave its consent to disseminate the subject of its request to Egyptian LEAs, but no follow-up reply was received from the EMLCU. Others mentioned that the response is not complete and does not meet all the

issues required in the request, or that it does not include any reference to the (administrative, financial and security) databases the Unit has used to collect the required information or that the information provided by the Unit is not satisfactory, or that there is a delay in responding up to 5 months at the latest. The countries' responses show that the Unit provides information to counterparts that meet the expected quality in some cases, even if there are some observations about the quality of the information provided and the expediency of the responses.

719. By examining the correspondence exchanged with a counterpart FIU which had observations about the effectiveness of cooperation and coordination with the Unit, it appeared that the latter had provided information stating that the person subject of the request is unknown (without specifying whether he is unknown to the Unit, law enforcement authorities or other entities), and after the elapse of six months, the Unit informed its counterpart that the concerned person is unknown to law enforcement authorities, while also granting its approval upon the authorization to use of this information.

The Customs Department:

720. Disclosures of incoming and outgoing cross-border transportation of funds are provided to customs authorities, which can question the cash courier, in case he fails to disclose or provides false data, about the source of the transported funds and the purpose of their use. They can also seize the funds in case there is serious evidence showing that they are related to ML/TF. The assessment team was provided with 4 case studies which show, each, the extent of benefiting from the cooperation with counterparts in the cases of cross-border transportation of funds (two cases related to non-disclosure and two cases related to false disclosure). Nonetheless, the cases where the assistance of counterparts is sought remain limited.
721. The Customs Department exchanges information with counterpart entities. The number of incoming requests totalled (190) during the period (2015-2019). They varied between customs evasion, including the cross-border transportation of funds (90%), arms smuggling (2,5%), antiquities and drug smuggling (3,75%) each. The outgoing requests reached (185) during the same period and varied between customs evasion, including the cross-border transportation of funds (91%), arms smuggling (2,7%), antiquities smuggling (2%), and drug smuggling (4,3%). Customs authorities provided some statistics on the seized items that included drugs, artifacts, and smuggled funds upon entry and exit. It is noticed that most of the incoming and outgoing requests involve customs evasion cases that account for not less than (90%).
722. Counterpart customs units are provided with the smuggling details through their membership of the Customs Enforcement Network. If the counterpart unit is not a member, it is contacted directly. Besides, cooperation between the Egyptian Customs and foreign customs authorities resulted in several seizures (see IO.8). One of the cases provided by Egyptian authorities shows the extent to which a country benefited from the information exchanged concerning a theft of vehicles and the attempt to smuggle them through false invoices, where they were seized and the members of the gang implicated in this case were arrested. This proves the effectiveness of international cooperation with the counterparts. Furthermore, this cooperation led to the referral of 44 cases to the courts, where conviction was ruled in 22 of them (without specifying the nature of the crimes in which judgments of convictions were rendered) and the other cases are still being investigated.

The Central Bank of Egypt:

723. The CBE communicates with central banks abroad in limited cases in order to apply fit and proper tests toward shareholders and managers of foreign banks that are seeking to acquire banks operating in Egypt, in addition to the application of these tests toward foreign persons who are seeking to hold functions in local banks (see IO.3). The requests for inquiry about persons (without determining the status of the persons who are subject of inquiry) reached 3, while the requests for inquiry about beneficial owners were 6. The requested countries included the Kingdom of Morocco and the UAE. However, it did not appear whether the concerned persons are seeking to contribute to, or hold managerial posts in any of the FIs that are subject to

licensing by the CBE. During the period (2015-2019), the CBE received (31) requests from central banks abroad regarding the application of fit and proper tests toward natural persons who are seeking to hold posts in the administrative departments of some foreign banks. The correspondence which has been examined reveals that the CBE provided the requesting banks with the information required within a period that does not exceed two months. The CBE was not provided with feedback from counterparts about the usefulness and quality of the information provided.

Financial Regulatory Authority (FRA):

724. The number of requests sent by the FRA is small compared to incoming requests, as the number of requests sent during (2015-2019) reached three requests that fall within the functions of the FRA represented in supervising the dealing in securities, in order to detect any potential transactions related to insider trading. There is one request for international cooperation made to a counterpart entity to inquire about the criminal status of a foreigner who wanted to subscribe to the capital of a securities company, but there were no requests for international cooperation related to the application of fit and proper tests when licensing the legal persons to which foreign legal persons contribute or whose boards of directors include foreign natural persons (IO.3). As to the requests made by counterpart entities to the FRA during the period (2015-2019), they totalled (14) and were answered within a period of two months at the latest. The type of assistance requested varied, so as to include the request for information on the integrity and good reputation of any company subject to its supervision or the persons licensed to practice any of the activities subject to its supervision, and information on legislations or practices that fall within the FRA's scope of work.
725. The feedback received by a foreign securities authority regarding the application of fit and proper tests indicates that cooperation with the FRA was constructive in terms of the quality of information and the expediency of response.

The Ministry of Solidarity:

726. The Ministry of Solidarity communicates with competent authorities abroad, whether through the Ministry of Foreign Affairs or the Ministry of Investment and International Cooperation, in order to inquire about the entities that are seeking to finance certain projects in Egypt, through charities or to inquire, in some cases, about the integrity and properness of the foreign persons before approving upon the acceptance of their candidacy to work in local charities. It is worth noting that the Ministry has never received requests for assistance from counterpart entities abroad, except for 6 requests from two different embassies in Egypt. Both were replied to within a period that did not exceed (30) working days.

International exchange of basic and beneficial ownership information of legal persons and arrangements:

727. There is a difference between the efforts made by competent authorities in Egypt with respect to international cooperation to exchange basic and beneficial ownership information of the legal person. The Unit, for example, exchanges beneficial ownership information, but the assessment team has concerns about the quality of the information that is shared with counterparts. As to GAFI, it rarely refers to counterpart entities, before granting the license and regularly, to apply the fit and proper tests toward foreign (natural or legal persons) who are seeking to contribute to legal persons in Egypt. It refers instead to security authorities to state its opinion before approving upon granting the license or not. For monitoring authorities, there is weak cooperation with counterparts regarding the verification of the ownership structure, the board of directors and the executive officers at the external entities that are seeking to hold interests in a financial institution operating in Egypt.
728. During the period between 2015 and 2019, the Unit received (325) requests for assistance from counterpart FIUs, (89) of which were related to the beneficial owner of legal person, and one to an inquiry about a NPO in Egypt. According to the statistical data provided by the Unit, it appeared that all the requests had been answered after approaching the Commercial Registry Authority, GAFI, and law enforcement authorities for inquiry; which raises concerns about the accuracy and quality of the information exchanged with counterpart

entities, given that the entities to which the Unit has referred (the Commercial Registry Authority and GAFI) have not been keeping beneficial ownership information before 01/03/2020 when companies started providing this information to GAFI, knowing that these measures are recent and it is not possible to test their effect on the effectiveness of international cooperation (see IO.5). The requests made by the Unit to foreign counterparts in search of beneficial ownership information of legal persons totalled (94) all of which were answered. Before sharing the information held by the Unit with local authorities, the counterpart FIU is referred to in order to obtain its prior approval. The EMLCU provided two case studies, one of them showed the extent of benefiting from the information concerning a beneficial owner in a company abroad who transferred funds generated from fraud and money laundering to one of his bank accounts and used them to purchase real estate. As a result, his funds were seized and he is currently under trial for ML charges.

729. When GAFI receives requests for the establishment of legal persons in Egypt to which foreign persons or legal persons established abroad contribute, it refers to foreign counterpart entities, informally, to collect beneficial ownership information before approving upon granting the license or not. Statistics provided in this regard show that between (2015-2019), GAFI has been applying fit and proper tests toward foreign persons who contribute to (2058) out of (13953) companies, which means that it seeks to communicate with foreign counterparts with respect to 14% of the companies to which foreign persons contribute. This percentage is still unsatisfactory, but it appears that GAFI chiefly relies on the results of the inquiry made with the security agencies before taking the appropriate decision (see IO.5).
730. There is a weak international cooperation between monitoring authorities (the CBE and the FRA) and counterpart entities with respect to the collection of basic and beneficial ownership information, namely in terms of verifying the ownership structure, members of the board of directors, executive officers, and beneficial owners of external entities which are seeking to hold controlling interests in a financial institution operating in Egypt (see IO.3).
731. Legal arrangements cannot be established in Egypt (except for the charitable endowment “Waqf”, which is considered a form of legal arrangement). The absence of any requests made to counterpart entities abroad is that the legal arrangements (waqfs) are managed and supervised by the Egyptian Endowments Authority. The risks of misusing endowments in money laundering and terrorist financing are considered very low because the transfer of ownership is not possible (see IO.5).
732. **Overall conclusion on IO 2:** Based on the text, Egypt is effective in providing prompt and high-quality MLA. Authorities are not seeking formal cooperation, in line with risk. However, most authorities seem to be pretty good at using informal cooperation, and Egypt has clearly provided a number of examples of good outcomes from such cooperation which led to judgments of conviction being rendered in several crimes (without specifying the nature of these crimes to form an opinion about how consistent the crimes for which judgements were rendered are with Egypt’s risk profile). As to the EMLCU, it seeks international cooperation to a lesser degree and international cooperation between supervisors and counterparts is weak.
733. **Egypt is rated as having a Substantial level of effectiveness for IO.2.**

Technical Compliance Annex

This annex provides detailed analysis of the level of compliance of the Arab Republic of Egypt with the FATF 40 Recommendations. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

Recommendation 1: Assessing risks and applying a risk-based approach

This is a new Recommendation that was not assessed in the previous Round MER of the Arab Republic of Egypt in 2009.

Obligations and decisions for the country:

Risk assessment:

Criterion 1.1 (Met): Egypt conducted the National ML/TF Risk Assessment process for the first time and adopted the report in August 2019. It relied on a national methodology to identify and assess the ML/TF risks. Representatives of all the competent authorities and the private sector participated in the process and the data used covered the period of 2014-2017. The country identified the potential vulnerabilities, threats and consequences for all the sectors, including banks and non-banking financial institutions and DNFBPs. FIs supervisory authorities (the Banking sector, Securities Sector, Insurance sector and Financing Sector) conducted sectorial assessments using different information on the types of customers, products, services and delivery channels used, the geographic nature of the customer and their activity, in addition to the persons and entities listed on the sanctions lists.

Criterion 1.2 (Met): A National Coordination Committee against Money Laundering and Terrorist Financing was established within the Money Laundering and Terrorist Financing Combating Unit (EMLCU) by virtue of Prime Minister Decision No. 63 of 2005 and its amendments. Its activities include the coordination and management of the NRA process, as set out in article 2 of this decision: *It “supervises the preparation and periodical update of the national money laundering and terrorist financing risk assessment”*. According to clause 24 of article 3 of the Executive Regulation of the AML/CFT Law, the EMLCU also establishes and prepares means and tools that ensure coordination with all the authorities concerned with combating money laundering and terrorist financing, in order to prepare the national ML/TF risk assessment.

Criterion 1.3 (Mostly Met): Article 2 of Prime Minister Decision No.63 of 2005 and its amendments stipulated that the National Coordination Committee supervises the national ML/TF risk assessment preparation and periodical update. The Egyptian Authorities reported, at their meeting held in August 2019, that the National Coordination Committee started taking the necessary executive actions to follow up on the update of the NRA. They also indicated that they have finalized the first draft of the updated NRA report but the assessment team was unable to analyse all its items due to its adoption following the on-site visit. .

Criterion 1.4 (Met): The National Coordination Committee has internal mechanisms in place to provide relevant information to competent authorities, supervisory authorities, FIs and DNFBPs as well as SRBs, where the Committee circulated the most important outcomes of the NRA to different subject entities by virtue of official letters accompanied by the NRA results which concern each sector separately, as indicated above. Private sector representatives participated in all the stages of the NRA and received relevant information on the preliminary results. In addition, bilateral meetings between the EMLCU and the participating competent authorities and private sector entities were set up to discuss and review the results.

Risk mitigation:

Criterion 1.5 (Met): Based on the country's understanding of its risks following the NRA process, Egypt established a national action plan to determine the country's priorities. The current national AML/CFT strategy was updated to ensure that the objectives and executive measures reflected the NRA results. The National Coordination Committee adopted it at its meeting held on 20 August 2019. All competent authorities and reporting entities were provided with their respective assessment results, and relevant measures to be taken were recommended. Accordingly, based on AML law and the executive regulation, each competent authority and private sector entity should apply a risk-based approach and adopt

mitigation measures, including adequate resources. Based on the understanding of their risks, Egyptian competent authorities took measures to manage or mitigate risks across some important sectors such as the banking, exchange and securities sectors, identified in the NRA as high-risk sectors (updating the due diligence measures, conducting a sectorial assessment by supervisors, amending several texts related to the Executive Regulation of the AML Law, updating the supervisors' inspection manuals, taking several measures to promote financial inclusion, forming the committee concerned with the regulation of the real estate sector...).

Criterion 1.6 (a,b) (Not applicable): Egypt did not decide not to apply any of the FATF Recommendations requiring FIs and DNFBPs to take certain actions.

Criterion 1.7 (Met): Article 32 of the Executive Regulation of the AML Law stipulates that FIs and DNFBPs should be required to establish risk management systems to mitigate the ML/TF risks these entities identify through their own risk assessments. According to clause 9 of the CDD measures issued by the EMLCU regarding enhanced due diligence measures, FIs and DNFBPs should apply enhanced due diligence measures when ML/TF risks are high. The customer due diligence measures included an obligation requiring these institutions and entities to incorporate the NRA results into their self-assessment. Egypt disseminated the NRA results and required that policies be developed, and necessary measures be taken to limit the risks.

Criterion 1.8 (Not Applicable): Egypt does not permit reporting entities, including those providing mobile payment service, prepaid card services and financial inclusion services and products respectively to apply simplified due diligence measures. Egypt issued several rules to support financial inclusion, without contradicting the national ML/TF risk assessment results. These rules are considered as a guidance that takes into consideration the risks of these products.

Criterion 1.9 (Mostly Met): According to articles 32 and 32 bis of the Executive Regulation of the AML/CFT Law No.80 of 2002 and its amendments, FIs and DNFBPs are required to establish ML/TF risk management systems that include the necessary measures commensurate with the level of risks. According to the provisions of article 7 of the Executive Regulation, FI and DNFBP supervisors verify these entities for their compliance with the AML/CFT regulations and rules which are legally prescribed, including those related to risk management and mitigation. The EMLCU is also entrusted with the task of verifying FIs and DNFBPs, which are not subject to supervision by any of the afore-mentioned authorities, for their compliance with the AML/CFT regulations and rules.

Specialized inspection teams were formed at the Central Bank of Egypt (CBE), the Financial Regulatory Authority (FRA), and the Ministry of Communication and Information, to inspect FIs subject to their supervision, including the post. Each entity prepared an approved risk-based annual inspection plan. Nonetheless, some deficiencies mentioned in the analysis of Recommendations 26-28 with respect to the AML/CFT supervision and oversight system apply.

Obligations and decisions for financial institutions and DNFBPs:

Risk assessment:

Criterion 1.10 (a, b, c, d) (Met): According to clause 8.1 of the customer due diligence measures issued by the EMLCU relating to the ML/TF risk management systems, FIs and DNFBPs should take appropriate steps to identify, assess and understand their ML/TF risks with respect to their financial products and services, transactions, delivery channels, customers or geographic areas. They should be required (a) to keep the documents relating to the preparation of the risk assessment, (b) to consider all relevant ML/TF risk factors when determining what is the level of risk and the level and type of measures which should be taken to mitigate those risks, (c) to update the risk assessment periodically and when necessary and (d) to have appropriate mechanisms to provide risk assessment information to the supervisory authorities, the EMLCU and SRBs.

Risk mitigation:

Criterion 1.11 (a, b, c) (Met): Paragraph 4 of clause 8 of the CDD measures issued by the EMLCU mentioned that FIs and DNFBPs are required to establish and implement policies, internal control systems and procedures which are approved by the board of directors, with respect to the management and mitigation of ML/TF risks that have been identified by the institution, the entity or at the country level. They are also required to monitor the implementation of those policies, systems and procedures and enhance them, if necessary. The institution or the entity should also take enhanced due diligence measures when ML/TF risks are high.

Criterion 1.12 (Not Applicable): Egypt does not permit reporting entities, including those providing mobile payment services, prepaid card services and financial inclusion products and services respectively to apply simplified due diligence measures. Egypt issued several rules to support financial inclusion, without contradicting the national ML/TF risk assessment results. These rules are considered as a guidance that takes into consideration the risks of these products.

Weighting and Conclusion:

Egypt met most of the requirements of R.1, but given the deficiencies related to the AML/CFT supervisory system (see R.26 and R.28); and considering that Egypt has recently finalized the update of the NRA, including the period of 2018-2019, but the assessment team was unable to analyse all the items of the updated report due to its adoption following the on-site visit therefore, it is “Largely Compliant” with R.1. **For these reasons mentioned above, Egypt is “Largely Compliant” with R.1.**

Recommendation 2: National Co-operation and Co-ordination

In 2009, Egypt was rated “Compliant” with this Recommendation (formerly R.31)

Criterion 2.1 (Met): Egypt established a national AML/CFT action plan based on the level of risks identified in the NRA and the country’s AML/CFT priorities were determined accordingly. The action plan includes both general objectives and specific executive measures (such as updating and revising the legislative and supervisory frameworks, improving the effectiveness of FIs’ compliance with the AML/CFT requirements, supporting the Egyptian organizational structure of competent authorities involved in the implementation of the AML/CFT system, intensifying regional and international cooperation in the AML/CFT field, and raising the level of public awareness). Egypt updated its national AML/CFT strategy which was adopted and approved by the National Coordination Committee at its meeting held on 20 November 2019. Egypt also put in place a mechanism that enables it to review the national AML/CFT policies every 3 years at least or when necessary.

Criterion 2.2 (Met): By virtue of article 1 of Prime Minister Decision No.63 of 2005 as amended by decision No.600 of 2019, a National Coordination Committee against Money Laundering and Terrorist Financing was established within the Money Laundering and Terrorist Financing Combating Unit, under the presidency of the Unit’s board of trustees and with the membership of national competent authorities (the Ministry of Finance, the CBE, law enforcement authorities, ...etc.). This Committee undertakes cooperation and coordination as part of the national efforts exerted in the AML/CFT field. This committee is responsible for domestic cooperation and coordination between all the stakeholders in order to put in place national AML/CFT policies.

Criterion 2.3 (Met): The AML Law included several articles, specifically, articles (4, 7 and 9), which ensure cooperation and coordination among stakeholders, such as the Financial Intelligence Unit (FIU), law enforcement authorities and supervisors. The National Coordination Committee plays an important role in domestic cooperation and coordination among all stakeholders, through its periodical meetings that bring together high-level representatives of all stakeholders, as cited in Prime Minister Decision No.63 of 2005, as amended by decision No.600 of 2019.

According to articles 24 and 25 of the Executive Regulation of the AML Law, the committee is also specialized in setting up working groups, at the operational level, to study specific topics. Each competent authority set up a function or a department for cooperation and engagement with the EMLCU concerning the development of AML/CFT measures, including through liaison officers.

Criterion 2.4 (Met): With reference to Prime Minister Decision No.433 of 2016 on the establishment of the National Coordination Committee for the Implementation of the UNSC Sanctions, including with regard to PF, the said Committee (as cited in article 3 of the decision) undertakes coordination and cooperation among all governmental authorities, in its capacity as the authority for the coordination of policies in the UNSC sanctions field. The Committee is also allowed (in accordance with article 2) to establish, from its own members or other members, sub-committees to study a certain topic, and to establish, from its own members, committees entrusted with some of its competences, such as coordination and cooperation in proliferation matters.

Criterion 2.5 (Met): Although the AML Law prohibits the disclosure of any aspects of the reporting, analysis and dissemination procedures relevant to suspicious financial transactions or any related information, it explicitly permits the exchange of information on suspicion without the approval of persons and entities (articles 7, 8 and 10), in order to achieve the objectives of the Law. All competent

authorities have rules for protecting and maintaining the confidentiality of information and data. The EMCLU and the National Committee may call any person deemed useful to discuss any AML/CFT subjects, like discussing the AML/CFT obligations relevant to Data Protection and Privacy and Information Security rules.

Weighting and Conclusion:

The analysis for Recommendation 2 shows that Egypt met all the requirements of the recommendation. **For these reasons mentioned above, Egypt is “Compliant” with R.2.**

Recommendation 3: Money laundering offense

Egypt was rated “Largely Compliant” with R.1 relating to the ML offense in the previous round of the mutual evaluation, because the existence of material elements to prove the purpose of concealing and acquisition is required; the AML/CFT system, overall, is not effective, considering the low number of (ML) investigations and prosecutions relating to profit-generating crimes; and the scope of predicate offenses did not extend to cover all forms of organized crimes and all forms of human trafficking.

Criterion 3.1 (Met): Money laundering in Egypt is criminalized in line with the provisions of the Vienna and Palermo Conventions. Article 2 of the Egyptian AML Law No. 80 of 2002 and its amendments, criminalizes any conduct involving the acquisition, holding, disposing of, managing, keeping, exchanging, depositing, guaranteeing, investing, moving funds, or tampering with their value, if such funds are the proceeds of any of the crimes stipulated in the AML Law, with the knowledge of that, where the aim of such conduct is to conceal or disguise these funds, alter their nature, source, location, ownership, any interest therein, change the reality, or prevent the discovery thereof or impede the identification of the perpetrators of the offense that these funds resulted from, in addition to the criminalization of aiding, participation in and abetting.

Criterion 3.2 (Mostly Met): A predicate offense is defined as any act that constitutes a felony or a misdemeanour according to the Egyptian law, whether it is committed inside or outside the country and it is punishable in both countries. (Article 1 of Law No. 80 of 2002 and its amendments). Although participation in an organized criminal group is still not explicitly criminalized in Egypt, it is governed by the provisions of some special laws (the Customs Law, the Anti-Terrorism Law, the Illicit Gain Law, the Tax Law and the Capital Market Law).

Criterion 3.3 (Not applicable): The Egyptian lawmaker does not rely on the threshold approach.

Criterion 3.4 (Met): Article (1) of the AML law defines proceeds as being: Funds resulted or yielded, directly or indirectly, from committing any predicate offense. The same article defines the term “funds” as being: the national currency, foreign currencies, securities, negotiable instruments, any valuable item, whether real estate or tangible or intangible movable property, or any rights relating thereto, and legal documents and deeds evidencing all of the foregoing, including digital and electronic forms. Based on this definition, the ML offense extends to all real and movable property of whatever type.

Criterion 3.5 (Not Met): Article (2) of the AML Law stipulates that “any person having the knowledge that the funds are generated from a predicate offense and that wilfully transferred or moved the proceeds...shall be considered a perpetrator of the money laundering offense”. It is not explicitly clear that a conviction for the predicate offense is not needed for proving that the property is the proceeds of crime. However, the decision issued by the Egyptian Court of Cassation requires that the accused be convicted of the predicate offense as a condition for their conviction for ML.

Criterion 3.6 (Met): The definition of predicate offense in article (1) of the AML Law extends to include “any act that constitutes a felony or a misdemeanour according to the Egyptian law, whether it is committed inside or outside the country and it is punishable in both countries”.

Criterion 3.7 (Met): The ML offense also applies to the persons who committed the predicate offence. In addition, article (14) of the AML law explicitly provides that the ML offense is excluded from the application of the provisions of paragraph two of article (32) of the Penal Code, which orders the stricter penalty if multiple crimes are committed for the same purpose and become indivisible, which does not apply to the ML offence. On that basis, the Egyptian legal framework is broad enough to impose two separate sanctions on the same person: one for the predicate offense and the other for laundering proceeds generated from the commission of the offense.

Criterion 3.8 (Met): The AML law specifically provides that the intent and knowledge are required to prove the ML offense and can be inferred from objective factual circumstances. In addition, the Egyptian

Court of Cassation issued a ruling on 31 March 1982 indicating that the judge may base their decision on the objective factual elements of the case.

Criterion 3.9 (Met): Proportionate and dissuasive criminal sanctions apply to natural persons convicted for the ML offence. In article (14) of the AML Law, the Egyptian lawmaker sets the penalty for the ML offense, which is the most severe in the Egyptian Penal Code. This article imposes proportionate and dissuasive sanctions against natural persons in case they commit or attempt to commit a ML offense. Therefore, “any person who commits, or attempts to commit, the money laundering crime shall be sentenced with imprisonment for a period not exceeding seven years and a fine up to the equivalent of a sum twice the amount of the proceeds”. In addition, confiscation of the seized funds shall be ordained, and where such funds cannot be seized, or in case of disposal thereof by bona fide third parties, an additional fine equivalent to the value thereof shall be imposed. As indicated in the analysis of c.3.7 above; paragraph two of article 32 of the Penal Code does not apply to the ML offense.

Criterion 3.10 (Met): Article 16 of the AML Law provides that “where the crime is committed by a legal person, the natural 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 of the job duties of such person”. Under article 16, the legal person is liable for the payment of any financial penalties and damages if the crime is committed by any of his staff in its name and interest. Furthermore, the penalty against the legal person amounts to not less than EGP 100,000 and not more than EGP 5 million.

Criterion 3.11 (Met): Although the attempt to commit the ML offences is specifically criminalized in article 14 of the Egyptian AML Law, yet the law also provides for the ancillary offences of participation in, connivance, assistance, conspiracy to commit, abetting and facilitating the commission of the ML offense. In addition, articles 39 to 44 bis of the PC provide for appropriate ancillary offenses, including conspiracy, aiding, abetting, facilitation and directing. Any person committing these offences becomes an accomplice and is punishable by the same penalty provided for the original or primary perpetrator of the crime, including the ML crime.

Even if articles 39, 40 and 48 of the PC are considered general provisions applying to all crimes, they still criminalize the act of participation, assistance, conspiring, facilitating, and abetting.

Weighting and Conclusion:

Egypt meets most of the criteria of the Recommendation, but on the other hand, the Egyptian lawmaker did not explicitly provide for the criminalization of the criminal group; yet, the participation in an organized criminal group is governed by the provisions of many special laws. In addition, it is not explicitly clear that a conviction for the predicate offence is not needed for proving that the property is the proceeds of crime, according to the requirements of criterion 3.5. The weighting of this criterion affects the overall rating of this Recommendation as it has a significant impact on the country’s ability to pursue stand-alone ML activity (see IO 7).

For the reasons mentioned above, Egypt is “Partially Compliant” with R.3.

Recommendation 4: Confiscation and provisional measures

In the previous round of the Mutual Evaluation, former R.3 was rated “Partially Compliant”, given that the confiscation framework had not been used much in ML cases to determine the overall effectiveness of the system.

Criterion 4.1(a) (Met): Egypt has many legislative measures in place that allow it to confiscate the property which is being laundered (article 14 bis of the AML Law, article 39 of the Anti-Terrorism Law, articles 30-208 bis of the Penal Code). Article 14 of the AML Law provides for the necessary confiscation of the funds generated from the ML offense or funds of corresponding value or for an additional fine which is equivalent to their value in case they cannot be seized, or in case of disposal thereof by bona fide third parties. It appears that the text was general given that it relates to the confiscated funds and not to the person who holds them. Therefore, the legislative measures allow the confiscation of funds whether held by the accused or by a third party.

Criterion 4.1 (b) (Met): According to article 14 bis/paragraph 1/clause (2), confiscation in the Egyptian law covers all the proceeds, in addition to the income or any other profits derived from these proceeds

or their estimated equivalent value or the estimated value of the instrumentalities used or intended for use in ML and predicate offenses.

Criterion 4.1 (c) (Partly Met): According to article 39 of the Anti-Terrorism Law, confiscation in Egypt covers the funds and other assets, weapons, tools, documents, and other materials used to commit the offense or result therefrom. There is no requirement that allows the confiscation of property intended for use in the financing of a terrorist person or the financing of a terrorist group even if the same article provides for the confiscation of any funds which were proven to be allocated for terrorist acts.

Criterion 4.1 (d) (Partly Met): Article 14 bis of the AML Law stipulates that an additional fine equivalent to the value of the funds or assets shall be ordained, where such funds cannot be seized, or in case of disposal thereof to bona fide third parties. Article 39 of the Anti-Terrorism Law stipulates that an additional fine equivalent to the value of the funds or assets set out in paragraph 1 of the same article which were used or allocated for use in the terrorist act shall be ordained, where the funds cannot be seized or in case of disposal thereof to bona fide third parties.

Criterion 4.2 (Mostly Met):

Criterion 4.2 (a) (Met): Article 5 of the AML Law refers to articles 208 bis A, et seq. According to the said articles, the Public Prosecution may request the criminal court to take provisional measures against the funds. The last two paragraphs of the afore-mentioned article determine how to manage the funds by the person appointed by the court.

Criterion 4.2 (b) (Met): If the Public Prosecution deems it necessary to take provisional measures against the accused person's funds, including preventing him from disposing of or managing these funds, it shall refer the matter to the competent criminal court that requests this order to ensure the payment of fines, refunds or compensation that may be adjudicated. In cases of necessity or urgency, the Attorney General may issue a temporary judicial order to prevent the accused person, spouses or minor children from disposing of or managing their funds. The judicial order should include the appointment of a receiver to handle the retained funds, and in all cases, the Public Prosecutor should submit the judicial order to the competent criminal court within a maximum of seven days from the date of issuance and request the court to issue a ruling prohibiting the disposal or administration of the funds (Article 208 Bis A of the Criminal Procedure Law referred to in article 5 of the AML Law). (The procedure for freezing the funds generated from predicate offenses and ML crimes was added under Article 17 bis amended by Law No. 17 of 2020, and therefore the criterion is Met).

Criterion 4.2 (c) (Partly Met): The Egyptian Law regulates, in article 208 bis (a) and article 208 bis (b), the procedures for making appeals and the provisional measures against the funds and property of the accused person, including the prevention of disposal and management, freezing or seizure. Article (17) bis of the AML Law, added under law No.17 of 2020, gave the Attorney General the power to impose provisional measures that encompass freezing or seizure, in the context of ML crimes and associated predicate offenses or TF, provided that the provisions of articles 208 bis (a) to 208 bis (e) of the Code of Criminal Procedure are applied with respect to the issuance of these measures and to any appeal made against them. Authorities in Egypt stated that the decisions issued regarding the provisional measures, including the freezing, seizure or restitution of property are court decisions; however, there was no stipulation that prevents or voids actions that prejudice the country's ability to freeze, seize or recover property that is subject to confiscation.

Criterion 4.2 (d) (Met): The provisions of article 141 of the Central Bank, Banking Sector, Securities and Money Law, as promulgated by Law No. No.194 of 2020 apply to money laundering, predicate offenses, terrorism and terrorist financing crimes. According to this paragraph, the investigative authority has the power to trace the funds and information held by the banks. Competent authorities also have the ability to search for the crimes and their perpetrators, collect evidence and use investigative techniques (see R.31).

Criterion 4.3 (Met): The Egyptian lawmaker ensured the protection of the rights of bona fide third parties through articles 30 and 88 bis - b of the Penal Code and article 14 of the AML/CFT Law.

Criterion 4.4 (Mostly Met): The Egyptian Law regulates the methods for managing or disposing of property frozen, seized or confiscated, given that according to the provisions of article 208 bis (a) of the Code of Criminal Procedure which provided for the power of the Attorney General to take provisional measures or to issue an order preventing the disposal of the property, the order preventing the management should include the appointment of a person to manage the seized funds. In all events, the

Attorney General should submit the order to the competent criminal court within a maximum of seven days from the date of the prevention of disposal or management, otherwise, the order shall be deemed to have never been issued. The competent criminal court shall render its judgment ordering the prevention of management and this judgment should contain the appointment of a person to manage the seized funds, after taking the opinion of the Public Prosecution. The department for the seized funds which is related to the Attorney General's Office is specialized in managing such funds. If a final judgement ordering the confiscation of these funds is issued and they need to be managed, the implementation department at the Major Prosecutions Departments across the country is specialized in managing these funds under the supervision of the Prosecutions Department related to the Attorney General's Office. However, the assessment team was not provided with a legal text that regulates the structures for managing the funds seized and confiscated.

Weighting and Conclusion:

The AML Law provides for the necessary confiscation of property and property of corresponding value, even if they are held by a third party. It also regulates some preventive measures. Funds of equivalent value are confiscated in the context of TF crimes. Egypt has a mechanism that regulates the management and disposal of the funds frozen, seized or confiscated. However, there is no legal text that regulates the confiscation of funds intended to finance a terrorist person or a terrorist group.

For the reasons mentioned above, Egypt is rated "Largely Compliant" with R.4.

Recommendation 5: Terrorist financing offense

SRII was rated "Partially Compliant" during the mutual evaluation of Egypt in 2009. The MER identified several deficiencies, including the fact that the definition of TF in the Penal Code was not fully comprehensive. In addition, the financing of terrorists and the collection of funds were not covered.

Criterion 5.1 (Met): Article 3 of Law No.15 of 2020 amending certain provisions of the Egyptian Anti-Terrorism Law No.94 of 2015 defined the TF offence as: "collection, receipt, possession, supply, transfer or provision of funds or other assets, weapons, ammunition, explosives, equipment, data, information, materials or other, for any individual or collective terrorist activity organized or not organized domestically or abroad, directly or indirectly, of whatever source and by any means, including digital or electronic format, in order to be used, in full or in part, in the perpetration of any terrorist crime, in the knowledge that they will be used for such purpose, whether the terrorist act took place or not or to provide a place for training or a safe haven for one or more terrorists or to provide them with arms, documents or other materials, or by any of the other aiding means of support, funding or travel, with the knowledge of this purpose, even if they did not have any direct link to the terrorist act". Accordingly, this definition covers all forms of terrorist financing provided for in article 2 of the International Convention for the Suppression of the Financing of Terrorism.

It is worth noting that the terrorist financing offense in Egypt also applies to the acts that go beyond article 2 of the International TF Convention, according to article 2 of the Egyptian Anti-Terrorism Law No.94 of 2015 which defined the terrorist act as: "*use of force, violence, threat, or intimidation domestically or abroad for the purpose of disturbing public order, or endangering the safety, interests, or security of the community; harming individuals and terrorizing them; jeopardizing their lives, freedoms, public or private rights, or security, or other freedoms and rights guaranteed by the Constitution and the law; harming national unity, social peace, or national security or damaging the environment, natural resources, antiquities, money or other assets, buildings, or public or private properties or occupying or seizing them; preventing or impeding public authorities, agencies or judicial bodies, government offices or local units, houses of worship, hospitals, institutions, institutes, diplomatic and consular missions, or regional and international organizations and bodies in Egypt from carrying out their work or exercising all or some of their activities, or resisting them or disabling the enforcement of any of the provisions of the Constitution, laws, or regulations; a terrorist act also refers to any conduct committed with the intent to achieve, prepare, or instigate one of the purposes set out in the first paragraph of this article, if it is as such to harm communications, information, financial or banking systems, national economy, energy reserves, security stock of goods, food and water, or their integrity, or medical services in disasters and crises.*"

As cited in the report of the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms, the Anti-Terrorism Law and related laws adopt a broad definition of terrorist acts

which encompass a range of activities, such as “harming national unity, social peace, or national security” or “preventing or hindering public authorities, judicial bodies, government facilities...”⁹⁹

Criterion 5.2 (Met): Article (13) of the Anti-Terrorism Law, after its amendment by virtue of law No.15 of 2020, stipulates that whoever commits a terrorist financing crime shall be punished by life imprisonment if the terrorist financing crime involves the financing of a terrorist person, a terrorist group or a terrorist act and by death if the funding was for a terrorist group or a terrorist act. even in the absence of a link to a specific act or acts

Criterion 5.2 bis (Partly Met): Egypt criminalizes affiliation with terrorist organizations, as well as the financing of the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration of terrorist acts according to article 13 of law No.15 of 2020. The scope of the criminalization does not include financing the travel of individuals for the purpose of providing or receiving terrorist training.

