

3rd Enhanced Follow-up Report for the Arab Republic of Egypt

Technical Compliance Re-Rating

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

May 2024

The Arab Republic of Egypt

Document Language: English.

Original Language: Arabic.

This document contains the third Enhanced Follow-up Report for the Arab Republic of Egypt, which includes Technical Compliance Re-rating for four Recommendations (14, 15, 22, & 23). This report reflects the efforts made by the Arab Republic of Egypt since the adoption of the Mutual Evaluation Report in June 2021 by the MENAFATF. The 38th MENAFATF's plenary meeting adopted the Enhanced Follow-up Report in May 2024, provided that the Arab Republic of Egypt remained in the Enhanced Follow-up process and submitted the fourth Enhanced Follow-up Report to the 40th MENAFATF plenary in May 2025.

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The 3rd Enhanced Follow-up Report of the Arab Republic of Egypt (With a Technical Compliance Re-rating)

First: Introduction

1. The Arab Republic of Egypt (Egypt), within the second round was evaluated by the MENAFATF pursuant to FATF’s 40 recommendations and the 11 Immediate outcomes adopted in 2012, and the Mutual Evaluation Report (MER) was prepared according to the methodology adopted in 2013. The MER for Egypt was approved at the MENAFATF 32nd Plenary, which was held virtually in June 2021. It was decided, as per the procedures, that the Arab Republic of Egypt shall be subject to the enhanced follow-up process.

2. According to the MER of Egypt, it was rated “Compliant” in (9) recommendations, “Largely Compliant” in (23) recommendations, and “Partially Compliant” in (8) of the 40 recommendations, and the report also showed that with regards to effectiveness, the country was evaluated as (Substantial level of effectiveness “SE”) in (4) Immediate Outcomes, and (Moderate level of effectiveness “ME”) in (6) Immediate Outcomes, and (Low Level of effectiveness “LE”) in One Immediate Outcome, out of the 11 Immediate Outcomes in the effectiveness evaluation.

3. The following are brief of Technical Compliance and Effectiveness ratings:

Table (1): Technical Compliance ratings

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	C	PC	LC	LC	LC	LC	LC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	C	C	PC	PC	LC	C	C	C	LC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	PC	PC	PC	LC	LC	C	PC	C	LC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	LC	LC	LC	LC	PC	LC	LC	LC	LC

Note: There are five Possible ratings for Technical Compliance (Compliant, Largely Compliant, Partially Compliant, Non-Compliant and Not Applicable)

Reference: MER of the Arab Republic of Egypt <https://www.menafatf.org/sites/default/files/Newsletter/Egy-Me0521-AR.pdf>

Table (2): Effectiveness ratings

IOs	1	2	3	4	5	6	7	8	9	10	11
Compliance Rating	SE	SE	ME	ME	ME	SE	LE	ME	SE	ME	ME

Note: There are four Possible ratings for Effectiveness (High, substantial, moderate and low levels of effectiveness)

Reference: MER of the Arab Republic of Egypt

<https://www.menafatf.org/sites/default/files/Newsletter/Egy-Me0521-AR.pdf>

4. Based on the TC ratings in the 40 recommendations and the level of effectiveness in the 11 IOs in the MER for the Arab Republic of Egypt, and in accordance with the procedures of the approved ME process, the decision of the MENAFATF 32nd Plenary in June 2021 included placing Egypt in the Enhanced Follow-up Process, provided that the first FUR will be submitted within the framework of the EFU process to the MENAFATF 34th Plenary in May 2022.

5. Egypt submitted the first EFUR (without TC re-rating request) at the MENAFATF's 34th Plenary, which was held during May 2022 in Manama, Kingdom of Bahrain, in which it referred to Egypt's efforts since the adoption of the MER, whereas the 34th Plenary adopted the first EFUR, and submitted the second EFUR (without TC rerating request) to the MENAFATF's 36th Plenary, which was held in May 2023 in Manama, Kingdom of Bahrain. The report reflected the additional measures Egypt has taken to combat money laundering, and terrorist financing, as the Plenary approved the report, with Egypt submitting the third EFUR to the MENAFATF's 38th Plenary scheduled to be held in May 2024.

6. Within the third EFU process for the Arab Republic of Egypt, the country submitted a request to re-rate TC ratings for four recommendations, namely Recommendations (14, 15, 22, and 23). The TC of the four recommendations was analyzed by the review team consisting of **Ms. Yasmine Issa**, *observer in the FIU - Syrian Arab Republic*, **Mr. Bougezine Rachid**, *member of the Board of the FIU at the Ministry of Finance of the People's Democratic Republic of Algeria*, which was done with the support of members of the MENAFATF's Secretariat, namely **Ms. Jehan Al Ansari**, *Senior Mutual Evaluation Officer*, and **Ms. Rand Gharndoke**, *Mutual Evaluation Expert*.

