



**Middle East North Africa
Financial Action Task Force**

**Anti-money laundering and
counter-terrorist financing
measures**

**The Republic of Djibouti
Mutual Evaluation Report**



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The Republic of Djibouti

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Executive Summary

- 1 This document presents the existing Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures in the Republic of Djibouti at the time of the on-site visit from 8th February to 7th March, 2024. It provides an analysis of the level of compliance with the FATF 40 Recommendations and effectiveness of the AML/CFT regime of the Republic of Djibouti, and proffers recommendations with a view to strengthening this regime.

Key findings

- a) Understanding money laundering and terrorist financing (ML/TF) risks at domestic level is still at its embryonic stage in Djibouti. The national risk assessment identifies the most prevalent crimes, such as embezzlement, breach of trust, fraud, and possession and sale of narcotics, but does not comprehensively cover the national risk context. Some criminal activities, such as corruption, human trafficking, migrants' smuggling, and customs and tax fraud, have not been fully analyzed or captured, often due to the lack of adequate statistics or investigations. With regard to terrorist financing, discussions held with Djiboutian authorities revealed a good understanding of the risks associated with terrorism in general, but limited knowledge of its financing.
- b) In early 2024, Djibouti developed a national strategy that highlights several key objectives, including improving the Anti-Money Laundering and Counter Financing of Terrorism regime, as well as a commitment to establishing a legal and operational system that is consistent with the FATF 40 Recommendations. Despite this strategic initiative, many supervisory authorities and self-regulatory structures are yet to implement concrete measures to mitigate the ML/TF-related risks. As at the date of our visit, no exemptions from due diligence measures in high- and low-risk scenarios had been introduced by the authorities. The objectives and activities of the competent authorities in the fight against ML/TF are considered limited due to a discrepancy between the existing risks and the actions undertaken. National cooperation and coordination between Djiboutian authorities in the fight against ML/TF are in transition from traditional methods based on personal relationships to official and formal mechanisms.
- c) The use of financial intelligence and other relevant information by authorities to develop evidence and locate proceeds of crime associated with money laundering, predicate offences and terrorist financing remains inadequate. The failure to file terrorist financing-related information represents a strategic gap. The National Financial Intelligence Agency (ANRF) is yet to conduct a strategic analysis, and annual reports have still not been generated, mainly due to technical constraints and lack of appropriate analytical tools and human resources.

- d) Djibouti has a legal framework conducive to the identification of ML cases and several investigative authorities are empowered to conduct investigations into ML cases. However, these authorities focus mainly on predicate offences, rarely addressing ML cases specifically. Under the new regulations, the ML offence is now being considered in cases involving the generation of proceeds of crime. Similarly, parallel financial investigations are rare and, when conducted, they are done simultaneously with those into the predicate offence, a practice that has recently been adopted. This practice is therefore considered as a positive development, though it requires a broader and more systematic implementation for its impact to be maximized.
- e) Prosecutions focus primarily on predicate offences such as fraud, with few cases of self-laundering identified. Ongoing investigations and prosecutions in Djibouti do not fully reflect the threats identified in spite of the growing recognition of their significance. Predominantly self-laundering cases and a limited number of cross-border cases have been recorded, despite Djibouti's economic context. In 2024, the judiciary adjudicated only one money laundering-related case, which cannot be used to assess the proportionate and dissuasive nature of the sanctions meted out. Although the regulatory framework provides for severe sanctions for money laundering, recent information released by the judiciary has not indicated any further trials. Furthermore, no criminal justice measures are currently being implemented to address situations where it is impossible to secure conviction for money laundering, in spite of any ongoing investigation.
- f) In Djibouti, seizure, confiscation and recovery, where appropriate, of proceeds and instrumentalities of crime and assets of equivalent value are still underdeveloped in spite of the existing legal framework, due to the lack of appropriate mechanisms and training. Confiscation is not a political priority and financial investigations are not systematically conducted. A central unit for seizure and confiscation has just been established but yet to be operational. Besides, the country is not consistently and proactively committed in these areas, as reflected in the inadequate confiscation statistics. Despite Djibouti's strategic location and the high risks associated with cross-border flows, particularly in relation to organized crime, confiscations relating to cross-border movements of cash and bearer negotiable instruments that are under-declared, undeclared or falsely declared, are inadequate. The very few reports and limited value of the amounts seized illustrate a perturbing gap between the threats and the effectiveness of the measures put in place. Confiscation measures are not commensurate with national priorities, revealing very few confiscations relating to corruption, migrants' smuggling, human trafficking, customs and tax offences. Furthermore, the Customs department's capacity to detect international trade-based money laundering remains limited in terms of the number of reports filed and the amounts seized.
- g) In Djibouti, terrorist financing (TF) prosecutions are grappling with a host of challenges. Current investigations have not resulted in any conviction, even though the authorities have recognized several TF-related cases. The lack of a consistent national strategy to conduct TF-related investigations affects the performance of the measures taken. Furthermore, the dearth of investigations could be attributed to a persistently inadequate level of understanding of the issues related to the fight against money laundering and TF, a situation worsened by the predominant nature of the informal economy and the geographical challenges in the country's isolated areas. Finally, the lack of appropriate criminal or regulatory options highlights the deficiencies of the CFT regime in Djibouti. During the review period, the Republic of Djibouti had not developed any adequate legal and institutional framework to effectively implement Targeted Financial Sanctions (TFS) pursuant to UNSC Resolutions 1267 and 1373. The authorities had not proactively

and effectively communicated the updated lists of designated individuals and entities, nor adequately sensitized the reporting entities and general public on the TFS obligations. While some financial institutions are aware of their customer and transaction screening obligations, most of them use these lists mechanically, with no distinction between the various types of financial sanctions, and no thorough understanding of the funds freezing obligations. Besides, Designated Non-Financial Businesses and Professions (DNFBPs) and insurance companies are not aware of their specific TFS obligations and have no mechanism in place to implement them.

- h) The authorities have not identified any Non-profit Organizations (NPO) vulnerable to terrorist financing (TF) or implemented supervisory and awareness-raising measures commensurate with the risk level. While capacities have been demonstrated to identify and seize certain instrumentalities linked to specific terrorist acts, efforts to seize assets and instrumentalities linked to terrorist financing activities are limited, due to a recent awareness of this issue. Finally, the lack of measures designed to divert funds from actual or potential terrorists by preventing the misuse of NPOs for terrorist purposes, and by implementing TFS, is in contrast with the On the whole TF risk profile (external and domestic threat) in the Republic of Djibouti.
- i) The Republic of Djibouti has no adequate legal framework to prevent the proliferation of weapons of mass destruction and their financing. The authorities do not fully understand the risks associated with this type of financing and have therefore not developed any adequate sensitization mechanism, and reporting entities are not subjected to inspection to ensure their compliance with measures designed to fight against this type of financing.
- j) In Djibouti, the prevention of money laundering and terrorist financing (ML/TF) is compromised by the size of the informal sector, where due diligence measures are inadequate. The major banks interviewed by the Assessment Team demonstrated a good understanding of their risks and their ML/TF-related regulatory obligations. On the other hand, the other banks and financial institutions met, such as financial affiliates and microfinance institutions, are struggling to understand the specific risks linked to the use of cash and the size of the informal sector in the national economy. Furthermore, insurance companies, which do not provide life insurance and Savings products, have not implemented any proportionate measures to prevent ML/TF.
- k) On the whole, large financial institutions implement appropriate customer due diligence measures, while financial affiliates and small banks often avoid dealing with customers requiring enhanced measures, without always filing suspicious transaction reports to the National Financial Intelligence Agency (ANRF). The reporting activity in Djibouti reveals a distinct disparity among credit institutions, with only a few filing reports. Financial affiliates, despite their number and the high volume of their transactions, filed only one report. Some credit institutions have developed AML/CFT procedures and effective internal control systems, thus facilitating compliance in the reporting activity. However, for other financial institutions and DNFBPs, even with internal control frameworks in place, such mechanisms have not facilitated the detection and disclosure of ML/TF risks.
- l) Djibouti has developed procedures to assess the fit-and-proper criteria of financial institutions, but these measures show significant gaps in preventing criminal infiltration. Regulatory authorities have no comprehensive understanding of the specific risks in their respective sectors and are yet to conduct systematic risk analyses. Although the Djibouti Central Bank conducts regular inspections, the latter do not always follow a risk-based approach, and AML/CFT ratings are not fully developed. Sanctioning capacities are limited, especially for DNFBPs, and no specific AML/CFT sanctions have been meted out to date. Despite the sensitization initiatives launched, their concrete impact on the compliance of

institutions, particularly among DNFBPs and other financial affiliates, is yet to be demonstrated. For DNFBPs, the lack of inspection missions by the supervisory authorities have not improved the level of compliance of the sectors concerned. Apart from the Association of Chartered Accountants, the other competent regulators have not initiated any sensitization activity for their reporting entities.

- m) In the Republic of Djibouti, access to information on the creation and types of legal persons registered with the Trade and Companies Register (RCS) of the Djibouti Office of Industrial and Commercial Assets (ODPIC) and the Free Areas Authority is more accessible and understandable than for NPOs and trusts. However, with no national and sectoral risk assessment and ML/TF typologies, the authorities have no adequate understanding of the risks of involving legal persons and legal arrangements in ML/TF. Current measures to prevent the misuse of legal persons and legal arrangements for money laundering and terrorist financing reveal limited levels of effectiveness. Furthermore, although basic data are collected upon initial registration or incorporation, there is no robust mechanism to ensure the continuous updating of such information. The authorities' access to comprehensive information often requires written requests, which complicates and delays the process. In practice, only banks have beneficial ownership information of legal persons, which is not accessible to the authorities by any other means. Besides, the lack of administrative sanctions for transparency violations and the need to resort to court verdicts limit the effective implementation of sanctions. Finally, the issuance of bearer instruments is not regulated to prevent their misuse to conceal the ownership of legal persons.
- n) In Djibouti, while authorities provide prompt mutual legal assistance and process extradition requests within reasonable timeframes, the predicate offences are sometimes not commensurate with the country's ML/TF risk profile. International cooperation is limited and irregular, focusing primarily on embezzlement, corruption, migrants' smuggling and drug trafficking, rarely incorporating terrorism, terrorist financing and asset recovery. The Financial Intelligence Service does not seek international cooperation due to lack of resources and the poor quality of suspicious transaction reports, while the Customs and Excise Department (DGDDI) is limited to the information exchange on transit. Cooperation between financial institution supervisors and their foreign counterparts is rare, particularly with regard to the fit-and proper criteria for foreigners wishing to hold managerial positions or control shareholding. Furthermore, efforts to exchange information on the beneficial ownership of legal persons are occasional, and the ODPIC does not use contacts with its foreign counterparts to identify the beneficial ownership of foreign legal persons investing in Djibouti.

Risks and general situation

- 2 Djibouti is grappling with a wide range of domestic ML risks, mainly related to crimes committed within its territory, such as embezzlement, breach of trust and drug trafficking. Threats also include criminal activities such as corruption, human trafficking, migrants' smuggling, and customs and tax fraud. Furthermore, several other factors significantly expose the Republic of Djibouti to ML risk, identified in particular by the financial and non-financial private sector. These factors include

the high volume of cash in circulation and hoarding¹ of the Djiboutian Franc (DJF) and US Dollar (USD), fueling a significant share of the informal economy in an environment characterized by a low level of financial inclusion, as well as less frequent external risks from crimes committed abroad.

- 3 Another major challenge is the growing terrorist threat, fueled by groups such as Al-Shabaab in Somalia and Al-Qaeda in the Arabian Peninsula. This threat is exacerbated by Djibouti's geographic proximity to countries such as Somalia and Yemen. Domestically, the Armed FRUD has continued to pose threat since its inception in 1991, with recent incidents illustrating its capacity to pose significant security risks. Djibouti thus finds itself trapped between an external terrorist threat, from extremist groups in neighboring countries, and a domestic threat, embodied by the Armed FRUD.
- 4 Furthermore, strategically located between Africa and Asia, Djibouti facilitates the transit of persons to the Arabian Peninsula, which contributes to irregular migration and security challenges. The situation at Djibouti's land borders also poses security challenges. The difficult geographical features, marked by desert and mountainous areas, complicate monitoring operations and can facilitate the smuggling of goods, human trafficking, significant migratory flows, as well as money laundering and terrorist financing through the cross-border transportation of cash.

Overall level of effectiveness and technical compliance

- 5 Regarding technical compliance with the FATF standards, Djibouti has recently taken significant steps to strengthen its Anti-money laundering and Counter Financing of Terrorism (AML/CFT) regime. Although the Law on Anti-money laundering, confiscation and cooperation in respect of proceeds of crime was adopted in 2001, it is only recently, as of March 2024, that significant progress has been observed. This delay could be attributed to the lack of a FATF-style assessment to date as well as the country's late membership of the MENAFATF Group in 2018.
- 6 These recent strides of progress include the enactment of laws and Decrees designed to address major gaps, particularly relating to Non-profit Organizations (NPOs), the targeted financial sanctions regime, as well as the reorganization and restructuring of the Financial Intelligence Unit. However, it is important to emphasize that these reforms are very recent and that there is still room for improvement to ensure their full implementation and effectiveness.
- 7 The analysis of the current effectiveness of the AML/CFT regime in Djibouti reveals that most of the Immediate Outcomes have not been significantly met. This observation highlights the need for fundamental improvements and more resolute actions to achieve an effective AML/CFT level.
- 8 Despite these poor performance outcomes, there are encouraging signs within the various AML/CFT competent authorities. Their commitment to improving the effectiveness of the system is undeniable, as evidenced by the efforts made to strengthen the technical compliance framework, capacities and inter-institutional collaborations.

Risk assessment and national AML/CFT policies and coordination (Chapter 2 – IO.1; R.1, R.2, R.33 and R.34)

¹ In the context of this sentence, the term "hoarding" refers to retaining cash liquidity or storing money in Djiboutian francs (DJF) and US dollars (USD) outside the formal banking or financial system. This means that individuals or institutions hold these currencies in cash rather than depositing them in banks or using them in formal economic transactions. This behavior contributes to the expansion of the informal economy, as these funds are not fully integrated into the official economic cycle.

9 Djibouti has identified risk sectors and the main domestic ML/TF threats. However, on the one hand, it has not demonstrated a detailed understanding of the actual methods used for ML and TF. On the other hand, the lack of in-depth studies or understanding of certain criminal activities, such as corruption, human trafficking, migrants' smuggling, as well as customs and tax fraud, is often attributable to inadequate statistical data or the lack of in depth investigations. This constraint particularly affects the role of legal persons, the financial sector, designated non-financial businesses and professions (DNFBPs) as well as cross-border flows, whether formal or informal. This situation hinders the adoption of a risk assessment-based approach.

10 Djibouti has developed a national strategy that highlights several key objectives, including improving the anti-money laundering and counter financing of terrorism framework, as well as a commitment to establishing a legal and operational system that is consistent with the FATF 40 Recommendations. Despite this strategic initiative, many supervisory authorities and self-regulatory structures are yet to implement concrete measures to mitigate the risks associated with ML/TF. As at the date of the on-site visit, no exemptions from due diligence measures in high- and low-risk scenarios had been introduced by the authorities.

The initiatives and approaches of the competent authorities in the fight against money laundering and terrorist financing (ML/TF) are perceived as inadequate, due to a gap between the existing risks and the measures taken. In Djibouti, cooperation and coordination among the national authorities involved in this fight are evolving: they are moving from traditional methods, based on personal relations, to formal and structured strategies.

Financial intelligence, money laundering and confiscation (Chapter 3 – IO.6-8; R.3, R.4, R.29-32)

Use of Financial Intelligence

11 The use of financial intelligence and other key information by authorities to build evidence and identify assets derived from money laundering, related crimes and terrorist financing remains inadequate. Besides, the lack of information sharing on terrorist financing constitutes a significant gap in the system

12 . The ANRF is yet to conduct a strategic analysis and annual reports have still not been produced, mainly due to technical limitations, the lack of adequate analytical tools and human resources.

13 The very poor use of information from foreign partners represents a significant gap in view of the risks to which the country is exposed. This deficiency considerably limits the authorities' capacity to identify and trace activities linked to cross-border crimes.

ML Investigations and Prosecutions

14 Djibouti has a legal framework that facilitates the identification of money laundering (ML) cases, but authorities primarily investigate predicate offences without often specifically addressing ML. Although ML is now regularly considered in cases involving illicit proceeds, parallel financial investigations are uncommon. When they do occur, they are typically conducted concurrently with investigations into the predicate offence, a method that has been recently adopted.

- 15 Furthermore, current investigations and prosecutions in Djibouti are not entirely related to clearly identified threats, although there is a growing awareness of their significance. Prosecutions focus primarily on predicate offences such as fraud, with very few cases of stand-alone money laundering.
- 16 The Djiboutian justice system handled a single money laundering case in 2024, without thoroughly assessing the effectiveness of the sanctions meted out. Despite a legislative framework providing for severe sanctions for money laundering, recent court proceedings have not resulted in further adjudications. Furthermore, no specific criminal justice action is currently in place to handle cases where it is impossible to secure a conviction for money laundering, despite ongoing investigations.

Confiscation

- 17 Confiscation is not a political priority, financial investigations are not systematically conducted, and the newly created central unit for seizure and confiscation is yet to be operational.
- 18 The seizure and confiscation of proceeds and instrumentalities of crime and assets of equivalent value are still underdeveloped in Djibouti. This is due to the lack of appropriate mechanisms and training, as well as inadequate coherent and proactive commitments in these areas, as evidenced by inadequate confiscation statistics.
- 19 Djibouti's strategic position as a key intersection in its region for capital and merchandise flow intensifies the risks associated with organized crime, amplified by the presence of criminal networks in neighboring countries.
- 20 Furthermore, the confiscation measures developed are not commensurate with national priorities, resulting in a limited number of confiscations in the areas of corruption, migrants' smuggling, human trafficking, as well as customs and tax offences.
- 21 Furthermore, the customs' capacity to detect money laundering linked to customs offences is limited in terms of the number of reports developed and the amounts seized.

Terrorism Financing and Proliferation Financing (Chapter 4 – IO.9-11; R.5-8)

TF Investigations and Prosecutions

- 22 Prosecution of TF in Djibouti is hampered by several significant challenges. Although authorities have identified several TF-related cases, ongoing investigations have not yet resulted in any court convictions.
- 23 The country has no integrated national strategy to effectively coordinate TF investigations, which compromises the effectiveness of the actions undertaken. Furthermore, the very few ongoing investigations could be attributed to a persistently limited understanding of the CFT-related challenges, exacerbated by the prevalence of the informal economy and geographical challenges in the country's remote areas.
- 24 Finally, the lack of appropriate criminal or regulatory alternatives highlights the deficiencies of the current CFT regime in Djibouti. This lack of appropriate tools hinders the authorities' capacity to effectively sanction TF activities, in spite of the efforts deployed to identify such threats.

Prevent terrorists from collecting, moving and using funds

- 25 During the review period, the Republic of Djibouti had not developed any adequate legal and institutional framework for the effective implementation of Targeted Financial Sanctions (TFS), pursuant to United Nations Security Council Resolutions 1267 and 1373. The authorities had not ensured the updating and proactive transmission of the lists of targeted individuals and entities, nor had they organized adequate sensitization activities with regulated entities and the general public on TFS requirements.
- 26 While some financial institutions understand their responsibilities in terms of verification, screening of customers and transactions, most of them resort to automated implementation, without distinguishing between the various types of sanctions or fully understanding the funds freezing imperatives. Furthermore, designated non-financial businesses and professions (DNFBPs) and insurance companies are not fully aware of their specific TFS-related obligations and lack adequate mechanisms for their implementation.
- 27 The authorities are yet to identify NPOs vulnerable to TF and implement supervision and awareness-raising measures commensurate with the risk level. Although capacities have been demonstrated to identify and seize assets linked to specific terrorist acts, efforts to seize assets and instrumentalities linked to terrorist financing activities are limited, due to the recent awareness of this issue. Finally, the lack of measures to remove funds from the reach of actual or potential terrorists by preventing the misuse of NPOs and using TFS is not commensurate with the On the whole TF risk profile (external and domestic threat) in the Republic of Djibouti.

Financial sanctions on proliferation financing

- 28 The Republic of Djibouti has no adequate legal framework to prevent the proliferation of weapons of mass destruction and their financing. It does not fully understand the risks associated with this type of financing, has not put in place adequate mechanisms or organized sensitization activities, and reporting entities are not being monitored to ensure their compliance with measures designed to combat this type of financing.

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

- 29 The effectiveness of ML/TF risk prevention in Djibouti is hampered by the size of the informal sector, where due diligence measures are inadequate. Large banks demonstrate a good understanding of their ML/TF risks and regulatory obligations. However, the other banks and financial institutions interviewed by the Assessment Team, such as financial affiliates and microfinance institutions, are struggling to fully understand the specific risks associated with the use of cash and the magnitude of the informal sector in the national economy. Besides, insurance companies, which are not dealing in life insurance and savings products, have not been implementing proportionate measures to prevent ML/TF.

- 30 On the whole, large financial institutions implement appropriate customer due diligence measures, while financial affiliates and small banks often avoid dealing with customers requiring enhanced measures, without always filing suspicious transaction reports to the National Financial Intelligence Agency (ANRF).
- 31 The reporting activity in Djibouti reveals a distinct disparity among credit institutions, with only a few filing reports. Financial affiliates, despite their number and the high volume of their transactions, filed only one report.
- 32 DNFBNs submitted no report between 2018 and 2022. Some credit institutions have developed AML/CFT procedures and effective internal control systems, thus facilitating compliance in the reporting activity. However, for other financial institutions and DNFBNs, even with the internal control frameworks in place, these mechanisms did not facilitate the detection and disclosure of ML/TF risks.

Supervision (Chapter 6 – IO.3; R.26-28, R.34-35)

- 33 Although Djibouti has put in place procedures to assess the fit-and-proper status of financial institutions, these measures still show shortcomings in preventing criminal infiltration.
- 34 The Regulatory authorities have no comprehensive understanding of the risks specific to their respective sectors and are yet to conduct systematic risk analyses. Although regular inspections are conducted by the Djibouti Central Bank, the latter do not always follow a risk-based approach, and AML/CFT ratings are not fully developed.
- 35 Furthermore, sanctioning capacities are limited, especially for DNFBNs, and no specific AML/CFT sanctions have been meted out to date. While awareness-raising initiatives have been launched, their concrete impact on institutional compliance, particularly among DNFBNs and other financial affiliates, remains to be demonstrated.
- 36 For DNFBNs, the lack of inspection missions conducted by the supervisory authorities has not improved the level of compliance of the relevant sectors. Apart from the Association of Chartered Accountants, the other competent regulators have not initiated any sensitization activity for their reporting entities.

Transparency of legal persons and legal arrangements (Chapter 7 – IO.5; R.24-25)

- 37 Access to information on the creation and types of legal persons registered with the Trade and Company Register (RCS) of the Djibouti Office of Intellectual and Profitable Assets (ODPIC) and the Free Areas Authority is more accessible and comprehensible than for civil society organizations and trusts in the Republic of Djibouti.
- 38 However, the lack of national and sectoral risk assessment, coupled with the inadequate information collected in an economy with a significant informal sector, hinders the authorities' access to essential information without delay.
- 39 Current measures to prevent the misuse of legal persons and arrangements for ML/TF reveal limited effectiveness. Although basic data are collected upon initial registration or incorporation, there is no robust mechanism to ensure that this information is continuously updated.
- 40 Access to comprehensive information by the authorities often requires written requests, complicating and delaying the process. In practice, only banks have beneficial ownership information of legal persons, which is not accessible to the authorities by any other means. Besides, the lack of administrative sanctions for transparency-related violations and the need

to resort to court verdicts limit the effective implementation of sanctions. Finally, the issuance of bearer instruments is not regulated to prevent their being misused for the purpose of concealing the beneficial ownership of legal persons.

International Cooperation (Chapter 8 – IO.2; R.36-40)

- 41 Although the Djiboutian authorities provide relatively rapid mutual legal assistance and can implement extradition requests within reasonable timeframes, the types of predicate offences related to the requests issued are not in line with the ML/TF risk profile of the Republic of Djibouti. The proactive use of cooperation is inadequate given the transnational nature of most of the predicate offences.
- 42 Djibouti's international cooperation is irregular, limited to embezzlement, corruption, migrants' smuggling and drug trafficking. Cooperation in matters of terrorism, TF and asset recovery is very weak.
- 43 The Financial Intelligence Service does not often resort to international cooperation despite the suspicious transaction reports received, due to the lack of resources and the quality of the reports. The DGDDI limits itself to the exchange of information on transit.
- 44 There is very little cooperation between FI supervisory authorities and their counterparts regarding the fit-and-proper criteria for foreign persons seeking to occupy management positions or hold controlling shares in FIs in Djibouti.
- 45 Efforts by the authorities to exchange basic and beneficial ownership information of legal persons are rare. The ODPIC does not use foreign counterparts to inquire about the beneficial ownership of foreign legal persons seeking to invest in Djibouti.

Priority actions

The Republic of Djibouti should:

- a.) **Improve risk understanding** by updating the NRA, and including data on understudied crimes and sectors.
- b.) **Develop sectoral analyses** and adapt strategies, policies, regulations and supervisory measures based on a comprehensive vision and an updated understanding of risks, while strengthening supervisory authorities and self-regulating bodies.
- c.) **Optimize the use** of available financial information sources by equipping key players with efficient information systems, connecting internal databases and establishing secure communication channels. Provide financial investigation training to ML/TF investigative bodies. Furthermore, optimize the operational and strategic capacities of ANRF by providing it with technical means and qualified human resources. Finally, establish cooperation agreements with counterpart FIUs and accelerate the process of joining the Egmont Group.
- d.) **Systematize parallel** and ML investigations when investigating all profit-generating offenses, including corruption, within all investigative and prosecution services using special investigative techniques. Training for criminal investigation and prosecution staff should be intensified to improve case identification, investigation, and more convictions, consistent with the country's risk profile.
- e.) **Develop and adopt complementary measures** to the national counter-terrorism strategy that incorporate investigations into the financing of terrorism (FT). These investigations should be conducted proactively, even if the incidents are not directly linked to a terrorist attack occurring in the Republic of Djibouti.

- f.) **Strengthen the coordination of the National Counter-Terrorism Committee** with intelligence agencies, law enforcement authorities, the ANRF and administrative freezing authorities, In order to improve the exchange of information, the collection of evidence, and the effectiveness of actions taken to combat TF.
- g.) **Strengthen mechanisms for international cooperation**, both formal and informal, including to address transnational crimes such as drug trafficking, migrant smuggling, corruption and terrorist financing.
- h.) **Implement the new legal framework for Targeted Financial Sanctions**, in line with UN Security Council Resolutions 1267, 1373 and 1718.
- i.) **Develop notification mechanisms** for reporting entities and the general public for new designations, without delay.
- j.) **Proactively inform** reporting entities and the public of their TFS-related obligations, and systematically monitor the implementation of TFS to detect potential deficiencies. Assess evasion risks of different forms of persons and legal entities to identify those with the highest levels of risk in the national context.
- k.) **Assess the risks of misuse** of different forms of legal entities and arrangements in order to identify those exposed to the highest levels of risk in the national context.

Ratings for Effectiveness and Technical Compliance

Level of Effectiveness

IO.1 – Risks, policies and coordination	IO.2 – International cooperation	IO.3 – Supervision	IO.4 – Preventive measures	IO.5 – Legal persons and legal arrangements	IO.6 – Financial intelligence
Low	Moderate	Low	Low	Low	Low
IO.7 – ML Investigations and Prosecutions	IO.8 – Confiscation	IO.9 – TF investigations and prosecutions	IO.10 – Preventive measures and financial sanctions related to TF	IO.11 – Financial sanctions related to TF	
Low	Low	Low	Low	Low	

Effectiveness level ratings (high, significant, moderate or low)

Technical Compliance Level

R.1 – Risk assessment and implementation of a risk-based approach	R.2 – National cooperation and coordination	R.3 – Money laundering offence	R.4 – Confiscation and provisional measures	R.5 – Terrorist financing offence	R.6 – Targeted financial sanctions related to terrorism and terrorist financing
PC	PC	LC	LC	PC	LC

R.7 – Targeted financial sanctions related to proliferation	R.8 – Non-profit organizations	R.9 – Financial Institutions Professional Secrecy Laws	R.10 – Customer due diligence	R.11 – Record-keeping	R.12 Politically exposed persons
PC	PC	C	PC	LC	LC
R.13 – Correspondent Banking	R.14 – Money or value transfer services	R.15 – New technologies	R.16 – Wire transfers	R.17 – Reliance on third party	R.18 – Internal controls and foreign branches and subsidiaries
C	C	NC	LC	N/A	LC
R.19 – Higher-risk countries	R.20 – Suspicious transactions reporting	R.21 – Disclosure and confidentiality	R.22 – DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency and Beneficial ownership of legal persons
PC	C	C	PC	PC	PC
R.25 – Transparency and beneficial ownership of financial legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervisory authorities	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial Intelligence units	R.30 – Responsibilities of Law Enforcement authorities
PC	PC	LC	PC	LC	C
R.31 – Powers of the Law enforcement authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
C	C	PC	PC	PC	PC
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international cooperation		
PC	PC	LC	PC		

Technical compliance level (C—compliant, LC—largely compliant, PC—partially compliant, NC—non-compliant, NA—Not applicable)

MUTUAL EVALUATION REPORT OF THE REPUBLIC OF DJIBOUTI

This report presents the AML/CFT measures in force as at the time of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT regime, and proffers recommendations to strengthen this regime.

This evaluation is based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. It was conducted based on the information provided by the country's authorities and obtained by the Assessment Team during its on-site visit to the country from 18th February to 7th March 2024.

The evaluation was conducted by a team comprising:

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This team was supported by:

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The report was reviewed by Ms. Marjana Grašič (Slovenia), Mr. Cyprien DABIRE (Burkina-Faso) and the FATF Secretariat.

The Republic of Djibouti became a member of the MENAFATF on 15th March 2018. Thus, no FATF-style evaluation had been conducted prior to that date.

Chapter 1: Risks and Contexts of Money Laundering and Terrorist Financing (ML/TF)

- 46 The Republic of Djibouti gained independence on 27th June, 1977. With an area of 23,200 km², it has a coastline of approximately 314 km along the Red Sea. The Djibouti seaport, the largest in East Africa, is an important commercial platform for Djibouti and several countries in the region. Djibouti shares land borders with Eritrea (109 km), Ethiopia (342 km), Somalia (58 km), including the Somaliland region (58 km). Djibouti is sub-divided into 6 administrative structures, comprising 5 regions and the capital, Djibouti-city, which is divided into 3 communes. Its political and administrative capital is Djibouti. However, almost all institutions are located in Djibouti-city, the country's main economic hub. Other cities with significant populations include Ali Sabieh and Dikhil. As at end 2023, Djibouti had a population of approximately 1 million inhabitants.
- 47 Djibouti's economy is growing, with an estimated GDP of US\$3.52 billion in 2022. The transport sector has been driving this growth, with the Djibouti Sea Port, the largest port in the Horn of Africa, playing a central role in regional and international trade. Trade is another important sector, with Djibouti serving as a hub for trade between Europe, Asia and Africa. Services, including financial services, professional services are also growing.
- 48 Djibouti is a member of the African Union (AU)², the Intergovernmental Authority on Development (IGAD)³, the Arab League⁴, the Organization of Islamic Cooperation (OIC)⁵ and the Indian Ocean Commission (IOC)⁶. Djibouti is actively participating in the African Union Mandate in Somalia (AMISOM). The country collaborates closely with foreign forces stationed on its territory in peacekeeping, counter-terrorism, and piracy prevention operations.
- 49 Djibouti uses the Djibouti Franc (FDJ) as its legal tender, pursuant to Article 4 of the Djibouti Central Bank Statutes. The monetary unit is abbreviated as "FDJ" placed before the number indicating the number of monetary units. The Djibouti Franc is divided into 100 cents, with coins in circulation of 1 FDJ, 2 FDJ, 5 FDJ, 10 FDJ, 100 FDJ, 250 FDJ, and 500 FDJ, as well as banknotes of 1000, 2000, 5000, and 10,000 FDJ. The Djibouti Central Bank is the official issuer of this currency. Since 1949, the Djibouti Franc has been pegged to the U.S. dollar at a fixed rate. Currently, the prevailing rate is 1 USD for 177.721 FDJ, a rate that has remained unchanged since 1973, thus providing some stability in relation to currency fluctuations.

² **African Union (AU):** Djibouti is one of the founding members of the AU, which was established in 2002. The AU is a continental organization that aims to promote African unity and solidarity, defend the sovereignty and territorial integrity of African States, and promote the continent's economic and social development.

³ **Intergovernmental Authority on Development (IGAD):** Djibouti has been a member of IGAD since its inception in 1986. IGAD is a regional organization that aims to promote cooperation and development in the Horn of Africa.

⁴ **Arab League:** Djibouti has been a member of the Arab League since 1977. The Arab League is an intergovernmental organization that aims to promote cooperation and solidarity among Arab countries.

⁵ **Organization of Islamic Cooperation (OIC):** Djibouti has been a member of the OIC since 1978. The OIC is an intergovernmental organization that aims to promote cooperation and solidarity among Muslim countries.

⁶ **Indian Ocean Commission (IOC):** Djibouti has been a member of the IOC since 1986. The IOC is an intergovernmental organization that aims to promote cooperation and development in the Indian Ocean region.

- 50 The 1992 Djiboutian Constitution, revised in 2010, establishes a presidential regime where executive power is held by the President, head of the government elected through direct universal suffrage for a 5-year tenure. Pursuant to Article 40 of Constitutional Law No. 92/AN/10/-ème L amending the Constitution, the Prime Minister implements the President and Head of State's policies, coordinates and facilitates Government's activities. The legislative branch is made up of a single Parliament called the National Assembly. The Constitutional Council ensures the functioning of the institutions and plays the role of judge of the constitutionality of laws. The judiciary, on its part, is structured around the Supreme Court, the highest court in the country established in 2012. A hierarchical judicial system, comprising Courts of Appeal, courts of first instance, an administrative court and a Court of Auditors, ensures the enforcement of laws throughout the territory.
- 51 Djiboutian law follows a strict hierarchy of standards. The Constitution, the supreme document adopted in 1992 and revised in 2010, lays the foundations of the organization of the State and fundamental rights. Below are the laws, voted by Parliament and are supposed to respect the Constitution. Regulatory acts, such as Decrees and Orders, adopted by the executive branch, come next, specifying and supplementing the laws. Customs, recognized by the Constitution and the law provided they are compatible with public order and sound morals, occupy a special place. Finally, case law, although not formally a source of law, can influence court verdicts.

Money laundering and terrorist financing risks and high-risk issues

- 52 This part of the report summarizes the assessment team's understanding of the ML/TF risks in Djibouti. It is based on documents provided by Djibouti, publicly available documentation, discussions with the relevant authorities and private sector during the on-site visit.

ML/TF threats

- 53 Djibouti is grappling with a wide range of domestic and external money laundering (ML) risks, mainly from the proceeds of crimes committed on its national territory. However, these risks are amplified by the country's strategic location. The NRA indicates that the predominant threats to Djibouti are embezzlement, breach of trust, fraud, and possession and sale of narcotics. However, these crimes do not fully represent the national risk landscape, with some criminal activities being poorly defined or not thoroughly understood, particularly where investigations have not been conducted and statistics are inadequate. Threats such as corruption, human trafficking, migrants' smuggling, and customs and tax fraud are not currently considered to be existing and imminent risks.
- 54 Furthermore, several other factors strongly expose the Republic of Djibouti to ML risks, identified in particular by the financial and non-financial private sector. These factors include the high volume of cash circulation and hoarding in Djiboutian Francs (DJF) and US Dollars (USD), fueling a significant share of the informal economy in an environment characterized by a low level of financial inclusion. Furthermore, banks and foreign exchange bureaus, in order to regulate their foreign currency positions, carry out export and import transactions subject to the prior approval of the BCD. Such transactions are subject to customs control and require the filing of a customs declaration, pursuant to the provisions of

Article 85 of the Customs Code. However, no clear guidelines have been established to assess and mitigate the risks inherent in this type of transaction.

- 55 On the other hand, Djibouti's strategic position, located between Africa and Asia (Middle East) on one of the busiest maritime routes in the world, exposes the country to additional challenges in terms of money laundering and terrorist financing. As a major transit point for illegal immigration to the Arabian Peninsula, Djibouti is also vulnerable to the activities of facilitators who exploit these routes for their illicit operations. In 2021, according to the International Organization for Migration (IOM), 79,181 entries were recorded on the national territory, mainly from Ethiopia for economic reasons and heading to the Arabian Peninsula. The main corridor used is that of the North of the country, due to its proximity to Yemen, via Obock. This migration illustrates Djibouti's role as a transit point to the Arabian Peninsula.
- 56 Djibouti faces a growing terrorist threat due to the presence of Al-Shabaab in Somalia, as well as Al-Qaeda in the Arabian Peninsula (AQAP) and the Islamic State in Yemen. This situation creates a heightened terrorist threat in the East African region. Djibouti's geographical proximity to Somalia and Yemen constitutes a major risk factor, as evidenced by the 2014 Al-Shabaab suicide bombing, which demonstrated that Djibouti is not immune to the terrorist threat. Financial flows that could be used to finance terrorist activities represent a growing concern for the Djiboutian authorities.
- 57 57. However, the security challenge is not limited to external terrorist organizations. The Armed Front for the Restoration of Unity and Democracy (FRUD)⁷, designated as a terrorist entity by a 2022 law, poses a significant domestic threat. Established in 1991, the group waged an insurgency against the Djiboutian government, causing the death of approximately 100 people up to 2014. Since then, there have been a few attacks. In January 2021, the Armed FRUD killed a police officer, and in October 2022, it attacked a military barracks in Garabtisan, killing seven soldiers, wounding four, and taking six hostages.
- 58 Djibouti thus finds itself caught between an external terrorist threat, coming from extremist groups in neighboring countries, and an internal threat, embodied by the Armed FRUD. These two threats increase the risks of terrorist financing, as groups seek to exploit the deficiencies of the financial system to finance their operations. This poses an additional challenge for the Djiboutian authorities, who must strengthen surveillance and preventive measures to counter these growing risks.

ML/TF Vulnerabilities

- 59 Djibouti is grappling human, material and financial resource gaps in its national anti-money laundering and counter financing of terrorism (AML/CFT) capacity, as identified by the NRA within key structures such as the Financial Intelligence Service (SRF) and the National Counter Terrorism Committee. These gaps include limited knowledge of AML/CFT issues, the effectiveness of supervision or monitoring activities, the organizational compliance function, and the monitoring and reporting of suspicious activities. They are due to several factors, including the cross-border nature of some financial

⁷ Clarification regarding the distinction between the FRUD armed group and the FRUD party, a legal party that is a member of the country's ruling alliance. The armed group FRUD is, as already mentioned, designated at the national level as a terrorist group.

transactions, the predominant use of cash, the use of agents in jurisdictions with low level of compliance with international AML/CFT standards, transactions involving high-risk jurisdictions, and the presence of informal actors in the manual foreign exchange market.

- 60 In the banking sector, inadequately implemented preventive measures and ineffective risk-based supervision constitute fundamental vulnerabilities. The deficiencies include limited AML/CFT knowledge among bank staff, heterogeneous internal training that is unsuitable to national requirements, lack of trained AML/CFT staff for supervision within the Djibouti Central Bank (BCD), inadequate AML/CFT supervision, limited capacities of the Financial Intelligence Service, and gaps in the internal AML/CFT structure, as well as internal procedures and manuals that are unsuitable to detection and reporting requirements. Furthermore, banking information systems vary considerably among banks, and external AML/CFT audits are non-existent.
- 61 The informal economy in Djibouti, representing 32% of GDP in 2020 ⁸, and the low banking rate - around 7% in 2007 and rising to 34% in 2023, are vulnerability factors. A significant percentage of transactions are conducted in cash, particularly in the real estate sector, which increases the risks of money laundering.
- 62 In addition, porous borders and the limited scope of customs controls, mainly focused on customs offences rather than on AML, constitute significant vulnerabilities to money laundering risks, especially in a regional context where jihadist/terrorist groups are active, thus increasing TF risks.

Country's risk assessment and identification of higher-risk areas

- 63 In February 2022, Djibouti conducted its first-ever national risk assessment of money laundering and terrorist financing with technical assistance from the World Bank. This assessment was officially approved in July 2022 by the National Counter Terrorism Committee. The objective of this assessment was to analyze the risks of money laundering and terrorist financing by identifying the threats and vulnerabilities. To achieve this, eight working groups were formed, focusing on threats, sectoral and cross-cutting vulnerabilities, as well as risks related to financial inclusion products. This national risk assessment brought together various stakeholders from the public sector as well as representatives from the private sector.
- 64 The sources of information used are both quantitative (law enforcement statistics, such as information on predicate offences, as well as data from the financial and non-financial sector, and questionnaires, etc.) and qualitative (expert opinions, meetings and interviews with various professionals and institutions, and reports from international organizations).
- 65 The vulnerability level assessment includes two components:
- **National Capacity Analysis:** This section assesses the measures and resources put in place by the government and relevant authorities to fight against money laundering and terrorist financing. This could include aspects such as the legislation in place, the quality of regulatory and law enforcement institutions, and coordination efforts between the various agencies and ministries involved.

⁸ Latest survey by the Djibouti National Institute of Statistics.

- **Sectoral Vulnerability Analysis:** This section examines the country’s most important economic sectors to identify high-risk areas for money laundering and terrorist financing. Factors considered in this analysis include the sector-specific regulatory framework, the effectiveness of existing control measures, the level of knowledge of industry players on these issues, and the nature of the products or services provided and their tendency to be misused for illicit purposes.
- 66 Furthermore, the NRA includes the correlation between the fight against money laundering and terrorist financing, as well as financial integration in the specific context of Djibouti. Finally, recommendations are proffered in the NRA to mitigate the risks identified.
- 67 The money laundering threat assessment is divided into two main aspects. Firstly, it focuses on assessing the predicate offences that generate the proceeds of crime, their scale and the sectors in which these proceeds are invested and laundered. Secondly, it focuses on assessing cross-border threats.
- 68 During this financial year, nearly 15,215 prosecutions were recorded by the judicial authorities between 2016 and 2020, with 1,548 convictions, mainly for crimes such as theft, fraud, breach of trust and drug trafficking. The most common offences convicted are theft (66%), fraud (13%), breach of trust (12.5%) and drug trafficking (4%). These offences are classified into three categories of money laundering risk:
- In the "High" category, we have embezzlement, breach of trust, fraud and drug trafficking.
 - In the "Medium and Medium-Low" category, theft, counterfeiting of banknotes, human trafficking and issuance of dud cheques represent the intermediate risks.
 - The last category, "Low" risk, includes acts of terrorism and firearms trafficking, with a lower risk of money laundering.
- 69 In the sectoral assessment conducted by the NRA, a variety of sectors were considered, including banks, financial affiliates (including money transfer and foreign exchange bureaus), microfinance, the electronic money issuers sector, the insurance sector, lawyers, accountants, and gaming establishments. The ratings assigned to each of these sectors are summarized as follows:
- 70 Banks and financial affiliates stand out as the riskiest, due to their complexity and close links with various economic elements. On the other hand, microfinance and electronic money issuers display a medium risk, while insurance, accountants and lawyers seem to operate in a relatively low-risk Area. Finally, gaming establishments also share a high-risk level, their sensitivity to fluctuations in demand and regulation placing them under constant due diligence.
- 71 The NRA also includes an assessment of Djibouti’s exposure to terrorist financing (TF) risk, concluding that the On the whole terrorist financing threat level is rated as “medium-low”. However, the On the whole vulnerability to terrorism and terrorist financing is rated as “medium-high”. Therefore, the On the whole terrorist financing risk for the Republic of Djibouti is assessed as “medium”.
- 72 The main TF risk factors identified by the NRA have to do with the:
- ***Presence of several terrorist groups in neighboring countries***, including Al-Shabaab in Somalia, as well as AQAP and the Islamic State groups in Yemen.

- ***Geographical proximity to tension hubs:*** Djibouti is located in close proximity to Ethiopia, Somalia and Yemen, unstable regions plagued by civil wars and armed conflicts. This proximity exposes Djibouti to an influx of refugees and migrants, increasing its vulnerability to terrorism and terrorist financing.
- ***Porosity of borders:*** Although Djibouti has border checkpoints, such as Loyada, Guelileh and Galafi, as well as a maritime checkpoint in Obock, these borders are relatively porous due to the lack of means and resources of the surveillance officials. Migrants and traffickers can easily bypass these checkpoints, thereby facilitating illicit transit.
- ***Socio-economic situation:*** High unemployment rates among youth, reaching 65.1% for those aged 15-34 and 86.2% for those aged 15-24, as well as poverty affecting a large portion of the Djiboutian populace, contribute to increased vulnerability to terrorist financing. Desperate individuals are more likely to engage in illicit activities, including terrorist financing, to make a living.

73 In conclusion, the NRA identified that the terrorist threat to Djibouti is primarily external and emanates from the region. Although the NRA did not specifically identify the main criminal sources of terrorist financing, the Djiboutian authorities revealed some sources, particularly for “domestic” terrorism, including the commission of predicate offences such as cattle rustling, extortion, and looting.

74 The NRA provided by the authorities leaves no doubt about the intensity of the exercise that led to this report, and the Assessment Team shares many of its conclusions. However, a number of elements are likely to negatively impact the Djiboutian authorities' understanding of ML/TF risks in the country. For instance, the NRA does not examine in detail the flows linked to many criminal activities such as: financial and commercial flows linked to corruption, those linked to human and migrants' smuggling as well as financial and commercial flows linked to cross-border crime. Similarly, it did not examine activities linked to the informal and underground economy, as well as activities linked to the Djibouti Free Area. Furthermore, the analysis was based on limited data (for instance, the very few STRs and financial investigations), particularly with regard to TF risk, which is therefore not adequately distinguished from terrorism risk. On the other hand, the NRA did not raise the internal threat posed by the "FRUD" Group, designated by the Djibouti authorities as a terrorist group.

Identification of higher-risk areas

75 The following topics received particular attention during the on-site visit and are reflected in the report's analysis:

- **Understanding the risks** of corruption and other criminal activities such as human, migrants' smuggling and drug trafficking. The importance of implementing a coordinated risk-based approach in a volatile regional context was highlighted. This includes aligning the national AML/CFT strategy with the identified risks, as well as ensuring consistency in sectoral policies and operational activities of competent authorities and self-regulatory bodies.
- **Supervising a financial system**, particularly banking, dominated by large financial groups and highly interconnected. And the supervision and effectiveness of supervising financial institutions and DNFBPs.

- **Suppression the laundering of proceeds of cross-border crimes**, with emphasis on the effectiveness of judicial authorities in prosecutions, as well as the effectiveness of asset recovery measures and the national and international cooperation efforts of prosecutorial authorities and the ANRF.
- **Terrorist financing risk** due to the growing terrorist threat and the potential presence of terrorist groups in border regions, as well as the internal threat posed by the Armed FRUD. We have examined in detail the financing methods used and the measures taken by the authorities.
- **Legal and institutional framework** for the implementation of TFS pursuant to UNSC Resolutions 1267 and 1373.
- **Informal sector and cash transactions** in the economy of Djibouti, with an assessment of their potential use in money laundering and terrorist financing, as well as the counter-measures put in place."

Identification of lower-risk areas

76 Although information on the financial sector and designated non-financial businesses and professions is limited, an analysis of data provided by the authorities has identified the insurance sector and, to some extent, chartered accountants as presenting lower risks of money laundering and terrorist financing in Djibouti. Indeed, there is no marketing and capitalization of life insurance products in the country. On the other hand, and during the interviews, the Chartered Accounting profession and its professional association demonstrated a good understanding and mastery of the ML/TF risks to which they are exposed. In this context, they presented a solid sectoral analysis.

Elements of specific importance (materiality)

77 As mentioned earlier, Djibouti's economy is booming, with an estimated GDP of US\$3.9 billion in 2023. The transport sector is driving this growth, thanks in particular to the Djibouti Sea Port, the largest port in the Horn of Africa, which plays a central role in regional and international trade. Trade is also a crucial sector, with Djibouti acting as a hub for trade between Europe, Asia and Africa. Furthermore, services, such as financial services, professional services and tourism, are also recording significant growth.

78 The Republic of Djibouti aims to become a regional financial hub in order to support the development of the commercial and logistics centre. Banks belonging to large international groups represent more than 86% of the total balance sheets of all financial institutions in 2023. They finance a large portion of industrial and business projects, as well as import/export finance, while maintaining retail banking. Small banks generally belonging to regional groups are well established in local trade and also in import/export finance. The financial inclusion rate posted 34% in 2024.

- 79 The number of licensed banks operating in Djibouti in 2023 stands at thirteen (13), including ten (10) Conventional banks and three (3) Islamic banks. The majority of these banks are generally foreign-owned or subsidiaries of European, Middle Eastern and African banking groups. The banking network has 64 branches spread nationwide.
- 80 The total assets of banks operating in Djibouti in 2023 amounted to FDJ 637,379 million, representing 89% of GDP. The banking sector accounts for 98% of the total assets of the formal financial sector, while the non-banking financial sector accounts for 2 % of total formal financial sector assets. The number of adults with a bank account in 2023 stood at 188,654 (excluding microfinance institutions) according to the Djibouti Central Bank’s Financial Access Survey, while the financial inclusion rate in 2023 reached 34%, as against 28% in 2018. The increase in the financial inclusion rate was due to various reasons, including Djibouti’s efforts to reduce reliance on cash.

Table 1.1. Number of Financial Institutions supervised by the Djibouti Central Bank

Types and names of Reporting Institutions in Operation	2023
1. Conventional banks	10
2. Islamic banks	3
3. Specialized financial institutions	3
4. Microfinance institutions	4
5. Financial Affiliates (transfer and foreign exchange bureaus)	19
6. Electronic Money Issuers	2
Total	41

- 81 Given the economic and demographic situation of the Republic of Djibouti, financial affiliates play a key role in international fund movements, as well as in the circulation of cash DJF and USD in the formal and informal economy. In this regard, it should be noted that the parity is fixed between the DJF and the USD.
- 82 Since this is a flow activity, the role of money transfer agents is essential in maintaining financial links with the Djiboutians in the diaspora.
- 83 Finally, the issuance of electronic money in the form of Mobile Money is growing rapidly given the wide distribution of mobile phones which facilitates the use of this method of payment.
- 84 Djibouti has no capital market or stock exchange trading financial instruments.