Criterion 5.3 (Met): Terrorist financing offenses extend to any funds or other assets, whether from a legitimate or illegitimate source, given that the TF offense in Egypt in article 3 of the Anti-Terrorism Law (see details in paragraph 5.1 above) does not have regard to the source of financing (legitimate or illegitimate).

Criterion 5.4 (Met): Article 3 of the Anti-Terrorism Law cited in the analysis of criterion 5.1 does not require that the funds or other assets should be actually used to carry out or attempt a terrorist act(s) or to be linked to a specific terrorist act(s).

Criterion 5.5 (Mostly Met): The Egyptian Anti-Terrorism Law links the TF offense to the intent and knowledge, where article 3 thereof requires to establish knowledge and intent in order to prove the offense and the jurisprudence of the Court of Cassation confirms that the judiciary takes these elements into consideration. It is unclear whether knowledge and intent can be inferred from objective factual circumstances.

Criterion 5.6 (Met): In article (13) of the Anti-Terrorism Law, the Egyptian lawmaker punishes whoever commits a terrorist financing crime by life imprisonment if the funding was for a terrorist and by death if the financing was for a terrorist group or a terrorist act. The sanction achieves the elements of proportionality and dissuasiveness in comparison with the sanctions applied to any serious crime (terrorist crime, drug trafficking, illicit arms trafficking, trafficking in human beings) and they range between imprisonment, aggravated imprisonment, life sentence and capital punishment.

Criterion 5.7 (Met): Anti-Terrorism Law No.94 of 2015, after its amendment by virtue of Law No.15 of 2020 provides for the criminal liability and sanctions against terrorist groups and legal persons and for their punishment with a fine of no less than EGP 100,000 and no more than EGP 3 million and they shall be jointly liable for the payment of the financial penalties or compensation sentenced. In cases where the offense is committed by a terrorist group or a legal person, the person in charge of the actual management of this group or this person shall be punished by the sanction prescribed in article (13).

Criterion 5.8 (a, b, c, d) (Partly Met): Anti-Terrorism Law No.94 of 2015 criminalizes the attempt to commit a TF offense (article 5), direction of others to commit a TF offense (article 6), and the facilitation of a TF offense (article 7); however, the law does not criminalize the participation as an accomplice in a TF offence and the contribution to the commission of one or more TF offenses or attempted offenses by a group of persons.

Criterion 5.9 (Met): TF offenses qualify as predicate offenses for ML, because the predicate offense, as mentioned in article 1 of AML Law (No.80 of 2002) is defined as being “any act that constitutes a felony or a misdemeanour according to the Egyptian law, whether it is committed inside or outside the country (see also c.3.6 above).

Criterion 5.10 (Not Met): The Anti-Terrorism Law does not differentiate between the cases in which a person may have committed the crime(s) in the same country or in a different country from the one in which the terrorist organization(s) is located or in which the terrorist act(s) occurred/will occur.

Weighting and Conclusion:

The definition of the TF crime (Article 3) covers all the acts included in article 2 of the Convention for the Suppression of the Financing of Terrorism because it criminalizes the financing of terrorists and the financing of the terrorist organization, and provides for the criminalization of terrorist acts, whether the

⁹⁹ [DownloadPublicCommunicationFile \(ohchr.org\)](#)

terrorist act has occurred or not, even if there is no connection to a terrorist act or acts. It criminalizes the travel of individuals who travel to a country other than their country of residence or nationality. In addition, Anti-Terrorism Law No. 94 of 2015 includes a provision regarding the sanctions imposed on legal persons, but it does not criminalize financing the travel of individuals for the purpose of providing or receiving terrorist training, knowing that the impact of this deficiency is considered minor, taking into consideration the number of individuals that had travelled during the past few years to conflict areas to provide or receive terrorist training. The Law also does not criminalize the participation as an accomplice in a TF offence and the contribution to the commission of one or more terrorist financing offenses or attempted commission of terrorist financing offenses by a group of persons. The Egyptian laws that criminalize terrorist financing activities have not explicitly provided for the criminalization of terrorist financing, regardless of whether the person alleged to have committed the crime(s) is located in the same country or in a different country from the country in which the terrorist(s)/terrorist organization(s) is/are located or a terrorist act (s) occurred/will occur.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.5.

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing.

In the 1st round, The Arab Republic of Egypt was rated “Partially Compliant” with SR.III due to: (1) the absence of measures for freezing or seizing the assets of terrorists, without delay, with respect to persons or legal entities designated on the UN list, (2) the absence of procedures for designating individuals or legal entities pursuant to UNSCR 1373, (3) the absence of procedures for reviewing the lists of terrorists or suspected legal entities sent by other competent authorities in foreign countries pursuant to UNSCR 1373, (4) the absence of procedures for de-listing wrongly listed persons and releasing their funds, (5) the absence of procedures that provide a mechanism through which persons or entities can challenge a freezing decision, (6) the absence of procedures through which persons subject to a freezing order are able to access their funds or assets for necessary expenses, (7) the absence of an effective mechanism for receiving feedback from all relevant sectors that receive the UN list, (8) DNFBPs not being covered in the dissemination of the UN list.

The EMLCU is responsible for following up the implementation of Security Council Resolutions (Clause (26) of Article (3) of the Executive Regulation of the AML Law). Therefore, in order to address the aforementioned deficiencies, the EMLCU board of trustees¹⁰⁰ adopted “the mechanism for implementing UNSCRs on targeted financial sanctions related to terrorism and terrorist financing and targeted financial sanctions related to proliferation”, which is hereinafter referred to as (the Mechanism). Through the issuance of R.6, FATF strengthened and clarified the required measures, and updated the framework in line with the latest UNSCRs.

Criterion 6.1 (Mostly Met):

Criterion 6.1 (a) (Met): According to article (2) of (the Mechanism), the Ministry of Foreign Affairs coordinates the national stance with respect to proposing names of persons or entities for designation on the UNSCR lists. As per clause (c) of this article, it provides the competent Security Council bodies with the names of individuals and entities it proposed for designation on the relevant lists, along with supporting data and information provided by national stakeholders.

Criterion 6.1 (b) (Met): Names of persons or entities proposed for designation on the relevant UNSCRs lists are identified, whether based on ongoing investigation or at the request of the State security agencies; provided that they meet the designation criteria related to the UNSCRs in accordance with article (2) of the Mechanism.

Criterion 6.1 (c) (Met): According to clause (a) of article (2) of (the Mechanism), a criminal proceeding against these names is not required, given that names are proposed, pursuant to ongoing investigations or at the request of the State security agencies, based on sufficient reasons calling for this action.

Criterion 6.1 (d) (Mostly Met): According to clause (a) of article (2) of (the Mechanism), Egypt uses the UN standard forms for proposing names for designation; nonetheless, nothing indicates that there is a guidance for domestic competent authorities to follow the procedures adopted by the relevant committee. Knowing that Egypt has previously proposed several persons for designation to the Sanctions

¹⁰⁰ According to the powers granted to it under article 21 of the AML Law and clause 25 of article 3 of the Executive Regulation of the AML Law.

Committee, *ex parte*, where in 2005, it proposed 20 persons for designation on the 1267/1989 UN list, and the Sanctions Committee approved the listing of 7 of them.

Criterion 6.1 (e) (Mostly Met): According to clauses (a) and (b) of article (2) of (the Mechanism), the EMLCU, in coordination with the Ministry of Foreign Affairs, provides a statement of case that includes as much supporting information and data as possible on the proposed listing of relevant persons or entities, while also specifying if the status of the Arab Republic of Egypt as designating State may be made known in case of proposing names to the 1267/1989 Committee. However, the scope of information as set out in INR.6 and whether it includes, partially or wholly, the various factors mentioned in footnotes 18, 19, and 20 on this sub-criterion remain unclear.

Criterion 6.2 (Met):

Criterion 6.2 (a) (Met): According to clause (1) of article (51) of the Executive Regulation of the AML Law, the Cairo Court of Appeal is the competent authority specialized in the designation of persons or entities that meet the specific criteria for designation. Designations are sent by the Public Prosecutor to the Cairo Court of Appeal, along with supporting investigations and documentation.

The same applies to the designation of persons or entities that meet the specific criteria for designation at the request of another country, given that clause (3) of the afore-mentioned article states that “for entities and persons whose action is not directed to the Arab Republic of Egypt and that are not designated on the sanctions lists referred to in the previous clause¹⁰¹, a designation request is made by the Ministry of Foreign Affairs (in coordination with the Ministry of Justice) or by LEAs in the form of a petition to the Public Prosecutor”.

Criterion 6.2 (b) (Met): NSA is concerned with carrying out the required investigations regarding persons suspected in terrorist acts or TF, as well as gathering information thereon, and prepare a record thereof to submit to the public prosecution. The Egyptian lawmaker entrusted the Public Prosecution in Egypt with the responsibility for identifying targets for domestic designation, pursuant to UNSCR 1373, given that article (51) of the Executive Regulation of the AML Law sets out the designation procedures, which start with a petition made by the Public Prosecutor to the competent criminal division at the Cairo Court of Appeal, along with the investigations, documentation, inquiries, or information supporting the request. The division should decide on the petition within seven days from the date of receipt. If this division responds positively to the petition, the designation is made. The Public Prosecution subsequently prepares and issues a list called “List of Terrorist Entities” and another one called “List of Terrorists” in which it includes the terrorists and terrorist entities that the competent criminal division decides to designate. The persons and entities that are subject to final criminal verdicts ordering their designation are also added to these lists.

Criterion 6.2 (c) (Met): For entities and persons outside the Arab Republic of Egypt and that are not designated on the 1267 sanctions lists, the designation request is made pursuant to a petition made to the Public Prosecutor by the Ministry of Foreign Affairs, in coordination with the Ministry of Justice, or by law enforcement authorities. Paragraph (1) of article 51 states that the Public Prosecutor submits the request for the designation of entities and persons on the List of Terrorist Entities and the List of Terrorists to the competent criminal division at the Cairo Court of Appeal, along with supporting investigations and documentation. The division renders its decision within seven days from submitting the request (Executive Regulation of the AML Law - article 51).

Criterion 6.2 (d) (Met): The court has the discretion to determine the standards proving suspicion or sufficient belief (which is equivalent to reasonable grounds or reasonable basis to suspect or believe), with respect to the person or entity proposed for designation. Its decision is based on the petition made by the Public Prosecutor in this regard, which is complemented and supported by investigations and

¹⁰¹ Clause (2) of article (51) of the Regulation: “Persons and entities designated on the sanctions lists related to the implementation of UNSCR No.1267 of 1999 and relevant successor resolutions, including UNSCRs No.1988 and 1989 for 2011 and relevant amendments”.

documentation (Executive Regulation of the AML Law - article 51). Entities and persons are designated on any of the T/TF lists, either when final criminal judgments label them as a terrorist or terrorist entity or when a reasoned decision for listing is issued by the competent division, based on information, documentation or investigations submitted by the public prosecutor, meaning that the designation of entities and persons on these two lists is not conditional upon the existence of a criminal proceeding.

Criterion 6.2 (e) (Met): According to article (54) of the Executive Regulation of the AML Law, the Public Prosecution, in coordination with the Ministry of Justice, communicates relevant designation decisions to the Ministry of Foreign Affairs, while providing as much information and data supporting the designation as possible, so that the latter disseminates them to stakeholders and counterpart authorities in other countries in the form of a formal request to officialise the actions initiated under the domestic freezing mechanism.

Criterion 6.3 (Met):

Criterion 6.3 (a) (Met): The Egyptian lawmaker entrusted the Public Prosecutor with the responsibility for identifying targets for domestic designation, pursuant to UNSCR 1373. The Public Prosecutor is the one who submits the designation request to the competent criminal division at the Cairo Court of Appeal and ensures – by using the powers assigned to him by virtue of the relevant national legislations - that the request is accompanied by the necessary supporting investigations, documentation, inquiries or information which provide reasonable grounds or a reasonable basis to suspect or believe. With regard to persons and entities who have not been included on the UN sanctions lists (pursuant to Resolution 1267, 1988 and 1989), the application for inclusion on the domestic list shall be based on an application submitted to the Attorney General from the Ministry of Foreign Affairs in coordination with the Ministry of Justice or from law enforcement agencies (Art 51 of the Executive regulation of AML law).

Criterion 6.3 (b) (Met): According to article (51) of the Executive Regulation of the AML Law, the authority concerned with receiving, examining and deciding on the designation requests submitted by the Public Prosecutor is the criminal division at the Cairo Court of Appeal. The competent division operates *ex parte* against the person or entity which has been put forward for designation and renders its decision within seven days from receiving the request, along with the necessary documentation.

Criterion 6.4 (Mostly Met): According to clause (4) of the Mechanism for the implementation of the UNSCRs, those concerned with the implementation (FIs, DNFBPs and any natural or legal person) should freeze funds or other assets of persons and entities designated on the UN List immediately and without delay. (The Mechanism) defines “without delay” as immediately within hours from issuing the designation decision by the competent authority”. Article (11) also requires those concerned with the implementation to develop and implement effective internal systems that take into account the identification of persons and entities whose names are on the relevant Security Council lists, and to immediately update the information related to the sanctions lists and the amendments that may occur to them as soon as they are received from the Security Council. According to the mechanism, it appears that the UNSCRs become enforceable once the subject entities receive the disseminations and updates from the supervisors.

With regard to domestic lists, article (52) of the Executive Regulation of the AML Law indicates that the designation decision must be published in “Al-Waqa’i’ Al-Misriyya” newspaper, and throughout the period of listing, it is prohibited to finance or collect money or things for the terrorist or the terrorist entity, whether directly or indirectly, upon the publication (in the official Gazette), without delay, in a way that the implementation by the concerned entities is mandatory upon publication.

Except for FI and DNFBPs that receive the lists and updates from supervisory authorities to apply their obligations, other natural and legal persons that are not subject to specific supervisory authority are not required to apply the freezing obligation without delay.

Criterion 6.5 (Mostly Met):

Criterion 6.5 (a) (Mostly Met): Article 1 of (the Mechanism) gave a detailed definition of the “funds and other assets”¹⁰² and “economic resources”¹⁰³, in accordance with the international standards. It also defined those concerned with the implementation as being the supervisors, FIs, non-financial businesses and professions, any natural or legal person who may be in possession of funds, other assets or financial resources of designated persons or entities, Commercial Register Authority, Corporations Authority, General Authority for Investment and Free Zones, Real Estate Registration and Authentication Department, Customs Department, and General Directorate of Traffic at the Ministry of Interior. According to article (52) of the Executive Regulation, both, terrorists and terrorist entities lists and their updates are circulated to FIs and DNFBPs, provided that those entities comply with the immediate freezing, of the funds of the entities and their members and the persons listed on these two lists, without prior notice.

Article (3) of (the Mechanism) also determines the entities responsible for supervising and enforcing the implementation of targeted financial sanctions. Article (4) stipulates that those concerned with the implementation of targeted financial sanctions should freeze the funds and other assets of persons and entities designated on the Security Council and domestic lists immediately and without delay. The article also determines the funds and other assets subject to implementation.

Based on article 52 of the Executive Regulation of the AML Law, both terrorists and terrorists entities lists (domestic lists) are circulated to FIs and DNFBPs to apply their obligations. However, other natural and legal persons are not required to apply the freezing obligation without delay and without prior notice.

Criterion 6.5 (b) (Met): As indicated in c.6.4 above, according to clause (4-b) of article 52 of the Executive Regulation of the AML Law, entities that undertake the freezing shall establish and execute effective internal regulations requiring immediate freezing, without prior notice, of the funds of entities and their members and persons designated on the List of Terrorist Entities and List of Terrorists, including funds jointly owned with others and their proceeds, according to the provisions of the Egyptian Law.

According to article (4) of (the Mechanism), the freezing obligation extends to cover: (a) all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular terrorist act, plot or threat; (b) those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; (c) and the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as (d) funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities..

Criterion 6.5 (c) (Mostly Met): According to article (4) of the Mechanism, frozen funds and other assets set out in this article remain under freezing until the EMLCU licenses and notifies of the possibility to use them in whole or in part under the provisions of relevant articles or until the person or the entity is de-listed. According to article (6), those concerned with the implementation (FIs, DNFBPs, any natural and legal person) should refrain from making any funds or other assets, economic resources, financial or other related services, available whether directly or indirectly, wholly or jointly, for the benefit of

¹⁰² - Funds, or other assets: The national currency, foreign currencies, securities, commercial papers, any valuable items, whether real estate, or tangible or intangible movable property, and any rights related thereto, and legal deeds and documents evidencing title or interests attached to such funds, in any form whatsoever, including digital or electronic form, all types of assets, including but not limited to, financial assets and economic resources (including oil and other natural resources), property of all types evidencing title to, or share in such assets, including but not limited to, bank credit, traveler’s cheques, bank cheques, payment orders, shares, securities, bonds, promissory notes, letters of credit, and any other interest, profit, or income resulting or derived from these funds or other assets or any other assets which may be potentially used to obtain funding, goods or services.

¹⁰³ - Economic resources: Resources of any kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable which may be potentially used to obtain funds, goods or services, such as land, buildings or other real estate; equipment, vessels, aircrafts and motor vehicles; commodities, works of art, cultural property, charcoal, oil products, refineries and related resources or other natural resources; patents, trademarks, copyrights, and other forms of intellectual property; and assets made available to or for the benefit of designated persons, whether directly or indirectly, including financing their travel, transfer or residence, and any assets paid to them as ransom.

designated persons and entities, or entities owned or controlled directly or indirectly by those designated persons or entities, unless a license or an authorization is issued by the EMLCU, in accordance with the relevant UNSCRs. Nonetheless, the Mechanism does not include the effect or the penalty for the violation of article (6) of the Mechanism by the natural or legal person that is not subject to any supervision, with respect to refraining from making funds available for the benefit of designated persons or entities.

Criterion 6.5 (d) (Mostly Met): The country communicates the designations to the financial sector and designated financial businesses and professions, through: (1) the publication of the designation decision on the List of Terrorist Entities and List of Terrorists or the decision to extend its period in “Al-Waqa'i' Al-Misriyya” newspaper, according to article 5 of Law No.8 of 2015 regulating terrorist entities and terrorists, (2) the dissemination of both lists by the supervisors and the EMLCU to FIs and DNFBPs subject to their supervision, to take the necessary actions, according to paragraph 1 of article 52 of the Executive Regulation of the AML Law, (3) the publication on the EMLCU website. The obligations of FIs, persons and other entities, including DNFBPs, which are in charge of freezing were published on the EMLCU website on the following link: <https://bit.ly/2QzVYil>. The main mechanism consists thus of the FIU (in accordance with article 3 of the Mechanism for implementing UNSCRs), and after having received the sanctions list from the Ministry of Foreign Affairs) immediately informing FI and DNFBP supervisory authorities so that these supervisors can inform their subject entities of that publication, without delay. It should be noted that the time difference between New York City and Cairo may constitute an obstacle for FIs and DNFBPs to implement TFS without delay, regardless of the EMLCU’s role in circulating the lists immediately to supervisory authorities, given the absence of any procedures that prevent making the funds available to persons or entities designated during the weekends or official holidays due to the time difference between New York and Cairo, since the funds might be made available either via online banking services or via ATMs.

According to the second chapter related to international cooperation department set out in the EMLCU procedures, the Security Council sanctions lists are monitored daily more than once, and FIs also have subscriptions to private databases that enable them to track the lists regularly. The EMLCU published a guidance document on its website entitled (detailed guidelines on the mechanism for implementing the Security Council Resolutions on targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation to financial institutions and non-financial businesses and professions).

Criterion 6.5 (e) (Met): According to clause (3) of article (52) of the Executive Regulation of the AML Law, entities concerned with freezing should report to their supervisors and the EMLCU the data on the funds frozen and any other actions taken in this regard.

In addition, article (7) of (the Mechanism) requires FIs and DNFBPs to report to their supervisors and the EMLCU any funds or other assets frozen or unfrozen and cases where freezing is cancelled once such action is taken, and any actions taken to comply with the freezing requirements, including attempted transactions.

Criterion 6.5 (f) (Met): Article (7) of Law No. (8) of 2015 and its amendments referred to the legal effects of publishing the designation decision, and its duration. It also stipulated that, in all cases, rights of bona fide third parties are taken into consideration when implementing the effects resulted by the publication of the designation decisions issued in accordance with the provisions of this article. Article (52) of the Executive Regulation and its amendments stipulated that in all cases the rights of bona fide third parties must be taken into consideration when implementing the effects resulted by the publication of the designation decision.

Article 7 of the Mechanism stipulates that entities concerned with the implementation should observe the rights of bona fide third parties acting in good faith when implementing their obligations under the relevant UNSCRs. Also, article (14-A) of the Mechanism states that the concerned persons or entities having the same or similar names as the designated entities, and which have been inadvertently affected by a freezing mechanism, may submit an appeal to the EMLCU or the competent supervisory authorities.

Criterion 6.6 (Met):

Criterion 6.6 (a) (Met): According to clause (b) of article (14) of (the Mechanism), a request is made to the EMLCU or the supervisors of those concerned with the implementation - accompanied with supporting documentation and information, so that the EMLCU forwards it to the Ministry of Foreign

Affairs which will send it in turn to the competent authority at the Security Council. The Ministry of Foreign Affairs provides the EMLCU with the response of the competent authority at the Security Council and enclosed documents, once received. The request can be submitted directly to the Ombudsperson's office at ombudsperson@un.org. As indicated above with regard to c.6.5(d), the EMLCU published a guidance document on its website entitled (detailed guidelines on the mechanism for implementing the Security Council Resolutions on targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation to financial institutions and non-financial businesses and professions). Paragraph 2 of (clause 4: Procedures related to the requests for removing names from the Security Council lists or making requests for paying basic or extraordinary expenses) addresses all aspects that are related to de-listing requests in the case of persons or entities who do not meet the criteria for designation on the relevant Security Council lists.

Criterion 6.6 (b) (Met): Article (53) of the Executive Regulation of the AML Law - published in the official Gazette - regulates the de-listing issue which is similar to the designation procedures, given that the petition is submitted by the Public Prosecutor and decided by the competent court.

Names can be de-listed by the force of Law in case of the procedural error provided for in clause (3) of article (53) above and represented in the Public Prosecution failing to re-submit the petition to the competent division to consider extending the designation for a prescribed term. Article (4) of the Law regulating the lists of terrorist entities and terrorists stipulates that "designation on both lists is made for a period not more than five years. If this period elapses without a final ruling ordering the criminal description provided for in article (1) of this Law is rendered against the listed entity or the terrorist, the Public Prosecution should re-submit it to the said division in order to extend the designation for another period, otherwise, the name of the entity or natural person will be removed from the list from the date of elapse of that period. The Public Prosecutor may, during the designation period and based on the justifications he provides, ask the concerned division under article (3) of this Law to remove the name of the entity or natural person designated on either list. More details were added with respect to the previously mentioned guiding rules published on the EMLCU website (detailed guidance).

Criterion 6.6 (c) (Met): Article (6) of the Law regulating terrorist entities and terrorists stipulates that concerned parties and the Public Prosecution can appeal against the decision issued regarding the designation on either list referred to within sixty days from the date of publication of the decision before the criminal division at the Court of Cassation.

Article (53) of the Executive Regulation of the AML Law addresses this issue in more detail, asserting what is cited in clause (3) of article (6) of the Law. It added, clause (6) contains provisions regulating the receipt and study of appeals and statement of opinions regarding these appeals, through a pleading presented to the competent court for the latter to decide on them. As to clause (8), it deals with the publication of the names of persons or entities that the court decides to de-list.

Criterion 6.6 (d) (Met): According to clauses (a) to (c) of article (14) of (the Mechanism), the procedures are represented in the submission of all the requests to the EMLCU which takes a decision in their regard. In case the request needs to be sent to the competent authority at the Security Council, it shall be submitted along with supporting documentation and information. Those affected are entitled to send the request directly to the competent committee at the Security Council by email. The guidance (detailed guidelines on the mechanism for implementing targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation), which is published on the EMLCU website, states the procedures for making requests for de-listing, unfreezing and paying basic or extraordinary expenses, in clause 4, paragraph (first), which regulates the appeal filed by persons or entities with the same or similar name as the designated persons or entities, and paragraph (second) which regulates the request for de-listing designated persons or entities in cases of persons or entities which no longer meet the criteria for listing/designation on the relevant Security Council lists.

Criterion 6.6 (e) (Met): Article (15) of (the Mechanism) stipulates that designated persons and entities or those concerned are informed of the possibility to refer to the United Nations Office of the Ombudsperson pursuant to UNSCRs 1904, 1989 and 2083 to accept de-listing petitions. The EMLCU published a guidance (detailed guidelines on the mechanism for implementing targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation) on its website, which addressed this requirement in detail.

Criterion 6.6 (f) (Met): Article (14) of (the Mechanism) stipulates that the EMLCU or the supervisors of those concerned receive appeals of persons or entities with the same or similar names as the designated persons or entities, who were inadvertently affected by a freezing mechanism. The procedures for making appeals are explained in clause 4 of the detailed guidelines on the mechanism for implementing targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation which are published on the EMLCU website.

Criterion 6.6 (g) (Met): According to article (52) of the Executive Regulation of the AML Law and article (5) of the Law (8/2015) on terrorist entities and terrorists, communicating de-listing and unfreezing cases to the financial sector and DNFBPs is made through publication in “Al-Waqa'i' Al-Misriyya” newspaper. FIs and DNFBPs are also informed through supervisors, according to article (52), clauses (1 and 2) and they must comply without delay upon the receipt of any updates.

Regarding the guidance, according to article (5) of the Mechanism, those concerned with the implementation should unfreeze the funds or other assets of a person or entity whose name is removed from the Security Council Lists without delay, according to articles (3 and 4). Article 11 of the Mechanism includes guidance on the obligations of FIs, persons or other entities, including DNFBPs which are in possession of the funds or other assets, with respect to the implementation of the de-listing or unfreezing actions.

The same working group mentioned above in C.6.5.d that specializes in pursuing TFS also follows the de-listing and unfreezing cases using the same mechanism.

Criterion 6.7 (Met): Regarding requests for paying basic or extraordinary expenses, clause (c) of article (14) of (the Mechanism) stipulates that the EMLCU receives from those concerned requests for paying these expenses. It sends them to the Ministry of Foreign Affairs which in turn forwards them to the competent UN body and takes its opinion, while ensuring that they include the data set out in UNSCR 1452 and in accordance with article (15) of the Mechanism. Once the competent UN body issues its decisions concerning the requests for paying expenses, they should be disseminated to those concerned with the implementation according to article (3).

As to designation on the domestic lists, clause (4) of article (53) of the Executive Regulation of the AML Law stipulates that “those concerned, including bona fide third parties, should include in the appeal filed before the criminal division at the Court of Cassation, the request to permit the deduction of sums from the frozen funds to cover any of the following expenses: (a) basic expenses: including payments relating to food, rental, real estate financing, medicines or medical treatment, taxes, insurance premiums, public utility charges, expenses relating to the payment of reasonable professional fees, expenses relating to the provision of legal services or fees for services relating to the retention or maintenance of the frozen funds, (b) extraordinary expenses: any other expenses other than the basic expenses.

Weighting and Conclusion:

Egypt put in place a mechanism for implementing most of the requirements of R.6, however, deficiencies are mainly represented in (1) the absence of guidance on the procedures adopted by the relevant committee (1267/1989 Committee or 1988 Committee) for submitting designations(sub-criterion 6.1/D), (2) not circulating lists and updates to natural and legal persons not subject to specific supervisory authority to apply the freezing obligation without delay (c.6.4) (3) the fact that the Mechanism does not include the effect or the penalty for the violation of article (6) of the Mechanism by

the natural or legal person that is not subject to any supervision, with respect to refraining from making funds available for the benefit of designated persons or entities (sub-criterion 6.5/C).

Recommendation 6 is rated “Largely Compliant”.

Recommendation 7 - Targeted financial sanctions related to proliferation

This Recommendation was added to the criterion in 2012, therefore, the Arab Republic of Egypt's compliance with it has not previously been assessed.

Criterion 7.1 (Mostly Met): This issue was regulated in article (3) (the Mechanism). The Ministry of Foreign Affairs receives the sanctions lists for the implementation of relevant UNSCRs from the Security Council, along with information and relevant amendments, so that it forwards them to the EMLCU in writing and electronically. The EMLCU immediately publishes these lists and any amendment, addition or deletion made to them on its website. It also informs supervisors of FIs and DNFBPs of the publication, so that they inform the entities subjected to their supervision of this publication, without delay. Accordingly, those concerned with the implementation are then required to freeze funds or other assets of persons and entities designated on the UN Lists immediately and without delay.

Articles (4 and 5) of the Mechanism require the parties concerned with implementation to freeze funds and assets immediately without delay, and article (11) states that those concerned with the implementation should develop and implement effective internal systems in which the identification of persons and entities designated on the relevant Security Council lists is taken into consideration. They should also undertake the immediate update of information related to the sanctions lists and their relevant amendments as soon as they are received by the Security Council. The term “without delay” as defined in article (1) of the Mechanism means “immediately within hours of the issuance of the designation decision by the competent authority.”

It should be noted that the time difference between New York City and Cairo may constitute an obstacle for FIs and DNFBPs to implement TFS without delay, regardless of the EMLCU's role in circulating the lists, immediately, to supervisory authorities, given the absence of any procedures that prevent making funds available to persons and entities designated during the weekends and official holidays because of the time difference between New York and Cairo, since the funds might be made available via online banking services or via ATMs.

According to the second chapter related to international cooperation department set out in the of EMLCU procedures, the Security Council updates are monitored daily, more than once but they become enforceable for FIs and DNFBPs upon their receipt of the lists and relevant updates from supervisory authorities, and not once published by the Security Council., knowing that FIs have subscriptions to private databases that enable them to track lists regularly.

Criterion 7.2 (Mostly Met):

Criterion 7.2 (a) (Mostly Met): Article (1) of (the Mechanism) defines those concerned with the implementation as being: Supervisors, financial institutions, non-financial businesses and professions, any natural or legal person who may be in possession of funds, other assets or financial resources of designated persons or entities, including the Commercial Register Authority, Corporations Authority, General Authority for Investment and Free Zones, Real Estate Registration and Authentication Department, Customs Department, and General Directorate of Traffic at the Ministry of Interior. According to the provisions of article 4 of the Mechanism, those concerned with implementation should freeze funds and other assets related to persons and entities designated on the UN lists immediately and without delay.

Except for FI and DNFBPs that receive the lists and updates from supervisory authorities to apply their obligations, other natural and legal persons that are not subject to specific supervisory authority are not required to apply the freezing obligation without delay.

Criterion 7.2 (b) (Met): According to article (4) of (the Mechanism), the freezing obligation covers the following: (a) all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular terrorist act, plot or threat; (b) those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; (c) the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, and (d) funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

Criterion 7.2 (c) (Mostly Met): According to article (6) of (the Mechanism), those concerned with the implementation should refrain from making any funds, other assets, economic resources, financial or other related services, available whether directly or indirectly, wholly or jointly, for the benefit of designated persons or entities and for the benefit of entities owned or directly or indirectly controlled by those designated persons or entities, and for the benefit of persons and entities acting on behalf of, or at the direction of designated persons or entities, unless a license or an authorization is issued by the EMLCU, in accordance with the relevant UNSCRs.

However, the Mechanism does not include the effect or the penalty for the violation of article (6) of the Mechanism by the natural or legal person that is not subject to any supervision, with respect to refraining from making funds available for the benefit of designated persons or entities.

Criterion 7.2 (d) (Mostly Met): Article (3) of (the Mechanism) designated the supervisory authorities as responsible for communicating designations to the financial sector and DNFBPs. These lists and their relevant updates are published on the EMLCU website, while the obligations of FIs and DNFBPs with respect to freezing are indicated in article (4) of (the Mechanism) which accurately and comprehensively determined for these sectors the funds and assets covered by the freezing, in consistency with the criterion.

It should be noted that the time difference between New York City and Cairo may constitute an obstacle for FIs and DNFBPs to implement TFS without delay, regardless of the EMLCU's role in circulating the lists immediately to supervisory authorities, given the absence of procedures that prevent making funds available to persons and entities designated during the weekends or official holidays because of the time difference between New York and Cairo, since the funds might be made available via online banking services or via ATMs.

The EMLCU has a working group that specializes in pursuing TFS by following the Security Council sanctions lists daily more than once, and FIs also have subscriptions to private databases that enable them to track lists regularly. The EMLCU published a guidance document on its website entitled (detailed guidelines on the mechanism for implementing the Security Council Resolutions on targeted financial sanctions related to terrorism and terrorist financing and the financing of proliferation to financial institutions and non-financial businesses and professions).

Criterion 7.2 (e) (Met): Article (7) of (the Mechanism) addressed this issue, given that the article requires FIs and DNFBPs to report to their supervisors and the EMLCU any funds or other assets frozen or unfrozen and cases where freezing is cancelled once such action is taken, and any actions taken to comply with the freezing requirements, including attempted transactions.

Criterion 7.2 (f) (Met): According to article (7) of (the Mechanism), the rights of bona fide third parties acting in good faith should be observed, when implementing their obligations under the relevant UNSCRs. Article (14-a) of (the Mechanism) stipulates that concerned persons or entities having the same or similar name as the designated entities which are inadvertently affected by a freezing mechanism can file their appeal to the EMLCU or entities concerned with supervision.

Criterion 7.3 (Met): Article (12) of (the Mechanism) points to the supervisors' duty to monitor FIs and non-financial professions and businesses for their implementation of the relevant UNSCRs. Non-compliance is subject to sanctions set out in the supervisory controls issued by supervisors to institutions and entities that are subject to their supervision.