Priority Actions:

7. Egypt's MER contained some shortcomings in the level of technical compliance to the 40 Recommendations and IOs regarding the effectiveness of AML/CFT system, also, in the Report, there were recommendations for taking corrective steps that the Country should prioritize, as follows:

- Egypt should work on an ongoing and reasonable periodic basis to update the NRA, work on updating the national AML/CFT strategy, and develop action plans that define the policies and activities of the competent authorities in a way that responds to the changing risks of money laundering and terrorist financing in line with the changing threats, and in a manner that ensures the strengthening of the understanding of the authorities of ML risks resulting from organized crime and cross-border crimes, while working to enhance operational cooperation and coordination between the various competent authorities, especially at the level of parallel financial investigations and the use of financial intelligence by the investigative authorities.
- Egypt should consider raising awareness about the importance of accessing and using financial information by investigative bodies, especially by the Anti-Narcotics and Antiquities Departments, when pursuing relevant ML and predicate offenses cases. The FIU should also increase cooperation with the subject authorities through feedback and training in order to urge them to report to the FIU in cases of suspicion as well as improve the quality of STRs, especially with regard to serious crimes in the context of the country (such as drug trafficking, corruption crimes, firearms and ammunition

crimes, fraud and theft), as well as raise the reporting levels - quantitatively and qualitatively - by DNFBPs.

- The authorities should establish a legal framework to combat autonomous money laundering, criminal gangs, and a legal framework for parallel financial investigations, while making the latter a standard practice in predicate offences to track all proceeds of the crime and ML-related cases in a manner commensurate with the size of the predicate offences which would eventually lead to increase in the number of ML convictions.
- The competent authorities should seek to confiscate property of equivalent value when it comes to predicate offences and confiscate proceeds, track all proceeds of crime and not be satisfied with keeping the money seized at the time of the arrest of the accused, while benefiting sufficiently from official international cooperation, so that all proceeds of crime can be confiscated, including those outside the country.
- The National Security should proactively seek to use special research techniques, especially controlled delivery and the rest of the covert operations, given their importance in exposing terrorist financing crimes, and conduct a parallel financial investigation on a regular basis to track down all sources of funding and benefit from official international cooperation more, while providing feedback to the FIU.
- Supervisory authorities need to (1) develop the understanding of most DNFBPs with regards to ML/TF risks to enable them to better identify suspicious activities and report suspicious financial transactions more frequently, and (2) better apply fitness and properness tests. Save that it includes verifying the sources of funds of the shareholders and the BOs used in the ownership of shares and verifying the extent of their association with criminals.
- The Egyptian authorities should make greater use of the possibilities offered by official international cooperation to freeze proceeds abroad in preparation for their recovery.

Second: Overview on the achieved progress in implementing the Recommendations requested for re-rating:

8. This section reviews the measures taken by the Arab Republic of Egypt to comply with the recommendations that it requested to be re-rated, as Egypt addressed some of the compliance and technical shortcomings identified in the MER in relation to recommendations (14, 15, 22, and 23). As a result, some TC ratings were re-rated.

Recommendation 14 - Money Value or Transfer Services “MVTS” (PC)

9. It was stated in the MER of the Arab Republic of Egypt that the supervisory authorities should periodically verify the extent to which there are entities - other than those subject to their supervision - that carry out, as a professional, for the benefit of or on behalf of a client the activities licensed and subject to their supervision, and that they, in coordination with the FIU, establish and prepare the means necessary to determine these practices, and that penalties are applied in accordance with what is specified in Article (225) of the Central Bank of Egypt Law. However, the absence of information on the necessary measures taken to identify natural

persons who carry out MVTS without a license or registration, specifically in C.14.2. The weighting of this criterion affects the rating of this recommendation based on the country's context and risks.