Structural elements

- 85 The Republic of Djibouti enjoys relative stability, although the region may be grappling with security challenges. However, the situation at Djibouti's land borders generates certain security challenges. The difficult geographical features, marked by desert and mountainous areas, complicate control operations, and could facilitate the smuggling of goods, human trafficking and significant migratory flows, as well as the cross-border transportation of cash.
- 86 Djibouti's geostrategic location represents an invaluable asset, forming the basis for international alliances that go beyond mere security partnerships. As a highly coveted area, Djibouti is of dual geostrategic importance. The country controls the strait connecting the Red Sea to the Gulf of Aden hosting significant global maritime traffic, on one hand, and constitutes a key strategic point for surveillance and intervention in the region, on the other.
- 87 Djibouti has the structural foundations required to establish an effective anti-money laundering and counter financing of terrorism regime, thanks to its political and institutional commitment, the rule of law, and a high level of political engagement. This is demonstrated by the recent adoption of a set of significant laws and Decrees aimed at addressing some of the critical gaps, including those relating to NPOs and the targeted financial sanctions regime.
- 88 Furthermore, Djibouti has strengthened its bilateral relations with all the main authorities involved in the fight against money laundering and terrorist financing, including the National Counter Terrorism Committee (CNLT), which plays a central role in supervising internal cooperation and coordination.

Other contextual elements

- 89 In Djibouti, a series of changes have been put in place to strengthen its anti-money laundering and counter-terrorism financing system, particularly with regard to the financial inclusion policy and its legal framework. The efforts made by the various stakeholders, as well as the analysis of indicators of access to and use of financial services, demonstrate the progress made in the area of financial inclusion.
- 90 The increase in the number of credit institutions began in 2006, increasing from 2 banks in 2005 to 13 banks in 2023. The number of bank branches increased from 8 branches in 2005 to 64 branches in 2023, a significant growth of 800% across the country. Over the same period, the number of ATMs made available to customers increased from 4 in 2005 to 148 in 2023. Indeed, the On the whole rate of use of banking services was estimated at 32% in 2020, while the banking rate in its broadest sense reached 34% for the same period. In this context, Djibouti has adopted a National Financial Inclusion Strategy (SNIF) for the period 2021-2026, in order to accelerate financial inclusion and achieve its objectives in a coordinated manner.
- 91 Within the framework of preventing and fighting against corruption, the Republic of Djibouti established the National Anti-Corruption Commission in 2013. The Commission receives complaints from natural or legal persons on acts of corruption. It uses information and investigates reports and complaints relating to suspicions of corruption brought before it.

92 In 2018, the Republic of Djibouti joined the MENAFATF, which *de facto* constitutes another indication of the country's commitment to improving its governance.

AML/CFT Strategy

93 The Republic of Djibouti recently defined its first National Anti-Money Laundering and Counter Financing of Terrorism Strategy in the document captioned "2024-2025 National Anti-Money Laundering and Counter Financing of Terrorism Strategy". This strategy highlights several key objectives, including improving the AML/CFT regime, as well as the commitment to establish a legal and operational system in line with the FATF 40 Recommendations.

94 In order to structure its action, the Republic of Djibouti plans to focus on three main areas: establishing an appropriate institutional organization, ensuring its legal corpus' full legal and regulatory compliance, and continuously improving the effectiveness of its overall AML/CFT regime.

Institutional framework

95 The key Departments, Agencies, bodies and State Authorities responsible for the development, supervision, monitoring and implementation of AML/CFT policies and strategies in the Republic of Djibouti are as follows:

Coordination and organization

- **The National Counter Terrorism Committee (CNLT)** is in charge of drafting proposals for the implementation of the FATF Recommendations and taking the necessary measures to fight against terrorist threats, including counter financing of terrorism. Since Law No. 106 of 7th March 2024 was enacted, this Committee has been replaced by the National Committee for the Coordination of AML/CFT/PF. It is chaired by the Prime Minister and its mandate has been strengthened and more clearly defined.
- **The Technical AML/CFT/PF Committee** has the mandate to provide support to the CNLT, and particularly implement AML/CFT measures in the domestic legal system. Its members include the Director of Legislation of the Ministry of Justice (Chairman), the Director of the Treasury and Public Accounting, the Director of Legal and Consular Affairs of the Ministry of Foreign Affairs, the Deputy Director of the of the National Police Headquarters, the Director of the Financial Intelligence Service (SRF) of the BCD, a representative of the General Department of National Security and a representative of the Coast Guard. Its composition has been strengthened and the members now include the State Prosecutor's Office, Customs Department and the Anti-Corruption Commission.
- **National Independent Commission for the Prevention and Fight against Corruption.** The Commission is responsible for: developing and implementing the national strategy for the prevention and fight against corruption;

receiving complaints from natural or legal persons relating to acts of corruption. It uses information and investigates reports and complaints relating to suspicions of corruption brought before it.

- **The Financial Intelligence Service (SRF), recently renamed the National Financial Intelligence Agency (ANRF),** is an independent, administrative financial intelligence unit with legal personality and financial autonomy. It is attached to the National Committee for the Fight against Money Laundering, Terrorism Financing and the Proliferation of Weapons of Mass Destruction (National Coordinating Committee). The ANRF receives and analyzes suspicious transaction reports (STRs), as well as other types of reports and all information relating to money laundering, related offences and terrorism financing received from reporting entities pursuant to the extant laws on the prevention and fight against ML/TF. Furthermore, the ANRF receives and analyses information and requests received from the supervisory authorities, State departments, judicial and police authorities, as well as the Financial Intelligence Units (FIU), which perform functions similar to those of the ANRF, within the framework of mutual collaboration. The ANRF is headed by a Director General, appointed by a Decree issued by the President and Head of State on the proposal of the National Coordinating Committee, and assisted by a Deputy Director General appointed under the same conditions.
- **The Djiboutian Office of Industrial and Profitable Assets (ODPIC):** is a public industrial and business institution with legal personality and financial autonomy. It was created by Law No. 49/AN/08/6th L of 19th April 2009 establishing the Djiboutian Office of Industrial Assets. In its mandate to improve the business climate, the ODPIC works on a daily basis to make business creation attractive and simple for economic operators and investors. In fact, since the office became operational in 2012, business creation procedures have become significantly simpler.

Supervision

96 The financial sector is divided into two groups of institutions: those under the supervision of the Djibouti Central Bank, which oversees most of the accountable financial sector, and the Insurance Sub-Department under the Ministry of Economy and Finance, which oversees the insurance sector.

- **Djibouti Central Bank:** The Djibouti Central Bank (BCD) is the supervisory authority of 41 financial institutions, including 10 Conventional banks and 3 Islamic banks. Banks belonging to large international groups represent more than 86% of the total balance sheets of all financial institutions. They finance a large part of industrial and commercial projects, as well as import/export financing, while maintaining a retail banking activity. Smaller banks, generally belonging to regional groups, are well established in local trade and also in import/export finance.
- **Insurance sub-Department under the Ministry of Economy and Finance,** which issues licenses for the practice of the insurance profession.

97 The supervision of certain non-financial sectors is done by:

- **The Ministry of the Interior**, in charge of issuing registration permits to gaming establishments and monitoring the gaming operators' (casinos) compliance with AML/CFT obligations
- **The Chamber of Notaries** is designated as the AML/CFT supervisory and monitoring authority for the profession.
- Legal and accounting professionals are regulated by the following self-regulatory bodies; the Association of Chartered Accountants; The Bar Association.
- The Free Area Authority, which exercises supervisory authority over companies operating in free Areas, pursuant to Law 103/AN/05 5th. These companies are registered in the Free Area Company Register, as stipulated under Article 6 of the said Law. The information required and filed in the Free Area Register is defined by the regulations issued by the Free Area Authority.
- The Ministry of Trade is in charge of the supervision and monitoring of company and trust service providers.

Investigation and prosecution

98 There are several authorities in the Republic of Djibouti capable of investigating and prosecuting² criminal offences. These include :

- **The State Prosecutor's Office;** There is no court specializing in the repression of financial crimes, but the provisions specific to these offences are enforced by the courts competent in criminal matters, namely the Criminal High Court, the Court of Appeal and the Court of Auditors. The General Prosecutor's Office, located at the Djibouti Law Court, is headed by the Attorney General, who represents the State Prosecutor before the Supreme Court and the Court of Appeal. He is assisted by general substitutes. The State Prosecutor is the Head of the Public Prosecution Service of the Court of First Instance, under the authority and control of the Attorney General. He is assisted by 7 substitutes under his orders who are responsible for petitioning on his behalf at hearings of the High Court. Pursuant to Article 37 of the Code of Criminal Procedure, the State Prosecutor receives complaints and denunciations and assesses the follow-up to be given to them. He notifies the complainant of the closure of the case as well as the victim, when the latter is identified. Any constituted authority, any public officer or civil servant who, in the exercise of his functions, acquires knowledge of a crime or any offence is required to notify him thereof without delay and to file to him all information, reports and instruments relating thereto. There can be no exceptions other than those derived from compliance with professional secrecy in cases where the law explicitly provides for it.
- **General Department of Documentation and Security Services (DGSDS);** has been endowed with criminal investigation powers since the enactment of Law No. 192/AN/12/6th L amending certain provisions of the Code of Criminal Procedure. Pursuant to Article 13 of the Code of Criminal Procedure, the criminal investigation officers are in

charge of establishing violations of the law, gathering evidence and searching for the perpetrators until an investigation is opened. When an investigation is opened, they execute the delegations of the investigating courts and comply with their requests.

- **The National Gendarmerie**, as a security force with military status, is also involved in the fight against money laundering, terrorism and terrorism financing. Its responsibilities include the protection of citizens, assets and infrastructure against terrorist and criminal threats, as well as the prevention, detection and suppression of activities related to money laundering and terrorism financing nationwide. The National Gendarmerie works closely with other security agencies and national and international partners to ensure the security and stability of Djibouti.
- **Criminal and Special Affairs Brigade (National Police)**, is tasked with conducting in-depth investigations into complex crimes, special cases, and organized criminal activities. Their primary responsibility is to identify, apprehend, and bring to justice all perpetrators of serious crimes, such as terrorism, cybercrime, drug trafficking, corruption, money laundering, and other major crimes. Their duties include evidence gathering, cross-examination, surveillance, as well as coordination with other security agencies and collaboration with international organizations to fight against transnational crime. Furthermore, they play a crucial role in protecting citizens and maintaining public order by conducting targeted operations aimed at preventing and unravelling crimes.
- **The Narcotics Brigade and Anti-migrants' Smuggling Unit (National Police)**, is tasked with fighting against the illicit trafficking of drugs and migrants' smuggling in the region. Their job is to identify, investigate and dismantle trafficking networks operating nationwide, in collaboration with other national and international security agencies. They conduct surveillance, intelligence and intervention operations to intercept traffickers, seize drugs and rescue migrant victims of trafficking. Furthermore, they sensitize the general public on the dangers of drug trafficking and migrant smuggling, and strive to strengthen regional and international cooperation to fight against these forms of transnational crime.
- **The Coast Guard**, an autonomous institution with civil criteria placed directly under the supervision of the Ministry of Equipment and Transport, has the mandate to protect the country's maritime borders, prevent criminal and terrorist activities at sea, as well as ensure maritime security in territorial waters and exclusive economic Areas. Their role includes surveillance, patrolling and intervention for threats or incidents, in close collaboration with other national and international security agencies. They also actively participate in the fight against illicit trafficking, including drug trafficking, smuggling, human trafficking and other forms of transnational organized crime operating at sea.
- **National Counter-Terrorism Division (National Police)**, is an entity under the Ministry of the Interior. Its primary mandate is to coordinate national counter-terrorism efforts and counter terrorist threats within Djiboutian territory. This division works closely with other national and international security agencies to identify, monitor and prevent terrorist activities.

- **The Economic and Financial Brigade**, attached to the National Police Force, is a specialized unit in charge of fighting against economic and financial crimes in the country. Its key mandate is to investigate crimes related to tax fraud, money laundering, corruption, financial fraud and other economic crimes.
- **The Customs and Excise Department (DGDDI)** is under the supervision of the Ministry of Budget of the Republic of Djibouti and one of its main missions is the protection of the territory (land, sea, air borders, etc.), the protection of citizens and the fight against fraud, i.e. drug trafficking, counterfeiting, etc. tax and customs fraud and the fight against money laundering.

Financial Institutions and Designated Non-Financial Businesses and Professions (DNFBPs)

99 The assessment team categorized the financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) sectors according to their relative importance in Djibouti, considering their respective materiality and exposure to money laundering and terrorist financing (ML/TF) risks. This classification was used to support their conclusions, giving greater weight to the positive and negative aspects of the implementation of the anti-money laundering and counter financing of terrorism (AML/CFT) framework for sectors deemed to be of very high importance compared to those deemed to be of low importance. This methodology is applied throughout the report, but is particularly outstanding in Chapter 6 on IO.3 and Chapter 5 on IO.4.

100 On this basis, a heavy weight was given to the implementation of preventive measures for banks, including Islamic banks, foreign exchange bureaus, money transfer agents, e-money issuers, notaries and private real estate developers, as well as dealers in gems and precious metals. Microfinance institutions were given a relatively heavy weight, while casinos, company and trust service providers, lawyers and virtual asset service providers were given a medium weight. Finally, accountants and insurance companies were given a medium-low weight.

Table 1.2. Financial institutions and Designated Non-Financial Businesses and Professions

	Number of entities in 2023	Balance sheet/volume/issuance 2023 (USD)	Licensing/registration and supervisory authorities	Sanctioning authorities
Financial institutions				
Credit institutions (CIs)	13	\$3,541 million	BCD	BCD
Financial affiliates	19	N/A	BCD	BCD
Microfinance institutions	4	N/A	BCD	BCD
Electronic money issuers	2	N/A	BCD	BCD

Insurance sector	4	Balance sheet: USD 64.7 million Turnover: 26 million USD	Department of Economy and Planning	Ministry of Economy and Finance
Designated Non-Financial Businesses and Professions (DNFBPs)				
Casinos	1	N/A	Government	Ministry of the Interior
Lawyers	40	N/A	Government/Bar Association	Bar
Notaries	22	N/A	Government	
Trust and Company Service Providers	N/A	N/A	N/A	N/A
Chartered Accountants (CAs)	16	Approximately \$3.93 million	Association of Chartered Accountants of Djibouti (OECD)	Association of Chartered Accountants of Djibouti (OECD)
Real Estate Stakeholders	20 (including 18 private actors and 2 State actors)		Ministry of the City, Urban Planning and Housing (MVUH)	Ministry of the City, Urban Planning and Housing (MVUH)
Dealers in Gems and Precious Metals	N/A	N/A	N/A	N/A

High importance:

101 Credit institutions: are defined as legal persons that carry out banking transactions such as receiving funds from the public, granting loans or commitments by signature as well as providing or managing payment instruments. These institutions may also carry out foreign exchange transactions; transfer of funds abroad; transportation of cash within the Republic of Djibouti or between it and abroad; rental of safe deposit boxes; transactions on gold, precious metals and coins; investment, subscription, purchase, management and custody of securities and any financial product, within the limits of the legislative

or regulatory texts governing them; provide advisory and assistance services in wealth or financial management, and financial engineering.

102 **Financial affiliates:** exclusively or jointly carry out foreign exchange activities, and/or fund transfers. Financial affiliates must obtain a license from the Central Bank pursuant to Law No. 119/AN/11/6th L and Directives from the Djibouti Central Bank.

103 **Notaries:** The Chamber of Notaries is designated as the AML/CFT supervisory and monitoring authority for the profession. Around twenty notaries practice in the area, including 2 to 3 Arabic-speaking notaries who deal more specifically with cases relating to personal law. The profession is planning to increase its workforce, particularly due to the growth of the real estate sector and the creation of companies in the free Area.

104 **Real estate market players:** The profession of real estate agents does not exist in the Republic of Djibouti. Real estate transactions and all transactions related to real estate development, acquisition and transfer are generally conducted by Notaries. Furthermore, the real estate development market is divided into two categories: The public sector is made up of two social structures placed under the supervision of the Ministry of the City, Urban Planning and Housing. The private sector is made up of real estate developers who market their accommodation or housing programs. Real estate developers are supervised by the Department of Land Planning, Urban Planning and Housing (DATUH) of the Ministry of the City, Urban Planning and Housing (MVUH).

105 **Dealers in gems and precious metals:** The supervision and monitoring of dealers in gems and precious metals and works of art have been entrusted to the Ministry of Energy, in charge of natural resources by Law No. 106 of 7th March, 2024.

Relatively high importance

106 **Microfinance Institutions:** The microfinance sector in Djibouti includes three Popular Savings and Credit Institutions and one Islamic microfinance institution. These entities operate as cooperatives rather than traditional financial institutions. They are based on a network culture where interpersonal relationships among members play a crucial role in the granting of microcredit.

Average importance:

107 **Casinos:** The Ministry of the Interior is in charge of issuing registration permits to gaming establishments and ensuring police surveillance. The monitoring of the fit-and-proper criteria of managers and shareholders is based on the registration permit procedure.

108 **Lawyers:** Djibouti has a Bar Association that assumes the functions of supervising and monitoring the profession. Access to the profession of lawyer is by submitting a request to the Minister of Justice, who after an investigation diligently conducted by the State Prosecutor's Office and a reasoned opinion from the First President of the Court of Appeal, the Attorney General at this Court and the President of the Bar Association, forwards the file to the Government General Secretariat. License is issued by Cabinet Decree.

109 **Virtual Asset Service Providers:** have been included in the scope of the BCD's supervision since 7th March 2024. To date, no VASP application for license has been received by the supervisor and no illegal exercise of VASP operations has been detected by the BCD.

110 Company and Trust Service Providers - The supervision and monitoring of Trust service providers has been entrusted to the Ministry of Trade by Law No. 106 of 7th March, 2024.

Medium-low level of importance:

111 **Insurance sector:** The insurance market is covered by 4 insurance companies exclusively dealing in MAMR risks (Fire, Accident, Miscellaneous Risks), mainly motor vehicle liability. Given the structure of the market, there is currently no AML/CFT inspection mission conducted by any supervisor. A manager of the insurance sub-Department received training in AML/CFT with a view to marketing life insurance products.

112 **Chartered Accountants (CAs):** Succeeding a National Company of Auditors, the Association of Chartered Accountants (ACA) was created in July 2019, the admission of Chartered Accountants in the Association's register is based on the legal licensing requirements.

Preventive measures

113 Financial institutions, including those affiliated with large international groups, particularly banks, have introduced internal controls, policies and procedures to fight against money laundering and terrorist financing, which are more or less appropriate and efficient. These measures include the implementation of due diligence procedures, record-keeping, the appointment of a compliance officer, staff training and qualification, as well as the assignment of an independent audit unit in charge of testing compliance with policies, internal controls and procedures at the group level, in addition to training programmes on anti-money laundering and counter financing of terrorism. However, the effectiveness and efficiency of these measures vary across the various categories of financial institutions.

114 On the other hand, DNFBPs have no written AML/CFT-related policies, procedures or controls. Furthermore, none of these businesses and professions has received any internal AML/CFT-related training. The ability to identify the beneficial owners of customers is limited by the available resources and skills to conduct such research. Notaries, on their part, rely largely on the due diligence measures conducted by banks while opening accounts and monitoring funds movements.

Legal persons and legal arrangements

115 In the Republic of Djibouti, there are legal persons under Djiboutian law (partnerships, capital companies, civil society organizations) and Free Area companies.

116 The Republic of Djibouti does not recognize "trusts" in national law and has not ratified The Hague Convention. Trusts under foreign law could not be administered by a resident of the Republic of Djibouti during the review period.

117 The only legal arrangement similar to the trust is the *Fiducie*, which allows one or more persons to transfer assets, rights or securities for a specific purpose, for the benefit of one or more beneficiaries. The Republic of Djibouti also recognizes the Waqf, a form of legal arrangement which consists in blocking any assets in order to protect it from being sold, donated and inherited, with the aim of allocating the income from its operations to charitable purposes. Assets constituted as a waqf are unavailable, non-transferable and inalienable.

118 The Waqf in the Republic of Djibouti is placed under the supervision of a government body, the General Department of the Diwan of Waqf Assets, in charge of the administration of Waqf assets. During the review period, Waqf assets were exclusively buildings donated for the benefit of mosques and managed by the General Department of the Diwan of Waqf Assets, which manages them and collects the rents. This makes this legal structure less attractive to being misused for money laundering and terrorist financing purposes.

119 In the Republic of Djibouti, there are 9 types of legal persons in the form of companies under Djiboutian law (the Sàrl being the most widespread) and 3 types of Free Area companies. The majority of legal persons are registered with the ODPIC (80%) and the rest with the Free Area Authority (20%).

Table 1.3. Types of Legal Persons under Djiboutian Law

Type	TOTAL	%
SARL/EURL	6652	95.22
GIE	11	0.16
ITS	173	2.48
SAS	119	1.7
SCS	1	0.01
SC	11	0.16
SNC	3	0.04
SCP	7	0.1
SASU	9	0.13
TOTAL	6986	100

120 There are also civil society organizations.

Table 1.4. Types of Civil Society Organizations

Simple Associations	Network	Cooperative	NGO	Foundation	Group	Total
607	7	13	4	1	0	632

International cooperation

121 The Republic of Djibouti, though not considered as a major financial centre, plays an important role in the regional context due to its strategic geographical location, the length of its land and maritime borders, and the instability in neighboring countries. This regional instability underlines the importance of international cooperation for Djibouti.

122 Furthermore, most of the crimes that generate substantial profits in the country are cross-border in nature and fall within the framework of organized crime, including drug trafficking, migrants' smuggling and human trafficking. Aware of these challenges, Djibouti is actively strengthening its efforts to improve the regular use of international cooperation mechanisms to exchange various types of financial information and intelligence in the context of AML/CFT.

123 The types of crimes that prompted Djibouti's requests for international assistance are mainly related to embezzlement and corruption, with a lesser incidence of migrant smuggling and drug trafficking. However, cooperation in the fight against terrorism, terrorist financing and asset recovery remains very limited. This situation underscores the need to improve international cooperation in these critical areas to strengthen Djibouti's capacity to effectively fight against transnational financial and terrorist crimes.

124 The National Financial Intelligence Agency (ANRF) does not resort to international cooperation with its counterparts given the lack of requests filed for the review period 2019 to 2023 compared to the number of suspicious transaction reports (about one hundred reports) received for the same period. It should be noted that there were 3 information requests sent by the ANRF in 2018 to 3 foreign FIUs, namely: Uganda, the United Kingdom and Kenya.

125 The Customs and Excise Department (DGDDI), although a member of the WCO since 2008 and of the CEN network, it has so far not requested any mechanism for international cooperation on AML/CFT, thus limiting its exchange of information to more restricted subjects such as transit. However, cooperation with its counterparts in cases of false declaration or non-declaration remains non-existent.

Chapter 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings

- a) The Republic of Djibouti adopted the National ML/TF Risk Assessment Report in 2022. The process was led by the National Counter Terrorism Committee (CNLT). The participation of the various sectors in the assessment varied. For instance, only casinos and the Association of Chartered Accountants in the DNFBP sector participated in the NRA exercise. However, the NRA has several deficiencies resulting in gaps in terms of data collection, sectoral analysis and consideration of all relevant stakeholders, particularly the DNFBP sector.
- b) The most prevalent crimes as identified in the national risk assessment are embezzlement, breach of trust, fraud, possession and sale of narcotics. However, these crimes do not fully represent the national risk context due to significant vulnerabilities such as porous borders and the magnitude of the informal economy. Some criminal activities were either inadequately analyzed or misunderstood, particularly in areas where investigations have not been conducted and in areas lacking adequate statistics. Incidentally, corruption, human trafficking, migrants' smuggling, and customs and tax fraud were not among the existing and imminent threats. Besides, the authorities have a poor understanding of external ML threats, despite Djibouti's strategic position in the regional economy.
- c) Understanding of ML risks at the national level is poor, particularly with regard to ML mechanisms and typologies. Although the investigative, prosecutorial and supervisory authorities have a good understanding of the predicate offences, have gaps in their understanding of the specific risks associated with ML. Moreover, despite its strategic geographical position, the competent authorities do not seem to fully grasp the external threats associated with ML/TF.
- d) With regard to TF, interviews with relevant Djiboutian authorities revealed a good understanding of the risks associated with terrorism in general, but limited understanding of terrorist financing and its risks.
- e) In early 2024, Djibouti developed a national strategy that highlights several key objectives, including improving the anti-money laundering and counter financing of terrorism framework, as well as a commitment to establishing a legal and operational system that complies with the FATF 40 recommendations. Despite this strategic initiative, as at the date of our on-site visit, a number of supervisory authorities and self-regulatory structures are yet to implement concrete measures to mitigate the risks associated with ML/TF).
- f) Although Djibouti applies some simplified measures to improve financial inclusion, these are ad hoc and are not based on risk assessment.
- g) The objectives and activities of the competent authorities in AML/CFT are considered limited due to an inconsistency between existing and imminent risks and the actions undertaken by the competent authorities.
- h) National cooperation and coordination among Djiboutian authorities in AML/CFT is in transition from traditional methods based on personal relationships to official mechanisms.
- i) Understanding of ML/TF risks is uneven across sectors, revealing significant gaps among the majority of financial and non-financial actors, with the exception of large banks and financial affiliates. This asymmetry, which accentuates the vulnerabilities of the financial system, reveals the inadequacy of efforts to disseminate the NRA findings and highlights the need to develop appropriate sensitization and training programs.

Recommended actions

The Republic of Djibouti should:

- a) When updating the ML/TF NRA, (1) enhance recent efforts to collect statistics and refine the analysis on under-assessed crimes, such as corruption and human trafficking, while paying due attention to crimes with a cross-border dimension, such as drug and human trafficking and customs fraud. This analysis should include risks related to the activities of other terrorist groups in neighboring countries, the informal economy and risks related to free zones. (2) Improve its understanding of ML concepts and its phases and typologies, cross-border threats and predicate offences committed abroad, including their implications for terrorist financing. (3) Develop understanding of TF and all its phases (collection, transfer and use of funds), including risk analysis of channels (such as banks, financial affiliates, NPOs, etc.) and methods used by natural and legal persons acting on behalf of terrorist organizations, in order to build the capacity to identify and monitor all types of issues related to terrorist financing and their complexities.
- b) Involve all stakeholders, public and private, when updating the NRA for a good identification and consistent and continuous understanding of threats, vulnerabilities and risks.
- c) Based on the updated understanding of risks, update the national strategy by incorporating concrete measures to mitigate them.
- d) Define, based on the understanding of risks and the risk-based approach, the scope of exemptions, enhanced measures and simplified measures particularly designed to encourage efforts at achieving financial inclusion, while avoiding "de-risking" and mitigating inherent risks of these activities.
- e) Prioritize the efforts made by the competent authorities based on the most significant ML/TF risks, both existing and imminent.
- f) Improve national cooperation and coordination by strengthening formal mechanisms while maintaining the necessary informal channels between parties involved in the fight against identified ML/TF high-risk crimes.
- g) Improve understanding of ML/TF risks in all sectors through increased sensitization and training, and adequate dissemination of the findings of the updated NRA to relevant public and private stakeholders.

126 The Immediate Outcome relevant to this chapter is IO.1. The relevant recommendations for the assessment of effectiveness under this section are R.1, 2, 33 and 34 and some elements of R.15.

127 The conclusions for the Immediate Outcome 1 were reached by the Assessment Team after careful review of key documents, such as the full version and executive summary of the NRA, as well as crucial policy-related documents such as the national strategy recently developed in early 2024. Reports from international organizations were also taken into consideration. Furthermore, meetings were held between the Assessment Team and government authorities in Djibouti, as well as with supervisory bodies involved in the fight against money laundering and terrorist financing. Interviews were also held with a number of financial institutions, designated non-financial businesses and professions, and non-profit organizations.

Immediate Outcome 1 (risk, policy and coordination)

Understanding ML/TF risks

128 On the whole, the Republic of Djibouti has demonstrated a gradual understanding of the ML/TF risks it is exposed to, although this understanding is more limited for some supervisory authorities of non-financial businesses and professions. The investigative and prosecutorial authorities, in particular the intelligence services, have demonstrated, through their own analyses, a more in-depth and appropriate understanding of the national ML/TF risks.

Risk assessment and methodology

129 In February 2022, Djibouti conducted its first-ever national risk assessment of money laundering and terrorist financing with technical assistance from the World Bank. This assessment was officially approved in July 2022 by the National Counter Terrorism Committee. The objective of this assessment was to analyze the risks of money laundering and terrorist financing by identifying threats and vulnerabilities. To achieve this, eight working groups were formed, focusing on threats, sectoral and horizontal vulnerabilities, as well as risks related to financial inclusion products. This national risk assessment brought together various stakeholders from the public sector as well as representatives from the private sector.

130 The sources of information used, spanning the period January 2016 to December 2020, are both quantitative (such as law enforcement statistics including information on predicate offences, as well as data from the financial and non-financial sectors, and questionnaires, etc.) and qualitative (including expert opinions, meetings and interviews with various professionals and institutions, as well as reports from international organizations).

131 The methodology used for the NRA was mainly based on the cross-referencing of threats and vulnerabilities related to various products, services or operations, taking into account the mitigating measures implemented to determine the residual vulnerability and risk level.

132 However, the likelihood of the threats materializing and their impact have not been adequately taken into account. Although the authorities have acknowledged the inadequacy of consolidated statistical data by assessing the threats using quantitative and qualitative elements, the NRA appears to present these data with no in-depth and concrete analysis of the various sectors, without taking into account the predominance of the informal sector representing more than 60% of economic activities.

133 With regard to participation in the NRA exercise, opinions are divided: some stakeholders (lawyers in particular) deny any involvement, others report having received a questionnaire by email which they completed (such as notaries and accountants), while others (banking sector stakeholders) stated that they were involved at various stages of the process. This situation left the AT with varied opinions on the findings of the NRA, ranging from defence to a categorical rejection of its conclusions.

134 The assessment team had access to the full version of the National Risk Assessment report, a confidential document provided by the Djiboutian authorities to all stakeholders of the National Counter Terrorism Committee (CNLT), who decided to share

it with all regulatory authorities in the financial and non-financial sectors and government authorities who are members of the committee. Furthermore, the committee in charge of the National Risk Assessment, with the assistance of ANRF, organized a series of beneficial workshops for members of the financial and non-financial private sector.

135 During the on-site visit, the Djiboutian authorities clarified that risk assessments would be updated every three years. The assessment team concluded that no timeline had been taken into account in the national risk assessment for the 2021-2022 period. This gap could affect the risk assessment, which is constantly evolving and is characterized in the Djiboutian context by a rapid pace, particularly with regard to emerging threats during the period not taken into account.

Money laundering

136 The National Risk Assessment Report did not include a classification of the On the whole level of risk of money laundering and terrorist financing in Djibouti. However, during the on-site visit, the Djiboutian authorities assessed this risk as relatively high for money laundering and medium for terrorist financing.

137 The money laundering threat assessment is divided into two main aspects. Firstly, it focuses on assessing the predicate offences that generate the proceeds of crime, their magnitude and the sectors in which these proceeds are invested and laundered. Secondly, it focuses on assessing cross-border threats.

138 During this financial year, nearly 15,215 prosecutions were recorded by the judicial authorities between 2016 and 2020, with 1,548 convictions, mainly for crimes such as theft, fraud, breach of trust and drug trafficking. The most common offences for which convictions were secured are theft (66%), fraud (13%), breach of trust (12.5%) and drug trafficking (4%). These offences are classified into three categories of money laundering risk:

- In the "High" category, we find embezzlement, breach of trust, fraud and drug trafficking.
- In the "Medium and Medium-Low " category, theft, counterfeiting of banknotes, human trafficking and issuing dud cheques represent intermediate risks.
- The last category, "Low" risk, includes acts of terrorism and firearms trafficking, with a lower risk of money laundering.

139 Due to geopolitical tensions, certain crimes such as human trafficking, transportation and sale of firearms, and possession and sale of narcotics are expected to increase.

140 The Assessment Team considers that some criminal activities are poorly defined or inadequately understood, particularly in areas where investigations have not been conducted and where adequate statistics are lacking⁹. For instance, corruption,

⁹ The NRA also mentions the lack of data collected on the cases by the competent authorities "Following the data collection, it is clear that the judicial authorities of the jurisdiction have not undertaken any prosecution for money laundering. Consequently, sub-module 1.B could not be completed for the national risk assessment exercise." Also in assessing the cross-border risks, the third and last section of the 1st chapter of the NRA is not different either, no data is presented, it is stated that "In the sub-module C, no data could be compiled due to the lack of money laundering cases traced by the competent authorities; consequently, no model of abuse of the jurisdiction could be established", which prevented the establishment of a comprehensive assessment of cross-border risks. This gap in data collection constitutes a major obstacle that could compromise the reliability of the NRA findings and the ability to develop effective strategies to combat money laundering and terrorist financing.

human trafficking, migrants' smuggling, and customs and tax fraud were not considered to be existing and imminent threats, despite evidence that these crimes are being committed.

Corruption:

141 The assessment team noted an inconsistency regarding the level of certain criminal activities listed in the NRA. Although corruption is identified as a high risk, the assessment did not specifically identify the crime of corruption as one of the most prevalent crimes. The Djiboutian authorities explained this situation first by pointing out that, although the assessment did not explicitly include the term "corruption," it did encompass a range of crimes considered to be related to corruption, such as embezzlement, breach of trust, and fraud. Second, this gap is also attributed to problems with the collection of statistics.

142 According to the Djiboutian authorities, there is a consensus that corruption poses a high risk to Djibouti. The assessment team considers that the authorities' understanding money laundering risk related to corruption is comprehensive and focused on the predicate offence. The authorities have not demonstrated a clear and comprehensive understanding of the sectors exploited for laundering the proceeds of corruption, the most common schemes, or the categories of individuals involved in corruption, such as senior officials. They have also neither identified the channels used for laundering the proceeds of corruption and the sectors most exposed (banks, forex dealers, lawyers, real estate sector) nor determined whether some of these proceeds could be transferred abroad.

143 This perception is enhanced by the observation that financial investigations initiated to prosecute money laundering and confiscate assets from corruption-related offences are rare (see IO.7). Furthermore, the lack of national preventive measures in place, as well as the lack of initiatives to support competent authorities and the private sector in detecting corruption cases, supported by clear and accessible typologies, contribute to this assessment.

Human trafficking, migrants' smuggling:

144 In 2021, approximately ninety thousand (90,000) migrants, mainly Ethiopians, passed through Djibouti, placing significant pressure on government resources. Due to the civil war in Yemen, there is a reverse movement of people from Yemen to Djibouti, with migrants reporting physical misuse and being at risk of trafficking. As of April 2022, Djibouti hosted over thirty-five thousand (35,000) refugees and asylum seekers, some of whom may have been victims of clandestine human exploitation networks prior to their entry into the territory of the Republic of Djibouti ¹⁰.

145 During the on-site visit, authorities demonstrated a poor understanding of the money laundering risks associated with human trafficking and migrants' smuggling, with difficulties distinguishing between the two forms of trafficking.

Trade-Based Money Laundering (TBL) Crimes:

¹⁰ According to the United States' State Department (TIP Report 2022). <https://www.state.gov/wp-content/uploads/2022/10/20221020-2022-TIP-Report.pdf> (Page 206)

- 146 Despite the importance of trade flows through port activities in Djibouti, the NRA did not examine the trade-based money laundering risks or the associated customs and tax risks. Given its strategic geographical position and economic choices, the country is heavily involved in international trade, particularly within free Areas. The massive flows of goods and the complexity of the associated financial transactions make this sector particularly vulnerable to money laundering and terrorist financing (ML/TF). However, trade-based money laundering (TBL) risks are not yet adequately integrated into the control strategies of the authority in charge of supervising free Areas. This authority confirmed a gradual change in behaviour and increased awareness, particularly following the mutual evaluation and the issues raised during the Assessment Team's on-site visit. This has resulted in the launch of an exercise designed to draft a specific bill, which is expected to be enacted shortly.
- 147 Djiboutian authorities, such as the Customs Department and Tax Administration, often consider customs or tax violations as separate offences, rather than as money laundering or terrorist financing crimes. To date, no suspected cases classified as AML/CFT have been reported.
- 148 Financial analysis and database correlation methods are not widely used by authorities to identify potential money laundering or terrorist financing schemes through customs activities.
- 149 The threat assessment for some predicate offences is inadequate, relying on limited information and partial statistics, which compromises accurate risk classification.
- 150 Authorities did not use comprehensive criteria to assess the threat level of certain crimes, such as the number of investigations conducted, geographical and social factors, and the increasing complexity of their connection to international networks.
- 151 With regard to external threats, the assessment team paid particular attention to cross-border flows, both commercial and financial, and examined the extent to which they are linked to money laundering and the predicate offences associated with them. These flows are of utmost significance given Djibouti's economic weight in the region. However, the analysis conducted by the country is not detailed and profound enough on certain aspects, particularly with regard to crimes related to international trade. This gap has deprived the Djiboutian authorities of the opportunity to take advantage of the information that this analysis could have adequately provided. This would have allowed a better understanding of the volume of foreign trade in goods and money, the sectors and countries most active with Djibouti, as well as the volume of financial transfers to and from Djibouti. As a result, the level of external threat remains unidentified.
- 152 The following sectors were considered in the NRA assessment: banks, financial affiliates including money transfer and foreign exchange bureaus, microfinance, the electronic money issuers sector, the insurance sector, lawyers, accountants and gaming establishments. The ratings assigned to each of these sectors are summarized in the table below:

Table 1.1. Sectoral ML Risk Ratings

Sector	Risk Rating
Banks	High

Financial affiliates	High
Microfinance Sector	Medium-low
Electronic money issuing sector	Medium-low
Insurance sector	Medium-low
Lawyers	High
Chartered Accountants	Medium
Gaming establishments	High

153 Regardless of the risk level assigned to each sector, the assessment team was not convinced by the findings, as the analysis focused on a holistic view of the sectors, due to the lack of in-depth studies and statistics, without thoroughly examining the specific risks within each sector. The assessment also failed to consider how sectoral vulnerabilities could be exploited by criminals to launder money, particularly in a dynamic informal market and a context of low financial inclusion.

154 The legal and casino sectors have been classified as high-risk of money laundering following a cross-analysis of threats and vulnerabilities. However, this assessment has limitations in terms of sectoral granularity. Feedback from the Bar Association and casinos highlights the need to improve the risk analysis, particularly by incorporating a more detailed perspective of the operating methods specific to each sector. Such an approach would make for a more global assessment shared by all stakeholders concerned and to identify vulnerabilities more precisely and define more effective preventive measures.

155 The investigative and prosecutorial authorities have a good understanding of the risks associated with the predicate offences, but their understanding of money laundering, its risks, phases, methods and typologies is limited, which justifies the fact that they mainly conduct investigations into predicate offences and very exceptionally into ML. This is illustrated by the virtual lack of cases of prosecutions and statistics of offences related to money laundering, which indicates a poor understanding of the risks associated with these crimes (See IO.7 and IO.8).

156 With regard to supervisory authorities both in the financial and non-financial sectors, the AT found significant variations in the levels of risk understanding. For the financial sector, understanding is poor and developing, while supervisors of designated non-financial businesses and professions (DNFBPs) have, for the vast majority of them, a still rather limited understanding of their exposure to ML/TF risks (See IO.3).

Terrorism Financing

157 While interviews with relevant Djiboutian authorities revealed a good understanding of the risks associated with terrorism in general, understanding of TF risks appears to be limited.

158 The national risk assessment highlights a lack of precise data on the sources of terrorist financing in Djibouti. The financial channels used by terrorist groups remain largely unknown, making it difficult to accurately assess threats. Indeed,

information on fundraising for TF purposes, as well as on the means and methods of transferring and using these funds, is missing.

159 The authorities attribute this lack of TF-related information to the cross-border nature of the operations and the fact that they only investigate the terrorist act itself when it occurs. Indeed, according to their understanding, all the stages of collection and transfer of funds are conducted from abroad to Djibouti, given the external nature of the threats, which prevents them from conducting preventive investigations beyond the terrorist acts that have occurred (See IO 9).

160 According to information provided by the relevant authorities, it is relevant to mention the "Armed FRUD" group as an example. This group is involved in recruitment, training, logistics and financing activities across borders. At national level, the authorities have observed several financing activities, including hostage-taking, kidnappings, extortion, theft of foodstuff from villages and school canteens, and cattle rustling. (See IO.9)

161 The main risk factors in terrorist financing identified by the NRA for Djibouti are:

- The presence of terrorist groups in neighboring countries, including Al-Shabaab in Somalia, as well as the AQAP (Al Qaeda in the Arabian Peninsula) and Islamic State groups in Yemen.
- The geographical proximity to conflict areas such as Ethiopia, Somalia and Yemen, which generates a flow of refugees and migrants, thus increasing Djibouti's vulnerability to terrorism and terrorist financing.
- The porosity of borders in spite the existing checkpoints, due to the lack of surveillance means and resources, thus facilitating the illicit transit of migrants and traffickers.
- Precarious socio-economic conditions, characterized by high unemployment rates among youths, standing at 65.1% for those aged 15-34 and 86.2% for those aged 15-24, as well as widespread poverty affecting a large portion of the Djiboutian populace, contribute to increased vulnerability to terrorist financing. Desperate individuals may be more likely to engage in illicit activities, including terrorist financing, to make a living.

162 Recent exchanges with the competent authorities during the on-site visit, including investigation, prosecution and intelligence authorities, highlighted a change in Djibouti's position, which now recognizes, in addition to external threats, internal threats linked to the emergence of the "Armed FRUD" group. This group, based outside the territory of the Republic of Djibouti, engages in violent activities within the country, including attacks on military installations. It claims to seek a regime change and aims, according to authorities, to "destabilize the Republic of Djibouti, particularly in the northern and southern regions, by fostering a sustained climate of terror and sabotaging development projects." This acknowledgment reflects a shift in the perception of the risk posed by the FRUD-Armé group.

163 And according to the same authorities "... this terrorist group undertakes and plans several armed attacks and sabotage operations targeting civilian vehicles and the main roads. Hostage-taking of civil servants, forceful recruitment of young nomads forcibly, vandalizing public and private assets, particularly state assets and foreign investment companies. Finally, they set up mobile and night-time checkpoints on the main roads to extort civilians on board vehicles or food (herds, food, etc.) from nomadic populations in the north and south of the country."

- 164 The Djiboutian authorities have collected data revealing a series of attacks conducted by the Armed FRUD between 2015 and 2022. However, the NRA did not mention the attacks of this group, designated as a terrorist group by law in 2022, despite the fact that these attacks were recurrent over time and their geographical dispersion across various regions in Djibouti. The targets of the attacks were varied, ranging from civilian vehicles to security installations and foreign workers. The acts of violence committed included vehicle burnings, kidnappings, hostage-taking, murders, injuries and extortion. The threat posed by this “terrorist” group was not taken into account in the classification of the TF risk as a real and persistent risk. On the other hand, the leaders, members, and other associated individuals have not been designated, and no measures have been taken following the designation of this terrorist group.
- 165 The Authorities stressed that the Armed FRUD group, designated by authorities as a terrorist entity by a 2022 law, uses neighboring countries as a sanctuary and poses a significant threat to national security. Investigations revealed that the group finances its operations through criminal activities such as kidnapping, extortion, and theft, and that it benefits from a local support network that provides logistics, shelter, and financing. During investigations conducted by the authorities, the authorities discovered that individuals actively had been providing support for the Armed FRUD group by providing them with logistical support, including shelter, supplies, communication equipment and financing.
- 166 Despite these internal threats and vulnerabilities, the country assessed the terrorism and terrorist financing risk as medium, mainly due to the limited number of terrorist attacks, citing only the 2014 attack in the NRA report.
- 167 The understanding of the relevant authorities regarding the risks associated with non-profit organizations was poor. Within the supervisory authority (Legal Regulation Department of the Ministry of Interior), the understanding of the risks associated with the misuse of this sector for terrorist financing purposes was limited. The Department had not yet undertaken any risk assessment of this sector, which impacted the understanding of the regulatory authorities and the private sector to identify the deficiencies, threats, consequences, as well as the methods that could be used in the misuse of these organizations for terrorist financing purposes.
- 168 In the same vein, investigative and prosecutorial authorities demonstrated a limited understanding of the risks associated with the misuse of this sector for terrorist financing, reducing the risks associated with the misuse of non-profit organizations due to the lack of evidence of their being misused in past terrorist acts, which may prevent them from taking optimal decisions on how to assess and address their risks in an integrated manner.
- 169 Djibouti has not assessed the risks associated with legal persons and arrangements, nor the risks associated with virtual assets and their service providers. Similarly, it has not examined the risks associated with activities related to the informal and underground economy, as well as the risks of activities related to the Free Area.
- 170 On the other hand, the understanding of these risks by the competent authorities (investigative and prosecutorial authorities, the authority in charge of the supervision of ports and free Areas, customs services, supervisory authorities and the ANRF) was still developing (see IO.5).
- 171 On the whole, Djibouti has demonstrated a growing understanding of money laundering and terrorist financing risks.

172 Indeed, the development and adoption of the national risk assessment report and the launch of the mutual evaluation process contributed to awareness-raising, albeit to varying degrees, on the fight against ML/TF among all stakeholders in the system.

Addressing ML/TF risks in national policies and activities

173 Djibouti recently launched a national AML/CFT strategy to address money laundering and terrorist financing risks. In early 2024, the country initiated a series of reforms to strengthen its anti-money laundering and counter financing of terrorism framework by complying with the 40 Recommendations and implementing policies to improve financial inclusion.

174 In early 2024, Djibouti developed a National AML/CFT Strategy. This strategic initiative has strengthened Djibouti's AML/CFT legal arsenal with the recent publication of key new legislation on 7th March, 2024.

175 The AT appreciates the fact that the development of this strategy has triggered the drafting of new action plans within the relevant entities, marking significant progress in terms of awareness-raising and planning to address the challenges identified. This action plan encompasses legal reforms, capacity building, increased cooperation and collection of financial intelligence. Key actions include:

- Establishing information systems for the judiciary and National Gendarmerie.
- Improving the resources allocated to the Financial Intelligence Unit.
- Improving cooperation among the relevant authorities.
- Updating laws on the supervision of credit institutions.
- Meting out sanctions for ML/TF violations.
- Developing a suspicious transactions identification system.
- Completing the legal framework for insurance companies.
- Sensitizing insurance companies on ML/TF.
- Establishing supervision of non-profit organizations.
- Implementing transaction thresholds.
- Providing regular training on ML/TF.
- Issuing new directives for financial institutions.
- Strengthening border security.
- Strengthening the capacities of authorities to fight against terrorism and terrorist financing.
- Strengthening international cooperation.

176 This action plan, to be implemented over a two-year period, includes a timeline for each key action, aimed at ensuring effective and coordinated implementation.

177 However, the country has developed the above-mentioned strategy to address the deficiencies in technical compliance with the FATF Recommendations and effectiveness. Indeed, the trigger for the development of this strategy was not the

consideration of the NRA finding and a desire to mitigate the risks identified by the NRA, but rather dictated by the desire to resolve the deficiencies the AML/CFT regime in terms of technical compliance with the FATF Recommendations and effectiveness.

178 The national AML/CFT strategy developed by the country focuses on the actions to be taken by the various relevant parties to resolve the deficiencies identified in the various immediate outcomes and FATF Recommendations and is not based on the risk-based approach.

179 In spite of the recent adoption of the first national strategy to fight against money laundering and terrorist financing (ML/TF), it has still not been possible to fully assess its effectiveness in addressing the vulnerabilities identified. Indeed, the time elapsed since its implementation is inadequate to measure the real impact of the policies put in place on risk reduction and the adequate allocation of resources. However, it is reasonable to anticipate that over time, this national strategy could contribute to addressing the deficiencies identified in the national risk assessment.

180 Nevertheless, the Assessment Team expresses some concerns about the potentially limited scope of the strategy. These concerns stem from two main factors:

- Inadequate understanding of some complex money laundering activities: The team is concerned that the strategy does not adequately take into account the increasing complexity of money laundering techniques, which could limit its effectiveness in fighting against these activities.
- Lack of risk analysis in certain key sectors: The strategy does not seem to include an in-depth analysis of risks related to certain sensitive sectors, such as legal persons and arrangements, non-profit organizations, virtual assets and their service providers.

181 These gaps could compromise the overall effectiveness of the strategy and prevent an adequate management of all money laundering and terrorist financing risks in Djibouti.

182 In addition to the national AML/CFT strategy, Djibouti has a "2020-2030 national anti-corruption strategy", developed with the support of UNDP. This strategy was put in place following a diagnosis conducted in collaboration with all stakeholders, focusing on the situation of good governance and more particularly on the prevention and fight against corruption, by assessing the existing relevant legal and institutional framework. The country indicates that this strategy is in line with government policy, which is the "Djibouti 2035" vision, as well as with the provisions of the United Nations Convention against Corruption. Similarly, the authorities state: "We do not yet have any quantified data produced at the national level on corruption. The only existing indicators are those developed by international institutions such as Transparency International."

183 Regarding financial inclusion, Djibouti has an official document captioned "National Strategy for Financial Inclusion 2022-2027". This strategy focuses on several key aspects, namely:

- Assessing efforts made by various stakeholders: The examination of indicators of access to and use of financial services highlighted the progress made in terms of financial inclusion in Djibouti.

- Identifying the vulnerabilities in the financial inclusion sector: An in-depth analysis helped identify potential gaps and risks related to financial inclusion in the country.
- Reviewing the characteristics of financial inclusion products: The various financial inclusion products available in Djibouti were examined in detail, taking into account their functionalities and their suitability to the needs of the target populations.
- Proffering general recommendations: Based on the analyses carried out, general recommendations were proffered aimed at improving and strengthening financial inclusion in Djibouti.

184 Furthermore, the Republic of Djibouti adopted the “Law on strategic orientation for the structuring of the informal sector in the Republic of Djibouti”, published in the Official Gazette on 17th January, 2023. This law is designed to structure the informal sector in Djibouti and is based on four main pillars:

1. **Formalizing activities:** This component is based on the simplification of administrative procedures, the granting of tax incentives, and the establishment of tax benefits in order to encourage informal sector businesses to formalize, accompanied by awareness-raising activities.
2. **Support:** This involves providing informal sector players with the tools and support needed for their transition to the formal sector (training, access to financing, etc.).
3. **Entrepreneurship development:** This pillar includes the creation of incubators and accelerators, as well as the promotion of the entrepreneurial spirit, particularly among young people and women, through sensitization campaigns.
4. **Improving the legal framework:** This pillar aims to amend laws and regulations for a more effective response to the peculiarities of the informal sector, and to establish control mechanisms to ensure compliance with the standards.

185 This law aims to create an environment conducive to the growth of informal businesses, by providing them with the tools and resources necessary to develop and contribute to the national economy.

186 These guidelines also make it possible to better manage the vulnerability posed by the informal sector. In this regard, the authorities highlight a clear improvement in the financial inclusion rate, which rose from 18% in 2020 to 34% in 2023.

187 To date, Djibouti has not yet adopted strategies and policies to address some of the risks associated with predicate offences such as organized crime, including drug trafficking and smuggling, as well as crimes related to international trade.

188 Regarding counter-terrorism efforts, the representative of the Republic of Djibouti reported 11 that "...it should be noted that the Djiboutian strategy for fighting against violent extremism is based on a tripartite approach comprising a theological dialogue on the one hand, a proactive involvement of young people in public action, on the other, and finally the respect for

¹¹ In the statement issued by the Republic of Djibouti on agenda item 111 entitled "Measures to eliminate international terrorism" (6th Committee: Legal Issues) at the UN Headquarters on 11th October 2018.

and promotion of individual and collective freedoms." However, the Assessment Team could not determine to what extent this strategy addresses issues relating to the prevention of terrorism financing.