Criterion 7.4 (Met):

Criterion 7.4 (a) (Met): Clause (b) of article (14) of (the Mechanism) gave the persons and entities designated on the relevant UN Lists the opportunity to file a request to the EMLCU or supervisors of those concerned with the implementation - accompanied with supporting documentation and information, so that the EMLCU forwards it to the Ministry of Foreign Affairs which will send it in turn to the competent authority at the Security Council. The Ministry of Foreign Affairs provides the EMLCU with the response of the competent authority at the Security Council and enclosed documents, once received. The request can be submitted directly to the Ombudsperson's office at ombudsperson@un.org

Criterion 7.4 (b) (Met): Clause (a) of article (14) of (the Mechanism) addressed the issue of unfreezing the funds or other assets of persons or entities having the same or similar name as the designated persons or entities, by establishing procedures for unfreezing that start with the EMLCU or supervisors of those concerned with the implementation receiving an appeal from those who were inadvertently affected by a freezing mechanism, along with supporting documentation and information. The EMLCU takes a decision concerning the request for appeal within a period not more than 10 working days from reaching a decision regarding the request. It can also seek, in coordination with the Ministry of Foreign Affairs, information or the opinion of competent authorities at the Security Council. The approval upon the request will be communicated to the petitioner and all the relevant entities that are in possession of the frozen funds or other assets or the financial service providers and the EMLCU requests them not to implement the provisions of articles (4 and 6) of the Mechanism relating to the procedures and scope of freezing. The entities that are in possession of the frozen funds or other assets or the financial service providers should report to the EMLCU and the supervisors the actions taken to discontinue the implementation of these provisions, once taken.

Criterion 7.4 (c) (Met): (The Mechanism) decided in article (14-c), with regard to the requests for paying basic or extraordinary expenses, that the EMLCU receives the payment requests from those concerned and sends them to the Ministry of Foreign Affairs which in turn forwards them to the competent UN bodies and takes their opinion. The Executive Regulation of the AML Law decided in clause (4) of article (53) on the appeal against the decision of designation on the domestic list or the amendment of the scope of frozen funds, that those concerned, including bona fide third parties, are permitted to include in the appeal filed before the criminal division at the Court of Cassation, the request to permit the deduction of sums from the frozen funds to cover any of the following expenses: (a) basic expenses: including payments relating to food, rental, real estate financing, medicines or medical treatment, taxes, insurance premiums, public utility charges, expenses relating to the payment of reasonable professional fees, expenses relating to the provision of legal services or fees for services relating to the retention or maintenance of the frozen funds, (b) extraordinary expenses: any other expenses other than the basic expenses.

Criterion 7.4 (d) (Met): With reference to article (15) of (the Mechanism), once the competent UN body issues its decisions concerning the requests for de-listing or for paying the expenses, they should be disseminated to those concerned with the implementation according to articles (3 and 4) previously mentioned in criterion 7-1 and sub-criterion 7-2 (a), where those concerned with the implementation unfreeze the funds or other assets owned by a person or entity whose name was removed from the SC lists without delay, according to article (5) of (the Mechanism).

Criterion 7.5 (Met):

Criterion 7.5 (a) (Met): According to article (9) of (the Mechanism), Egypt gave the permission to FIs, DNFBPs and any other person to add to the accounts frozen pursuant to UNSCRs 1718 or 2231 interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that arose before those accounts became subject to the provisions of this Resolution, provided that any such interest, other earnings and payments continue to be subject to these provisions and continue to be frozen.

Criterion 7.5 (b) (Met): According to article (10) of (the Mechanism), as regards persons or entities designated pursuant to UNSCR 1737 (2006) and whose designation continues by virtue of UNSCR 2231 (2015) or pursuant to the same UNSCR 2231 (2015), the EMLCU communicates with the State security authorities to obtain their views on permitting FIs, DNFBPs or any other person who has frozen funds or other assets to make payments due under a contract entered into by this person or entity prior to their listing on the SC Lists in order to settle these payments. The EMLCU forwards the request to the Ministry of Foreign Affairs to have the opinion of the concerned UN body, according to the following conditions: (a) that the contract is not related to any of the prohibited items, materials, equipment, goods,

technologies, assistance, training, financial assistance, investment, brokering or services referred to in UNSCR 2231 and any of its successor resolutions, (b) that the payment is not directly or indirectly received by a person or entity designated pursuant to the procedures set out in paragraph 6, annex (B) of UNSCR 2231, (c) that the EMLCU submits, in coordination with the Ministry of Foreign Affairs, prior notification to the competent UN body of the intention to make or receive such payments or to authorize, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, within 10 working days prior to such authorization.

Weighting and Conclusion:

The deficiencies are represented in the Security Council's updates becoming enforceable for FIs and DNFBPs upon their receipt of the lists and relevant updates from supervisory authorities, and not once published by the Security Council and in the absence of procedures that prevent making funds available to persons and entities designated during the weekends and holidays due to the time difference between New York and Cairo. Besides, the mechanism did not address the effect of or the penalty for the violation committed by natural or legal persons not subject to the supervision of any of the supervisory authorities with respect to refraining from making funds available to designated persons or entities.

Recommendation 7 is rated "Largely Compliant".

Recommendation 8 - Non-profit organizations.

In the previous round, Egypt was rated "Compliant" with former SRVIII. Since the previous round, R.8 has been significantly amended, as was the Egyptian legal framework.

In August 2019, Law No.149 of 2019 regulating the practice of civil work was issued. It cancels the Law regulating the work of associations and other foundations working in the field of civil work issued by Law No.70 of 2017 and also cancels any provision contrary to its provisions. The said law regulates the legal framework for the establishment, registration, monitoring and dissolution of civil associations and foundations. This legislation provided for the establishment of a "Unit" called the Central Unit for Associations and Civil Work and the lawmaker entrusted it with several tasks that inherently meet many requirements and criteria of this Recommendation.

Criterion 8.1 (Met):

Criterion 8.1 (a) (Met): Paragraph 1 of article (81) of the Law regulating the practice of civil work stipulated that "the Unit (the Central Unit for Associations and Civil Work) studies the characteristics and types of the civil society associations which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse. It registers the results of this study in its records and reviews it periodically and as necessary". Accordingly, the Ministry of Social Solidarity identified the subset of organizations which fall within the FATF definition of NPOs and identified the features of the subset which by virtue of its activities or characteristics is likely to be at risk of terrorist financing abuse was selected.

The Ministry of Social Solidarity identified the subset which is formed of 2429 NPOs out of 51001 (as at 22/08/2019) based on the nature of the organization's business, in particular those working in collecting and disbursing funds for charitable, religious, educational, cultural, social or fraternity purposes. Then it categorized them into three risk categories: high risk (478 NPOs); moderate risk (1572 NPOs); and low risk (379 NPOs). The categorization was made based on the NPOs characteristics: (1) Size of the association and its activities across the Republic, (2) total balances and financial capacity of the association, (3) cooperation with foreign entities and obtaining funding from foreign entities, (4) obtaining licenses for fundraising, (5) geographic scope for carrying out activities (border areas), (6) working in the micro-finance activity.

Criterion 8.1 (b) (Met): The Ministry of Social Solidarity has identified the nature of threats that the NPO sector in Egypt may face, through a study prepared for this purpose. This study has initially covered the identification of the factors that make the sector more vulnerable to exploitation by terrorist entities and terrorists, such as the multiplicity of funding sources and permitting them to obtain grants and financing from foreign entities, the possibility to obtain licenses for fundraising, the spread of the geographical reach country-wide, and the presence in all governorates, including border areas, and allowing NPOs to work in micro-lending and granting a variety of loans to the public.

The Ministry analysed the nature and characteristics of the sector that led to the identification of the main threats that may face the sector, and they included (1) suspicious financing by an unknown source, (2) disbursement for a purpose other than the intended purpose, whether for foreign donations or fundraising licenses, (3) the exploitation of some NPOs for purposes other than those declared by some biased entities that may deal with them through the signing of cooperation agreements or any other similar form of cooperation (4) the exploitation of the NPOs' name in collecting cash donations and misusing funds in transactions that may be related to TF. The study included the measures that the ministry should take to deal with these threats.

Criterion 8.1 (c) (Met): The review of the laws resulted in the creation of a unit of its own kind called "the Central Unit for Associations and Civil Works" to review the risks and threats on an on-going basis. Article (81) of the Law compelled this Unit to several issues, including the establishment of a system for off-site and on-site monitoring of the civil society associations, taking into account the risks identified. This would enable the Republic to take proportionate and effective actions to address the risks once identified.

Criterion 8.1 (d) (Met): As previously mentioned in the analysis of criterion 8.1 (a), article (81) of the Law regulating the practice of civil work requires the Unit to study the characteristics and types of the civil society associations which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse and to register the results of this study in its records and to review it periodically and as necessary.

Criterion 8.2 (Met):

Criterion 8.2 (a) (Met): In an attempt to ensure transparency, the Law regulating the practice of civil work regulated some measures which aim to promote accountability, integrity and public confidence. Article (10) thereof required the Administrative Entity¹⁰⁴ – which consists of the relevant bodies set out in the footnote below¹⁰⁵ to take measures to publish a summary of the association's articles of association on the official website of the Administrative Entity. It also required the association, once its legal personality is established, to have a summary of its articles of association, as approved by the Administrative Entity, published on the latter's website, if possible and in "Al-Waqa'i' Al-Misriyya" newspaper. The association shall have a bank account in the name under which it was registered. Paragraph 1 of article 28 of the Law regulating the practice of civil work requires that "the association is committed to transparency, publicity and disclosure. It should declare its funding sources, names of its members, annual budget and activities. It should publish this data inside its headquarters, on its website and other means of publication. It should periodically update its data entered in the database, including the details of its projects, forms of cooperation it concludes and entities that finance it". The Ministry makes any information about any civil association or foundation available through its official website www.moss.gov.eg.

Criterion 8.2 (b) (Met): According to clause 4 of article (81) of the Law regulating the practice of civil work, the Central Unit for Associations and Civil Work proposes outreach programs to donors on their potential vulnerabilities to TF abuse and the measures that should be taken for protection against such abuse. The assessment team was informed of several training programs and awareness activities in the field of combating the misuse of NPOs in TF activities, the introduction of their risks and awareness activities for donors.

Criterion 8.2 (c) (Met): According to clause (5) of article (81) of the Law regulating the civil work, the Central Unit for Associations and Civil Work is responsible for "studying the best practices to face the TF risk of these associations and provide them with such practices. Egyptian authorities mentioned that they held several meetings with NPOs to introduce them to the best practices to protect the sector from being misused.

¹⁰⁴ The administrative Entity, in accordance with the provisions of article 1 of the Law regulating the practice of civil work, means: "The Ministry concerned with the affairs of associations, civil work, the Fund for supporting the projects of Organizations and Civil Association, the Central Unit for Associations and Civil Work and its subsidiary units"

¹⁰⁵ It is prohibited for any entity or authority to practice civil work or any activity that falls under the purposes of the organizations or other civil society associations, unless they are governed by the provisions of the Law. It is prohibited for any entity other than the Administrative Entity, to permit or license the practice of any activity that falls under the purposes of the civil society associations, otherwise such permit shall be considered void.

Criterion 8.2 (d) (Met): Article (23) of the Law No.149 of 2019 required associations to open accounts with one of the banks supervised by the CBE and to receive funds only through these accounts.

Article 24 of the same Law permits the association, with the aim of achieving its objects and supporting its financial resources, to receive cash from inside the country, from Egyptian natural or legal persons or foreign non-governmental organizations authorized to operate in Egypt, according to the provisions of this law, provided that they deposit these funds in its bank account.

As to associations receiving funds from abroad, article (27) of the same Law regulated this issue by permitting them to receive funds from foreign natural or legal persons from outside or inside the country, provided that they deposit them in the association's bank account and annotate such deposit in its records and inform the Administrative Entity within thirty working days from the date of receipt and deposit of funds in the association's account.

Criterion 8.3 (Met): The law regulating the practice of civil work entrusts the Central Unit for Associations and Civil Work in clauses (2 and 3) of article (81) thereof with the task of studying the characteristics and types of the civil society associations which by virtue of their activities, are likely to be at risk of terrorist financing abuse, by (a) identifying the nature of threats posed by terrorist entities to these associations and the methods through which terrorist entities can abuse them, and (b) establishing a system for off-site and on-site monitoring of the civil society associations, taking into account the risks identified; and reviewing these studies periodically or as necessary and conducting a periodical review of the adequacy of the supervisory measures applied to these associations, based on the changes discovered with respect to relevant risks.

In an attempt to promote effective supervision or monitoring to apply risk-based measures, the Ministry inspects the subset (formed of 2429 civil associations and foundations and foreign non-governmental organizations) as follows: (First: High-risk categories), which are periodically inspected as follows: (1) off-site and administrative inspection twice a year, (2) on-site inspection 3 times a year, (3) unexpected inspection as needed; the number of on-site inspections may increase depending on the donations sent to the associations and foundations which are visited for follow-up. The frequency of inspection decreased for moderate and low risk categories.

Criterion 8.4 (Met):

Criterion 8.4 (a) (Met): The law regulating the practice of civil work requires the Central Unit for Associations and Civil Work to establish a system for off-site and on-site monitoring of NPOs, taking into account the risks identified (article 81). It also has an inspection manual for onsite and offsite supervision which was prepared in 2013 and amended in 2016 and 2019, where it included the onsite and offsite supervisory procedures according to the RBA as well as additional inspection procedures applied to foreign organizations, in line with C.8.3 above.

Criterion 8.4 (b) (Met): The law provided for some measures and sanctions for violation of its provisions by NPOs, through articles 29, 45, 47 and 93 thereof. These measures and sanctions range, depending on the type of the violation, between lodging a warning, suspending the association's activity for a certain period, issuing a decision to restrain the board of directors until the issuance of a court judgment ordering dissolution or dismissal in the cases set out in the law, (d) fines according to article 93, (e) dissolution of the association and appointment of a liquidator for its funds. By reviewing the statistical statement related to the violations and sanctions applied on NPOs, it appears that they are proportionate and dissuasive.

Criterion 8.5 (Mostly Met):

Criterion 8.5 (a) (Mostly Met): The Egyptian lawmaker required the Administrative Entity in article (80) of the Law regulating the practice of civil work, to establish a mechanism for the immediate exchange of information with competent authorities in order to perform their functions, in case of suspicion or reasonable grounds to suspect any civil society association. The Ministry keeps a comprehensive database that includes all information relevant to NPOs. There are no legal impediments to share it. Information on NPOs is available on the Ministry's website; however, the website does not contain all the information related to the managers and controllers. The country provided information stating that cooperation and coordination with all relevant authorities in the country is being undertaken, including the CBE, the EMLCU and the Ministry of Interior.

Criterion 8.5 (b) (Met): The country relies on the general expertise and powers of law enforcement agencies and the investigations they conduct. They benefit in their prosecution and investigation from

the registration system and conditions set out in articles 7-9 of the law No.(149) of 2019, regulating the practice of civil work, given that the country established a strict system for registration and monitoring, such as article (7) of the Law which set up a long list of the contents of the association's articles of association and provides a large amount of information to the investigative authorities. The same applies to article (8) which required the Administrative Entity to establish, in coordination and cooperation with the stakeholders, a database that included all the information on the civil society associations which are subject to the provisions of this Law including their activities. It provided a guidance for offsite and on-site supervision to verify that the data is completed and the errors are rectified by the representative of the group of the association founders. According to article 81, the central unit of associations and civil work studies the characteristics of the types of civil society institutions that may be more exposed by virtue of their activities or characteristics to the risk of exploitation in terrorist financing operations and it records the results of that study periodically and when the need arises. It should also establish a system for on-site monitoring of these agencies, taking into account the risks identified.

Criterion 8.5 (c) (Met): Article (30) of the law regulating the practice of civil work permits competent representatives of the Administrative Entity to enter the premises or branches of any civil society association, after being given a notice, monitor its activities, access its records and examine its works at the administrative, financial and technical levels. The Administrative Entity has also the ability to provide technical assistance to associations to address the identified issues through follow-up, investigation and improvement of the level of compliance with the relevant requirements. In the event where the representatives of the Administrative Entity enter the premises pursuant to an official complaint, they may enter without prior notice.

Criterion 8.5 (d) (Mostly Met): In article (80) of the law No.(149) of 2019 regulating the practice of civil work, the Egyptian lawmaker required the Administrative Entity to establish a mechanism for the immediate exchange of information with competent authorities in order to perform their functions, in case of suspicion or reasonable grounds to suspect that any civil society association:

- Is involved in terrorist financing or is a front for fundraising by a terrorist organization.
- Is being exploited as a conduit for terrorist financing, including for the purpose of escaping fund freezing measures, or other forms of terrorist support.
- Is concealing the diversion of funds collected for legitimate purposes but redirected for the benefit of terrorists or terrorist entities.

It compels its inspectors to notify the administrative body of the ministry immediately, in the event of discovering any violations and cooperates with all the stakeholders, including the EMLCU and the Ministry of Interior, in the event of requesting or sending inquiries. It advised the associations of the necessity of immediately reporting any suspicious activities. Nonetheless, no information was provided by the ministry on having mechanisms in place that ensure the immediate exchange of relevant information with competent authorities.

Effective capacity to respond to international requests for information about a NPO of concern:

Criterion 8.6 (Mostly Met): The Ministry of Social Solidarity receives international requests through several entities in the country, such as (the EMLCU, the Ministry of International Cooperation, the Ministry of Foreign Affairs, as well as the concerned security agencies, considering that it is the authority which supervises NPOs). The international cooperation framework focuses on foreign grants received by NPOs and on inquiries about the status of NPOs registered in the Ministry's records. Moreover, no separate procedures were dedicated for the provision of cooperation in the CFT field.

Weighting and Conclusion:

Since the country meets 4 criteria and mostly meets criteria 8.5 and 8.6; and since the gaps identified under those two criteria are considered moderate and do not affect the rating of this Recommendation, given that the criteria rated as "met" are considered substantial, given their relative importance.

Recommendation 8 is rated "Largely Compliant".

Recommendation 9 Financial institution secrecy laws

Egypt was rated "Largely Compliant" with R.4 in 2009 due to the absence of a specific provision related to the sharing of information between FIs (which is a condition under R. 7, 9 and SR VII).

Criterion 9.1 (Met): According to article (7) of AML Law No. (80) of 2002, FIs should provide the EMLCU with the data, information and statistics it requires to perform its functions. In the same context, article

(9) of the same law requires FIs to make their documents and records available to judicial authorities upon request. In addition, according to article (130) of the Central Bank and the banking sector law No. (194) of 2002, each bank should provide the CBE with information and explanations it requests about the operations it conducts. According to article (141) of the same law, the Public Prosecutor or anyone he delegates from among at least the first public attorneys has the power to issue an order for reviewing or obtaining any data or information on the accounts or deposits, etc.

Article (4) of the AML Law stipulates that the EMLCU should provide the information it has to judicial authorities and other competent authorities and exchange this information with competent authorities in foreign countries and international organizations. In an attempt to coordinate and facilitate internal cooperation, it signed memorandums of understanding with several competent entities, such as the Administrative Control Authority.

There is no specific text concerning the exchange of information among FIs (given that this is required under R.13, R.16 and R.17); however, nothing prevents FIs from exchanging information collected as part of the CDD measures issued by the EMLCU. This exchange of information therefore extends to the identification procedures with respect to correspondent banking, the due diligence measures when relying on third parties and the rules governing wire transfers.

Pursuant to article (143) of the Central Bank and Banking System Law No. (194) of 2020, the provisions of articles (140) and (142) related to account confidentiality are without prejudice to the laws and provisions regulating AML/CFT, which contain special provisions regulating correspondent banking relationships and CDD measures when relying on third parties and rules for wire transfers. The provisions of accounts confidentiality do not impede the exchange of information whenever required in accordance with recommendations 13, 16, 17.

Weighting and Conclusion:

The AML law, its Executive Regulation and the CBE law give competent authorities the necessary powers to perform their functions, including powers to obtain or seek relevant information from FIs. There are no impediments to the exchange of this information both at the domestic and international level. In addition, nothing prevents FIs from exchanging information with other FIs, in line with the requirements of R.13, R.16 and R.17.

Recommendation 9 is rated “Compliant”.

Recommendation 10 Customer due diligence

Egypt was rated “Partially Compliant” with R.5 in 2009. The deficiencies were represented in an incomplete requirement with respect to beneficial owners (definition of the beneficial owners, the nature of the customer due diligence measures which should be undertaken), the absence of a requirement in the law or the regulation to undertake ongoing due diligence, key weaknesses in the customer due diligence obligations for the three institutions engaged in banking activities (not subject to the supervision of the CBE, particularly with respect to the scope of customer identification obligations); the absence of an obligation to collect information on the purpose and objective of the business relationship, to conduct ongoing monitoring or to update customer information based on risks); the absence of adequate identification obligations when dealing with legal arrangements; and the lack of effectiveness (weaknesses in implementing ongoing monitoring obligations, including for high-risk customers, and in updating customer information, etc.).

Based on the provisions of article (8) of the AML Law issued by virtue of Law No.80 of 2002 and its amendments, the EMLCU issued the due diligence measures for customers of banks, customers of FIs subject to the supervision of the FRA, customers of entities that engage in money transfer activities, customers of exchange companies and other entities licensed to deal in foreign currencies, and customers of the National Post Authority with respect to the financial services it offers. These measures will be referred to hereinafter as “the CDD measures issued by the EMLCU to FIs”.

The FATF has strengthened the CDD Recommendation based on the revision of the FATF standards in 2012.

The definition of FIs in Egypt – according to Article 1 of AML Law – includes banks, exchange houses, Post Authority and entities that practice activities related to transfer and receipt of money, securities, real-estate leasing, real-estate securitization, finance leasing, factoring and insurance.

Criterion 10.1 (Met): According to article (33) of the Executive Regulation of the AML Law, FIs must not open or keep any accounts or deposits or accept funds under anonymous, shell or fictitious names.

When CDD is required:

Criterion 10.2 (Met): Clause 4 of the CDD measures issued by the EMLCU requires FIs to apply due diligence measures to the customer, whether he is a natural or legal person or a legal arrangement, in the following cases:

- a- Establishing a business relationship with the customer.
- b- Carrying out an occasional transaction above 200,000 Egyptian Pounds or its equivalent in foreign currency (equivalent of approximately \$12700), while having regard in calculating this value to cases where several transactions that appear to be linked are conducted. This threshold may be amended as set out in the due diligence measures issued by the EMLCU and FIs should also obtain any information or documents they deem necessary, or which are determined by the due diligence measures, even when the transaction does not exceed the said amount.
- c- Carrying out an occasional wire transfer, regardless of its value.
- d- There is a suspicion of ML, associated predicate offense or TF, even if the customer carries out an occasional transaction below the threshold designated in clause (2) of this article.
- e- There are doubts about the accuracy of previously obtained customer identification data or in case this data is considered inadequate and needs to be completed.

When CDD measures are required for all customers:

Criterion 10.3 (Met): Article 22 of the Executive Regulation requires FIs to identify and verify the customer (whether the customer is a natural or legal person or legal arrangement), whereas article (22) bis (a) of this Regulation states that it is necessary to verify the veracity of the information available on the customer before establishing the business relationship or conducting a transaction for an occasional customer, using reliable independent source documents, data or information. In case there are doubts about the veracity of the data or information provided when establishing the customer identity, it will be verified in every way, including by communicating with the authorities concerned with the registration of this data or the issuance of these documents, such as the Commercial Register Authority, the Civil Affairs Authority and others.

Criterion 10.4 (Met): Article 22 bis (a), clause (5) of the Executive Regulation requires FIs to verify that any person purporting to act on behalf of the customer is so authorized, and the identification and verification measures should apply to this person.

Criterion 10.5 (Met): Article 22 bis (b) of the Executive Regulation of the AML Law stipulates that the beneficial owner identification measures should include the following: identify the beneficial owner before engaging in a business relationship with the customer or carrying out a transaction for an occasional customer and take reasonable measures to verify his identity, using information or data obtained from reliable sources. CDD measures issued by the EMLCU to FIs require the identification of the BO and the application of reasonable measures to verify their identity, using information, data or documents from other reliable independent resources, such that the FI is satisfied that it knows the BO; knowing that the BO definition is in line with the definition contained in the Methodology.

Criterion 10.6 (Met): According to article 22 bis (a), clause (2) of the Executive Regulation, FIs should obtain the necessary information to understand the purpose and nature of the dealing.

Criterion 10.7 (a, b) (Met): The CDD measures issued by the EMLCU to FIs require them to update the data and information they obtained when applying these measures properly, particularly with respect to higher risk categories of customers. The measures issued by the EMLCU to FIs require them to establish an internal system permitting them to conduct ongoing monitoring of the transactions, including scrutiny of transactions undertaken to ensure that the transactions being conducted are consistent with the information available on the customer, their business and risk profile, including, when necessary, the source of funds. According to article (22) bis (c), clause (4) of the Executive Regulation, FIs should update the data and information obtained when establishing and verifying the identity periodically, continuously and properly, particularly for higher risk categories of customers and transactions.

According to the provisions of article 22 of the Executive Regulation, the controls specified in (article 22 bis) to (article 22 bis (c) apply, unless otherwise provided for in the rules and procedures issued by EMLCU or supervisory authorities.

Specific CDD measures for legal persons and legal arrangements:

Criterion 10.8 (Met): Clauses (2) and (6) of article (22) bis (a) of the Executive Regulation require that the necessary information be obtained to understand the purpose and nature of the dealing, to identify the aspects of the activity of the customer that is a legal person or legal arrangement and to understand its ownership and control structure.

Criterion 10.9 (a, b, c) (Met): CDD measures issued by the EMLCU to FIs require them to obtain information and documents to identify beneficial owners of legal persons and legal arrangements, including those required under sub-criteria (a), (b) and (c). which include the name (the commercial feature), the legal form, the Memorandum of Association, the Articles of Association, the preliminary contract, the names of persons holding senior management positions and the address of the headquarter. CDD measures issued by the EMLCU also require that the veracity of the customer information be verified, using reliable and independent source documents, data or information.

Criterion 10.10 (a, b, c) (Met): According to article (22) bis (b) of the Executive Regulation, the measures for identifying and verifying the beneficial owner of legal persons include the identification and verification of each of the following: a) natural persons who have a controlling ownership interest in a legal person (if any), (b) natural persons with no controlling ownership interest and exercising control over the legal person through other means (if any), (c) the natural person in charge of the actual management of the legal person, in case there are no persons to which clauses (a) and (b) of this article apply.

Criterion 10.11 (a, b) (Met): According to article (22) bis (b), clause (3) of the Executive Regulation of the AML Law, the measures for establishing and verifying the identity of the beneficial owner of trusts include the settlor, trustee, protector of the trust (if any), the beneficiaries and any other natural person exercising effective control over the trust. For other types of legal arrangements, these measures should extend to persons who have similar positions as the parties of the said trusts (settlor, trustee, protector, etc.).

CDD for beneficiaries of life insurance policies:

Criterion 10.12 (a, b, c) (Met): The due diligence measures toward customers of FIs that are subject to the supervision of the FRA require FIs engaged in the insurance field to implement, in addition to the general due diligence measures, due diligence measures toward the beneficiaries of life insurance policies and other investment related insurance products as soon as those beneficiaries are identified or designated by the customer. These measures cover: a) if the beneficiary is specifically named, taking the name of the beneficiary (whether he is a natural person or a legal person or arrangement) , b) if the beneficiary is designated by characteristics or by class or by other means, (whether he is a natural person or a legal person or arrangement), sufficient information concerning the beneficiary should be obtained, so that the institution is satisfied that it will be able to establish his identity at the time of the payout, c) and for both cases, the identity of the beneficiary should be verified at the time of the payout.

Criterion 10.13 (Met): Due diligence measures toward customers of FIs engaged in the insurance field and that are subject to the supervision of the FRA require FIs to consider the beneficiary of a life insurance policy as a relevant risk factor in determining the extent to which enhanced CDD measures are applicable. If the financial institution determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, enhanced measures which should include reasonable measures to identify and verify the identity of the beneficial owner of the beneficiary of the insurance policy, at the time of payout, should be taken.

Timing of verification:

Criterion 10.14 (Met): According to clause (1) of both article (22) bis (a) and article (22) bis (b) of the Executive Regulation, FIs should verify the identity of the customers and the beneficial owners before establishing a business relationship or carrying out a transaction for an occasional customer. The measures issued by the EMLCU allow for the verification of the identity of the customer and the beneficial owner after the establishment of the business relationship but only for mobile payment service customers, prepaid card service customers and financial inclusion product and service customers, on the condition that this occurs as soon as possible, that this is essential not to interrupt the normal course of the activity and that the ML/TF risks are effectively managed.

Criterion 10.15 (Met): According to the CDD measures issued by the EMLCU, for mobile payment service and prepaid card service customers and financial inclusion product and service customers, a customer may utilize the business relationship prior to verification, provided that limitations are set to the number,

amounts and type of the transactions which can be conducted, until the said documents, information or data are completed. Setting threshold to the values and type of transactions that can be conducted falls under the Risk Management procedures.

Existing customers:

Criterion 10.16 (Met): According to clause (6) of the CDD measures issued by the EMLCU, FIs should subject the existing customers before these EMLCU measures first came into effect, based on the degree of risks and materiality, and subsequently, at appropriate times subject to whether due diligence measures have previously been applied to them, to the timing of this implementation and to the extent of the adequacy of data obtained at that time.

Criterion 10.17 (Met): The CDD measures issued by the EMLCU to FIs require them to implement enhanced due diligence measures toward customers when ML/TF risks are higher.

Criterion 10.18 (Not Applicable): Nothing in the Executive Regulation of the AML Law indicated that FIs are permitted to take simplified due diligence measures. As mentioned in the analysis of R.1, Egypt does not allow reporting entities, including entities which provide mobile payment services, prepaid card services and financial inclusion products and services, respectively, to apply simplified due diligence measures (see IO.1) (See c.10.14 above).

Criterion 10.19 (Partly Met): According to article (22) bis (c), clause (1) of the Executive Regulation, when FIs are unable to identify and verify the customer, they should not open the account, establish or continue any business relationship with the customer or conduct any transactions for him and they should consider making a suspicious transaction report to the EMLCU, based on the reasons for which these measures could not be completed. In addition, the CDD measures issued by the EMLCU to FIs require that in case FIs are not able to apply these measures (these measures mean the identification and verification of the customer's identity), they should not open the account, commence or continue any business relationship with the customer or conduct any transactions for him and they should consider making a suspicious transaction report to the EMLCU in relation to the customer, based on the reasons for which these measures could not be completed. Nonetheless, the due diligence measures referred to appear to be limited to the identification and verification of the customer and do not extend to the broader range of due diligence measures, as required by Recommendation 10.

Criterion 10.20 (Met): The CDD measures issued by the EMLCU require FIs in cases where they have indicators of ML or TF and believe that performing the CDD measures will tip-off the customer about this suspicion, they should not pursue these measures, with the necessity to file a STR with the EMLCU.

Weighting and Conclusion:

The requirements and instructions issued to FIs meet most of the requirements of this Recommendation, with deficiencies in criterion (10.19) in terms of measures which should be taken in case of failure to satisfactorily apply the due diligence measures (not in case of failure to verify the customer's identity).

Egypt is "Largely Compliant" with R.10.

Recommendation 11 Record-keeping

Egypt was rated "Largely Compliant" with R.10 in 2009 because some institutions were not specifically required to maintain sufficient records for criminal prosecution.

The AML Law authorized the EMLCU to issue regulatory texts, and therefore the CDD measures issued by the EMLUC are considered enforceable means.

Criterion 11.1 (Met): Article (9) of the AML Law requires FIs to maintain records and documents on both local and international financial transactions that they carry out, with sufficient data to identify these transactions. They should keep these records and documents for at least five years following completion of the transactions or closing of the account, as the case may be, unless the EMLCU or the investigative authorities require them to be maintained for a longer period. Article (34) of the Executive Regulation of the AML Law provides for the same obligations set out in article (9) of this Law and it appears that these are the minimum requirements to be met.

Criterion 11.2 (Met): According to article (34) of the Executive Regulation, FIs are required to keep the records and documents related to accounts and transactions, including the applications for opening accounts, copies of personal identification documents and correspondences with customers, for at least five years from the date of the closing of the account or the end of the transaction. Article (40) of the said Executive Regulation requires FIs to keep files related to suspicious transactions, including copies of

STRs, data and documents related thereto, for a period not less than five years from the closure of the suspicious account or the date of completion of the suspicious transaction, or until a decision or final verdict is rendered on the transaction, whichever is longer. The concept of files related to suspicious transactions, including data and any documents related thereto, appears to be sufficiently broad to also cover results of any analysis undertaken. The CDD measures issued to FIs indicate that the KYC form should be maintained in order to start providing the service with respect to the occasional customer and also signed by the customer or the authorized person and that the documents which were obtained through the implementation of these measures should be also maintained, in addition to any other relevant documents, records or files, copies of correspondences with the customers, as well as data of transactions conducted with them, and the results of any analysis made according to the periods and conditions set out in the relevant provisions and texts.

Criterion 11.3 (Met): According to article (9) of the AML Law, FIs should maintain sufficient data to identify the local and international financial transactions, with a view to identifying the parties to each individual transaction, including the transaction reference, amount, currency used, time and date, and other information that permits reconstruction of individual transactions, so as to provide, if necessary, evidence for prosecution of criminal activity.

Criterion 11.4 (Partly Met): Article (7) of the AML Law and article (39) of the Executive Regulation require FIs to provide the EMLCU with the data, information and statistics it requests. Article 9 of this Law requires FIs to keep records on local and international financial transactions, identification data records for customers and beneficial owners of natural and legal persons and make these records available to judicial authorities upon request. Nonetheless, these requirements are not sufficiently broad because they are limited to the FIU and the judicial authorities and do not extend to LEAs. In addition, the requirements do not contain the concept of making all CDD information and transaction records “swiftly” available, as required by c.11.4.

Weighting and Conclusion:

The legal texts and instructions issued to FIs meet most of the requirements of this Recommendation. The deficiency is represented in the failure to require FIs to make the CDD information and transaction records *swiftly* available to all the domestic authorities according to the requirements of criterion 11.4.

Egypt is “Largely Compliant” with R.11.

Recommendation 12 Politically exposed persons

As to former R.6, Egypt was rated “Partially Compliant” in 2009, due to the ambiguous obligations for foreign exchange companies and the three banks not supervised by the CBE regarding the identification of the sources of the wealth and funds of beneficial owners who are PEPs, due to their public functions. The 2012 Recommendations have been extended to domestic PEPs and international organizations. The term Higher risk persons by virtue of their public functions as used in the Egyptian legislations is the synonym of the term PEPs included in the methodology.

Criterion 12.1 (Met): According to article (32) bis of the Executive Regulation, FIs should give special attention when dealing with higher-risk persons due to their public functions, to legal persons or legal arrangements in which these persons hold a controlling interest, to the family members of these persons, to persons acting on their behalf as well as to persons having close relationships with them. In this context, a risk management system for those higher-risk persons due to their public functions should be put in place, which includes at a minimum the following: (1) determine whether the customer or the beneficial owner is a higher-risk person due to his public functions, (2) take reasonable measures to establish the source of wealth or the source of funds of the customer or the beneficial owner identified as a higher-risk person due to his public functions, (3) obtain senior management approval on the establishment of a business relationship with the customer, (4) in case it is discovered during the course of the business relationship that the customer or the beneficial owner is a higher-risk person due to his public function, senior management approval on continuing the relationship with him should be obtained, (5) conduct on-going and enhanced monitoring of the accounts and transactions of this category of customers.

Criterion 12.2 (Met): The provisions of article (32) bis of the afore-mentioned Executive Regulation also apply to domestic PEPs and persons who have been entrusted with a prominent function by an international organization because the provisions of this article apply to all persons who represent higher

risks due to their functions regardless of whether they were entrusted with prominent public functions domestically, or in a foreign country or by an international organization.