10. To address the shortcomings mentioned in the MER, Egypt indicated that a mechanism has been issued that includes dealing with natural persons who engage in money transfer activity without obtaining prior approval from the Central Bank of Egypt, approved by Deputy Governor's Resolution No. (45) of 2023. The elements of this mechanism are as follows:
 - A. Identifying and discovering those who carry out money transfer activities without having a license from the banking sector to carry out these activities, using information sources from various sectors and departments within the Central Bank, as well as from sources outside the Central Bank of Egypt, such as (banks, law enforcement agencies, local supervisory authorities, international counterpart supervisory authorities), and registering these data and information on a database at the Banking Affairs Department of the Central Bank of Egypt.
 - B. Coordinating with some internal and external sectors at the Central Bank to follow up on rejected licenses, applications that were rejected, applications that were not renewed, or licenses that were withdrawn, with the aim of ensuring that these persons do not engage in unlicensed transfer operations.
 - C. Communicating with those who practice money transfer activity without obtaining prior approval from the Central Bank to take the necessary measures to reconcile their situations in preparation for licensing those who are able to fulfill the necessary requirements in this regard.
 - D. Working to spread awareness among the general public of the risks of practicing money transfer activity without a license, directing persons not to deal with those who practice it, committing to dealing through the official system, and encouraging reporting of those who engage in this activity through awareness campaigns and bulletins.
 - E. Providing training programs to raise the level of competence of members of the working group concerned with this matter in the Banking Affairs Department at the Central Bank of Egypt to identify, control and prosecute those who provide unlicensed money transfer services.
 - F. Increasing the effectiveness of the role of the Central Bank of Egypt in implementing legal texts through coordination between the Legal Affairs Department and the Banking Affairs Department to apply related legal provisions regarding them and following the procedures and controls approved in this regard, as well as preparing a detailed database regarding natural persons and legal persons involved in practicing this activity without a license, and who have been sanctioned.
11. Egypt also indicated that the mechanism also included the implementation procedures to be taken by the Banking Affairs Department, which are as follows:
 - A. Recording the cases that are monitored and received from various authorities regarding those who practice money transfer activity without a license on the Department's database

and studying and examining them to determine their causes in order to take the appropriate action according to each case according to the results of the examination.

- B. Coordination with various sectors and entities to determine whether the client is the subject of investigations, pending cases, subject to examination, or subject to seizure or non-disposal decision, and to collect the necessary data and information in this regard.
 - C. Submitting the final position of the natural and legal persons mentioned in the cases to the senior management of the Central Bank of Egypt, as well as those who have not reconciled their situations after having been communicated with by the Department, with the aim of determining the measures that must be taken therewith.
 - D. Adding those who have not reconciled their status and those who practice money transfer activity without a license to internal negative lists in the Banking Affairs Department and updating them on ongoing basis.
 - E. Informing all banks of the names of these persons and entities to prevent the activation of bank accounts of any thereof (in the event that a final decision is issued regarding them).
 - F. Informing the security authorities and investigation authorities of those who have not reconciled their situations after the Department contacted them, as well as those whose names were mentioned in the cases referred to in the mechanism, in order to apply proportionate and dissuasive penalties thereto, including the penalties stipulated in the Central Bank of Egypt Law in Articles 225 and 233.
12. Based on the above, it became clear that Egypt has taken the necessary measures to identify natural persons who carry out MVTs without a license or registration, and various relevant authorities are cooperating in this regard. The mechanism has been circulated to the AML/CFT Coordination Committee, which includes among its members all concerned authorities, for the purpose of enhancing the effectiveness of detecting natural persons who engage in MVTs without obtaining prior approval from the Central Bank of Egypt, provided that the concerned authorities undertake coordination with the Central Bank of Egypt in this regard.
13. The mechanism referred to above explained in detail the procedures to be taken by each competent authority. On the other hand, Article Two of Deputy Governor's Decision No. (45) of 2023 indicated that this decision would be circulated to all concerned departments in the Central Bank of Egypt.
14. According to the approved mechanism to identify natural and legal persons who carry out MVTs without a license or registration, LEAs rely on modern technological means to carry out their role, which is a clear role that gives LEAs the ability to take all legal measures in performing their tasks professionally and it demonstrates the importance of the role played by LEAs in the mechanism.
15. **Conclusion:** It is clear from the above analysis that the Arab Republic of Egypt has met all the requirements of Recommendation 14, as it has adopted a mechanism to identify natural and legal persons who carry out MVTs without a license or registration, and this mechanism has been circulated to all competent authorities, including the concerned departments at the Central

Bank of Egypt, in accordance with Article Two of the Deputy Governor's Decision No. (45) of 2023, as well as the AML/CFT Coordination Committee, whose membership includes all concerned parties. **Accordingly, the compliance rating for this recommendation is "Compliant".**

Recommendation 15 - New Technologies (PC)