Exemptions and implementation of enhanced and simplified measures

189 No exemptions from due diligence measures in high-risk and low-risk scenarios were applied by the authorities based on the risk assessments.

190 The NRA findings are not being fully utilized by the Djiboutian authorities to justify exemptions, enhanced or simplified AML/CFT measures. Consequently, certain practices of exemption or implementation of enhanced or simplified measures do not systematically align with the risks identified by the NRA.

Enhanced due diligence measures as defined by legislation

191 Djiboutian legislation requires reporting entities to apply enhanced due diligence measures in several specific situations, pursuant to the articles of Law No. 106, particularly for relationships with politically exposed persons (PEPs) (Articles 2-2-20) and correspondent banking (Articles 2-2-21). These measures are also explained in Guideline No. 7, which clarifies not only the FATF Recommendations, but also the requirements of Law No. 106. However, while these provisions have made for a good understanding of the obligations based on a risk approach related to ML/TF, they do not fully take into account the specific findings of the NRA.

192 Djibouti allows, in certain cases, the application of additional enhanced measures compared to the FATF standards, without however guaranteeing that these measures are justified by the findings of the NRA. For example, for cross-border wire transfers, Djibouti does not set a minimum threshold below which financial institutions must verify the accuracy of the required information. Consequently, accountable financial institutions must verify all the information requested for all cross-border wire transfers, regardless of the amount (see Recommendation 16).

Exemptions and financial inclusion

193 Some exemptions in Djiboutian legislation are designed to promote financial inclusion, particularly in the digital financial services sector. For example, although the assessment team could not verify the legal basis, the electronic money operator (D-Money) can provide limited services to customers whose identity cannot be fully verified, by imposing monthly caps on transactions. This approach facilitates access to financial services for the non-banking or under-banked populations. However, it is essential for these exemptions to be continually reassessed in the light of the NRA findings, to ensure that they do not compromise AML/CFT efforts. However, the country's current regulations impose customer verification requirements, regardless of the transaction amount, thereby limiting certain opportunities for financial inclusion. It would be relevant to find the right balance between the simplification of procedures and the security of the financial system, to

avoid excessive "de-risking" that could be inimical to the most vulnerable populations and compromise the chances of developing financial inclusion.

194 It is also essential for the Republic of Djibouti to adopt a global vision that takes into account the harmonization of regulations and measures with the orientations of its national strategies and policies. It must strengthen the use of the NRA findings in order to justify and supervise exemptions as well as enhanced or simplified measures. Besides, the rigorous application of the Risk-based Approach (RBA) must be generalized to ensure that the practices in force are proportionate to the real risks identified.

Objectives and activities of competent authorities

195 The objectives and activities of the competent authorities in the fight against ML/TF are considered limited due to the inconsistency between existing and imminent risks and the actions undertaken by the competent authorities.

196 This limitation arises from two main factors:

- Gaps in the national risk assessment: The national risk assessment did not comprehensively address all existing or potential ML/TF risks. This omission affects the relevance of the objectives and activities of the competent authorities in this area.
- Inadequate understanding of certain risks and threats: Competent authorities are grappling with challenges in fully understanding certain risks and threats associated with specific criminal activities. This is particularly true in areas where authorities have not collected adequate statistical data, have conducted only limited investigations or have not conducted any investigations at all.

197 Following the adoption of the NRA report, the competent authorities and self-regulatory bodies have made efforts and some have developed measures to mitigate the vulnerabilities identified, in accordance with what is indicated below.

198 the Ministry of Justice has initiated a series of actions for the creation of the Law School for the training of magistrates and judicial affiliates and the revision of the regulatory and institutional framework of legal professions such as the notary profession.

199 The Central Bank, on its part, has developed its monitoring plan based on the risk-based approach and has sent an AML/CFT questionnaire to all FIs. Most of the inspection missions conducted by the other bodies concerned are related to general supervision in which they sometimes take into account aspects of money laundering and terrorist financing.

200 For the prosecutorial authorities, the country plans to set up a financial prosecutor's office to handle financial crime cases.

201 The financial intelligence service (current ANRF) has started strengthening the capacities of its staff and plans to improve its information system, with a view to securing, promoting and improving the filing of suspicious transactions reports and other relevant information by reporting entities.

202 However, it is necessary to include all actions of the various stakeholders in an approach that takes into account existing or potential ML/TF risks. On the other hand, most of the objectives and actions are projects that the country plans to implement.

In this regard, the country reported that "It is now understood that the NRA that was completed in 2022 was an initial country assessment. As a result, some time would be needed for all the competent authorities to fully grasp these findings and set objectives."

National cooperation and coordination

203 National cooperation and coordination among Djiboutian authorities in the fight against ML/TF is in transition from traditional methods based on personal relationships to formal mechanisms. Although authorities collaborate in these areas to varying degrees, they have a range of mechanisms to achieve this.

204 These mechanisms particularly rely on close bilateral relations among all key authorities involved in the fight against crimes. The authorities also stress the close nature of their coordination. However, it is important to note that this inter-agency collaboration is lacking in the area of the proliferation of weapons of mass destruction (WMD) (see Immediate Outcome 11).

205 When developing the NRA, Djibouti did not explicitly designate an authority to coordinate risk assessment actions. However, de facto coordination took place at an inter-ministerial meeting in January 2021, chaired by the Prime Minister and Governor of the Djibouti Central Bank. The NRA exercise is monitored by the National Counter Terrorism Committee, with the support of a Technical Committee. Although the specific mandate of the technical committee is not clearly stated, Law No. 106/AN/24/9th L, adopted on 7th March 2024, defines the mandate of the National Coordinating Committee, including the coordination of risk assessment efforts and the dissemination of the findings.

206 So far, the country promotes cooperation and information exchange among stakeholders through AML/CFT legislation and the Criminal Procedure Code, as defined in Law No. 112/AN/11/6th L. This law stipulates that the financial intelligence service shall receive all useful information, including that from the judicial authorities, the police, disciplinary and supervisory authorities, as well as other administrative State departments. Furthermore, working meetings, seminars and trainings shall be organized to bring together the various agencies for the fight against money laundering and terrorism financing.

207 Djibouti has several coordination mechanisms to fight against money laundering and terrorism financing. The first is the National Counter Terrorism Committee, headed by the highest authorities, in charge of coordinating policies and strategies. There is also the Technical Committee in charge of implementing the decisions of the National Committee. These committees work in tandem with the State Prosecutor's Office, thus forming the main coordination bodies among law enforcement authorities. The members of these committees are senior government officials.

208 On the other hand, the Financial Intelligence Service (currently ANRF) chairs the Correspondents' Committee which brings together all AML/CFT officials from financial institutions to discuss criminal trends, share best practices and improve the regulatory system. It also works closely with the Supervision Department to implement AML/CFT activities.

209 In addition to official channels, Djibouti also uses various informal channels of cooperation, such as face-to-face conversations, informal email exchanges and the social media. These informal channels complement official forms of cooperation, including Memoranda of understanding.

210 In this context, the relevant national stakeholders of the Republic of Djibouti have initiated steps to conclude cooperation agreements aimed at facilitating the rapid and secure information exchange between the parties. These agreements are designed to facilitate the rapid and secure information exchange between the parties. The stakeholders concerned include:

- An information exchange agreement between the Financial Intelligence Service (SRF, currently ANRF) and the banking supervisory authority. This agreement formalizes the information exchange between the Banking Supervision Department (DSB) of the Djibouti Central Bank (BCD) and the Financial Intelligence Service (currently ANRF), particularly during interviews, investigations and on-site inspection missions (support of the DSB in the context of STR obligations).
- An information exchange agreement is being developed between the ANRF and the National Social Security Fund (CNSS), allowing access to the latter's database containing the entire work force.
- A collaboration agreement is being developed between the ANRF and the General Counter Terrorism Department.
- An information exchange agreement is being signed between Customs and ANRF for access to the statistical database on cross-border transfers and suspicious transaction reporting.
- An agreement is in progress between the BCD and Customs to integrate the Customs platform into the process of requesting authorization for the transportation of cash by financial institutions.

Private sector's awareness of risks

211 Djibouti has not made its NRA public or disseminated this publication on the websites of the main competent authorities. However, a confidential document was issued by the Djiboutian authorities to all stakeholders of the National Counter Terrorism Committee, who chose to share it with all regulatory authorities in the financial and non-financial sectors as well as with government authorities who are members of the committee. Furthermore, the committee in charge of the national risk assessment, with the assistance of the ANRF, organized a series of beneficial workshops for members of the financial and non-financial private sector.

212 In this regard, several meetings were held to disseminate the National Risk Assessment (NRA) findings in various sectors and to beneficiary parties. On 16th March 2022, an Inter-ministerial meeting was held to present the sectoral exercise to members of the government. On 31st March 2022, another Inter-ministerial meeting was held to present the full NRA report to members of the government. Subsequently, on 1st November 2023, a meeting organized by the (BCD) presented the NRA findings to banks, with the participation of 17 representatives. Finally, on 15th November 2023, another BCD meeting presented the NRA findings to financial affiliates, with 14 participants in attendance.

- 213 In its response regarding the dissemination of the NRA findings to the private sector, the country reported that an operational and representative coordination body with adequate resources had been set up to coordinate and direct all exercises relating to the mutual evaluation of Djibouti. (Decree of August 9, 2023). This national coordination unit is placed under the authority of the Attorney General.
- 214 With the support of the National Coordinating Unit; various focal points of the competent authorities and institutions concerned were identified to actively participate in the Mutual Evaluation exercise.
- 215 Despite the establishment of a National Coordinating Committee in charge of coordinating risk assessment efforts and disseminating their findings, a major obstacle remains: the lack of an adequate mechanism for the transmission and dissemination of information related to the national risk assessment (NRA).
- 216 The level of awareness of ML/TF risks varies considerably from one financial sector to another. While banks and financial affiliates acting as agents of large global groups demonstrate satisfactory understanding of these risks, other financial institutions still have significant gaps. This is also the case with insurance companies, which are hiding behind the non-marketing of life insurance contracts and capitalization products.
- 217 This knowledge gap exposes these institutions to increased ML/TF risks and requires targeted sensitization and training efforts to fill these gaps and harmonize the level of understanding of risks across the financial sector.
- 218 DNFBPs, in particular, are mostly vulnerable to ML/TF activities due to their glaring lack of awareness of these risks. They have neither useful information on the NRA findings nor clear and formalized guidelines from the competent authorities regarding their obligations in the fight against ML/TF. (see IO.4)
- 219 This situation calls for urgent improvement of awareness and communication within this sector, so that DNFBPs can fully play their role in the fight against money laundering and terrorism financing.
- 220 In summary, the lack of adequate information transmission mechanism, the disparity of knowledge across financial sectors and the lack of awareness among DNFBPs constitute major obstacles to the effective management of ML/TF risks in Djibouti.

Conclusions on IO.1

- 221 On the whole, Djibouti has demonstrated a gradual understanding of the ML/TF risks it is exposed to, although this understanding is more limited for some supervisory authorities of non-financial businesses and professions. Investigative and prosecutorial authorities, particularly intelligence services, have demonstrated, through their own analyses, a more in-depth and appropriate understanding of national ML/TF risks.
- 222 Significant improvements are required, particularly in the analysis of certain ML/TF risks and in the understanding of sectoral risks by certain supervisory authorities in sectors considered to be at risk.
- 223 ML/TF policies and activities do not adequately reflect the risks identified.
- 224 National cooperation and coordination among the Djiboutian authorities presents disparities. Although the authorities collaborate in diverse ways and have a range of mechanisms to achieve this in these areas, it is necessary to formalize

exchanges through more cooperation agreements and facilitate mutual access to databases through intelligence and information exchange platforms.

225 The areas of cooperation among the various law enforcement bodies must be strengthened in order to share useful information on trends but also the means of common cooperation. Furthermore, the authorities must set up a mechanism for cooperation, information exchange among the stakeholders dealing with proliferation and its financing.

226 The lack of adequate mechanism for transmitting information among relevant stakeholders, the disparity of in the level of understanding across the financial sectors and the lack of awareness among DNFBPs constitute major obstacles to the effective management of ML/TF risks in Djibouti.

Djibouti is rated as having a low level of effectiveness on IO. 1.

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL MATTERS

Key Findings and Recommendations

Key Findings

Immediate Outcome 6

- a) The ANRF and law enforcement authorities have various means of accessing financial information and other data, whether from the public or private sector. However, the lack of adequate IT equipment impacts the strengthening of operational analysis and often hinders effective information sharing, which is usually done informally.
- b) The use of financial intelligence and other relevant information by authorities to develop evidence and locate proceeds of crime related to money laundering, predicate offences and terrorist financing is poor.
- c) The number of STRs is inadequate, mainly obtained from large banks. Only one STR was filed by a financial affiliate between 2018 and 2022 and another in 2023, while there was nothing from the DNFBPs. Furthermore, terrorist financing was reported only once in 2023, despite the growing threat posed by groups such as Al-Shabaab and Al-Qaeda in the Arabian Peninsula, as well as an internal threat from the Armed FRUD (see IO4), which is likely to impact the capacity of the ANRF to respond to operational needs.
- d) The ANRF is struggling with a lack of human, financial and technological resources to carry out its mandate of receiving, analyzing and disseminating information. Suspicious transaction reports disseminated by the ANRF are rare, with only 8 reports for the review period 2019 to 2023, although their quality has not been questioned by the competent authorities.
- e) The operational analyses carried out by the ANRF do not appear to add significant value either to the information contained in the STRs or to the operational needs of the competent authorities.
- f) The ANRF has not yet undertaken any strategic analysis, and annual reports have not been generated to date. Furthermore, the reporting processing process does not take into account the findings of the national risk assessment as a prioritization criterion.
- g) Although the ANRF has maintained constant coordination with the various authorities involved in the fight against ML/TF, the lack of accurate statistics and the dependence on mainly informal collaboration, it is not certain whether the quality of this cooperation and information exchange is satisfactory.

Immediate Outcome 7

- a) Djibouti should establish financial investigations as a policy objective in money laundering cases, integrating parallel investigations and establishing specialized teams with adequate resources; Prioritize investigations according to the country's risk profile and ensure better coordination between the ANRF, tax authorities, customs and investigation services to strengthen the identification of money laundering cases.
- b) Djibouti has a legal framework conducive to the identification of ML cases and several investigative authorities have the power to conduct investigations into ML cases. However, these authorities mainly conduct investigations into predicate offences and very exceptionally into ML. Only the SRD of the gendarmerie and the economic and financial brigade of the national police have succeeded in detecting ML cases. The ML offence is now systematically targeted in cases for which

criminal proceeds are generated. On the other hand, very few investigations are conducted in the form of parallel financial investigations and where they have been conducted very recently, they have been conducted concurrently with investigation into the predicate offence.

- c) The main predicate offences investigated and prosecuted do not generally reflect the threats identified by the NRA, with the exception of fraud and breach of trust which were investigated. Besides, the AT's analysis identified other significant offences that are not being prosecuted. The emerging awareness among the investigative and prosecutorial authorities of the need to prosecute ML in addition to the predicate offences has helped to redress the situation where there were no ML prosecutions. The ML cases prosecuted have very little bearing with the country's risk profile. The lack of investigation and prosecution of corruption and related offences as well as the laundering of the proceeds of such offences can have a systemic impact on the country's entire AML/CFT regime.
- d) The persons prosecuted within the framework of the investigations in progress before the investigating judges are, for the most part, suspected of being involved in the commission of the predicate offence and in carrying out the ML operations. These cases resulted in a trial and conviction of seven (7) individuals in one case; and only one ML case relates to the prosecution of offences committed abroad. Apart from these cases of self-laundering, cases of money laundering as an autonomous offence have rarely been identified and only one case of this type is being investigated by an investigating judge. On the other hand, no ML case currently under investigation involves a third party who was not involved in the commission of the predicate offence.
- e) Djibouti's regulatory framework provides for proportionate and dissuasive sanctions for a conviction for ML. The recent opening of criminal investigations into ML cases had not yet resulted in referrals to the trial court. However, on 6th March 2024, only one case was adjudicated and the persons prosecuted were sentenced to prison terms. The proportionate and dissuasive nature of the sentences handed down could therefore not be measured on the basis of this single case.
- f) No criminal justice measures are implemented to address cases where a conviction cannot be obtained following an ML investigation.

Immediate Outcome 8

- a) The seizure and confiscation of proceeds and instrumentalities of crime and assets of equivalent value are underdeveloped in Djibouti, despite the existence of a legal framework that has no appropriate mechanisms and training. Confiscation is not a political priority, and financial investigations are not systematically conducted, while the newly created central seizure and confiscation unit is not yet operational.
- b) Djibouti is not committed to the seizure and confiscation of proceeds and instrumentalities of crime and assets of equivalent value, with competent authorities failing to consistently and proactively carry out such confiscations, as evidenced by the inadequate statistics.
- c) The country is exposed to increased risks from organized crime due to its strategic position as a major transit point for capital and goods flows, and the presence of organized crime in neighboring countries compounds these risks.
- d) Confiscation measures are not aligned with national priorities, with no confiscation of assets related to corruption, migrants' smuggling, human trafficking, customs and tax offences, while there are challenges in detecting money laundering linked to international trade. The number of reports issued and the value of amounts seized are low.

Recommended actions:

Immediate Outcome 6

The Republic of Djibouti should:

- a) Implement optimized and systematic use of available financial information sources during investigations in order to collect evidence and locate proceeds of crime related to money laundering, associated predicate offences and terrorist financing. This involves equipping key players with efficient information systems, connecting internal databases, establishing secure communication channels and concluding more international Memoranda of understanding.
- b) Provide training in financial investigations for agencies in charge of ML/TF investigations, including officers of the Customs Department and the Tax Administration.
- c) Strengthen the capacity of reporting entities, particularly DNFBPs, to produce STRs by establishing a feedback system, providing training including on terrorism financing and acquiring technological solutions for data processing.
- d) The ANRF 's operational and strategic capabilities by providing the organization with adequate qualified human resources, in particular IT specialists, to conduct operational and strategic analyses and produce typologies to assist the competent authorities.
- e) Formalize exchanges by concluding cooperation agreements with the various stakeholders involved in the fight against money laundering and terrorism financing.
- f) Maintain and produce accurate and reliable statistics to facilitate satisfactory information exchanges with other national and international AML/CFT stakeholders.

Immediate Outcome 7

The Republic of Djibouti should:

- a) Generalize and conduct systematic investigations into ML in all law enforcement agencies, when dealing with predicate offences and prioritize such investigations within these agencies using the special investigative techniques provided for by law.
- b) Systematically conduct parallel investigations where necessary by disjunction, when investigating all profit-generating offences, including corruption, while increasing the number of autonomous investigations by the head of ML.
- c) Intensify training for all personnel of authorities in charge of investigating and prosecuting ML, in order to improve the number of case identifications, investigations conducted, and convictions secured, to ensure these actions are commensurate with the country's ML risk profile.
- d) Develop and implement a policy of prosecution and conviction of perpetrators of corruption, using parallel financial investigations and any other means, to improve the search for evidence and significantly increase the identification, investigation, prosecution, and convictions related to ML arising from corruption.
- e) Mete out proportionate and dissuasive sanctions, refrain from suspending them and ensure the effective execution of the sentences handed down.

Immediate Outcome 8

The Republic of Djibouti should:

- a) Establish a formal policy requiring authorities to strengthen their efforts in the seizure and confiscation of proceeds of crime and assets of equivalent value. This policy should include clear objectives and concrete measures (guidelines) to ensure a proactive and effective approach, commensurate with the identified risks. Ensure that the newly established Central Seizure

and Confiscation Unit becomes operational by providing the necessary resources and establishing clear protocols for its operation.

b) Strengthen its supervision and coordination capacities:

- Step up human and material resources allocated to the monitoring of travelers at border access points, particularly those with neighboring countries.

- Provide specific and ongoing training for Customs officers on techniques for detecting and managing risks related to the cross-border transportation of cash.

- Establish better coordination between Customs, security forces and other relevant agencies to ensure effective and rapid exchange of information.

c) Optimize existing tools and sensitize travelers:

- Implement the existing for currency declaration database.

- Launch awareness campaigns among travelers on currency declaration obligations and the sanctions incurred for non-compliance.

d) Urge the criminal investigation authorities, particularly in ML/TF, to use the ANRF within the framework of identifying ill-gotten assets abroad with a view to formalizing requests for confiscation through international mutual legal assistance.

e) Consider granting Customs legal powers to enable it conduct criminal investigations, especially in detecting suspicious ML/TF cases from customs offences, and provide it with the requisite adequate human resources.

f) Maintain statistics on all data on the seizure, freezing or confiscation carried out by the various authorities, and designate a unit in charge of consolidating such data.

g) Strengthen the investigative capacities of magistrates and investigators by providing them with specific training in the identification, seizure and confiscation of assets.

227 The Immediate Outcomes relevant to this chapter are IO.6-8. The recommendations relevant to the assessment of effectiveness within this section are R.1, R.3, R.4 and R.29.

Immediate Outcome 6 (Financial Intelligence)

228 The Assessment Team based its conclusions on various sources of information, including statistics provided by the ANRF, interviews held with the ANRF and several investigative and prosecutorial authorities, including the Criminal and Special Affairs Brigade, the Narcotics Brigade, the Migrants' Smuggling Unit, the Coast Guard, the Department for Counter-Terrorism Coordination and the Fight against Transnational Organized Crime, the National Counter Terrorism Division, the Economic and Financial Brigade and the Customs and Tax Departments. Furthermore, the team conducted interviews with database management administrations, interviews with representatives of the professions covered, and the examination of cases as well as visits to the ANRF premises.

Use of Financial Intelligence and other Information

- 229 Access to and use of financial intelligence and other relevant information by authorities to develop evidence and locate proceeds of crime related to money laundering, predicate offences and terrorist financing are poor.
- 230 Investigative authorities as well as the ANRF theoretically have the possibility to access and use various sources. However, in practice this rarely happens, mainly for the predicate offence and not for money laundering.
- 231 **Box 3.1** identifies the main files and databases, most of which are accessible in real time to investigators, used by the various investigative authorities.

Box 3.1. Examples of available files and databases

1. **National Population Register:** This database contains information on Djiboutian citizens, including identifying data such as names, dates of birth, addresses, and national identification numbers.
2. **Passport and Visa Management System:** This database is used to record information related to passports and visas issued to citizens and foreigners traveling through Djibouti.
3. **Business Register (ODPIC):** This register contains information on companies registered in Djibouti, including their structure, business activities and details of their managers.
4. **Vehicle Management System:** This database records details of vehicles registered in Djibouti, including owners, vehicle specifications and insurance information.
5. **Land Registry:** This database contains information on land ownership in Djibouti, including Cap. deeds, land parcels and real estate transactions.
6. **Judiciary (Bulletin No. 3):** Courts and judicial authorities rely on a database to record pending cases, which includes convictions, court verdicts and recorded legal proceedings.
7. **Financial System:** Financial institutions and regulators use databases to track financial transactions, monitor regulatory compliance, and prevent financial fraud.
8. **Customs Department Database:** This database contains information on financial institutions’ cash movements, as well as on goods crossing Djibouti’s borders. It records imports, exports, customs duties collected, customs declarations of companies and customs inspections. Although passenger cash movements are not recorded in databases and despite the lack of statistical data for the review period 2019 to 2023 due to the recent implementation of passenger cash movement declarations, this platform is still essential for monitoring trade flows and collecting customs revenue.

9. **Tax Department Database:** This database collects information on taxpayers and their tax obligations in Djibouti. It records income tax returns, tax payments, tax exemptions granted, and tax audits conducted by tax authorities. This database is used to ensure the collection of tax revenues and the fair enforcement of tax laws.
10. **Ports and Free Areas Authority Register Database:** This database contains information on companies operating in Djibouti's ports and free Areas. It records the companies' business activities, operating licenses, cargo movements, and financial transactions. This database is crucial for the management and regulation of port and free Area activities, as well as for the promotion of investment and international trade.
11. **National Treasury Database:** This database centralizes financial information on government expenditures, government revenues, public debt, and the management of public funds in Djibouti. It records government budgets, financial transactions, government bank accounts, and official financial reports. This database is used to ensure financial transparency, fiscal accountability and effective management of public resources.
12. **Djibouti Telecom Database:** This database contains various information such as call records, geographical location data, financial transactions and electronic communications metadata. These data are collected from the telecommunications networks operated by Djibouti Telecom.

232 Access to and use of financial intelligence and other relevant information is hampered by a manual data collection and analysis process, as well as an outdated IT system. The lack of analytical tools and human resources also compounds this situation, thereby compromising the effectiveness of AML/CFT efforts.

233 Investigations often face several obstacles that hamper their capacity to fully use financial intelligence and other relevant information. These challenges stem from various gaps, including an uneven distribution among various reporting entities and a lack of STRs, which is particularly problematic given the fact that reporting activity among reporting entities is very low, especially within the framework of money laundering (ML) and terrorist financing (TF) risk in Djibouti. Indeed, the number of cases analyzed varies considerably from year to year, from 24 in 2019 to only 20 in 2023.

234 Indeed, the ANRF and the investigative and prosecutorial authorities have the possibility of accessing and using various sources to consult and access the available information. However, the undeveloped data collection and analysis, the low reporting activity and the quality of the information, the lack of information systems allowing mutual access and the use of informal modes of exchange, coupled with the lack of analytical tools developed with sophisticated analysis software to automate certain tasks and identify suspicious transactions more quickly and a lack of human resources, constitute the main obstacles that considerably hinder access to and use of relevant financial information, thus reducing the effectiveness of efforts to fight against money laundering and terrorism financing.

National Financial Intelligence Agency (ANRF)

235 Theoretically, the ANRF may obtain from any public authority and any other natural or legal person the disclosure of information and documents. The ANRF may also exchange information with judicial authorities, law enforcement authorities and those in charge of enforcing disciplinary or monitoring sanctions, and all other State administrative agencies. The ANRF's mandate is to analyze this information in order to establish the nexus between suspicious transactions and illicit activities in order to prevent and fight against money laundering and terrorism financing, and to file the results of its analyses to the State Prosecutor and other competent judicial authorities where there are reasons to suspect any activity linked to ML/TF. In this regard and within the framework of performing its functions, the ANRF carries out operational analysis that uses the information available and likely to be obtained in order to identify specific targets, to follow the trace of particular activities or operations and to establish the links between these targets and possible proceeds of crime, money laundering, associated predicate offences and terrorism financing.

236 Thus, the ANRF acts as a centre for collecting and analyzing financial information from various entities, including reporting entities, judicial authorities and other public services. It enriches this data through its own investigations and by exercising its right of disclosure. In cases where suspicions of activities related to money laundering or terrorist financing are confirmed, it forwards the file to the State Prosecutor's Office.

237 The ANRF has direct and indirect access to a mass of information sources, allowing it to query databases held by the competent authorities or reporting entities. These data are generally accessible on information request, and ANRF officials emphasize that their partners' response times are generally short. Among the databases consulted are those of accountable persons, such as KYC (Know Your Customer) files, bank statements, due diligence findings, as well as details of financial transactions. Furthermore, the ANRF also indirectly accesses the databases of the administrative bodies and departments mentioned above (see Box 3.1).

238 When receiving STRs or Cash Transactions Reports from customs, the ANRF immediately conducts consultations with these directly accessible sources. These sources include:

- The database of the register of the Ports and Free Areas Authority;
- The National Treasury database (for deposits made by operators);
- The database of disputes (for locating containers for a dispute with an importing company).

239 However, the current IT system does not allow the ANRF to automatically integrate the reports received into its database or to directly consult accessible information sources in a consolidated manner. The reception, collection and processing of data entirely manually considerably increases the operational workload of the ANRF and causes significant delays in the processing of STRs received.

240 Information exchange with the judicial authorities is done upon information request from the ANRF to the judicial authorities. The latter may in turn contact the ANRF through judicial requisitions to request information or data necessary for the continuation of investigations into money laundering or terrorism financing.

241 The ANRF also has access to additional databases, including those held by the various above-mentioned competent authorities. This access may be direct, pursuant to the established protocols and technical capacities of each body, or indirect, insofar as the ANRF has the technical and legal capacity necessary to access all the databases of the competent authorities, provided the latter have the appropriate information systems.

242 However, there may be obstacles to accessing information, including material ones. Although many competent authorities hold relevant data, not all of them are necessarily IT or equipped with information systems that allow the availability of information and statistics and have mutual access. This material challenge may therefore constitute an obstacle to the consultation and use of financial intelligence and other relevant information in investigations, with the aim of establishing evidence and locating the proceeds of crime related to money laundering, associated predicate offences and terrorist financing. Similarly, it may hamper the effective implementation of cooperation and information exchange mechanisms in the fight against money laundering and terrorist financing.

Table 3.1. Information requests and requisitions made to other competent authorities and foreign counterparts and information requests received by the ANRF (source: ANRF)

Year	International information requests sent	National information requests sent	Requests sent to competent authorities	Total Information Requests and National Requisitions	Total Information Requests Received	International	National	Total
2018	3	53	1	57	0	0	0	0
2019	0	56	0	56	1	1	0	1
2020	0	24	0	24	1	1	0	1
2021	0	35	4	39	0	0	0	1
2022	0	58	0	58	5	1	4	5

2023	0	156	96	252	3	0	3	3
Total	3	382	101	483	10	3	7	11

243 Statistics reveal that the use of financial intelligence is low when compared to the country's risk context, despite a significant increase in the ANRF's activity in terms of information requests and domestic requisitions over the years, hitting the peak in 2023 as shown in (Table 3.2). In contrast, international interactions are apparently limited. The increase in requisitions in 2023 could indicate a recent awareness of the issue. The low number of requests received, both domestic and international, could suggest less reciprocity or a reduced need for responses from the ANRF.

244 The ANRF officials stated that the 10 information requests received by the ANRF during the review period 2018 to 2023, came from the competent national authorities such as the Gendarmerie, the National Police, the ODPIC or more recently from the Customs authorities but also from its foreign counterparts.

Table 3.2. Illustrative Table of Cases of Information Requests Issued by the ANRF to Query Databases (December 2023 - January 2024) (source: ANRF)

Case	Description of Facts	Sources Consulted
Case A	The suspect in Djibouti attempts to transfer funds to Country X through a transfer bureau to an accomplice linked to the OFAC-listed terrorist group Al-Shabab.	-Financial institutions (banks, financial affiliates) - Tax Department -Djiboutian Office of Industrial and Commercial Assets (ODPIC)
Case B	The suspect is involved in a khat smuggling activity and was intercepted by the gendarmerie in possession of kilos of khat and sums of money of 370,000 FDJ and 16,000 Ethiopian birrs.	-Financial institutions (banks, financial affiliates) - Tax Department -The Djiboutian Office of Industrial and Commercial Assets (ODPIC)
Case C	The suspect is a bank employee and was involved in a theft of more than two million francs from the cash register.	-Financial institutions (banks, financial affiliates) - Tax Department - Department of State Lands and Conservation of Landed Assets - Real Estate and Land Development Company (SIAF) - Urban Rehabilitation and Social Housing Agency (ARULOS) - District of Djibouti (mines agencies)

Case D	A set of people were scammed by a mobile payment operator. Customers sent sums of money with the promise of doubling the amount sent.	<ul style="list-style-type: none"> - Banks - The digital currency operator
Case E	The suspect is an individual who deposited counterfeit bills into a bank.	<ul style="list-style-type: none"> -Financial institutions (banks, financial affiliates) -The Djiboutian Office of Industrial and Commercial Assets (ODPIC) - Tax Department - National Social Security Fund
Case F	The suspect, a foreign national on a stopover in Djibouti from country X, was arrested in possession of an amount of dollars at the airport. He planned to convert this amount into Djibouti francs to export them elsewhere, introducing himself as a foreign exchange operator with the intention of returning to city Y to collect the rest of the funds.	<ul style="list-style-type: none"> - Central Police Station - Border Police (PAF) - Interpol
Case G	The individual was involved in the theft of sums of money.	<ul style="list-style-type: none"> -Financial institutions (banks, financial affiliates)

Box 3.2. Case “Bank Card Fraud, Example of the Use of Financial Intelligence in a Fraud Case”

On 11th July 2022, the ANRF received a requisition from the Criminal Investigations Office for a preliminary investigation conducted by the Criminal Identification Brigade of the National Gendarmerie concerning suspicious transactions involving bank cards. A local bank reported suspicious transactions on the account of a travel agency, prepared using international bank cards.

The travel agency, owned by Mr. and Mrs. XXXx, used an electronic payment terminal of a local bank to carry out suspicious transactions, mainly for the issuance of airline tickets, using international credit cards such as MasterCard or Visa.

An analysis of the transactions revealed that the travel agency carried out a large number of transactions between June and July 2022, amounting to DJF 169,429,702 credited to its account. The transactions were carried out mainly through three local banks.

Mrs. X made several transfers from her bank account to her husband's account and to the travel agency's account, while Mr. X received a transfer from his wife. The company "N Solutions" also received funds via bank transfers.

In conclusion, the operational analysis revealed the involvement of Mrs. X in transfers to third parties, including her husband and the company "N Solutions". Other individuals were also involved in cheque withdrawals and money transfers on behalf of Mr. X.

Evidence was forwarded to the relevant authorities, leading to the arrest of the manager of the travel agency and other individuals involved. The bank accounts and assets related to the agency were frozen and seized.

Investigative and Prosecutorial Authorities

- 245 Investigative and prosecutorial authorities do not systematically request for financial intelligence for the identification and location of assets. These authorities under-utilize their power to request for financial information outside the ANRF. Statistics indicate that the prosecutorial and investigative authorities make little use of financial information and other intelligence held by other parties to support their investigations (see IO.7 and IO.8).
- 246 For the collection of financial information, these authorities use various means, among others and in addition to information from international police or judicial cooperation, these authorities use in a limited and non-systematic manner requisitions from the various parties concerned. These authorities often use less formal methods: exchanges based on personal relations with the human resources of the other parties concerned.
- 247 Thus, the ANRF is relatively scarcely called upon in practice to enrich financial investigations, particularly in the most complex cases, although its capabilities can be beneficial in such situations.
- 248 In addition to consulting registers and databases, investigative authorities use various means to collect financial information, including searches, intelligence provided and exchanged by human sources based on personal relationships, and information from international police or judicial cooperation. They also access and use financial intelligence from reporting entities (e.g. bank statements) or legal persons (e.g. shareholder information, company balance sheets, tax records).
- 249 The criminal investigation officers (CID) of the Research and Documentation Section (SRD) file their information requests to the ANRF via requisitions to qualified entities. At the same time, the ANRF also requests the CIDs of the SRD during its own investigations.
- 250 The National Gendarmerie indicated that, during an investigation, it issues requisitions, endorsed by the State Prosecutor, to collect relevant information from banks, financial affiliates, as well as the competent administrative authorities and the ANRF. The National Gendarmerie may be requested by the competent authorities to conduct investigations pursuant to an official request.
- 251 The National Police, on its part, receives reports from financial institutions regarding the movement of funds either through the State Prosecutor's office or following disseminations by the ANRF. This enables the relevant investigation agency to initiate an investigation and, subsequently, to transmit the findings of this investigation to the State Prosecutor's office.

Table 3.3. Number of investigations conducted by the competent agencies based on information received from the ANRF (2019-2023)

Year	Investigative authorities			Prosecution	Customs	Tax Authorities
2019	0			0	0	0
2020	0			0	0	0
2021	0			0	0	0
2022	4			4	0	0
2023	3			3	0	0
Total	7	7	0	0		

252 These statistics reveal that from 2019 to 2021, no investigations were initiated by the investigative authorities, the prosecution, customs or tax authorities, which could indicate a lack of relevant information from the ANRF or a lack of responsiveness and capacity of the authorities concerned. However, a clear improvement was observed in 2022 with 4 investigations conducted by both the investigative authorities and the prosecution, perhaps indicating a recent change in the information detection and transmission mechanisms or more effective inter-institutional collaboration.

253 This trend continues in 2023 with 3 additional investigations. However, it is worrying to note the total lack of investigations by customs and tax authorities over the entire period, which highlights a deficiency in the use of financial intelligence despite the country's risk context. A total of 7 investigations were conducted over five years by the investigation authorities and the prosecution service, which, though positive, is relatively low. As at the date of the on-site visit, the customs administration had not yet integrated financial intelligence into its practices.

254 It should be noted that the DGDDI only deals with the tax and administrative aspects of customs offences. If an offence also has a criminal aspect, i.e. it also constitutes a crime under criminal law, the customs transactional settlement has no effect on criminal prosecution.

255 The examples below demonstrate that prosecutorial authorities make little use of financial intelligence to conduct investigations.

Box 3.3. Case “Use of financial intelligence in a case of fraud and forgery”

In August 2022, the ANRF received a requisition to a qualified person from the Criminal Investigation Office relating to a preliminary investigation conducted by the Criminal Identification Brigade of the National Gendarmerie, involving suspects.

The ANRF was requested to verify their bank accounts and transactions. The analyses revealed suspicious financial movements, including deposits from third parties and multiple income in various accounts.

Following these discoveries, investigations were conducted, leading to the arrest of the suspects for fraud, forgery and usurpation.

Box 3.4. Cases of “fraud and forgery”

In 2023, the ANRF was requested by the Criminal Investigation Office of the Economic and Financial Brigade of the National Police of Djibouti, for an investigation on XXX, suspected of theft. After analysis of his bank accounts and transactions, no anomalies were detected, with the exception of financial transactions through the issuer of the electronic money minimal via a Waafi account¹² which have been traced .

These funds transfers to and from phone numbers associated with individuals were observed, enabling the suspect to be located and it was confirmed that he was in Somaliland at the time of the last transaction.

And within the framework of the network of police chiefs named “SAMATALIS”, the individual was arrested and then extradited to the Republic of Djibouti where he was presented to the prosecutorial authorities. The investigation also led to the partial recovery of the proceeds of the crime, including the seizure of a vehicle purchased with the proceeds of the ticket and the seizure of funds amounting to USD 3,650.

Box 3.5. “Asset request” case

In January 2023, following an information request from Djibouti National Security concerning Mr. X, suspected of financing terrorism, the ANRF discovered that Mr. X has bank accounts in several banks and was involved in significant real estate transactions. Suspicious movements of funds involving several individuals and companies were observed, leading to the freezing of Mr. X's assets and the opening of an investigation by the competent authorities.

Customs and Tax Authorities

256 Customs and tax authorities have a wide range of financial information to support their investigations into customs and tax offences. The DGI has a range of information to assess AML/CFT operations. This capacity, as confirmed by the authorities, will be expanded with the deployment of a new system that will enable the DGI to interface with the various administrations and local banks. However, the DGI and the Customs Department (DGD) are only authorized to take administrative measures and do not have the authority to investigate money laundering related to customs offences.

257 With regard to tax offences, the provisions of the CGI provide for a duality of sanctions, tax sanctions which are generally in line with administrative and criminal sanctions which affect serious offences constituting crimes and considered as such by the courts. Customs and tax administrations are restricted to the application of administrative measures and do not have the capacity to initiate investigations into money laundering linked to customs and tax offences, even when they discover such laundering during the investigation of other offences falling within their jurisdiction.

¹²Waafi is a mobile payment platform operating in Djibouti, providing a range of financial services to individuals and businesses. A Waafi account is a digital wallet that enables users to store, send and receive money through their mobile phone.

258 Furthermore, the customs and tax authorities consider that the administrative sanctions applied are dissuasive and that it is generally not necessary to file a report to the State Prosecutor to initiate parallel criminal proceedings.

259 Therefore, this information is not used to support parallel financial investigations into possible cases of money laundering related to customs or tax offences. This also explains the virtual lack of investigations and prosecutions for money laundering arising from tax and customs fraud. (see IO.7).

260 The low number of ML/TF investigations is attributed to the lack of in-depth knowledge of the risks and mechanisms of money laundering and terrorist financing, coupled with a lack of awareness and training and dedicated resources. A clear awareness is beginning to emerge, especially after the completion of the NRA and the adoption of a new public criminal policy on AML/CFT, particularly with the adoption in January 2024 of the Attorney General’s directive (see IO.7).

261 Although threats such as corruption, human trafficking, migrants’ smuggling, and customs and tax fraud are transnational in nature, investigative and prosecutorial authorities and the ANRF rarely proactively exchange financial information with their foreign counterparts (see IO.2).

262 Judicial authorities, including the prosecution and investigating judges, appear to favour the use of financial intelligence and other sources of information to prosecute the predicate offence, rather than money laundering and terrorist financing.

263 On the whole, there is no systematic practice among judicial and investigative authorities to proactively use information to be provided by the ANRF and their foreign counterparts in investigations into money laundering, predicate offences and terrorist financing.

264 On the whole, financial intelligence, although used by the ANRF and other relevant agencies, is largely under-utilized in the fight against terrorist financing. This finding suggests that it is not fully and effectively integrated into the overall response to terrorist threats, despite the enduring reality of these threats (see IO.9).

Reports received and requested for by competent authorities

265 The ANRF collects a variety of information from reporting entities and competent authorities. This information includes four types of reports: Suspicious Transaction Reports (STRs), Cash Transaction Reports, Funds Transfer Transaction Reports (FTTRs) and Cross-Border Funds Declarations.

Table 3.4: Number of Reports received by the ANRF:

Nature of Reports	2020	2021	2022	2023	Total	
Number of STRs	17	43	40	28	128	
Number of cash transaction reports	1259	1139	1258	1446	5102	
Number of funds transfer transaction reports	120	218	347	443	1128	
Number of cross-border funds declarations	42	126	88	99	355	

266 The number of suspicious transaction reports relating to ML and predicate offences is inadequate, mainly received from large banks. Only one STR was received from a financial affiliate between 2018 and 2022. However, the reporting activity of DNFBPs is totally non-existent. No terrorist financing-related report has been recorded so far.

267 The number of reports received by the ANRF recorded an overall increase during the review period. However, the number of STRs decreased in 2023 when compared to 2021 and 2022.

268 An analysis by type of report reveals the following observations:

- Suspicious transaction reports (STRs): The number of STRs remains very limited and decreased in 2023 when compared to previous years, particularly 2021 and 2022. This decrease could be attributed to various factors, including a possible lack of due diligence on the part of reporting entities (see IO.4).
- Cash transaction reports: Payments in cash or by securities or bearer bonds of a total sum exceeding one million francs (1,000,000 FDJ) are subject to control (due diligence) and must be filed as a cash transaction report to the ANRF. Reporting entities are required to file their reports within 15 days maximum after the end of the month. They constitute the largest category in terms of volume, with a remarkable increase of 14.86% between 2020 and 2023, due in particular to the persistence of the informal market and the continued use of cash in financial transactions.
- Funds transfer transaction reports (FTTRs): Reporting entities must submit a funds transfer transaction report for transfers to or from abroad of funds, securities or assets for a sum greater than or equal to one million francs (1,000,000 FDJ) to the Financial Intelligence Service. They have recorded the highest growth rate in percentage (+269.17%) over the period, increasing from 120 in 2020 to 443 in 2023. The number of CTRs recorded a significant increase in 2023 when compared to 2022, mainly due to the boom in cross-border remittances, driven by the growing use of online banking services such as the WAAFI system.

269 Report on funds belonging to terrorist groups: this type of report applies to customers under international sanctions identified by financial institutions. Before any transaction, a report must be filed to the ANRF. It also includes funds and other assets held directly or indirectly, by terrorist groups or individual terrorists acting on their behalf. However, with no clear legal framework and procedures in place during the review period, reporting entities refuse transactions with suspicious persons and report cases to the ANRF. For existing customers, only the ANRF can request for the freezing of assets via the State Prosecutor's office, but this has never happened (see IO. 10).

270 The numbers of the various types of reports received by the ANRF are relatively low compared to the overall volume of financial transactions carried out in Djibouti. This observation suggests that a considerable number of suspicious transactions are not reported to the ANRF, which raises concerns about the effectiveness of the mechanisms for detecting and reporting illicit financial activities. Besides, it suggests that the reporting of the other three types of reports is not consistent with the volume of national and cross-border financial and payment activities. The ANRF's efforts to facilitate

reporting and support reporting, particularly through educational tools and materials by developing and publishing frameworks and guides on its website, have not been enough to address the low reporting activity.

- ***Suspicious Transaction Reports (STRs)***

271 Between 2019 and 2023, the ANRF received a total of 157 suspicious transaction reports (STRs) mainly from financial institutions (90% from banks and 10% from other financial institutions). Out of these 157 STRs, 96 were processed using an Excel spreadsheet-based assessment tool, which analyzes the inherent risk of STRs in order to prioritize them and decide on actions to be taken only. As noted during the on-site visit the findings of the national risk assessment and the main threats arising from it have not taken into account in the prioritization of STR processing.

272 The ANRF recorded an increase in the Volume of its Reporting Casefiles (STRs) by the end of 2023, representing 38.85% of STRs received during the review period 2019-2023. Regarding the number of classified case files (i.e. STRs closed without follow-up and STRs under surveillance), they represent 61% of STRs received, compared to only 5% of disseminated casefiles. This level of dissemination represents in absolute terms 8 STRs over 5 years, thus revealing insignificant analytical activity and a very high number of outstanding STRs in relative terms, while the number of classified casefiles indicates a high rate of casefiles considered irrelevant or without adequate evidence, which calls into question the quality of the information.

Table 3.5: STRs processed and variation in volume between (2019-2023)

	2019	2020	2021	2022	2023	Total
No. of STRs received	29	17	43	40	28	157
No. of STRs being processed	16	11	30	24	25	106
No. of STRs filed without further action	13	6	10	14	0	43
Number of STRs disseminated	0	0	3	2	3	8

273 Out of the 157 STRs received, 43 were classified without further action, while 106 are being processed. Eight STRs have been disseminated to the competent authorities and foreign financial intelligence units.

274 The low number of disseminated STRs can be attributed to several factors. First, the lack of IT databases in financial institutions complicates the extraction of information and slows down the analysis of STRs. Furthermore, the ANRF has limited human resources, with only three managers, which delays the conduct of analyses and dissemination of information. The lack of adequate IT tools to analyze the flow of cash transaction and funds transfer reports adds an additional layer of complexity. Although the ANRF receives a relatively small number of STRs, it must also process a large quantity of periodic reports related to cash and cross-border transactions, making the analysis of flows even more difficult without sophisticated analytical tools and software that can automate certain tasks and identify suspicious transactions more quickly.

275 The low number of STRs received and disseminated is also due to the fact that the reports are mainly obtained from financial institutions, while the reporting obligation is extended to other non-financial institutions. The latter, not very aware of this

issue, have not necessarily integrated these obligations into their compliance systems, which reduces the number of STRs that can be disseminated.

276 More than 60% of STRs are classified as ongoing. STRs classified under this category are those recently received and not processed and those which, after a preliminary analysis, do not present immediate or significant signs of money laundering or terrorist financing. They are not immediately closed but are closely monitored to detect any developments or new information that could change their risk classification.

277 However, the AT highlights the challenges related to these ongoing reports, including the need for a procedure to monitor actions on these STRs from year to year, the mobilization of human resources to clean up the outstanding ones and process new reports, and the availability of technical tools to identify links with STRs and monitor ongoing processing of STRs. These reports often involve additional efforts in terms of exchanges with partners to obtain further information.

278 Finally, it should be noted that the number of STRs classified as ongoing is high, despite the low reporting activity. Casefiles considered as irrelevant or without adequate evidence may, among other things, indicate gaps in the detection, quality of information or in the processing of suspicious transaction reports.

279 Although the ANRF has made progress in processing STRs, improvements are needed in terms of human resources, IT tools, quality of information and awareness-raising among non-financial institutions to improve the effectiveness in the dissemination of financial intelligence.

Table 3.6: Number of STRs received by Nature of Suspicion

Nature of Suspicions	2019	2020	2021	2022	2023	TOTAL
Money laundering	18	8	21	19	17	107
Terrorism financing	0	0	0	0	1	1
Drug trafficking	0	0	0	0	0	0
Scam	0	0	2	3	0	5
Tax fraud	0	0	2	0	0	2
Customs fraud	0	0	0	0	0	0
Scam	0	2	2	3	3	10
Corruption and embezzlement	0	3	3	2	0	8
Doubtful bank guarantee	0	0	0	0	0	0
Cybercrime	0	0	0	0	0	0

Human trafficking	0	0	0	0	0	0	0
Illicit funds recycling in real estate	0	0	0	0	0	0	0
Dubious business practice	0	0	0	0	0	0	0
Forgery and use of false documents	3	1	3	3	1		11
Fraudulent financial scheme	0	0	0	0	0		0
Misuse of corporate assets	0	2	3	3	2		10
Dud cheques	0	0	0	0	2		0
Influence peddling	2	1	2	3	2		8
Participation in a criminal association	1	0	2	0	0		3
Organized gang robbery	2	0	1	3	0		3
Counterfeiting	1	0	2	1	0		3
Total	29	17	43	40	28		157

(Source: ANRF)

280 The analysis of these data, considering the risk context in Djibouti, highlights several crucial issues. Firstly, it should be noted that the majority of STRs are related to money laundering, with a total of 107 reports over the period, underrating the fact that the qualification of money laundering suspicion by the reporting entities is in itself unclear. On the other hand, only one report was related to terrorist financing in 2023, despite the growing threat posed by groups such as Al-Shabaab and Al-Qaeda in the Arabian Peninsula, as well as an internal threat embodied by the Armed FRUD.

281 Secondly, some high-risk offences such as drug trafficking, were not reported during this period, which may indicate under-reporting or difficulty in detecting these criminal activities. Other offences, such as tax evasion, customs fraud, cybercrime, human trafficking, and laundering of illicit funds in real estate, were also not reported, raising questions about the effectiveness of the detection system and by analogy the awareness of reporting entities of ML/TF typologies and red flags.

282 Furthermore, offences such as fraud, corruption and embezzlement, as well as misuse of corporate assets, were reported more regularly, with fluctuations from year to year. Of particular concern is the relatively high number of STRs categorized under fraud and forgery and use of false documents.

283 These observations suggest that while efforts have been made to fight against some crimes, there is need to strengthen detection and reporting mechanisms, particularly for high-risk and under-reported crimes. Djibouti, which is currently grappling with significant internal risks of money laundering, corruption, drug trafficking, and human trafficking, needs to

improve its surveillance and reporting capacities to better address these threats. Its geographical proximity to volatile regions such as Somalia and Yemen, makes it even more complex, requiring enhanced due diligence and stronger collaboration with international partners to effectively fight against these risks.

284 The commitment of the authorities, whether financial and non-financial sector supervisors or the ANRF, towards obligated entities to improve the detection and reporting of suspicious transactions has been deemed insufficient.

285 Although the ANRF launched sensitization campaigns after the National Risk Assessment (NRA) and provided ad hoc feedback to some financial institutions on the comprehensiveness of their STRs, most of the reporting entities met during the on-site visit expressed the need for more frequent and targeted engagement with the ANRF.