Criterion 12.3 (Met): The obligations referred to in criteria 12.1 and 12.2 above apply to family members of PEPs, persons acting on their behalf as well as their close associates.

Criterion 12.4 (Met): Due diligence measures toward customers of FIs that are subject to the supervision of the FRA required these FIs to take reasonable measures to determine whether the beneficiaries of life insurance policies, or where required, the beneficial owners of the beneficiaries, are higher-risk persons due to their public functions, at the latest, at the time of the payout. In case higher risk is identified, the institution should inform the senior management before the payout of the life insurance policy proceeds, conduct enhanced scrutiny on the whole business relationship and consider making a STR to the EMLCU.

Weighting and Conclusion:

The regulatory texts issued to FIs meet the requirements of this Recommendation concerning PEPs.

Egypt is “Compliant” with R.12.

Recommendation 13 Correspondent banking Relationships

Egypt was rated “Partially Compliant” with R.7 in 2009 due to the absence of enforceable requirements for the three institutions not supervised by the CBE that carry out banking business and for institutions that have relationships similar to correspondent banking (e.g. in the securities sector) to (1) gather sufficient information about a respondent institution, (2) assess their AML/CFT controls, (3) obtain approval from senior management before establishing new relationships and (4) document the respective AML/CFT responsibilities of each institution.

Criterion 13.1 (Met): Article (8) of the AML Law stipulates that FIs should establish systems that ensure the implementation of CDD measures and other AML/CFT rules and procedures issued by the EMLCU. Therefore, CDD measures issued by the EMLCU are considered enforceable means.

The CDD measures issued by the EMLCU pursuant to clause (4,5) of the CDD measures for customers of banks and FIs subject to the FRA supervision involved in correspondent banking require them to implement due diligence measures for legal persons, when establishing a correspondent relationship, in addition to the following:

- a. Gather sufficient information about the respondent institution to fully understand the nature of its business, and to determine from publicly available information its reputation and the quality of supervision it is subject to, and to know whether the respondent institution or any member of its board of directors or any owner of a controlling interest in it has been subject to a ML/TF investigation or regulatory action.
- b. Assess the respondent institution’s AML/CFT controls.
- c. Obtain approval from senior management of the institution before establishing a new correspondent relationship.
- d. Clearly understand the respective AML/CFT responsibilities of the correspondent institution and the respondent institution.

Criterion 13.2 (a, b) (Met): The CDD measures issued by the EMLCU to banks required the bank (in its capacity as the correspondent bank), when it allows payable-through account service, to be satisfied that the respondent bank has performed CDD obligations on its customers that have direct access to the accounts of the correspondent bank and that the respondent bank is able to provide CDD information upon request to the correspondent bank.

Criterion 13.3 (Met): The CDD measures issued by the EMLCU to institutions acting as correspondent institutions required not to enter into or continue, correspondent institutions relationships with shell banks or with institutions that provide correspondent services to shell banks. The institution should also satisfy itself that the respondent institution does not permit its accounts to be used by shell banks.

Weighting and Conclusion:

The regulatory texts issued to banks and FIs that are subject to the supervision of the FRA meet the requirements of this Recommendation on correspondent banking.

Egypt is rated “Compliant” with R.13.

Recommendation 14 Money or Value Transfer Services

As to SRVI, Egypt was rated “Largely Compliant” in 2009, given that no sanctions were imposed on any companies engaged in money transfer activities, while deficiencies were identified. In addition, there

were vulnerabilities in the supervisory framework for detecting illegal money transfer activities. Finally, one of the two licensed money transfer companies did not provide ongoing training for its employees.

Criterion 14.1 (Met): Money transfer services in Egypt are provided by banks, money transfer companies and the National Post Authority. With respect to banks, their registration is regulated by the central bank and the banking sector law (articles 63 to 71). Article 63 prohibits any individual, entity or establishment not registered according to the provisions of this law from engaging in any of the banking business. In addition, any establishment seeking to practice banking business is registered in a special record at the CBE, after approval by the CBE's board of directors. As to money transfer companies, article 209 of the same law stipulates that the CBE board of directors has the power to license companies to provide money transfer services. The money transfer company should have the form of an Egyptian shareholding company whose sole purpose is to practice money transfer activities and to have a paid-up capital not less than twenty-five million Egyptian pounds. A record to register these companies shall be prepared at the CBE and the CBE board of directors shall establish the licensing conditions and procedures, and the operation system of these companies. It shall also determine the CBE supervisory system to monitor them. Article (102) of the Executive Regulation of post Law No.16 of 1970 states that regular domestic transfers can be withdrawn from all the governmental post offices and those licensed by the National Post Authority to do so across the Republic of Egypt, in return for the prescribed fees and according to the conditions approved by the Authority.

Criterion 14.2 (Partly Met): Article (19) bis of the Executive Regulation states that the supervisory authorities periodically verify the extent to which there are entities - other than the entities which are subject to their supervision - that professionally carry out, in favour of or on behalf of the customer, the activities they license and supervise. They establish and prepare, in coordination with the EMLCU, the techniques necessary to identify such practices. As regards sanctions, article 225 of the CBE law stipulates that "shall be imprisoned and fined with not less than one million EGP and not exceeding ten million EGP or with either sanctions, whomever violates any of the provisions of article (63 mentioned above) of this law, and in case of repeating the offence, the violator shall be condemned with both sanctions. The minimum fine amount is equivalent to approximately USD 63,400 and the maximum amount is equivalent to approximately USD 634000. Yet, the authorities did not provide any evidence that Egypt is taking the necessary actions to identify natural persons that carry out MVTS without a license or registration with a view to applying proportionate and dissuasive sanctions against them for violating the law.

Criterion 14.3 (Met): Banks and money transfer companies are subject to the supervision of the CBE. The supervisory authority of the National Post Authority at the Ministry of Communications and Information Technology monitors the Authority with respect to the financial services it offers, including money transfer activities. Article (7) of the AML Law states that entities concerned with the supervision of FIs should establish and use the techniques necessary to verify the compliance of these institutions with relevant AML/CFT requirements. Article (20) of the Executive Regulation states that each supervisory authority shall, in coordination with the EMLCU, establish supervisory AML/CFT controls for FIs, while article (23) of the Regulation mentions that the necessary off-site and on-site supervisory techniques should be used to verify and monitor FIs subject to their supervision for their compliance with the AML/CFT obligations. The CBE issued supervisory AML/CFT controls to banks and money transfer companies, and the EMLCU issued due diligence measures to customers of these entities and for mobile payment service customers. The Ministry of Communication and Information Technology issued the AML/CFT supervisory controls for the National Post Authority with respect to the financial services it provides.

Criterion 14.4 (Not Applicable): MVTS in Egypt are limited to banks and IBAG which have not contracted with agents to use their systems for the purpose of providing money transfer services. Therefore, the requirements of this criterion are considered "Not Applicable", which explains the absence of any instructions in this regard in the procedures issued by the EMLCU and within the Executive Regulation of the law; and which was confirmed by the authorities during the onsite visit.

Criterion 14.5 (Not Applicable): For the same reasons mentioned in 14.4 above.

Weighting and Conclusion:

Deficiencies in this Recommendation are due to the absence of information on the necessary actions taken to identify natural persons that carry out MVTS without a license or registration (c.14.2). The

weighting of this criterion affects the rating of this Recommendation in view of the country's context and risks.

Egypt is rated “Partially Compliant” with R.14.

Recommendation 15 New technologies

Egypt was rated “Largely Compliant” with this Recommendation in 2009 (R.8 formerly) due to incomplete obligations for exchange companies, money transfer companies, financing lease companies, factoring companies, real estate financing companies and banks not supervised by the CBE and to the lack of effectiveness (for example, weaknesses in the implementation of obligations related to modern technologies).

Recommendation 15 also contains detailed requirements on virtual assets and virtual asset service providers.

In 2018, the EMLCU conducted a study on virtual assets that was presented later on to the National Council for Payments and the National Committee on AML/CFT Coordination. The said Council approved an obligation for the CBE to issue statements to warn against the risks of virtual assets. A subsequent statement issued by the CBE warned institutions and the public against dealing in virtual currencies because of the high risks stemming from dealing in these currencies, which are dominated by instability in the value of their prices as a result of global speculation, which makes investment in them fraught with risks and warns of the possibility of sudden loss of their full value. In November 2019, the CBE required banks to stop all payments intended to purchase cryptocurrencies. The requirement of the CBE falls under enforceable means since the granting of licenses to practice VAs activity is within the CBEs competences. The CBE has provided banks with a list of all websites of currency trading and mining. During interviews with banks, they appeared to use this list to monitor transactions that might involve purchase and sale of VAs to their clients.

According to Article 206 of the Central Bank Law No. 194 of 2020, trading in, or promoting of cryptocurrencies¹⁰⁶ or electronic currency or creating or operating platforms for their trading or carrying out activities related to them is prohibited without obtaining a license from the Central Bank in accordance with the rules and procedures the CBE specifies. Consequently, all the criteria of this Recommendation apply. It should be noted that the aforementioned law did not mention the activities that can be practiced after obtaining a license to determine whether they include wholly or partly the activities mentioned in the methodology.

Criterion 15.1 (Mostly Met): Presidential Decision No.287 of 2019 on adding some functions for the EMLCU board of trustees requires the EMCLU to identify and take precautions against any developments relating to new technological financial products with AML/CFT implications, to adopt technological programs for use in its financial analysis, and to monitor the stages of execution of the new technology developments.

In the context of the national ML/TF risk assessment, the EMLCU examined the extent to which virtual currency and other new payment technologies are being misused in ML/TF operations and financial crime more broadly. It held various workshops for competent authorities (LEAs - Public Prosecution - Supervisors) and banks to introduce the phenomenon. Accordingly, the EMLCU issued, in cooperation with the CBE, instructions to warn against the risks of virtual currency.

The NRA indicates that the products misused the most in ML/TF are represented in the online transfers, whether inward or outward transfers. No information was received on the risk that may arise in relation to the development of new products or new business practices.

Article (22) bis (c) of the Executive Regulation requires FIs to identify and assess the ML/TF risks that may arise in relation to the use of new technologies in providing their services or products or in providing any new services or products that rely on these technologies. It also imposes an obligation to coordinate with the EMCLU before providing the said products and services.

Criterion 15.2 (Met): Article (22) bis (c) of the Executive Regulation requires FIs to identify and assess the ML/TF risks which may arise in relation to the use of new technologies in providing their services or products or in providing any new services or products that rely on these technologies. They should also,

¹⁰⁶ According to the provisions of article 1 of Law No.194 of 2020, cryptocurrency means “currencies electronically stored and unbacked by any of the currencies issued by formal currency issuing authorities and is circulated via Internet.”

in accordance with this article, take appropriate measures to manage these risks and coordinate with the EMLCU before providing the said products and services. The latter requirement implies that the risk assessment should take place prior to the launch or use of such products, practices and technologies.

Criterion 15.3 (a, b) (Partly Met): As mentioned above, the EMLCU, in coordination with the CBE and the National Council for Payments, conducted a holistic study on virtual currencies and their risks, such as their misuse in the framework of ML and TF, and financial crimes more broadly. It concluded that virtual currencies should not be regulated in Egypt and suggested some measures as follows:

- Issue formal statements by the CBE to warn against risks of virtual currency and of investing in them, due to their risks and the significant fluctuation in their price.
- Identify and pursue the transfer brokers who are engaged in the transfer of virtual currency and Egyptian Pounds at a professional level, and who advertise themselves on websites and Internet forums, which exposes them to misuse in ML/TF operations
- Prevent the entry into the country of specific mining equipment called ASIC and prohibit it at the Customs border stations. Hold awareness raising and training sessions for customs officers given that these devices are specifically used for mining only the Bitcoin currency.
- Consider closing ports for mining kits, such as (antpool, slushpool, etc.) on the Internet through which miners are subscribed.

The CBE issued directives to banks operating in Egypt to take all the necessary measures to discontinue payment transactions intended for the purchase of all types of encrypted virtual currency, with the Bitcoin in the lead. Since money transfer outside Egypt is limited to the banking sector, there is no need to issue directives to other authorities, especially, the Post Office Authority and IBAG, through which it is not possible to perform transfers outside Egypt.

Despite the steps taken by Egyptian authorities, as mentioned above, yet, the AT considers that Egypt did not prove that it has conducted an assessment of the ML/TF risks arising from virtual assets.

Criterion 15.3 (c) (Not Met): there is no explicit indication that Egypt decided to prohibit VAs, according to Article 206 of CBE law No. 194 of 2020, licence from the CBE can be obtained to practice activities prescribed under this provision including trading in cryptocurrency. It is worth noting that in the case of granting license to any entity to practice such activity, there is still no indication that they are required to assess risks arising from VAs activities pursuant to the requirements of this sub-criterion.

Criterion 15.4 (a) (Not Met): VASPs activities cannot be carried out before obtaining license from the CBE (Article 206 of CBE Law). Also, CBE did not issue rules and conditions for licensing, including the activities that can be practiced after having obtained the license, and whether it falls, in whole, or in part, under the activities contained in the methodology.

Criterion 15.4 (b) (Not Met): the CBE did not take regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in a VASP.

Criterion 15.5 (Mostly Met): Egypt decided to prohibit virtual currencies, considering several relevant inherent risks as set out above. Egypt designated two authorities to identify and pursue natural or legal persons who deal in virtual currencies: 1) the EMLCU which uses a mechanism to search through publicly available sources for any operations and evidence of ML, associated predicate offences and TF. These searches have been extended to virtual currencies. In addition, it closely monitors in this respect STRs and other information it receives from reporting entities and counterpart FIUs. Any identification of persons dealing in virtual currencies is communicated to LEAs. 2) Egypt reported that LEAs identify, as part of their work on combating predicate offenses, the extent to which virtual currencies are represented in the proceeds of crime and identify and pursue those dealing in virtual currencies. Nevertheless, these procedures are considered incomprehensive, as they are basically based on two authorities; the first represented by the EMLCU when processing STRs, and the second represented by LEAs in the course of their work in combating crimes. Initiating investigations in cases linked to virtual assets is conditioned by receiving STRs or conducting investigations into predicate offences. As for sanctions, Article 225 of the CBE Law stipulates that “whoever violates any of the provisions of Article 206 indicated above of this law, shall be punished with imprisonment and a fine of not less than EGP one million and not exceeding EGP ten million, or by either of these two sanctions, and in case of repeating the offence, the violator shall be sanctioned with both imprisonment and a fine”. The minimum amount of the fine is equivalent to

approximately USD 63,400 and the maximum amount of the fine is equivalent to approximately USD 634,000.

By reviewing the cases (3) submitted by Egypt, it is clear that it is seeking to identify persons carrying out VASP activities without a license, and in light of the absence of information on ML/TF risks arising from virtual assets, it is not possible to provide an opinion on the extent of the effectiveness of these measures.

Criterion 15.6 until Criterion 15-10 (Not Met): Authorities did not take the required measures in accordance with the requirements of these criteria.

Criterion 15.11 (Mostly Met): Article 43 *bis* of the Executive Regulation amended by Cabinet Decision No. 457 of 2020 stipulates that the judiciary authorities referred to in article 43 of this regulation provide a rapid response to requests from foreign countries without conflict with the basic principles of the legal system in the country. Accordingly, except the judiciary authorities, there is no legal basis allowing the supervisory authorities to exchange information with their foreign counterparts on matters related to virtual assets and Virtual Asset Service Providers. However, it does not appear to be legal obstacles hindering the ability to exchange information between Egyptian supervisors and their foreign counterparts (see R.40)

Weighting and Conclusion:

The deficiencies in this Recommendation are represented in the absence of information proving that the country has conducted an assessment of the ML/TF risks arising from virtual assets, it is also not apparent whether CBE law allows licensing the practice of all VASPs activities (especially, exchange of virtual assets and notes, or the exchange of one or more types of VAs, and/or the transfer of VAs etc.). moreover, the competent authorities did not take the required measures in accordance with the requirements of criteria (15.6 – 15.10).

Egypt is “Partially Compliant” with R.15.

Recommendation 16 Wire transfers

Egypt was rated “Partially Compliant” with former SRVII in 2009, given that three institutions were allowed to conduct wire transfers without any specific AML /CFT requirements (i.e. banks not supervised by the CBE) and considering the insufficient monitoring by banks supervised by the CBE.

Article (8) of the AML Law stipulates that FIs shall establish systems to ensure the application of CDD measures and other AML/CFT rules and procedures issued by the EMLCU. Consequently, the CDD measures issued by the EMLCU are considered enforceable means.

Ordering financial institutions:

Criterion 16.1 (a, b) (Met): The customer due diligence measures issued by the EMLCU to the three types of financial institutions carrying out money transfers (banks “in accordance with sub-section (A) of 10-1 of section 10”, the post “in accordance with sub-section (A) of 10-1 of section 10” and money transfer companies “point 1-(A) of section 19-4” – hereafter referred to as relevant FIs), hereafter referred to as the EMLCU CDD measures for money transfers, determine the originator and beneficiary information which should be obtained. This information is fully consistent with the requirements of c.16.1(a) for the originator and c.16.1(b) for the beneficiary. The said FIs should verify this information for accuracy, keep it and fully include it in the model form through which the transfer is made, whether the transfers reach the said threshold (USD/EUR 1000) or less. Measures for banks include transfers that use credit or debit cards as a payment system for transferring funds.

Criterion 16.2 (Met): The EMLCU CDD measures for money transfers (pursuant to point “C” of sub-section 10-1 of CDD measures to customers of banks and the National post office, as well as pursuant to point 2-A of sub-section 19-4 of CDD measures to customers of MVTS) determine that, when sending several transfers in one batch, at the request of the same customer, the batch of transfers should include the originator information that should be verified as well, in addition to the data of the beneficiary, which includes (the name of the originator, his account number used in the transfer, a distinguished reference number¹⁰⁷ which permits traceability of the transfer in the absence of an account, the originator’s address, or personal identification document number, his date and place of birth, the purpose of the

¹⁰⁷ A distinguished number for each; the customer and beneficiary of the transfer; that allows the traceability of the transactions related to them and It is recorded as part of the obtained information.

transfer, the name of the beneficiary of the transfer and his account number used in receiving the transfer (or any distinguished reference number which permits traceability of the transfer in the absence of an account).

Criterion 16.3 (Not Applicable): There is no de minimis threshold for wire transfers and the same requirements apply to all transfers.

Criterion 16.4 (Not Applicable): As mentioned in criterion 16.3, there is no de minimis threshold and concerned FIs should verify the information pertaining to their customers in all events.

Criterion 16.5 (Met): For domestic wire transfers, they are subject to the same procedures applicable to cross-border transfers for the concerned financial institutions. The due diligence measures toward mobile payment service customers specifically require the intervening bank, to verify the accuracy of the information that should be obtained concerning the originator of the transfer, in line with c.16.1. These obligations also apply to transfers, if less than 10,000 Egyptian Pounds.

Criterion 16.6 (Met): Egypt does not distinguish between cross-border and domestic wire transfers given that the EMLCU CDD measures for money transfers contain specific obligations to obtain all the required information, whether the transfer is made at the domestic or international level. The due diligence measures toward mobile payment service customers stipulate that in the event of technical issues preventing the bank from listing the originator information in the transfer message, it is authorized to make the information available to the beneficiary bank or the competent authority, upon request, through other means within 3 working days. Nonetheless, as indicated in c.16.5 above, originator information is not needed for transfers of less than 10 000 Egyptian Pounds and it is unclear if the originator information for such transfers can be made available to the beneficiary financial institution and appropriate authorities by other means.

Criterion 16.7 (Met): Ordering financial institutions that carry out money transfers are required to maintain all originator and beneficiary information collected and obtained, in accordance with the EMLCU CDD measures for money transfers and according to article (9) of the AML Law.

Criterion 16.8 (Met): In case the concerned financial institutions are not able to meet the obligations according to criteria 16.1-16.7, they should not execute the transfer for the customer at all, as cited in the EMLCU CDD measures for money transfers (article 4 (general provisions) of the CDD measures issued by the EMLCU).

Intermediary financial institution

Criterion 16.9 (Met): In case concerned FIs are acting as intermediaries for cross-border wire transfers, they are required (pursuant to 3-10-A of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 1-C of section 19-4 of CDD measures to customers of MVTs) to ensure that all the originator and beneficiary information is retained with the transfer message, according to the EMLCU CDD measures for money transfers.

Criterion 16.10 (Met): Where technical limitations prevent the originator or beneficiary information from remaining with the transfer message, the concerned FIs should keep (pursuant to 3-10-B of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 2-C of section 19-4 of CDD measures to customers of MVTs), for at least five years after the date of executing the transfer, all the information they receive from the ordering entity according to the EMLCU CDD measures for money transfers.

Criterion 16.11 (Met): Concerned FIs are required (pursuant to 3-10-C of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 3-C of section 19-4 of CDD measures to customers of MVTs) to take reasonable measures, to identify transfers that lack required originator information or required beneficiary information, provided that these measures are consistent with the mechanisms used to process transfers electronically without taking any manual measures (straight-through processing), as set out in the EMLCU CDD measures for money transfers.

Criterion 16.12 (Met): Concerned FIs (pursuant to 3-10-D of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 4-C of 19-4 of CDD measures to customers of MVTs) are required to adopt risk-based policies and procedures for determining when to execute, reject, or suspend a transfer lacking required originator or required beneficiary information; and the appropriate follow-up action taken in each case, as set out in the EMLCU CDD measures for money transfers.

Beneficiary financial institution:

Criterion 16.13 (Met): Concerned FIs are required (pursuant to 2-10-A of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 1-B of section 19-4 of CDD measures to customers of MVTs) to take reasonable subsequent - or real time - measures, where feasible, to identify transfers that lack full originator information and beneficiary information, as required for cross-border wire transfers, as set out in the EMLCU CDD measures for money transfers.

Criterion 16.14 (Met): Concerned FIs are required (pursuant to 2-10-B of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 2-B of section 19-4 of CDD measures to customers of MVTs) to verify the identity of the beneficiary, (if the identity has not previously been verified in accordance with the identification measures, and as set out in such measures), and maintain this information and copies of the documents obtained for a period of five years from the date of receiving the transfer in line with the requirements of R11, considering that all FIs are required, under this recommendation, to keep all the necessary records and documents regarding international and domestic transfers, for at least five years following completion of the transaction

Criterion 16.15 (Met): Concerned FIs are required (pursuant to 2-10-C of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to point 3-B of section 19-4 of CDD measures to customers of MVTs) to adopt risk-based policies and procedures for determining when to execute, reject, or suspend the transfer lacking required originator or required beneficiary information; and the appropriate follow-up actions which should be taken in each case, as set out in the EMLCU CDD measures for money transfers.

Money or value transfer service providers:

Criterion 16.16 (Met): MVTs providers in Egypt fall within the category of relevant financial institutions, according to article (1) of the Executive Regulation of the AML Law which states that FIs include entities that engage in money transfer activity regulated by the central bank, the banking sector and money law No.88 of 2003 and its amendments (that was cancelled and replaced by Law No. 194 of 2020) and the National Post Authority with respect to the financial services it offers. However, there are no similar requirements for agents of MVTs providers, and this is due to the absence of agents of MVTs providers.

Criterion 16.17 (Partly Met): Concerned FIs are, as all other types of FIs are required to comply with the suspicious transaction reporting obligation; accordingly, c.16.17 (a) and (b) would be implicitly met. Nonetheless, there is no clear and explicit requirement to file a STR in any country affected and make relevant transaction information available to the FIU.

Implementation of targeted financial sanctions:

Criterion 16.18 (Met): As to the obligation of FIs to take freezing actions, Egypt established a mechanism for the implementation of UNSCRs relating to the combating of terrorist financing (UNSCR 1267 of 1999 and UNSCR 1373 of 2001 and their successor resolutions).

The EMLCU CDD measures for money transfers require concerned FIs (pursuant to 4-10 of section 10 of CDD Measures to customers of banks and the National Post Authority; as well as pursuant to sub-section 23-4 of section 4 of CDD measures to customers of MVTs) to establish policies, regulations and procedures for managing risks of transfers relating to persons and entities designated on the negative lists, including the disclosure of the extent to which the originator or the beneficiary is designated on any of the negative lists¹⁰⁸ before conducting the transfer and the implementation of measures to this end, including the freezing of funds, according to the provisions of the relevant laws, regulations, measures and mechanisms (see R.6).

Weighting and Conclusion:

There are no clear requirements to file STR(s) in any of the concerned countries affected by the suspicious wire transfers and make relevant transaction information available to the EMLCU.

Egypt is “Largely Compliant” with R.16.

¹⁰⁸ According to the CDD measures issued by the EMLCU for customers of FIs and owners of DNFBPs, the negative lists include lists of terrorist entities and terrorists as per Law No. 8 of 2015 and its amendments, and lists issued by the United Nations Security Council related to terrorism and its financing and the financing of proliferation of WMD, and any other lists prepared by the bank or deemed necessary to be referred to.

Recommendation 17: Reliance on third parties

Egypt was rated “Partially Compliant” with R.17 (formerly R.9) in the previous round of the mutual evaluation in 2009 because the relevant requirements were limited to banks only. In the 5th Follow-Up Report of Egypt adopted in 2014, Recommendation 17 was re-rated as “Largely Compliant”.

Criterion 17.1 (Met): Article 5, paragraph 3 of the CDD measures issued by the EMLCU provides that “the bank or the financial institution may rely on another financial institution or DNFBPs, both inside and outside the country, for the identification of the customer and the beneficial owner and to understand the nature of the business, provided that the ultimate responsibility should remain with the bank or the financial institution. In this case, the bank should undertake the following: (a) Immediately obtain from this institution or entity the necessary information on the identification of the customer and the beneficial owner and the understanding of the nature of the business, (b) take enough steps to satisfy itself that this institution or entity provides, without delay and upon request, copies of identification documents and other relevant documentation relating to CDD requirements, (c) the bank is satisfied that this institution or entity is regulated, and supervised or monitored, and has appropriate measures in place in line with the FATF CDD and record-keeping requirements”. It is worth noting that the aforementioned requirement was issued to all FIs except for the Egyptian Post as Egypt does not permit it to rely on third parties.

Criterion 17.2 (Met): Egypt identifies the list of higher-risk countries in accordance with the FATF list and it requires all FIs, through the text issued by the EMLCU named “CDD Measures”, to take CDD measures towards the institutions and entities existing in these countries, and to take into consideration, upon their reliance on third parties, the levels of risk of countries in which they exist. It is also worth noting that Egypt does not allow Egypt post nor DNFBPs to rely on third parties.

Criterion 17.3 (a, b, c) (Not applicable): “No distinction was made in Egypt between reliance on a third party that is part of the same financial group and a third party from outside this group”.

Weighting and Conclusion:

The analysis of R.17 does not identify any deficiencies..

For the reasons mentioned above, Egypt is “Compliant” with R.17.

Recommendation 18: Internal controls and foreign branches and subsidiaries:

Egypt was assessed in the previous round of mutual evaluation of 2009 as “Partially Compliant” with former R.15 on internal controls and former R.22 on foreign branches and subsidiaries. The deficiencies were: the absence of sufficient obligations applicable with respect to the controls, limitations in enforceable requirements for internal control, audit, screening procedures and high standards when hiring employees, the absence of any obligation requiring Egyptian FIs to inform their supervisors when their foreign branches are not able to comply with the AML/CFT measures properly. According to the 2014 5th FUR for Egypt, the deficiencies in relation to both Recommendations, as identified in the Mutual Evaluation Report (MER), were addressed and both Recommendations were re-rated as Largely Compliant.

Criterion 18.1 (Met): Based on the Executive Regulation and the CDD measures, FIs are required to implement programs against ML/TF which have regard to the ML/TF risks and the size of the business through:

- a. Article 35 of the Executive Regulation of the AML Law and its amendments stipulates that “each of the financial institutions and the designated financial businesses and professions should be required to appoint an officer responsible for compliance in the field of combating ML/TF and to designate a substitute in his absence. Each entity should inform the EMLCU of the name of its representative, data that enables it to contact and deal with him, and the name of the substitute in his absence, who shall fulfil the same conditions”. Articles 35 to 42 of the Executive Regulation refer to the establishment and implementation of policies and procedures and internal controls, such as determining the functions of the officer, and anything that would ensure his independence and the confidentiality of information, the preparation of an annual report to be submitted to the Board of Directors, the provision of all the information requested by the EMLCU, and the development of training plans.
- b. Clause (2) of the EMLCU CDD measures for bank customers, exchange company customers, the National Post Authority customers, customers of entities that engage in money transfer activity and customers of FIs that are subject to the supervision of the FRA states that “appropriate measures should be taken to

verify the employees competence and integrity, and that they are not subject to any criminal sanctions or sanctions for dishonour and mistrust, unless they were rehabilitated upon their appointment.

c. Article 36 of the Executive Regulation determines the functions of the officer responsible for combating money laundering and terrorist financing, which include cooperation and coordination with the competent department at the institution or the entity with respect to the establishment of AML/CFT training programs for employees, their implementation, and the monitoring of implementation. In addition, articles 41 and 42 of chapter VI of the Executive Regulation of the AML/CFT Law stipulate that FIs should develop plans and set up programs for AML/CFT training and qualifications of their staff to ensure that they are well prepared for carrying out their responsibilities, including by effectively dealing with international developments. FIs are encouraged to seek assistance of specialized AML/CFT training institutes for carrying out training and implementing qualification programs.

d. Article 5 of the FRA board of directors' decision No.120 of 2019 issued on 28/08/2019, concerning the supervisory AML/CFT controls for non-banking FIs requires these institutions to set up an independent audit function to test/examine the AML/CFT system.

Clause 4-18 of the due diligence measures toward bank customers, the due diligence measures toward customers of the National Post Authority with respect to the financial services it offers, the due diligence measures toward customers of institutions that are subject to the supervision of the FRA and clause 4-14 of the due diligence measures toward customers of exchange companies stipulate that it is necessary to establish an independent audit function to test the system.

Criterion 18.2 (Met):

a. Clause 19.4 of Chapter "General Provisions" of the text issued by the EMLCU named "CDD measures to banks" and clause 19.4 of the due diligence measures for customers of FIs that are subject to the supervision of the FRA and c 20.4 of Chapter "General Provisions" of the text issued by the EMLCU named "the due diligence measures for entities that engage in money transfer activities" stipulate that "if the financial institution takes the form of a financial group created in Egypt, it should establish a group-wide system against ML/TF, at the internal or external level, which should be applicable to all its branches and subsidiaries. This system should comprise policies and procedures for sharing information relevant to due diligence and ML/TF risk management.

b. Clause 19.4-B of Chapter "General provisions" of the due diligence measures for bank customers, Clause 19.4-B of Chapter "General Provisions" of the due diligence measures for customers of FIs that are subject to the supervision of the FRA and Clause 20.4-B of Chapter "General Provisions" of the due diligence measures for entities that engage in money transfer activities provide for the permission to "provide, at group level compliance, audit, and/or AML/CFT functions as a whole, customer, account and transaction information, from branches and subsidiaries, when necessary for AML/CFT purposes. This should include information and analysis of reports or activities which appear to be unusual, and branches and subsidiaries should receive such information from these group-level functions, in line with the risk management."

c. The general provisions of the due diligence measures for bank customers, the due diligence measures for customers of FIs that are subject to the supervision of the FRA and the due diligence measures for entities that engage in money transfer activities stipulate that it is necessary "to establish adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping off."

Criterion 18.3 (Met): The requirements of this criterion are included in Clause 21.4 of chapter "general provisions" of the due diligence measures toward bank customers issued by the EMLCU, Clause 22.4 of chapter "General Provisions" of the due diligence measures toward customers of FIs that are subject to the supervision of the FRA and Clause 22.4 of chapter "General Provisions" of the due diligence measures toward entities that engage in money transfer activities. FIs should apply the requirements in all of its branches and its subsidiaries operating inside and outside Egypt and ensure that their foreign branches and majority-owned subsidiaries apply AML/CFT measures, including due diligence measures, consistent with the home country requirements, where the minimum AML/CFT requirements of the host country are less strict than those of the home country, to the extent that host country laws and regulations permit. If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups are required to apply appropriate additional measures to manage the ML/TF risks, and inform their home supervisors.

Weighting and Conclusion:

Egypt met all the requirements of R.18.

For the reasons mentioned above, Egypt is “Compliant” with R.18.

Recommendation 19: Higher-risk countries

Egypt was rated Largely Compliant with R.19 (formerly R.21) due to the absence of specific requirements to examine the transactions with no apparent economic or legal purpose from countries which insufficiently applied the FATF recommendations. R.19 strengthens the requirements to be met by countries and FIs with respect to higher-risk countries.

Criterion 19.1 (Met): Clause 9.2 of “the due diligence measures” issued by EMLCU for FIs stipulates that with respect to persons belonging to higher-risk countries, enhanced due diligence measures, commensurate with the degree of risks, should be applied for business relationships and transactions with natural or legal persons (including financial institutions) from countries for which this is called for by the Financial Action Task Force (according to the periodical statement which is issued by the EMLCU).

Criterion 19.2 (Met): Clause 9.2 of “the due diligence measures toward customers of FIs” issued by the EMLCU, on persons from higher-risk countries, stipulates that due diligence countermeasures proportionate to the risks should be applied to countries for which this is called for by the Financial Action Task Force or countries regarding which there are concerns about weaknesses in the AML/CFT system, according to the periodical statement provided by the EMLCU or concerns identified by the FI itself. In the same article, Egypt provided examples of countermeasures such as obtaining senior management approval and refraining from creating branches, subsidiaries or representative offices in these countries...etc.

Criterion 19.3 (Met): According to clause 9.2 of the due diligence measures, FIs remain informed about the higher-risk countries through periodical statements the EMLCU disseminates after each FATF meeting. It includes information on countries which are at greatest risks and how to deal with them. According to the same clause, enhanced due diligence and countermeasures proportionate to the degree of risk can be applied for countries regarding which there are concerns raised by the bank itself, where FIs can subscribe to the alert service and thus receive all the necessary updates. The EMLCU circulates the FATF’s regular statements to FIs and DNFBPs by sending instructions and information by email. The EMLCU also publishes the FATF statement(s) on its own website on a regular basis

Weighting and Conclusion:

Egypt meets all the requirements of R.19.

For the reasons mentioned above, Egypt is “Compliant” with R.19.

Recommendation 20: Reporting of suspicious transactions

In the previous round, Egypt was rated “Partially Compliant” with (former) R.13 because of the too narrow reporting obligation (i.e., only suspicion of ML and TF) and the lack of effectiveness (low number of STRs, especially from the non-banking sector). Egypt was rated “Largely Compliant” with former SR IV because the reporting obligation was slightly too narrow and limited (terrorist financing instead of the funds being linked or related to, or used in terrorism, terrorist acts or terrorist organizations, or by those who finance terrorism).

Egypt was re-assessed in 2014 but remained rated as “Partially Compliant” with R.13, because the deficiency relating to the narrow scope of the reporting obligation has not been addressed yet at that time. Also, Egypt was rated Largely Compliant with former SR IV related to the reporting of suspicious transactions.