16. It was stated in the MER of the Arab Republic of Egypt that the NRA indicated that the products that were most exploited in money laundering and terrorist financing were internal and external electronic transfers, and no information was provided regarding the risks that may arise in connection with the development of new products or professional practices, in addition to the absence of evidence that the country assesses the risks of money laundering and terrorist financing arising from VAs.
17. The MER also indicated that it is not clear whether Egypt has decided to ban virtual assets, as according to Article 206 of the Central Bank Law issued No. 194 of 2020, a license can be obtained from the Central Bank to practice the activities specified in this article, including trading in cryptocurrencies, and it should be noted, if a license is granted to any entity to practice these activities, there is no indication that it is required to evaluate the risks arising from virtual asset activities.
18. On the other hand, the MER indicated that it is not possible to practice any of the VASPs activities before obtaining a license from the Central Bank (Article 206 of the Central Bank Law). The Central Bank has not issued the rules and conditions for licensing, including the activities that can be practiced after obtaining a license and whether they fall entirely or partially within the activities included in the methodology. The Central Bank did not take regulatory measures to prevent criminals or their accomplices from holding large or controlling shares, being the beneficial owners of those shares, or occupying a management position with VASPs.
19. In addition, it is clear that there is no legal basis that allows supervisory authorities to exchange information on issues related to VAs and VASPs with counterparties, and it is not clear whether the Central Bank of Egypt law permits licensing to practice all activities of VASPs (particularly in terms of exchange between VAs and fiat currencies, or the exchange between one or several types of virtual assets, or the transfer of virtual assets, etc...). Moreover, the competent authorities did not take the required procedures in accordance with the requirements of Criteria (15.6 to 15.10).
20. To address the shortcomings indicated above, Egypt took a number of measures; as it identified and assessed ML/TF risks that may arise from the development of new products and new professional (business) practices, including new means of providing services and those arising from the use of new or under development technologies in relation to both new and existing products. This was conducted with the participation of all entities concerned with AML/CFT that had previously participated in conducting and updating the previous NRA, in addition to financial institutions and DNFBPs. The assessment covered, for example, updated data on the use of mobile phone wallets and local electronic transfers through the applications that were prepared for this purpose, especially the (Instapay) application, for electronic payments and local transfers. The evaluation also addressed the feasibility of issuing special rules for

electronic identification (E-KYC), its risks, and ways to mitigate those risks. The evaluation also addresses modern electronic financial products (Fintech), which are still in the testing environment for those products (Sandbox), where they have been approved. Some products are identified and their risks are evaluated, such as the (ROSCA) electronic association product.

21. With regard to financial institutions, Article 22 bis (c) of the AML/CFT Bylaws issued pursuant to Prime Minister's Decision No. 3331 of 2023 stipulates in Clause Six that "Financial institutions, DNFBPs must identify and evaluate the risks of money laundering and Terrorist Financing that may arise from the use of modern technologies systems in providing its services or products, or providing any new services or products that rely on these systems, and it must take appropriate measures to manage those risks and coordinate with the FIU before providing the aforementioned products and services." Article 32 of the same bylaws also stipulates in Clause 3 that "financial institutions, DNFBPs are committed to developing policies and taking the necessary measures to prevent the exploitation of modern technologies' developments in money laundering or terrorist financing."
22. Based on the above, Egypt has conducted an assessment of the money laundering and terrorist financing risks associated with virtual assets and their service providers based on the assessment methodology prepared by the World Bank. It has also provided a summary of this report explaining its general framework of the assessment methodology followed, the work group participating in the assessment, an overview of the situation of virtual assets and VASPs in Egypt, a summary of the threats associated therewith, a summary of the resulting vulnerabilities, and the overall level of risks, in addition to a summary of the evaluation of the effectiveness of the mitigation and remaining measures. The summary concluded with some summary of the results and the most prominent recommendations, as the results of the evaluation lead to unveiling the level of risks associated with virtual assets and VASPs in Egypt, which is considered Moderate, and there are vulnerabilities, some of which are the recency of legislation, the need to intensify training among reporting bodies, and the need to use analytical tools to track virtual currencies (Blockchain Analytics) and increase the ability to seize and confiscate virtual currencies, and its management after confiscation. It was completed by sharing a general (public) copy to national authorities and the private sector.
23. Egypt has also taken a number of measures to ensure the implementation of the ban on providing virtual asset services and to mitigate risks. Work was done to raise awareness and build capabilities among relevant authorities and financial institutions, and to create a national wallet for seized and confiscated virtual currencies. A number of meetings were also held with financial institutions and the Central Bank of Egypt to enhance understanding of how various banking products are misused in virtual asset activities, with the aim of raising the awareness of these institutions and building their capabilities in identifying transactions that take place using banking tools for the purposes of trading in virtual assets, in cooperation with the regulatory authorities, guidance are also being sent to each of the reporting entities regarding sites for buying and selling virtual currencies that specialize in mining on a regular basis in order to prevent transactions that may take place on behalf of those sites or that come therefrom, and to ensure that the reporting bodies send STRs regarding transactions that may be conducted by individuals or entities on those sites to the FIU is taking the necessary measures in this regard and sharing data and information with LEAs and the Public Prosecution.