286 Currently, the ANRF is yet to develop a feedback strategy on the quality and usefulness of STRs, and produce typologies specifically designed to help the various categories of reporting entities identify suspicions relevant to their activities, products and services.

287 Despite this lack of feedback, the ANRF often calls on banks to obtain further information to support its analyses and respond to requests from domestic and foreign authorities, thereby helping to address some of the gaps identified in the STRs. Nevertheless, it does not have the legal authority to query DNFBPs, despite the high vulnerability of certain sectors, as illustrated by the following statistics:

Table 3.7: Number of requests for additional information

Year	Number of requests for additional information	Reporting Entities
2019	56	Financial institutions
2020	24	Financial institution
2021	15	Financial institution
2022	30	Financial institution
2023	188	Financial institutions + ODPIC + Tax Department + Mines Department
Total	313	

288 These figures show a continued reliance on financial institutions and raise questions about the inadequate involvement of DNFBPs, particularly those that are highly vulnerable.

- ***Declarations on cross-border transportation of cash and BNIs***

289 Pursuant to the applicable legislative provisions, physical transportation of cash in an amount equal to or greater than one million (1,000,000 FD), equivalent to five thousand six hundred and eighteen dollars (5618 USD) must be declared and justified to the customs authorities by the carrier.

290 Currently, declarations on the cross-border transportation of cash and bearer negotiable instruments (BNIs) are not subject

to effective control either at entry or exit points, which partly explains the low number of seizures carried out by Customs services. The cross-border transportation of cash and BNIs by travelers is not traced by Customs services, which limit themselves to recording in Customs databases only those transactions carried out by financial institutions. (see IO. 8)

291 Thus, although the Customs Department physically holds this information, it is difficult to make it available to the various authorities, including the ANRF. Consequently, the latter cannot use these data to support its operational analyses of suspicious transaction reports (STRs) or to conduct the relevant strategic analyses, despite the risks of money laundering and terrorist financing (ML/TF).

292 It was the Djibouti Central Bank that took the initiative to make available to the ANRF the statistics it has on the two types of reports: Funds Transfer Transaction Reports (FTTRs) and Cross-border Funds Declarations (CFDs).

- ***Reports from supervisory authorities (FIs/DNFBPs):***

293 While the collaboration between the ANRF and the Djibouti Central Bank is exemplary, it is perturbing to note that the other supervisory authorities do not share any information with the ANRF. This lack of cooperation deprives the ANRF of valuable information, such as donations received or issued from abroad and administrative or criminal disciplinary measures taken against reporting entities.

Adequacy of FIU analyses with the operational needs of competent authorities

294 The operational analyses carried out by the ANRF do not appear to add significant value either to the information contained in the STRs or to the operational needs of the competent authorities. This situation indicates a deficit in reporting activity and a general under-use of financial information.

295 Reports disseminated to the State Prosecutor's office are extremely rare, totaling only 08 casefiles for the review period 2019 to 2023, with an average of less than two reports per year. The lack of STRs related to terrorism financing highlights the need for increased training on terrorism typology for reporting entities. The officials met underscored the importance of investing more efforts in AML/CFT training. However, although they are few, the quality of these reports has not been questionable, according to the feedback received.

Operational analysis

296 The National Financial Intelligence Agency has five employees, including the Director. There are two operational divisions: one is in charge of receiving all types of reports from reporting entities, as well as information requests from foreign FIUs. The second division focuses on the processing and analysis of STRs, for information requests and requests to qualified entities.

297 The ANRF has a very limited number of human resources (5 staff) and adequate financial resources, with an annual balance sheet of approximately USD 67,000. Decisions regarding these resources are made by the BCD on annual basis.

298 The ANRF indicates that its operational needs have always been taken into consideration without any problem. However, it specifies that to strengthen its efforts at national level, essential projects implement should be implemented such as

digitalization and the development of IT programs designed for financial analysis and IT security, as well as improvement of the IT infrastructure and human resource support, including continuous training. These ambitious and essential projects logically require significant financial resources.

299 The Director, with seven years of experience as Auditor, oversees the operations of the ANRF. The team also includes a lawyer specialized in financial and tax engineering, with five years of experience as a financial analyst, and two additional financial analysts with two years of experience each. Furthermore, an economist specializing in economics and governance and a lawyer in business law, both with two years of experience, also contribute to the analysis of financial information.

300 To facilitate the receipt of various types of reports, the ANRF has set up a specific IT platform. This platform is designed to receive suspicious activity reports, those relating to funds belonging to individual terrorists or terrorist groups, as well as threshold reports.

301 On the platform, the reporting institution will find all the requisite forms and templates for the reports. These forms have several fields to enter detailed information on the operations, amounts involved, etc.

302 The ANRF has made available to reporters the reporting templates that can be dropped on-site. On the template it is specified that "Reports may be sent to the ANRF address". Since the ANRF is yet to establish an IT channel with the competent authorities, transmission is done physically. The information contained in the template then reproduced by the ANRF executives on the analysis form (Excel folder).

303 The ANRF uses predefined criteria to prioritize STRs, weighting them according to factors such as the involvement of Politically Exposed Persons (PEPs), Non-profit organizations (NPOs), non-residents or local residents, as well as the financial stake and amount of the suspicious transaction. A specific Excel folder has been established for this task, with provision for amendment and adaptation of the parameters as needed. However, the findings of the National Risk Assessment (NRA) are yet to be taken into account among these prioritization criteria.

304 Although not integrated into the platform, the ANRF uses an Excel spreadsheet to assess the risks of the suspicious transaction reports submitted. This tool is used to classify reports according to of risk level associated with each reported transaction, thus providing valuable assistance to the ANRF in its analyses, taking into account time constraints and available resources.

305 Although the ANRF has established tools and procedures to efficiently process suspicious transaction reports, with particular attention to high-risk cases, the organization is still grappling with significant challenges. The processing of STRs and other information remains underdeveloped due to the lack of an advanced IT system and analytical tools and software to automate certain tasks and identify suspicious and analytical transactions faster to facilitate operational and strategic analyses, and due to inadequate human resources.

306 Over the past five years, the ANRF has contributed to investigations conducted by the investigative authorities using the resources at its disposal. However, the statistics presented by the ANRF highlight the low quantity of STRs processed, as well as their limited dissemination to the competent authorities.

307 Furthermore, most of these disseminations, which led to seizures, were originally initiated by requests from the investigative and prosecutorial agencies through information requests sent to the ANRF in the form of requisitions to qualified entities. These findings highlight the limitations of the ANRF's analyses, which are struggling to detect suspicious transactions. Several factors could be responsible for this situation, including the quality of the information provided by the rapporteurs and the analytical capacities of the ANRF, which are largely dependent on the resources at its disposal.

Table 3.8: STRs disseminated between (2019-2023)

Year	Offences	Number	Partners
2019		0	
2020		0	
2021	Misappropriation of cash and public assets	1	Foreign FIUs
2021	ML	2	Judicial authorities
2022	ML	2	Judicial authorities
2023	ML	1	Judicial authorities
2023	Flight	1	Judicial authorities
2023	TF	1	Judicial authorities
	TOTAL	8	

308 In 2021, only 3 cases representing 3 STRs were disseminated:

- A case related to cash and the misappropriation of public assets has been disseminated to foreign FIUs.
- Two cases of money laundering have been forwarded to the competent authorities.

309 In addition to the 2 STRs disseminated in 2022, two requisitions to qualified entities were disseminated, leading to seizures. Two fact reports enabled the State Prosecutor to reclassify two cases as money laundering, thanks to the traceability of transfers and transaction analyses.

310 In addition to the 2 STRs disseminated in 2023, the ANRF handled three cases:

- Two requisitions to qualified entities from the gendarmerie and the national police respectively, for offences related to money laundering and theft.
- A national security information request regarding terrorist financing, resulting in seizures of assets and bank accounts.

311 In 2023, the ANRF processed only three STRs from banks, which were in the process of being disseminated, concerning cases of fraud, business relationships with entities on sanctions lists, and suspicious transfers associated with terrorist groups. Two other STRs from financial affiliates are also in the process of being processed, involving human trafficking and transactions with sanctioned individuals.

Box 3.6. Case of “Fraudulent Family Transfer”

In 2017, a Suspicious Transaction Report (STR) sent to the judicial authorities initiated a significant public action. This report exposed clues, including withdrawals from the accounts of customers of the bank where Mr. B was working, followed by the transfer of these funds to four people with family or friendly ties to the employee.

The sums were immediately withdrawn after the transfer, and the targets of these withdrawals were specifically chosen from among wealthy or vulnerable individuals.

This case ended in the conviction of Mr. B for breach of trust, with a sentence of 8 months in prison.

Box 3.7. Case “Company X Credit Card Fraud”

On 11th July 2022, the ANRF received a requisition for a qualified person during a preliminary investigation concerning financial transactions detected in a financial institution.

Analysis: The financial institution discovered multiple suspicious financial transactions on the company's bank account, made through the use of their credit card payment platform. Since May 2022, the bank has offered its customers credit card platforms, including a platform allowing transactions without the presence of a physical card. This process, often used for remote orders, such as by phone, internet or mail, allows companies such as travel agencies to make purchases on behalf of their customers without the need for a physical card to issue airline tickets. To do this, simply enter the bank card numbers, the expiration date and the three security numbers on the back of the card.

Company X used a total of 294 Visa and MasterCard credit cards in these suspicious transactions.

312 Between 2018 and 2023, the ANRF did not once exercise its power to suspend the execution of a transaction for a maximum period of 48 hours, thus depriving the prosecutorial authorities of the opportunity to take preventive measures.

313 The suspension of financial transactions is a tool that helps buy time to conduct a thorough investigation and to block funds that could be used to finance illicit activities.

Strategic analyses

314 The ANRF has not yet initiated a strategic analysis, nor initiated discussions on risk areas that could lead to strategic analyses. It has not yet produced any annual activity reports or reports that integrate typologies adapted to the real risks of money laundering and terrorist financing in Djibouti. This gap in strategic analysis limits the ANRF's capacity to respond proactively to the operational needs of the competent authorities.

Cooperation and exchange of financial information and intelligence

315 Coordination between various authorities has indeed been undertaken in recent years, in the fight against money laundering and terrorism financing. However, it is still informal and has no accurate statistics, even though information exchange agreements and Memoranda of Understanding (MoUs) have been signed with various organizations. It is also not certain that the quality of this cooperation and information exchange is satisfactory.

316 The ANRF and other competent authorities cooperate effectively with each other, either through information exchanges at the operational level or through periodic meetings of working groups in which they participate. The ANRF participates in several multi-disciplinary units which also aim to facilitate cooperation at the operational level, such as the inter-ministerial unit for terrorist assets, the VAT task force, the "tax intelligence" task force and other operational units in the fight against fraud and illegal work.

317 Cooperation between ANRF and Customs is still recent but promising. It has resulted in three information requests from Customs to ANRF following their first meeting with the experts during the on-site visit during the mutual evaluation.

318 To formalize these interactions, MoUs were signed, allowing direct access to the databases. The ANRF has thus concluded several agreements:

- An information exchange agreement with the National Social Security Fund, centralizing all employee-related data in the country, including their professional career and officially declared income.
- An information exchange agreement with the Djibouti Intellectual Assets Office (ODPIC) to facilitate the information exchange.
- An information exchange agreement between the Financial Intelligence Service (SRF, currently ANRF) and the banking supervisory authority, formalizing the information exchange between the Banking Supervision Department (DSB) of the Djibouti Central Bank (BCD) and the ANRF, particularly within the framework of interviews, investigations and on-site control mandates (support of the DSB within the framework of STR obligations).
- A cooperation agreement between the ANRF and the Counter Terrorism Department.
- An information exchange agreement is being signed between Customs and ANRF to access the statistical database on cross-border transfers and suspicious transactions reporting.

319 The ANRF regularly communicates to all financial institutions in the country the list of persons and entities identified by the resolutions of the United Nations Security Council as being linked to terrorism.

320 With regard to confidentiality and security of information, cooperation and exchange between the ANRF and other competent authorities, as well as the degree of protection of the confidentiality of information in ML/TF, are ensured by a physical delivery of documents carried a criminal investigation officer. This officer is obviously subject to stricter confidentiality, as stipulated in the response of the national gendarmerie.

- 321 The ANRF is yet to establish an IT channel with the competent authorities, the transmission is done physically through staff on oath and subject to the strictest obligation of confidentiality. Indeed, the criminal investigation officers are in charge of retrieving the fact reports for onward transmission to the State Prosecutor's Office.
- 322 The ANRF platform receives and records all suspicious transaction reports and other reports submitted by accountable institutions, both financial and non-financial. These reports are stored securely and confidentially, pursuant to current data protection regulations.
- 323 The ANRF staff are required to keep the information collected secret, which may not be used for purposes other than those provided for in the texts, subject to criminal sanctions. To date, no ANRF staff member has been found wanting for lack of integrity.
- 324 The ANRF uses data sharing and exchange exclusively locally (intranet). All information is stored and kept on an ANRF-specific server, isolated and physically located on ANRF premises. A small IT protocol has been set up that commands computers to update users' passwords on a quarterly basis, otherwise access is denied. Besides, an email encryption tool is available when needed to send emails.

Conclusions on IO. 6

- 325 **The financial intelligence system in Djibouti** has been grappling with fundamental challenges that hamper its capacity to effectively fight against ML/TF. These challenges are diverse in nature and include:
- 326 **Underutilization and under exploitation of financial information:** Investigative authorities and the ANRF have a variety of information sources at their disposal, but do not fully exploit them. This underuse hinders their capacity to produce financial intelligence to establish evidence and locate the criminal proceeds of ML/TF, as well as the predicate offences.
- 327 **Increase in the volume of STRs despite the low reporting activity of reporting entities:** Even though the annual flow of STRs received is relatively low, the analytical activity of the ANRF has not been able to absorb a reasonable percentage of the flow of STRs, which indicates an increase in the volume of STRs. It is understood that the lack of TF-related reports is particularly worrying in the Djibouti context.
- 328 **Systemic Gaps:** Weak data collection and analysis processes hamper access to and effective use of financial intelligence. ANRF's information technology system is outdated and lacks analytical software tools to automate tasks and identify suspicious transactions more quickly. ANRF's human resources are inadequate to effectively process the growing volume of data.
- 329 **Lack of impact of operational analyses:** Despite recent efforts by Djibouti, both at institutional and operational levels, the analyses carried out by the ANRF during the review period do not seem to add significant value either to the information contained in the STRs or to the needs of the competent authorities. However, it is important to put this finding into perspective. The results of these efforts may not yet be fully visible or measurable, and it is possible that positive impacts may gradually become apparent as these initiatives take effect and the analytical capacities of the ANRF continue to develop.

330 **Informal coordination:** Although progress has been made in coordination among the various authorities in the fight against ML/TF, this coordination is still informal in practice and not supported by accurate statistics.

The Republic of Djibouti is rated as having a low level of effectiveness on IO. 6.

Immediate Outcome 7 (Money Laundering Investigations and Prosecutions)

331 The Assessment Team based its conclusions on cases provided by the authorities, statistics on money laundering investigations, as well as numerous interviews with representatives of the criminal investigation agencies. These include the research and documentation section of the gendarmerie, the criminal and special affairs brigade, the narcotics brigade, the unit for fighting against migrant smuggling, the coast guard, the Department for Anti-Terrorism Coordination and the Fight against Transnational Organized Crime, the national counter terrorism division, the economic and financial brigade, as well as the Financial Intelligence Service officials.

332 The legal framework for the fight against ML is dominated by Law No. 106/AN/24/9th L of 6th March 2024, relating to the fight against money laundering, terrorism financing and the proliferation of weapons of mass destruction.

333 This Law aims to fight against ML by establishing measures to prevent, detect and suppress ML. It also criminalizes a wide range of predicate offences that generate profits, and empowers the competent authorities, from investigation to prosecution, to enable the conduct of ML investigations.

ML Business Identification and Investigations

At the preliminary investigation stage

334 In the Republic of Djibouti, there are several authorities capable of investigating and prosecuting criminal offences. These include the research and documentation section of the gendarmerie, the criminal and special affairs brigade, the narcotics brigade, the unit for fighting against migrant smuggling, the coast guard, the Department for anti-terrorism coordination and the fight against transnational organized crime, the National Counter Terrorism Division and the economic and financial brigade. All these authorities, which are empowered to investigate and prosecute predicate offences, are also capable of prosecuting the offence of ML.

335 Generally speaking, during the investigations they conduct, the criminal investigation and prosecution units have sometimes been interested in the financial flows generated, to identify the perpetrators and collect evidence of the commission of the predicate offences to ML, without however identifying and prosecuting the ML offence.

336 Investigation units such as the National Gendarmerie Research and Documentation Section (SRD) and the police economic and financial brigade have conducted investigations under the direction of the State Prosecutor into the predicate offences of breach of trust, fraud, concealment of banking data, forgery, embezzlement and corruption. Furthermore, an investigation

into a case of autonomous ML was conducted and referred to the State Prosecutor's office and a criminal investigation is currently underway.

337 This unit (SRD) initiated a parallel financial investigation into a case of concealment of bank card data, fraudulent use of IT systems, fraud and complicity in fraud (TPE case). During this investigation, the SRD issued several requisitions to qualified entities, including the ANRF, banks, the Department of Estates, the General Department of ARULOS, the Department of Mines and Road Safety, the Tax Department and ODPIC Department.

338 The parallel investigation conducted by the SRD has led to significant results. However, although such an approach helps to strengthen the evidence of the commission of the offence being prosecuted, it has the disadvantage of not facilitating an in-depth investigation into the illicit financial circuit. This limitation is further accentuated when the case is of a cross-border nature. In this case, the financial aspect of the investigation could not be pursued to identify the typology used for the theft abroad of the multiple bank cards or identify the laundering circuit of the stolen money. According to the authorities, this is due to the relatively short time limits of police custody during a preliminary investigation. However, the separation of the investigation into the predicate offence and the parallel financial investigation would have ensured a more cogent outcome of the investigation into the ML by facilitating a more effective investigation into the magnitude of the financial flows generated and their destinations.

339 Similarly, during ML investigations, the investigation authorities have not been using special investigative techniques with the exception of the SRD, which implemented the controlled delivery technique on 26 January 2024 during an investigation into illicit drug trafficking. The use of this investigative technique led to the seizure of twelve kilograms of cannabis worth 750,000 FDJ and the arrest of three people including the transporter and two traffickers. As for the other investigation units, although they had the powers to use them, they did not use these special techniques, which reduces their capacity to identify ML cases. In any event, the only case in which controlled delivery was used was not a complex ML case but rather a predicate investigation. No case of use of special investigative techniques has therefore been recorded in the country in terms of ML.

340 No ML case has been initiated by the customs or tax investigation services which are only concerned with their mandate of collecting tax revenue and exclude ML issues.

341 The National Independent Commission for the Prevention and Fight against Corruption has the capacity to receive reports of corruption and to detect cases of ML based on the latter. However, no ML-related case has been triggered by this authority, which has therefore not demonstrated its effectiveness. This situation is attributable to the lack of political commitment, the low level of staff skills, inadequate human resources and the financial and material resources available to this authority. Furthermore, the organogram of this authority has gaps in the departments of investigations, communication, administration, finance and human resources. The lack of a Director of Investigations, whose position has been vacant for several months, contributes to the inability of this authority to detect ML-related cases. According to representatives of the Independent National Commission for the Prevention and Fight against Corruption, since its inception in 2013, it has been encouraging prevention and awareness-raising, at the detriment of repression.

- 342 The Migrants' Smuggling Unit is a unit whose mandate is to detect and investigate this threat identified as significant, which the authorities of the Republic of Djibouti are facing. However, this unit, with staff that have a good knowledge of the most recurrent typology, consisting of migrants taking the eastern route to the Gulf countries, has meagre resources to detect the proceeds generated by this threat. It is therefore comfortable to conduct investigations into the main offence and is yet to initiate an investigation into the ML derived from the commission of this offence. With a view to adopting a more effective approach to the fight against ML due to its transnational nature, the authorities have signed a memorandum of understanding with Ethiopia, which gives significant importance to the establishment of joint investigation teams on migrants' smuggling cases.
- 343 A coastal guard unit has been operating in the Republic of Djibouti since 2010. Despite the significant threat of maritime piracy and the high density of maritime traffic in the region, this unit has not detected a single ML-related case. This situation is particularly attributable to the poor understanding of the risks and the low skills of the personnel of this unit in terms of ML. However, the authorities have noted that an Ant-money laundering section is being established within this unit.
- 344 The ANRF maintains dynamic cooperation with the criminal investigation units, particularly the SRD, to which it has provided, upon request, financial information that has been useful in conducting ML investigations. However, the ANRF, which has received 157 STRs, has not disseminated any to the State Prosecutor. No ML case has therefore been triggered by any ANRF dissemination or thanks to financial information shared within the framework of exchanges between Financial Intelligence Units, or even by intelligence provided by foreign investigation services within the framework of international cooperation. According to the authorities, the ANRF's inability to detect ML cases is attributed to the inadequate human resource base in the agency (five staff), the inadequate strengthening of their capacities as well as the lack of analytical tools and a modern information system.
- 345 The State Prosecutor has organized his office so that each criminal investigation unit has a deputy State Prosecutor within the prosecution department which is its focal point. The State Prosecutor is in permanent contact with individual criminal investigation officers during the investigations they conduct. However, the coordination of ML investigations conducted by the State Prosecutor with all the investigation units is unsatisfactory, particularly because he only holds a weekly meeting every Tuesday with the officers of the narcotics squad. Limiting this best practice to the narcotics squad alone deprives the country of the opportunity to conduct more investigations into the most significant threats in the country and of greater effectiveness of investigations both in terms of detection and the investigations themselves. Furthermore, no cooperation among the various investigative units has been recorded during the ML investigations conducted in the country.

At the investigation stage

- 346 As of December 2023, the law enforcement authorities have adopted a new approach to criminal policy, on the investigation and prosecution of predicate offences that have been beneficial. The new approach of the authorities, in particular the police and gendarmerie as well as the judicial authorities, was introduced following the NRA exercise conducted by the country.

347 Thus, on 28th January 2024, the Attorney General issued a criminal policy directive on AML/CFT. This crucial directive was mainly addressed to the State Prosecutor, the general substitutes at the Court of Appeal, the investigating judges, the criminal investigation units of the police, the gendarmerie and national security. It was addressed for information to the first Chairman of the Court of Appeal, the chair persons of the Tribunal and Indictment Chamber, the Tax and Customs Departments, the Djibouti Central Bank including the ANRF, the General State Inspectorate, the National Counter Terrorism Committee and the Anti-Corruption Commission. However, this Directive, which was widely disseminated to interested parties, has exceeded its jurisdictional scope, as it should only be addressed imperatively to State Prosecutors and criminal investigation officers, excluding investigating judges who are not under the authority of the author of the directive.

348 The directive of the Attorney General affirms the need to take into account the ML aspect in all investigations conducted into the commission of predicate offences. It particularly encourages the State Prosecutor to intensify its interest in the financial flows generated by the commission of predicate offences, by henceforth prosecuting both the predicate offence and the ML, or by requesting the reclassification of the facts to also include ML in cases already pending before the investigating courts. Furthermore, the directive urges the State Prosecutor and the CID to use special investigative techniques and to the ANRF within the framework of their investigations.

349 The Attorney General's directive represents a major criminal policy document, marking the new priority given by the investigative and prosecutorial authorities to investigations and prosecutions related to ML. This Directive had an immediate impact on the attitude of the judicial authorities, who, on 29th January and 4th February 2024, quickly reclassified six of the eight ongoing cases. The main offences initially investigated by the investigating judges were the concealment of bank card data, fraudulent use of IT systems, fraud and complicity in fraud, forgery and use of forgery, identity theft, embezzlement, receiving stolen goods, breach of trust and theft. The reclassification done was designed to initiate prosecutions not only for the predicate offences, but also for ML. Thanks to the Attorney General's directive, the trial court, on 6th March 2024, issued the conviction of seven individuals for the facts of breach of trust, fraud and complicity in the said offences and ML. The dynamics triggered by the Attorney General's directive, although recent, has produced results that will enhance the effectiveness of the investigations on the sole condition that the efforts deployed are sustained over time.

350 However, even though the Attorney General's directive gives priority to ML, the tools have not been provided to the law enforcement authorities to support their action, such as practical guides on asset investigations or guidelines on the procedural aspects of ML investigations. Such tools, as well as more effective coordination of investigations by the State Prosecutor, would nevertheless likely strengthen the effectiveness of the fight.

351 The new approach adopted by the authorities has enabled the State Prosecutor to open criminal investigations, a prosecution option he favours in ML-related cases. Thus, eight (8) cases currently under criminal investigation before investigating judges were mostly opened very recently. The investigation timelines cannot therefore be determined at this stage.

Table 3.9. ML cases subject to information before the investigating judge

	Introductory indictment of Criminal Information	Supplementary Indictment
01	Introductory indictment of 14 th July 2022 for receiving stolen data from several bank cards, fraudulent use of the IT system involving a total sum currently amounting to 169,429,709 Djibouti francs and to the detriment of several people.	7 th December 2023: over qualification into money laundering
02	Introductory indictment of 22 nd August 2022 for fraud and complicity in fraud with the aggravating circumstance that the offence was committed by a staff of a public authority or a service of public interest or by a person who fraudulently claimed to be an officer of public authority or a service of public interest	4 th February, 2024: over qualification into money laundering
03	Introductory indictment of 21 st February 2023 for fraud and forgery and use of forgery	4 th February 2024: over qualification into money laundering
04	Introductory indictment of 18 th July 2023 for fraud and identity theft of a civil servant	4 th February 2024: over qualification into money laundering
05	Introductory indictment of 31 st July 2022 for embezzlement, concealment and failure to report	4 th February 2024: over qualification into money laundering
06	Introductory indictment of 1 st December 2022 fraud and forgery and use of forgery	4 th February 2024: over qualification into money laundering
07	Introductory indictment of 1 st December 2022 fraudulent use of an automated information processing system, breach of trust, forgery and use of forgery, fraudulent removal and receiving stolen goods	9 th January 2024: over qualification into money laundering
08	Introductory indictment of 17 th September 2023 for money laundering	Stand-alone money laundering

352 Out of the number of ML cases currently before the investigating courts, none has been the subject of a dismissal order.

353 These cases were mainly triggered by the SRD of the gendarmerie (62.5%). This investigation unit, which has conducted the most investigations into ML, has been sub-divided into three investigation groups since 4th January 2022, one of which is in charge of conducting investigations relating to economic and financial crime, including money laundering. This group, which is the focal point of the ANRF, comprising ten criminal investigation officers who have all received training in economic and financial investigations.

354 Other investigation units, particularly those of the national police, account for 37.5% of the identified ML cases. This low number of ML cases initiated by the national police units is due to their poor understanding of ML risks and the inadequate strengthening of their capacities in economic investigations.

355 Despite the diversity of investigation units capable of detecting and conducting ML investigations, as well as the Attorney General’s directive, very few cases have been detected and investigated. However, there has been a clear awareness among the said authorities since the completion of the NRA and the awareness-raising activities conducted under the impetus of the National Mutual Evaluation Coordinating Committee. If maintained, this dynamic will improve the identification and investigation of more ML-related cases in the country.

Consistency between the types of ML activities investigated and prosecuted and the country’s threats and risk profile

356 The NRA identified that the predicate offences considered most common are embezzlement, breach of trust, fraud, acts of terrorism, counterfeiting and falsification of bank notes, aiding and abetting illegal immigrants, trafficking, possession and sale of narcotics, theft, transportation, possession and sale of firearms, issuance of dud cheques, extortion, kidnapping and hostage taking.

357 This list of threats as it appears in the NRA is not fully representative of the real level of threats weighing on the Republic of Djibouti. Indeed, the AT noted that corruption, human trafficking, migrants’ smuggling, tax fraud and customs fraud were not considered in this study as threats in the country. (see IO.1)

358 Investigations into profit-generating crimes conducted in the country are shown in the table below:

Table 3.10. Distribution of predicate offences arraigned before the judicial authorities

	2019	2020	2021	2022	2023	TOTAL
Embezzlement	9	2	4	4	0	19
Breach of trust	30	34	91	124	59	338
Scam	13	20	38	53	29	153
Acts of terrorism		3	5	2	1	11
Kidnapping and hostage taking	5	5	8	4	0	22
Counterfeiting and falsification of banknotes	6	6	2	4	0	18
Aiding and abetting illegal immigrants	7	0	3	0	0	10
Trafficking, possession and sale of narcotics	15	47	133	69	58	322

Theft	46	431	283	435	239	1434
Transportation, possession and sale of firearms	6	7	1	6	3	23
Issuance of dud cheque	7	25	14	26	17	89
Extortion	29	51	28	90	48	246

359 The ML predicate offences investigated by the authorities and resulting in convictions are partly in line with the most commonly committed offences in the country, as described in the NRA. Similarly, the ML-related cases that were recently investigated by the investigating judges relate to the same types of offences. The figures reveal that between 2019 and 2023, no ML investigations were triggered based on these offences.

360 However, by December 2023, the law enforcement authorities adopted a new approach to criminal policy, on the investigation and prosecution of profit-generating predicate offences. The new approach of the authorities, in particular the police and gendarmerie as well as the judicial authorities, was introduced following the NRA conducted by the country. This exercise in which the law enforcement authorities participated, helped them to have some understanding, albeit modest, of the ML risks to which the country is exposed. The dissemination of the NRA findings as well as the awareness-raising sessions that followed, were also contributory factors.

Table 3.11 ML-related case files under investigation by offences

Fraud and complicity in fraud	4
Forgery and use of forgery	4
Concealing bank card data and fraudulent use of IT systems	2
Receiving stolen goods	2
Embezzlement	1
Breach of trust	1
Fraudulent conversion	1

Stand-alone money laundering	1
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NB: The figures in the table represent the number of times these offences were targeted in the 8 ML-related cases.

361 The cases that are the subject of criminal investigation and ML-related, are scam and complicity in fraud (25%), forgery and use of forgery (25%), receiving stolen credit card data and fraudulent use of IT systems (12.5%), receiving stolen goods (12.5%), embezzlement (6.25%), breach of trust (6.25%), fraudulent conversion (6.25%) and ML, a separate offence (6.25%). As a result, the most common offences that have been the subject of ML investigations are fraud and complicity in fraud, followed by forgery and use of forgery and fraudulent use of IT systems. These offences are partially in line with the most common offences identified by the NRA.

362 On the other hand, no ML case related to corruption, a major threat in the country, has been identified or prosecuted. This is probably attributed to the choice made by the Central Prevention and Anti-corruption authority, to focus its efforts on prevention through awareness-raising among the populace. The adoption of a new legal framework on the independent national prevention and anti-corruption commission, enhances the powers of the authorities and should lead to the production of better results in the fight against corruption.

363 Similarly, no case of money laundering related to tax fraud has been prosecuted, with the tax authorities favouring plea bargaining and tax adjustments instead of initiating criminal lawsuits. However, by referring cases of significant tax fraud to the criminal justice system, this would contribute to strengthening the exemplary nature and transparency of the fight against tax fraud, thus enabling the State Prosecutor to fully play its role in this phenomenon. Several other offences committed in the country and which generate significant profits, such as the possession and sale of narcotics, human trafficking, migrants' smuggling and customs fraud, have not been subjected to ML investigations.

364 Furthermore, the country has adopted a national AML/CFT strategy adopted by the Government in February 2024. Regarding ML investigations, the strategy is targeting years 2024-2025 to lead to the conduct of investigations into offences commonly committed in Djibouti, to prosecute their perpetrators and to mete out proportionate and dissuasive sanctions on them. The adoption of such a policy document reflects the authorities' desire to fight more effectively against ML, including predicate offences. However, in spite of the recent adoption of the national AML/CFT strategy (two weeks before the commencement of the on-site visit) the AT had no idea of the prospective outcomes of this effort.

365 Ultimately, despite the efforts made by the authorities to investigate and prosecute predicate offences and ML, the ratio between the number of investigations into predicate offences and the number of ML investigations is still very low. Indeed, only 8 ML cases have recently been opened before the investigating judges following a reclassification, of which only one has been prosecuted and convicted and sentenced to imprisonment and fines. In view of the country's risk profile, the offences to which these cases relate are barely commensurate with the threats commonly committed in Djibouti. Furthermore, among the offences that are not investigated and prosecuted despite their importance, there is corruption, the

perverse effects of which can undermine the efforts undertaken by all other stakeholders in the fight against money laundering. Consequently, the investigations and prosecutions conducted in the country by the competent authorities are barely commensurate with the country's risk profile.

Types of ML cases prosecuted and perpetrators convicted

366 Among the ML-related cases currently under criminal investigation, self-laundering cases are the most common. Indeed, out of eight cases currently under investigation, seven (7) are cases of self-laundering. In general, the suspect who committed the offence that generated the profit seems to carry out the acts constituting the ML offence themselves. However, since the criminal investigations have only recently been opened, the investigating judges are yet to identify the mechanisms by which the funds in question were actually laundered.

367 However, among the cases currently being investigated, there is one case described as stand-alone money laundering. In this case, the SRD of the gendarmerie which conducted the investigation was not able to identify the legal or illegal origin of the sums in question. However, due to the unusual mechanism used by the parties to transfer huge sums of money from one jurisdiction to another, it decided to refer the case to the State Prosecutor who opened a criminal investigation for money laundering.

Cross-border ML cases

368 The ML cases currently being investigated do not have a cross-border nature, with the exception of one for which the investigating judge implemented mutual legal assistance by issuing an international arrest warrant and sending letters rogatory to the competent authorities in two countries. The number of ML cases with a cross-border nature appears low in view of the regional context of the country and its economy, which is largely dependent on foreign trade.

369 Furthermore, the cases currently being investigated mainly concern natural persons. Even though the NRA did not cover the risks related to legal persons, the number of such persons created in the country and operating there, reasonably suggests that they are exposed to ML risks. However, very few legal persons (to be specified where ML cases are produced) have been the subject of ML investigations.

Effective, proportionate and dissuasive nature of sanctions meted out for ML

370 The AML/CFT/PF Law No. 106/AN/24/9th L of 6th March 2024, provides for severe sanctions for natural and legal persons involved in ML, including prison sentences (5 to 10 years Article 4-2-1: Money laundering), significant fines (up to five times the amounts involved), bans on activities, closure of establishments and even dissolution of entities where they are created for the purpose of committing offences. Furthermore, disciplinary or supervisory authorities are authorized to take measures against financial institutions and other organizations that do not comply with ML prevention obligations.

371 The judicial authorities informed the AT that a verdict was rendered on 6th March 6, 2024 in a ML case. In this verdict, the Djibouti High Court convicted seven suspects for the offences of breach of trust, fraud, complicity in the said offences, obstruction justice and money laundering. The defendants were all sentenced to a three-year imprisonment, two of which were firm, and had international arrest securities issued against them. Pursuant to the amounts provided for under Article 4-2-1 of the AML/CFT/PF Law No. 106/AN/24/9th L of 6th March 2024, the sentences handed down by the trial court do not appear to be dissuasive and proportionate, in particular due to the suspended sentence the defendants were allowed to enjoy. The first verdict leading to a sentence in the country for ML should have been robust enough to reflect the country's desire to fight effectively against ML and thus discourage any initiatives by persons who would intend to engage in committing this offence. In any case, the only ML verdict issued by the courts was not enough to for the AT to assess the proportionate, dissuasive and effective nature of the sanctions imposed for the commission of the ML offence.

Alternative measures

372 The authorities of the Republic of Djibouti have not demonstrated the existence of specific alternative measures to compensate for the inability to prosecute or obtain convictions in ML matters. However, since ML investigations are generally conducted simultaneously with those into the predicate offences, due to lack of evidence for ML, a conviction may still be obtained for the predicate offence.

Conclusion on Immediate Outcome 7

373 The Djiboutian authorities have a legal framework dominated by Law No. 106/AN/24/9th L of 6th March 2024, to fight against money laundering. However, the number of ML cases detected remains low compared to the number of profit-generating offences committed in the country. The majority of investigations conducted focus on the predicate offences, excluding the investigation of illicit financial flows generated.

374 ML investigations, which mainly focus on cases of self-laundering and very rarely on cases of a cross-border nature, are not consistent with the country's risk profile as identified in the National Risk Assessment.

375 The sanctions imposed on the occasion of the sole decision to convict for ML are neither proportionate nor dissuasive enough, since the defendants did not receive the maximum sentence provided for and were also given a suspended sentence.

376 There are no alternative measures that the authorities could use to surmount the challenges in prosecuting criminal cases.

The Republic of Djibouti is rated as having a low level of effectiveness on IO.7.

Immediate Outcome 8 (Confiscation)

377 The Assessment Team's findings are based on a thorough review of the established legal framework for the identification, seizure and confiscation of criminal assets. These findings are supported by discussions with various authorities, including the judiciary, investigative services and the General Department of Customs. Furthermore, the Assessment Team took into account statistical data provided by the Republic of Djibouti and reviewed case studies illustrating the country's commitment to the seizure and confiscation of criminal assets.

Priority given to the confiscation of proceeds and instrumentalities of crime and assets of equivalent value

378 The confiscation of proceeds and instrumentalities of crime, as well as assets of equivalent value, is not considered a priority in the existing policies in Djibouti. Investigations conducted by the prosecutorial authorities are not yet systematically based on the idea of initiating a financial investigation at the outset of a criminal investigation with a view to confiscation.

379 Djibouti's anti-money laundering and counter-terrorist financing legislation allows for the seizure and confiscation of the instruments and proceeds of crime as well as assets of equivalent value. Furthermore, no non-conviction-based confiscation verdicts were presented to the assessment team.

380 In practice, these procedures have not been supported by other legal texts in a clear and coherent approach. The practice of seizure and confiscation of assets related to offences and crimes generating significant profits is relatively recent. It was given concrete form by a directive issued on 28th January 2024 by the Attorney General to State Prosecutors and law enforcement authorities, encouraging them to use confiscation within the framework of their investigations.

381 Given the recent adoption of this directive, the Assessment Team could not verify the effectiveness of its implementation through tangible seizure measures and particularly confiscations (Most of the cases are still ongoing).

382 The investigative authorities in Djibouti have provisional measures such as freezing or seizure, which are frequently used to prevent the disappearance or dispersion of assets. These measures are implemented by law enforcement authorities, including the National Police Department, the Gendarmerie and Coast Guard (the latter being particularly in charge of combating smuggling and illegal migration). Customs can also seize instrumentalities and proceeds derived from customs offences with a view to subsequent confiscation, although its mandate is administrative and it does not have judicial powers.

383 The National Financial Intelligence Agency can block the execution of a suspicious financial transaction for a period of 48 hours, but it has hardly exercised this power (see IO.6)

384 During the evaluation period, the Djiboutian authorities never seized assets of equivalent value, intervening only where no assets were available at the suspect's premises. In cases of customs or tax proceedings related to previous offences, a fine equivalent to the value of the funds involved is imposed. The Assessment Team considers that this objective of confiscation of equivalent value has been achieved, thereby depriving criminals of their illicit proceeds.

385 Regarding the measures for the conservation and management of seized assets and assets, a central seizure and confiscation unit was recently established during the on-site visit. However, this unit is yet to be operational.

Confiscation of proceeds and instrumentalities of crime and assets of equivalent value, in connection with predicate offences committed in the country and abroad and of proceeds transferred to other countries

386 Competent authorities, including those involved in international cooperation, do not consistently and proactively prosecute the confiscation of proceeds of predicate offences, both domestically and abroad. The analysis highlights a significant imbalance between the high number of confiscation cases and the low total value of assets seized, indicating that efforts are mainly focused on low-value assets, such as vehicles, rather than on financial assets or higher-value assets. Furthermore, provisional measures, such as freezing or seizure, are rarely used to prevent the disappearance or dispersion of assets, thereby reducing the effectiveness of the authorities’ actions and limiting the deterrent impact of confiscations. The low quality of statistics and virtual lack of significant confiscations reflect a lack of commitment and an inadequate confiscation strategy in Djibouti.

a. Confiscation of proceeds of predicate offences in Djibouti:

387 Generally, the following statistical data indicate that the total number of seizures and freezing orders executed by the authorities stands at 20, with a total estimated value of USD 184,260.81. Furthermore, the total number of confiscation cases amounts to 2,998, with a total estimated value of USD 173,166.55. Confiscations mainly focus on instrumentalities of crime, including vehicles seized during investigations.

388 At the preventive measures phase such as freezing, seizures and blocking the execution of transactions by the ANRF, the following table summarizes the data and statistics provided by the country to the Assessment Team over the last five years:

Table 3.12: Preventive seizure measures conducted by the authorities

Authority concerned	Years	Number of cases and main predicate offences	Amounts seized/frozen (transactions blocked for ANRF)	Assets	Account balances	Proceeds
ANRF	2019					
	2020					
	2021					
	2022					

	2023	3	3380 USD	4 houses and 1 vehicle	USD 18945	
	Total	3				
National Police	2019					
	2020					
	2021					
	2022					
	2023	2	\$3,525	3 vehicles		
	Total	2				
National Gendarmerie	2019					
	2020					
	2021	03	USD 140,845 USD 5,633.8 USD 4,507			
	2022	02	USD 25,690 USD 773 USD 680.01	1 vehicle		
	2023					
	Total	05				
Customs	2019					
	2020	07	1 case of 25 kgs of cannabis, 4 cases of khat of 50210 kgs, 2 cases of 550 bottles of alcohol.	Destruction		
	2021	19	2 cases of cannabis of 10 kgs, 1 case of ammunition, 8 cases of khat of 11600 kgs, 2 cases of 9 cartons of cigarettes, 2 cases of weapons transport and 4 cases of alcohol	Destruction except for weapons being returned to the National Police and the Gendarmerie		
	2022	6	1 case of weapon transport, 2 cases of 31 kgs cannabis	Return to the national police		

				and the gendarmerie		
	2023	8	6 cases of smuggling of 1816 bottles of alcohol, 1 case of smuggling 490 liters of fuel and 1 case of smuggling of food products	Destruction		
	Total	40				

389 These statistics reveal that, although efforts have been made by the ANRF, the National Police and the National Gendarmerie to seize assets related to financial crimes, these efforts remain insufficient in relation to the risk context in Djibouti. The results of seizures made by Customs for the period 2019-2023, are also very limited (40 cases in total relating to seizures of alcohol, food products, cigarettes, cannabis generally intended for destruction with 3 cases of transport of weapons returned to the police), these limited results significantly reveal the challenges related to illicit trafficking and smuggling across land borders and Djibouti.

Box 3.8. “Dikhil” case

On 31st July 2022, the State Prosecutor opened a criminal investigation by means of an introductory indictment. Several individuals were charged with embezzlement, receiving stolen goods and failure to report, pursuant to Articles 26, 206 paragraph 1, 227 paragraphs 1 and 2, and 235 paragraph 1 of the Penal Code.

The case concerns the embezzlement and misappropriation of funds by a public official, causing harm to the State. The investigating judge took all necessary steps to establish the truth. In the light of the evidence gathered by the investigating judge, the State Prosecutor deemed it necessary to add money laundering count on 4th February 2024.

To further the investigation, the investigating judge immediately issued a letter rogatory to the criminal investigation officers, ordering them to conduct a detailed financial investigation in collaboration with the financial intelligence service. During his investigations, the investigating judge seized and restrained a sum of 9,570,000 Djibouti francs (USD 53,728.67).

On 26th January 2023, by a restitution order, the investigating judge returned the sum after determining that this restitution would not hinder the manifestation of the truth.

390 Regarding narcotics such as khat and cigarettes, the destruction of seizures has been systematic. Out of the 307 cases processed, the total amount of seizures was estimated at approximately 246,050 DJF, 170,500 USD. The main seizures

related to smuggling offences mainly involved cigarettes and khat. Between 2019 and 2021, the National Gendarmerie seized drugs and other psychotropic substances with a total value of 293,791.80 USD. In the confiscation phase, the following table summarizes the data and statistics provided by the country to the Assessment Team, mainly relating to confiscations conducted over the last five years:

Table 3.13. Consolidated statistics of confiscations by type of crime (2019-2023)

Type of crime	Year	Number of cases	Confiscation				
			Funds	Account balances	Assets	Instrumentalities of crime	Assets of equivalent value
Corruption	2019	0					
	2020	2	Assets confiscated with no precise estimate of its value				
	2021	4	Assets confiscated with no precise estimate of its value				
	2022	4	Assets confiscated with no precise estimate of its value				
	2023	0					
Theft and receiving stolen goods	2019	46	Assets confiscated with no precise estimate of its value				
	2020	431	Assets confiscated with no precise estimate of its value				
	2021	283	2,500 FDJ (or USD 14)				
	2022	435	Assets confiscated with no precise estimate of its value				
	2023	239	Assets confiscated with no precise estimate of its value				
Scam	2019	13	Assets confiscated with no precise estimate of its value				
	2020	20	Assets confiscated with no precise estimate of its value				
	2021	38	FDJ 247,800 (i.e. USD 1394)				
	2022	53	FDJ 640,000 (or USD 3600)				

	2023	29	USD 3,600				
Drug trafficking	2019	15	Assets confiscated with no precise estimate of its value				
	2020	47	Assets confiscated with no precise estimate of its value				
	2021	133	38,095 FDJ (or 214.32 USD)				
	2022	69	Assets confiscated with no precise estimate of its value				
	2023	58	134,000 FDJ (or 753.89 USD)				
Illegal trafficking of migrants	2019	15	Assets confiscated with no precise estimate of its value				
	2020	15	Assets confiscated with no precise estimate of its value				
	2021	72	Assets confiscated with no precise estimate of its value				
	2022	57	Assets confiscated with no precise estimate of its value				
	2023	4	Assets confiscated with no precise estimate of its value				
	2019	15	Assets confiscated with no precise estimate of its value				
	2020	65	Assets confiscated with no precise estimate of its value				
	2021	48	Assets confiscated with no precise estimate of its value				
	2022	22	Assets confiscated with no precise estimate of its value				
	2023	9	Assets confiscated with no precise estimate of its value				
Terrorism	2019						
	2020	3	Assets confiscated with no precise estimate of its value				
	2021	5	Assets confiscated with no precise estimate of its value				

	2022	2	Assets confiscated with no precise estimate of its value				
	2023	1	Assets confiscated with no precise estimate of its value				
Diversion	2019	9	Assets confiscated with no precise estimate of its value				
	2020	2	Assets confiscated with no precise estimate of its value				
	2021	4	FDJ 250,000 (i.e. 1406.51 USD)				
	2022	4	26,652,676 FDJ (i.e. 1,499.49.29 USD)				
	2023	0					
Breach of trust	2019	30	1,544,624 FDJ (or 10,377.95 USD)				
	2020	34	Assets confiscated with no precise estimate of its value				
	2021	91	Assets confiscated with no precise estimate of its value				
	2022	124	Assets confiscated with no precise estimate of its value				
	2023	59	Assets confiscated with no precise estimate of its value				
Forgery and use of forgery	2019	26	Assets confiscated with no precise estimate of its value				
	2020	36	Assets confiscated with no precise estimate of its value				
	2021	19	Assets confiscated with no precise estimate of its value				
	2022	47	26,982,676 FDJ (or 151,805.88 USD)				
	2023	15	Assets confiscated with no precise estimate of its value				
Extortion	2019	29	Assets confiscated with no precise estimate of its value				
	2020	51	Assets confiscated with no precise estimate of its value				

	2021	28	Assets confiscated with no precise estimate of its value				
	2022	90	Assets confiscated with no precise estimate of its value				
	2023	48	Assets confiscated with no precise estimate of its value				

391 This table highlights several areas of concern regarding the confiscation of assets related to high-risk crimes in Djibouti. There is a remarkable lack of confiscations in terms of funds, account balances, assets, instrumentalities of crime, and assets of equivalent value for these offences. For example, despite the reporting of 10 cases of corruption, no funds, account balances, assets, instrumentalities of crime, or assets of equivalent value were confiscated. Similarly, for the 11 terrorism-related cases recorded, no such confiscations were carried out.

392 However, the prosecutorial authority confiscated the criminal assets and instrumentalities used in the commission of the offence or derived from it in certain cases. However, these assets and materials were not estimated by the Djibouti authorities and could not be quantified, which constitutes a significant gap in the documentation and transparency of the measures taken. For example, for drug trafficking, although assets were confiscated, their value was not precisely estimated, fluctuating between 2,000,000 and 3,000,000 FDJ.

393 The combined analysis of the tables (Table 3.12 and Table 3.13) highlights significant gaps in the use of preventive measures and strategies for confiscating assets related to crimes in Djibouti. Preventive measures of seizure and freezing are poorly applied, with only 20 cases for a total value of USD 184,260.81. This limited use significantly limits the impact of the authorities' actions to secure funds before they are moved, concealed and laundered.

394 With regard to confiscation, there is a marked imbalance between the high number of confiscation cases (2,998) and the low value of confiscated assets (USD 173,166.55), suggesting that confiscation efforts are mainly focused on low-value assets or that assets are not properly valued. Furthermore, confiscations are mainly focused on specific types of assets, such as vehicles, indicating a lack of diversification in confiscation targets, leaving aside other potentially more significant financial assets. These findings highlight the urgent need to improve seizure and confiscation strategies to maximize the effectiveness of preventive measures and strengthen the impact on criminal activities.

b. Confiscation of assets abroad:

395 Djibouti has requested international cooperation to recover funds held abroad, originating from a corruption operation committed on its territory. The ill-gotten assets, including two apartments identified in Turkey with a total value of USD 363,000, have been frozen abroad with a view to their confiscation. However, the case is still under investigation and has is yet to be adjudicated. The confiscation of these assets may be ordered during the impending adjudication.

Table 3.14. International cooperation for the recovery of ill-gotten assets

	2019	2020	2021	2022	2023
Number of requests				1 Addressed to the competent authorities of the Republic of Turkey	
Number of assets identified				Two apartments	
Estimated value in USD				- 170,000 USD - 193,000 USD TOTAL: 363,000 USD	-

396 . The number of requests issued abroad is inadequate, which could be attributable to the quality of the asset investigations and the challenges in identifying the assets. The use of the ANRF as a financial intelligence unit to fast-track the identification of assets abroad through its foreign counterparts in order to initiate mutual legal assistance procedures through official channels has not been systematic. Furthermore, the ANRF is not yet a member of the Egmont Group, but it has initiated membership to the Egmont Group to boost these processes, with the entry of the new Decree establishing it, the institution now combines the compliance criteria to facilitate this membership (independence, autonomy, etc.).

397 . With regard to training organized for judges in AML-CFT, between 2019 and 2023, the data reveal a growing effort to strengthen the capacities of magistrates in the face of the challenges posed by financial crimes. In 2019, a training was organized by CIVIPOL, followed by several other sessions in 2021 and 2022, including international participations and continuing specialization training.