Criterion 20.1 (Mostly Met): Article 8 of Law No.80 of 2002 and article 31 of the Executive Regulation require that *any transactions suspected to constitute proceeds of crime or to involve money laundering or terrorist financing be promptly reported to the EMLCU*. However, non-criminalization of participation in criminal organized group in Egypt (see R.3) limits the scope of the reporting obligation.

Criterion 20.2 (Mostly Met): Article 8 of Law No.80 of 2002 requires financial institutions to promptly report to the EMLCU *“any transactions suspected to constitute proceeds or to involve money laundering or terrorist financing or attempts to conduct these transactions, regardless of their amount”*; however, the issue regarding the scope of predicate offenses for ML, as mentioned in c.20.1 above, has also an impact on the compliance with c.20.2.

Weighting and Conclusion:

Egypt's legal framework requires FIs to immediately report suspicious transactions suspected to constitute proceeds of crime or to involve money laundering or terrorist financing, including attempted transactions. It is not clear if FIs are required to report all the suspicious transactions regardless of their amounts. However, the reporting obligation does not encompass the full scope of the predicate offenses, in accordance with the FATF requirements; in particular, the non-criminalization of the participation in an organized criminal group.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.20.

Recommendation 21: Tipping-off and confidentiality

Egypt was rated “Largely Compliant” with R.21 (formerly R.14) in the previous round. The deficiency at that time was represented in the limited protection from civil liability (i.e. filing STRs was conditional upon the existence of reasonable grounds and not that it had to be done in good faith).

Criterion 21.1 (Mostly Met): According to article 10 of Law No.80 of 2002 and article 34 bis of the Executive Regulation of the same law, criminal and civil liability shall not apply to any person who, in good faith, fulfils the obligation of reporting suspicious transactions to the EMLCU, regardless of whether the underlying criminal activity was not known and whether the illegal activity has actually occurred (the texts indicated above are written in general form, and the country clarified that they cover FIs, their directors, officials and employees).

Criterion 21.2 (Mostly Met): Article 11 of Law No.80 of 2002 and article 34 bis (a) of the Executive Regulation prohibit to disclose directly or indirectly to a customer, beneficiary or any person other than the competent authorities and entities that are part of the same group (see c.18.2 above) any of the reporting, investigation or examination procedures taken with regard to financial transactions suspected to constitute proceeds or to involve money laundering or terrorist financing or any information related thereto (prohibition of disclosures was written in general form and the country stated that this prohibition covers FIs, their directors, officials and employees).

Weighting and Conclusion:

Egypt mostly meets the requirements of R.21. However, the legal texts were very general.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.21.

Recommendation 22 – DNFBPs: Customer due diligence

Egypt was rated “Partially Compliant” with R.12 in the previous round because the AML Law did not cover lawyers and accountants and the effectiveness of controls that were issued for real estate agents and jewellery dealers could not be assessed, due to their recent publication at that time. In addition, casinos were not fully covered by the AML Law (only their foreign exchange function was covered).

Criterion 22.1 (Partly Met): Article 3/g of AML Law No.80 of 2002 identifies the DNFBPs in Egypt and includes all the categories of activities required, except for TCSPs; as for notaries, they are State employees. The deficiency regarding the scope of covered DNFBPs affects the compliance with c.22.1.

The country stated that there are no independent company service providers in Egypt, as these services are provided by lawyers and accountants (depending on the nature of the service), who practice various activities, including organisation of contributions for the creation, operation or management of companies (Article 1 of AML Law) and there is no legal text that prevents providing TCSPs by other persons other than lawyers or accountants. On the other hand, there are no agencies in Egypt that provide trust fund services. Endowments (Waqf) - in its current state - is not considered a trust fund according to the definition contained in the international standards and it does not take any form of legal arrangements similar to trust funds.

DNFBPs are subject to the same CDD requirements mentioned above in Recommendation 10; the Executive Regulation of the Law determines the controls governing the implementation of due diligence measures for these professions and businesses. In addition, in August 2019, the EMLCU issued the due diligence measures for DNFBPs customers. They include measures for identifying customers and beneficial owners of natural and legal persons and legal arrangements (article 5 concerning the measures for the identification of customers, the purpose of the business relationship and the nature of the activity; article 6 concerning updating data; and article 7 concerning the ongoing monitoring of transactions).

Article 30 of the Executive Regulation stipulates that DNFBPs are required to apply due diligence measures when they conduct transactions for the benefit of their customers, as follows:

- (a) Casinos: including those which carry out their activities through Internet and on board of boats, when their customers conduct financial transactions equal to or above 20,000 Egyptian Pounds or their equivalent in foreign currency, that is \$1230, which is a threshold less than \$3000.
- (b) Real estate brokers: when they conduct transactions for their customers concerning the buying or selling of real estate, which include both the seller and the buyer of the property
- (c) Dealers in precious metals and dealers in precious stones: when they engage in any cash transaction with their customers equal to or above 200,000 Egyptian Pounds or its equivalent in foreign currency (which is equivalent to \$12300, which is a threshold less than \$15000).
- (d) Lawyers and accountants: When they prepare for, or carry out, solely or as partners, or professionals in a company that exercises this activity, 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, savings or securities accounts, (d) organizing contributions for the creation, operation or management of companies, (e) creating, operating or management of legal persons or arrangements, and buying or selling of business entities.

The deficiency indicated in Recommendation 10 applies to DNFBBs.

Criterion 22.2 (Mostly Met): Record keeping obligations are set out in article 9 of the AML Law and article 34 of the Executive Regulation. Based on the detailed assessment of R.11 above, all the relevant requirements are applicable to DNFBBs, except for the shortcoming identified with regard to c.11.4 above which equally applies to all DNFBBs.

Criterion 22.3 (Mostly Met): The obligations that should be applied to Politically Exposed Persons (PEPs) are set out in article 32 bis of the Executive Regulation. Based on the detailed assessment of R.12 above, all the relevant requirements are applicable to DNFBBs, except for those relating to criterion (12-4) given that they are not applicable to these businesses and professions. However, the shortcomings indicated in criterion 22.1 regarding “no legal texts that prevent providing company services by other persons other than lawyers and accountants” might have a minor impact on the extent to which Egypt meets this criterion.

Criterion 22.4 (Mostly Met): The new technologies requirements are set out in article 22 (bis/c) of the Executive Regulation of the AML Law. By virtue of clause (3.9) of the CDD measures issued by the EMLCU with respect to DNFBBs customers, it was mentioned that they should identify and assess the ML/TF risks which may arise in relation to the development of products and practices and those which arise from the use of new or developing technologies for new products. They should also assess the risks of products, practices or technologies prior to their launch or use and implement appropriate measures to manage and mitigate these risks. However, the shortcomings indicated in criterion 22.1 regarding “no legal texts that prevent providing company services by other persons other than lawyers and accountants” might have a minor impact on the extent to which Egypt meets this criterion.

Criterion 22.5 (Not applicable): There are no directives permitting DNFBBs to rely on third parties to conduct some elements of the CDD measures set out in R.10.

Weighting and Conclusion:

The regulatory texts meet several requirements of R.22. Nonetheless, the fact that there are no legal texts and regulations for TCSPs on one hand and the absence of a legal text that prevents providing company services by persons other than lawyers and accountants on the other hand might affect the extent of Egypt compliance with this Recommendation. In addition, there are some deficiencies relating to R.10 and R.11 and they apply equally to DNFBBs.

For the reasons mentioned above, Egypt is “Partially Compliant” with R.22.

Recommendation 23: DNFBBs: Other measures

Egypt was rated “Partially Compliant” with R.23 (formerly R.16) in the previous round. As indicated above with regard to R.22, casinos were not fully covered by the AML Law: only their foreign exchange transactions were covered and STRs only related to that aspect of their activity. Real estate brokers and dealers in precious metals and stones were recently brought under the AML/CFT Law coverage and it was too early to judge effectiveness. In addition, lawyers and accountants were not yet covered by the AML/CFT Law.

Criterion 23.1 (Partly Met): Article 8 of Law No.80 of 2002, as amended by virtue of Law No.17 of 2020, provides that DNFBBs should promptly report to the EMLCU any transactions suspected to constitute

proceeds or to involve money laundering or terrorist financing or attempts to conduct these transactions, regardless of their amount. In addition, article 31 of the Executive Regulation of Law No.80 of 2002 requires DNFBPs to report to the EMLCU transactions suspected to constitute proceeds of crime or to involve money laundering or terrorist financing or attempts to conduct such transactions within a period that does not exceed two working days from the date on which the officer responsible for combating money laundering and terrorist financing had grounds for suspicion". These requirements include DPMS when they engage in any cash transaction with their customers equal to or exceeding 200 thousand Egyptian Pounds or its equivalent in foreign currency (approximately 12300 USD) (article 8 of the Law to be read in conjunction with article 22 bis of the Executive Regulation).

Trust and company service providers are not covered by the legislation and relevant regulations (as previously mentioned in R.22). The deficiency regarding the scope of covered DNFBPs negatively affects compliance with c.23.1. In addition, the deficiency identified in R.20 is also applicable to this criterion: the limitation in the scope of predicate offenses associated to ML (namely the fact that participation in an organized criminal group is not criminalized).

Criterion 23.2 (Mostly Met):

Based on the detailed assessment of Recommendation 18 above, all the relevant requirements are applied to DNFBPs (Articles 35 and 36; Articles 41 and 42 and Article 22 bis-C of the Executive Regulation of Law No. 80 of 2002). Also, the remaining requirements in this criterion were included under Clauses (2nd and 4th) of "the CDD measures issued by the EMLCU for customers of DNFBPs" (Issue of Feb. 2020). However, the deficiency regarding the scope of covered DNFBPs negatively affects compliance with criterion 23.2.

Criterion 23.3 (Mostly Met):

Based on the detailed assessment of R.19 above, all the relevant requirements also apply to DNFBPs (Clause 2.9 of the EMLCU CDD measures related to customers of DNFBPs). However, the deficiency regarding the scope of covered DNFBPs has negatively affects compliance with criterion 23.3.

Criterion 23.4 (Mostly Met): Based on the detailed assessment of R.21, all the relevant findings apply to DNFBPs (articles 10 and 11 of Law No.80 of 2002, articles 34 and 34 bis (a) of the Executive Regulation). The deficiency regarding the scope of covered DNFBPs negatively affects compliance with criterion 23.4.

Weighting and Conclusion:

Egypt's legislative framework covers several requirements of R.23, Nonetheless, the other related requirements set out in R.18-21 do not cover TSCPs. In addition, the reporting obligation are not broad enough to include the full scope of predicate offences as per FATF requirements; in particular, failure to explicitly criminalize the participation in an organized criminal group, knowing that it is criminalized in some special texts (see R.3).

For the reasons above, Egypt is "Partially Compliant" with R.23.

Recommendation 24 - Transparency and beneficial ownership of legal persons

In the previous round, Egypt was rated (Partially Compliant) with former R.33. The new FATF Recommendation and the Interpretive Note accompanying it contain more detailed requirements, particularly concerning the information gathered about beneficial owners. The country subsequently issued several legislations to promote its compliance with the requirements of this Recommendation. For example, the amendments of Capital Market Law No.95 of 1992 issued by Presidential Decision No.17 of 2018 cancelled bearer shares, the General Authority For Investment And Free Zones Decision No. (624) of 2019 concerning the commitment of investment companies to deposit their financial statements electronically in a periodical manner on the authority's databases after their approval by the company's auditor, preparing special entry guides and providing the electronic filing program for the financial statements, and other legislative and regulatory texts.

Criterion 24.1 (Mostly Met): in 1981, Egypt issued Companies Law No. 159 which deals with the various forms of legal persons that might be created, which are:

- Stock Corporates (Joint-stock companies, partnerships limited by shares, limited liability companies and sole proprietorship establishments).
- Persons Corporates (solidarity/partnership companies and simple limited partnership companies).

In addition, sole establishment companies may be set up (Law of Commerce No. 17 of 1999) as well as sports clubs (Companies Law No. 159 of 1981 and investment Law No. 72 of 2017), associations,

cooperatives and federations (cooperatives Law No. 317 of 1956 and its amendments, and law No. 28 of 1984 on the General Federation for cooperatives and law no. 14 of 1981 issuing the law on housing cooperatives and its amendments).

Criterion 24.1 (a) (Met): The Companies Law and the Cooperatives Law and its amendments determine the various basic types, forms and characteristics for legal persons in Egypt. In addition, the Executive Regulation of the Companies Law issued in 2018 by virtue of the Ministerial Decision No. 16, specifies the process of setting up legal persons.

Criterion 24.1 (b) (Mostly Met): Information related to setting up stock corporates, persons corporates and sole proprietorship establishments is available to the public through an “investor’s guideline” which can be found on the website of the General Authority for Investment and free zones’ website (www.gafi.gov.eg).

The basic information related to companies working in the field of securities, insurance and financing (real estate financing – discount loans – other financing lease) are available to the public through the FRA website (www.fra.gov.eg).

Article 33 of the Executive Regulation of Investment Law No. 72 of 2017 provides for the documents required to establish companies, including copies of identity documents for founders, members of the board of directors, directors and partners of the company. On March 08, 2020, the Ministry of Supply & Internal Trade issued Ministerial Decision No. 41 to determine the information required on the BO and to have that information registered. In accordance with this Decision, the companies registered in the commercial register shall establish their own register of beneficial owners, which should include their names and other identification data. The obligation also covers the updates to the BO information once the incident that calls for being recorded occurs and the commercial register should be notified of it upon its occurrence. It is worth noting that the basic information is available to the public by obtaining an extract of the commercial register for all the legal persons which were created by the General Authority for Investment and Free Zones (Commercial Registry Law - article 12).

In addition to the relevant legislations, there are no mechanisms available to the public that identify and describe the process of obtaining information regarding the BOs.

Regarding the information related to the establishment of NPOs subject to the supervision of the Ministry of Social Solidarity, article 10 of the law regulating the practice of civil work requires an association/organization, once its legal personality is established, to publish in the “Al-Waqa'i' Al-Misriyya” newspaper a summary of its articles of association (which includes all the data of the civil association, especially, with regard to the founders and managers of the association, its activities and objectives) as adopted by the governing/supervisory body.

Criterion 24.2 (Mostly Met): Egypt conducted a ML/TF risk assessment associated with the types of legal persons as part of the national risk assessment process (see Recommendation 1). The assessment identifies how legal persons can be exploited for ML/TF purposes. It also identifies threats and vulnerabilities in all sectors through various special elements related to the legal persons. including ownership structures of various companies, the method of forming its share capital, and the extent to which access can be made to its databases by concerned authorities, as well as the accuracy and adequacy of such data. However, considering that the non-exploitation of some sectors in ML/TF leads to a low level of risks, confirms the insufficient sample of cases on which the assessment was based.

Criterion 24.3 (Met): All types of legal persons, regardless of their activity, should be registered with the commercial registry and should submit the relevant documentation before practicing any activity, including its articles of association, provided that all details related to the legal persons should be made available to the public. Information that can be obtained through an extract from the commercial registry includes: the number and date of the registration in the commercial registry, the commercial registry to which the legal person is related, the commercial name and trademark, the legal form, the law it is subject to, the activity, the data of shareholders, partners, directors and members of the Board of Directors, and their capacity and competence, the headquarters, the location where the activity is carried out, the address of branches and their directors, and the capital.

Criterion 24.4 (Met): Article 30 of the Code of Commerce requires companies to maintain all the documents, data and any relevant amendments and provide them to the General Authority for Investment and Free Zones upon request. The articles of associations of companies include basic data, including the names of partners or shareholders and the number and value of their shares or interests in

the company. Article 59 of Law No.159 of 1981 grants the shareholders the right to attend the general assembly of shareholders whether in person or by proxy by virtue of a power of attorney or a written authorization. The same law requires companies to maintain ownership books and registers, in addition to minutes of meetings of the general assembly. This will allow information to be made available to the commercial registry, excluding the general public. In addition, as per Ministerial Decision No. 41 of 2020 referred to in c.24.1, companies are obliged to maintain a record of the beneficial owners, including their names, nationalities, national number or passport number (for foreigners). They should make data and records available to the commercial registry and notify the registry of any subsequent update thereon.

Criterion 24.5 (Met): Article (6) of Commercial Registry Law No. 34 of (1976) stipulates that companies should annotate any change or amendment in the commercial register within one month from the date of the amendment. If a violation is identified, the violating company will be subject to sanctions which can also include closing down the activity and revoking its license. According to article 20 of this law, the trustees of commercial registries hold the capacity of judicial police officers in implementing the provisions of this law. Article No.21 of the same law required those concerned with the implementation of the provisions of the tax, manpower, social security and other laws to verify that those subject to the provisions of this law are registered in the commercial registry upon every inspection or procedure, and to notify the competent commercial registry office of any violation of the provisions of the law, which reflects the integration of the entities and their role in ensuring the accuracy and recency of the information.

Criterion 24.6 (Partly Met): As mentioned in c.24.1 and c.23.4 above, Ministerial Decision No. 41 of 2020 requires that whoever is registered in the commercial register is obliged to create a special record called “Beneficial Owners Record” containing the names and other relevant identification data of the BOs who actually own or control the business establishment, whether it is a legal person or a legal arrangement, provided that this data should be made available to the commercial register and updated once the incident that calls for being recorded occurs, and the commercial registry should be notified of it upon its occurrence, which explains the reason for the absence of any specific time limit during which the companies must collect information and make it available to the commercial register. Judicial police officers shall have the right to review that record upon request in the course of an investigation. As for the BOs record, we state that the ministerial decision did not include any definition of the BO, and no information was provided in the aforementioned decision on the obligations of legal persons in situations in which they are owned by other legal persons through a chain of ownership, and whether in this case the identity of natural person(s) who actually own(s) or control(s) other legal persons must be verified (see the definition of BOs as per the FATF methodology), which constitutes a relatively important deficiency.

CDD measures issued by the EMLCU require FIs to take reasonable measures to verify the identity of the BO of the legal person in accordance with the requirements of recommendation 10, and they have to make such information available to the EMCLU and judicial authorities, according to the provisions of articles 7 and 9 of AML Law.

Criterion 24.7 (Mostly Met): According to Article (22) bis (c), Clause (4) of the executive regulations, FIs must update data, information and documents obtained upon identification and verify the identity periodically, continuously and appropriately, particularly for higher risk categories of customers and transactions. The deficiency is noted because the update to CDD and BO information is done on a risk-sensitive basis, and therefore this may not ensure that information is as up-to-date as possible. Ministerial Decision No. 41 of 2020 also indicates that the data of BOs shall be made available for the commercial registry, and it should be updated once the incident that calls for being recorded occurs and the commercial registry is notified of it upon its occurrence, which explains the reason for the absence of any specific time limit during which the companies must update information related to the BOs and make it available to the commercial register. The judicial police officers have the right to review that register upon request during the course of investigation. Administrative decision No. 17 of 2020 has been issued to form a committee to inspect institutions to verify that they keep records of the BOs and update them, whenever necessary. Case studies showing the role of inspection in official supervision to ensure accurate and up-to-date records were provided.

Criterion 24.8 (a, b, c) (Mostly Met): According to article 13 bis of Ministerial Decision No. (41) of 2020, judicial officers have access to the register of beneficial ownership if requested. Article 21 bis of the

Executive Regulation of the AML Law stipulates that records containing beneficial ownership information be made available to the competent authorities by the legal representative at the time of entry into force or for a period of five years from the dissolution or removal from the registry. With the exception of what was stated in C.24.7, where it was indicated that judicial police have the right to access the register during the course of the investigation, it does not appear that the authorities can obtain information in other circumstances. However, the maintenance and provision of basic information are regulated in accordance with previous legislations preceding this decision.

Criterion 24.9 (Met): Article (26) of the Code of Commerce No.17 of 1999 requires the trader or his heirs to maintain commercial books and documents supporting the entries recorded therein for a period of five years starting from the date of annotation of the termination or closure of the activity in the books. Article (153) of the Companies Law on promulgating the Joint Stock Companies, Limited Partnerships by Shares and Limited Liability Companies Law, stipulates that the books and documentation of the company should be kept, for a period of ten years from the date of its deletion from the commercial register, in the office of the register located in the company's headquarters, unless the General Assembly or the group of partners designates another location where the books and documentation can be kept. Liquidators (please clarify the legal grounds) keep companies' files for at least three years after liquidation. The file includes the liquidation decision and the relevant actions taken with respect to the liquidation. The liquidation is annotated in the commercial register and the company's data is updated based on the information contained in the company's file, either at the General Authority for Investment and Free Zones or the Commercial Registry.

Article 9 of the AML Law stipulates that FIs and DNFBPs should be required to maintain records on data of customers, including data related to beneficial owners that are natural and legal persons, for at least five years after the end of the business relationship or the occasional transaction.

Criterion 24.10 (Met): Competent authorities in the country (including judicial authorities, the Public Prosecution, the Ministry of Interior, the EMLCU, the Administrative Control Authority) have wide powers to access the governmental databases, including commercial registers that contain basic information on companies and information related to BOs. In addition, competent authorities have access to information kept by FIs and DNFBPs, but availability and quality of BO information depend on the source of the information and effective implementation¹⁰⁹.

As indicated in c.24.12, there are no measures under Egyptian legislations that permit to have nominal shareholders and nominal directors, and in the event the company delegates any person to act on its behalf through a power of attorney, such information will be made available to the authorities by virtue of the powers vested in them.

Criterion 24.11 (a, b, c, d, e) (Mostly Met): Based on the amendments of Capital Market Law No.95 of 1992 by virtue of Presidential Decision No.17 of 2018, bearer shares were cancelled. Article 3 of the said Law stipulates the following: "Bearer shares may not be issued and companies that issued bearer securities before the enactment of this Law and holders of these securities should convert them into nominal securities. These companies and holders of these securities should reconcile their situation within one year from the date of issuance of this decision". Article 4 of the same Law cancelled any previous provisions permitting the issuance of bearer securities in any legislation. The FRA board of directors issued decision No.81 of 2018 on the rules and procedures for converting bearer shares into nominal shares. From a practical point of view, it was found that the statistics of the number of companies that had previously issued bearer shares, before bearer shares were banned as per Law No. 17 of 2018, are represented in a single company and by the number of registered shares (bearer shares) totalling 1,400,000 shares as at 1/4/1999. Its shares were actually cancelled in two stages during 2018, and this was proven in the mechanism of the central depository and registry system in place for the company, as required before the expiry of the fiscal year 2019 deadline (one year from the date of issuance of legislation). On the other hand, it is not clear whether legal persons in Egypt are capable of issuing share warrants.

¹⁰⁹ The source of the information and effective implementation means the entity or entities entrusted with the implementation of effective measures in order to determine the identity of the beneficial owner. Such entity or entities include either the company or the natural person authorized by the said company, or the financial institution, or the owners of DNFBPs.

Criterion 24.12 (a, b, c) (Not Applicable): The Egyptian legislation does not have any measures permitting nominee shareholders, nominee founders or nominee directors.

Criterion 24.13 (Partly Met): The Companies Law No.159 of 1981 includes sanctions against anyone who violates the obligations set out in the law (articles 161-164). Sanctions range between imprisonment for not more than two years, and a fine not more than EGP 10000 which the violator should personally bear, without prejudice to more severe penalties imposed by other laws. In addition, these penalties shall double in case of repetition. As per article 81 of Investment Law No. 72 of 2017, GAFI may issue a decision to cease/suspend the company or institution's activity for a period not exceeding ninety (90) days. If the company/institution continues committing the violation or commits another violation during one year from the first violation, the license to practice the activity can be revoked. The reasons for revoking the license include cases of forgery of the company's records, or if incorrect facts are deliberately proven in these records, or if it is established that the articles of association, license or documents related to the company are invalid or incorrect after being approved by, or presented to GAFI.

Article 19 of the Code of Commerce No. 34 of 1976 stipulates that each violation of the provisions of this law shall be punishable with a fine not exceeding 100 Egyptian pounds and doubled in the event of repetition (*companies violating the provisions of Ministerial Decision No. 41 have been punished in accordance with the provisions of this article*). Fines applied pursuant to the provisions of this article are not considered dissuasive.

Criterion 24.14 (a, b, c) (Mostly Met):

Criterion 24.14 (a) (Met): Basic information related to the legal person is available to the local authorities through the commercial registry services available through the Egyptian Portal (www.itda.gov.eg), and they can facilitate access of foreign authorities to this information according to article 43 bis (a) of the Executive Regulation of the AML Law ("AML/CFT authorities may conduct the processes of search and inquiry on behalf of a foreign counterpart and submit all information and data obtained as if the request was received from a local authority"). This power relates to the access to information kept by FIs, DNFBPs and other governmental agencies.

Criterion 24.14 (b) (Met): The scope of information that competent authorities exchange with counterparts includes information on shareholders kept in the commercial registers of FIs and other reporting entities that hold accounts for legal persons or have business relationships with them, but the availability and quality of the BO information depend on the source of the information and effective implementation.

Criterion 24.14 (c) (Mostly Met): BO information will be available to local authorities through the commercial registry so that they can make it available to foreign authorities, pursuant to the provisions of article 43 bis (a) of the Executive Regulation (see details above). In addition, the AML Law gives government agencies (the EMLCU, the judicial authorities and law enforcement authorities) broad powers to exchange a wide range of information with counterparts, including the beneficial ownership information, despite the lack of explicit reference to the beneficial ownership information.

Criterion 24.15 (Met): In accordance with article 43 bis (c) of the Executive Regulation of the AML Law amended in February 2020, the authorities concerned with combating money laundering, associated predicate offences and terrorist financing in the country are committed to assess the quality of information received from counterpart authorities.

Weighting and Conclusion:

Egypt conducted a ML/TF risk assessment associated with the types of legal persons; nonetheless, considering that the non-exploitation of some sectors in ML/TF leads to a low level of threats, confirms the insufficiency of the sample of cases on which the assessment was based. The deficiencies are that the ministerial decision referred to above does not include the definition of the BO, in addition to the obligations imposed on legal persons in the event that their ownership reverts to other legal persons through a chain of ownership (C.24.6), and that the fines that can be applied by virtue of the provisions of Trade Law are not considered dissuasive (C.24.13).

Recommendation R.24 is rated "Partially Compliant".

Recommendation 25 - Transparency and beneficial ownership of legal arrangements

In the first evaluation, R. 34 was judged not applicable, since the Egyptian legislation does not include the concept of trusts.

Egypt allows the creation of Waqfs, which are trust-like legal arrangements that permit the separation between the control and the ownership of an asset. The authority mandated to manage and supervise Waqfs is the Egyptian Endowments Authority, which is established under Law No.80 of 1971. Endowments are governed by the endowment regulation Law issued in 1946.

Criterion 25.1 (a, b, c) (Mostly Met):

Criterion 25.1 (a) (Met): The Egyptian Endowments Authority undertakes, on behalf of the Minister of Endowment (as trustee), the management and investment of the endowment, and for this purpose verifies the identity of the endower and that whatever they submit to create a new endowment is free of any legal problems, documents the endowment certification after verifying the ownership of the endowment, and disburses charitable benefits to beneficiaries (from associations and charitable institutions, poor, needy, widows, hospitals etc. ...), in addition to keeping all files, data and documents related to any endowment on the computer and archives them in files that it maintains .

The Egyptian Endowments Authority, in its capacity as the trustee of Waqf is obliged, as per Ministerial Decision No. 30 of 2020, to establish accurate records that include all the information related to the Waqf; the endower, beneficiaries of the Waqf as well as the authorities to which the Waqf is granted, and to update such information on a periodical basis and make it available to the competent authorities (judicial or supervisory), upon request. Moreover, it shall maintain all the files, data, and documents related to any Waqf.

Criterion 25.1 (b) (Mostly Met): Lawyers and accountants who professionally establish, operate or manage legal arrangements, are covered by the provisions of the AML Law (Article 1) and by the decisions issued in implementation thereof, including the CDD measures issued by the EMLCU, which indicate that the legal arrangements include trusts or any other legal arrangements. In the event where lawyers or accountants provide services to trusts established abroad, they must, in accordance with the AML Law and the decisions issued in implementation thereof, keep information on any other regulated agent of, and service providers, to the trust, including investment advisors, managers, accountants, or tax advisors, However, this obligation does not include any third party that is not covered by the provisions of this law and the decisions issued in implementation thereof.

Criterion 25.1 (c) (Mostly Met): In the event where lawyers or accountants provide services for trusts established abroad, they should keep, in accordance with the AML Law and the decisions issued in implementation thereof, information regarding the trust for at least five years. AML/CFT obligations in relation to foreign trusts only apply when the trustee is a lawyer or accountant. This does not cover situations where other persons may act as trustees in a professional capacity, which is considered a deficiency.

Criterion 25.2 (Met): In implementation of Ministerial Decision No. 30 of 2020, the Egyptian Endowment Authority undertakes the creation of accurate records that include all the information related to the Waqf, the endower, the beneficiaries and the authorities to which the Waqf is granted. It also updates such information on a periodical basis, and maintains all the files, data and documents related to any Waqf.

Criterion 25.3 (Mostly Met): The Trustee of the Waqf is the Egyptian Endowment Authority, which is a government authority. In the event of opening a bank account, the CDD requirements applicable to legal persons shall also apply to these trustees with no exception.

In the event where any of the trustees of foreign trusts that are not established in Egypt opens a bank account with any of the banks operating in Egypt, the CDD requirements applicable to legal persons shall apply to them with no exception, as set out in the CDD measures issued by the EMLCU under section 2-5-measure for the identification of customers and beneficial owners of legal persons and legal arrangements. In accordance with Article 22-bis (b) of the executive regulations (clauses 1 and 3), the identification of BOs for trust funds include the identification of the settlor, the trustee, the protector (if any) and the beneficiaries, before establishing a business relationship or carrying out an occasional transaction. There is absence of any procedures for the trustee to disclose their identity to the FIs/DNFBPs, as the onus to verify the identity is not just on the FIs/DNFBPs in accordance with the requirements of this criterion.

Criterion 25.4 (Met): There is no legal impediment preventing the provision of information to competent authorities concerning a Waqf, upon request. As to FIs and DNFBPs, CDD measures issued by the EMLCU require institutions to obtain sufficient information about the beneficiaries of trusts. Thus, it appears that there are enforceable means (and not a legal impediment) that require trustees to provide information,

upon request, and in accordance with the requirements of this criterion, knowing that the information available to institutions are inevitably available to the EMLCU and the judicial authorities, by virtue of articles 7 and 9 of the AML Law.

Criterion 25.5 (Met): The Administrative Control Authority has the right to request, access or keep any files, data or documents or to obtain copies thereof from the entity holding such files, data or documents, including entities whose data is considered confidential (article 6 of Law No.54 of 1964). The member of the administrative prosecution has the right, when conducting an investigation, to access the documents he deems necessary, and which are held by ministries and authorities (article 7 of Law No.117 of 1958). Regarding the Ministry of Interior, in the case of an eminent terrorist crime that needs to be confronted, law enforcement officers have the right to collect information on such crimes, search for the perpetrators, and keep them in custody for a period not exceeding twenty-four hours (article 40 of the Anti-Terrorism Law). Other competent authorities can obtain information related to BOs of Trusts kept by FIs and DNFBPs (see also analysis of R.24 above).

Criterion 25.6 (a, b, c) (Met):

Criterion 25.6 (a, b) (Met): In c.25.5, a reference is made to the legislations authorizing competent authorities, namely local legal bodies, to access the information required to conduct their investigations. As per Ministerial Decision No. (30) of 2020, the Egyptian Endowment Authority should establish accurate records that contain all the information related to the Waqf, the endower, beneficiaries, and the authorities to which the Waqf is granted. It undertakes to update such information on a periodical basis and to make it available to competent judicial or supervisory authorities, upon request and without delay. This will enable those authorities to obtain and exchange this information with their foreign counterparts.

As per the procedures issued by the EMLCU, FIs and DNFBPs are required to implement the CDD measures toward the trustees of trusts (see R.10). And such information is available to the EMLCU and the judicial authorities, as per articles 7 and 9 of the AML Law. In the event of a trustee dealing with FIs and DNFBPs in Egypt, there shall be no legal impediment preventing competent authorities from accessing such information and exchanging it with foreign counterparts.

Criterion 25.6 (c) (Not Applicable): There is no beneficial owner of endowments, given that once the endowment is established, ownership is passed to the State that becomes the owner of the endowed asset.

Criterion 25.7 (Mostly Met): The Endowment Authority is responsible for the management and disposition of endowments and assumes the civil and criminal liability and sanctions for the violation of the endowment conditions and holds the appointed guardian accountable. In general, trustees are subject to the provisions of the civil service law, as they are considered State employees. The provisions of the AML Law apply to lawyers and accountants upon their establishment or management or operation of trusts. The law permits to punish them with imprisonment and a fine of not less than 100 thousand Egyptian Pounds and not exceeding 500 thousand Egyptian Pounds (approximately USD 31,000) in the event of violating the provisions of article (8) of this law and the relevant measures issued by the EMLCU. However, one important issue remains, concerning the scope, given that the remaining trust service providers are not covered by the AML/CFT legislations and the CDD requirements do not apply to them.

Criterion 25.8 (Met): Article (9) of the AML Law requires FIs and DNFBPs to make all documents and records available to competent authorities, upon request. Egypt has proportionate and dissuasive sanctions in case FIs or DNFBPs do not comply with this requirement. In such cases, the EMLCU may take any of the actions set out in article 16-bis, including, actions for prohibiting the violator from conducting certain transactions or requesting the licensing authority to prohibit the institution from conducting business for a specific period of time, or revoking the license. In the event where subject entities maintain information regarding the originator of the trust, the trustee, the custodian, the beneficiaries and any other person with ultimate effective control over the trust, they shall be subject to the sanctions provided for in article (15) of this law in case they refrained from making such information available to competent authorities in accordance with the provisions of article (9) thereof.

Weighting and Conclusion:

The weighing given to the deficiencies indicated above (sub-criteria 25.1 (b and c) and criterion 25.3 and criterion 25.7) compared to the remaining criteria (whereby the level compliance is “Met”) affects to some extent the rating of this recommendation.

For the reasons mentioned above, Egypt is rated “Largely Compliant” with R.25.

Recommendation (26): Regulation and supervision of financial institutions

During the previous round of the mutual evaluation process, Egypt was rated “Partially Compliant” with former R.23 relating to the regulation and supervision of financial institutions and “Largely Compliant” with the requirements regarding shell banks which are now incorporated in R.26, due to the lack of licensing requirements for the three banks which are not supervised by the CBE, incomplete requirements regarding the transparency of ownership of other financial institutions, absence of enforceable AML/CFT requirements for three banks (for example, no proportionate and dissuasive AML/CFT sanctions) and limited AML/CFT supervision for life insurance, money transfer companies and exchange offices. In addition, the prohibition to enter into correspondent relationships with shell banks only apply to banks supervised by the CBE, and there is no prohibition at all from continuing correspondent banking relationships with shell banks. R.26 addresses the risk-based approach to supervision and monitoring.