24. The Arab Republic of Egypt also prepared a national guide in cooperation with the UNODC on tracking and investigating virtual currencies crimes, and it was circulated to those concerned from LEAs, the Public Prosecution, and the FIU, and it became clear from the summary of the guide that it was prepared to assist LEAs, the Public Prosecution and the FIU to develop and expand their investigations more comprehensively in the field of virtual currency crimes, and the procedures contained therein shall mitigate the risks of virtual currencies.
25. With regard to prohibiting dealing with virtual assets, Egypt indicated that its strategic direction is to ban dealing in virtual assets, as Egypt prohibited dealing with virtual assets and VASPs in accordance with Article (206) of the Law on the Central Bank and the Banking System promulgated by Law (194) of 2020, which stipulates, “It is prohibited to issue, trade in, or promote cryptocurrencies or electronic funds, or create or operate platforms for their trading, or carry out activities related to them without obtaining a license from the Board of Directors in accordance with the rules and procedures that it determines,” in accordance with the decision of the Board of Directors of the Central Bank Decision No. (1006) of 2023 which states that “in accordance with the text of Article (206) of the Law of the Central Bank of Egypt and the Banking System promulgated by Law (194) of 2020, which states that “in accordance with the text of Article (206) of the Law of the Central Bank and the Banking System promulgated By Law No. (194) of 2020, any natural or legal person are prohibited from issuing, trading in, promoting cryptocurrencies or electronic funds, or creating or operating platforms for trading in them, investing in them, or currently carrying out activities related to them, and violating this is considered a criminal offense and exposes its perpetrators to the penalty stipulated for under in Article (225) of this law, which is imprisonment and a fine of not less than one million pounds and not exceeding ten million pounds. It is also prohibited to carry out any of the activities referred to in the definition of “virtual asset service providers” contained in Article No. (1) of the Bylaws of the AML Law.” The decision indicated in its final paragraph that “this ban will remain in effect until the rules and procedures regulating these activities are issued and published in the Official Gazette and on the website of the Central Bank, and the necessary license is obtained in this regard.”
26. With regard to identifying natural persons and legal persons who deal in virtual assets without a license and imposing proportionate penalties against them, in accordance with the text of Article (19) bis of the Bylaws of the AML/CFT Law, as well as what was referred to in the mechanism that determines the tasks of both the FIU and LEAs Identifying these persons, and distinguishing between the penalties imposed on natural persons and the penalties imposed on legal persons separately was well highlighted in the Law, in addition to what the Central Bank and Banking System Law indicated in its Article No. (235), which indicated that if committing a crime by a legal person: The person responsible for the actual management of the violating legal person shall be punished with the same penalty prescribed for acts committed in violation of the provisions of this law, if it is proven that he/she knew about the crime, and the crime occurred as a result of their breach of their job duties. The legal person shall be jointly liable for incurring the financial penalties and compensation imposed, if the crime was committed by one of its employees in their name and on their behalf.
27. The Arab Republic of Egypt has established a legal instrument that allows regulatory authorities to exchange information on issues related to virtual assets and VASPs with foreign counterparts, as, in accordance with Prime Minister’s Decision No. (3331) of 2023 regarding amending some provisions of the Bylaws of the AML/CFT Law, “The authorities concerned

with combating money laundering and the financing of terrorism” were defined, as well as “the supervisory authorities” in the first article thereof, and Article No. (43) bis (b) of the Bylaws permitted the process of research and inquiry with foreign counterparts and the exchange of information, including information related to VAs and VASPs spontaneously and upon request. However, there are still some shortcomings in international cooperation related to recommendations 37 to 40.

28. **Conclusion:** It appears from the above analysis that Egypt has met some of the requirements of Recommendation 15, as the Arab Republic of Egypt indicated that the Prime Minister had issued Decision No. (3331) of 2023 amending some provisions of the Bylaws of the AML/CFT Law in Clause 6 of Article No. 22 bis. (c), regarding imposing obligations on financial institutions. On the other hand, Egypt took a number of steps to address the shortcomings of this recommendation, as it conducted an ML/TF assessment of risks associated with virtual assets and VASPs based on the assessment methodology prepared by the World Bank, and provided a summary of the general framework of the assessment process.

In addition, the Arab Republic of Egypt prohibits dealing in virtual assets in accordance with Article No. (206) of the Law of the Central Bank of Egypt and the Banking System No. (194) of 2020 and Decision of the Board of Directors of the Central Bank of Egypt No. (1006) of 2023.