Table 3.15. Training statistics between (2018-2023) organized for Judges in AML/CFT

	2018	2019	2020	2021	2022	2023
Number of training courses	1	1				3
Purpose of training	Exchanges on financial crimes and the risks of human trafficking (CIVIPOL)	Exchanges on financial crimes and the risks of human trafficking (CIVIPOL)			- Participation in the global ML/TF mechanism in Jordan - training on ML (SRF) - training on criminal procedure	- Training on exchanges concerning financial crimes and the risks of human

						trafficking (CIVIPOL) -continuing training in specialization in the professions of prosecutor and investigating judge
Number of participants	3 Magistrates of the prosecution	3 Magistrates of the prosecution			11 Magistrates of the bench and prosecution	Magistrates of the bench and prosecution

398 Despite these efforts, it is important to note that training dedicated to asset identification, seizure and confiscation procedures remains inadequate for magistrates and investigators. This lack could compromise the implementation of an effective system for the fight against ML/TF. Improving these critical aspects is essential to ensure a robust and coordinated judicial response to complex financial crimes.

Confiscation relating to cross-border movements of cash and bearer negotiable instruments falsely declared/undeclared or disclosure of wrong information

399 . Djibouti has established a legal framework pursuant to Article 28 of the AML/CFT Law No. 104/AN/24/9th L, which requires the mandatory declaration of any amount in cash or other bearer negotiable instruments exceeding FDJ 1,000,000 (approximately EUR 5,327 or USD 5,624). Customs authorities, in collaboration with the police, gendarmerie, coast guard, national army and free Area authorities, are designated to be present at all border posts to monitor and control cross-border movements of cash and bearer negotiable instruments.

400 Seizure and reporting volumes remain low, reflecting limited enforcement of control and sanction measures. Inadequate monitoring of cross-border cash flows and the lack of clear mechanisms for reporting criminal offences reduce the effectiveness of authorities in confiscating cash and bearer negotiable instruments in cases of false declarations, non-declarations or provision of false information. Enforcement of sanctions also remains inadequate.

a. Report on control and confiscation operations at border posts

401 The results of the control and confiscation operations conducted at all border posts remain disappointing. Indeed, the number of reports prepared and the value of the sums seized are relatively low.

Only 13 cases of non-declaration of cash and one case of trafficking in gold bars were recorded and resulted in seizures, all of them importing and coming from Ethiopia through land border points.

Table 3.16. Confiscation relating to cross-border movements of cash and bearer negotiable instruments falsely declared/undeclared or disclosure of wrong information (2019-2023)

	2019	2020	2021	2022	2023
Number of cases seized for non-declaration of cash	No case of cash seizure	No case of cash seizure	No case of cash seizure	4 cases of undeclared cash seizures	9 seizures of undeclared cash + 1 case of gold bars
Cash or BNIs					
Estimated value in USD				441,750 USD 99,600 ETB	776 350 USD 12 BARS

402 The data provided to the Assessment Team are on import and export declarations of banknotes and other bearer negotiable instruments, covering the period 2022-2023-2024 and are conducted exclusively through the customs offices at Djibouti airport.

Table 3.17. Statistics on import declarations of banknotes and other payment instruments, in cash or in the form of cheques, for the review period 2022-2023-2024

Amounts of imported currency	2022	2023	2024	Total
DJF	12 70 6 922 365	23 255 548 475	----	35 962 470 840
EUR	830,000	943,000	----	1,773,000
USD	67 336 763	128 154 671	4,300,000	199 791 434

Table 3.18. Statistics on export declarations of banknotes and other payment instruments, in cash or in the form of cheques, for the review period 2022-2023-2024

Amounts of exported currency	2022	2023	2024	Total
DJF	1,780,000,000	14,268,850,550	---	16,048,850,550
USD	226,800,000	206,884,000	---	433,684,000

403 Amazingly, these aforementioned statistics reveal a total lack of declarations on imports or exports of foreign currency from Djibouti's neighbouring countries, such as Somalia and Ethiopia, despite the latter's reliance on Djibouti as its only maritime access. This raises questions about the transparency and effectiveness of the declaration mechanisms in place, as well as the possible existence of uncontrolled informal circuits.

b. Sanctions meted out

404 The sanctions meted out for false or non-declaration of cash or BNIs linked to suspicions of ML/TF are few in number (only 13 cases, see Table 3.16), which complicates the assessment of their effective, proportionate and dissuasive nature by border, customs or other relevant authorities.

405 Djibouti Customs, as an administrative authority, is in charge of identifying customs offences and reporting same to the State Prosecutor. However, according to the findings recorded during the on-site visit, it lacks the judicial skills and qualifications necessary to conduct criminal investigations into money laundering or terrorist financing offences related to these customs offences.

406 Currently, there is no mechanism to inform the prosecution of the criminal dimension of suspicions of ML/TF detected during the customs offences reported. As a result, the application of sanctions for non-declaration of cash is limited only to Article 332 of the Customs Code, which provides for the seizure of the undeclared amount, a fine equal to or double the value of the fraud, and a prison sentence of up to three months.

407 Although AML/CFT Laws 106 and 105 provide for more proportionate sanctions and measures, these cannot be applied even if the suspicion of ML/TF is confirmed from an offence initiated by customs.

408 During the discussions held during the on-site visit, it was revealed that Djibouti Customs does not have clear statistics on cash declarations made by passengers for import or export. Declarations for import or export of currency above the legal threshold of FDJ 1,000,000 were made verbally, directly by passengers at customs counters. A paper declaration template, presented during the discussions, was recently created (two weeks before the visit). This form now allows declarants to provide in writing all information concerning cash or other bearer negotiable instruments at customs counters.

409 The cross-border movement of cash is not yet subject to effective controls, either upon entry or exit from the territory, as evidenced by the low number of seizures of cash and other bearer negotiable instruments over the past five years. According

to customs officials, after the introduction of the new declaration form, when a person presents him/herself at a border post to declare the import of currency in cash, a paper declaration form is given to them upon arrival. After completing it manually, they present it to the customs officers who register it in the SYDONIAWORLD computer system. In return, travelers receive a scanned copy of their declaration, bearing the official customs seal. This registered declaration contains: the name of the declarant, the amount to be declared, the source and the origin.

410 The system designed to monitor the cross-border transportation of cash at the entry and exit posts of travelers is weak and inadequate. Its implementation represents a major challenge and priority for the country's authorities, particularly at the border access points with Ethiopia, the country's main economic exchange axis.

411 The Customs Department is currently using the SYDONIA World platform ¹³for the clearance of goods, including cash and other bearer negotiable instruments, during import and export operations. Similarly, a project to automate the cash transport procedure of financial institutions is underway. This project involves the supervision of the Djibouti Central Bank and aims to give it the capacity to authorize declarations through the system, thus reducing human intervention and paper documents. Furthermore, it will provide customs officers with direct access to declarations and related documents from the borders.

412 This initiative should also enable financial institutions to directly enter declarations into the SYDONIA World database.

Consistency between confiscation outcomes and national AML/CFT policies and priorities

413 The statistics presented above show an inconsistency between the results of confiscations and national AML/CFT policies and priorities. First, it is striking to note (see Table 3.13) the lack of confiscations for serious crimes such as corruption, terrorism, and other offences generating criminal proceeds related to ML/TF. Furthermore, the statistical data reveal that confiscations of funds are mainly associated with crimes such as fraud, drug trafficking, embezzlement and breach of trust. Regarding the instrumentalities of crime, confiscations are mainly concentrated on vehicles seized during investigations, mainly in connection with drug trafficking and smuggling.

414 At this juncture, the country has not recorded any confiscation of assets (real estate, shares, bank accounts, etc.) in connection with these crimes, (147 cases) for migrants' smuggling and (10 cases) for corruption; most of these cases are still under investigation.

415 Regarding the consistency of confiscation results related to cross-border movements of cash and bearer negotiable instruments, Djibouti, due to its strategic position as the only commercial outlet for Ethiopia, faces increased risks of organized crime. These risks are also exacerbated by similar crimes in neighboring countries. Despite these high risks, the results of control and confiscation operations at border posts remain inconsistent.

¹³ ASYCUDAWorld, is an advanced customs management system developed by the United Nations Trade and Development Organization (UNCTAD). Designed to automate customs procedures, facilitate international trade and improve the efficiency of customs operations, this platform allows customs administrators and businessmen to manage transactions such as customs declarations, cargo manifests and transit documents online.

416 The lack of specific confiscations related to money laundering and terrorist financing raises questions about the effectiveness of the system put in place to fight against this crime in terms of confiscation policy.

Conclusions on IO.8

417 The confiscation of proceeds and instrumentalities of crime and assets of equivalent value is not considered a priority in Djibouti's current policy. Investigations by the prosecutorial authorities are not systematically oriented towards financial investigations from the outset of criminal investigations, which limits the effectiveness of confiscation measures.

418 Competent authorities, including those involved in international cooperation, do not consistently and proactively pursue the confiscation of proceeds of crime, both domestically and internationally. A significant imbalance exists between the number of confiscation cases and the low value of the assets seized, which are often low-value assets. Furthermore, provisional measures such as freezing or seizure are rarely used, thereby reducing the deterrent impact and effectiveness of confiscations.

419 Seizure and reporting volumes remain low, indicating limited enforcement of control and sanction measures. Inadequate monitoring of cross-border cash flows and the lack of clear mechanisms to report criminal offences undermine the effectiveness of the authorities. Furthermore, sanctions for counterfeit or non-declaration of cash or bearer negotiable instruments remain inadequate and few in number, thereby undermining their deterrent impact.

420 There is a remarkable inconsistency between national AML/CFT policies and confiscation outcomes. The lack of confiscations for serious crimes such as corruption and terrorism highlights gaps in the implementation of national priorities. Confiscations focus mainly on less serious offences such as fraud and drug trafficking, and on low-value assets such as vehicles.

The Republic of Djibouti is rated as having a low level of effectiveness on IO.8

CHAPTER 4. TERRORISM FINANCING AND PROLIFERATION FINANCING

Key Findings and Recommendations

Key Findings

Immediate Outcome 9

- a) Investigations conducted by the investigative and prosecutorial authorities have identified four TF cases currently under criminal investigation. The country has initiated very few investigations, most of which were triggered when terrorist acts were committed. To date, no case has been charged to court and no conviction has been secured as a result. Based on the NRA conducted by the country, this result is not commensurate with the average TF risk profile to which the Republic of Djibouti is exposed.
- b) The evaluation team was unable to determine to what extent the national strategy for combating violent extremism adequately addresses, in line with the risk profile, the challenges related to combating the financing of terrorism. Furthermore, the recently adopted national AML/CFT strategy does not set out concrete actions to mitigate the identified terrorism financing risks. This shortcoming is further exacerbated by the lack of effective operational coordination among the competent authorities responsible for investigation and prosecution. Consequently, despite terrorist acts committed in Djibouti, very few investigations and prosecutions related to terrorism financing have been initiated.
- c) The number of TF-related investigations cases remains low. This low level could be attributed to diverse factors, including the recent nature of the authorities' limited understanding of AML/CFT issues. It should also be noted that it is difficult for the competent authorities to identify specific TF modes due to the predominance of the informal economy in the country and the remote and mountainous area of the north and southwest of the country, from where part of the terrorist threat emanates. However, the authorities have stated that terrorism is financed through the provision of food, sometimes small amounts of money, and generally through aid or assistance.
- d) The Djibouti authorities have not been using alternative criminal or regulatory measures where a conviction for TF has not been possible.

Immediate Outcome 10

- a) With no appropriate legal and institutional framework during the review period, the Republic of Djibouti did not implement, without delay and without notice, any TFS under UNSC Resolutions 1267 and 1373 and in particular, did not freeze any funds of designated persons and entities.
- b) The authorities did not promptly communicate the lists of designated persons and entities and their updates to reporting entities and the general public and did not put in place any mechanism to sensitize reporting entities and the public on their TFS implementation obligations.
- c) Financial institutions, and in particular those that are members of large international groups that have a group-level compliance policy, are aware of their obligations to screen customers and transactions against the lists of designated persons and entities, but the majority apply the lists mechanically, without distinguishing between TFS under the UNSCR and other types of financial sanctions, and without truly understanding their obligations to freeze the funds of designated persons and entities.
- d) DNFBPs and insurance companies are not aware of their TFS obligations and have no mechanisms to implement them.

- e) The authorities have failed to identify NPOs vulnerable to TF and have not put in place any supervision and awareness-raising measures proportionate to the risk.
- f) The authorities have not demonstrated the ability to identify and seize assets related to the commission of a terrorist act, assets and instrumentalities related to TF activities, given the very recent attention paid to TF as such.
- g) The lack of measures to divert funds from the reach of actual or potential terrorists by preventing the misuse of NPOs and using TFS is not commensurate with the overall TF risk profile (external and domestic threat) in the Republic of Djibouti.

Immediate Outcome 11

- a) With no appropriate legal and institutional framework, the Republic of Djibouti has not taken any action to be able to implement targeted financial sanctions without delay pursuant to the United Nations Security Council Resolutions, adopted under Chapter VII of the United Nations Charter, on the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing.
- b) The country lacks a good understanding of PF risks and has no mechanism to identify and prevent PF, as well as measures to raise awareness on proliferation and PF risks among various stakeholders who may be affected by PF.
- c) Reporting entities that are members of large international groups use the same customer and transaction screening mechanisms as for the implementation of TFS related to TF but the understanding of their vulnerabilities to violations of TFS related to PF is very limited.
- d) Other actors are not aware of their obligations to implement the TFS related to PF.
- e) The competent authorities do not monitor reporting entities' compliance with their obligations to implement TFS related to PF.

Recommended actions

Immediate Outcome 9

- a) Ensure that the national strategy for combating violent extremism is aligned with the AML/CFT strategy and adequately integrates the risks of terrorist financing. This strategy should also emphasize proactive investigations and prosecutions related to terrorist financing (TF), with particular priority given to such cases. It should include the initiation of investigations and prosecutions even in the absence of a terrorist attack directly affecting the Republic of Djibouti.
- b) Implement training and awareness-raising programmes for all stakeholders involved in preventing and combating terrorism and its financing, including financial institutions and designated non-financial businesses and professions and law enforcement authorities, in order to improve their capacities and understanding of the risks associated with terrorism and its financing.
- c) To boost the action of the National Counter Terrorism Committee in promoting the coordination of operational stakeholders' activities, intelligence agencies including the ANRF and administrative freezing authorities, within the framework of the information exchange with a view to the detection, research and gathering evidence in their TF-related investigations, in order to achieve convictions or take alternative measures to disrupt where it is impossible to obtain criminal convictions for TF.

Immediate Outcome 10

- a) The authorities must implement the new TFS-related legal framework and in particular:

Examine the relevance of proposals for the designation of individuals and entities pursuant to UNSCR 1267 and the relevance of designating entities and individuals who are Djiboutian nationals and members of terrorist organizations or operating on Djiboutian territory, pursuant to UNSCR 1373;

- b) The Republic of Djibouti must domesticate the designations of UNSCR 1267 into the national legal system without delay;
- c) The Authorities should make available to reporting entities and the public without delay all lists of persons designated under UNSCR 1267 and 1373, inform reporting entities and the public of their obligations regarding TFS, including by publishing guidelines, and systematically monitor the reporting entities' implementation of TFS in order to detect possible deficiencies;
- d) The Republic of Djibouti must carry out a risk analysis of the NPO sector in order to identify those most vulnerable to TF misuses, and implement awareness-raising and supervision measures for these organizations in line with the risks identified;
- e) Law enforcement authorities should pay particular attention to the identification, seizure and confiscation of TF-related assets.

Immediate Outcome 11

- a) The Republic of Djibouti must implement the new TFS-related legal framework and in particular domesticate into other national legal systems the designations under UNSCR 1718, without delay.
- b) The Authorities should establish mechanisms for promptly communicating the lists of designated persons and entities to reporting entities, inform the latter of their TFS obligations, by publishing guidelines, and systematically monitor TFS implementation in order to detect any deficiencies;
- c) The Authorities should establish a mechanism for cooperation, information exchange and awareness-raising among stakeholders dealing with proliferation and PF in order to understand the national context in terms of exposure to PF, detect PF cases and identify relevant PF typologies.

421 The Immediate Outcomes relevant to this chapter are IO.9-11. The recommendations relevant to the assessment of effectiveness within this section are R.1, 4, 5-8, 30, 31 and 39.

Immediate Outcome 9 (Terrorist Financing Investigations and Prosecutions)

422 The Assessment Team bases its conclusions on the analysis of numerous cases illustrating the various forms of terrorist financing, the statistical data provided, the findings of the National Risk Assessment (NRA), as well as interviews with representatives of the Department for Anti-Terrorism Coordination and the Fight against Organized Crime, the National Counter Terrorism Division of the Police, the Economic and Financial Brigade of the National Police, and the Research and

Documentation Section of the Gendarmerie.

To what extent are the various types of TF activities (e.g. collection, movement and use of funds and other assets) prosecuted and suspects convicted? Is this commensurate with the country's TF risk profile?

423 To date, four TF-related cases are under criminal investigation and none has been charged to court.

424 According to information gathered from the authorities, no terrorist group, organization or individual is operating on the territory of the Republic of Djibouti. However, the presence and activity of the Islamist group Al-Shabaab in a neighboring country constitutes a significant terrorist threat to the country. Besides, this group led an attack in the country in 2014. This attack caused deaths and injuries to around twenty people, mainly foreign nationals. This terrorist group also issued a statement of direct threat against the country in 2021. Furthermore, the terrorist organization Al-Qaeda in the Arabian Peninsula (AQAP) is present and active in another neighboring country. This terrorist group has not committed any attacks on the territory of the Republic of Djibouti to date. These terrorist groups operating in the region finance their activities from abroad, particularly from the geographical areas they control. However, it is not impossible for them misuse the country's vulnerabilities to finance their terrorist activities from within the Republic of Djibouti.

425 Furthermore, the Armed FRUD terrorist group, which uses neighboring countries as a rear base, constitutes a significant threat to the country, although the NRA conducted by the country's authorities did not reach such a conclusion. Indeed, this organization, which is an armed political movement, is calling for a change of regime in the country. It has led several attacks against State targets, defence and security forces, private companies and civilian populations. This group remarkably led an attack in 2015, six in 2016, three in 2017, two in 2018 and two in 2022.

Armed FRUD Attacks

- On 30th September 2015, they set fire to an ambulance and two (2) cars in Marawleh, belonging to a Yemeni company constructing the road between Balho and Tadjourah, extorting the sum of 10,000 dollars from the passengers and the Yemeni accountant.
- On 6th February 2016, this of terrorist group attacked the Gendarmerie post at Lac-Assal and assassinated two (2) gendarmes, namely Zakaria Ismail and Moussa Bahdon Farah.
- On 16th August 2016, they attacked drilling technicians in Margoyta near Moussa-Ali.
- Furthermore, on 8th April 2016, this armed group fired on a civilian car on the main road between Tadjourah and Obock.
- On 4th June 2016, they burned down a car belonging to a Kuwaiti NGO called Al-Rahma near the town of Dououloul, 18km from Tadjourah.

- On 2nd September 2016, they burned down two (2) drilling machines and a truck in Soublali in the Obock region belonging to the Ministry of Agriculture on a drilling assignment in that locality.
- On 16th September 2016, they attacked a site of the Al-Kharafi company that was constructing the Balho road, setting fire to a pick-up car. In the same evening, they shot at two (2) other vehicles, one of which belonged to the same Al-Kharafi company and the other to a Djiboutian contractor.
- On 12th April 2017, they mounted a checkpoint on the road between Tadjourah and Dououlou, shooting at three (3) vehicles, one of which belonged to a Chinese company that was constructing the port of Tadjourah and the other two (2) to civilians, one of which was set on fire, fatally injuring a Chinese employee and four (4) Djiboutian civilians.
- On 07/26/2017 at 7:00 p.m., two people were kidnaped by the armed FRUD on 06/26/2017 in Allat-Ela located 09 km from the city of Obock, namely Corporal Chief Gouled Mahamoud of the Djiboutian National Army and a civilian laboratory technician Mohamed Houssein Hamadou. They were released eight (8) months later and this armed group claimed responsibility for this act through an official statement made by Mohamed Kadamy residing in Europe.
- On 7th November 2017, they set up an ambush on the road between Tadjourah and Obock, more precisely in Rai'sa, where they stopped a vehicle belonging to the Lootah company that was transporting mineral water with bullets and grenades, terrorized the driver and passengers and then released them.
- On 1st March 2018, the armed terrorist group ambushed Soublali on the road between Tadjourah and Obock and shot at a Toyota Land Cruiser car that belonged to a civilian, fatally injuring a Somali refugee and her Yemeni son on their way to the refugee camp in Obock.
- On 3rd June 2018, these terrorist criminals burned down five (5) heavy construction machines belonging to the foreign company Al Kharafi constructing the road between Tadjourah and Balho.
- Over the past four years, this terrorist group has burnt down more than 10 vehicles, killed and injured civilians, extorted and brutalized several passengers, vandalized several properties, kidnaped and took public service employees hostages.
- 29th October 2022, the Armed FRUD terrorist kidnaped a man named Youssef nicknamed Oundha Baxa, who was monitoring the drilling exercise in the village of Margoyta, located at the foot of Moussa Ali and Assa Geyla.
- On the night of Thursday to Friday 07/10/2022, around 00:30, the military post located in Garabtisan, located about twenty kilometers from the Ethiopian border was attacked. These criminals attacked with grenades and Kalashnikov shots before storming the military post. During this attack seven (7) soldiers were killed, four (4) injured, two (2) of whom sustained seriously injuries.

(Source: Country's security services)

- 426 According to the authorities and the data provided by them, the recruitment, training, logistics and financing activities of the Armed FRUD are conducted on both sides of the border with neighboring countries where it is entrenched. Within the territory, the financing activities of this terrorist group noted by the authorities include hostage-taking, kidnappings, extortion, theft of foodstuff from villages and school canteens and cattle rustling. To date, four investigations conducted by the Department Coordinating Counter Terrorism and Transnational Organized Crime and the National Counter Terrorism Division of the police have resulted in the opening of criminal investigations into terrorism financing. Three TF-related cases identified during Armed FRUD terrorist attacks revealed that the individuals involved in the criminal proceedings housed the terrorists, provided food assistance, ensured the transportation of food, recharged their phone credits and provided sums of money to them.
- 427 Another case triggered by international cooperation enabled us to identify that the terrorists' action was supported by the purchase of a computer thanks to funds received through a money transfer operator.
- 428 The law enforcement authorities have failed to proactively investigate or prosecute the financing of a terrorist group that is behind the attacks and the FT that has no connection to the attacks in the country.
- 429 Ultimately, the low number and inadequacy of TF investigations and the lack of convictions in this area do not correspond to the moderately high TF risk profile of the Republic of Djibouti.

To what extent are TF cases identified and investigated? To what extent do investigations result in the identification of the specific role played by terrorism financiers?

- 430 Several investigative authorities have the authority to conduct investigations into TF. These are the Department for Counter-Terrorism Coordination and the Fight against Organized Crime, the National Counter Terrorism Division of the Police, the Economic and Financial Brigade of the National Police and the Research and Documentation Section of the Gendarmerie. All of these authorities have claimed to have the authority to conduct investigations and suppress terrorism financing. However, the texts that define their mandates do not explicitly mention this function. Nevertheless, the staff of these investigation units have been trained on the subject of terrorist financing, and two of them have filed investigation reports to the State Prosecutor, leading to the opening of criminal investigations on terrorism financing.
- 431 The Department for Counter-Terrorism Coordination and the Fight against Organized Crime is an investigative unit with national jurisdiction. Its mandate is to prevent and suppress terrorist acts as well as those aimed at undermining State authority. It is also in charge of ensuring coordination with other Departments. Furthermore, this Department is vested with powers to investigate offences related to transnational organized crime. It has thirteen criminal investigation officers in charge of conducting investigations. These criminal investigation officers have participated in various training courses which have focused in particular on investigations, the management of investigations, criminal identification techniques, interview techniques, investigations into TF, the prevention and suppression of violent extremism, regional cooperation on mutual legal assistance and specific investigative techniques to combat terrorism.
- 432 The National Counter Terrorism Division, like the Department for Anti-Terrorism Coordination and the Fight against

Organized Crime, is a criminal investigation unit in charge of combating terrorism. It also has the authority to combat activities that could constitute an attack on the fundamental interests of the nation. It is in charge of monitoring and supervising radically inspired groups that may resort to violence as well as the source of their funding. It has 9 CID officers who have received training from several technical partners in the fight against terrorism financing and money laundering.

Table 4.1. ML/TF Training

Training Title	Training Organizer/Location	Training Period
Anti-money laundering and counter financing of terrorism	Canadian experts at Nagad Police Academy	10 days (February 2019)
Training on joint counter-terrorism operations	INTERPOL/TANZANIA	JUNE 20-24, 2022
Parallel financial investigations. The FATF Recommendations	CIVIPOL Experts, NAIROBI	January 17-19, 2023
Training on dealing with terrorism	COTE D'IVOIRE	10/30 TO NOVEMBER 03, 2023
Anti-money laundering and counter financing of terrorism	IGAD experts in BISHIFTU (Ethiopia)	August 2023
Migrants' smuggling and its financing	Experts ESCAY, NAIROBI	November 5 to 10, 2023

433 The SRD of the National Gendarmerie is also empowered to investigate terrorist financing cases. Its membership includes a unit in charge of investigating crimes and offences against the security of the State and the authority of the State. This unit is therefore in charge conducting investigations related to all cases defined in Book II of the Penal Code and related laws. They are particularly deal with terrorist offences including terrorism financing. This unit comprises five officers who have received training on topics related to investigations into terrorism and its financing.

434 The lack of human resources generally noted among the authorities in charge of investigating TF is also noted at the ANRF (5 offices) and at the State Prosecutor's office where the prosecutor has 8 only substitutes authorized to issue verdict on all cases including ML/TF.

435 The existence of these investigation units that investigate TF and which include criminal investigation officers who have attended several training courses during capacity building, constitutes an asset for the country in building its capacity to detect, investigate and prosecute TF cases. However, according to statistics provided by the authorities, only the Department for Counter Terrorism Coordination and the Fight against Organized Crime and the National Counter Terrorism Division have conducted investigations during legal proceedings, with the exception of the other investigation units. This inability of the other units to detect and investigate TF cases is attributable to human resources allocated to this type of investigation and their training.

436 In the investigations cases conducted by these investigation authorities, TF schemes have been identified without the specific role of the persons involved being determined at this stage of the investigation. However, all these cases are still under criminal investigation and their effectiveness remains to be confirmed either by conviction verdicts that will clearly state the specific role played by these persons in terrorism financing, or by designations or inclusions on national or UN sanctions lists.

Table 4.2. TF Cases currently under Criminal Investigation

Qualification	Year	Indicted	Case file Processing level
Terrorist Acts	2021	14 Djiboutians arrested 3 Djiboutians wanted	Case in progress
Forgery and use of forgery, criminal association and acts of terrorism	2021	1 from Somaliland who also has Djiboutian nationality	Case in progress
Terrorist Acts	2022	5 Djiboutians Arrested 14 Djiboutians and 9 foreigners (nationality to be determined) wanted	Case in progress
Aiding and abetting a terrorist group	2023	2 Djiboutians arrested	Case in progress

437 The four TF cases currently under criminal investigation are all related to the commission of terrorist acts. These criminal investigations opened after the preliminary investigation were exclusively related to the facts of terrorist acts excluding TF facts. Ultimately, pursuant to Article 75 of the Code of Criminal Procedure, the State Prosecutor, based on a supplementary indictment, referred the FT facts in the ongoing cases to the investigating judge. Similarly, the case triggered by international cooperation had been the subject of a criminal investigation for the facts of belonging to a criminal association in connection with a terrorist venture. The case had to do with an aspect of extradition and was never investigated domestically for TF facts (see the table above for ongoing TF cases).

438 The Investigative authorities do not use financial intelligence in a significant and timely manner. Investigations carried out by judicial police officers did not use financial intelligence to identify the financing channels used by the persons involved. The ANRF which has the competence to trigger cases does not have any TF dissemination from an STR or any other source of information.

439 The competent authorities have also not demonstrated any interest in identifying and investigating TF activities of terrorist

groups, organizations or individuals who are outside the country. This situation could be attributed to the limited understanding of the risks but also the poor implementation of international cooperation mechanisms. The predominance of prosecutions initiated by the judicial authorities against terrorist acts rather than TF is attributed to their limited understanding of the TF risks in the country. The three reclassifications done during the on-site visit were justified by the recent awareness of the authorities concerning FT issues.

440 The statistics on the number of ongoing investigations and criminal investigations are clearly low in relation to the TF risk to which the country is exposed. They are also low due to the higher number of investigations relating to terrorist acts. The trend towards prosecuting TF observed among the competent authorities, if maintained, should lead to more TF-related investigations to be conducted on the commission of terrorist acts or proactively, outside the commission of any terrorist act.

441 The investigations conducted, as well as the recently opened criminal investigations, were all conducted without recourse by the competent authorities to the technical tools available in the country and to the special investigative techniques provided for by the legal framework. The failure to use special investigative techniques in tracking down the financing circuits of terrorist groups, organizations or individuals, limits the possibility of thoroughly identifying the roles played by the persons involved, as well as the complex financial circuits sometimes used for terrorism financing. Nevertheless, the TF investigations conducted by the investigative authorities reveal the specific role played by the suspected of terrorism financiers has been identified. During the ongoing criminal investigations, these 26 Djiboutian nationals and 9 non-nationals who are being prosecuted for having played various roles as shown in the table below. Since the legal proceedings still ongoing, only conviction verdicts, highlighting the role played by the convicts or designations on national or UN sanctions lists, will conclude on the effectiveness of the Djiboutian regime on this requirement.

Table 4.3. Terrorism Cases and Persons Prosecuted

Cases	Number of Prosecuted Suspects	Role played by Prosecuted Suspects
CASE A (2021)	4 Nationals, 3 of whom are wanted	Actively participating in the preparation of terrorist attacks. - Providing accommodation, food and prepaid credit cards to terrorists. - Disclosure of information on the location or position of the Djiboutian army.
CASE B (2021)	1 Djiboutian from Somalia	-Using forged Djiboutian administrative documents. - Participating in a criminal association. - Facilitation of a terrorist attack outside national territory (attacks of January 15/16, 2019 in Nairobi, Kenya).
CASE C (2022)	5 Nationals arrested, 14 nationals and 9 foreigners wanted	- Participating in the preparation of terrorist attacks. - Hosting and providing food to members of the terrorist group. - Disclosing of information on the location or position of the Djiboutian army.
CASE D (2023)	2 Nationals arrested	- Providing accommodation, food and prepaid credit cards to terrorists. - Disclosing information on the location or position of the Djiboutian army.

- 442 The National Counter Terrorism Committee (CNLT) was reorganized by Decree No. 2023-083/PRE. Its mandate is to propose measures pursuant to the United Nations Resolutions and FATF Recommendations to combat terrorism. Its functions include identifying and preventing national terrorist threats, coordinating and disseminating information among competent authorities, cooperating with international counter-terrorism organizations, and proposing reforms to the President and Head of State to strengthen the legal and institutional counter-terrorism framework. This Committee has certainly been operational and convening meetings. However, these were more focused on preparing for the mutual evaluation and did not in any case render coordination more dynamic, by increasing the number of TF identification and investigation cases.
- 443 The lack of effectiveness in the implementation of targeted financial sanctions for TF significantly limits the ability of the Djiboutian authorities to identify and prosecute TF cases, including cross-border cases. The lack of a proactive operational process prevents the systematic and timely application of TFS, thus depriving potential terrorists of their financial resources.
- 444 Considering the average TF risk to which the Republic of Djibouti is exposed, the competent authorities identify few TF cases and consequently, the number of TF-related investigations and criminal investigations conducted is low.

To what extent are TF investigations incorporated into, and used in support of, national counter-terrorism strategies and investigations (e.g. identification and designation of individual terrorists, terrorist organizations and terrorist support networks)?

- 445 The Republic of Djibouti has a strategy to combat violent extremism. However, the assessment team was unable to determine whether it adequately addresses the challenges related to combating the financing of terrorism (FT). Furthermore, the national AML/CFT strategy adopted on February 4, 2024, does not clearly define the necessary actions to effectively integrate FT into counter-terrorism efforts. This lack of clear guidelines, combined with insufficient operational coordination among the competent authorities responsible for investigations and prosecutions, significantly undermines the effectiveness of the national response.
- 446 However, the authorities maintained that the country has been engaged in counter-terrorism for several years and that several investigations have been conducted into terrorism cases.
- 447 However, the investigative authorities did not include the TF dimension in all the terrorism investigations they conducted. Thus, out of nine cases of terrorism investigation, the investigative authorities also investigated TF in four cases. The judicial authorities, on their part, only extended the investigation of terrorism cases to TF during the on-site visit and by way of supplementary indictment. Investigations into TF during terrorism investigations all took place from 2021 onwards. This new approach by the law enforcement authorities, noted from 2021 onwards, tallies with the period when the country began conducting its NRA. This exercise, as well as the mutual evaluation process, enabled these authorities to have an understanding, albeit limited, of the TF risks.
- 448 Furthermore, the CNLT, the leading political counter-terrorism body, which includes stakeholders in the fight against

terrorism, is yet to develop a policy incorporating TF into the counter-terrorism framework. This situation is due to the poor understanding that the authorities have of TF risks and the need to include the search for the resources and circuits used by terrorists to carry out their activities.

To what extent are the sanctions or measures meted out on natural and legal persons found guilty of TF offences effective, proportionate and dissuasive?

449 The legal framework of the Republic of Djibouti provides for proportionate and dissuasive sanctions against both natural and legal persons who commit the TF offence (CT Rec5.6 and 5.7).

450 However, the courts in the Republic of Djibouti have not yet handed down any convictions for TF. Consequently, it is not possible to assess whether the sanctions provided for natural and legal persons found guilty of TF offences are effective, proportionate and dissuasive.

To what extent has the objective of this outcome been achieved by the use of other criminal, regulatory or other measures to disrupt TF activities where it is not possible to obtain conviction for TF?

451 From discussions with the authorities, it seems the legal framework of the Republic of Djibouti does not provide for any alternative criminal measure where it is not possible to obtain a conviction for TF. Furthermore, the authorities have not, in the context of counter-terrorism or its financing, implemented measures to contribute to the disruption of TF activities where it is impossible to secure a conviction for TF.

Conclusion on Immediate Outcome 9

452 Despite recent efforts, the authorities of the Republic of Djibouti have identified, investigated and prosecuted only a small number of TF cases, which are also not commensurate with the country's TF risk profile. Furthermore, none of the investigations conducted has resulted in any conviction to date. As a result, the proportionate and dissuasive nature of the sanctions provided for by the legal framework could not be assessed.

453 TF investigations are not always integrated into national counter-terrorism efforts and no alternative measures are implemented to disrupt TF where a conviction for TF is not possible.

The Republic of Djibouti is rated as having a low level of effectiveness on IO.9.

Immediate Outcome 10 (Preventive measures and financial sanctions in terrorist financing)

454 The assessment team based its conclusions on the statistics provided on designations and frozen assets, during discussions with numerous relevant authorities, including the Counter-Terrorism Committee, the General Department of Documentation and Security Services, the judicial authorities, the National Gendarmerie, the National Police, the customs

authorities, the Financial Intelligence Service, the Legal Regulation Department of the Ministry of the Interior, and also during discussions with financial supervisors and a wide range of private sector entities.

Implementation of relevant targeted financial sanctions without delay

455 The lack of an appropriate legal and institutional framework presented a major obstacle to the prompt and unannounced implementation of the TFS related to TF by the Republic of Djibouti during the review period. Indeed, the implementation of UNSCR 1267 and UNSCR 1373 required a freezing decision taken by the judicial authority pursuant to the ordinary law proceedings. No decision to this effect was brought to the attention of the Assessment Team.

456 No transactions were rejected and no funds or other assets were frozen under UNSCR 1267 or UNSCR 1373 during the review period.

457 The authorities of the Republic of Djibouti have not made any designation proposals under UNSCR 1267 and no organization or individual has been designated by the authorities under UNSCR 1373. With no legal framework for a national designation, a criminal conviction was required as a prerequisite for any designation of an individual as a terrorist.

458 According to the authorities' response, the terrorist threat is mainly external due to the country's geographical location. However, during the review period, the Republic of Djibouti experienced several terrorist attacks by the Armed FRUD and a law of 13th October 2022 designates the Armed FRUD as a terrorist entity, which in the Assessment Team's opinion, also indicates the existence of an internal threat. Individuals belonging to this group have been identified by the authorities but none has been designated under Resolution 1373. The fact that the designation of the Armed FRUD as a terrorist organization was made by a legislative instrument shows that the lack of an internal procedure for a designation under UNSCR 1373 has been a real deficiency.

459 According to the authorities, twelve requests for international designations under Resolution 1373 were received between 2018 and 2023. However, the authorities have not provided any information on the follow-up action instituted.

460 The authorities do not systematically communicate to the private sector the lists of persons and entities designated pursuant to UNSCR 1267 and do not make them public. One small operator reported receiving updates on the lists of designated persons from its supervisory authority, but it was not disseminated during non-working days, even though these operators could execute transactions during this period.

461 The DNFBPs and insurance companies had no list of individuals and entities designated pursuant to UNSCR 1267 and did not carry out any verification of their customers against the targeted financial sanctions.

462 With the exception of insurance companies, most financial institutions are aware of their obligations to screen customers and transactions against sanctions lists. Banks and money transfer agents that are members of large international groups have automated systems that integrate the lists of persons designated by the UNSC Resolutions and their updates in order to detect matches at the time of entering into a relationship, execution of transactions and on a regular basis for existing customers, depending on the nature of the institution's activities (daily for third parties and monthly or daily for customer

base).

463 Smaller financial institutions, particularly microfinance institutions, consult the lists directly on the UN website when entering into a relationship and do the screening manually.

464 Apart from screening, the reporting entities that conduct verifications against UNSCR 1267 do not take any other measures to understand who is the ultimate beneficiary of the transaction or customer and do so purely mechanically through the automated system via alerts and do not distinguish between persons designated under UNSC resolutions and other financial sanctions. During interviews with the Assessment Team, most reporting entities did not mention the UNSCR designations during the lists integrated into their automated system, which indicates a poor understanding of their obligations. Apart from one institution that directly consults the sanctions list published on the UN website, no other institution mentioned an alternative source for consulting the lists of designated persons in case of any technical incident of their automated screening system.

465 With no legal framework for freezing the funds of designated persons, the reporting entities indicated during the interviews that in case of a proven match or in case of any doubt that cannot be resolved when entering into a relationship or executing a transaction, they refuse to enter into a relationship or execute the transaction, inform the person of the refusal, return the funds and send a suspicious transaction report to the SRF. For existing customers who hold funds with a reporting institution, there is no procedure for freezing their assets by the institution but a suspicious transaction report is filed to the ANRF which can refer the matter to the State Prosecutor's office so that a judicial authority can decide on the freezing. However, such a case has never occurred so far.

466 Apart from a 2017 SRF guideline for reporting entities on how to complete a declaration form, to date the authorities have not established any guidelines for reporting entities or the public regarding their TFS obligations.

467 A financial institution had indicated to the Assessment Team that it had contacted the SRF in a case of doubt about a person potentially subject to TFS but had not received any response.

468 The BCD has already verified during on-site inspections of certain accountable financial institutions that they had an updated list of designated persons and entities, but has not verified the proper functioning of the automated system. No measures or sanctions were taken by the BCD during the review period against any reporting entity for non-compliance with the implementation of the TFS.

469 The DNFBPs' compliance with the implementation of TFS related to TF is not supervised.

Targeted approach, sensitization measures and monitoring of NPOs at risk of being misused by terrorists

470 NPOs are subject to supervision and monitoring by the Legal Regulation Department of the Ministry of the Interior.

471 The Ministry of the Interior does not have a public register of NPOs but was able to indicate to the Assessment Team that to date the number of NPOs in the Republic of Djibouti is approximately 6,545, but only 632 are active, including 607 simple associations, 7 networks, 13 cooperatives, 4 NGOs and 1 foundation. However, there are no statistics by activity, type of

financing and volume of the sector.

- 472 The Republic of Djibouti has never carried out any analysis and has not identified the types of NPOs which, due to their activities or characteristics, are likely to be misused for terrorist financing purposes. The Central Bank had prepared a questionnaire for NGOs (but not other categories of NPOs) that it had sent via the banks, asking them to specifically indicate the nature of their activity, the type of financing and the individuals holding more than 10% of the shares in the NGO. However, at the time of the on-site visit, this questionnaire was still being analyzed.
- 473 During interviews with the Assessment Team, the Legal Regulation Department of the Ministry of the Interior explained that the simplest associations are financed by membership fees and do not receive donations from the public and that NGOs receive their funding through recognized international public bodies, but could not support this assertion with convincing statistics. The reporting entities (financial institutions and DNFBPs) indicated to the Assessment Team that they systematically consider NPOs as high-risk customers given the difficulty in establishing the origins of their funding. Indeed, the level of financial inclusion is very low in the Republic of Djibouti, and most contributions and donations to associations are paid in cash.
- 474 The supervision of NPOs is mainly conducted during the application for incorporation in relation to regulatory requirements (lawful purpose, identification of members of the Steering Committee) and is accompanied by a fit-and-proper test based on criminal records and a neighborhood investigation by the general intelligence service of the National Police but does not include a TF component. Advertising is optional (except for public interest NPOs created by Decree) and is the NPO's responsibility. No other inspection after the creation of the NPO is conducted (off-site or on-site) by the competent authority, except in the case of a request for renewal where an activity report is required. The financial statements are not subject to verification. An association that has not requested the renewal of its criteria is considered inactive but is not dissolved and continues to exist as a legal person with no form of supervision.
- 475 During the interviews, the NPO present did not demonstrate a good understanding of the risks of NPOs being misused for TF purposes. The competent authority also has no expertise in FT and indicated during the interviews that it did not consider itself empowered to monitor NPOs for the risk of misuse. The members of the Legal Regulation Department of the Ministry of the Interior in charge of supervising NPOs have not received training on the risk of NPOs being misused for TF purposes.
- 476 The authorities have not conducted any engagement activities with NPOs to sensitize them on the risk of being misused for terrorist financing purposes, and have not established and disseminated typologies or guidelines. NPOs have never been subjected to investigation, prosecution, conviction or other intervention by the authorities, who do not seem to be sensitive to the risks of NPOs being misused for TF purposes. The ANRF informed the Assessment Team that it had not received any STRs involving Djiboutian NPOs, which is apparently not in line with the high risk level systematically associated with NPOs by the reporting institutions based on their experience.

Deprivation of TF-related assets and instrumentalities

477 The authorities' attention to TF cases is very recent and the authorities did not have statistics on the seizure or confiscation of terrorist or terrorist financing-related assets for the Assessment Team to conclude that the authorities systematically take appropriate measures to deprive individual terrorists, terrorist organizations and terrorism financiers (whether through criminal, civil or administrative processes) of TF-related assets and instrumentalities. In particular, the authorities are yet to develop the reflex to systematically prosecute TF activities and seize and confiscate TF-related assets.

478 The ANRF has the power to suspend the execution of any transaction for 48 hours on receipt of any TF-related STRs, but has never received such STRs.

Consistency of measures with overall TF risk profile

479 The authorities consider that the lack of TFS-related measures is mainly due to the external nature of the terrorist threat. However, in the opinion of the Assessment Team, the complete lack of actions aimed at removing funds from the reach of actual or potential terrorists by preventing the misuse of NPOs and using TFS is not commensurate with the overall TF risk profile in the Republic of Djibouti.

480 The country's proximity to Somalia and Yemen where Al-Shabaab, AQAP and ISIS operate is a significant TF risk factor for the Republic of Djibouti as these groups and their members, as well as individuals associated with them, could use the services of Djiboutian financial institutions and DNFBPs, as many Djibouti-based financial institutions also operate in neighboring countries that have weak or non-existent AML/CFT legislation or other financial controls.

481 Also, the incursions into the territory of the Armed FRUD designated as a terrorist entity and comprising Djiboutian nationals increase the TF risk through the provision of funds and equipment, a risk recognized by the authorities.

Conclusions on IO. 10

482 During the review period, the Republic of Djibouti had no legal framework for the implementation of targeted financial sanctions related to terrorism financing. Any measure to freeze funds in relation to designated persons was based on the ordinary law procedure and required the intervention of the judicial authority. There were no designations, identification of designated persons or organizations, freezing or confiscation of funds in relation to these persons in the Republic of Djibouti, which does not correspond to the country's risk profile due to its geographical location and the terrorist acts committed in Djibouti.

483 The reporting entities' knowledge and understanding their TFS implementation obligations is very uneven. Banking institutions and financial affiliates that are members of large groups apply the group's policy and tools for updating lists of

designated persons and screening customers, but the majority of DNFBPs and insurance companies do not implement TFS related to TF due to ignorance of their obligations and adequate tools. The supervision by the BCD of reporting entities' compliance with the obligations is limited to the compliance with the systems without monitoring their effectiveness and supervision of DNFBPs is lacking.

484 The authorities' attention to TF cases is very recent and the authorities have not implemented effective measures to freeze or confiscate funds to systematically deprive individual terrorists, terrorist organizations and terrorism financiers of TF-related assets and instrumentalities. However, the authorities have in some cases seized assets and equipment directly related to terrorists or terrorist acts.

485 The authorities have not conducted an analysis and have not identified the types of NPOs which, by virtue of their activities or characteristics, are likely to be misused for terrorist financing purposes. Consequently, the authorities have not conducted any sensitization activities or conducted targeted monitoring and surveillance of potentially vulnerable NPOs.

486 Fundamental improvements are therefore required.

The Republic of Djibouti is rated as having a low level of effectiveness on IO. 10.

Immediate Outcome 11 (Financial Sanctions for Proliferation Financing)

Immediate implementation of relevant targeted financial sanctions

487 During the review period, the Republic of Djibouti had no legal and institutional framework for the implementation of the UNSC TFS related to PF.

488 Consequently, the country has not taken any step to implement targeted financial sanctions without delay pursuant to the United Nations Security Council Resolutions, adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing. The Republic of Djibouti has not proposed any individuals or entities for designation under Resolution 1718 and no funds or assets belonging to designated individuals or entities have been frozen.

Identification of funds or other assets of designated persons and entities; measures taken with respect to such persons and entities

489 With no legal basis for the implementation of TFS related to PF, the competent authorities did not identify any designated individuals or entities during the assessment period and therefore did not take any measures to prevent them from operating or carrying out proliferation-related activities. According to the authorities, Djibouti has not recorded any cases of PF and the implementation of the targeted financial sanctions did not require any immediate measures.

490 However, the lack of a legal framework for the implementation of TFS related to proliferation, mechanisms to identify and prevent PF, measures to raise awareness among the various stakeholders who may be affected by PF of the risks of

proliferation and PF is a major obstacle to detecting PF cases and effectively implementing TFS.

491 Indeed, the authorities have not demonstrated a good understanding of PF risks in the national context and have not established any internal coordination mechanism or other measures to ensure that cases of TFS circumvention are detected.

492 According to the authorities, the country has no trade ties with the DPRK, but this claim is not based on any analysis of direct financial flows or indirect financial flows indicative of common PF sanctions avoidance techniques.

493 Much of the banking activity in Djibouti is related to international trade finance, which poses a risk of PF. However, according to the BCD and the banking institutions present during the interviews, Djiboutian banks do not have VOSTRO accounts of correspondent banks established in the DPRK and have no business relationships with customers who are nationals or residents of the DPRK.

494 At the time of the on-site visit, the banking institutions had not identified any designated persons or entities, contacted the ANRF in case of doubt whether a person or entity was the subject of PF-related TFSs or issued any PF-related STRs. However, it is difficult for the assessment team to conclude that the lack of detection is consistent with Djibouti's PF risk profile, given that this risk is not known to the authorities.

Financial Institutions, DNFBPs and VASPs' compliance with and understanding of their obligations

495 The reporting entities' compliance with and understanding of their obligations regarding the implementation of TFS related to PF is very uneven.

496 Banks that are members of large international groups are aware of their obligations regarding embargo compliance and use the same automated systems to detect individuals and entities designated under Resolution 1718, as they do for the implementation of targeted financial sanctions for terrorist financing. However, they are unaware of their vulnerabilities to potential violations of the DPRK sanctions and mechanically apply the sanctions lists without actually understanding the obligations and without being sensitive to the risks of avoiding TFS related to PF.

497 Other financial institutions and DNFBPs are not aware of their obligations regarding the implementation of TFS related to PF and are not implementing them.

498 The authorities do not provide reporting entities with guidelines or other information regarding compliance with the TFS obligations related to PF. With no understanding of PF risks in the national context, the authorities could not establish and communicate PF typologies to reporting entities or to carry out other awareness-raising activities.

Monitoring and verification of compliance with obligations

499 The BCD does not monitor compliance by financial institutions under its supervision with their obligations relating to targeted financial sanctions related to proliferation financing and did not detect any deficiencies or mete out sanctions or other measures for non-compliance with the obligations during the review period.

500 The DNFBPs' compliance with TFS related to PF is not supervised.

Conclusions on IO. 11

501 During the review period, the Republic of Djibouti had no legal framework for the implementation of the UNSCR TFSs on proliferation financing.

502 Authorities have a poor understanding of the PF risk in the national context and do not have mechanisms in place to detect and prevent PF cases, measures to cooperate and raise awareness of proliferation and PF risks among various stakeholders who may be affected by PF.

503 The reporting entities' awareness of their obligations to implement TFS related to PF is very uneven. While many banking institutions and financial affiliates belonging to large groups are aware of their obligations to detect persons and entities designated under Resolution 1718, they are not sensitive to sanctions avoidance techniques. Other financial actors and DNFBPs are not aware of their obligations and do not implement TFS related to PF.

504 Compliance with TFS obligations related to PF is not supervised by the competent authorities.

The Republic of Djibouti is rated as having a low level of effectiveness on IO.11.

Chapter 5. Preventive Measures

Key Findings and Recommendations

Key Findings

- a) The major local banks interviewed by the Assessment Team have a correct understanding of their risks and their regulatory obligations in AML/CFT. The situation is more contrasted for other banks and financial institutions. Indeed, while the dissemination of the NRA findings, the main component of the analysis and understanding of risks and the implementation of AML/CFT policies at national level, has created some level of awareness among financial institutions, these institutions, and in particular financial affiliates and microfinance institutions, do not comprehensively understand the specific risks linked to the circulation of cash and the magnitude of the informal sector in the Djibouti economy. Insurance companies do not anticipate a possible opening of the market to life insurance and capitalization products. Therefore, there is no understanding of AML/CFT risks and obligations, and no AML/CFT preventive measures for this sector. Among DNFBPs, chartered accountants have the best understanding of their AML/CFT risks. The Association of Chartered Accountants has established and disseminated to its members a template procedural framework taking into account its own sectoral risk analysis. Public real estate developers and some private real estate developers supported by banking groups have a modest and heterogeneous understanding of their risks, and implement non-proportionate risk mitigating measures. Other DNFBPs have not yet grasped such a sophisticated approach at the procedural level. As a general rule, they have only a limited understanding of the ML/TF risks to which they are exposed and do not have a suitable and updated ML/TF risk mapping, and do not adequately implement proportionate risk mitigating measures.
- b) Financial institutions, including those supported by large international groups, implement proportionate measures to mitigate ML/TF risks that are more or less effective based on a risk classification. Insurance companies do not apply proportionate measures because they do not market life insurance and Savings products. DNFBPs, with the exception of accountants, have not implemented proportionate measures to mitigate ML/TF risks due to the lack of a good understanding of the risks and a risk classification system.
- c) The big stakeholders implement customer due diligence and record-keeping measures, which take beneficial ownership into account. Furthermore, they apply proportionate due diligence measures, enhanced if necessary, particularly for politically exposed persons or persons with similar names to those of persons on open source targeted financial sanctions lists. Since they do not have the same quantum of resources, financial affiliates and small banks state that they will not enter into any business relationship or carry out any transaction with a customer requiring the implementation of enhanced due diligence measures. However, according to statistical data, these refusals to enter into a relationship and the rejection of transactions are not accompanied by suspicious transaction reports to the ANRF for casefiles that so require. This practice goes against the national financial inclusion strategy since the persons concerned by this refusal would potentially be excluded from the formal banking system. Some DNFBPs verify the identity of their customers for any entry into a business relationship for natural and legal persons.
- d) Financial institutions implement enhanced or specific measures depending on the case relating to politically exposed persons, banking correspondents, new technologies, rules relating to wire transfers and higher-risk countries. Furthermore, they make an effort to automatically screen persons targeted in UN lists through the tools at their disposal. DNFBPs do not implement these measures.