Criterion 26.1 (Met): Egypt has supervisors that undertake supervision of different FIs (article 7 of Law No. 80 of 2002 and its amendments). The CBE supervises banks, exchange companies, other entities licensed to deal in foreign currencies and entities that engage in money transfer activity. The Financial Regulatory Authority (FRA) supervises insurance activities, entities engaged in the securities field, entities engaged in the receipt of funds, real estate securitization entities, financing lease entities, entities engaged in factoring activity, entities engaged in real estate financing and entities engaged in micro-finance. The Ministry of Communication and Information supervises the National Post Authority with respect to the financial services it offers. The EMLCU verifies the compliance of the CBE for the financial services it provides to its employees and the compliance of one bank (a government bank) for the social services it provides.

Market entry:

Criterion 26.2 (Met): Any individual, entity or establishment is prohibited from providing any of the financial services subject to monitoring unless licensed by the CBE, the FRA, the National Post Authority or the Ministry of Social Solidarity.

Egypt does not permit the establishment or continued operation of shell banks (article (63) of the CBE and Banking Sector law No. 194 of 2020). Section 5-4 of the updated CDD rules issued by the EMLCU in 2019 to FIs other than money transfer companies requires them to refrain from engaging in or continuing a correspondent relationship with shell banks or with banks that provide correspondent services to shell banks.

Criterion 26.3 (Met): The CBE, FRA and the Ministry of Communication and information Technology take all the legal or regulatory measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest or holding a management function in a financial institution. However, the measures taken by the CBE did not include, before September 2020, verifying the sources of funds used to own controlling shares, nor did they include verifying the reputation of shareholders and BOs and the extent of their association with criminals.

The CBE requires members of the board of directors and executive managers to submit “a declaration confirming that no judicial sentences are rendered against the applicant and that he has not been subject to a criminal or administrative investigation at the time of application”. Applicants must not have been judged with case of immorality, (clause (F) of article 77). One of the licensing conditions is to have a clear ownership structure that ensures the identification of the BOs and the verification of the legitimacy of the source of funds; and the applicant must have integrity, good reputation and financial solvency (clauses (C and H) of article (64) of the new CBE law). Article (92) of this law requires banks to notify the Central Bank of all the amendments made to the data that was provided upon submitting the application for licensing.

Measures taken by the CBE include security checks to be conducted for applicants from various authorities (administrative control, national security, home security) as well as taking the opinion from the legal administration at the Central Bank, in addition to the opinion of any other entity. Besides, the Central Bank has asked banks to provide it - when nominating or renewing the appointment of foreign persons to take over the membership of a bank’s board of directors or executive positions at banks - with a (recent) criminal record from the last country in which that person was working, in addition to their

country of origin, provided that it is certified by the Egyptian Ministry of Foreign Affairs, and to provide it with a “bank reference” that they obtained from their places of work in all the countries in which they worked during the last 6 years.

According to the decisions issued by the FRA¹¹⁰, when deciding on requests for the FRA’s approval upon ownership, the extent to which final court sentences are rendered against the applicant should be taken into consideration (article 4 of FRA board of directors decision No.53 of 2018). These provisions apply to natural persons involved in the establishment of the company to be licensed. Article (6) of FRA board of directors decision No.53 of 2018 on companies operating in non-banking financial activities stipulates that “ownership of shares in the operating company may not be transferred during the period from the date of incorporation until the licensing, without prior approval by the Authority”. The new shareholder should fulfil the same requirements set out in article (4) mentioned above”.

Article (4) of FRA board of directors decision No.51 of 2014 on the conditions to be met by the founders of the investment trust company also stipulates that “for the transfer of the ownership of shares in a trust company, the conditions set out in this decision should remain fulfilled, which implies that no administrative penalties have been imposed on any of the founding parties ...”. It appears that one of the conditions to transfer ownership would necessitate the verification of non-conviction of persons to whom the shares are transferred.

FRA board of directors decision No.107 of 2018 on the rules for the governance of companies engaged in the securities field states that “the company should provide the Authority with its structure of shareholders (who own more than 5% of its shares), and the composition of its board of directors and structure of employees (who hold main functions), accompanied with a recent official extract from the commercial register during the month of January of each year. It should also provide the Authority with any amendments made to this data when they occur. According to FRA board of directors decision No.85 of 2018, anyone sentenced to a sanction for felony or a sanction for misdemeanour may not be a member of the board of directors of any company that is subject to the supervision of the FRA, and the company shall be required to replace anyone who meets such criteria. Some articles of decisions issued by the FRA¹¹¹ included a reference to the necessity of verifying the non-conviction of shareholders and holders of senior management positions.

The National Post Authority is a government body where all its employees are State employees subject to fit and proper tests on an ongoing basis.

Risk-based approach to supervision and monitoring:

Criterion 26.4 (Met):

The CBE and the FRA conduct inspections of banks and non-banking FIs according to an annual risk-based inspection plan, including the application of consolidated group supervision for AML/CFT purposes. The FRA developed an ad-hoc examination template for consolidated supervision in AML/CFT to achieve the required supervision in this regard; a case study demonstrating the foregoing was provided.

In August 2011, the CBE issued instructions requiring banks to comply with the core principles issued by the Basel Committee on Governance. In September 2014, it issued instructions to banks on internal control. According to the report of the International Society of Insurance Supervisors issued in 2017, it appears that Egypt "is compliant with one of the core principles related to the supervision of insurance products." According to the report of the International Organization of the Securities Commission issued in February 2019, Egypt adopted in 2018 mechanisms to monitor trading, and it is in the process of preparing a new legislation to introduce derivatives into the trading market.

¹¹⁰ FRA board of directors’ decision No.53 of 2018 - FRA board of directors’ decision No.85 of 2018 - FRA board of directors decision No.121 of 2018 - FRA board of directors decision No.135 of 2016 and decision No.51 of 2014

¹¹¹ Article 27 bis 1 of Law No. 10 of 1981 amended by Law No. 91 of 1995 regarding insurance and reinsurance companies, and Article 1 of the FRA’s Board of Directors Decision No. 64 of 2015 regarding mortgage finance companies, mortgage refinancing, and Clause 4 of Article 55 of Financing Lease and Factoring Law No. 176 of 2018, Appendix No. 1 of FRA Board of Directors Decision No. 31 of 2015 concerning Civil Associations and Institutions, and Decision of FRA Board of Directors Decision No. 173 of 2014 concerning Companies Engaging in Microfinance and Factoring Activities, Articles 4, 7 and 8 of FRA Board of Directors Decision No. (53) of 2018 dated 26/4/2018 regarding companies operating in non-banking financial activities, and Article 3 of FRA Board of Directors Decision No. 51 of 2014 regarding investment funds, and FRA Board of Directors Decision No. 23 of 2014 regarding practicing insurance brokerage.

Criterion 26.5 (Mostly Met): Frequency of onsite and offsite supervision of FIs is determined as follows: A. the results of the CBE assessment of the risk characteristics of each bank separately (level of compliance with laws and supervisory instructions, work policies and procedures and internal control systems), the risk determinants set by the FRA for micro-finance companies (violations and sanctions imposed on the company) and companies engaged in the capital market field (such as the level of internal control), except for insurance companies where it appears that the determinants adopted by the FRA are not related to ML/TF risks. B. The sectorial assessments conducted by the CBE and the FRA are largely based on the NRA findings. C. The characteristics of FIs or financial groups (for banks, bank size, number of branches, ownership structure, organizational structure, and for all non-banking FIs (excluding insurance companies), the market share of the company, the number of branches with a wide geographical reach, and the number of customers...

The requirements of this criterion are not applicable to the EMLCU and the Ministry of Communication and Information Technology, for the reasons mentioned in sub-criterion (26.4 b) because they have just one institution under their supervision.

Criterion 26.6 (Mostly Met): Article 23 of the Executive Regulation of the AML Law issued in February 2020 stipulates that the frequency and intensity of on-site and off-site supervision of institutions and financial groups should depend on the supervisory authority's assessment of the risk profile of an individual institution or group. However, this requirement for supervisory authorities does not extend to the periodic review of such assessments as per the legal text, nevertheless, inspection plans for institutions subject to the supervision of the CBE and the FRA depend on sectorial assessments which are carried out periodically and which take into consideration the ML/TF risk profile of subject institutions, except for the insurance companies, for the reasons outlined in C.26.5 above. As for the Ministry of Communication and Technology, it relies in its supervisory approach toward post offices on the outcomes of the self-assessment conducted by the National Post Authority (a government body) on a periodical basis.

Weighting and Conclusion:

There are minor deficiencies related to this Recommendation, in particular, with regard to C.26.5 concerning the adoption of inspection plans which are set by the FRA to target insurance companies based on determinants not related to ML/TF risks, and, due to the absence of a legal text requiring supervisory authorities to review the risk profile of institutions subject to their supervision (C.26.6).

For the reasons mentioned above, Egypt is "Largely Compliant" with R.26.

Recommendation 27: Powers of supervisors

In the previous round of the mutual evaluation process (in 2009), Egypt was rated "Compliant" with former R.29 on the supervisory and oversight system (roles, functions and powers of competent authorities, including the power to impose sanctions).

Criterion 27.1 (Met): Supervisors have powers to supervise and monitor FIs and ensure their compliance with AML/CFT requirements, according to article (7) of the AML Law issued by Law No.80 of 2002 and its amendments. The said article also stipulates that competent supervisors are committed to establish and use the necessary techniques to verify the institutions' compliance with relevant AML/CFT requirements.

Criterion 27.2 (Met): Supervisors have the power to conduct inspections of FIs, given that each supervisor is required by virtue of article (23) of the Executive Regulation to use the necessary on-site and off-site monitoring techniques to verify compliance by the FIs subject to their supervision with the provisions of the AML Law and its Executive Regulation, the supervisory controls issued by them, and the CDD measures and other AML/CFT rules and procedures issued by the EMLCU.

Criterion 27.3 (Met): As mentioned above, each supervisory authority should establish and use the techniques necessary to verify compliance of FIs subject to their supervision with all relevant AML/CFT requirements (Article 7 of the AML Law and article 19 of the Executive Regulation). Supervisors are also required to establish the necessary controls for supervised institutions and entities and determine the obligations that these institutions and entities should meet to implement these controls (articles (19-20-21) of the Executive Regulation of the AML Law). They are also committed to use the necessary off-site and on-site techniques to verify supervised entities' compliance and take the measures in case of violation

of these provisions according to the relevant laws and regulations, whether on their own motion or at the request of the EMLCU.

In addition, there are also provisions in other specific supervisory legislations which provide supervisors with concrete powers for supervision and monitoring purposes, including access to customer and beneficial owner identification data and documents showing the executive actions that institutions take to implement the CDD requirements. According to article (130) of CBE and banking sector Law No.194 of 2020, each bank shall submit to the Central Bank, at its request, any data and clarifications on the transactions conducted by the bank. The Central Bank has the right to examine the books and registers of the bank and to obtain the data and clarifications it deems necessary for realizing its purposes. Central Bank's inspectors and their assistants delegated by the Governor of the Bank for the purpose of inspections shall examine the books and registers at the premises of the bank. They shall obtain a copy of any documents necessary for realizing the inspection purposes.

By virtue of article 6 of the law regulating control over non-banking financial markets and instruments, issued by Law No.10 of 2009, the FRA board of directors may take whatever decisions it deems necessary, especially to establish rules for inspection and monitoring of entities and individuals subject to FRA supervision. By virtue of article 15 of the same law, FRA employees - which names and functions are determined by a decision issued by the Minister of Justice - are given the capacity of judicial police officers. In that capacity, they are authorized to determine crimes committed in violation of the laws regulating the work of institutions and companies subject to its control. These officers are also entitled to examine the registers, books, documents and data at the premises of these companies and institutions and obtain statements, extracts and copies of the documents they request for this purpose.

Criterion 27.4 (Met): Article (144) of the new CBE law permits the imposition of a range of sanctions (such as prevention, suspension or restricting banks and their branches as well as any affiliated companies to practice any of the activities or operations, in addition to imposing financial sanctions on the bank...) in case the bank or its officials were proven to have violated the provisions of this law or other decisions issued in implementation thereof, which include the AML/CFT supervisory controls on how banks are applying their obligations as mentioned under Recommendations 9-21.

Article (16) of law No. 10 of 2009 permits the FRA to initiate criminal cases and reconciliations against the offences provided for under the laws¹¹² mentioned in article 3 of law No. 10 of 2009; reconciliation can be initiated at any stage of the case in return for a sum to be paid to the FRA which is not less than twice the minimum amount of the fine imposed. There are also a number of criminal and disciplinary sanctions and fines that the FRA has the power to impose on whoever violates the provisions of laws governing the activities of (insurance, real-estate finance, financing lease, micro-finance) which are subject to its supervision.

Article (16) bis of the AML Law allows competent authorities to take any of the following measures (warning – preventing the violator from performing some operations – requesting the licensing authority to prevent the violator from practicing that business for a period of time or revoking the license) in the event where FIs have violated any of the provisions of the law and any decisions issued in implementation thereof; including the Executive Regulation on FIs implementation and application of their obligations as mentioned under Recommendations 9-21.

Article 14 bis of the Executive Regulation of the AML Law allows supervisory authorities to impose administrative sanctions that extend to the suspension of activities of institutions subject to its supervision upon their violation of the provisions of this law or the decisions taken in this regard as well as the mechanisms related to the implementation of the requirements of Recommendation 6.

Weighting and Conclusion:

There are no deficiencies related to this Recommendation.

For the reasons mentioned above, Egypt is “Compliant” with R.27.

Recommendation 28: Regulation and supervision of DNFBPs

Egypt was rated “Non-Compliant” with former R.24 on the supervision and monitoring of DNFBPs because of: the absence of information on the policies, procedures and conditions applied by the licensing authority to casinos licensees; the absence of information on the due diligence and other measures to

¹¹² Law No. 10 of 1981 on supervision and monitoring insurance. Law No. 95 of 1992 on securities. Law No. 93 of 2000 on deposit and central registration of securities and Law No. 148 of 2001 on real-estate financing.

prevent criminals or associates from being casino operators; supervision being only applied to foreign exchange offices; the Executive Regulation of the AML Law was not clear on monitoring real estate brokers and dealers in precious metals and stones for their compliance, the related provisions did not stipulate any sanctions for violations; and lawyers and accountants were not covered by the AML law at that time.

Casinos:

Criterion 28.1 (a, b, c) (Mostly Met):

Criterion 28.1 (a) (Met): Casinos - including those that carry out their activities through the Internet or on board of ships - are subject to the provisions of the AML Law (article (1.g)) and are required to comply with all the AML/CFT requirements. Article 1 of the Executive Regulation of the Law stipulates that the Ministry of Tourism is the competent authority in charge of AML/CFT supervision and monitoring of casinos. Hotel resorts including casinos are subject to the licensing conditions and procedures set out in the Ministry of Tourism decision (article 42 of decision No.181 of 1973).

Criterion 28.1 (b) (Mostly Met): Article 1 of the afore-mentioned decision No.181 requires that the application for a casino license should be accompanied with a copy of the personal ID and the criminal record of the applicant. If the applicant is a foreign person, they shall submit a certificate of their antecedents or of good conduct and behaviour issued by their competent diplomatic or consular representation office in Egypt. If the applicant is an entity or a company, a copy of the documents of incorporation of the entity or the company and of the identification documents of its legal representative should be enclosed. Among the actions taken to prevent criminals from holding any management function in casinos, the Ministry of Tourism issued ministerial decision No.62 of 2019 on establishing a database to register all the staff working in hotels and touristic resorts to allow for a periodical security check for all the staff. Consequently, these measures are part of the licensing and registration process for casinos. According to the Minister of Tourism and Antiquities Decree No. 357 of 21/05/2020 regarding the controls for establishing, operating and monitoring casinos, in order to accept the application to operate a casino, it is a condition to attach a certificate issued by the consular or diplomatic representation of the country to which the management company belongs, authenticated by the Egyptian Ministry of Foreign Affairs that clarifies that there are no criminal judgments issued against the founders of the company, its legal representative, or their good reputation. With regard to the conditions related to the manager in charge of the casino, the aforementioned decision stipulates that if the manager is Egyptian, the criminal status record is requested and if the manager is a foreigner, then a foreign work permit should be obtained in order to run a security check about the manager by the Ministry of Manpower. In the event where the management company applies for registration in the commercial registry as a branch of a foreign company inside Egypt through the General Investment Authority, the latter carries out a security check about that company. However, it did not appear whether the beneficial owner is identified and his non-conviction is verified.

Criterion 28.1 (c) (Met): According to the Executive Regulation of the AML Law, the Ministry of Tourism is concerned with the supervision of casinos for compliance with the AML/CFT requirements.

DNFBPs other than casinos:

Criterion 28.2 (Mostly Met): With the exception of trust and company service providers, other DNFBPs (accountants, lawyers, real estate brokers, dealers in precious metals and stones) are subject to the provisions of the AML/CFT Law, according to article (1. g). The Executive Regulation of the Law states that the entities responsible for the AML/CFT supervision of accountants and lawyers are the Syndicate of Commercial Professions (SCP) and the Lawyers Association, respectively. With respect to real estate brokers, they are supervised by the Ministry of Trade and Industry, while dealers in precious metals and stones are supervised by the Ministry of Supply and Internal Trade - Department of Hallmarks and Measures.

Criterion 28.3 (Met): Further to what was cited in criterion 28.2, article (7) of the AML Law requires DNFBP supervisors to establish and use the techniques necessary to verify the DNFBPs' compliance with relevant AML/CFT requirements, including reporting transactions suspected to constitute proceeds or to involve ML/TF. The EMCLU also monitors DNFBPs which are mentioned in article 7 of the AML/ Law with respect to the obligation set out in paragraph 1 of this article, in terms of supplying the EMLCU with the data, information and statistics it requires to carry out its functions, in accordance with the rules and procedures it sets. Most supervisors of the DNFBP sector have only recently started to adopt a risk-based

approach to supervision. They created inspection departments for this purpose and entities subject to their supervision were classified according to the degrees of risks and the frequency and intensity of the inspections were determined.

Criterion 28.4 (a, b, c) (Partly Met):

Criterion 28.4 (a) (Met): According to article (7) of the AML Law, competent authorities have the power to establish and use the techniques necessary to verify compliance of DNFBPs with relevant AML/CFT requirements.

Criterion 28.4 (b) (Partly Met): It does not appear whether the licensing/registration measures require the verification of non-conviction of staff and shareholders to prevent criminals and associates from owning controlling shares when transferred for their benefit or from being the beneficial owners of these shares or from holding a management function, upon the appointment of new persons.

Law No.40 of 1972 on the establishment of the SCP (Syndicate of Commercial Professions) requires that anyone to whom the provisions of this Law apply should acquire membership of the syndicate as a mandatory condition for practicing the profession mentioned in the law. The conditions to apply for membership of the syndicate include the provision of a clean criminal record of the applicant.

Article 13 of the Egyptian law practice code stipulates that anyone who registers his name as a practicing lawyer should not have previously been sentenced for a felony or misdemeanour involving immorality or dishonesty or against whom criminal or disciplinary judgments are issued or who has abdicated his job or profession.

Article 19 of Law No.68 of 1976 and its amendments regarding the control of precious metals stipulates that it is prohibited to practice the profession of expert valuers of precious metals and valuable stones and the profession of precious metals analysis without a license from the Department of Hallmarks and Measures at the Ministry of Supply and Internal Trade, provided that the applicant has not been sentenced for felony or to a custodial sanction for misdemeanour involving immorality and dishonesty.

While the various measures set out above appear to be adequate in view of being professionally accredited, it is unclear to what extent they prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in a DNFBP.

Criterion 28.4 (c) (Mostly Met): Article 14 bis of the Executive Regulation of the AML Law grants supervisory authorities the power to apply administrative sanctions that extent to the suspension of the activity of DNFBPs subject to their supervision, when natural or legal persons violate the provisions of this law or the decisions taken in relation to this law and the mechanisms for the implementation of the requirements of Recommendation 6.

Article 16 bis of the AML law permits supervisory authorities to take a number of procedures (see R.27) in the event where DNFBPs violate any of the provisions of the law or the decisions issued in implementation thereof, including those related to the implementation of the requirements of Recommendations 22 and 23.

DNFBPs supervisors do not have powers that allow them to impose financial penalties, except for the Ministry of Tourism that has the authority to apply graduated financial sanctions to violations by casinos based on article 2 which lists various violations and corresponding penalties.

All DNFBPs:

Criterion 28.5 (a, b) (Partly Met):

Criterion 28.5 (a) (Partly Met): Onsite and offsite supervision must be implemented on DNFBPs by relying on the RBA (Article 23 of the Executive Regulation of the AML Law issued in February 2020)

The supervisory authority of DPMS adopted a risk-based inspection manual taking into consideration the distinctive features of DPMS in terms of the volume of the business, the number of branches, the volume of products, geographic areas, the type of potential clients and other elements. The Ministry of Tourism also updated and adopted a risk-based inspection manual taking into account the number of casino customers, their nationalities, the size of financial dealings, geographic areas and other elements.

Notwithstanding what was cited in the Executive Regulation amended in February 2020, it did not appear to what extent most supervisory and monitoring authorities are undertaking in practice on-site supervision on a risk-sensitive basis and to what extent the frequency and intensity of AML/CFT supervision is based on their understanding of risks, taking into consideration the characteristics of the DNFBPs, in particular their diversity and number.

Criterion 28.5 (b) (Met): The frequency and intensity of onsite and offsite supervision on FIs and financial groups with regard to AML/CFT depend on ML/TF risks and on the policies, internal controls and procedures linked to the FI or the group, as indicated in the supervisory authority’s assessment of the risk profile of the FI or the group.

Weighting and Conclusion:

There are some deficiencies in this Recommendation, especially in Sub-Criterion (28.1b) due to insufficient safeguards to ensure that licensing and registration procedures prevent criminals or their accomplices from holding (or being the BO of) a significant or controlling interests in casinos; and more generally, given the insufficient licensing and registration procedures for all other DNFBPs; while for criterion (28.5) for not performing supervision of some DNFBPs on a risk-sensitive basis.

For the reasons mentioned above, Egypt is “Partially Compliant” with R.28.

Recommendation 29 – Financial intelligence unit (FIU)

In the previous round, Egypt was rated “Largely Compliant” with R.29 (formerly R.26). The deficiencies related to a decrease in the number of STRs and a low number of cases referred by the EMLCU to the State Security Prosecution, in addition to the failure to include statistical information in the EMLCU annual report. Since Egypt’s last mutual evaluation, the FATF standards have been significantly strengthened in this area by imposing new requirements which focus on the FIU’s strategic and operational analysis functions, and the FIU’s powers to disseminate information upon request and request additional information from reporting entities.

Criterion 29.1 (Met): By virtue of article 3 of Law No.80 of 2002 as amended by subsequent texts, the Egyptian Money Laundering and Terrorist Financing Combating Unit was established at the CBE. Article 4 of the same law stipulates that the EMLCU “is specialized in receiving notifications from financial institutions and DNFBPs concerning transactions suspected to constitute proceeds or to involve money laundering or terrorist financing or attempts to conduct these transactions.

Paragraph 2 of article 3 of the Executive Regulation of the AML provides that the EMLCU receives information, data, statistics and reports relevant to money laundering, associated predicate offenses and terrorist financing, including information and data relevant to transactions suspected to constitute proceeds or to involve money laundering or terrorist financing or attempts to conduct these transactions. Article 5 of Law No.80 of 2002 stipulates that the FIU undertakes investigation (analysis) and examination and informs the Public Prosecution of the indications revealed by investigation as to the commission of a ML, TF or predicate offense.

Criterion 29.2 (a, b) (Met):

- a. Article 4 of Law No.80 of 2002 stipulates that the EMLCU *receives notifications from financial institutions and DNFBPs concerning transactions suspected to constitute proceeds or to involve money laundering or terrorist financing, including attempts to conduct these transactions.*
- b. The paragraph pertaining to the rules and procedures for disclosing the import and export of foreign cash, in point (f) of article 14 of the Executive Regulation of the AML Law provides that the Customs Department shall send data of the declaration forms regarding import and export of cash and bearer negotiable instruments to the EMLCU, according to the legal requirements and to the system agreed upon between the EMLCU and the Customs Department. Also, Egyptian legislation requires that the EMLCU be provided with data on the funds of terrorist entities and terrorists designated on the lists prepared under the Law on terrorist entities and terrorists (i.e., the financial sanctions lists), and any other actions taken in this regard, as set out in clause (3) of article (52) of the Executive Regulation of the AML Law.

Criterion 29.3 (Met):

- a. Article 7 of Law No.80 of 2002 requires entities, financial institutions and DNFBPs “to provide the EMLCU with the data, information and statistics necessary for carrying out its duties, in accordance with the rules and procedures set by the Unit”. Clause 2 of article 6 of the Executive Regulation of the same law states that the Unit may, in the context of its inquiry and examination, “request Financial Institutions and DNFBPs to provide any data or information on customers and beneficial owners, deemed necessary for inquiry and examination”. This requirement covers all the institutions mentioned, including those which did not report the suspicion. In addition, the terminology used (i.e., data and information) extends to transactions of customers.

- b. Clause 15 of article 3 of the Executive Regulation of the AML Law which determines the competences of the EMLCU stipulates that the latter may “request information, data, statistics and reports necessary for carrying out its duties, from all the stakeholders concerned with combating money laundering, associated predicate offenses and terrorist financing, including administrative, financial and other relevant information from the supervisors in the country, FIs, DNFBPs and any other entity concerned with combating money laundering and terrorist financing.

The EMLCU conducts its analysis by using the information it holds or can obtain, in addition to its access to the databases on the collection of data on the risks of bank credit, real estate assets and lands; persons subject to custody decisions rendered by the Public Prosecutor; and information on bank transactions, securities transactions, insurance, real estate financing, financing lease, taxes, LEAs, criminal records, commercial register and also information available in open sources of information.

Criterion 29.4 (Met)¹¹³:

- a. Article 6 of the Executive Regulation of the AML Law stipulates that “the EMLCU conducts operational analysis of the reports and information it receives, as well as any other information it can obtain, to follow the trail of suspicious transactions and relevant persons and to determine their links with any possible proceeds of crime derived from committing money laundering, terrorist financing or predicate offenses”. The provisions of clause 16 of article 3 of the Executive Regulation of the AML Law stipulate that “*the EMLCU carries out studies, research and strategic analysis activities with respect to the reports and information it receives and any other information it can obtain, including data received from other entities in order to identify money laundering and terrorist financing related trends and patterns*”.

Criterion 29.5 (Met): Article 5 of Law No.80 of 2002 stipulates that “*the EMLCU shall inform the public prosecution of the indications revealed by its analysis as to the commission of any of the crimes stipulated in this law*”. Clause 10 of article 3 of the Executive Regulation states that the EMLCU exchanges information with judicial authorities and other public control entities in the country, according to the provisions of the Law, whether such an action is taken on its own initiative or at the request of such authorities and entities, to serve their examination and investigation purposes and to allow them to take the necessary measures as to money laundering, terrorist financing or predicate offenses or any crimes set out in the Law.

Paragraph 2 of article 4 of Law No.80 of 2002 provides that “the Unit shall establish a database with all available information and make it accessible to judicial authorities and other entities responsible for the enforcement of the provisions of the law (the Ministry of Interior, the National Security Agency...)”.

Secure, dedicated and protected channels, including an internationally approved information system, as well as encrypted and secured emails are used. Information is also made available in a physical written form, by using sealed envelopes marked as “top secret”; an officer from the EMLCU to whom all the clauses of the agreement on the maintenance of confidentiality apply shall deliver them to his counterpart in the office of the stakeholders by using the vehicle of the EMLCU intended for this purpose.

Criterion 29.6 (Met):

- a. Article 13 of the Executive Regulation stipulates that “the EMCLU shall establish the controls and safeguards ensuring the secrecy of information included in the database by specifying the levels of safety and secrecy, determining the powers to manage and use the database by the EMLCU’s staff and the degree of accessibility for each of them; and receiving, recording, transferring, and keeping documents and information, making information available to judicial authorities, to entities and to stakeholders in foreign countries and international organizations according to the provisions of the law. The EMLCU also uses the afore-mentioned information system which ensures the security and secrecy of information.
- b. Egyptian authorities reported that Chapter I of Title 3 of the work procedures manual adopted by the EMLCU board of trustees set out the conditions and procedures to join the Unit, which include a security check undertaken by law enforcement agencies before hiring the potential candidate and periodically during the course of his employment and an agreement on maintaining the confidentiality of information, data, statistics and reports signed before he engages in his work. The employees undergo a training which aims, among other things, at making them understand their responsibilities and the sanctions that may result from non-compliance with those responsibilities.

¹¹³ Based on the onsite visit

- c. Egyptian authorities reported that according to Chapter III of Title 3 of the EMLCU's procedures "physical insurance of the EMLCU building" stating that the office of the EMLCU should be located inside a building equipped with surveillance cameras, the EMLCU security staff undertake the guarding of the building. Only the authorized staff are allowed to enter the building during the official working hours. Title 4/Chapter I, clause No.8 includes the protection of information, ensuring its security and secrecy. It also requires that the information held by the EMLCU be classified according to the degree of sensitivity and confidentiality. Based on this classification, security safeguards are established for the storage and provision of the information to stakeholders, based on the operational needs.

Criterion 29.7 (Met):

- a. Article 3 of AML Law No.80 of 2002 stipulates that an independent unit with a special nature shall be established at the Central Bank of Egypt to combat money laundering and terrorist financing in which stakeholders are represented and undertake the functions provided for under the law. Articles 15 and 16 of the Executive Regulation of the AML Law establish the mandates of the EMLCU board of trustees and its chairman. The provisions ensure the EMLCU's independence and the necessary powers and authorities to carry out its duties. Article 7 of the Executive Regulation mentions that reporting to the Public Prosecution shall only be made by the chairman of the EMCLU board of trustees or whomever he delegates, if the inquiry and examination conducted by the EMCLU for the reports and information it receives reveal any evidence on the commission of a money laundering, terrorist financing or predicate offense or any of the crimes provided for in the law.
- b. Article (4) of the AML Law includes the EMLCU's power to exchange 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 (3) of the Executive Regulation of the AML Law states that the EMLCU should exchange information on money laundering or terrorist financing suspicion and associated predicate offences with judicial authorities and control entities in the State. It should also exchange information and coordinate with counterpart Units. Clause (6) of article (16) of the Executive Regulation of the AML Law stipulates that the chairman of the board of trustees undertakes in particular the conclusion of international cooperation treaties or memorandums of understanding with counterpart Units abroad and with other foreign and international entities and organizations concerned with combating money laundering or terrorism financing. The EMLCU effectively signed memorandums of understanding with domestic authorities, such as the Administrative Control Authority, the Court of Cassation, the military justice, the CBE, the FRA and the National Telecommunications Regulatory Authority. It also independently signed 27 memorandums of understanding with counterpart Financial Intelligence Units.
- c. Article 3 of Law No.80 of 2002 stipulates that "an independent unit with a special nature shall be established at the Central Bank of Egypt to combat money laundering and terrorist financing. The Unit receives reports from financial and non-financial institutions (article 3 of the Law). It also undertakes inquiry and examination of the reports and information it receives and refers the results to the Public Prosecution. It exchanges information with foreign counterpart entities (article 4 of the Law) and receives data of the Customs Department's declaration forms (article 14 of the Executive Regulation). These functions clearly distinguish the Unit in terms of competence, mandates and powers from the competences, functions and mandates of the CBE.

According to article 7 of Presidential Decision No.164 of 2002 concerning the EMLCU, the EMLCU is financed from the CBE budget and its special resources. The board of trustees, who approves the EMLCU's estimated budget, establishes the regulations organizing the EMLCU's financial and administrative affairs and the regulations organizing its HR management, independently from the regulations and rules in effect across the government, the public sector and the public business/companies sector.

Criterion 29.8 (Met): The EMLCU joined the Egmont Group in 2004.

Weighting and Conclusion:

Egypt Covers all requirements of R.29

For the reasons mentioned above, Egypt is "Compliant" with R.29.

Recommendation 30: Responsibilities of law enforcement and investigative authorities

R.27 (Law enforcement authorities) was rated “Largely Compliant” in Egypt MER during the previous round in 2009, given that the report showed a decrease in the level of identification of ML indicators in reported crimes and the extent to which ML cases were properly investigated. The new Rec. 30 contains more detailed requirements.

Criterion 30.1 (Met): The State Security Prosecution is responsible for managing TF cases (Public Prosecutor Circular No. 2 of 2004) and the Public Prosecution for Financial and Commercial Affairs is considered the main investigative authority with relation to ML cases (Periodical Letter No. 4 of 2014).

Criterion 30.2 (Partly Met): The judicial officers concerned shall search for crimes and perpetrators thereof and shall gather evidence necessary to conduct the related investigation (Article 21 of the Code of Criminal Procedure). Nonetheless, there are no legal provisions in place regulating the parallel financial investigation proceedings.

Criterion 30.3 (Met): Article 5 of the AML Law refers to articles 208 bis A, et seq. of Penal Code on the provisional measures against the funds. According to these articles, the Public Prosecution may request the criminal court to take provisional measures against the funds seized during an investigation. In cases of urgency or necessity, the Public Prosecutor may issue a temporary injunctive order to prevent the accused, (the spouse, or children) from disposing of or managing their funds. In all cases, the Public Prosecutor must submit the (injunctive order) to the competent criminal court within a maximum of seven days from the date of issue, otherwise, the order shall be deemed to have never been issued. Accordingly, the injunctive order issued by the Public Prosecutor can be legally cancelled by the court (see R.4). Law No.17 of 2020 regulates the freezing procedures.

Criterion 30.4 (Met): The EMLCU investigates and scrutinize STRs and communicates the results of the investigations to the public prosecution (paras. 2-4 of Article 3 – Executive Regulation of the AML Law). In accordance with law No. 17 of 2017, the EMLCU requests competent investigation authorities to apply temporary measures (mentioned in the Code of Criminal Procedure) with regard to ML/TF crimes and predicate offences.

Criterion 30.5 (Partly Met): The Administrative Control Authority was established in 1964 to preserve public funds and other State-owned funds. The Administrative Control Authority Law requires in article (6) that the Authority shall have the right to request, examine or keep any files, data or documents that are available in any entity including entities whose data is considered confidential. There is no text providing for the power of the Administrative Control Authority to identify, trace, freeze and seize assets.

Weighting and Conclusion:

The Egyptian Law regulates the procedures for investigating predicate offences as well as ML/TF crimes. Nonetheless, there is a deficiency represented in the absence of legal provisions regulating parallel financial investigations. In addition, the Administrative Control Authority (as an anti-corruption authority) does not have the powers to seize and freeze assets as required under criterion 30-5.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.30.

Recommendation 31 Responsibilities of law enforcement and investigative authorities

R.27 was rated “Largely Compliant” during the previous round, due to the decrease in the level of identification of ML indicators in reported crimes and the relevant effect on the proper conduct of ML investigation. The new R.31 was expanded and now requires countries to establish, among other provisions, mechanisms for determining, in a timely manner, whether natural or legal persons hold or manage accounts.