As for identifying natural persons and legal persons who deal in virtual assets without a license and imposing proportionate penalties against them, in accordance with the text of Article (19) bis of the Bylaws of the AML/CFT Law, as well as what was referred to in the mechanism that determines the tasks of both the FIU and LEAs, the identifying these persons, and distinguishing between the penalties imposed on natural persons and the penalties imposed on legal persons separately was well highlighted in the Law. The Egyptian authorities have not been granted sufficient powers to supervise, monitor, and ensure that VASPs comply with the AML/CFT requirements, including the inspection process, the provision of information, and the imposition of proportionate disciplinary and financial penalties. Egypt also did not guarantee that VASPs are required to comply with recommendations 10 to 21. On the other hand, the country has not confirmed with regard to TFS that the communication mechanisms and reporting and supervision requirements referred to in the following criteria 6.5d, 6.5e, 6.6g, 7.2e, 7.2d, 7.3, and 7.4d apply to VASPs. The Arab Republic of Egypt has established a legal instrument that allows regulatory authorities to exchange information on issues related to virtual assets and VASPs with foreign counterparts. However, there are still some shortcomings related to international cooperation related to recommendations 37 to 40. **Accordingly, the compliance rating for this recommendation is “Largely Compliant”.**

Recommendation 22 - DNFBPs Customers Due Diligence (PC):

29. The MER for the Arab Republic of Egypt stated that the relevant legislation and regulations do not cover TCSPs on the one hand, and the absence of a legal text prohibiting the provision of corporate services by persons other than lawyers and accountants may affect the application of the relevant requirements in Recommendations 10 and 11. The shortcoming referred to in Recommendation 10 (C.10.19) applies to DNFBPs, as it appears that the due diligence measures referred to in Article (22) bis (c) Clause (1) of the AML/CFT Bylaws are limited to

identifying and verifying the identity of the customer, and does not extend to include due diligence measures in accordance with the requirements of Recommendation 10.

30. The Report also indicated that the shortcomings contained in Recommendation 11 and specifically in C.11.4 apply to DNFBPs, which indicates the lack of comprehensiveness and adequacy of the requirements contained in the Criterion because they are limited to FIU and Judiciaries and do not extend to LEAs. In addition, the requirements do not address the concept of making all CDD information and transaction records available “promptly” in accordance with the requirements of C.11.4.C. in addition to that, the shortcoming referred to in C.22.1 regarding “the absence of a legal provision prohibiting the provision of corporate services by persons other than lawyers and accountants” may slightly affect the extent to which Egypt meets those criteria.
31. In order to address the shortcomings mentioned in the MER, Egypt indicated that the shortcomings are mainly related to the absence or prohibition of including the category of “TCSPs” in the definition of DNFBPs, other than those provided by lawyers and accountants. Egypt has adopted the definition of the FATF methodology itself as an alternative to the ban, as an amendment was made to the AML/CFT Bylaws issued pursuant to the Prime Minister’s Decision No. 3331 of 2023, clause (5) of the definition of DNFBPs in Article (1) of this Bylaws includes “corporate and trust fund service providers (“TCSPs”)” and the services they provide as a professional, and the services that they offer them to their clients as follows:
 - A. Acting as a founding agent for legal persons.
 - B. Acting or arranging for another person to act as an authorized director and partner in a joint venture or in a similar position relating to other legal persons.
 - C. Providing a registered office, place of business, correspondence address, postal address, or administrative address for a company or any legal person or legal arrangement.
 - D. Acting or arranging for another person to act as trustee of a trust or to perform a similar act for the benefit of another legal arrangement.

As a result of the addition of TCSPs to the DNFBPs category, they are required to apply the due diligence requirements contained in Article (30) of the same bylaws.

32. Based on the aforementioned, it is clear that the Bylaws of the AML/CFT Law of the Arab Republic of Egypt were amended by Prime Minister’s Decision No. (3331) of 2023, which included in Clause (5) of the definition of DNFBPs’ under article (1) of the Bylaws, Trust or Corporate Service Providers (“TCSPs”), (The definition included all the items mentioned in the methodology except for the last item, which is “acting (or arranging for any other person to act) as a nominal shareholder instead of another person,” which was not included by the Country considering that this type of activities is not practiced in Egypt, in accordance with C.12.24 which obtained a rating of “Not Applicable” in the MER for the Arab Republic of Egypt). The shortcomings relating to TCSPs have thus been addressed, and the definition of DNFBPs currently includes all categories of activities required by the methodology.