- e) The reporting activity of reporting entities in Djibouti is limited to a few credit institutions with a clear disparity between the declarants. Financial affiliates, despite their number and their risks inherent in the high volume of their operations, have only made one declaration. The DNFBPs have not submitted any report during the review period 2018 - 2022
- f) Some credit institutions have a developed AML/CFT procedural framework and an internal control and compliance system that has facilitated effective reporting activity. For other financial institutions, the implementation of internal controls and procedures has not facilitated compliance with these obligations. For DNFBPs, which have an internal control framework, it is clear that this has not enabled them to detect and reveal money laundering and terrorist financing risks.

Recommended actions

The Djiboutian authorities should:

- a) Strengthen the level of understanding of the ML/TF risks among reporting entities by primarily targeting financial auxiliaries and microfinance institutions, as well as insurance companies and all DNFBPs through outreach and awareness-raising activities, drawing in particular on existing or future professional associations and unions. Particular attention must be given to the inherent risk of cash movement and the informal sector.
- b) Implement cross-functional control measures to ensure that reporting entities, particularly DNFBPs, understand their AML/CFT obligation, on one hand, and that they are provided with an efficient procedural framework to implement due diligence measures proportionate to their risks and their activity, on the other. Priority should be given to professional notaries, real estate developers, dealers in precious metals, lawyers and company and trust service providers. During inspection missions, detect and terminate reporting entities' practices of rejecting an entry into a relationship or a transaction for non-implementation of adequate due diligence measures. In this regard, also ensure that suspicious transaction reports that should be filed are filed.
- c) Ensure that DNFBPs implement appropriate due diligence measures for their politically exposed person customers and tools without delay, or otherwise use manual procedures, to detect persons targeted by sanctions.
- d) Organize sensitization activities encouraging all reporting entities to comply with their suspicious transaction reporting obligations. Similarly conduct, cross-functional and thematic inspection missions designed to ensure that reporting entities comply with their suspicious transaction reporting obligations to the SRF, and organize sensitization activities targeting financial affiliates in particular to avoid any de-risking practices.
- e) Ensure an effective internal control and AML/CFT compliance system is established and inspection and audit structures within all reporting entities are strengthened.

504 . The Immediate Outcome relevant to this chapter is IO.4. The relevant recommendations for the assessment of effectiveness under this section are R.9-23 and some elements of R.1, 6, 15 and 29.

Immediate Outcome 4 (Preventive Measures)

505 The assessment team weighted the implementation of preventive measures more heavily for banks, including Islamic banks, forex dealers, money transfer agents, e-money issuers, notaries and private real estate developers, as well as dealers in gems and precious metals. It weighted microfinance institutions relatively high, casinos, trust and company service providers, lawyers, and virtual asset service providers' medium, and accountants and insurance companies from low to medium. Details of the weighting for each sector are presented in paragraphs 100 to 113 of Chapter 1.

506 The assessment team reached its conclusions on IO.4 following meetings with representatives of the private sector and professional associations, and discussions with the AML/CFT supervisory and monitoring authorities of each sector, where they existed. Thus, dealers in gems and precious metals, company and trust service providers, and virtual assets service providers were not actually accountable to any supervisory authority as at the time of the on-site visit. Furthermore, the assessment team analyzed the data submitted by the reporting entities through the National Coordinator and his team.

Financial institutions, DNFBPs and VASPs' understanding of ML/TF risks and their relevant obligations

507 The ongoing NRA exercise then provided an opportunity for most of the financial institutions and financial affiliates, represented by foreign exchange bureaus and money transfer agents, met, to start realizing the AML/CFT risks to which they are exposed and their obligations as accountable institutions. Under the impetus of the Banking Supervision Department of the BCD, which has been conducting sensitization program on AML/CFT obligations, some institutions and financial affiliates, agents of the major global money transfer operators, have been conducting their own risk assessments. However, they did not demonstrate a clear understanding of the threats and vulnerabilities to which they are exposed given the local context. Indeed, they are not aware of the limited nature of the NRA analysis, which only identified the use of cash and its deposit, as well as the origin of these funds, as the main threats and vulnerabilities related to the financial sector. The extent of the free circulation of USD-denominated notes commonly accepted in commercial transactions and the risks associated with electronic money have not raised any risk concerns among some of the institutions we met.

508 The BCD is yet to initiate a Sector Risk Analysis. This situation has limited the development of the Financial Institutions' understanding of risks linked to the threats highlighted by the NRA, the main component of the analysis and understanding of risks and the implementation of AML/CFT policies at domestic level on the one hand, and to payment practices in an economy with low financial inclusion rate and a high level of informal activity, on the other.

509 The microfinance sector comprises three Public Savings and Credit institutions and one Islamic microfinance institution. These institutions operate as cooperatives and not as Conventional financial institutions. They rely on a network culture where the interpersonal knowledge of members plays a crucial role in the distribution of microcredits. The 2022-2027 national financial inclusion strategy underscored the importance of establishing a supervision culture control based on AML/CFT due diligence without focusing on the need to develop understanding and monitoring the risks associated with the profession. The microfinance institutions met had not initiated any risk assessment despite the significant volume of their business relationships in a context marked by a high level of informal activity, which could conceal underground activities related to the threats identified by the NRA and those mentioned in IO.1, such as human trafficking and smuggling, corruption, customs and tax offences, and even terrorist financing. Although a project to digitize the microfinance sector initiated under the auspices of the World Bank in 2022 is underway, microfinance institutions are still demonstrating inadequate knowledge of their AML/CFT obligations.

- 510 The insurance sector, which does not deal in life insurance and Savings products, but almost exclusively motor vehicle liability contracts, only manages the risk of fraud and erroneously considers that it has nothing to do with ML/TF at this stage. In this regard, the sector's understanding of its risks and AML/TF obligations, concealed behind the non-marketing of Savings products, remains to be developed. However, insurance companies could not immediately market life insurance and Savings products without the prior approval of the competent authorities.
- 511 Currently, there are no VASPs in Djibouti. For the VASP sector, with no ML/TF risk analysis, preventive measures have not been taken, although there is nothing to reduce the threat inherent in this financial activity for Djibouti, which has no territorial constraints.
- 512 When the NRA was drafted, the country had only one electronic money institution that was commencing operations. Therefore, the NRA underestimated the AML/CFT risk posed by electronic money. Indeed, this payment instruments, due to the wide distribution of mobile phones, facilitates the possibilities of purchasing goods and services, as well as transfers between users of the same network. Even though the operator met by the Assessment Team had some knowledge of its AML/CFT obligations, no sectoral analysis of the AML/CFT risk and no on-site inspections have been conducted in this sector to verify its actual quality. Furthermore, this method of payment is developing significantly.
- 513 Apart from the Chartered Accountants who, through their Association, had actively participated in the NRA exercise, the other DNFbps have a poor understanding of money laundering and terrorist financing risks. Indeed, the Chartered Accountants have undertaken the Sectoral Analysis of the risks to which the profession is exposed in an economic environment particular threatened by tax and customs offences and trade-based money laundering. They therefore have an adequate understanding of the risks and comply with their professional obligation pursuant to the regulations in force and the international audit standard.
- 514 Dealers in gems and precious metal are not aware of the proven risks to which they are exposed as well as their AML/CFT regulatory obligations. Until March 2024, they were not accountable to any AML/CFT supervisory authority and had not participated in any sensitization activity.
- 515 Casinos confuse their exposure to ML/TF risk with operational risk. They have not demonstrated any capacity to distinguish money laundering threat from understanding money laundering processes through gambling. Furthermore, they do not always comply with their AML/CFT obligation as the identification and verification of customer identity is not systematic and formalized, being largely based on the physiognomy of customers. On the whole, the sector's understanding of its obligations and AML/CFT risks is limited.
- 516 Public sector real estate development companies, although operating in a low-exposure business, have an adequate understanding of their risks and regulatory obligations.
- 517 However, private sector real estate developers are generally not very aware of the AML/CFT risk. They do not have a risk mapping systematically adapted to their activity. Private developers collect supporting documents for identification and verification of the identity of their customers. However, they rely largely on notaries for the effective compliance monitoring of their case files and on banks for economic and financial due diligence. Their understanding of their AML/CFT obligations seems poor with the exemption of those enjoying bank support, in which case it is average.

- 518 The notary profession indicates that it has not officially received the NRA report. They are of the opinion that the companies in the free Area represent a challenge for their profession due to the quality of their shareholders who are generally non-residents and in view of the funds that come mainly from abroad. This situation could constitute a threat if these due diligence exercises reveal signs of suspicion concerning the persons or origin of the funds when preparing the files.
- 519 On the other hand, notaries who legally certifies documents relating to real assets operations and transactions do not understand the high risk of such operations, with due diligence not always conducted by private real estate developers who wrongly place them in charge.
- 520 The legal profession expresses the need to have ML/TF typologies relating to their operations. The professional practice is mainly focused on criminal litigation and very little on business matters, although there are no specialized firms. Lawyers state that they are rarely asked for advice on complex legal arrangements but could not justify that statement.
- 521 As legal professionals, lawyers and notaries are aware of their legal and regulatory AML/CFT obligations in. However, this knowledge is essentially formal and they do not understand its practical scope in their daily activities, particularly in terms of understanding and effectively monitoring ML/TF risks.

Implementation of proportionate risk mitigating measures

- 522 The largest financial institutions, including those supported large international groups, implement a more or less effective ML/TF risk mitigating system based on a risk classification and IT tools used to assign a high-risk rating to PEPs and customers or transactions linked to countries deemed to be at risk. These financial players consider non-residents to be a particular risk and state that they examine more carefully all documents relating to their entry into business relationships. For smaller institutions, particularly the smallest financial affiliates, where an ML/TF risk mitigating system exists, it is sometimes embryonic for a sector exposed to such risks.
- 523 For the insurance sector, no sectoral risk assessment has been conducted. However, as indicated in the National AML/CFT Strategy, there is need to implement risk mitigating measures as the market is gradually opening to life insurance and Savings products.
- 524 Public and private real estate developers belonging to a banking group implement proportionate risk mitigating measures. Other private real estate developers, though equipped with a guide to fight money laundering and terrorist financing dated November 2023 issued by the Ministry of Cities, Urban Planning and Housing, have not demonstrated the effective scope of such measures. This observation has more weight for the private sector, which is by nature more exposed than social housing to the risk of investment of dubious funds in real estate.
- 525 Notaries, who have only limited control over the risk of ML/TF linked to their activities, have not taken proportionate measures to mitigate their high risks. Their procedures for entering into a business relationship apply to all customers in an identical manner. The same applies to lawyers who do not have adequate control over their risks and measures to mitigate them.

526 The measures taken by casinos to limit their exposure to ML/TF risks are not proportionate, but their aversion to operational and reputational risk helps to reduce this risk overall.

527 Dealers in gems and precious metals, including jewelers, do not implement any ML/TF risk mitigating measures.

528 Accountants do implement a more or less effective ML/TF risk mitigating system based on risk classification.

Implementing customer due diligence and record-keeping measures

529 Financial institutions verify the identity of their customers before entering into a business relationship. The identification of customers, both natural and legal, is conducted by the presentation of an official document issued by the competent authorities, attesting to the identity of the customer (identity card, passport, residential permit, business license, statutes, head office, etc.). Where applicable and depending on the adaptation of their system to their risk, financial institutions assign a risk rating to their customers.

530 To identify and verify the identity of beneficial owners, financial institutions rely either on controlling interest or on control by other means or, as a last resort, on the identity of the natural person occupying the position of manager. The due diligence conducted by financial institutions in identifying the beneficial owner(s) of their customers depends on the available resources. Most often, only financial institutions belonging to foreign groups have the resources to trace back to the natural person(s) who holds a controlling interest in the customers. In practice, for financial affiliates, it is difficult to trace the chain of control of customers who are legal persons, or even trusts, beyond the second level of control.

531 Pursuant to the legal and regulatory provisions, financial institutions keep for at least five years from the closing of accounts or the termination of relations with the customer, all records relating to the identity of their regular or occasional customers and those relating to the transactions carried out. Financial institutions update their customers' files throughout the business relationship at varying frequency. For some of them, the frequency planned for the review of files is based on the customer's risk profile.

532 As a general rule, the banks and financial affiliates may refuse to enter into or continue a relationship if they are unable to fulfil their identification obligation or obtain information on the purpose of the business relationship and if the customer is subject to a judicial ban or appears on one of the sanctions lists. However, this measure is only rarely accompanied by a report to the ANRF in case of doubt about the economic background of the entry into the relationship or for bearing the same name with listed persons.

533 Small banks and some financial affiliates are reportedly de-risking customers among politically exposed persons, as well as individuals who may have similar names to individuals targeted by open-source targeted financial sanctions, by refusing to carry out transactions or breaking off business relationships. This practice runs counter to the national financial inclusion strategy since the individuals affected by this refusal would potentially be excluded from the formal banking system.

534 Pursuant to Guideline No. 5 on customer due diligence obligations, the Central Bank requires financial affiliates to

establish an internal procedure for identifying and verifying the identity of their customers. In practice, financial affiliates collect administrative documents issued by the State, which are valid, in order to identify the customer during transactions, whether for funds transfer or foreign exchange transactions. Pursuant to the extant legislation, financial affiliates are required to implement due diligence measures on their customers when entering into a business relationship. They refuse to carry out operations and establish business relationships without the physical presence of customers, and remote on-boarding is prohibited in Djibouti.

535 Lawyers and accountants verify the identity of their customers for any business relationship, for natural and legal persons, by requesting the presentation of an official document issued by the competent authorities, attesting to the identity of the customer (identity card, passport, residential permit, business license, statutes, registered office, etc.). The search for the beneficial owners of their customers is limited by the research capacities. Notaries, on their part, rely largely on the due diligence measures implemented by banks when opening accounts and monitoring funds movements. Furthermore, beneficial ownership identification by notaries is generally limited to the second level of shareholding. Lawyers and notaries keep documents and records for the entire duration of the business relationship and throughout the life of their chambers.

536 Dealers in gems and precious metals do not identify their customers or keep customer information.

537 The other DNFBPs do not implement any AML/CFT-related record-keeping system for 5 years.

Implementation of enhanced or specific measures

538 (a) The large financial institutions implement an enhanced due diligence system and specific measures concerning PEPs. They apply the additional due diligence measures in force in Djibouti or those of their group if they are more restrictive. Small banks and financial affiliates generally refrain from entering into business relationships with PEPs and carrying out transactions with them, so as not to implement customer profiling and due diligence on their transactions. DNFBPs do not have PEP detection tools, but rely on their knowledge of the Djibouti market.

539 (b) Most local banks enter into correspondent banking relationships directly, with the exception of those supported by international groups whose correspondent banking relationships are negotiated at the level of the groups which also manage the wire transfer systems.

540 (c) The Djibouti financial centre does not appear to take specific effective measures regarding the use of new technologies such as the identification and assessment of the ML/TF risks of new products and new business practices. Djibouti Telecom does not seem to have taken specific measures regarding the use of new technologies prior to the launch of its activity, such as the identification and assessment of the ML/TF risks of new products and new business practices. Financial institutions do not implement enhanced due diligence measures to detect customers and

transactions that may be linked to virtual assets or virtual asset service providers.

541 (d) For wire transfers sent and received, financial institutions ensure that the required information is complete and accompanies the transfer pursuant to the provisions set out in the BCD Directive. Where banks cannot collect the required information, they must refrain from carrying out the transfer. If the beneficiary bank receives transfers with incomplete information, it takes the necessary steps to complete, execute or suspend the transaction regardless of the risk detected. The interviews held with the relevant financial institutions revealed that relatively few wire transfers are rejected or suspended on the grounds that they do not contain the required information on the originator or the beneficiary.

542 (e) The large banks and financial institutions implement appropriate tools and procedures designed to automatically detect persons targeted by the freezing of assets. They screen their third-party database each time the targeted financial sanctions lists are updated. To date, they have never frozen any funds. Other financial institutions, and in particular financial affiliates, state that they screen their customers and their transactions using the more or less sophisticated tools at their disposal. The banks and financial affiliates met revealed that they were aware of their relevant obligations and could, at the very least, consult the international sanctions lists on the United Nations and OFAC websites in particular. DNFBPs carry out summary manual verifications when entering into a business relationship based on the lists available in open sources. They cannot manually screen their entire customer base throughout the business relationship, and are not informed of updates to UN lists.

543 (f) Generally, for financial institutions, procedures and classifications of ML/TF risks, where they exist, take into account country risk and in particular the higher-risk countries identified by the FATF. Not all DNFBPs implement such measures effectively.

Compliance with reporting obligations in case of suspicion; preventing “tip-off”

544 Only large banks file suspicious transaction reports to the ANRF. The other reporting entities subject to the reporting obligations, other financial institutions and DNFBPs, have zero reporting activity with the exception of financial affiliates that submitted a single report in 2019 and 3 in 2023. Financial institutions have compliance teams that are more or less extensive depending on their size and that implement an ML/TF due diligence system based on procedures, permanent inspections and the largest of the automated monitoring tools to detect suspicious transactions. The number of these reports ranged from 17 to 43 during review period 2018 to 2023 with a clear disparity among the reporters. This situation reflects the lack of compliance with their reporting obligations in accordance with the regulations in force. to the

Table 5.1. Statistics of STRs received by the ANRF between 2018 and 2023

Reporting Entities	2018	2019	2020	2021	2022	2023
Credit institutions	28	28	17	42	40	25
Financial Affiliates	0	1	0	1	0	23
Microfinance institutions	0	0	0	0	0	
Electronic money issuers	0	0	0	0	0	
Insurance	0	0	0	0	0	
DNFBPs	0	0	0	0	0	
Total	28	29	17	43	40	48

545 According to the regulations, it is prohibited to disclose to the suspect that a report has been filed on him/her. Furthermore, criminal sanctions against those responsible for the tip-off are provided for by law. In concrete terms, there has been no incident of report tip-off.

Implementation of internal controls and procedures to ensure compliance with AML/CFT obligations; legal or regulatory obstacles

546 Institutions belonging to international financial groups integrate the group's procedures if these are considered stricter than those in force in Djibouti. They have a developed AML/CFT procedural framework and an internal control system that has enabled effective reporting activity. For other financial institutions, even if they have a procedural framework and a more or less developed control system, the implementation of internal controls and procedures has not facilitated compliance with their reporting obligations.

547 Similarly, even where DNFBPs have an internal control framework, this has not helped them to detect and reveal money laundering and terrorist financing risks through suspicious transaction reports to the ANRF.

548 financial institutions submit an annual internal audit report to the Central Bank, which is forwarded to the supervisory authorities in compliance with a section dedicated to the measures and programs implemented in the context of AML/CFT. With the exception of large banks, this system is too often formal and presents gaps in the ML/TF risk supervision.

549 The DNFBPs have no similar system. As at the time of the on-site visit, the supervisory and monitoring authorities of DNFBPs, where they exist, had not conducted any audit on the internal control and compliance systems.

550 There are no legal and regulatory obligations in Djibouti to prevent the implementation of procedures and controls that would enable any financial institution, even at group level, to comply with its AML/CFT obligations.

General conclusion on IO. .4

551 While the major players in the banking sector, particularly subsidiaries of large foreign groups, demonstrate an adequate understanding of money laundering and terrorist financing (ML/TF) risks and a good understanding of their regulatory obligations, the situation on the ground reveals significant deficiencies. Indeed, suspicious transaction reports to the Financial Intelligence Service (SRF) are numerically concentrated on a limited number of establishments. This trend is particularly clear for small banks and financial affiliates, where non-compliance with reporting obligations is flagrant. These deficiencies underscore the inadequacies of the national ML/TF reporting system, which is struggling to ensure adequate coverage of the entire financial sector.

552 The size and resources at the disposal of financial institutions essentially determine their capacity to trace the ultimate beneficiaries of their business relationships. Financial affiliates and small banks do not apply proportionate or enhanced due diligence measures for politically exposed persons or persons with similar names to persons on targeted financial sanctions lists. Indeed, in such cases, business relationships or transactions are refused, with no STR filed where appropriate.

553 In the insurance sector, even though the of ML/TF risks are low due to the non-marketing of life insurance and capitalization products, the monitoring of these risks is weak and does not anticipate any possible development of the market.

554 VASPs only started being regulated since March 2024. Therefore, during the on-site visit, the preventive measures applied to the VASP sector and activities related to virtual assets were not in place.

555 With the exception of the Accountants, DNFBPs have only a limited understanding of the ML/TF risks to which they are exposed. They do not systematically have an efficient AML/CFT due diligence system and an appropriate and updated ML/TF risk mapping. They therefore do not comply with their relevant obligations, which is clearly demonstrated by the lack of STRs filed to the ANRF by these categories of reporting entities. On the whole, their capacity to trace the beneficial owners of their customers and to apply targeted financial sanctions is limited.

556 Dealers in gems and precious metals were not subject to AML/CFT regulations at the time of the on-site visit. With no supervisory authority and regulatory framework, this profession has no AML/CFT risk prevention system.

557 Although the March 2024 law establishes a legal framework for anti-money laundering and counter financing of financing (AML/CFT) applicable to DNFBPs, the effective implementation of appropriate preventive measures remains a major challenge to be met.

The Republic of Djibouti is rated as having a low level of effectiveness on IO. 4.

Chapter 6. SUPERVISION

Key Findings and Recommendations

Key Findings:

- a) The fit-and-proper test is conducted through two dual-stage procedures, that of the agreement in principle and that of the license after 6 months for financial institutions. This test is enhanced by the BCD's recourse to the ANRF or the State Prosecutor's Office for additional investigations. However, this exercise has not affected requests for amendment or change and does not prevent criminals from becoming the beneficial owners of a significant shareholding or control of a financial institution. The list of crimes and offences recorded in the assessment of the fit-and-proper status of the beneficial owners and directors of financial institutions is too restrictive to be effective and does not cover the accomplices of criminals. Also, the BCD has no licensing process for VASPs that could be operating on the Djibouti market. No measures are taken to detect any illegal VASP operations. All DNFBNs, with the exception of dealers in gems and precious metals, as well as company and trusts service providers, are effectively subject to procedures for access to the profession, in the form of license or authorization issued by Cabinet through Decree or issued by the competent ministry. The relevant fit-and-proper tests are conducted by the authorities.
- b) The BCD, to some extent, does not have a comprehensive understanding of ML/TF risks for all the businesses it supervises. On the other hand, regarding the regulatory authorities of the DNFBNs and apart from the Association of Chartered Accountants, they have no comprehensive understanding of the risks to which their reporting entities are exposed and had not undertaken any risk analyses of their respective sectors.
- c) While the Banking Supervision Department under the BCD conducts out on-site and off-site inspections, including a marginal portion devoted to AML/CFT, the BCD's inspection scheme is not developed on the basis of a risk-based approach. The rating of institutions according to their AML/CFT risk, which began in 2024, is yet to be completed. There is no thematic AML/CFT inspection. The creation of a unit with a few inspectors specialized in AML/CFT is underway. The insurance sub-department of the Ministry of Economy and Finance is yet to establish a risk-based AML/CFT supervision for insurance companies. The Association of Chartered Accountants, the Bar Association and the Chamber of Notaries did not have the effective power to carry out AML/CFT-related inspections on their reporting entities. This power was only granted to them in March 2024. Similarly, for other DNFBNs, no risk-based AML/CFT inspection missions have been conducted.
- d) Apart from a decision to withdraw the license of any financial affiliate taken by the Governor of the Central Bank by virtue of the powers invested in him, no sanction based on an AML/CFT-related violation has been issued by the Sanctions Commission of the Central Bank of Djibouti. It is noted that only large banks file suspicious transaction reports to the ANRF. For the DNFBNs, no sanction has been meted out by any supervisory authority or professional body for an AML/CFT-related violation.
- e) Education and sensitization sessions on AML/CFT issues for financial institutions are organized by the BCD in collaboration with the Financial Intelligence Service. They have led to an improvement in the compliance of the reporting entities. The supervisory and monitoring authorities of the DNFBNs could not demonstrate their impact on the level of AML/CFT compliance.
- f) The Banking Supervision Department of the BCD organizes education and sensitization sessions on AML/CFT issues for most of its reporting entities. However, with the exception of the Professional Bankers' Association and the Association of

Foreign Exchange and Money Transfer Agencies of Djibouti, the BCD does not have any contacts with microfinance institutions. For the DNFBPs, the lack of inspection missions by the supervisory authorities have not improved the level of compliance of the relevant sectors. With the exception of the Association of Chartered Accountants, the other competent regulators have not initiated any sensitization activity for their reporting entities.

Recommended actions:

Djiboutian authorities should, in the context of the following areas:

1-Strengthening legislation and formalizing powers and procedures,

- a) Establish an effective process for the licensing by the BCD of VASPs that could operate in Djibouti. Strengthen the capacities of authorities in charge of DNFBP licensing in order to further ensure fitness and propriety in professions under their supervision and put in place measures to detect and sanction the illegal practicing of these activities (unlicensed practice). This measure must be general and must be implemented quickly for areas not yet covered, such as dealers in precious metals and stones and works of art, and TCSPs.
- b) Provide DNFB supervisors with the necessary resources, in terms of staffing and quality, to conduct AML/CFT inspections of all professions under their supervision and ensure that each authority has and applies an effective AML/CFT risk-based supervisory plan. Improve risk understanding through the implementation of a sectoral risk analysis for each supervisory authority and implement the procedures and mechanisms that ensure these authorities continue to have a good understanding of ML/TF risks. Take into account in sectoral analyses risks not addressed in the NRA, such as customs and tax fraud, migrant smuggling and human trafficking, the use of cash and free zone activity.
- c) Formalize the sanctioning powers of all supervisory authorities, including the BCD's Enforcement Commission, by setting a sufficiently dissuasive range for financial sanctions.
- d) Address the shortcomings identified in the legislation concerning VASPs, fit and proper requirements, the effective powers and tasks of regulatory authorities, in particular for the supervision of accountants and lawyers. The effectiveness of sanctioning powers of all supervisory authorities must also be established

2-Improving risk understanding and mitigation measures, particularly for highly exposed sectors, high-threat crime and the free zone,

- e) Improve risk understanding, in particular through the implementation of a sectoral risk analysis for each supervisory authority, and implement procedures and mechanisms that ensure that these authorities continue to have a good understanding of ML/TF risks. Take into account in sectoral analyses risks that were not addressed in the NRA, such as customs and tax fraud, migrant smuggling and human trafficking, the use of cash and free zone activity.
- f) Supervisory authorities, in collaboration with the ANRF, must draft and publish guidelines allowing each category of supervised entities to improve the understanding of its AML/CFT risks and obligations. Systematically establish professional associations for all financial and non-financial reporting entities, such as the professional bankers' association and other professional associations, which serve as relays for the supervisory authorities for their outreach and training activities.

Training, capacity building and monitoring mechanisms for supervisors,

- g) Strengthen the Supervisory Directorate of the BCD by equipping it with tools to develop and implement an on-site and off-site supervision plan for the financial sector based on an AML/CFT risk analysis, through (1) the analysis of the AML/CFT questionnaire set up at the end of 2023 to establish an AML/CFT risk rating of supervised entities and target high-risk sectors and entities that were not yet inspected, such as electronic money and financial transactions in the free zone, (2) the implementation of in-depth thematic on-site inspections by processing larger volumes of data extracted from the databases

of obliged entities, (3) automatic detection during off-site and on-site inspections of politically exposed persons and persons subject to targeted financial sanctions.

h) The BCD and DNFBP supervisors should rigorously follow-up on remediation plans resulting from their inspection reports.

558 The Immediate Outcome relevant to this chapter is IO.3. The relevant recommendations for the assessment of effectiveness under this section are R.14, 15,26-28, 34-35 and some elements of R.1 and 40.

Immediate Outcome3 (Supervision)

559 The outcomes presented in this chapter are based on interviews with all supervisory authorities of financial institutions, designated non-financial businesses and professions, as well as documents provided by the authorities and interviews held with the private sector.

560 The assessment team assigned a high weight to the implementation of preventive measures for banks, including Islamic banks, foreign exchange bureaus, money transfer agents, e-money issuers, notaries and private real estate developers, as well as dealers in gems and precious metals. It also assigned a relatively high weight to microfinance institutions, and a medium weight to casinos, trust and company service providers, lawyers, and virtual asset service providers. In contrast, accountants and insurance companies were weighted as medium-low level of importance. Details of the weighting of each sector are presented in paragraphs 100 to 113 of Chapter 1.

Implementation of measures to prevent criminals and their accomplices from holding or becoming beneficial owners of a significant interest or control in FIs or DNFBPs, or from occupying a management position in them

Djibouti Central Bank

561 The Djiboutian banking landscape includes 41 financial institutions, including 10 Conventional banks and 3 Islamic banks. In addition to banks belonging to large international groups (55% of the total local balance sheet), Djiboutian banks and others supported by regional groups operate in the country. The latter are involved in local trade and financing the economy, while those belonging to international groups finance a large share of industrial and commercial projects. The financial inclusion rate posted 35% in 2022.

Licenses

562 All financial institutions operating on the Djibouti Market must obtain prior license from the Djibouti Central Bank before commencing their activities. This license is granted in two stages: an agreement in principle and then a license pursuant to the extant legislative and regulatory provisions in the Republic of Djibouti. The legislation outlines the documents to be provided, accompanied by a questionnaire and forms intended for capital providers, managers and directors. The fit-and-proper test mechanism is based on the production of forms that require the submission of a series of supporting documents, including curriculum vitae, copies of criminal records, and detailed information for any person intending to become a shareholder or own, directly or indirectly, at least 5% of the capital of any financial

institution, as well as for the two managing directors. Article 18, paragraph 1 of the Banking Act provides that no person shall occupy the position of managing director within a credit institution, become a member of its supervisory or enforcement body, or hold more than 10% of its capital, if he/she has been finally convicted by a court in the Republic of Djibouti or by a foreign jurisdiction, for financial offences. The assessment of integrity excludes persons who have been convicted of crime, forgery and use of forgery, theft, fraud, breach of trust, bankruptcy and fraudulent bankruptcy, extortion of funds or assets and embezzlement of public funds. This list is too restrictive to be effective. For example, there is no mention of money laundering, corruption and drug trafficking. The BCD may also request other State agencies such as the Financial Intelligence Service or the State Prosecutor's Office when reviewing applications for licensing in order to obtain more in-depth information, particularly concerning capital providers (verification of the identity, criminal records and reputation of the parties concerned). It should be noted that following an on-site inspection conducted in 2023, a financial affiliate (PAYMENTA) had its license withdrawn for several violations, including deficiencies in AML/CFT issues (see Decision No. 1/BCD/2023, on-site inspection report and follow-up letter).

563 After the review, analysis and validation of the application for license, an approval in principle is then issued by the Governor of the Djibouti Central Bank as a provisional license valid for a period of six months equivalent to an observation phase. A final license is signed by the Governor after lifting all suspension conditions. The list of licensed institutions is published on the BCD website.

564 The BCD's approval is required for any amendment or changes to the information considered during the licensing as specified in Directive 2013-01 relating to the licensing of credit institutions and changes to the information considered during the licensing. In fact, the fit-and-proper-test of managers and shareholders had nothing to do with requests for amendments or changes and only one request for manager approval was rejected during the review period 2018-2022.

Table 6.1. Applications for licenses received, processed and rejected between 2018 and 2022

Type of Applications		Credit Institutions	Financial Affiliates	Microfinance Institutions	Electronic Money Issuers (*)
Institutional License	Applications received	5	2	0	2
	Applications processed	5	2	0	2
	Unprocessed Applications	0	0	0	0
	Applications rejected	0	0	0	0
Managerial License	Applications received	15	0	0	0
	Applications processed	15	0	0	0
	Unprocessed Applications	0	0	0	0
	Applications rejected	1	0	0	0
Administrative License	Applications received	14	0	0	0

	Applications processed	14	0	0	0
	Unprocessed Applications	0	0	0	0
	Applications rejected	0	0	0	0
Shareholding License	Applications received	11	0	0	0
	Applications processed	11	0	0	0
	Unprocessed Applications	0	0	0	0
	Applications rejected	0	0	0	0

(*) This is an electronic money issuer (Waafi) whose sole shareholder is a bank and D-Money, a subsidiary of the national telecommunications operator.

565 Three Savings and credit institutions are licensed as microfinance institutions. Furthermore, a pilot Islamic microfinance unit was recently created. Like all financial institutions operating on the Djibouti market, they must obtain prior approval from the Djibouti Central Bank before commencing their activities, pursuant to the extant legislative and regulatory provisions in the Republic of Djibouti. The outlines the documents to be provided, accompanied by a questionnaire and forms intended for capital providers, managers and directors. The fit-and-proper test mechanism is based on the production of forms that require the submission of a series of supporting documents, including summaries, copies from criminal records, and detailed information for any person intending to become a shareholder or own, directly or indirectly, at least 5% of the capital of any financial institution. These microfinance institutions are organized in the form of cooperatives. They grant microcredits to mainly female customers engaged in small business activities.

566 The national telecommunications operator “Djibouti Telecom” has been marketing, through one of its subsidiaries, an electronic money program usable only on smartphones under the brand name D-Money. This company has been licensed since 3rd November 2020. The other electronic money institution, Waafi SAS, supported by a bank, has been licensed since 7th February 2022.

567 Virtual asset service providers (VASPs) have been incorporated under the BCD’s supervision since 7th March 2024. To date, no VASP licensing application has been received by the supervisor and no illegal VASP operation has been detected by the BCD. Furthermore, the authorities of the Republic of Djibouti have not implemented any measures to detect and sanction any possible illegal VASP operations.

Insurance Sector Supervisory Authority

568 The insurance sector is supervised by the Insurance Sub-Department under the Ministry of Economy and Finance, which issues licenses for the practice of the insurance profession. Article 20 of Law No. 40 outlines all the offences and crimes that prohibit their perpetrators or accomplices from founding, directing, administering and managing insurance companies (theft, breach of trust, fraud or offence liable to the laws of the sanctions of fraud, any conviction to a

sentence of at least one year in prison, regardless of the nature of the offence committed, etc.). Promoters must produce in their application for license, all the list of names of managers and directors, and the criminal record of the managers. The insurance market comprises 4 insurance companies operating on FAV risks (fire, accident, various risks), mainly on automobile civil liability. Although the legislation and regulations in the Republic of Djibouti provide for the possibility for insurance companies to market life insurance contracts, this product has not yet been introduced on the market. Since 2018, two assets and casualty insurance companies have been approved.

569 Given the market structure, there is currently no AML/CFT inspection conducted by the supervisor. A manager from the insurance sub-department received training in AML/CFT with a view to marketing life insurance products.

Designated Non-Financial Businesses and Professions Authorities:

Casinos

570 The Ministry of the Interior is in charge of issuing registration permits to gaming establishments and ensures police surveillance.

571 The fit-and-proper-test of managers and shareholders is based on the registration permit procedure. Recently and since the publication of Law n° 106/AN/24 9th L published on 7th March 2024, the Ministry of the Interior is the authority in charge of supervising and monitoring casinos' compliance with AML/CFT.

Real estate market players

572 The profession of real estate agents does not exist in the Republic of Djibouti. Real estate transactions and all acts related to real estate development of acquisition and transfer are generally conducted by notaries. Furthermore, the real estate development market is segmented into two categories:

573 The public sector is made up of two social structures placed under the supervision of the Ministry of the City and Urban Planning and Housing and the Urban Rehabilitation and Social Development Agency (ARULOS) engaged in social housing projects. The private sector is made up of developers who market their housing or accommodation programs. The supervision of real estate developers is carried out by the Department of Land Use Planning, Urban Planning and Housing (DATUH) of the Ministry of Housing, Urban Planning and the Environment. The 2013 law and its implementing Decree regulate the issuance of licenses. A directive from the ministry sets the licensing requirements, including for foreign developers.

574 The DATUH is in charge of issuing licenses by collecting a clean criminal record of the managers and a certification of the financial statements by the BCD. The Ministry's officers have been identifying the beneficial owners of legal persons since November 2023.

Lawyers

575 Djibouti has a Bar Association that supervises and monitors the profession. Access to the legal profession is by submitting an application to the Minister of Justice, who after investigation conducted by the State Prosecutor's Office and a reasoned opinion from the First President of the Judicial Court, the Prosecutor at this Court and the President of the Bar Association, forwards the file to the Government General Secretariat. Approval is given through a Cabinet Decree. At the time of the on-site visit, there were 42 lawyers in Djibouti practicing in their own office, generally assisted by a clerk and a secretary. There is no chamber specialized in any topic and litigation represents 90% of their activities.

Notaries

576 Notaries are also appointed through Cabinet Decree (law n°199/AN/07). The fit-and-proper test is based on the formalities of accessing the profession which include a background check conducted by the gendarmerie. The Chamber of Notaries is currently being established, to be effective by the end of 2024.

Chartered Accountants (CAs)

577 Succeeding a National Company of Auditors, the Association of Chartered Accountants (OEC) was established in July 2019, it registers Chartered Accountants in the register of the Association based on the legal licensing requirements. The fit-and-proper test is based on the criminal record of less than 3 months, a copy of which is classified in the application file which also includes the identity document, the certificate and an oath of honour. Rejections of registration application have been issued by the Council not for reasons related to the reputation of the applicants but rather for reasons related to the certificate or the existence of other commitments of the applicants as employees. The profession of simple accountant in the Anglo-Saxon context does not exist as such in Djibouti. To date, the market has 16 independent CAs and one CA in companies.

Trust and Company Service Providers

578 The NRA does not consider that this activity could be misused for ML/TF purposes. According to the Djibouti authorities, companies must have a lease and cannot be domiciled with a domiciliation company. However, in the free Area, companies may only have a domiciliation address without there being any physical movement of goods. This represents a risk of creating fictitious invoicing companies and trade-based money laundering. Since 7th March 2024, the Ministry of Trade has been in charge of supervising and monitoring this activity. Also, the effectiveness of these measures could not be verified as these powers have just been recently given to the Ministry of Trade.

Verifying an ongoing understanding of ML/TF risks in the financial and all other sectors

Djibouti Central Bank

579 The BCD, like the regulatory authorities of the DNFBPs, participated and played a leading role in the 2022 NRA exercise and took note of its conclusions and recommendations, including the risks to which the financial sector is exposed. This knowledge made no input in its global understanding of the threats and vulnerabilities facing Djibouti in the current context. This poor understanding of the risks made no input in understanding and assessing the risks to which banks and financial institutions are exposed and determining the appropriate individual risk profiles for each institution within the framework of a Sectoral Risk Analysis.

580 The interviews held with the Assessment Team and comments collected reveal that the reasons for these deficiencies are attributed to dysfunctions in the NRA exercise, which is supposed to constitute the conceptual framework and the methodological tool to guide the prevention and mitigation policies of ML/TF risks. As a result, the conclusions of that assessment did not enjoy the collective support of the various parties concerned.

581 Indeed, and as reported in Immediate Outcome¹, customs and tax fraud, trade-based money laundering, migrants' smuggling, human trafficking and corruption were not identified among the existing and imminent threats in the context of national risks. Also, the use of cash, electronic money and settlements outside the banking system, as well as vulnerabilities in customs and tax procedures were not taken into account in the BCD's overall understanding of the risks of payment instruments.

582 On another level, financial activity in the free Area is not sufficiently taken into consideration in the BCD's perception of risks to which the banking system in Djibouti is exposed. It is even more glaring as banks play a key role in the creation of these companies in the free Area by opening accounts for them and carrying out their international transactions, sometimes without physical domiciliation.

Insurance Sub-Department

583 The executives interviewed from the insurance sub-department of the Ministry of Economy and Finance have an uneven understanding of the ML/TF risk to which the sector is exposed or likely to be exposed during a possible opening of the Djibouti market to life insurance and Savings products linked to an insurance contract.

DNFBPs' Supervisory Authorities

584 Some DNFBP supervisory authorities participated in the conduct of the NRA exercise and others had received its findings and recommendations without participating in the said exercise. However, the assessments of the said authorities as to the relevance of its findings were shared for the reasons indicated above. They were not fully accepted and this only led to a limited understanding of the national context of the risks and threats to which the sectors of the said authorities are exposed.

585 These authorities, with the exception of the Association of Chartered Accountants, have therefore not initiated any sectoral risk analysis exercise to understand the individual profiles of the institutions or operators under their supervision, especially since for certain authorities, the AML/CFT supervision component has only recently been formalized under the latest laws published last March.

586 The Association of Chartered Accountants has carried out a sectoral analysis of the risks to which the profession is exposed, thanks to its bilateral cooperation with foreign counterparts.

Risk-based supervision of the degree of financial institutions and DNFBPs' compliance with their AML/CFT obligations

587 The DSB officers conduct both off-site and on-site prudential and AML/CFT inspection missions of reporting entities. The specialization of some inspectors in certain areas is underway. Thus, the proposed creation of an AML/CFT competence centre is underway.

588 The AML/CFT questionnaire distributed to financial institutions at the end of 2023 is currently being processed. The processing methods are being finalized. Thus, the automatic method of calculating the AML/CFT risk rating for each institution based on the information contained in the questionnaire had not been defined as at the time of the on-site visit. Thus, the BCD is yet to procure a tool designed to objectively determine the scope and intensity of its AML/CFT inspections using a risk-based approach. Currently, the inspection scheme, signed by the Governor, is being prepared based on expert opinion. The National AML/CFT Strategy provides for the implementation of an AML/CFT risk rating tool for financial institutions by the end of December 2024.

589 An information exchange agreement was signed on 9th November 2003 between the BCD and the ANRF, providing for at least monthly meetings between the directors of the DSB and the ANRF. The implementation of the agreement was not effective as at the time of the on-site visit. Furthermore, the systematic disseminations of information received by the ANRF are stored but not processed to date due to the lack of a suitable tool. Also, the BCD does not have this information to guide its supervision efforts using a risk-based approach, particularly for financial affiliates.

590 The DSB conducted on-site inspection missions of financial affiliates at the end of 2022 following the NRA's findings. These inspections systematically covered the AML/CFT component. The current on-site inspection scheme does not include thematic AML/CFT inspections oriented according to the proven risks at the NRA level, and according to the emerging or imminent risks arising from the country's geopolitical and economic context. Indeed, the BCD has not initiated any thematic inspection mission on electronic money and new technologies despite the risks posed by the relevant transactions. Also, no thematic inspection has so far been conducted on the business relations of the free Area and their operations, associated with the threats of customs and tax offences and trade-based money laundering. To date, the AML/CFT share of inspection reports remains limited and confined to the compliance of a small number of casefiles and transactions.

591 The duration and depth of on-site inspection missions varies from a few days for a Financial Affiliate to a month and a half for a bank, in which around twenty customer casefiles and approximately 160 transactions have been inspected.

Table 6.2. Statistics of on-site inspection missions with an AML/CFT theme

	2018	2019	2020	2021	2022	2023	TOTAL <i>By institutional category</i>
Credit institutions	0	2	0	1	0	2	5
Financial Affiliates	6	0	0	1	20	0	27
Microfinance institutions	0	0	0	1	0	0	1
Electronic money issuers	0	0	0	0	0	0	0
TOTAL <i>per year</i>	6	2	0	3	20	2	33

Table 6.3. Follow-up of on-site inspection missions conducted in 2023

OFFICES	Date 1st version was sent	Date of receipt of observations	Observations Format Addressed to the establishment	Date the final version was sent (paper version)	Head of Mission's observations
Financial Affiliate No. 1	6/3/2023	20/3/2023	Mail	8/30/2023	The financial affiliate requested for a two-week extension of the deadline for sending comments
Public Institution	7/3/2023	9/3/2023	Email attached	8/30/2023	
Financial Affiliate No. 2	8/3/2023	13/3/2023	Mail/Courier	8/30/2023	
Financial Affiliate No. 3	13/3/2023	16/3/2023	Mail	8/30/2023	
Financial Affiliate No. 4	13/3/2023	16/3/2023	Mail	8/30/2023	
Financial Affiliate No. 5	5/3/2023	9/3/2023	Mail	8/30/2023	The manager agreed with the conclusions contained in the mission report.
Financial Affiliate No. 6	5/3/2023	8/3/2023	Mail	8/30/2023	The manager agreed with the conclusions contained in the mission report.

Financial Affiliate No. 7	5/3/2023	05/03/2023	Mail	8/30/2023	No comments from the office
Financial Affiliate No. 8	5/3/2023	05/03/2023	Interview session with the manager and compliance officer (19 th March, 2023) on the contents and conclusions of the mission report. Final report submitted to the manager on 22 nd March, 2023.	8/30/2023	The manager agreed with the conclusions contained in the mission report.
Financial Affiliate No. 9	6/3/2023	12/3/2023	mail	8/30/2023	No comments on the report
Financial Affiliate No. 10	6/3/2023	6/3/2023	Mail	8/30/2023	No comments on the report
Financial Affiliate No. 11	7/3/2023	03/16/2023	Mail	8/30/2023	License withdrawn: following cessation of operations
Financial Affiliate No. 12	13/3/2023	03/27/2023	Mail	8/30/2023	No comments on the report
Financial Affiliate No. 13	7/3/2023	No comments	No comments	8/30/2023	The office did not comment on the report.
Financial Affiliate No. 14	8/3/2023	03/14/2023	No comments	8/30/2023	License withdrawn
Financial Affiliate No. 15	6/3/2023	9/3/2023	Mail/mail	8/30/2023	The money transfer agent provided comments on the contents of the report
Financial Affiliate No. 16	6/3/2023	-	No comment	8/30/2023	

Financial Affiliate No. 17	6/3/2023	9/3/2023	Mail	8/30/2023	The office sent comments on the report by email.
Financial Affiliate No. 18	6/3/2023	-	No observation	8/30/2023	
Financial Affiliate No. 19	6/3/2023	-	No observation	8/30/2023	

592 On-site inspections are based on a guide which is an outline of the report to be produced, almost entirely focused on prudential inspection. While methodological notes applicable to on-site inspections of the AML/CFT system are available, there is no investigation manual detailing the nature and depth of the AML/CFT inspections to be carried out.

593 The BCD has no screening system of its own to verify to what extent institutions comply with their targeted financial sanctions obligations, including across all third-party databases or transaction flows.

594 An on-site inspection mission was conducted among financial affiliates and particularly the money transfer sector, with 20 inspection missions conducted in 2023.

595 Since 2020, the mobile money sector has been booming with the creation by the national telecom operator of D-Money, which came to compete with the only other player on the ground that is supported by a bank.

Table 6.4. Details on developments of the issuance and distribution of electronic money by D-Money

	Year 2020	Year 2021	Year 2022	Year 2023
Number of Private Customers recruited (per year)	5,070	11,788	15 012	59,712
Number of receiving sales points	82	213	955	2,058
Number of sales point Distributors	2	5	5	6
Number of sub-agent sales points	8	204	386	400
Total number of transactions	7,515	76 195	484 548	1,861,347
Total amount of transactions (DJF)	146 179 322	668 941 521	4,752,082,634	12 833 618 985

596 The assessment mandate notes that no on-site AML/CFT inspection mission has been conducted in the field of electronic money despite the rapid and significant development of the activity in a few years. In this regard, the lack of information in the NRA on the assessment of the risk level in the electronic money institutions sector is indicative of a lack of risk-based management of the sector.

597 Although the operations of the Djibouti Post Office as a payment service provider agent are supervised by the Central Bank, the mission could not determine whether domestic postal money order transactions, since the issuance of international postal money orders has ceased, are being effectively supervised by the Central Bank after the publication of Law No. 106. Even though the amounts involved may be modest, there is no evidence to rule out the terrorist financing risk.

598 DNFBPs are not subject to inspection based on a risk-based approach to ensure compliance with their AML/CFT obligations. The Association of Chartered Accountants and the Chamber of Lawyers did not have the power to conduct on-site AML/CFT inspections of their reporting entities until March 2024. The notary profession had no supervisory and monitoring structure. In case of professional misconduct, the State Prosecutor's office has the power to act. At the time of the on-site visit, before the publication of Law No. 106/AN/24/9th, the Chamber of Notaries did not have the power to supervise AML/CFT. Since the publication of Law No. 16 AN/24/9th L, the Chamber of Notaries has been designated as the AML/CFT supervisory and monitoring authority for the profession. Around twenty notaries are practicing in the area, including 2 to 3 Arabic-speaking notaries who deal more specifically with cases relating to personal law. The profession is expecting an increase in its workforce, particularly due to the growth of the real estate sector and the creation of businesses in the free Area.

599 Similarly, no risk-based AML/CFT inspections have been conducted with other DNFBPs.

Effective, proportionate and dissuasive nature of remedial measures and/or sanctions meted out

600 The BCD Sanctions Commission is not operating effectively and no AML/CFT-related disciplinary sanctions have been meted out. Furthermore, the Governor's sanctioning power has not been implemented for AML/CFT cases. In view of these findings, the dissuasive nature of the follow-up actions of off-site and on-site inspections does not seem to be effective.

601 For DNFBPs, no sanction has been meted out by any supervisory authority or professional body for any AML-CFT-related violation.

Impact of the supervisory authorities' actions on the financial institutions and DNFBPs' level of compliance

602 The BCD Supervision Department organizes information and awareness sessions on AML/CFT issues in collaboration with the Financial Intelligence Service, intended for compliance officers and AML/CFT correspondents of financial institutions. These sessions, which focus on experience sharing, have led to an improvement in compliance. Indeed, the financial institutions met have an AML/CFT risk mapping, have introduced specific procedures and AML/CFT training activities, and have tools for screening listed persons or, at the very least, a link to the United Nations sanctions website.

603 During the last sensitization session organized for financial affiliates, the DSB proposed the revamping of the association of financial affiliates and offered to temporarily host the association's headquarters while looking for appropriate office premises.

604 Since there is no thematic AML/CFT inspections among DNFbps, the supervisory authorities of these professions are not in a position to formally conclude that because of their actions, the level of compliance of their reporting entities has improved.