Criterion 31.1 (Met): Law enforcement authorities are specialized in investigations of ML/TF and predicate offenses They also apply a range of measures and exercise a set of powers. These powers include:

- a. Undertake measures to search persons (Code of Criminal Procedure - article 46). In the event of a felony or misdemeanour of flagrante delicto, investigative authorities may search the place of residence of the accused and may seize items and documents deemed necessary in the revelation of the truth (Code of Criminal Procedure - article 47).
- b. In the process of gathering evidence: take the depositions of persons who have information about the facts of the crimes and the perpetrators thereof (Code of Criminal Procedure - article 29), in addition to

the powers of the investigation judge to hear the witnesses, based on the procedures set out in articles 110-112 of the same Code.

- c. Seizure of documents, arms, machines, and everything that may have possibly been used in the commission of the crime, that may have resulted from the commission of the crime, or on which the crime has been committed, and everything that may help in the revelation of the truth (Code of Criminal Procedure - article 55).

Criterion 31.2 (Met): LEAs can use some investigative techniques for the investigation of ML, associated predicate offenses and TF.

Criterion 31.2 (a) (Mostly met): According to article 21 of the Code of Criminal Procedure, officers of the judicial police are entrusted with the task of searching for crimes and their perpetrators and gathering evidence necessary for the investigation and the lawsuit and according to article 24 of the same law, officers of the judicial police are authorized to seek the assistance of other officers to conduct inquiries. These two articles gave them the same right to draw up records related to these inquiries and to use the necessary precautionary means in order to maintain evidence related to the crime. Although the use of undercover operations was not explicitly provided for, the court of cassation has decided in several appeals that any action taken by an officer of the judicial police shall be considered rightful, even if they have to go undercover or use assumed identities.

Criterion 31.2 (b) (Met): Article (95) of the Code of Criminal Procedure gave the investigating judge the power to order the surveillance of telecommunications or to make recordings of conversations taking place in a specific place, whenever deemed necessary for the revelation of the truth in a felony or misdemeanour punishable by imprisonment for no less than a three-month period. In all cases, the acts of seizure, inspection, surveillance or recording shall be on the grounds of a justified warrant, for a period of time no longer than thirty days subject to renewal for another equivalent period or periods of time.

Criterion 31.2 (c) (Partly Met): Judicial officers can access computer systems and seize the data contained therein whenever deemed necessary for the revelation of the truth and for the establishment of the commission of the crimes (Anti-Information Technology Crimes Law - article 6).⁴⁷⁹ **Criterion 31.2 (d) (Mostly Met):** The Egyptian Law does not explicitly regulate the national and international controlled delivery procedures. However, Egypt ratified the United Nations Convention against Organized Crime (Palermo) which covered controlled delivery. Furthermore, article 151 of the Egyptian Constitution explicitly stipulates that the signature and ratification of treaties following the approval of the Parliament give them the force of law after their publication. On this note, Egypt concluded security agreements with some countries, which include the use of the controlled delivery technique and the assessment team was provided with case studies showing that the country uses the said technique.

Criterion 31.3 (Mostly Met):

Criterion 31.3 (a) (Mostly Met): The Public Prosecution may identify whether natural or legal persons hold or control accounts, based on a request to obtain an order from Cairo court of appeal (CBE Law - article 98). The same article of the law determines a maximum period of 3 days to for the Cairo Court of Appeal to decide on the request, and it is not clear the mechanism adopted in Egypt, which allows the public prosecutor to identify in a timely manner whether the concerned person has a bank account or not.

Criterion 31.3 (b) (Mostly Met): Clause 15 of article (3) of the Executive Regulation of the AML Law authorizes the EMLCU to solicit information, data and reports from all the competent entities to perform its functions. Article 21 of the Code of Criminal Procedure authorizes officers of the judicial police to search for crimes and their perpetrators and look for evidence necessary for the investigation and the lawsuit, while article 199 of the same law entitles the Public Prosecution to ask any entity for information which would help in the revelation of the truth in the crime. However, the Egyptian law does not clearly and explicitly comprise any requirement permitting competent authorities to take measures enabling them to identify assets without prior notification to the owner. The assessment team was provided with many case studies that include the identification of assets without prior notification to the owner, by various competent entities in Egypt, including the EMLCU.

Criterion 31.4 (Met): Article 4 of the AML Law requires the EMLCU to establish a database for all available information and make it accessible to judicial authorities and other entities responsible for the enforcement of the provisions of this law. It may exchange this information and coordinate with supervisors in the country and with competent authorities in foreign countries and international

organizations, pursuant to the provisions of international treaties to which Egypt is a party or pursuant to the principle of reciprocity.

Weighting and Conclusion:

The law permits LEAs specialized in investigations of money laundering, terrorist financing and associated predicate offenses to use the investigative techniques set out in R.31. Most competent authorities have the powers to identify assets without prior notification to the owner, even if this is not clearly and explicitly provided for by the Egyptian law.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.31.

Recommendation 32: Cash couriers

The rating given to former SR. IX during the previous round was “Partially Compliant”, due to the lack of effective implementation of the system, absence of evidence of thoroughness of forwarding suspicious declaration forms and absence of proper safeguards to ensure proper use of information included in the declaration/disclosure of the currency. Recommendation 32 contains new requirements regarding the declaration system and the protection measures/controls in place to ensure the secured use of the information collected.

Criterion 32.1 (Met): Egypt implemented a declaration system for incoming and outgoing cross-border transportation of currency and BNIs, through article 12 of the AML Law and article 213 of the Central Bank and the Banking Sector Law No. 194 of 2020. Article 14, paragraph 6 of the Executive Regulation of the AML Law determined the rules and procedures which explain the methods of disclosure.

Criterion 32.2 (a, b, c) (Met): Para. 6 of article 14 of the Executive Regulation of the AML Law determines the rules and procedures which explain the methods of disclosure which will be in a written form where persons, upon entry, must declare to the customs authorities what they are carrying when the value of foreign currency and BNIs or the sum of both exceeds the threshold of USD10,000 or its equivalent in foreign currency. In addition, every person leaving the country must declare to customs authorities what they are carrying when the value of foreign currency or BNIs or the sum of both exceeds USD 5000 or its equivalent in foreign currency.

Criterion 32.3 (Not Applicable): Egypt does not implement a disclosure system but implements a written declaration system for travellers carrying amounts above a designated threshold.

Criterion 32.4 (Met): Article 12 of the Egyptian AML Law explicitly authorized customs authorities, upon discovery of a false declaration, to request and obtain further information from the carrier with regard to the origin of the currency or BNIs. The Executive Regulation of the AML Law addresses, through article 14, paragraph (d), the powers of customs authorities to conduct search and inquiry and to question a violator about the source of these funds that he did not declare, then send a copy of the statement to the EMLCU.

Criterion 32.5 (Mostly Met): Article 233 of CBE Law No.194 of 2020 stated that anyone who violates the provisions of article (213) of the law that is related to declaration shall be punished with imprisonment for a period no less than three months and a fine no less than the amount subject of the crime and no more than four times this amount or by either sanction. Article 213 does not explicitly state that anyone who makes a false declaration or disclosure shall be punished. The country provided the assessment team with cases showing that it has applied sanctions for the violations of the threshold of the maximum amounts that can be transported across the borders.

Criterion 32.6 (Met): Article 14 of the Executive Regulation of the AML Law determined the forms of cooperation and coordination between the customs authorities and the EMCLU, whereby the latter is provided with the disclosure information, according to the system agreed upon between the EMLCU and the Customs Department, and is able to conduct the required investigation in case there are links to ML/TF.

Criterion 32.7 (Met): There is a mechanism in place for domestic coordination, represented in the national committee which was established under Prime Minister Decision No.63 of 2005 and which aims at coordinating national efforts in the AML/CFT field and brings together all the stakeholders (including the Ministry of Finance to which the Customs Department is related). The Executive Regulation of the AML Law (article 14) stipulates that the Customs Department shall appoint a principal contact officer who represents it at the EMLCU, in AML/CFT matters, provided that he is qualified, sufficiently experienced in these matters and has the appropriate job level to perform his tasks; the EMLCU should

also be notified of the name of the representative and his substitute in case the officer is absent. The same article also stipulated that the Customs Department shall send copies of all reports filed with the EMLCU.

Criterion 32.8 (a, b) (Mostly Met): Article 12 of the AML Law provides for the powers given to the Customs Department in case of false declarations or when there are serious indications that they include ML/TF, such as the power to restrain currency and BNIs and prepare related reports and refer them to the competent authority. However, the period for seizure was not determined, and there were no texts providing for the restraint for a reasonable time in order to ascertain whether evidence may be found.

Criterion 32.9 (a, b, c) (Mostly Met): The Customs Department shall send data of declaration forms to the EMLCU, pursuant to the system agreed on by the EMLCU and the Customs Department, as well as copies of the reports made in case of failure to carry out the declaration requirement, when making false disclosures of data or where there are serious indications that it involves money laundering or terrorist financing (paragraphs (f) of article (14) of the Executive Regulation of the AML Law). The EMLCU shall take the appropriate actions on including the declaration data in its database (Clause (7) of article 3 of the said Regulation). Article 18 bis of the AML Law stipulates that entities shall, spontaneously or at the request of counterparts in other countries, provide the widest range of international cooperation to combat money laundering, associated predicate offenses or terrorist financing, without prejudice to the fundamental principles of the country's legal system and in a way that ensures that the secrecy of this cooperation is maintained. The Customs Department and the EMLCU keep the necessary information to facilitate this cooperation. The law and the Executive Regulation did not explicitly define the term "entities".

Criterion 32.10 (Partly Met): Clause (7) of article (3) of the Executive Regulation of the AML Law provided for the establishment of controls and safeguards ensuring the secrecy of all the information included in the database. These controls and safeguards were specified in detail in chapter 8 of the EMLCU'S work procedures manual issued and adopted by the EMLCU board of trustees which refers to the security and secrecy of information. The assessment team was not provided with any text that ensures the secrecy of the information that the Customs Department collects through the declaration system and there is no text in place that restricts trade payments between countries for goods and services or the freedom of capital movements.

Criterion 32.11 (Met): The AML law includes sanctions that are dissuasive and proportionate to the seriousness of the acts committed related to the predicate offense for ML, where the sentence can reach, according to article 14 of the AML law, imprisonment for a period not more than seven years and a fine twice the amount of the money subject of the crime. The verdict, in all cases, shall ordain the confiscation of the seized funds, or an additional fine equivalent to the value of the funds in case they cannot be seized, or in case of disposal thereof to bona fide third parties. In case the persons who handle the physical cross-border transportation of currency or BNIs are related to the TF offense, the provisions of article 13 of the Anti-Terrorism Law which stipulates that - whoever commits a terrorism financing crime shall be punished by life imprisonment if the financing is for a terrorist and by death if the financing is for a terrorist group or a terrorist act - shall apply.

Weighting and conclusion:

The Egyptian legislations meet most requirements under R.32. However, there are some deficiencies represented in the failure to determine the period allowed for customs authorities to seize funds and BNIs in case of false declaration or to find evidence of ML/TF. Furthermore, the assessment team was not provided with any text that ensures the secrecy of the information that the Customs Department collects through the declaration systems and the legal system includes a mechanism for international cooperation with other authorities at the international level but no definition was provided for the term "entities".

For the reasons mentioned above, Egypt is "Largely Compliant" with R.32.

Recommendation 33 – Statistics

In the previous round, Egypt was rated "Partially Compliant" with R.33 (formerly R.32). There was no systematic and coherent mechanism for maintaining statistics across all the agencies with: a) only basic FIU related statistics available; b) no data on monetary value of freezing, seizure and confiscation of proceeds of crime; c) no data on Mutual Legal Assistance Requests denied in relation to ML & TF; and d) no data on extradition requests in relation to ML & TF. The 5th FUR of Egypt concluded that many

deficiencies identified in the MER were addressed and the Recommendation was re-rated as “Largely Compliant”.

Criterion 33.1 (Mostly Met):

Article 9 bis of AML Law No.80 of 2002 amended by law No.17 of 2020 and article 12 bis of the Executive Regulation of the AML Law stipulates that all the stakeholders concerned with combating money laundering, associated predicate offenses and terrorist financing, each within its competences, should maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems. The said article 12 stipulates that they should include at a minimum the following:

- STRs received by the EMLCU and results of disposing thereof.
 - Statistics on the number of cases investigated and regarding which a conviction is rendered.
 - Statistics on the approximate size of assets seized or confiscated .
 - Statistics on legal assistance and other international cooperation requests made or received.
- a. Egypt maintains statistics on STRs received and disseminated.
 - b. The Public Prosecution classifies all the ML/TF cases in separate tables intended for such cases and it provides the EMLCU with the number of cases which were archived and those for which a conviction or an acquittal is rendered, along with the reasons for the archiving or the referral, but it does not appear that statistics on ML/TF investigations and prosecutions are kept.
 - c. The Public Prosecution and the Ministry of Justice keep current statistics on assets frozen, seized and confiscated and there are specialized departments to this end, whether these statistics are consolidated or separate.
 - d. The Public Prosecution and the Ministry of Justice keep current statistics on the mutual legal assistance and other international cooperation requests made or received in the ML/TF field.

Weighting and Conclusion:

Egypt has mostly met the requirements of R.33 given that the public prosecution doesn't keep statistics on ML/TF investigations and prosecutions.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.33.

Recommendation 34 - Guidance and feedback

The rating given to the Arab Republic of Egypt for R.25 formerly and which included the requirements of R.34 currently was: Partially Compliant. The main deficiencies were represented in the absence of guidance by the CBE; the absence of comprehensive regulatory powers for the EMLCU with respect to the three banks which are not supervised by the CBE; some DNFBPs not being covered by the AML/CFT Law (lawyers and accountants), and the absence of guidance specifically for casinos, except for their foreign currency exchange operations that are covered under the general regulations that include all the licensed foreign exchange offices.

Criterion 34.1 (Mostly Met): The EMLCU board of trustees is responsible for ensuring that the Unit is providing feedback to stakeholders, according to Presidential Decision No.287 of 2019. The EMLCU dedicated a working group to apply the information system in order to provide feedback to financial institutions on the reports they send with a view to improving their quality, where the work manual of the EMLCU contained an indication to the feedback mechanism that is followed by the EMCLU with the reporting entities, supervisory authorities and LEAs (Clause 7 of Para. 2 of Chapter I of Section IV). The EMLCU also issued CDD procedures to reporting entities, and in cooperation with some supervisory authorities, it issued supervisory controls to its subject entities, that included guidance to assist it in implementing national AML/CFT measures, especially with regard to the implementation of TFS.

The Central Bank of Egypt issued guiding indicators to assist FIs in detecting suspicious transactions, for ML/TF, and the Financial Supervisory Authority issued a guidance to assist companies in the non-banking financial sector in developing AML/CFT policy. The authority issued a guidance on the AML/CFT internal control systems and guiding indicators to help entities subject to its supervision identify suspicious transactions, and the Ministry of Communications and Information Technology issued the controls for the Postal Saving Fund and other financial products and services provided by the National Post Authority with regard to AML/CFT, and the committee overseeing the work of the National Post Authority issued educational and awareness booklets to all post offices to assist them in detecting suspicious transactions linked to money laundering or terrorist financing.

Regarding DNFBPs, their supervisory controls include directives on the implementation of AML/CFT obligations and due diligence measures. They also comprise guiding indications to help DNFBPs detect suspicious transactions. The EMLCU provided, as well, guidelines on reporting suspicious transactions which were disseminated and sent to all the sectors, including reporting forms, in addition to guidance on the mechanism for implementing UNSCRs related to terrorism and terrorist financing and targeted financial sanctions related to proliferation. The EMLCU also issued supervisory controls to DNFBPs that include guidance on the implementation of AML/CFT obligations. However, it was not clear whether other supervisory bodies had issued any detailed guidance on how to implement national measures, especially with respect to the implementation of TFS.

Weighting and Conclusion:

Except for FI supervisors (banks, securities, the post) it did not appear whether other supervisory bodies have issued any detailed guidance on how to implement national measures, namely with respect to the implementation of TFS.

For the reasons mentioned above, Egypt is rated (Largely Compliant) with R.34.

Recommendation 35 Sanctions

Egypt was rated “Partially Compliant” for former R.17. The main deficiencies were represented in the lack of criminal liability of legal persons and a very low level of financial sanctions in the AML /CFT law; the lack of administrative sanctions against some financial institutions; and the administrative sanctions not being dissuasive enough.

Criterion 35.1 (Mostly Met):

a. Targeted financial sanctions:

Egypt has a range of proportionate and dissuasive sanctions, whether criminal, civil or administrative for failure to comply with targeted financial sanctions. Article 15 of AML Law No. (80) of 2002 provides for imprisonment and a fine not less than EGP 100,000 and not more than EGP 500,000, or either sanction¹¹⁴. Also, Article 16-bis of AML Law No. (80) of 2002 stated that “Without prejudice to the provisions of laws regulating the work of financial institutions and DNFBPs, the competent supervisory authorities referred to in Article (7) of this law may take against the institutions and bodies affiliated with their supervision when violating the provisions of this law, decisions, mechanisms, rules or controls issued in implementation thereof, any of the following actions: (serving a warning - requiring to remove the violation and take corrective measures within a specified period - preventing or suspending or restricting the practice of business or ceasing the activity for a period not exceeding one year). This shows the ability of the supervisory authorities to impose disciplinary and financial sanctions indirectly in the event that any of the entities subject to them violates the preventive measures, including the implementation of targeted financial sanctions.

According to article 6 of the Mechanism for implementing the UNSCRs, those concerned with implementation, including every natural or legal person who is not subject to supervision, must refrain from making any funds or other assets available for the benefit of the designated persons and entities, but there are no sanctions against natural or legal persons who are not subject to any supervision, especially when making funds available for the benefit of designated persons or entities.

b. Non-Profit Organizations (R.8):

The competent court orders, at the request of the administrative entity or any person having the capacity:

1. To dissolve the board of directors of the association if it raises or obtains funds in violation of the provisions of articles 24 and 25 of Law No.149 of 2019 regulating the practice of civil work which are related to the mechanism for receiving funds, raising donations and disposing of them. The Administrative Entity should appoint a temporary board of directors to take measures for convening a general assembly to elect a new board of directors (article 47 of the said law).
2. To dissolve the association and appoint a liquidator for its funds, if the association establishes clandestine associations or brigades or formations of clandestine, military or quasi-military nature or calls for recruitment, support or funding of violence or terrorist organizations (article 48 of the same law).

In case of violation of the provisions of articles (24-25-27) of this Law, only the competent Minister is entitled, after serving notification to remove the violation, to suspend the activity of the association for a

¹¹⁴ In August 2019, the EMLCU issued due diligence measures to financial and non-financial institutions.

period not exceeding one year, and the Administrative Entity is entitled to take the necessary regulatory measures (dissolution of the association or dismissal of the board of directors or board of trustees, issuing a decision to restrain the board of directors, until the court judgment on the dissolution or the dismissal is rendered, in order to keep the donated funds).

According to article (45), the competent Minister may issue a temporary decision to suspend the activity of the association, for a period not more than one year and to close its premises, in several cases (mentioned in the article). Title X of the afore-mentioned law provided for the sanctions, given that article (94) of the Law stated that anyone who violates the provisions of certain provisions mentioned in the said Law will be punished with a fine not less than EGP 100,000 and not more than EGP 1 million.

c. Preventive measures and reporting (from R.9 to R.23):

Article (15) of the AML Law allows for the imposition of criminal and financial sanctions represented in imprisonment and a fine not less than EGP 100,000 and not exceeding EGP 500,000 (around \$5500 and \$ 28000) against any person who violates the provisions of some articles of this Law, including article 8 related to AML/CFT rules and procedures issued by the EMLCU, which includes the obligations set out in R.10 to R.23. According to article 16 (bis) of this Law, the EMLCU is entitled to impose disciplinary and financial sanctions against FIs and DNFBPs that are subject to its supervision, if they violate any of the provisions of the law, decisions, rules or controls issued by the EMLCU.

According to Article (135) of law No. 88 of 2003, the CBE may impose a range of sanctions (for example: (serve a warning - reduce the facilities - deposit balances without a revenue - appoint an observer member - dissolve the board of directors - appoint a delegate to manage the bank in breach - withdraw the license) when it is established that a bank has violated the provisions of this law or the decisions issued by the CBE board of directors, including the supervisory AML/CFT controls that also cover the AML/CFT obligations of banks. The foregoing reveals that the CBE is empowered to impose broad disciplinary sanctions, and to some extent, financial sanctions indirectly, by compelling the bank in breach to deposit balances without a revenue, for the period of time that the CBE deems appropriate.

Article (16) of Law No.10 of 2009 regulating control over non-banking financial instruments and activities authorizes the FRA to take investigative measures and file criminal lawsuit and make reconciliation for the crimes set out in the laws¹¹⁵ mentioned in article 3 of this law, at any stage of the lawsuit, in consideration of a sum not less than double the minimum fine to be paid to the Authority. Reconciliation entails the lapse of the criminal lawsuit for the crime regarding which a reconciliation is made. The EMLCU is entitled, under the provisions of article 16 (bis) of this law to impose disciplinary sanctions and financial sanctions indirectly on non-banking FIs subject to its supervision, in the event where they violate any provisions of the law, decisions, rules or controls issued by the EMLCU.

According to Article 2 of Ministry of Tourism Decision No. 365 of 2019 regarding casinos, graduated financial sanctions ranging from 25,000 to 300,000 USD may be applied against casinos in case of violating the decisions and regulations regulating the casino business.

Sanctions mentioned under article 16 bis of the AML/CFT Law apply to DNFBPs including when they fail to comply with the requirements set out in Recommendations 22 and 23.

Criterion 35.2 Met: The implementation of sanctions in Egypt is not limited to FIs and DNFBPs but also extends to their directors and the senior management.

a. Targeted financial sanctions

The afore-mentioned sanctions are applicable to persons and entities, including directors and the senior management. It appears that the sanctions mentioned in article (15) of the AML Law are applicable to FIs and DNFBPs. They also cover any of their staff, including directors and the senior management, in case of violation, given that the article was not limited to the sanctions imposed on the entity in breach.

b. Preventive measures and reporting:

By reviewing the analysis mentioned in criterion 35-1, it appears that the laws, namely the AML Law, permit to punish anyone who violates the provisions of articles 8, 9 and 11 (reporting, record-keeping and confidentiality of reporting) of this Law with imprisonment and a fine not less than EGP 100,000 and not more than EGP 500,000, or either sanction.

¹¹⁵ Supervision and Regulation of Insurance Law No.10 of 1981, Capital Market Law No.95 of 1992, Securities Depository and Central Registry Law No.93 of 2000, Real Estate Finance Law No.148 of 2001.

As to the capital market activity, article (68) of Capital Market Law No.95 of 1992 stipulated that:” the person responsible for actual management of the company is penalized by the same penalties prescribed for the acts committed in violation of the provisions of this law, if knowledge thereof is established, and the violation is committed as a result of the breach of the job duties of such person. The funds of the company shall, in all cases, warrant the payment of the fines ruled”.

As to the insurance activity, article (59) of Supervision and Regulation of Insurance Law No. (10) of 1981 stipulated that the Authority's board of directors may take the measures it deems appropriate in case the examination reveals a violation of the provisions of this Law. Article (77) of the said Law stipulated that “imprisonment and a fine of no less than five thousand Egyptian Pounds and no more than fifty thousand Egyptian Pounds or either sanction shall be imposed on anyone who commits the violations set out in this article”.

Weighting and Conclusion:

The laws in Egypt allow for the imposition of criminal, civil and administrative sanctions against FIs and DNFBPs for failure to comply with the AML/CFT requirements but these sanctions do not extent to cover natural or legal persons, especially when making funds available for the benefit of designated persons or entities. The application of sanctions is not only limited to the institution but also extends to directors and the senior management of these institutions.

For the reasons mentioned above, Egypt is (Largely Compliant) with R.35.

Recommendation 36 International instruments

In the 1st round, Egypt was rated “Largely Compliant” with this Recommendation on international instruments (formerly R.35) due to the incomplete implementation of the Convention on the Suppression of the Financing of Terrorism, including fund raising, and the incomplete implementation of the Palermo Convention, including the criminalization of organized crime, and the failure to apply criminal liability to legal persons. It was also rated “Partially Compliant” with former SR.I due to the lack of the application of the measures for the implementation of UNSCRs 1267 and 1373, in addition to the incomplete implementation of the Convention on the Suppression of the Financing of Terrorism mentioned above.

Criterion 36.1 (Met): Egypt ratified the Vienna Convention in 1991 as published in the official Gazette - circular No. 26 on 27 June 1991, the Palermo Convention in 2004 as published in the official Gazette - circular No. 37 on 9 September 2004, the Convention against Corruption in 2005 as published in the official Gazette - circular No.6 on 8 February 2007 and the Convention on the Suppression of the Financing of Terrorism in 2004 as published in the official Gazette - circular No.20 on 19 May 2005.

Criterion 36.2 (Partly Met): While Egypt has fully implemented the Vienna convention and Merida convention; however, according to what was mentioned in the report of the Special Rapporteur on the promotion and protection of human rights and fundamental freedoms on the necessity of reviewing the TF legislation to be in line with international human rights obligations of Egypt, including in relations to issues of incommunicado, which raises doubts that Egypt fully implements the provisions of Article 17 of UN CFT Convention, knowing that, implementation of the Palermo Convention remains incomplete because participation in an organized criminal group is not yet criminalized in Egypt (see analysis of Recommendation 3 above).

Weighting and Conclusion:

Egypt ratified the international treaties mentioned in criterion (36.1), but it is still not clear whether Egypt fully implements the provisions of Article 17 of the UN CFT Convention, and the implementation of the Palermo Convention remains incomplete because Egypt has not yet criminalized participation in an organized criminal group, except for what is contained in special laws.

For the reasons mentioned above, Egypt is “Partially Compliant” with R.36.

Recommendation 37 Mutual legal assistance

In 2009, Egypt was rated “Compliant” with former R.36 and “Partially Compliant” with SRV for not fully implementing the CFT provisions in accordance with the Convention on the Suppression of the Financing of Terrorism.

Criterion 37.1 (Mostly Met): Article 151 of the Egyptian Constitution stipulates that “the President of the Republic represents the State in its foreign relations. He shall conclude and ratify treaties following the approval of the Parliament. They have the force of law after their publication as per the provisions of the Constitution.” Egypt ratified and is a party to several international, regional and bilateral Conventions

and agreements. It has a legal framework for the provision of MLA with respect to ML, associated predicate offenses and TF.

The AML law and related Executive Regulation give Egyptian judicial authorities the power to engage in judicial cooperation with foreign counterparts in relation to ML, associated predicate offenses and TF. This power extends to the areas of judicial assistance, including in view of prosecutions, extradition of persons and handing over of objects in accordance with the rules stipulated bilateral or multilateral agreements or in accordance with the principle of reciprocity (article 18 of the AML Law and article 43 of the Executive Regulation of the AML Law).

Article (9) of the law regulating terrorist entities and terrorists stipulates that Egyptian judicial authorities and agencies specialized in terrorism affairs cooperate - each within the limits of its competence and through coordination among each other - with their foreign counterparts through the exchange of information, the provision of judiciary assistance and representations, extradition of persons, handing over of items, asset recovery, transfer of convicts, notification of countries and organizations concerned with the decisions referred to in this law, and other forms of judicial cooperation. Assistance and cooperation take place in accordance with the rules and principles established by international treaties in force in Egypt or based on the principle of reciprocity.

Legislations and controls referred to above do not explicitly mention the necessity of providing legal assistance rapidly. However, the framework set by Egypt through the International Cooperation Bureau and the prioritization of incoming requests allows the country to provide such legal assistance.

Non-criminalization of participation in criminal organized group, except for the criminalization thereof in special laws (See Rec.3) would affect compliance with the requirements of this criterion.

Criterion 37.2 (Met): The Ministry of Justice is the competent central authority mandated to transmit outgoing requests on behalf of judicial and investigative authorities in the country. It also centralizes all requests for mutual legal assistance received from abroad and forwards them to the International Cooperation Bureau at the Public Prosecution Office. This bureau was established by virtue of a decision in 1999 and is concerned with issues related to international cooperation, verdict implementation and prisoner care. Following examination of several bilateral agreements on mutual legal assistance, it was found that the central authority is the Ministry of Justice. It appears that the International Cooperation Bureau within the public prosecution has clear procedures in place for the timely prioritization and execution of mutual legal assistance requests; in addition, to a case management system to monitor progress made on the requests.

Criterion 37.3 (Met): Mutual legal assistance is not subject to any conditions restricting the provision of assistance based on Egypt's signature of the Riyadh Arab Agreement for Judicial Cooperation and other provisions related to the implementation of requests for judicial representation. Likewise, according to the various bilateral agreements and those signed by Egypt, the request for judicial representation may be rejected only if one of the two countries, parties to the agreement, considers that responding to the request would compromise its sovereignty, security, public order or core principles of its legal system; or if the case that requires a judicial action is related to sheer military crimes, political offenses or crimes associated with political offenses.

Criterion 37.4 (a, b) (Met): According to article 18 bis 2 of the AML law and article 43 bis (a) of its Executive Regulation, "mutual legal assistance requests may not be rejected based on the secrecy provisions incumbent upon FIs or just on the basis that the offence involves tax matters, without prejudice to the basic principles of the legal framework within the State". Article (18) bis 2 in conjunction with article 18 bis, requires all authorities to provide the widest possible range of international cooperation to combat ML and associated predicate offences or TF.

Criterion 37.5 (Met): All the investigations initiated by the Public Prosecution in Egypt are classified as confidential and may not be disclosed according to article (75) of the Code of Criminal Procedure. Anyone in violation of this condition shall be subject to punishment according to article (310) of the Criminal Code. Legal assistance requests are being implemented, exclusively, by the PP (investigation magistrates, public prosecutors and their assistants from notaries, experts and others) and provisions of article 75 apply to them as mentioned above.

Criterion 37.6 (Mostly Met): Article 18 of the AML Law amended by virtue of Law No.17 of 2020 issued on 11 March 2020 stipulates that "Egyptian judicial authorities shall cooperate with foreign judicial authorities in the field of ML, associated predicate offenses and TF, with respect to judicial assistance

requests, 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". The Law does not contain a condition of dual criminality, whether in requests that involve coercive issues or others. However, at least one of the agreements contains a clause that permits the country to refuse requests in case there is no dual criminality, regardless of whether these requests require -coercive actions or not. Knowing that there are no agreements that contain provisions that address dual criminalities, especially, with countries that Egypt has relationship with.

Criterion 37.7 (Mostly Met): Egypt applies the provisions stipulated in article (43), clause 2 of the Convention against Corruption, to which Egypt is a party ("in matters of international cooperation), stating that whenever dual criminality is considered a requirement, it shall be deemed fulfilled irrespective of whether the laws of the requested State Party place the offense within the same category of offense or denominate the offense by the same terminology as the requesting State Party, if the conduct underlying the offense for which assistance is sought is a criminal offense under the laws of both States Parties". It should be noted, however, that by examining a set of bilateral agreements, the assessment team noticed that one of them included the possibility to refuse the provision of assistance in case the elements and acts do not constitute a crime in Egypt, which is equivalent to the dual criminality principle required. The AML Law contains texts concerning the provision of MLA in cases related to ML, associated predicate offences and TF without referring to dual criminality as a condition for the provision of MLA.

Criterion 37.8 (a, b) (Mostly Met): The Public Prosecution can use all the powers and various investigative techniques to execute legal assistance requests, including search and seizure of items related to the crime, delegation of experts, hearing of witnesses, issuance of orders of seizure, summoning, interrogation and confrontation, and rendering decisions of provisional detention¹¹⁶. As indicated in the analysis of Recommendation 31 above, the law permits competent authorities to use some special investigative techniques, as required according to the requirements of c.31.2.

Weighting and Conclusion:

The use of some special investigative techniques (and not all) by the authorities in accordance with R.31, while responding to requests for MLA negatively affects R.37. In addition to the non-criminalization of participation in criminal organized group (except the criminalization thereof in some special laws), adding that there are no other agreements that contain clauses governing dual criminality, namely with countries that Egypt has no relationships with.

Egypt is rated "Largely Compliant" with R.37.

Recommendation 38 Mutual legal assistance: Freezing and confiscation:

Regarding R.38 formerly, Egypt was rated "Largely Compliant" due to insufficient information to determine the effectiveness of implementation and "Partially Compliant" with SRV due to incomplete implementation of the CFT provisions, according to the Convention on the Suppression of the Financing of Terrorism.

Criterion 38.1 (a, b, c, d, e) (Mostly Met): Article (20) of the AML Law stipulates that "the various Egyptian competent judicial entities may order enforcement of final criminal rulings issued by foreign competent judicial authorities, concerning the confiscation of the funds resulting from ML/TF crimes or proceeds thereof, in accordance with the rules and procedures stipulated in bilateral or multilateral treaties to which Egypt is a party". Article (43) bis of the Executive Regulation stipulates that judicial authorities may request the implementation of the necessary legal measures to trace, freeze, confiscate or seize funds, proceeds or instrumentalities used or intended for use or property of equivalent value from ML, associated predicate offenses or TF, without prejudice to the rights of bona fide third parties.

¹¹⁶ Article 206 of the Code of Criminal Procedure stipulates that the Public Prosecution may seize all letters, messages, newspapers, printings, packages and all telegrams at the post offices and telegram offices and monitor telecommunications or make recordings of conversations taking place in a specific place. Article (97) of Law No.(88) of 2003 on the enactment of the central bank and the banking sector law permits the Public Prosecutor or any of his delegates from among at least the public attorneys to pass an order for reviewing or obtaining access to any data or information on the accounts, deposits, safe deposit boxes set out in article (97) of this Law or their related transactions, if this is required to reveal a fact in one of the crimes prescribed in Section 1, Title 2, Book 2 of the Penal Code, and in the crimes prescribed in the AML Law as promulgated by Law No.80 of 2002. To be noted that Egypt has issued the new law number 194 of 2020.

These authorities have previously provided response to the requests of foreign countries, without prejudice to the fundamental principles of the country's legal system.

Articles (18) and (19) of the AML Law provide that the necessary legal procedures should be taken to trace, freeze or seize the funds resulting from ML/TF crimes and proceeds thereof. Article (14) of the AML Law further states that the verdict shall, in case of conviction, ordain in all cases 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. Article (14) bis of the AML Law provides for the confiscation of seized funds and assets resulting from a ML or predicate offense, when article (2) of this law is violated. Confiscation includes laundered funds or assets and the proceeds, including the income or other benefits generated from these proceeds. Where the proceeds are mixed with funds acquired from legitimate sources, the equivalent value estimated for these proceeds or for the instrumentalities used or intended for use in the ML or predicate offenses shall be confiscated. Article 30 of the Penal Code stipulates that "the judge, if he passes a penalty sentence in a felony or misdemeanor case, may rule that the objects seized as a result of the crime, and the arms and equipment that were used or are likely to be used, be confiscated, without derogation to the rights of bona fide third parties".

Article (208) bis of the Code of Criminal Procedure refers to the implementation of provisional measures against the funds of the accused, including preventing him from the disposal or management of such funds, with respect to the crimes (misdemeanors and felonies) set out in Title 4, Book 2 of the Penal Code. It should be noted that the fact that participation in an organized criminal group (except for the criminalization thereof in some special laws) is not criminalized in Egypt affects compliance with the requirements of C.38.1.