33. Regarding the other deficiency related to Recommendation 10 and specifically Criterion 19.10, it has been addressed by the state through amending Article 22 bis (1) of the Executive Regulations, as the text reads as follows: "If a financial institution or any of the DNFBPs are unable to implement CDD measures, it is necessary to refrain from opening an account or initiating or continuing any business relationship with the client, or executing any transactions on their behalf, and to consider sending an STR regarding them to the FIU due to failure to fulfil CDD measures". This amendment includes the commitment of financial institutions and DNFBPs to implement CDD measures according to the requirements of Recommendation 10, not just identification and verification of identity. Additionally, the issue related to the thresholds of amounts for both gambling clubs and traders of precious metal and stones has been addressed within the definition of DNFBPs, as stipulated in Article 1, now encompassing the mentioned amounts within the Methodology.
34. Add to that, returning to the Country's MER, it revealed a shortcoming in Recommendation 11, specifically C.11.4 related to this Criterion, in terms of "not requiring due diligence information and transaction records to be made promptly available to all local authorities." Whereas Article (3), Clause (10) of the AML/CFT Law's Bylaws states that the FIU cooperates with all parties in terms of exchanging information available in its database only, and therefore it is clear that the shortcomings still exist.
35. With regards to the above, as stated in the detailed assessment of Recommendation 12 within the MER, the obligations that should apply to PEPs are contained in Article 32 bis of the Bylaws, with the exception of those relating to C.12.4, which does not apply to DNFBPs. As for Recommendation 15 and what was stated in the MER, the requirements related to new technology are stated in Article (22) bis C) and Clause (3) of Article (32) of the Bylaws of the AML/CFT Law, as well as Clause (9.3) related to due diligence measures for clients of DNFBPs issued by the FIU which referred to, "the risks of money laundering and terrorist financing that arise from the development of new products and practices must be identified and evaluated, including modern means of service delivery channels, and those risks that arise from the use of modern technologies or developing new or existing products, they should conduct a risk assessment of such products, practices and technologies before launching or using them and take adequate measures to manage and mitigate these risks.
36. The CDD measures related to DNFBPs issued by the Egyptian FIU do not allow them to rely on third parties to conduct some elements of CDD measures as stipulated in Recommendation 10. Therefore, the requirements of this criterion remain not applicable in Egypt.
37. **Conclusion:** The above analysis shows that Egypt has mostly met most of the requirements of Recommendation 22, by taking several measures to address the shortcomings identified in the MER, including adding the definition of TCSPs to the definition of DNFBPs, as well as addressing the shortcomings related to Recommendation 10. However, the shortcoming mentioned in C.22.2 related to Recommendation 11 has not been addressed. **Accordingly, the compliance rating for this recommendation is "Largely Compliant".**

Recommendation 23 - DNFBPs Other Measures (PC)

38. The MER of the Arab Republic of Egypt stated that TCSPs are not covered by the relevant legislation and regulations (as previously explained in Recommendation 22), so that

shortcoming related to the scope of coverage of DNFBPs negatively impact compliance with Recommendation 23. Other relevant requirements set out under Recommendations 18 to 21 do not cover TCSPs. In addition, the shortcoming identified in Recommendation 20 also applies to this Criterion, also the obligations on reporting is not at all broad to cover the entire scope of predicate offenses under the requirements of the FATF, and in particular, does not explicitly criminalize participation in organized criminal groups, although it has been criminalized in some cases under Special texts (see Recommendation 3 in the MER).

39. To address the shortcomings mentioned in the MER, Egypt indicated that the shortcomings are mainly related to the absence or prohibition of including the category of “TCSPs” in the definition of DNFBPs, other than those provided by lawyers and accountants. Egypt has adopted the definition of the FATF methodology itself as an alternative to the ban, as an amendment was issued to the AML/CFT Bylaws issued pursuant to the Prime Minister’s Decision No. 3331 of 2023, clause (5) of the definition of DNFBPs in Article (1) of this Bylaws includes “corporate and trust fund service providers (“TCSPs”)” and the services they provide as a professional (See R22):
40. Based on the above, it appears that the shortcomings (referred to in the criterion) related to the definition of TCSPs have been addressed, and thus the definition of DNFBPs includes all categories of activities required according to the methodology. The shortcomings related to the criminalization of participation in organized criminal groups were also addressed, through Article No. (1) of the Bylaws. By reviewing the second EFUR, it was revealed that the Country amended some provisions of the Law No. 22 on Combating Illegal Immigration and Smuggling of Migrants for 2022, and included under articles six and seven some provisions that criminalize the criminal gang, in addition to what was mentioned in the MER, specifically Recommendation 3, which stated that participation in an organized criminal group is subject to some provisions of special laws (Customs Law, Terrorism Law, Illicit Profits Law, tax Law and capital market Law).
41. Based on the above, it appears that the shortcomings (referred to in the criterion) related to the definition of TCSPs have been addressed, and thus the definition of DNFBPs includes all categories of activities required according to the methodology. The shortcomings related to the criminalization of participation in organized criminal groups were also addressed, through Article No. (1) of the Bylaws. The definition specifies that it is "a group consisting of at least three individuals organized according to a certain structure to operate continuously or for a period of time with the aim of committing the crime of money laundering, financing terrorism, or a predicate offense, in order to obtain direct or indirect material or moral benefit. Participation in an organized criminal group is considered an underlying offense for the crime of money laundering." By reviewing the second EFUR, it was revealed that the Country amended some provisions of the Law No. 22 on Combating Illegal Immigration and Smuggling of Migrants for 2022, and included under articles six and seven some provisions that criminalize the criminal gang, in addition to what was mentioned in the MER, specifically Recommendation 3, which stated that participation in an organized criminal group is subject to some provisions of special laws (Customs Law, Terrorism Law, Illicit Profits Law, tax Law and capital market Law).