Promoting a good understanding by financial institutions and DNFbps of their AML/CFT obligations and ML/TF risks

605 The BCD has organized training sessions on AML/CFT for banks and financial affiliates. In particular, the Banking Supervision Department organized training in January 2023 on the themes of the risk-based approach, and on money laundering and terrorist financing typologies, specifically designed for banks. The BCD ensures the dissemination of regulations and directives on its website, specifying the terms of implementation of the AML/CFT law. Furthermore, guidelines aimed at clarifying AML/CFT obligations for reporting entities, particularly those concerning politically exposed persons, methods of identifying customers and suspicious transactions are published by the ANRF.

606 BCD training activities have been extended to some DNFbps, but the BCD is not empowered to supervise them. The professional chambers and associations representing the DNFbps met by the Assessment Team expressed the need to have guidelines specifically designed for their profession to help them better implement and improve the AML/CFT-related inspections imposed on them by the regulations.

Conclusion on IO.3

607 The fit-and-proper test is conducted through the approval and licensing mechanism, enhanced by supplementary investigations conducted by the BCD and other State authorities. However, no measures have been taken by the authorities to detect the illegal activities of the VASPs.

608 The BCD and the DNFbps regulatory authorities, with the exception of the Association of Chartered Accountants, have a poor and partial understanding of the risks to which their entities are exposed, and have not conducted any comprehensive risk analyses in their respective sectors.

609 Although inspections are conducted by the Banking Supervision Department under the BCD, the inspection scheme is not based on a risk-based approach and does not include any thematic AML/CFT inspection program focused on emerging and imminent risks.

610 No AML/CF-related sanctions have been meted out, although some deficiencies have been identified.

611 Awareness-raising sessions have been organized, thereby improving the compliance of financial institutions, but their impact on the level of AML/CFT compliance has not been demonstrated. Furthermore, the impact on microfinance institutions is still inadequate, and the awareness-raising activities of the competent regulatory authorities are limited.

612 DNFbps are not subject to supervision to ensure compliance with their AML/CFT obligations using a risk-based approach.

The Republic of Djibouti is rated as having a low level of effectiveness on IO.3

CHAPTER 7. LEGAL PERSONS AND LEGAL ARRANGEMENTS

Key Findings and Recommendations

Key Findings

- a. Information on the creation and types of legal persons that must be registered with the RCS of the ODPIC and the Free Areas Authority is more easily accessible and understandable than for civil society organizations and trusts.
- b. With no national and sectoral assessment of risks, statistics and typologies, the authorities do not have a good understanding of the risk of misuse of legal persons and legal arrangements in the Republic of Djibouti.
- c. Measures aimed at preventing the misuse of legal persons and legal arrangements for ML/TF purposes put in place during their creation and activity have limited effectiveness.
- d. Basic information is collected and verified at the time of registration or application for registration of legal persons but there is no robust mechanism to ensure that basic information on legal persons, legal arrangements and civil society organizations is kept accurate and up-to-date.
- e. The publicly available basic data are very limited and the authorities' access to comprehensive basic information requires a written request to the authorities, which makes such access more complicated and sluggish.
- f. In practice, only banks had the beneficial ownership information of their legal person customers, and this information was not available to the authorities from other sources.
- g. The lack of administrative sanctions for violations of transparency obligations and the need for recourse to a court decision imply that sanctions are not meted out in practice.
- h. The issuance of bearer instruments was not regulated to prevent the misuse of these instruments for the purpose of concealing the ownership of legal persons.

Recommended actions

- a. The authorities should facilitate public access to information on how to establish civil society organizations and trusts by consolidating this information on a specific website.
- b. Authorities should conduct risk assessment on the misuse of legal persons and arrangements to identify those that pose the highest risk of ML/TF misuse in the national context, and take measures to mitigate the identified risks, for example by conducting joint inspections.
- c. Authorities should regularly review the basic information contained in the registers and proactively verify its accuracy and timeliness, including by cross-checking this information with other sources (e.g. information held by the DGI) in order to identify inconsistencies.
- d. The ODPIC, the Free Areas Authority and the Department of General Administration and Regulation should facilitate access to their database for other competent authorities in AML/CFT without delay, in order to expedite access to basic information, for example by allowing supervisory and law enforcement authorities to directly access all information contained in the company register.

- e. The authorities should establish the beneficial ownership register of legal persons in the Republic of Djibouti which was being developed during the on-site visit and put in place mechanisms to ensure the availability of adequate, accurate and up-to-date beneficial ownership information for civil society organizations and companies operating in the Free Areas.
- f. The authorities should systematically initiate procedures for imposing judicial sanctions for non-compliance with transparency obligations by legal persons and, where appropriate, consider introducing administrative sanctions and empower the ODPIC and other competent authorities to apply them.
- g. The authorities should put in place one of the mechanisms mentioned in R.24 to prevent the misuse of bearer instruments.

613 The Immediate Outcome relevant to this chapter is IO.5. The relevant recommendations for the assessment of effectiveness under this section are R.24-25, and some elements of R.1, 10, 37 and 40.

Immediate Outcome5 (Legal persons and Legal arrangements)

614 In the Republic of Djibouti, there are legal persons under Djiboutian law (partnerships, capital companies, civil society organizations) and Free Area companies.

615 The Republic of Djibouti does not recognize "trusts" in domestic law and has not ratified The Hague Convention. Trusts under foreign law could not be administered by a resident in the Republic of Djibouti during the review period. The only legal arrangement similar to a trust is a **fiducie** which allows one or more persons to transfer assets, rights or securities, for a specific purpose, in favour of one or more beneficiaries.

616 The Republic of Djibouti also recognizes the Waqf, which is a form of legal arrangement that consists in blocking a assets so as to protect it from sale, donation, inheritance, among other things, in order to devote the income from its operation to a charitable purpose. The assets constituted as a waqf is unavailable, non-transferable and inalienable. The waqf in the Republic of Djibouti is controlled by a government body - the General Department of the Diwan of Waqf Assets - which is the body in charge of the administration of Waqf assets. During the review period, waqf assets were exclusively buildings donated to mosques and administered by the General Department of the Diwan of Waqf Assets, which manages these buildings and collects rents, which makes this legal arrangement lose the attractive elements for being misused for ML/TF purposes.

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

617 In the Republic of Djibouti, there are 9 types of legal persons in the form of companies under Djiboutian law (the Sàrl being the most widespread) and 3 types of companies in the Free Areas. The majority of legal persons are registered with the ODPIC (80%) and the rest with the Free Areas Authority (20%).

Table 7.1: Statistics on the number and types of legal persons registered with the ODPIC

Kind	TOTAL	%
SARL/EURL	6652	95.22
GIE	11	0.16
ITS	173	2.48
SAS	119	1.7
SCS	1	0.01
SC	11	0.16
SNC	3	0.04
SCP	7	0.1
SASU	9	0.13
TOTAL	6986	100

Table 7.2: Statistics on the number and types of legal persons registered in the Free Areas

BRANCH	78
FZE	275
FZCO	408
Total	761

618 There are also civil society organizations but no trusts were registered as at the time of the on-site visit.

Table 7.3: Statistics on the number and types of active civil society organizations (excluding inactive organizations)

Simple Associations	Network	Cooperative	NGO	Foundation	Group	Total
607	7	13	4	1	0	632

619 Information on the creation and types of legal persons that must be registered with the RCS of the ODPIC and the Free Areas Authority is more easily accessible and understandable than for civil society organizations and trusts.

620 The legislative texts containing the requirements and procedures for the creation of legal persons and legal arrangements in the Republic of Djibouti and in the Free Areas are published in the Official Gazette of the President's office.

621 For companies under Djiboutian law and companies in Free Areas, this information is also available on the ODPIC and Free Areas Authority websites respectively, which are in charge of registering these companies, explaining in a comprehensible and easily consultable manner all the measures required for their creation and registration, as well as for updating mandatory information.

622 This is not the case with civil society organizations which are under the purview of the General Administration and Regulation Department of the Ministry of the Interior, which does not disseminate to the general public any information on

the steps necessary for their creation, thereby making access to this information more difficult for the public.

623 The same obtains for trusts, where no information on the procedures for creating trusts is available other than in the Civil Code texts. The non-creation of trusts to date may indicate the lack of public awareness of the existence of this type of legal arrangement.

Identification, assessment and understanding of vulnerabilities and the extent to which legal persons created in the country could be or are being misused for ML/TF purposes

624 The competent authorities' understanding of the risks of misappropriation of legal persons for ML/TF purposes is affected by the non-assessment of the risks of misuse of legal persons in the NRA and lack of sectoral assessment.

625 The authorities have no statistics to determine whether legal persons are at risk of being misused for money laundering and terrorist financing purposes. To date, no legal person has been identified as involved in ML/TF. The ANRF, competent authorities or law enforcement authorities have not produced any typologies involving shell companies or letterbox companies, and have not used the information received in the context of STRs.

626 The authorities' understanding of risks is therefore rather intuitive than based on statistics, typologies or practical case studies.

627 In the opinion of the authorities, confirmed to the Assessment Team by the private sector, legal persons under Djiboutian law rarely have a complex and opaque structure likely to obscure the real owners for ML/TF purposes.

628 The Free Areas Authority, during interviews with the Assessment Team, acknowledged that it could not identify companies at risk of misuse for ML/TF purposes but they are considered to be at risk by the private sector given the mainly foreign origin of their shareholdings.

629 Understanding of the risks of civil society organizations is not uniform. As at the time of the on-site visit, the Department of General Administration and Regulation of the Ministry of the Interior and other competent authorities did not consider civil society organizations to be at risk of being misused for ML/TF purposes. However, reporting entities that hold bank accounts of civil society organizations or provide services to these civil society organizations systematically consider them as high-risk customers, particularly because of the difficulty in identifying the source of their funding.

Implementing measures to prevent the misuse of legal persons and legal arrangements for ML/TF purposes

630 The Republic of Djibouti has put in place a number of measures aimed at preventing the misuse of legal persons and legal arrangements for ML/TF purposes, but some of these measures are too recent and others, in the opinion of the assessment team, have limited effectiveness.

Involving reporting entities in the creation and operations of legal persons and legal arrangements

631 Legal persons under Djiboutian law can be created either by an authentic deed or by a private deed, but in practice many

legal persons use the services of a notary or lawyer. Companies in the Free Areas must be created by an authentic deed and therefore go before a notary. A certain number of legal persons (all SAs and Sarl and SASs exceeding a certain amount of total balance sheet, turnover and employees) must also have their financial statements certified annually by a chartered accountant. However, with no statistical data, it is difficult to assess their proportion in relation to all legal persons.

632 As reporting entities, these professionals (DNFBPs) are subject to identification and customer due diligence obligations. However, they do not systematically identify the beneficial owner of legal person customers, have no list of persons designated under the UNSCR to carry out screening and rely on the due diligence procedures carried out by the banks.

633 Indeed, at the time of their creation, legal persons under Djiboutian law that are subject to a minimum share capital requirement and companies in the Free Areas must have a bank account in which the share capital is deposited. At the time of entering into a relationship, banks take due diligence measures, including beneficial ownership identification and TFS-related screening.

634 With regard to trust, the role of trustee may only be exercised by entities subject to due diligence obligations and, with the exception of lawyers, to supervision by the competent authorities for compliance with AML/CFT obligations.

Registration and admittance

635 Legal person registers are also an important tool to mitigate the risk of misuse for ML/TF purposes but have certain limitations.

636 At the time of creation, the ODPIC and Free Areas Authority demand a criminal record extract from the founders, manager and directors of legal persons but do not screen against the lists of persons designated by the UNSC resolutions. At the time of the on-site visit by the Assessment Team, the ODPIC had just signed an agreement with the High Court to facilitate direct access to copies of criminal records.

637 While at the time of creation of the legal person, the ODPIC and Free Area Authority officers ensure that the information provided is adequate, accurate and up-to-date based on the supporting documents and refuse registration for incomplete information, there is no robust mechanism to ensure that this information remains accurate and updated throughout the existence of the legal person.

Table 7.4: Registration refusal by the ODPIC for 2023

Refusal for lack of :	Number
Extract from the RCS of the foreign company	14
Statutes of the foreign parent or associated company	4
Decision of the associated LP for the creation	13
Identity documents of managers, partners, representatives, etc.	16

Translated documents	2
Form Signatures	3
Bank certificate of capital blocking	5
License or prior approval issued by the competent authority	5
Decree establishing a company or appointing managers, members, etc.	4
Audit report on assessment of contributions in kind	1

638 There is a legal obligation to inform the registers of any changes within the following month, but the authorities do not regularly check to ensure this is done and inconsistencies or possible non-declarations are detected in practice when legal persons subsequently submit requests for changes. However, during the renewal of the business license with the Tax Department certain information is verified, such as changes in management, company name, transfer of shares and the existence of a commercial lease, but as at the time of the on-site visit there was no mechanism for exchanging information between ODPIC and the DGI for inconsistency to update the data in the register (see below).

639 During the review period, the concept of beneficial owner was not defined in terms of ultimate control of the legal person and the obligation to identify beneficial ownership did not exist at the time of registration by the ODPIC and the Free Area Authority.

640 During the review period, the ODPIC and the Free Area Authority did not receive any inconsistency reports and did not have the possibility of cross-referencing the information received from other authorities or reporting entities to identify possible inconsistencies in the RCS. During interviews with the Assessment Team, the ODPIC indicated that it was in the process of establishing a partnership agreement with the Tax Department to carry out a data cross-referencing exercise in order to update the information in the RCS.

641 As at the time of the on-site visit, the General Administration and Regulation Department of the Ministry of the Interior received reports on the creation of civil society organizations and applied the fit-and-proper test for members. There is no public register of civil society organizations. The publication of the creation of the civil society organization was optional, at the initiative of the organization and at its expense, except for public utility associations that were created by Decree. A verification of the information was made by the Department at the time of the creation of the organization based on supporting documents and any changes must be registered within three months, but no mechanism has been put in place to ensure that this is done. Beneficial ownership information was not available.

Supervision

642 Supervision of legal persons by the competent authorities to prevent their misuse for ML/TF purposes is limited.

643 The ODPIC, Free Areas Authority and General Administration and Regulation Department of the Ministry of the Interior do

not have the power to conduct inspections or supervise legal persons for the purposes of preventing ML/TF.

644 The supervisory authorities of reporting entities do not take specific measures to monitor and prevent the misuse of legal persons for ML/TF purposes but examine samples of customer files (including legal person customers) during on-site inspections of reporting entities to ensure that the identification procedure has been correctly carried out. However, no supervisory measures or sanctions had been taken against any reporting entity following a failure to comply with the obligation to take adequate due diligence measures for a legal person.

645 The Tax Department may conduct on-site inspections of legal persons for the purposes of tax investigations. These inspections are not intended to supervise and prevent the misuse of legal persons for ML/TF purposes but may reveal the existence of legal persons without any real activity. The ODPIC, together with the Tax Department, conducted a census of inactive legal persons (those that had not renewed their licenses with the Tax Department) a few weeks before the on-site visit. Out of 6,986 legal persons registered with the RCS, 3,659 were identified as potentially inactive and the ODPIC had to clean up its database and identify those that could be arraigned for court dissolution.

646 The General Department and Regulations also conducted a census of inactive civil society organizations and out of an approximate number of 6,000 NPOs identified approximately 5,400 inactive organizations.

Bearer instruments

647 During the review period, it was possible for legal persons under Djiboutian law to issue bearer shares, with no regulation through measures intended to limit the risk of misuse of these instruments for ML/TF purposes. At the same time, according to the authorities, no legal person had issued any bearer shares in practice, but there are no official statistics in this regard.

648 For legal persons in the Free Area, the issuance of bearer instruments is prohibited.

Competent authorities' capacity to obtain adequate, accurate, updated basic and beneficial ownership information on all types of legal persons established in the country without delay

649 The competent authorities have direct access to the public information in the ODPIC register available on the website, but this information is very limited (company name, address, name of director or manager, minimum capital), and does not cover, for instance, the shareholding of the legal person. To consult the other information, the competent authorities had to send a request by post to the ODPIC. During the review period, the competent authorities (the CID of the National Gendarmerie, the ANRF and the BCD) had requested and obtained access to the basic information contained in the ODPIC register and this information upon written request was provided by the ODPIC within 48 hours. Although this period is relatively short, in the opinion of the Assessment Team, the need to submit a written request may constitute a certain obstacle to obtaining the information without delay, especially on days when the ODPIC is closed.

650 Law enforcement authorities did not report any request for basic and beneficial ownership information from the Free Areas Authority and with no statistics on these requests it is difficult for the Assessment Team to assess whether access was provided without delay. The same is true for civil society organizations.

Table 7.5: Statistics on the number of consultations of the ODPIC register upon written request by the competent authorities between 2019 and 2023

Depositors	Consultations by Mail
Gendarmerie CID	7
ARNF	2
Djibouti Central Bank	1

651 During the review period, the Republic of Djibouti had no beneficial ownership register of legal persons. Legal persons were not required to identify their beneficial owners and hold such information within the territory of the Republic of Djibouti. The ODPIC and Free Areas Authority identified the founders and shareholders of companies up to the second degree of the ownership and control chain, but did not go beyond that. Given the fact that with the exception of Free Area companies, the majority of legal persons in the form of companies under Djiboutian law have a relatively simple shareholding structures, with direct ownership by natural persons, the authorities consider that the beneficial owner is in most cases known de facto. However, with no systematic identification of the natural persons holding ultimate control of the legal person, the Assessment Team considers that information on the shareholder cannot be considered equivalent to the beneficial ownership identification. For civil society organizations, the Administration and Regulation Department only identifies members.

652 Consequently, beneficial ownership information of legal persons and civil society organizations is only available in the Republic of Djibouti from the relevant reporting entities during their due diligence exercise in the context of a business relationship or the execution of a transaction. However, the quality of the beneficial ownership information (adequacy, timeliness and accuracy) varies depending on the entity, and the DNFBPs involved in the creation and existence of legal persons have indicated that they cannot trace beneficial ownership without defining beneficial ownership in the national legislation. Only banks belonging to large international groups and implementing group policies identify beneficial owners by cross-checking several sources of information (see IO.4) at the time of entering into a relationship. However, this information is only updated when there is a change in shareholding.

653 The ODPIC informed the Assessment Team that it was in the process of establishing a beneficial ownership register of companies in order to facilitate access to this information by the competent authorities and reporting entities, but as at the time of the on-site visit this project was in the early stages of development.

654 Although they have such powers, the authorities do not have statistics or examples of requests made to reporting entities demonstrating their capacity to obtain beneficial ownership information of legal persons without delay. In interviews with the Assessment Team, the law enforcement authorities only indicated that they consult information held by the ODPIC and Free Areas Authority.

Competent authorities' capacity to obtain adequate, accurate and updated basic and beneficial ownership information on all types of legal arrangements created in the country without delay

655 As at the time of the evaluation, the Republic of Djibouti had no trust contract registered in its territory.

Effective, proportionate and dissuasive nature of sanctions meted out

656 The ODPIC does not have the power to mete out administrative sanctions for non-declaration, false declaration or late declaration of information by legal persons under Djiboutian law, and must refer the matter to the judicial authorities upon request of the State Prosecutor in charge of monitoring the trade and companies register. The sanctions apply to the directors of the legal person and can range from a fine to a prison sentence.

657 However, during the review period, no financial sanctions had been imposed for non-reporting, false reporting or late reporting of information to the RCS. However, the ODPIC provided the assessment team with several examples of requests for regularization addressed by the ODPIC to legal persons dating back to 2023 for missing information that had been detected *ex-post* during requests for amendments to the register filed by these legal persons. While non-compliance with the notification of irregularity within one month results in the rejection of the application for amending registration, such a measure does not, in the opinion of the Assessment Team, constitute a adequately effective and dissuasive sanction to ensure compliance with the information obligations by legal persons and legal arrangements throughout their existence.

658 For the Free Areas Authority, the main sanction measure at the time of the evaluation consisted in the non-enforceability of undeclared information. For example, the name of an undeclared manager cannot appear on the license being renewed, his/her identity cannot be transmitted to banks, and he/she cannot benefit from the services of the One-stop Shop. The Free Areas Authority recognized that non-enforceability alone was not a adequately effective and dissuasive measure and a free Area regulation providing an additional scale of financial and suspended sanctions was being developed.

659 Regarding civil society organizations, the Department of General Administration and Regulations acknowledges that the financial sanctions provided for by the legislation for non-compliance with reporting obligations were derisory and non-dissuasive since they dated back to 1901 and had never been revised, but a new law passed during the on-site visit aims to align these sanctions line with the violation observed. However, this law was not applicable during the review period.

660 Generally, the authorities could not produce statistics showing that the number of violations relating to the reporting obligations of legal persons was decreasing and therefore the sanctions were effective, proportionate and dissuasive.

Conclusions on IO. 5

661 Information on the creation and types of legal persons under Djiboutian law and companies in the Free Areas is easily available to the public, but access to the procedures for creating civil society organizations and trusts is more difficult.

662 The various authorities and relevant reporting entities do not have a adequate and homogeneous understanding of the vulnerabilities of legal persons and legal arrangements in the Republic of Djibouti, particularly as there is no risk analysis at

national and sectoral level.

663 The effectiveness of measures to prevent the misuse of legal persons and legal arrangements for ML/TF purposes is limited by their restricted scope. Although DNFBPs are involved in the creation and during the existence of a large portion of legal persons, this involvement does not adequately cover ML/TF aspects and is not supervised by a self-regulatory body or a competent authority. Registration and matriculation guarantee the accuracy of the information collected at the time of creation but do not provide adequate assurance of the accuracy and timeliness of the information during the existence of legal persons. The authorities and DNFBPs largely rely on the due diligence procedures conducted by the banking institutions with which legal persons and legal arrangements have an account or carry out a transaction. They are also the only ones to hold beneficial ownership information since there was no obligation for other actors to identify beneficial owners during the review period.

664 The competent authorities' access to basic information is unlimited, but the lack of direct access to the databases of registers containing comprehensive information on legal persons with the need to make a request constitutes a certain obstacle to obtaining information without delay.

665 The authorities have not meted sanctions for non-compliance with the transparency obligations of legal persons, particularly if there are no administrative sanctions, which makes it difficult to assess their effective and dissuasive nature.

666 Fundamental improvements are therefore required.

The Republic of Djibouti is rated as having a low level of effectiveness on IO. 5.

Chapter 8: International Cooperation

Key Findings and Recommended Actions

Key Findings

- a) The Djiboutian authorities provide mutual legal assistance within a relatively short time. Regarding the extradition requests received, Djibouti can implement them within a reasonable time frame. The types of predicate offences related to the requests issued are not commensurate with the Republic of Djibouti's ML/TF risk profile.
- b) The organogram of the Djibouti Ministry of Justice does not provide for a central service specifically dedicated to handling requests for mutual legal assistance or extradition requests. Requests are generally received and processed by the legal affairs department, which is headed by the Ministry's Permanent Secretariat. The Ministry of Justice does not use an electronic system or database in which requests for mutual legal assistance are saved, which does not facilitate the supervision and monitoring of such requests, and does not allow requests to be saved for statistical purposes.
- c) Djibouti uses international cooperation mechanisms with its foreign counterparts irregularly, to exchange various types of financial information and intelligence for AML/CFT purposes. Most of the types of offences giving rise to the requests issued were limited to embezzlement and corruption and, to a lesser extent, corruption (only one case was found), while cooperation in the areas of terrorism and TF and asset recovery remains very limited.
- d) The ANRF does not often resort to international cooperation with its counterparts given the lack of requests filed for the period (2019-2023) as compared to the number of suspicious transaction reports (around a hundred reports) received for the same period. It should be noted that 3 information requests were sent by the ANRF in 2018 to 3 foreign FIUs, namely: Uganda, the United Kingdom and Kenya). This could be attributed to the ANRF's lack of human and financial resources as well as the quality of the STRs received from the various types of reporting entities.
- e) The role of the DGDDI is mainly limited to the information exchange relating to transit, while cooperation with its counterparts in cases of false declaration or non-declaration is non-existent.
- f) There are very few cases of international cooperation between FI supervisory and monitoring authorities and their counterparts in the implementation of the fit and proper test, particularly for foreign nationals seeking to occupy managerial positions in FIs operating in Djibouti. The extent to which it is possible to apply these tests to foreign shareholders seeking to hold controlling interests in FIs operating in Djibouti has not been perceived, as the Djiboutian authorities have not received any requests in this regard over the past five years.
- g) Efforts are being made by the competent authorities, including the ANRF, regarding the international cooperation framework for the exchange of basic information (3 requests for the review period 2019-2023) and beneficial

ownership information of legal persons (only one request for 2018). None of the other authorities, like the ODPIC, during the phase of creation of the legal person, and thereafter, use foreign counterparts to inquire about the beneficial owner of foreign legal persons seeking to hold shares in legal persons in Djibouti.

Recommended actions

- a) Investigative and law enforcement authorities should make greater use of formal and informal international cooperation mechanisms in line with Djibouti's risk profile, particularly for crimes with a transnational dimension, such as drug-related crimes, smuggling of goods, migrants' smuggling and corruption, and make greater use of international cooperation for the information exchange in the area of counter-terrorism and TF.
- b) The Ministry of Justice should centralize and strengthen processes for receiving, processing, and classifying mutual legal assistance and extradition requests based on clear and predefined criteria for prioritizing the execution of such requests. The Ministry of Justice should establish an electronic system or database to save mutual legal assistance and extradition requests received and issued, in order to facilitate monitoring and follow-up, and for statistical purposes in this area.
- c) Investigative and prosecutorial authorities should step up their efforts to benefit from formal international cooperation mechanisms to locate, freeze, confiscate and recover proceeds of corruption crimes transferred abroad, and make greater use of cooperation in other crimes with a transnational dimension to locate, freeze, confiscate and recover the proceeds derived therefrom (see IO. 8).
- d) ANRF should proactively seek international cooperation with its foreign counterparts, particularly when dealing with STRs received from reporting entities that may be linked to foreign crimes or proceeds of crime transferred or laundered abroad.
- e) The DGDDI should strengthen the information exchange with its counterparts in cases of false declaration or non-declaration and conclude bilateral and multilateral agreements on mutual administrative assistance in customs matters, particularly the 1977 Nairobi Convention on international mutual administrative assistance for the prevention, investigation and repression of customs offences.
- f) The supervisory and monitoring authorities of FIs, DNFBPs and NPOs should use international cooperation and information exchange mechanisms with their counterparts, particularly with regard to the implementation of fit and proper criteria with regard to foreign nationals seeking to occupy managerial positions in financial and non-financial institutions operating in Djibouti, and should also use such cooperation when they receive applications from foreign persons wishing to participate in the creation of financial or non-financial institutions in Djibouti, or when controlling interests are relinquished or transferred to them.

g) The licensing and registration authorities for legal persons(ODPIC) should use international cooperation to obtain on beneficial ownership information of foreign legal persons seeking to hold controlling interests in legal persons in Djibouti.

667 The immediate outcome considered and assessed under this chapter is Immediate Outcome 2. The relevant recommendations for assessing effectiveness under this chapter are R.36-40 and elements of R.9, 15, 24, 25 and 32.

668 The Republic of Djibouti is not considered a financial hub¹⁴, but international cooperation is important in the context of Djibouti due to its geographical location, the length of its land and maritime borders, the instability in countries that share borders with Djibouti, and regional instability in general. Furthermore, the fact that most of the crimes that generate significant proceeds in Djibouti are characterized by cross-border dimensions and occur within the framework of organized crime, such as drug trafficking and migrants' smuggling, implies regular recourse to international cooperation.

669 The conclusions reached by the Assessment Team were drawn from the case studies and statistics provided by the Djiboutian authorities, from the responses received from certain FATF countries and other FSRBs, and from discussions held with the international cooperation sector within the Ministry of Justice, the security agencies and the ANRF, as well as other competent authorities.

Providing mutual legal assistance and constructive extradition without delay

670 Djibouti provides mutual legal assistance and extradition that are constructive and without delay in most cases, but improvements are needed to make this assistance more consistent, targeted, and effective. The quality of assistance is affected by the lack of standardized procedures and systematic monitoring, which limits the impact of international cooperation.

Requests for mutual legal assistance received:

671 The Djiboutian authorities execute requests for international mutual legal assistance received relatively fast, although this depends on the complexity of the request. Almost all requests for mutual legal assistance received by the Djiboutian authorities for the period (2019-2023) have been responded to. Only one request, dating as far back as 2023, is currently being processed. Regarding the extradition requests received, Djibouti can implement them within a reasonable time frame.

672 The Ministry of Justice of Djibouti is the central authority designated for receiving requests for mutual legal assistance in money laundering matters. However, there is no other provision regarding the central authority in charge of receiving requests for mutual legal assistance in other areas. Furthermore, the organization of the Ministry of Justice of Djibouti does not provide for a specific department for handling mutual legal assistance or extradition requests. Requests are generally

¹⁴The “Global Financial Centres” report included several countries as financial hubs, excluding Djibouti. Please note that this report is available via the link: https://www.longfinance.net/documents/2757/GFCI_30_Report_2021.09.24_v1.0.pdf

received and processed by the legal affairs department, which is headed by the Ministry's Permanent Secretariat.

673 Djibouti therefore has no department specifically dedicated to international legal cooperation within the Ministry of Justice.

However, it does have procedures for responding to mutual legal assistance requests, which are received directly by the Legal Affairs Department of the Ministry of Justice or by the Ministry of Foreign Affairs, and which depend mainly on the agreements Djibouti had previously concluded with foreign countries.

674 Requests addressed by the competent foreign authorities for the purpose of establishing facts of money laundering or executing or ordering precautionary measures or confiscation, or for the purpose of extradition shall be transmitted through diplomatic channels. In cases of emergency, they may be communicated through Interpol or directly by the foreign authorities to the judicial authorities of the Republic of Djibouti, either by post or by any other means of faster transmission.

675 Once the requests have been received by the Ministry of Justice, and after ensuring their regularity (regularity review generally takes 2 to 3 days according to the Djiboutian authorities), they are transmitted to the State Prosecutor's Office where the investigations must be conducted, or the place where the resources or goods in question are located, or the place where the person whose extradition is requested is located.

676 Where the application is incomplete or if certain data must be provided in the application, the Ministry of Justice or the State Prosecutor's Office shall request, through diplomatic channels or directly, the competent foreign authority for the purpose of providing all additional information necessary for the request to be executed.

677 However, there are no specific criteria according to which requests for mutual legal assistance received are ranked in order of priority for execution. However, the Djiboutian authorities have clarified that in practice, priority for execution is generally given to requests received based on the seriousness of the case and the quality of the cooperation that Djibouti maintains with the requesting country, taking into account the processing urgency indicated or desired in the request itself.

678 The Ministry of Justice does not use an electronic system or database in which requests for mutual legal assistance are saved, which does not facilitate the supervision and monitoring of such requests.

679 During the review period 2019-2023, Djibouti received 57 requests for mutual legal assistance from several countries, and all requests received from 2019 to 2022 have been responded to. Only one request is currently being processed, which dates from 2023, as presented in the table below.

680 The summaries of practical cases provided by the Djiboutian authorities in this area (two cases: a case of cooperation with China and another case of cooperation with the USA) demonstrate that the execution time of the requests received by the Djiboutian authorities varies between ten days and a few months (3 months for the last specific case). It should also be noted that none of the requests received has been rejected.

Table 8.1. Requests for international mutual legal assistance received for the period (2019-2023).

Year	2019	2020	2021	2022	2023	Total
Number of requests received	9	8	21	15	04	57
Requests partially responded to	0	0	0	0	01	01

Requests fully responded to	9	8	21	15	03	56
Number of requests currently being processed	0	0	0	0	01	01
Number of requests rejected	0	0	0	0	0	00
Total:	09	08	21	15	04	57

681 Apart from the number of requests related to embezzlement (6 requests), drug trafficking (2 requests), terrorism (1 request) and terrorist financing (1 request), the majority of the offences covered by the requests for international legal assistance received (47 in total) were not specified by the Djiboutian authorities. However, the types of predicate offences related to these requests are not consistent with the risk profile of the Republic of Djibouti (see IO. 1).

Table 8.2. Requests for mutual legal assistance received by type of offence during the period (2019-2023)

Crime	2019	2020	2021	2022	2023	Total:
Drug trafficking	1	0	0	0	1	2
Terrorism	1	0	0	0	0	1
Terrorist Financing	1	0	0	0	0	1
Money Laundering	0	0	0	0	0	0
Smuggling of goods	0	0	0	0	0	0
Corruption	0	0	0	0	0	0
Migrants' smuggling	0	0	0	0	0	0
Human trafficking	0	0	0	0	0	0
Embezzlement	1	1	2	1	1	6
Others	5	7	19	14	2	47
Total:	9	8	21	15	4	57

682 The types of cooperation solicited through the requests for mutual legal assistance received by Djibouti during the period (2019-2023) are diversified. However, the highest percentage of requests (29, representing 25% of all types of requests) concerns areas that are unknown and which are other than those provided for by Djiboutian legislation, determining the subject of the requests for mutual legal assistance.

683 The persons questioned represent 10% of all requests, followed by requests for the collection of testimonies or statements (9%), identification of assets (8.5%), and requests for investigations or searches (8.5%). Also, and to a lesser extent, there are other requests through which the Djiboutian authorities were invited to provide information data, or to take measures (actions), such as the issuance or execution of a confiscation order (7.5%), the examination of objects or places (7.5%), freezing and temporary seizure of funds/assets (6.8%) and the provision of detained persons (6.8%). The table below presents the type of cooperation requested and the number of cases relating to requests for mutual legal assistance received.

Table 8.3. Statistics on the types of cooperation requested from Djibouti during the period (2019-2023)

Type of Cooperation required	Number of cases					Total
	2019	2020	2021	2022	2023	
Identification of assets	1	0	3	3	3	10
Temporary freezing and seizures of funds/assets	1	0	3	2	2	8
Issuance or execution of a confiscation order	0	0	3	3	3	9
Request for copies of court verdicts or any legal documents	2	0	0	0	0	2
Provision of detainees	1	3	1	1	2	8
Request for copies of investigation files, including bank statements, documents and accounting records.	2	0	0	0	1	3
Information requests and evidence	2	4	0	0	0	6
Collection of testimonies or statements	2	5	1	1	2	11
Persons cross-examined	2	3	2	3	2	12
Request for investigation or search securities	2	4	2	1	1	10
Object and place examination	2	3	0	1	3	9
Use of special investigative techniques to support the requesting country's investigations and prosecutions.	0	0	0	0	0	0
Others:	3	0	15	10	1	29
Total:	20	22	30	25	20	117

684 The Assessment Team did not receive statistics on the countries from which requests for mutual legal assistance were received during the review period 2019-2023.

685 At the request of the Assessment Team, Djibouti provided a summary of 2 requests for mutual legal assistance received from the judicial authorities of Ethiopia and France. The assistance requested in these cases consisted in freezing of assets and seizure of movable and immovable assets belonging to persons suspected of embezzlement respectively, and establishing a letter rogatory in a case of extortion by an organized gang. The details of the first case clearly indicate the timeframe between the date of receipt of the request and the date of sending a response to the requesting country. For the second case, due to the lack of details, the Assessment Team could not assess the average time taken to process and execute the request received.

686 The Djiboutian authorities have provided the requesting countries with final responses to 56 of the 57 requests. With regard to the request received in 2023, the requesting country has so far received only a partial response. Regarding the practical case as presented in detail by the Djiboutian authorities, the Assessment Team could not assess the final execution deadline.

687 Here are the two case studies submitted by the Djiboutian authorities on this matter:

Box 8.1: Cases of requests for mutual legal assistance issued by Ethiopian judicial authorities

The Attorney General of the Federal Republic of Ethiopia applied to the Federal High Court of Lideta to order the freezing of assets of thirty-eight companies suspected of financially supporting the TPLF. On 18th November 2020, the court issued the freezing order and, on 14th December 2020, specifically ordered the seizure of vehicles belonging to TE PLC in the Republic of Djibouti.

On 13th December 2020, the Ethiopian Embassy in Djibouti filed a formal request for mutual legal assistance. On 16th December 2020, a second request was filed, including legal documents and decisions of the Federal High Court of Lideta. The request specified that the measures were directed against officers suspected of financing terrorism, money laundering, treason, armed uprising, and human rights violations.

On 21st December 2020, the Ministry of Foreign Affairs of Djibouti forwarded the documents to the Ministry of Justice. Djibouti and Ethiopia are both signatories to the United Nations Convention against Transnational Organized Crime (Palermo Convention) and comply with the principle of reciprocity for mutual legal assistance.

The request for mutual assistance was filed pursuant to applicable laws and Conventions, which particularly allow for searches, seizures and freezing of assets. In Djibouti, the investigating judges, with the assistance of the Criminal Investigation Officers, implemented these measures.

The vehicles of the company TE PLC were restrained. However, their repatriation to Ethiopia posed logistical problems, limiting Djiboutian assistance to their gathering at the national borders for collection by the Ethiopian authorities.

Box 8.2: Cases of requests for mutual legal assistance issued by the French judicial authorities

In 2019, a French national, residing in the Republic of Djibouti with his family, was the subject of an international letter rogatory for his alleged involvement in several cases related to terrorism, terrorism financing, and organized extortion. This request for mutual legal assistance was issued by the Chief Justice of the Paris High Court on 1st October, 2019.

The investigating judge of Djibouti, acting on this request, indicted the individual and his family for acts such as criminal association with terrorists, including their participation in the terrorist organization Al-Qaida in the Arabian Peninsula (AQAP), as well as the financing of a terrorist venture. Furthermore, they are accused of kidnapping and hostage taking in an organized gang.

The request for mutual assistance aimed to verify the reasons for their presence in Djibouti, identify the people in contact with them, and allow French investigators (DGSI) to travel to Djibouti to assist with the investigations.

After their arrest, the Djiboutian authorities searched their home and questioned them. Finally, the persons concerned were expelled from Djibouti on 22nd December 2018. The information gathered was transmitted to the French authorities and the case is currently being adjudicated in Paris.

688 Looking at the global network's responses on the experience of judicial cooperation with the Djiboutian authorities, most

countries stated that they have no particular exchange or cooperation with Djibouti.

Extradition requests received:

689 Extradition requests are submitted to the Ministry of Justice (Judicial Affairs Department) via the Ministry of Foreign Affairs or embassies. They are then examined in the light of the conditions provided for in the extradition Conventions to which Djibouti is a party (6 extradition Conventions have been concluded to date)¹⁵ and, otherwise, by the conditions provided for in the Djibouti Code of Criminal Procedure. The file is then forwarded to the State Prosecutor's Office of the place where the person whose extradition is requested is located.

690 The Republic of Djibouti does not extradite such nationals. Grounds for refusal of extradition also include the political nature of the offence, or where proceedings are pending in the Republic of Djibouti against the individual in question, or where the offence for which extradition is requested was committed outside the territory of either country.

691 Djiboutian nationals are, in fact, prosecuted at the request of the requesting State by the competent Djiboutian judicial authorities, if they are provided with an official notification issued by the foreign judicial authorities requesting their extradition. In this case, a follow-up is conducted and the requesting country is informed of the outcome of the procedure.

692 Extradition requests received by Djibouti between 2019-2023 consisted of 25 requests, originating for example from France, Portugal, Ethiopia, China and the United States of America. The lack of statistics on mutual legal assistance and extradition did not allow the Assessment Team to assess the share of countries whose 25 requests were issued to Djibouti; the number of foreigners and nationals subject to extradition requests received; and the number of persons who were not extradited. As for the reasons for non-extradition, the Djiboutian authorities explained that these requests are still being processed due to the fact that the individuals concerned by the extradition are still at large. Their exact location remains unknown, which prevents the authorities from apprehending them and proceeding with their extradition. The extradition deadlines for executed requests, they are, according to the Djiboutian authorities, of around a few weeks. The charges related to the extradition requests (received and issued) include, according to the Djiboutian authorities, fraud, drug trafficking, criminal association for the purposes of terrorism with a view to preparing one or more crimes against persons, attempted murder, embezzlement of public funds and money laundering.

Table 8.4. Statistics on extradition requests received by Djibouti (2019-2023)

Year	Country/party requesting extradition (examples):	Number of Requests received	Number of Requests Executed	Number of Requests currently being processed	Number of Requests Rejected
2019	France	2	2	0	0
	Portugal	1	1	0	0
	USA	1	1	0	0

¹⁵ The Republic of Djibouti has concluded extradition agreements with Ethiopia, France, Somalia, Yemen and Turkey. It is also a party to the Intergovernmental Authority on Development (IGAD) Extradition Convention.

Total	10				
2020					
	Ethiopia	1	1	0	0
Total	5				
2021		0	0	0	0
Total	3				
2022	China	1	1	0	0
	USA	1	1	0	0
Total	4				
2023	Ethiopia	2	1	1	0
Total	3				
Grand Total: 25					

693 However, going through the responses of the global network on international cooperation, the Assessment Team realized the existence of an extradition case that was executed by the Djiboutian authorities following an extradition request received from the judicial authorities of the United States of America. The Djiboutian authorities therefore provided details on this case that enabled the Assessment Team to do a general assessment of the quality and speed of execution of extradition requests. The reading of the practical case concludes that the Djiboutian judicial authorities responded to the US extradition request without delay and within a very appropriate time frame (3 months).

Box 8.3: Practical case of extradition

In January 2022, Djiboutian authorities were informed by the United States that a Somali national, MB, was wanted on charges of conspiracy to commit hostage-taking of an American, armed threats, and material support for terrorism. The United States requested Djibouti's assistance in his arrest and extradition.

The Djibouti Ministry of Foreign Affairs forwarded this request to the Ministry of Justice, which then directed the Attorney General to follow up on the case. The Attorney General ordered an investigation by the Department for Anti-Terrorism Coordination and the Fight against Organized Crime. On 27th March 2022, MB was arrested at the Djibouti International Airport on arrival from Somalia.

After his arrest, MB was questioned and admitted the charges. The State Prosecutor then asked the investigating judge to place MB in provisional custody pending his extradition. The State Prosecutor requested provisional detention from the investigating judge, who issued a warrant for MB's arrest.

MB contested the facts when he appeared before the investigating judge on 30th March 2022, claiming to be only a cook within the criminal organization. However, the judge ordered his pretrial detention. A letter rogatory was initiated to hand MB over to the American criminal investigation department.

On 2nd April 2022, the Counter-Terrorism and Organized Crime Department handed over MB to the American authorities, who certified his receipt as well as his personal effects.

694 The assessment of mutual legal assistance and extradition in Djibouti highlights a constructive, but still inadequate, approach in the management of requests for international cooperation. The Djiboutian authorities demonstrate a clear willingness to cooperate by responding to the majority of requests received within a reasonable time frame. However, the analysis reveals several significant challenges in terms of timeliness, quality of assistance provided, and strategic alignment with national priorities in the fight against money laundering (ML) and terrorist financing (TF). The following facts summarize the Assessment Team's main findings on this critical issue:

- **Speed and Timeliness:** Djibouti demonstrates a willingness to cooperate by processing most requests for mutual legal assistance and extradition without delay. However, there are outstanding obstacles, such as the difficulty in locating wanted individuals, which sometimes limits the capacity to execute.
- **Quality of Assistance:** The lack of specialized services and monitoring systems negatively affects the quality of assistance. Requests are often handled in an ad hoc manner, without specific priority criteria, which affects the consistency and effectiveness of responses.
- **Alignment with National Priorities:** Requests processed are not systematically aligned with Djibouti's national priorities, such as money laundering and terrorist financing, raising questions about the strategic use of international cooperation mechanisms.

Obtaining mutual legal assistance to prosecute domestic money laundering cases, related crimes and terrorist financing with transnational elements

695 Djibouti has demonstrated a remarkable commitment to international cooperation by issuing a total of 58 requests for international mutual legal assistance, reflecting a desire to improve its transnational collaboration mechanisms. The majority of these requests have been responded to, underrating the responsiveness of the authorities in managing mutual legal assistance. Indeed, 96% of the requests received between 2019 and 2023 have been responded to, representing a certain level of effectiveness in the mutual assistance process.

696 However, despite these encouraging results, it is important to note that requests for mutual legal assistance are often inadequate and not aligned with the priority offences of money laundering and terrorist financing. Approximately 60% of requests are related to offences that are not considered as key in the national risk assessment. The main offences for which cooperation has been requested include embezzlement (32%), drug trafficking (5%) and corruption (1.7%). It is worrisome that money laundering and terrorist financing are not among the offences for which mutual legal assistance is solicited, indicating a misalignment with Djibouti's risk profile.

697 Furthermore, most of the serious crimes committed in Djibouti, such as drug trafficking, embezzlement, corruption and migrants' smuggling, have a cross-border element. This underscores the importance of regularly activating international cooperation mechanisms to address such complex issues.

698 The Assessment Team had requested for a sample of cases on requests sent by the Ministry of Justice to foreign counterparts. However, only two requests were mentioned, with inadequate details to allow for a comprehensive assessment. This situation limits the Assessment Team's capacity to assess the processing time of requests, from their receipt to their dispatch to the requesting country.

Requests for international legal assistance issued:

699 The requests for mutual legal assistance issued by the Djiboutian authorities during the review period 2019-2023 amounted to 58 requests. Out of these requests, 42 were fully responded to and 6 were partially responded to, while the number of requests still being processed amounted to 10. Furthermore, no request was rejected.

700 No information has been provided by the Djiboutian authorities regarding the countries receiving those requests.

Table 8.5. Statistics on requests for international mutual legal assistance issued.

Year	2019	2020	2021	2022	2023	Total
Number of requests issued	10	07	09	18	14	58
Requests partly responded to	02	0	02	01	01	06
Requests fully responded to	07	07	05	14	09	42
Number of requests currently being processed	01	0	02	03	04	10
Number of requests rejected	0	0	0	0	0	00
Total:	10	07	09	18	14	58

701 Regarding the distribution of requests for mutual legal assistance issued by the Djiboutian authorities in relation to the types of predicate offences, the figures reveal that the largest share are related to embezzlement, which represents 33% of all requests issued. Drug trafficking represents 5% and corruption 1.7%. It is clear that 60% of the requests issued are related to offences other than those included in the national risk mapping of money laundering and terrorist financing as provided for by the national risk assessment of Djibouti.

702 Furthermore, no requests for mutual legal assistance have been issued by Djibouti in relation to money laundering or terrorist financing, or even for serious predicate offences such as terrorism, migrants' smuggling and human trafficking.

Table 8.6. Requests for mutual legal assistance issued by type of offence during the period 2019-2023

Crime	2019	2020	2021	2022	2023	Total
Drug Trafficking	0	0	0	1	2	3
Terrorism	0	0	0	0	0	0
Terrorism Financing	0	0	0	0	0	0

Money Laundering	0	0	0	0	0	0
Smuggling of Goods	0	0	0	0	0	0
Corruption	0	0	1	0	0	1
Migrants' Smuggling	0	0	0	0	0	0
Human Trafficking	0	0	0	0	0	0
Embezzlement	5	3	4	5	2	19
Others	5	4	4	12	10	35
Total	10	7	9	18	14	58

Requests for international legal assistance issued in the context of executing confiscation orders:

703 The requests for mutual legal assistance issued by the Djiboutian authorities for the review period 2019-2023, the purpose of which is the identification of assets (totaling 12), the temporary freezing and seizure of funds and assets (10), and the issuance or execution of a confiscation order (10), resulted in the location of 4 fixed assets worth approximately USD 200,000, in a case of passive corruption, embezzlement of public funds and obstruction of justice (see details of the case in question below). The Djiboutian authorities did not provide the assessment team with any cases where funds or assets were frozen or confiscated abroad.

Table 8.7. Statistics on the types of cooperation requested by Djibouti

Type of Cooperation Requested	Number of Cases					Total
	2019	2020	2021	2022	2023	
Identification of assets	4	3	2	2	1	12
Temporary freezing and seizures of funds/assets	2	3	2	2	1	10
Issuance or execution of confiscation order	2	3	2	2	1	10
Request for copies of court verdicts or any legal documents	0	0	0	0	0	0
Provision of detainees	6	4	5	4	9	28
Request for copies of investigation case files, including bank statements, documents and accounting records.	0	0	0	0	0	0
Request for information and exhibit	1	1	3	4	3	12
Collection of testimonies or statements	4	2	3	3	5	17
Persons cross-examined	1	1	3	3	2	10
Request for investigation or search	2	2	3	4	4	15
Item and place examination	2	3	3	5	4	17
Use of special investigative techniques to support the requesting country's investigations and prosecutions.	0	0	0	0	0	0
Others	4	3	2	6	4	19
Total:	28	25	28	35	34	150

Box 8.4: Cases of executing a request for assets identification abroad:

This international cooperation case was a criminal investigation involving several public officials and their relatives for acts of passive corruption, embezzlement of public funds, and obstruction of justice. The amount of embezzled funds was estimated at USD 29,113,253.95, justifying the judicial authorities' decision to deprive the suspects of these substantial gains illegally acquired to the detriment of the national community.

Investigation Procedure

The General Inspectorate of the State (IGE) was tasked with auditing the main departments of the Ministry of the Budget to determine the public expenditure situation as at 30th December, 2021. A report was prepared, based on which the IGE contacted the Attorney General who, in turn, referred the matter to the State Prosecutor for investigation. The investigations included hearings, confrontations, searches and seizures.

Indictees

FMO: Deputy Director of Equipment at the Ministry of the Budget, accused of fraud and embezzlement.

AIA: Head of equipment department, accused of complicity with FMO.

SSA: Director of the State Treasury, accused of fraudulent payments.

GAM and HMA: Accused of false invoices and over-invoicing.

MOA alias P.: Accused of embezzlement using shell companies.

AAC: Former Budget Minister, accused of corruption, embezzlement and obstruction of justice.

Identification of Foreign Assets

The investigations revealed that **OMA alias P.**, holding a diplomatic position in Abu Dhabi, had made several trips to Turkey where he owned various properties. A letter rogatory was issued to Turkey for the identification and seizure of the properties of **MOA and AAC**. The Turkish authorities identified four real properties worth approximately USD 200,000 in the name of **AAC** his wife, **OMA** and a close relative.

704 Djibouti still has no structure in charge of monitoring funds and assets frozen abroad with a view to their recovery (see IO. 8).

705 The Djiboutian authorities also specified that the National Commission for the Prevention and Fight against Corruption has signed two memoranda of understanding to date with the National Authority for Integrity, Prevention and Fight against Corruption of the Kingdom of Morocco and the Authority for Control and Fight against Corruption of the Kingdom of Saudi Arabia. These cooperation agreements include, among other things, the exchange of experiences in the prevention, detection and investigation of corruption as well as procedures for the repatriation of illicit assets invested abroad. They also cover the sharing of best practices in implementing the management of due diligence systems and the reporting of corruption. The signing of a third memorandum of understanding is reportedly being finalized with the Ombudsman of Rwanda.

Extradition requests issued:

706 The investigative authorities prepare the extradition requests and then forward them to the Ministry of Justice for review and to ensure that they meet all legal conditions and requirements, taking into account the bilateral, regional and international agreements ratified by the Republic of Djibouti, which specify the conditions to be met in extradition requests. After review,

the requests are sent through official channels represented by the Ministry of Foreign Affairs, for transmission to the relevant countries abroad for execution.