Criterion 38.2 (Not Met): Based on the Constitution, confiscation can only take place by virtue of a judicial verdict. The legal framework does not contain any relevant measures for the provision of assistance to requests for cooperation on the basis of non-conviction based confiscation proceedings and related provisional measures, even at a minimum in circumstances when a perpetrator is unavailable by reason of death, flight, absence or the perpetrator is unknown, as set out in c.38.2.

Criterion 38.3 (a) (Partly Met): Article (45) of the Executive Regulation of the AML Law stipulates that "the EMLCU shall take the necessary measures to request legal action be taken in foreign countries to trace, freeze or seize the funds from ML/TF or the proceeds thereof". Articles 46-47 of the Regulation also indicate that the EMLCU shall sign memorandums of understanding in this regard. However, these provisions are limited to situations where Egypt seeks assistance from abroad and do not extend to situations where foreign countries seek freezing and confiscation action from Egypt. In addition, there do not appear what are the practical arrangements to coordinate the seizure and confiscation measures with other countries, if any. In addition, it is unclear to what extent the EMLCU, as an administrative unit, is involved in international freezing and confiscation efforts while the whole process is based on judicial proceedings. Added to that is the fact that the central authority for formal legal assistance is the Ministry of Justice and the assessment team did not receive any indication of how efforts between the Ministry of Justice and the EMLCU are coordinated. Finally, there are no clear processes or arrangements to coordinate the seizure and confiscation measures in transnational cases.

Criterion 38.3 (b) (Partly Met): It is permissible to conclude bilateral or multilateral treaties to regulate disposal of proceeds of funds for which a final ruling of confiscation has been issued by Egyptian or foreign judicial entities in ML/TF crimes. Article (20) of the AML Law requires that such cooperation agreements include rules for distributing the said proceeds among parties to the treaty. In addition, article (47) of the Executive Regulation states that the EMLCU shall seek to conclude international treaties to organize the disposal of the proceeds of funds for which a final ruling of confiscation has been issued by an Egyptian or foreign judicial authority in ML/TF crimes. Such treaties include rules for distributing these proceeds among parties to the treaty, in cases where the confiscation results from coordination and cooperation among the parties to the treaty. Furthermore, a decision was issued by the Public Prosecutor to establish the Office for Fund Seizure that directly reports to him and is concerned with issuing seizure orders and following up their management. In addition to the information included in c.38.3(a) above, it remains unclear to what extent the EMLCU, as an administrative unit, is involved in international freezing and confiscation efforts beyond concluding relevant treaties. Finally, the assessment team was not provided with any treaties concluded to determine whether mechanisms for management, and when necessary, disposing of property frozen, seized or confiscated do indeed exist.

Criterion 38.4 (Mostly Met): As per article 20 of the AML Law, it is permissible to conclude bilateral and multilateral treaties to regulate the disposal of proceeds of funds for which a final ruling of confiscation has been issued by Egyptian or foreign judicial entities in ML/TF crimes to the exclusion of associated predicate offenses, containing the rules for distributing these proceeds among the parties to the treaty, as per the provisions stipulated therein.

Weighting and Conclusion:

The deficiencies were represented in the following: Nothing explicitly provides for the provision of assistance to requests for cooperation on the basis of non-conviction-based confiscation proceedings and related provisional measures, and there are no arrangements to coordinate the seizure and confiscation measures with other countries. Although article (20) of the AML Law and article (47) of the Executive Regulation granted the right to conclude treaties to dispose of the proceeds of funds for which a final ruling of confiscation has been issued, the assessment team was not provided with these treaties. Also, it remains unclear to what extent the EMLCU, as an administrative unit, is involved in international freezing and confiscation efforts beyond concluding relevant treaties. It is also worth noting that the non-criminalization of participation in organized criminal group affects compliance with the requirements of criterion 38.1.

For the reasons mentioned above, Egypt is “Largely Compliant” with R.38.

Recommendation 39 Extradition

Regarding R.39, Egypt was rated “Largely Compliant” in 2009, due to the failure to explain the legal basis for the extradition of nationals and the decrease in the number of extradition cases in relation to ML/TF crimes despite the increase of cases in relation to other crimes.

Criterion 39.1 (Met):

Egypt is able to implement extradition requests related to ML/TF without any undue delay.

Criterion 39.1 (a) (Met): ML and TF are offenses whose perpetrators are subject to extradition to another country, as per article (18) of the AML law.

Criterion 39.1 (b) (Met): The International Cooperation Bureau at the Public Prosecutor Office is a specialized bureau established by virtue of the Public Prosecutor decision in 1999. It has several functions, including the extradition of criminals accused or convicted of committing misdemeanors and felonies. Requests received are arranged depending on the priority of execution requested and priority is given to extradition requests concerning persons accused of terrorist financing offenses and other serious crimes such as human trafficking. The advisor to the president of the Bureau follows up on the progress made in these requests on a daily basis and verifies the timely execution of all the requests. The said Bureau has a case management system in place to monitor progress made on the requests.

Criterion 39.1 (c) (Met): By examining a set of extradition agreements, they comprised several reasons for rejection, including extradition requests for the purpose of prosecuting or punishing a person for racial reasons or for reasons relating to his religion, gender, ethnic origin, political views, or status or if the party requesting extradition considers the crime attributed to the person whose extradition is sought as a crime of political character except for (targeting the life of the President or any of his family members, any terrorism-related crime) or if the crime for which extradition is sought is limited to the violation of military duties. However, no other reasons were identified, and the assessment team therefore considers that there are no unreasonable or unduly restrictive conditions on the execution of extradition requests.

Criterion 39.2 (a, b) (Mostly Met):

Criterion 39.2(a): Article (62) of the Egyptian Constitution stipulates that “no citizen may be deported from State territory or banned from returning thereto” and article (91) thereof prohibits “extradition of political refugees, which means that Egypt does not extradite its own nationals.

Criterion 39.2 (b): Article 3 of the Penal Code stipulates that “an Egyptian committing abroad a deed considered to be a felony or a misdemeanor under the present law, shall be liable to punishment by virtue of its provisions if he returns to the country and the deed is punishable by virtue of the law of the country where it is committed”. However, nothing indicates that Egypt refers the case without undue delay at the request of the country seeking extradition of the national to its competent authorities for the purpose of prosecuting him for the offense set forth in the request’, given that article 3 was general and does not indicate any deadline for the execution, nor does it refer to the execution measures.

Criterion 39.3 (Met): By studying several treaties for MLA in criminal matters, including extradition, between Egypt and many countries, it appears that the Egyptian policy relating to the requirement of dual criminalization adopts the principle of considering this requirement to be satisfied, regardless of whether the Egyptian Law or the Law of the requesting country places the offense within the same category of offenses or denominates it by the same terminology, provided that the conduct of the person subject of the request is punished by the laws of both countries.¹¹⁷

Criterion 39.4 (Not Met): Nothing indicated that there are simplified extradition mechanisms in place, such as allowing direct transmission of requests for provisional arrest between competent authorities, extradition of persons, or preparation of simplified measures for the extradition of persons who waive formal extradition proceedings, except for some agreements signed by Egypt which refer to the possibility to temporarily detain the person whose extradition is sought until the documents supporting the extradition request are submitted. The provisional detention request can be sent by diplomatic channel or directly through the concerned ministries of justice. Extradition can be also facilitated through the Interpol channel and Egypt has already done so, as it is a member of the Interpol.

Weighting and Conclusion:

There are deficiencies represented in the absence of information indicating that Egypt adopts the principle of trial without undue delay in case of non-extradition (taking into consideration that it does not extradite its own nationals) and absence of simplified extradition mechanisms.

Egypt is “Largely Compliant” with R.39.

Recommendation 40 – Other forms of international cooperation

Regarding R.40 formerly, Egypt was rated “Largely Compliant” due to the lack of information on other financial regulators.

Criterion 40.1 (Met): Article (18) (bis) of the AML Law amended by virtue of Law No.17 of 2020 stipulates that “entities shall, spontaneously or at the request of counterparts in other countries, provide the widest range of international cooperation to combat money laundering, associated predicate offenses or terrorist financing, without prejudice to the fundamental principles of the country’s legal system and in a way that ensures that the secrecy of this cooperation is maintained.” Therefore, entities, including LEAs, EMLCU, CBE, FRA, DNFBPs supervisors and Customs can provide the widest range of international cooperation, spontaneously or upon request. According to Prime Minister Decision No.457 of 2020 to amend some provisions of the Executive Regulation of the AML Law, article 43 bis stipulates that entities shall provide a prompt response to the requests of foreign countries.

Criterion 40.2 (Mostly Met):

Criterion 40.2 (a): As indicated above in c.40.1, competent authorities in Egypt have an adequate legal basis for providing cooperation based on article (18) bis of the amended AML Law. The EMLCU can cooperate, according to article (18) of the AML Law and articles (43) to (50) of the Executive Regulation. The Supreme State Security Prosecution Office (SPO) and other competent authorities for the investigation of ML, associated predicate offenses and TF can also cooperate according to articles (18) to (20) of AML Law No.80 of 2002 and its amendments and its Executive regulation (article 43).

As an AML/CFT supervisor, the FRA has the power to coordinate and cooperate according to article 4 of law No. (10) of 2009, and according to article 4 of Presidential Decision No. (192) of 2009 on issuing the bylaw of the FRA. The legal basis is also specified in various bilateral MOUs. Furthermore, through its membership to the International Organization of Securities Commissions (IOSCO), it entered in the organization’s multilateral framework for cooperation amongst counterparts. The legal basis for international cooperation by the CBE can be found in articles 5 to 8 of the MOU with counterparts (publicly available) and the CBE and banking sector law.

The Administrative Control Authority which is responsible for investigating and gathering evidence in the crime of corruption and all other crimes, including ML/TF and predicate crimes, can cooperate according to article (2), paragraph g of law No. (207) of 2017 on amending some provisions of Law No. 54 of 1964 to reorganize the Administrative Control Authority. Information is exchanged with

¹¹⁷ Article 2 of the extradition treaty with Greece and article 24 of the international cooperation treaty with France stipulate the following: Extradition is possible for acts that constitute, according to the laws of both countries, felonies or misdemeanours punished by the legislations of both countries.

counterpart law enforcement authorities through the Ministry of Interior's membership of the Interpol. The Customs Department can exchange information through bilateral or multilateral treaties, such as the bilateral trade agreement between Egypt and Kenya adopted based on the Constitution, and the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention) in 1999, in addition to being a member of the World Customs Organization.

Criterion 40.2 (b): There are no impediments for any of the competent authorities to use the most efficient means to co-operate and relevant details are set out in the bilateral and multilateral agreements containing the modalities for such efficient exchange, as referred to in c.40.2(a).

Criterion 40.2 (c): The EMLCU exchanges information with foreign counterparts by using the Egmont Secure and encrypted email system. The investigative authorities exchange information through the Interpol (I_24/7) system. The CBE, the FRA and the Customs provide international cooperation, pursuant to international agreements they are parties to. The FRA uses a secure platform to exchange information, while the CBE has an email for this purpose which is not considered a secure method to exchange information.

Criterion 40.2 (d): Article (43) bis (c) of the Executive Regulation amended according to Prime Minister Decision No.457 of 2020 requires competent authorities concerned with combating money laundering, associated predicate offenses and terrorist financing in the country to establish clear processes for prioritization and timely execution of requests. Despite the requirement of article (43) bis (c), the assessors were not provided with any information or evidence that competent authorities, with the exception of the EMLCU and the public prosecution, have clear processes for the prioritization and timely execution of requests. The EMLCU has a mechanism for prioritizing requests in various categories depending on the type and importance of the request and associated risk.

Criterion 40.2 (e): Article (18) bis of the amended AML Law provides for the confidentiality of cooperation with foreign counterparts. Article 43 bis (b) of the amended Executive Regulation states that when exchanging information, competent authorities shall ensure the sound use of cooperation mechanisms and maintain the confidentiality of the cooperation. In particular, they shall not use the information exchanged except for the purpose it was requested for, nor provide it to a third party unless a prior approval is obtained from the entities providing the information. The assessment team is satisfied that competent authorities have measures in place to protect the information received.

Criterion 40.3 (Met): Article (46) of the Executive Regulation of the AML Law stipulates that "the Unit (EMLCU) shall seek to conclude international cooperation treaties or MOUs with counterpart Units abroad, and other foreign competent entities, and international organizations specialized in the field of combating ML/TF, to facilitate international cooperation in its various forms and to exchange information and expertise in this respect". Article (4) of Law No.10 of 2009 stipulates that "the Financial Regulatory Authority communicates and cooperates with non-banking financial regulatory authorities abroad, associations and organizations that gather them or regulate their work". Since its establishment in 2009, it signed more than 70 MOUs. For instance, the Supreme State Security Prosecution Office (SPO) and other competent authorities concerned with the investigation of ML, associated predicate offenses and TF entered into MOUs with foreign counterparts. In 2011, a MOU was entered into between the Egyptian Ministry of Justice and competent authorities in the UK following the revolution of January 2011 and the Egyptian Public Prosecution in its capacity as one of the main investigatory and prosecutorial divisions entered into several MOUs. The competent authorities can cooperate with or without MOUs. Therefore, competent authorities can negotiate and sign agreements with a widest range of foreign counterparts even in the absence of a clear text indicating that the signature of such agreements should be negotiated and signed in a timely manner. Knowing that the agreement between the Egyptian Ministry of Justice and the competent authorities in the UK were signed as needed.

Criterion 40.4 (Met): Article (18) bis (1) of the AML Law requires that stakeholders should assess the quality and usefulness of the information received from counterparts. Article 43 bis (c) of the Executive Regulations also indicates that concerned AML/CFT authorities are committed to provide feedback to the counterpart requesting cooperation in a timely manner regarding the use and usefulness of the information obtained, upon request, and the concerned authorities should evaluate the quality of the information received from their counterparts.

Criterion 40.5 (Met):

Criterion 40.5 (a) (Met): In accordance with the Egmont principles signed by the EMLCU and the case studies that the assessment team examined, according to which LEAs and counterparts are involved in cases related to tax matters, it appears that there are no legal texts that prevent the exchange of information between the Egyptian authorities and counterparts in relation to tax matters.

Criterion 40.5 (b) (Met): Secrecy and privacy provisions are not an impediment to the provision of assistance to foreign counterparts (see analysis of R.9 above).

Criterion 40.5 (c) (Met): Egypt does not have relevant provisions in place to meet this criterion. However, the model MOU used by the EMLCU contains a provision that a request will not be refused on the grounds that there is an inquiry, investigation or proceeding underway in the requested country, unless the assistance would impede that inquiry, investigation or proceeding. Also, there is nothing in the law or in the international agreements that Egypt has ratified that authorizes the refusal of the request for assistance, because an investigation is being initiated by the Egyptian authorities.

Criterion 40.5 (d) (Met): While there are no official provisions indicating that international cooperation will be provided regardless of the counterpart requesting the cooperation, the Customs Department, the EMLCU, the FRA and the CBE provided examples showing the practical implementation of the requirement of c.40.5(d).

Criterion 40.6 (Met): Article (48) of the Executive Regulation stipulates that “in exchanging information in accordance with existing treaties or the reciprocity principle, the requesting Units shall undertake to ensure the sound use of such information, especially, not to use the information exchanged except for the purpose it was requested for, and not to disclose it to a third party unless a prior approval is obtained from the Unit providing the information”. Furthermore, article 43 bis (b) of the Executive Regulation stipulates that in executing the exchange of information, entities concerned with combating money laundering, associated predicate offenses and terrorist financing shall undertake to ensure the sound use of the information and to maintain the confidentiality of such cooperation, especially, not to use the information exchanged except for the purpose it was requested for, and not to provide it to a third party unless a prior approval is obtained from the entities providing the information.

Criterion 40.7 (Met): Clause 5 of article (13) and article (3) of the Executive Regulation requires the EMLCU to ensure appropriate confidentiality for any request for cooperation and the information exchanged. The FRA provided evidence that the MOUs it entered into with foreign counterparts contains specific clauses related to maintaining confidentiality. The MOUs of the CBE also refer to the obligation to maintain the confidentiality of requests, their content and the exchanged information, and also contain provisions on maintaining the confidentiality of mutual consultations between the two parties.

Criterion 40.8 (Mostly Met): Article (18 bis – 3) of the AML Law stipulates that “entities may conduct inquiries on behalf of their foreign counterparts and exchange the widest possible range of information they obtain from various sources of information at the domestic level, without prejudice to the fundamental principles of the country’s legal system, as contemplated by the Executive Regulation of this Law”. Article 43 bis (b) of the Executive Regulation states that entities concerned with combating ML/TF, without mentioning associated predicate offences, may conduct search and inquiries on behalf of foreign counterparts and provide all the information and data obtained as if the request is received from a domestic entity. Additionally, it is not clear that entities concerned with combating ML/TF include all other entities except the EMLCU and supervisory authorities.

Exchange of information between FIUs:

Criterion 40.9 (Met): The EMLCU can exchange with competent authorities in foreign countries and international organizations, information available or obtainable. The EMLCU can conduct inquiries on behalf of the requesting counterpart and provide it with all the information that is obtained (article (7) of the AML Law in conjunction with article (4) and article (12) of the Executive Regulation).

Criterion 40.10 (Met): As indicated in c.40.4 above, the EMLCU provides feedback to counterparts on the use of the information provided, as well as on the outcome of the analysis it conducted based on the information received, according to the Egmont Group’s Principles of Information Exchange.

480. **Criterion 40.11 (Met):** The EMLCU can exchange information according to article (4) of the AML Law and according to what is mentioned in criterion 40.9. It has broad powers to seek information, data and statistics necessary to perform its functions, from supervisors in the country, FIs, DNFBPs and any other entities concerned with combating money laundering, associated predicate offenses and terrorist financing (clause (14) bis of article (3) of the Executive Regulation). These entities are required to provide

the EMLCU with the information it requests, according to article (7) of Law No.80 of 2002. Finally, Article (43) bis (b) of the Executive Regulation refers to any information that should be accessed or obtained, directly or indirectly, including any information that the EMCLU or supervisors have the power to obtain to analyze it domestically, and any other information that stakeholders have the ability to obtain or to access, domestically, whether directly or indirectly.”

Exchange of information between financial supervisors:

Criterion 40.12 (Met): Article (18) (bis) of the AML Law states that entities, including financial supervisors, shall provide the widest range of international cooperation to combat money laundering, associated predicate offences or terrorist financing, whether spontaneously or at the request of counterparts in other countries.

Criterion 40.13 (Met): Article (43) bis (b) of the Executive Regulation of the AML Law stipulates that “entities concerned with combating money laundering and terrorist financing may conduct search and investigation on behalf of foreign counterparts and provide information and data obtained as if the request is received from a domestic entity. This information includes in particular the following: any information that should be accessed or obtained, directly or indirectly, including any information that the EMCLU or supervisors have the power to obtain to analyze it domestically, and any other information that stakeholders have the ability to obtain or to access, domestically, whether directly or indirectly.”

Criterion 40.14 (a, b, c) (Mostly Met): Article (18) bis of the AML Law stipulates that entities shall, spontaneously or at the request of counterparts in other countries, provide the widest range of international cooperation to combat money laundering, associated predicate offenses or terrorist financing. This provision covers all the information, whether regulatory, prudential or other information. There is no clear text in the CBE and FRA laws enabling the exchange of regulatory, prudential and AML/CFT information, in particular with other supervisors that have a shared responsibility for financial institutions operating in the same group. However, the CBE relies on the MOU form to conduct inquiries on behalf of the foreign authority requesting information, whether in the area of licensing process and/or acquiring the shares of an institution operating in the other country (article 5), to exchange information in the field of supervision of foreign entities (article 6), or to undertake cooperation related to combating ML/TF (article 7), or to undertake cooperation related to on-site inspections (article 8).

Regarding the FRA, article 4 (h) of President of the Republic’s Decree No. 192 of 2009 issuing the FRA by-law states that the authority shall communicate, cooperate and coordinate with financial regulatory bodies abroad to contribute to the development of oversight means and systems in the fields of non-banking financial markets and instruments and enhance their efficiency and precision. The same article 4 (j) stipulates that the authority shall communicate, cooperate and coordinate with the associations and organizations that gather them or regulate the work of financial regulatory bodies in the world with the purpose of enhancing the Authority’s efficiency in performing its functions in accordance with the best international practices in non-banking financial markets and instruments. Also, the FRA exchanges information with counterparts by signing MOUs namely with respect to beneficial ownership and supervisory information obtained by the authority from the bodies subject to its supervision.

Criterion 40.15 (Mostly Met): In addition to the analysis of c.40.13 and c.40.14 above, article (18 bis – 3) of the AML Law stipulates that entities, including supervisors, may conduct investigations on behalf of their foreign counterparts; in addition, article (52) of CBE law No. 194 of 2020 enables the CBE to allow foreign counterparts to conduct inquiries on any of the foreign banks branches or their affiliates with the CBE. However, nothing indicated that there are provisions enabling the FRA to authorize or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country, in order to facilitate effective group supervision.

Criterion 40.16 (Mostly Met): Article 43 bis (b) of the Executive Regulation of the AML Law states that in executing the exchange of information, entities concerned with combating money laundering, associated predicate offenses and terrorist financing shall undertake to ensure the sound use of this information and to maintain the confidentiality of such cooperation, especially, not to use the information exchanged except for the purpose it was requested for, and not to provide it to a third party unless a prior approval is obtained from the entities providing the information. No provisions were found on whether the requesting entity is under a legal obligation to disclose or report the information and to promptly notify the requested entity of this obligation. Article 10 of the IOSCO multilateral MOU determines the use of information exchanged in terms of obtaining the approval of the requested supervisor.

Exchange of information between law enforcement authorities:

Criterion 40.17 (Mostly Met): LEAs may exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to money laundering, associated predicate offenses or terrorist financing, including the identification and tracing of the proceeds and instrumentalities of crime, according to article (18) bis of the AML Law and articles 43 bis and 43 bis (b) of the Executive Regulation of the AML Law, with a reference to criterion 38.1 regarding the identification and tracing of the proceeds and instrumentalities of crime and the corresponding deficiencies identified in the analysis of R.4.

Criterion 40.18 (Met): Egyptian LEAs give effect to the international cooperation role through their membership of Interpol and the establishment of Cairo Interpol, in addition to the existence of the International Cooperation Department at the National Security Agency through which the necessary arrangements are made to exchange information with counterpart LEAs on different crimes, including the ability to exchange information for inquiry purposes. Furthermore, Egypt joined multilateral treaties and entered into several bilateral treaties.

Criterion 40.19 (Partly Met): Nothing indicated that there are texts and arrangements or rules that permit LEAs to form joint investigative teams to conduct cooperative investigations and establish bilateral or multilateral arrangements to enable such joint investigations. Nonetheless, Egypt indicated that arrangements for participating in investigations are made through the Public Prosecution, which may form committees from multiple oversight bodies to investigate a matter and prepare reports accordingly to be presented to the Public Prosecution. Also, Egypt provided 2 concrete examples showing that such joint investigations have taken place in practice with Russia and Italy.

Exchange of information between non-counterparts:

Criterion 40.20 (Mostly Met): Although there is no explicit text, nothing prevents the competent authorities from exchanging information indirectly in Egypt. The authorities have provided evidence that all LEAs in Egypt have requested an indirect exchange of information with counterparts abroad through the EMLCU (Diagonal Cooperation). It was not clear if the informal exchange of information was taking place with the rest of the competent authorities in Egypt, in particular, the FRA and the Administrative Control Authority and the National Security Agency.

Weighting and Conclusion:

The major deficiencies were represented in the following: There are no explicit texts on the exchange of regulatory, prudential and AML/CFT information, namely with other supervisors which are jointly responsible for financial institutions working within the same group. Regarding the exchange of information between law enforcement authorities, there are no texts or rules that enable them to form joint investigative teams to conduct cooperative investigations and establish bilateral or multilateral arrangements to enable such joint investigations.

Egypt is “Largely Compliant” with R.40.

Summary of Technical Compliance – Key Deficiencies

Compliance with the FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1 Assessing risks and applying a risk-based approach	LC	<ul style="list-style-type: none"> • Egypt did not update the NRA to include the period 2018-2019. • Some deficiencies mentioned in the analysis of R.26 and R.28 affect the AML/CFT supervision and oversight systems.
2 National cooperation and coordination	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
3 ML offences	PC	<ul style="list-style-type: none"> • The Egyptian lawmaker did not explicitly provide for the criminalization of criminal group (group of crimes). Nonetheless, participation in an organized criminal group is subject to the provisions of many private laws. • It is not explicitly clear whether conviction in ML is not conditioned by a conviction for the predicate offence.
4 Confiscation and provisional measures	LC	<ul style="list-style-type: none"> • No special requirement that regulates the confiscation of property used or intended for use to finance a terrorist person or a terrorist group.
5 Terrorist financing offence	LC	<ul style="list-style-type: none"> • Financing the travel of individuals to provide or receive terrorist training is not criminalized. • Participating as an accomplice in a TF offence is not criminalized nor the contribution to the commission or the attempted commission of TF crime(s) by a group of persons. • The Anti- Terrorism Law does not distinguish between cases in which the person alleged to have committed the crime(s) is located in the same country or in a different country from the country in which the terrorist organization(s) is located, or where the terrorist act(s) occurred/will occur.
6 Targeted financial sanctions related to terrorism and TF	LC	<ul style="list-style-type: none"> • Absence of guidance on the procedures adopted by the relevant committee (1267/1989 Committee or 1988 Committee) for submitting designations (Sub-criterion 6.1/d). • Absence of procedures that prevent making funds available to persons and entities designated during the weekends and holidays due to the time difference between New York and Cairo. • Not circulating lists and updates to natural and legal persons not subject to specific supervision to apply their freezing obligations without delay (c.6.4). • The Mechanism regarding the natural or legal person that is not subject to any supervision, with respect to refraining from making funds available for the benefit of designated persons or entities (Sub-criterion 6.5/C).
7 Targeted financial sanctions related to proliferation	LC	<ul style="list-style-type: none"> • Absence of procedures that prevent making funds available to persons and entities designated during the weekends and holidays due to the time difference between New York and Cairo. • The Mechanism did not address the effect of or the penalty when natural or legal persons not subject to the supervision of any of the supervisory authorities violate the obligation to refrain from making funds available to designated persons or entities. • Not circulating lists and updates to natural and legal persons not subject to specific supervision to apply their freezing obligations without delay

		(sub-criterion 7.2 (a)).
8 Non-profit organizations	LC	<ul style="list-style-type: none"> • The website of the Ministry does not contain all information related to managers or controllers. • There are no mechanisms ensuring effective coordination and immediate exchange of information between competent authorities. • No separate measures were dedicated to the provision of cooperation in the CFT field.
9 Financial institution secrecy laws	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
10 Customer due diligence	LC	<ul style="list-style-type: none"> • Measures to be taken under criterion 10.19 apply in the event of failure to verify and identify the customer and not in the event of failure to satisfactorily complete the due diligence measures.
11 Record keeping	LC	<ul style="list-style-type: none"> • No requirement that CDD information and transaction records be made available swiftly to all domestic authorities.
12 Politically exposed persons	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
13 Correspondent banking	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
14 Money or value transfer services	PC	<ul style="list-style-type: none"> • No requirement for the necessary measures taken to identify natural persons who carry out “MVTS” without a license or registration.
15 New technologies	PC	<ul style="list-style-type: none"> • Absence of information on measures taken to meet the requirements of sub-criterion 15.3 (c) until criterion 15.10, except for criterion 15.5. • Absence of evidence demonstrating that the country has conducted an assessment of the ML/TF risks arising from virtual assets. • Absence of a legal basis that allows supervisory authorities to exchange information on issues related to VAs and VASPs with their counterparts.
16 Wire transfers	LC	<ul style="list-style-type: none"> • No requirement to require a MVTS provider to file STRs in any of the countries affected and make related information available to the EMLCU.
17 Reliance on third parties	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
18 Internal controls and foreign branches and subsidiaries	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
19 High-risk countries	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
20 Reporting of suspicious transaction	LC	<ul style="list-style-type: none"> • It is unclear whether FIs are required to report all STRs, regardless of their value. • The reporting obligation does not include the full range of predicate offenses in accordance with the FATF requirements; in particular, non-criminalization of participation in an organized criminal group.
21 Tipping-off and confidentiality	LC	<ul style="list-style-type: none"> • The legal texts came in general form, given that they did not cover financial institutions and their directors, officials and employees.
22 DNFBPs: Customer due diligence	PC	<ul style="list-style-type: none"> • There are deficiencies related to Recommendation 10 (10.19) and Recommendation 11 (Criterion 11.4) and they apply equally to DNFBPs. • The failure to include providers of trust and company services in the legislation and relevant regulations on one hand and the absence of a legal text prohibiting the provision of company services by other persons other than lawyers and accountants on the other hand, may affect the extent to which Egypt meets the requirements of this Recommendation.
23 DNFBPs: Other measures	PC	<ul style="list-style-type: none"> • Reporting obligations are not broad enough to cover the full range of predicate offenses as per the FATF requirements; in particular, non-criminalization of participation in organized criminal group. • The failure to include providers of trust and company service providers

		in the legislation and relevant regulations affects the extent to which Egypt meets the requirements of this Recommendation.
24 Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> • The sample of studies on which the assessment of the risks of legal persons was based is insufficient. • Absence of a publicly available mechanism that determines and describes the processes for obtaining beneficial ownership information. • The ministerial decision does not include the definition of the BO, in addition to the obligations imposed on legal persons in the event that their ownership reverts to other legal persons through a chain of ownership • Fines that can be applied by virtue of the provisions of the Trade Law are not considered dissuasive.
25 Transparency and beneficial ownership of legal arrangements	LC	<ul style="list-style-type: none"> • Trust service providers (other than lawyers and accountants) are not covered by the AML/CFT legislations and the CDD requirements do not apply to them. • AML/CFT obligations in relation to foreign trusts do not cover persons (other than lawyers and accountants) who may act as trustees in a professional capacity. • Absence of any procedures for the trustee to disclose their identity to the FIs/DNFBPs.
26 Regulation and supervision of FIs	LC	<ul style="list-style-type: none"> • Inspection plans designed to target insurance companies depend on determinants not related to ML/TF risks. • The absence of a requirement to oblige the supervisory authorities to periodically review the risk profile of the subjected institutions when there are major developments in the management and operations of the financial institution or group.
27 Powers of supervisors	C	<ul style="list-style-type: none"> • The Recommendation is fully met.
28 Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> • Insufficient licensing and registration procedures for all DNFBPs. • Not performing supervision of some DNFBPs by relying on the risk-based approach.
29 Financial intelligence units	C	<ul style="list-style-type: none"> • The recommendation is fully met.
30 Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • The absence of legal provisions regulating parallel financial investigation. • The Administrative Control Authority “ACA” (as an anti-corruption agency) does not have the authority to seize and freeze assets as required under Criterion 30.5.
31 Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • Most competent authorities have powers to identify assets without prior notification to the owner, even if this is not clearly and explicitly provided for in the Egyptian law. • The mechanism that allows the public prosecutor to identify in a timely manner whether the concerned person has a bank account or not, was not perceived.
32 Cash couriers	LC	<ul style="list-style-type: none"> • Failure to determine the period during which the Customs may seize funds or BNIs in case of false disclosure or to find evidence to suspect ML/TF. • Absence of a text that ensures the secrecy of the information that the Customs Department collects through the declaration systems.
33 Statistics	LC	<ul style="list-style-type: none"> • The public prosecution doesn’t keep statistics on ML/TF investigations and prosecutions.
34 Guidelines and feedback	LC	<ul style="list-style-type: none"> • There are no detailed instructions issued by other supervisory authorities (other than FI supervisors) on how to implement national measures, especially with regard to the implementation of TFS.
35 Sanctions	LC	There is no legal requirement to impose sanctions against natural or legal persons who are not subject to supervision when making funds available for the benefit of the designated persons and entities.
36 International	PC	<ul style="list-style-type: none"> • Implementation of the Palermo Convention remains incomplete due to

instruments			<p>Egypt's failure to criminalize participation in organized criminal groups.</p> <ul style="list-style-type: none"> • It is not clear whether Egypt fully implements the provisions of Article 17 of the UN CFT Convention.
37 Mutual legal assistance	LC		<ul style="list-style-type: none"> • The use of some investigative techniques by authorities in accordance with Recommendation 31 while responding to MLA requests negatively affect this Recommendation.
38 Mutual legal assistance: freezing and confiscation	LC		<ul style="list-style-type: none"> • There is no explicit text stipulating the provision of assistance to requests for cooperation on the basis of non-conviction-based confiscation proceedings and related provisional measures. • There are no arrangements to coordinate seizure and confiscation measures with other countries, and despite the fact that the text of article (20) of the AML Law and the text of article (47) of the Executive Regulation granted the right to conclude treaties to dispose of the proceeds of the funds ordered to be confiscated, but the assessment team was not provided with these treaties. • It is unclear to what extent the EMLCU, as an administrative unit, is involved in international freezing and confiscation efforts beyond concluding relevant treaties.
39 Extradition	LC		<ul style="list-style-type: none"> • Absence of information indicating that Egypt adopts the principle of “trial without undue delay” in case of non-extradition (taking into account that it does not extradite its own nationals) and the absence of simplified extradition mechanisms.
40 Other forms of international co-operation	LC		<ul style="list-style-type: none"> • No explicit provisions have been found regarding the exchange of regulatory, prudential and AML/CFT information, especially with other regulatory authorities that are jointly responsible for FIs operating in the same group. • With regard to the exchange of information between LEAs, there is no indication that there are provisions or rules that allow LEAs to form joint investigation teams to conduct cooperative investigations and establish bilateral or multilateral arrangements to enable such joint investigations.

Glossary of Acronyms

ACA	Administrative Control Authority
BA	Bar association
CBE	Central Bank of Egypt
DNFBPs	Designated Non-Financial Businesses and Professions.
DPMS	The Dealers in Precious Metals and Stones
ECA	Egyptian Customs Department:
EGP	Egyptian Pounds
EMLCU	Egyptian Anti-Money Laundering and Terrorist Financing Unit.
FI	Financial Institutions
FRA	Financial Regulatory Authority
FTFs	Foreign Terrorist Fighters
IOSCO	International Organization of Securities Commissions
LEAs	Law Enforcements Agencies
MLA	Mutual Legal Assistance
MOF	Ministry of Finance
MOI	Ministry of Interior
MOJ	Ministry of Justice
MOSIT	Ministry of Supply and Internal Trade
MOSS	Ministry of Social Solidarity
MOU	Memorandum of understanding
NCCAMLCFT	National Coordinating Committee on AML/CFT
NPC	The National Payments Council
NPOs	Non-Profit Organisations
NRA	National Money Laundering and Terrorist Financing Risk Assessment
PP	Public Prosecution
RBA	Risk Based Approach
SCP	Syndicate of Commercial Professions
STR	Suspicious Transaction Report
TFS	Targeted Financial Sanctions
TU	Traders Union
UNODC	United Nations Office on Drugs and Crime
UNSCRs	United Nations Security Council Resolutions
VASPs	Virtual Assets Service Providers
WMD	weapons of mass destructions