42. After reviewing the Country's MER, it became clear that there were deficiencies in Recommendation 20, mentioned under "Weighting and Conclusion" in terms of the lack of clarity in requiring FIs to report all suspicious transactions, regardless of their value. By reviewing the latest Bylaws, under Article (31), it included: "FIs and DNFBPs are obligated to notify the FIU of transactions that are suspected of constituting proceeds or include money laundering or terrorist financing, or attempts to conduct these transactions, regardless of their value, as soon as the director responsible for AML/CFT becomes suspicious, provided that the report includes the detailed reasons for the suspicion, in implementation of the controls issued by the supervisory authorities or the FIU in this regard, and the report (notification) is made using the forms prepared by the FIU for this purpose.
43. On the other hand, with regard to Recommendation 18, it is clear that all relevant requirements apply to DNFBPs (Articles 35, 36, 41 and 42, as well as Article 22 bis C of the Bylaws, and Clauses 2 and 4 of the due diligence measures for clients of DNFBPs issued in 2020). As for Recommendation 19, all relevant requirements may apply to DNFBPs (Clause 2.9 of the Due Diligence Measures for Clients of DNFBPs issued in 2020). As for R21, all conclusions might apply to DNFBPs (Articles 10 and 11 of Law No. 80 of 2002 and Article 34 bis and 34 bis A of the Bylaws), as for the shortcomings mentioned within the MER on Recommendation 21, which stated that "the relevant legal texts were in a general form," it was revealed upon examination that it was covered by the above-mentioned articles, especially Articles 34 bis and 34 bis A of the Bylaws, as they are included under Chapter Five related to financial institutions and DNFBPs.
44. **Conclusion:** The above analysis shows that Egypt has met all the requirements of Recommendation 23, as Egypt has met all the requirements of this recommendation by taking several measures to address the shortcomings identified in the MER, in terms of adding the definition of TCSPs to the definition of DNFBPs, as well as covering the scope of predicate crimes under the requirements of the FATF, and in particular the criminalization of participation in organized criminal groups in Article No. (1) of the Bylaws of the AML/CFT Law. **Accordingly, the compliance rating for this recommendation is "Compliant".**

Third: Conclusion

45. After analyzing all the supporting information and documents by the review team submitted by the authorities in the Arab Republic of Egypt and attached to their TC re-rating request for recommendations (14, 15, 22, and 23), the team summarizes the following:
- To upgrade the rating from "PC" to "C" for Recommendations 14 and 23.
 - To upgrade the rating from "PC" to "LC" for Recommendations 15 and 22.
46. Compliance ratings after re-rating can be summarized as follow:

Table (3): Technical Compliance ratings as of May 2024

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	C	PC	LC	LC	LC	LC	LC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	C	C	<u>C</u>	<u>LC</u>	LC	C	C	C	LC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	<u>LC</u>	<u>C</u>	PC	LC	LC	C	PC	C	LC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	LC	LC	LC	LC	PC	LC	LC	LC	LC

Note: There are five Possible ratings for Technical Compliance (Compliant, Largely Compliant, Partially Compliant, Non-Compliant and Not Applicable).

47. Based on the above, Egypt obtained “Compliant” in 11 recommendations, “Largely Compliant” in 25 recommendations, and “Partially Compliant” in 4 of the 40 recommendations as a result of the re-rating request within the 3rd EFUR. Accordingly, as per MENAFATF applicable procedures; Egypt shall remain in the Enhanced Follow-up Process; provided that it submits its 4th EFUR to the 40th Plenary to be held in May 2025.