707 The number of requests for the repatriation of criminals issued by Djibouti during the review period 2019-2023 stood at 29.

The statistics provided by the Djiboutian authorities reveal the existence of 3 requests dating as far back as 2021, which were transmitted to the Kenyan authorities and which are still pending or being executed. Djibouti attributed the delay in the execution of these requests to the fact that the suspects mentioned in the three requests had still not been found by the Kenyan authorities.

708 It is also on record that no application has been rejected by the foreign countries concerned.

709 In terms of crimes attributed to those to be repatriated, the Djiboutian authorities are requesting the repatriation of certain individuals due to their alleged involvement in several serious offences, including fraud, drug trafficking and embezzlement.

Table 8.8. Statistics on extradition requests issued by Djibouti for the period (2019-2023)

Year	Country/party requested to carry out extradition (examples):	Number of Requests Issued	Number of Requests Executed	Number of requests currently being processed	Number of Requests rRejected*
2019				0	0
	Ethiopia	2	2	0	0
				0	0
Total		10			
2020				0	0
Total		6			
2021		0	0	0	0
	Kenya		3	3	
Total		3			
2022					
Total		5			
2023					0
	Canada	1	1	0	0
Total		6			
Grand Total: 29					

710 On the whole, the Assessment Team's Key Findings on this core issue are presented as follows:

- **Request for mutual legal assistance:** Djibouti issued 58 requests for mutual legal assistance between 2019 and 2023, but they do not adequately target priority offences related to money laundering (ML) and terrorist financing (TF), focusing mainly on embezzlement and drug trafficking.
- **Relevance of requests:** Requests are inconsistent with identified national risks. The lack of specific ML/TF-related requests reveals a gap between the actions taken and the country's real priorities.
- **Timeliness and effectiveness:** Monitoring and execution of requests for mutual assistance are inadequate, with no information on processing times, making it difficult to assess their effectiveness.
- **Impact on prosecutions and confiscations:** Requests for confiscation of assets related to transnational crimes are limited and poorly monitored, which reduces the effectiveness of measures designed to fight against ML/TF due to the lack of concrete results.

Obtaining and providing other forms of international cooperation for the purpose of combating money laundering and terrorism financing and related predicate offences (2.3 and 2.4)

711 The Republic of Djibouti does not use extensive international cooperation mechanisms with its foreign counterparts to exchange financial information and intelligence for AML/CFT purposes and related predicate offences. Anti-money laundering authorities enjoy the cooperation of their counterparts on embezzlement and corruption and, to a lesser extent, on all other offences that are commensurate with Djibouti's risk profile, including migrants' smuggling and drug trafficking. Supervisory authorities, with the exception of the Djibouti Central Bank, do not exchange information internationally, particularly with regard to the implementation of group-level supervisory exercises and the implementation of fit-and-proper criteria with respect to managers operating in Djibouti.

712 Cooperation in counter-terrorism and TF between the competent Djiboutian authorities and their foreign counterparts is inadequate, and the Assessment Team is of the opinion that the weak formal cooperation (as per the analysis above) and informal cooperation in the fight against terrorist crimes and TF would affect the level of effectiveness of IO. 2, given the context of Djibouti and its geographical location close to border areas where terrorist groups are located (see IO.1). No statistics or cases were provided by the Djiboutian authorities to demonstrate the role of law enforcement authorities in international cooperation in counter financing of terrorism.

713 In the fight against embezzlement, which generates significant proceeds, law enforcement authorities cooperate relatively effectively at international level with their counterparts to request for information that may be available abroad, before referring the case to the competent judicial bodies to consider the need to issue requests for international mutual legal assistance, with a view to locating the proceeds of crime transferred or transported abroad and requesting for freezing, confiscation and recovery.

General State Inspectorate (IGE):

714 In terms of international cooperation, the IGE refers corruption cases revealed by audits or investigations to the Attorney

General of the Republic. The IGE may directly file requisitions and information requests to its partners (such as members of the Forum of General State Inspections and Similar Institutions for Africa, the Anti-Fraud Office for Europe, the Eastern African Association of Anti-Corruption Agencies for East Africa, ARIN-EA for the recovery of assets worldwide, ACINET for Arab countries, etc.).

715 The IGE also has the possibility of recruiting firms specialized in tracing assets concealed abroad. Following the findings of their investigations into the location of assets, the Djiboutian State can initiate civil lawsuits in foreign jurisdictions depending on where the assets are located (France, United Kingdom, Switzerland, Singapore, Bahamas, United Arab Emirates, Tax havens, etc.).

716 Freezing orders have been issued by foreign authorities as was the case in the corruption case of the development projects of the Doraleh port sector in the Republic of Djibouti. In this case, the investigations and prosecutions took place between 2011 and 2018 (However, the acts of corruption and fraud had occurred between 2005 and 2009). The asset freezing orders executed then involved US\$112 million. In this matter, the Djiboutian government canceled the concession contracts concluded because of these acts of corruption (including the concession of the Doraleh container terminal and the concession of the Horizon oil terminal jetty) which enabled the State to recover significant amounts annually. These amounts are estimated over the remaining period of the concession (between 2018 and 2056, the end dates of the concession) at approximately US\$1.064 billion.

717 The IGE of Djibouti is a member of several organizations specialized in the fight against corruption and the recovery of assets abroad. These include the:

- Forum of General State Inspections and Similar Institutions (FIGE); Djibouti provides the Executive Secretariat of the organization;
- AAACA: African Association of Anti-Corruption Agencies
- ACINET: Arab Anti-Corruption and Integrity Network;
- IAACA: International Association of Anti-Corruption Authorities;
- EAAACA: Eastern Africa Association of Anti-Corruption Agencies;
- ARIN-EA: Asset Recovery Inter Network-East Africa: informal network for asset recovery in East Africa. Informal network for information sharing on individuals, companies and organizations linked to illicit financial flows including money laundering and terrorist financing. The General Inspectorate of State is the main focal point of the EAAACA and ARIN-EA;
- Pilot Group of the Anti-Fraud Office (OLAF): the IGE of Djibouti is a member of the OLAF pilot group which is a platform for reflection and sharing of best practices in the fight against fraud in all its forms. This group comprises OLAF and Anti-corruption institutions from several African countries.

718 The IGE has also concluded an Administrative Cooperation Arrangement (ACA) with the Anti-Fraud Office (OLAF).

719 The wide range of Conventional and institutional cooperation mechanisms available to the IGE have not been used to record cases that could lead to amounts being frozen, confiscated or repatriated from abroad during the entire review period (2019-

2023). The amount of USD 112 million mentioned above that was frozen was actually for the period prior to 2019.

Requests issued:

720 It should be noted that for the period (2019-2023), the IGE issued only one information request within the framework of the assistance required in the determination, freezing, confiscation and restitution of assets.

721 The details of the said information request case are presented as follows:

Box 8.5: Case of information request issued by the IGE

Following an audit conducted in 2021 on the management of the Djibouti Sovereign Fund with findings of embezzlement of funds, the IGE of Djibouti submitted an information request to the General State Inspectorate of Senegal on a Senegalese national heading the audited national entity. The General Inspectorate of Senegal provided the requested information (determination of shareholders in a company financed with funds embezzled from the audited Djiboutian entity).

Requests received:

722 The IGE of Djibouti also received only one information request from its counterpart in France for the entire review period (2019-2023).

723 The details of this case are presented below:

Box 8.6: Cases of Information Requests received by the IGE

In this context, the General State Inspectorate of the Republic of Djibouti received a request from France and in particular from the Criminal Assets Identification Platform (PIAC) via the regional ARIN-EA network for a suspicious individual linked to money laundering and belonging to a criminal organization.

The request was filed in order to verify whether the convict had registered or was a shareholder of any existing company in Djibouti. The IGE therefore took action to trace the individual and see whether he had a company in Djibouti. To achieve this, the IGE contacted the ODPIC, which is the body in charge of registering companies and businesses in the Republic of Djibouti, and which keeps an updated trade register. The IGE was therefore successfully obtained information that could be used within the framework of that investigation and transmitted same to the French counterpart. The IGE did not have any information on seized and/or confiscated funds since the request was rather an information request on an individual.

The National Financial Intelligence Agency (ANRF):

724 The ANRF is not yet a member of the Egmont Group. It cooperates with other counterpart FIUs through the signing of Memoranda of Understanding for the of information exchanges. The ANRF has signed 5 MoUs to date with Somalia, Ethiopia, Sudan, Tanzania and Uganda. Two MoUs are currently being concluded with Kenya and Yemen.

725 The Djibouti ANRF seeks to conclude agreements with counterpart FIUs based on certain determining factors, such as the existence of dense commercial relations between the two countries or the size of the Djiboutian or foreign community established in both countries.

726 The ANRF may exchange a wide range of information with foreign counterpart FIUs, subject to reciprocity.

Requests issued:

727 Theoretically, the ANRF may request information either to supplement the operational analysis it carries out or to supplement the investigations conducted by the competent national authorities.

728 In practice, for the review period 2019-2023, the ANRF issued only one information request on assets based on a terrorist financing case handled by the Djibouti CID and forwarded to the State Prosecutor's office. This case resulted in the seizure of real assets, bank accounts and vehicles in 2024.

729 Also, the ANRF did not communicate spontaneously with its counterparts during the entire review period.

730 Furthermore, no information request has been issued by the ANRF for the identification or freezing within the context of recovering the proceeds and instrumentalities of crime.

Requests received:

731 The requests received by the ANRF from counterpart FIUs during the review period 2019-2022 stood at only 4. For the year 2023, the ANRF did not receive any requests. All requests were responded to. Regarding the response times to requests received from counterpart FIUs, incidentally, the average response time varies between 10 and 20 days and is considered as reasonable. During the review period 2019-2023, the ANRF did not receive any spontaneous requests from its foreign counterparts.

732 Regarding the extent to which the requests are related to money laundering and terrorist financing and related predicate offences, it was discovered that out of the 4 requests received by the ANRF, 3 requests related to money laundering, and only one request related to human trafficking.

Table 8.9. Statistics on the types of crimes covered by requests received by the ANRF during the review period 2019-2023.

Crime	Number of Requests Received					Total
	2019	2020	2021	2022	2023	
Corruption	0	0	0	0	0	0
Terrorism	0	0	0	0	0	0
Money Laundering	1	1	1	0	0	3
Drug Trafficking	0	0	0	0	0	0
Organized Crime	0	0	0	0	0	0
Terrorist Financing	0	0	0	0	0	0
Smuggling	0	0	0	0	0	0
Migrants' Smuggling	0	0	0	0	0	0

Human Trafficking	0	0	0	1	0	1
Other offences	0	0	0	0	0	0
Total:	1	1	1	1	0	4

733 Regarding the type of assistance required by counterpart FIUs, most of them are aimed at identifying funds and assets, and to a lesser extent requests to inquire about the origin and destination of funds or requests for on beneficial ownership information.

734 Below are two case studies that illustrate the ANRF’s efforts to provide the necessary information and data to requesting counterpart FIUs.

Box 8.7: Requests for assistance submitted to the ANRF

Case 1:

In June 2022, a request for assistance was submitted to the ANRF during an analysis by a financial intelligence unit concerning transactions carried out from the Republic of Djibouti by persons residing in the national territory to a person based in the requesting country.

After analysis, it was revealed that many transactions had been made in favour of the person residing in the territory of the requesting FIU and that the persons based in Djibouti who carried out these transactions did not seem to have any links. The profiles of the persons seemed to tend more towards a possible network linked to migration. This information was filed to the FIU.

Case 2:

A request was filed by an FIU regarding the possibility of a person potentially involved in a network described by the requesting country as terrorist and having carried out transactions from Djibouti. These transactions would have supposedly helped to finance attacks on the territory of the requesting country.

After analyzing the profile and transactions, it came out clearly that the transactions were not carried out from Djibouti but from a neighboring country in which the bank also had branches. The transactional analysis of the financial transactions suggested that the person opened this bank account only to effect transfers to the requesting country. The bank account did not show any daily transaction or expected entry, such as salary deposits. The fact that no transactions were recorded since 18th February 2017 substantiated this interpretation. The information has been transmitted to the requesting countries.

735 Looking at the global network’s responses on the effectiveness of information exchanges between the ANRF and its counterpart FIUs, it is clear that no responding country has any experience to report on international cooperation with Djibouti.

Interpol:

Requests issued:

736 The Djibouti Police Services ensure international cooperation through the INTERPOL National Central Bureau (NCB). The

NCB in Djibouti communicates with Interpol offices around the world on behalf of the Djibouti Criminal Investigation Department.

737 The total number of requests issued by Djibouti through the Interpol office during the review period 2019-2023 amounts to eight (08). No ML/TF-related requests were issued by the Djiboutian police during the review period.

738 It should be noted that all the requests were related to predicate offences. Indeed, the number of requests related to fraud cases stood at 3, or 37.5% of the total requests issued. Two requests issued were on embezzlement, representing 25% of all requests. Other offences were captured in a request for assistance such as theft of weapons and damage to assets and criminal association with only one request for each offence, representing 12.5% of all requests issued.

739 Consequently, recourse to international cooperation in matters of terrorist crimes and terrorism financing does not appear to be a usual practice of the Djiboutian Criminal Investigation Division.

740 The main recipient countries of cooperation requests are Ethiopia and Kenya with a total of three requests for each country, followed by Turkey with two requests and one request for Senegal.

741 Details of the response time to requests issued by the NCB of Djibouti were not provided by the Djiboutian authorities.

Table 8.10. Statistics on requests issued by Djibouti through the NCB for the period (2019-2023)

Case	Requesting country	Type of Crime	Date of Request	Brief description of the assistance required	Recipient State
1	DJIBOUTI	Scam	21/07/2019	Breach of trust and fraud	NCB NAIROBI
2	DJIBOUTI	CRIME	11/19/2019	Criminal proceedings relating to murder	NCB ADDIS-ABABA
3	DJIBOUTI	OFFENCE OF CRIME	04/08/2020	Investigation of complicity and participation in a criminal association	NCB ADDIS-ABABA
4	DJIBOUTI	Scam	08/24/2020	Charge of embezzlement of a huge sum of money	NCB ADDIS-ABABA
5	DJIBOUTI	Flight	02/16/2021	Theft of their victims' weapons and various acts of vandalism of public assets and buildings.	NCB NAIROBI
6	DJIBOUTI	Scam	06/24/2021	Charge of issuing dud cheque.	NCB ANKARA
7	DJIBOUTI	Diversion	03/10/2022	Misappropriation of funds	NCB NAIROBI
8	DJIBOUTI	Scam	01/23/2023	Organized fraud gang. Use of a false name and false title.	NCB ANKARA NCB DAKAR

Requests received:

742 The Interpol office receives requests from abroad. It addresses all local authorities in Djibouti, depending on the type of requests received and the powers of the persons in charge of implementing them.

743 As soon as the NCB of Djibouti receives a request from one of the Interpol bureaus around the world, it responds directly if the information is available at the bureau level. Similarly, an information request is filed to the competent authority for review, and as soon as a response is received from the relevant authority, a response is sent to the requesting authority. The Interpol bureau relies on a clear mechanism to organize incoming requests, as it follows the standards in force within the framework of the information exchange among the Interpol National Central Offices in member States, so that requests are classified according to their degree of urgency. The head of the department also reviews the requests in order to determine the priority for their processing.

744 During the review period 2019-2023, the Interpol office received 7 requests, 5 of which received partial and final responses. Out of the 7 requests received, 4 requests were related to extradition cases from 4 Interpol member States. It also received one request related to drug trafficking cases. The response time to the requests received (7) varied from 3 days to more than a year. Upon receipt, the requests are forwarded to the criminal investigation department so that they can begin processing them pursuant to their mandate.

745 The countries from which requests have been received are Ethiopia, Lebanon, China, Portugal, France and Egypt.

Table 8.11. Statistics on requests received by Djibouti through the NCB for the period (2019-2023)

Case	Recipient's State	Date of Request	Brief description of the type of Assistance solicited	Date of Part Response	Date of Final Response	Final Response Time
1	LEBANON	03/11/21	Drug container	06/11/21	Drug container seized	3 days
2	CHINA	04/05/22	Fugitive arrest and extradition request	05/05/23	10/05/23	One year and 6 days
3	ETHIOPIA	07/13/23	Fugitive arrest and extradition request	07/23/23	07/27/23	14 days
4	PORTUGAL	02/09/22	Fugitive arrest and extradition request	05/09/22	10/09/22	8 days
5	ETHIOPIA	04/12/23	Attempted crime	In progress	In progress	In progress
6	CAIRO	01/02/24	Fugitive arrest and extradition request	In progress	In progress	In progress
7	NCB PARIS	12/21/2018	French Jihadist Arrest	12/23/2018	07/01/2019	17 days

Customs and Excise Department (DGDDI):

746 Declarations relating to cross-border movements of funds, upon entry and exit, are submitted to the Djibouti DGDDI.

Pursuant to the applicable legislative provisions, physical transportation of cash in an amount equal to or greater than one million (1,000,000 FD) equivalent to five thousand six hundred and eighteen dollars (5618 USD) must be declared and justified to the customs authorities by the carrier.

747 The DGDDI prepares seizure reports for non-declaration or false declaration of funds moved. For the two years 2022 and 2023, the customs services prepared 12 seizure reports of undeclared cash, and one seizure report of gold bars. The total value of the cash seized amounted to USD 1,317,700.

Table 8.12. Statistics on the number and value of seizures of undeclared cash effected by the Djibouti customs services for the period (2019-2023)

	2019	2020	2021	2022	2023
Number of cases seized for non-declaration of cash	No case of cash seizure	No case of cash seizure	No case of cash seizure	4 cases of undeclared cash seizures	9 seizures of undeclared cash + 1 case of nugget
Cash or BNI	0	0	0	USD ETB	USD NUGGETS
Estimated value in USD	0	0	0	441,750 99,600	776 350 12 NUGGETS

748 The extent of the DGDDI's capacity to seize funds was not observed by the Assessment Team when there were serious indications that they were linked to money laundering and terrorist financing.

749 The Djibouti DGDDI does not exchange information and documents with other countries, in particular to prevent, investigate and repress violations of customs laws and regulations.

750 The DGDDI is a member of the World Customs Organization but is yet to ratify the international Convention on mutual administrative assistance for the prevention, investigation and repression of customs offences (Nairobi, 9th June, 1977).

751 Regarding bilateral cooperation, no bilateral agreement has been concluded between the DGDDI and its foreign counterparts, with the exception of the Memorandum of Understanding on customs transit between Djibouti and Ethiopia concluded on 9th November 2008.

Djibouti Central Bank (BCD):

752 Law No. 118/AN/11/6th L of January 22, 2011, amending Law No. 91/AN/05/5th L of 16th January 2005, amending the criteria of the Djibouti Central Bank, allows the Governor of the BCD to sign legally formed treaties and Conventions, including treaties and Conventions at international level.

753 In this regard, the BCD has concluded 4 agreements and Memoranda of Understanding with their foreign counterparts, covering among other things: cooperation in anti-money laundering and counter financing of terrorism, technical assistance within the framework of the evaluation of the AML/CFT regime of the Republic of Djibouti by GAFIMOAN, and cooperation in the promotion of Islamic finance.

Table 8.13. List of Memoranda of Understanding in force, concluded by the BCD with its foreign counterparts.

Date	Agreement Type	Institutions	Country
10/14/2017	Cooperation agreement	Bank Al-Maghrib and BCD	Kingdom of Morocco
03/30/2023	Declaration of intent on technical assistance within the framework of the evaluation of the AML/CFT regime of the Republic of Djibouti by GAFIMOAN	The French Ambassador in Port-Louis, Governor of the Bank of Mauritius and Governor of the BCD	MAURITIUS
11/30/2023	Memorandum of Understanding	Labuan Financial Services Authority (Labuan FSA) and BCD	Malaysia
11/30/2023	International Collaboration Agreement	The Chartered Institute of Islamic Finance Professionals (CIIF) and BCD.	Malaysia

754 During the REVIEW period 2019-2023, the BCD participated 9 meetings of various groups and colleges of banking supervisors. It received for the same period 7 information requests from foreign banking supervisory authorities such as the Bank of Uganda, the Central Bank of Kenya, the Bank of Mauritius and the Bank of Portugal. The subject of those requests were mainly requests for information on financial institutions or on managing directors of banks established in Djibouti, or requests for a letter of no objection for the acquisition of shares in the share capital of banks established in Djibouti. It should also be noted that for the years 2022 and 2023, the BCD did not receive any information request from foreign counterparts.

755 On the other hand, the BCD did not issue any information request to foreign counterparts for the entire period from 2019 to 2023.

Table 8.14. Statistics on cooperation activities undertaken by the BCD with foreign counterparts for the period (2019-2023)

Year	Number of requests for cooperation			Subject of Requests
	Received	Approved	Rejected*	

2019	3	3	0	* Information request on a local financial affiliate by the Bank of Uganda. * College of Supervisors of the BMCE Bank Group. * Meeting of the Francophone Banking Supervisors Group.
2020	3	3	0	* Information request on the responsible managers of a local bank by the Banco de Portugal. * Request for a letter of no objection by the Central Bank of Kenya. * Meeting of the Francophone Banking Supervisors Group.
2021	6	6	0	* Two information requests on a local bank by the Bank of Uganda. * Information request on a local bank by the UMOA Banking Commission * Information request on a local bank by the Bank of Mauritius. * College of Supervisors of the BMCE Bank Group * Meeting of the Francophone Banking Supervisors Group.
2022	2	2	0	* College of Supervisors of the BMCE Bank Group * Meeting of the Francophone Banking Supervisors Group.
2023	2	2	0	* College of Supervisors of the BMCE Bank Group * Meeting of the Francophone Banking Supervisors Group.
Total	16	16	0	
:				

756 Apart from the Djibouti Central Bank (BCD), the supervisory, monitoring, regulatory or self-regulatory authorities of all designated non-financial businesses and professions, as well as the supervisory authority of NPOs in Djibouti have not recorded any cooperation activity with their counterparts abroad for the review period 2019-2023.

International exchange of basic and beneficial ownership information on legal persons and legal arrangements

On the exchange of basic information:

757 The ANRF occasionally exchanges basic and beneficial ownership information with its foreign counterparts.

758 Indeed, during the review period 2019-2023, the ANRF of Djibouti received only three requests for information aimed at obtaining basic information on persons involved in predicate offences, such as human trafficking, or on offences involving bank accounts or visa cards. The ANRF responded to two of the three requests within a reasonable time frame (not exceeding 10 days). Regarding the criteria of the third request, the ANRF was unable to gather adequate relevant information to satisfactorily process the information request received by the requesting country.

Table 8.15. Statistics on requests received by the ANRF for the exchange of basic information for the period (2019-2023)

Issuance Dates	Requests Received	Purpose of Request	Requesting Countries	Request Status
12/06/2020	Information request	Request payment instrument (Visa card)	Somalia	06/21/2020
20/06/2022	Information request	Request Human Trafficking	Somalia	06/30/2022
08/26/2019	Information request	Bank account inquiry	Turkey	No response

759 Only one request was issued by the ANRF for basic information on persons suspected of being involved in a terrorism case, which dates back to 2018, and which had not received any response to date.

760 No request was issued by the ANRF to its foreign counterparts for the review period 2019-2023, on obtaining basic information on suspicious persons.

Table 8.16. Statistics on requests issued by ANRF for the exchange of basic information.

Issuance dates	Requests	Purpose of Request	Requesting Countries	Request Status
02/04/2018	Information request	ANRF Request for the Uganda-FIU on Housing Construction Company	Uganda	04/26/2018
03/04/2018	Information request	Djibouti's request to the UK-FIU on housing construction company	United Kingdom	Response received on 04/05/2018
05/29/2018	Information request	Djibouti's request to the Kenya-FIU on suspicion of terrorism	Kenya	No feedback

On exchange of beneficial ownership information

761 No requests for beneficial ownership information of legal persons and legal arrangements were received by the ANRF of Djibouti during the review period (2019-2023).

762 With regard to the information requests issued by the ANRF in this regard, there was only one request dating as far back as 2018, a summary of which the ANRF produced for the Assessment Team, which is presented below for illustration purposes.

Box No. 9: Case of request issued by the ANRF relating to beneficial ownership information:

On 25th February 2018, Mr. RS of XXXX Company and Mrs. SZ of YYY visited the Central Bank at the request of the Chief of Defence Staff for the potential construction of houses. The initial documents were presented containing details of the financing system as well as the loan conditions.

XXXX Company is said to have carried out similar construction projects in Uganda and Rwanda, using paper materials to present the projects.

Following a request for potential financing of a housing project by company XXXX and construction by company YYY, analyses were carried out to gain further knowledge of the beneficial owners and the company. These moves were concluded on 30th March, 2018.

We understand from the due diligence questionnaire that company XXX was a recent company that had been incorporated in the UK since 6th October 2017. The sole owner of the company is Mr. NM, a British citizen after Mr. RS transferred his shares to him on 22nd March 2018 (i.e. after the meeting with the Central Bank). Discussions with Mr. RS and initial documents informed us that the company had an account in Dubai in the United Arab Emirates but research has not informed us that the company was not based in Great Britain.

Following the questionnaire, the financial intelligence service contacted its counterparts in Great Britain (on 3rd April 2018) and Uganda (on 2nd April 2018) ask them whether these individuals or companies were known to their services.

The UK Financial Intelligence Service responded to us on 5th April 2018 informing us that neither company XXX nor Mr. NM were known to their services.

The Uganda Financial Intelligence Service responded to us on 25th April 2018 and informed us that the alleged construction projects carried out in Uganda did not exist. The YYY company exist in Uganda but had not carried any financial transactions in Uganda.

Another usual research was conducted on individuals and companies, including research on various databases and collection of information on the history of the information obtained.

Several risk elements were identified and specified as follows: 1. The financial package proposed for the contract mentioned the company's branch in Dubai while the documentation provided was that of the United Kingdom; 2. The loan repayment system was abnormally advantageous since it proposed repayment with interest for only 60% (USD 156,000,000.00), 20% (USD 52,000,000.00) with interest in Djibouti Francs but which remained in Djibouti for other projects and 20% with interest to be converted into a donation; 3. The company belonged to a single person, which was unusual for the amounts involved; 4. The funds apparently came from private funds of the sole proprietor; 5. Company XXXX claimed to be involved in the constructions of the YYY in Uganda and Rwanda which seemed very unlikely given the recent creation of the company; 6. Company YYYY had not carried out any construction of houses in Uganda despite what was claimed in the brochures provided by the company; 7. Company YYY had not carried out any financial transactions in Uganda, which was highly unusual for an operational construction company.

763 The supervisory/regulatory authorities, and possibly the ODPIC services, do not cooperate at international level with their counterparts regarding the exchange of basic and on beneficial ownership information, particularly in terms of verifying the shareholding structure, board members, executives and directors of foreign entities seeking to hold ownership shares in a financial institution or legal person operating in Djibouti.

General conclusion on IO. 2

764 Djibouti provides constructive mutual legal assistance and extradition without delay in most cases, but improvements are needed to make this assistance more consistent, targeted, and effective. The quality of assistance is affected by the lack of standardized procedures and systematic monitoring, which limits the impact of international cooperation.

765 Djibouti does request for mutual legal assistance, but not enough and not aligned with the priority offences of money laundering and terrorist financing. No request has been made for these offences or for serious crimes such as terrorism, migrants' smuggling and human trafficking. Apart from one case of identification of assets abroad in a case of corruption and embezzlement of public funds, the Djiboutian authorities have not succeeded in freezing or confiscating any funds or assets abroad.

766 The Djibouti authorities recognize the importance of strengthening international cooperation to exchange financial and legal intelligence in the fight against ML/TF. While efforts are underway, such as the use of Interpol and the ANRF's partnerships with other FIUs through Memoranda of Understanding, there is significant potential to intensify such exchanges. Increased engagement by supervisory authorities and the DGDDI in establishing bilateral agreements will strengthen Djibouti's effectiveness in preventing and combating cross-border crimes.

767 The information exchange on beneficial ownership by the Djiboutian authorities, like the ODPIC, is almost non-existent with the exception of a few requests which have been received or issued by the ANRF.

768 The Djiboutian system of international cooperation shows constructive efforts, but significant improvements are needed to fully meet international requirements.

Djibouti is rated as having a moderate level of effectiveness on IO. 2.

Appendix A. TECHNICAL COMPLIANCE

This Appendix provides a detailed analysis of the level of compliance of the Republic of Djibouti with the FATF 40 Recommendations. It does not describe the country's situation or risks, but focuses on the analysis of the technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

It should be noted that Djibouti became a member of MENAFATF on 15th March 2018. Consequently, no FATF-style evaluation had been conducted prior to that date.

Recommendation 1 – Risk assessment and IMPLEMENTATION of risk-based approach

Criterion 1.1

During the National Risk Assessment (NRA) conducted in 2021-2022, there was no legal requirement for Djibouti to identify and assess the money laundering and terrorist financing (ML/TF) risks. This notwithstanding, the country decided to conduct this assessment voluntarily, demonstrating its strong commitment to combating these harmful phenomena.

This proactive approach resulted in the official adoption of the NRA in July 2022 by the National Counter Terrorism Committee, with the technical support of the World Bank.

However, a decisive turning point has been reached with the recent adoption (March 2024) of Law No. 106/AN/24/9th L, establishing a legal obligation to assess ML/TF risks. Article 3-1-2-1 of this law clearly establishes this obligation, requiring Djibouti to regularly carry out an NRA. This assessment aims to identify and thoroughly assess the risks associated with ML/TF, as well as the proliferation of weapons of mass destruction. Furthermore, the article highlights the importance of considering the risks associated with virtual assets and new technologies, areas that are constantly evolving.

The NRA analyses the money laundering and terrorist financing risks from the perspective of threats and vulnerabilities. The threat level assessment is based on the data collected on the predicate offences and expert opinions. The vulnerability level assessment includes two components: a detailed analysis of national capacities in the fight against money laundering and terrorist financing, as well as an analysis of sectoral vulnerability to money laundering covering the most significant economic sectors in the country.

However, the NRA has several deficiencies. One of the main deficiencies is the lack of reliable and official statistics and sources of information. Also, the NRA did not examine financial flows linked to corruption, a remarkable omission given the fact that corruption is considered one of the main threats in the fight against money laundering. Furthermore, some entities and professions in the designated non-financial businesses and professions (DNFBPs) sector are not taken into account (only casinos and the Association of Chartered Accountants participated in the work of the NRA). The vulnerability of certain categories of DNFBPs is not presented (Notaries, Real Estate Developers, NGOs) and the assessment of the legal profession is mentioned with

no explanation on how the exercise was conducted without the active participation of this profession in the assessment operation, in addition to the lack of sectoral analyses, particularly for high-risk sectors.

Criterion 1.2

Law No. 106/AN/24/9th L, adopted in March 2024, addresses a major gap in the fight against money laundering and terrorist financing (ML/TF) in Djibouti. The requirements of this criterion are met by Articles 3-1-1-1 and 3-1-1-2 of this law, which provide for the designation of a specific authority and the establishment of a National Coordinating Committee in charge of coordinating actions designed to assess risks related to money laundering, terrorist financing and the proliferation of weapons of mass destruction.

Article 3-1-1-1 establishes this Committee as well as a Technical Committee to assist it in its operational tasks. Article 3-1-1-2, it defines the mandate of the National Coordinating Committee, which explicitly includes the coordination of risk assessment efforts and the dissemination of the findings. These provisions directly meet the requirement to designate an authority or mechanism for this coordination.

Criterion 1.3

Article 3-1-1-2 of Law No. 106/AN/24/9th L, meets the requirements of criterion 1.3 which requires countries to update risk assessments. This article of the law presents a comprehensive approach for the coordination, review, and periodic updating of risk assessments related to money laundering, terrorist financing, and the proliferation of weapons of mass destruction. Furthermore, Article 3-1-2-1 of the same law specifies in its last paragraph that the revisions of the National Risk Assessment must be done "every three years". The national risk assessment is revised every three years and when warranted by the emergence of new threats and vulnerabilities". Furthermore, Article 3-1-1-2 of the same law provides that the committee shall be in charge of periodically updating the NRA. Thus, this article further strengthens the updating requirement provided for under Article 3-1-2-1.

Criterion 1.4

Article 3-1-2-1 of Law No. 106/AN/24/9th L meets this criterion by requiring countries to establish mechanisms to provide information on the findings of these assessments to all competent authorities, self-regulatory bodies, financial institutions, and designated non-financial businesses or professions. This article provides for the dissemination of the findings to all stakeholders in the AML/CFT/PF regime, including competent authorities, regulatory and supervisory authorities, self-regulatory bodies, and persons referred to under Article 2-1-1 of the aforementioned law.

Criterion 1.5

Article 3-1-2-2 of Law No. 106/AN/24/9th L, specifies that the findings of the national risk assessment shall provide guidance for national policies and that, based on these findings, the competent authorities allocate resources in such a way as to ensure that the measures adopted are proportionate to the risks identified. Furthermore, the article also specifies that these measures are designed to prevent or mitigate ML/TF.

Criterion 1.6 (Not Applicable)

Under criteria (a) and (b): Djibouti has not expressed any reservations regarding the FATF Recommendations.

Criterion 1.7

Under Criterion (a): Article 2-2-13 relating to "enhanced due diligence obligations for high risk" constitutes an important step for a high risk by imposing the enhanced due diligence obligation in case of high ML/TF risks. This obligation refers to the persons mentioned under Article 2-1-1. These persons are therefore required to enhance the intensity of the due diligence measures required by Articles 2-2-3 to 2-2-9.

It should be noted that Article 2-2-3 meets the requirement of this sub-criterion by providing under paragraph 2 that: "The persons mentioned under Article 2-1-1 are required to have policies, controls and procedures, approved by their senior management, enabling them to manage and mitigate the risks identified at the national level by the competent authorities and those identified by them during the risk assessment. They are also required to monitor the implementation of these inspections and strengthen them if necessary. Where higher risks are identified, they take enhanced measures to manage and mitigate these risks", through this article, the country is therefore compliant with sub-criterion 1.7 (a).

Under criterion (b): Article 2-2-3, the persons referred to under Article 2-1-1 (the term "reporting entities" means financial institutions and non-financial businesses and professions designated under Article 2-1-1 and subject to the provisions of Caps II and III of Law 106) are required to have policies, controls and procedures, approved by their senior management, enabling them to manage and mitigate the risks identified at the national level by the competent authorities and those identified by them during their own risk assessment. They are also required to monitor the implementation of these inspections and strengthen them if necessary. Where higher risks are identified, they take enhanced measures to manage and mitigate these risks.

Criterion 1.8

Article 2-2-17 of Law 106/AN/24/9th provides for entities to reduce due diligence measures for low ML/TF risks, but does not specify the obligation to align with the national risk assessment. This gap constitutes a major deficiency, as it does not guarantee the consistency of the measures taken with the risks identified at national level. On the other hand, although Article 3-1-2-1 mentions the incorporation of the NRA findings into sectoral assessments, it does not prescribe that simplified measures to be taken by reporting entities must be consistent with the NRA. This article is mainly addressed to the "competent authorities" to guide their sectoral assessments, and not to reporting entities to authorize them to take simplified measures in case of low risk and based on the risk assessments conducted by the country.

Criterion 1.9

Article 19 of Banking Law 119/AN/11/6th L emphasizes the process of licensing financial institutions, conditioned by the implementation of internal control systems to ensure their compliance with AML/CFT standards. However, the criterion requires supervisory authorities and self-regulatory bodies to ensure that all relevant entities, including DNFBPs, adopt a risk assessment

and a risk-based approach in line with Recommendation 1. The approach focusing on licensing financial institutions, as indicated in Djibouti's response, does not cover the scope of this criterion.

On the other hand, Article 2-3-1 of Law 106 presented by the country, clearly identifies the supervisory authorities and self-regulatory bodies. Regarding the supervision of obligations, the article ensures that the supervisory authorities and self-regulatory bodies monitor compliance with AML/CFT obligations, including a risk assessment and internal control measures. However, it does not provide for this supervision to include the verification of the adoption of a risk-based approach in compliance with Recommendation 1. It is therefore necessary to provide for the obligation for the supervisory authorities and self-regulatory bodies to exercise their supervisory role over all entities, including DNFBPs, for the implementation of the risk-based approach.

Criterion 1.10

Article 6 of Directive No. 2023-01 of 4th May 2023 on the system for the prevention and fight money laundering and terrorist financing states that "Reporting institutions shall implement a process for identifying, assessing, monitoring, managing and mitigating ML/TF risks to which they are exposed. In this regard, they shall particularly take into account their activities, the type of products they produce, the characteristics of their customers, the distribution channels for their products, the type of financial institutions they are dealing with and the countries they are transacting with".

This article to which Djibouti refers did not explicitly specify that this obligation is imposed on "reporting institutions". The expression used "reporting institutions shall establish a process ..." does not explicitly specify that this is a binding obligation for "reporting institutions".

Under criterion (a) Considering the Djibouti Central Bank Directive No. 2023-01 on the fight against money laundering and terrorism financing (ML/TF) as a whole, Djibouti adopts an integrated approach aimed at identifying, assessing and managing the risks associated with ML/TF. This approach is demonstrated through the definition of key terms "without specificity the definition of "reporting institutions", the obligation to set up an ML/TF system including risk mapping, as well as the specification of the actors concerned and their role in preventing ML/TF.

Article 5 concretizes the compliance of this directive with sub-criterion (a) on the documentation of ML/TF risk assessments. By stipulating the obligation for reporting institutions to record in writing the contents and functioning of their AML/CFT system, the article ensures that the necessary documentation, including the risk assessment, is conducted and formalized. The reference under Article 6 to a process for identifying, assessing, monitoring, managing and mitigating ML/TF risks, formalized by a risk mapping, further strengthens the compliance of the directive with the sub-criterion. The risk mapping, as a formalized document, serves as tangible evidence of the risk assessment effort undertaken by reporting institutions, pursuant to the documentation requirements.

In a nutshell, the Djibouti Central Bank's Directive, through its provisions, particularly articles 5 and 6, consistently meet the required sub-criterion (a) with regard to reporting entities accountable to the BCD without specifying the case of DNFBPs. Furthermore, Article 2-2-3 of Law No. 106/AN/24/9th L, on "Risk assessment of reporting entities" specifies that reporting entities

must take appropriate measures to identify and assess their money laundering and terrorist financing risks to which they are exposed, and they must document their risk assessments "This risk assessment must be documented and developed taking into account all relevant risk factors to determine the overall risk level and the level and type of appropriate measures to be implemented to mitigate such risks."

Sub-criterion (b) Directive No. 2323-01 of the Djibouti Central Bank, under Article 6, demonstrates partial compliance with sub-criterion (b). However, it would be essential for the directive to specify that the risk assessment must not only be comprehensive but also conducted before determining the overall risk level and the choice of mitigating measures. Furthermore, the BCD directive reporting entities accountable to the BCD without specifying the case of DNFBPs.

Article 2-2-3 of Law No. 106 requires reporting entities to take appropriate measures to identify and assess ML/TF risks, covering risks related to customers, countries, geographical areas, products, services, operations and distribution channels.

However, the above-mentioned article does not refer to the requirement to consider all relevant risk factors **before** determining the On the whole risk level.

Under criterion (c) The last part of paragraph 1 of article 2-2-3 of law n°106, provides that the reporting entities must ensure that this assessment is updated.

Under criterion (d), Article 3 establishes a general framework for the implementation of legal and regulatory obligations in AML/CFT and confirms the supervisory role of the BCD. This implies a structure through which risk assessments could theoretically be disseminated to the competent authorities, in this case the BCD, during its supervisory role. However, Article 3 does not mention the existence or need for specific mechanisms for the dissemination of information on the assessment of ML/TF risks to the competent authorities or self-regulatory bodies. The criterion requires institutions to have appropriate means for such dissemination. The failure to explicitly mention such mechanisms under Article3 indicates partial compliance. Furthermore, the BCD directive refers to reporting entities accountable to the BCD without specifying the case of DNFBPs.

Criterion 1.11

(a) Article 2-2-3 of Law No. 106, relating to "Risk assessment of reporting entities" requires entities referred to under Article2-1-1 to have policies, controls and procedures approved by senior management to manage and mitigate identified risks. This requirement covers risks identified at the national level by the competent authorities as well as those identified by the entities themselves in their risk assessments, in line with the first part of paragraph 2 of the article.

(b) Article 2-2-3 of Law No. 106, on "Risk assessment of reporting entities" specifies that reporting entities must monitor the implementation of these controls and strengthen them if necessary.

(c) Article 2-2-3 of Law No. 106, on "Risk assessment of reporting entities" indicates that when higher risks are identified, reporting entities must take enhanced measures to manage and mitigate such risks.

Criterion 1.12

Article 24 of Directive No. 2023-01 of Djibouti provides for follow-up proportionate to the risks identified and excludes the possibility of simplified follow-up in case of suspicions of ML or TF. Article 2-2-17 of Law No. 106, on "Obligations in case of low risks of money laundering and terrorist financing" allows reporting entities to reduce due diligence measures in case of low risk provided this reduction is justified by a formalized and documented risk assessment and does not exclude from the reduction of due diligence measures in case of suspicions of ML/TF as required by criterion 1.12.

Also with regard to meeting criteria 1.9 to 1.11, Djibouti has improved its compliance with criterion 1.11, partial compliance with criterion 1.9 and 1.10 through the deficiencies identified in the risk-based approach, the lack of precision concerning suspicions of ML/TF and the non-obligation to have appropriate mechanisms to disseminate to the competent authorities and self-regulatory bodies all information on the risk assessment of the reporting entities, justify the partly met rating for criterion 1.12.

Weighting and conclusion

Djibouti has made partial progress in implementing this recommendation, particularly with the enactment of Law No. 106/AN/24/9th L and its first ML/TF National Risk Assessment (NRA) report. However, there are outstanding deficiencies, including the lack of reliable and official statistics preventing an accurate analysis of the threats, an in-depth analysis of financial flows linked to corruption and the non-participation of certain key entities in the NRA. Coordination among the various competent authorities also needs to be improved, although informal collaboration already exists. Efforts are needed to address the remaining gaps in ML/TF risk management, involving moderate improvements in the implementation of the risk-based approach, the consistency of simplified measures with the NRA and which are not authorized where ML/TF suspicions do exist, the obligation for reporting entities to have appropriate mechanisms to disseminate information on their risk assessment to competent authorities and self-regulatory bodies.

Djibouti is urged to resolve the identified deficiencies and conduct a comprehensive assessment of ML/TF risks in line with international standards. This involves not only legislative and regulatory reforms, but also strengthening institutional and technical capacities. In this regard, it should be recalled that the FATF methodology specifies in its reference No. 5 that "It is necessary to reiterate that this recommendation aims to assess the contextual factors of the country, the process, the mechanism and sources of information used, as well as the risk assessments conducted at both national and sectoral levels based on the level of risk to which the country is exposed."

The Republic of Djibouti is rated Partially Compliant on Recommendation 1.

Recommendation 2 – National cooperation and coordination

Criterion 2.1

The Republic of Djibouti has finalized its National ML/TF Risk Assessment Report, which commenced in February 2021. It identified and assessed the main ML/TF risk sectors in the country. Djibouti has a national AML/CFT strategy that is not based on identified risks. However, there are a few national sectoral reports or action plans, which address major ML/TF risk themes as identified in the National Risk Assessment (NRA) report. These are mainly the 2021 National Migration Strategy and the National Financial Inclusion Strategy (2022-2027).

Criterion 2.2

Pursuant to Article 3-1-1-1 of AML/CFT/PF Law No. 106/AN/24/9th L, the Republic of Djibouti has designated the National AML/CFT/PF Coordinating Committee as the authority mandated to promote cooperation and coordination among competent authorities for the development and implementation of policies and activities designed to fight against money laundering and terrorism financing.

The same article also establishes the AML/CFT/PF Technical Committee, which is in charge of supporting the National Coordinating Committee at the operational level. The composition and functioning of the National Coordinating Committee and the Technical Committee are established by Decree, which is yet to be promulgated.

Criterion 2.3

The strategic and operational mechanisms provided for by this criterion are specified through the composition and functioning of the two Committees, the National Coordinating Committee (policy mechanism) and the Technical Committee (operational mechanism). However, and without the Decree determining the composition of these two Committees and the modalities of their operation, no mechanism can be considered as being established in Djibouti to meet the requirements of this criterion.

Furthermore, the lack of a national strategy based on the risks identified in the NRA referred to in criterion 2.1 above affects compliance with the requirements of this criterion.

Criterion 2.4

Pursuant to the provisions of Article 3-1-1-1, the National Coordinating Committee and the Technical Committee are in charge of coordinating the efforts of the competent Djiboutian authorities in the fight against ML, TF and proliferation financing. Thus, the coordination mechanisms provided for ML/TF also apply to the fight against the financing of the proliferation of weapons of mass destruction.

So far, without the Decree that determines the composition and functioning of the two Committees mentioned above, no mechanism can be considered to be in place for the development of policies and operational coordination in the fight against the financing of proliferation in Djibouti, to meet the requirements of this criterion.

Criterion 2.5

Article 3-1-1-2 paragraph 4 of Law No. 106 of 6th March 2024, provides that the National Coordinating Committee shall be in charge of ensuring that issues of data protection, respect for privacy, national security and protection of fundamental rights must be taken into consideration in the development of policies and their implementation.

Weighting and conclusion

Djibouti has completed its national ML/TF risk assessment report, but the lack of a national strategy based on the identified risks remains. Institutional coordination is clearly designated by the latest legislative review. However, the composition and functioning of the Coordinating Committees created at the strategic and operational levels are yet to be specified by enforcement texts. Criterion 2.4 is still Not Met because the non-existence of a cooperation mechanism provided for in the fight against the financing of the proliferation of weapons of mass destruction is suffering for the same reasons due to the lack of relevant enforcement texts. On the other hand, criterion 2.5 is met due to the provision in Law No. 106 for the obligation to coordinate with national security, data protection and privacy measures. Moderate improvements are required to comply with Recommendation 2.

The Republic of Djibouti is rated Partially Compliant on Recommendation 2.

Recommendation 3 – Money laundering offence

Criterion 3.1

- In the Republic of Djibouti, the legal provisions of the AML/CFT/PF Law No. 106/AN/24/9th L, criminalize money laundering and the material elements constituting the proceeds of crime, based on the Vienna and Palermo Conventions:
- The definition of Money Laundering provided for under Article 1-2-1 of the AML/CFT/PF Law No. 106/AN/24/9th L, provides for the criminalization of (a) The conversion or transfer of assets, with the aim of concealing or disguising the illicit origin of the said assets or assisting any person who is involved in the commission of the predicate offence to evade the legal consequences of his/her acts, pursuant to Article 3-1-bi of the Vienna Convention, and Article 6-1-ai of the Palermo Convention, and (b) The concealment or disguise of the nature, origin, location, nature, movement or real ownership of assets, pursuant to Article 3-1-b-ii of the Vienna Convention, and Article 6-1-a-ii of the Palermo Convention.
- Article 4-2-1 of the AML/CFT/PF Law No. 106/AN/24/9th L, sanctioning all those who commit the ML offence as well as their accomplices, pursuant to Article 3-1-c-iii of the Vienna Convention
- Article 4-2-2 of Law No. 196/AN/02/4th L criminalizes participation in an association or agreement with a view to committing the ML offence pursuant to Article 3-1-c-iv of the Vienna Convention and Article 6-1-b-ii of the Palermo Convention.

Criterion 3.2

In the laws of the Republic of Djibouti, the ML offence exists when the asset in question has an illicit origin or constitutes a proceeds of crime as defined by the Anti-money laundering law. The proceeds of crime are defined as any assets or economic benefit derived directly or indirectly from any crime or offence. Therefore, the criminalization of ML does not impose any restriction on the nature of the assets and covers all offences under criminal law and laws specific to certain crimes, in this case Law No. 133/AN/16/7th L of 25 March 2016 on counter human trafficking and migrants' smuggling. Thus, Djibouti law covers all the predicate offences contained in the designated categories of offences as defined by the FATF, with the exception of terrorist financing which is still not a predicate offence and insider trading and market manipulation which are not applicable to Djibouti due to the non-existence of a stock market in the country.

Criterion 3.3 – Not Applicable

The Republic of Djibouti does not apply the threshold method, or a combination of methods including the threshold method.

Criterion 3.4

The ML offence applies to all types of assets or assets, whether tangible or intangible, movable or immovable, tangible or intangible, as well as legal acts or documents certifying the ownership of these assets or the rights relating thereto. Furthermore, the proceeds of crime refer to any assets or benefit derived directly or indirectly from any crime or offence (Article 1.2.2 para 4 and 5 of Law No. 106/AN/24/9th L relating to the fight against money laundering, terrorism financing and the proliferation of weapons of mass destruction).

Criterion 3.5

The provisions of Cap. IV of AML/CFT/PF Law No. 106/AN/24/9th L (coercive measures), apply even if the perpetrator of the predicate offence is neither prosecuted nor convicted, or even if the condition for taking legal action following the said offence is lacking. It follows that money laundering can be prosecuted and that it is possible to prove that a assets constitutes the proceeds of crime, without a person being previously prosecuted or convicted for any predicate offence (Article 4.2.7 of AML/CFT/PF Law No. 106/AN/24/9th L).

Criterion 3.6

Prosecutions for ML may be initiated even when the facts of the predicate offence are committed abroad. However, in order to serve as a basis for prosecution for money laundering, the original facts committed abroad must have the character of a criminal offence in the country where they were committed and in the domestic law of the Republic of Djibouti (Article 1.2.2. Point 10 of AML/CFT/PF Law No. 106/AN/24/9th L).

Criterion 3.7

The perpetrator of the predicate offence may also be prosecuted for money laundering (article 4-2-7 in fine of AML/CFT/PF Law No. 106/AN/24/9th L).

Criterion 3.8

Knowledge, intent or motivation required as an element of the offence may be inferred from objective factual circumstances (Article 1-2-1 of AML/CFT/PF Law No. 106/AN/24/9th L).

Criterion 3.9

Individuals convicted of money laundering are liable to a prison sentence of 5 to 10 years and a fine of up to ten (10) times the value of the assets and funds on which the ML operations were carried out. Attempt and complicity are punishable in the same way as the main offence (Article 4-2-1 of AML/CFT/PF Law No. 106/AN/24/9th L). Furthermore, where the predicate offence is liable to an imprisonment term longer than that provided for ML, or where the offence is committed in the context of a performing professional function, a criminal conspiracy or where the perpetrator of the offence is a repeat suspect, more serious circumstances are provided for (Article 4-2-5 of AML/CFT/PF Law No. 106/AN/24/9th L). Furthermore, confiscation is mandatory for conviction for money laundering or attempted money laundering, and applies to assets that is the subject of the offence, including the instrumentalities, and into which these products have been transformed or converted up to their value, legitimately acquired assets with which the said products are co-mingled, including the income and other benefits derived from them, to whosoever they belong, unless their owner establishes that he/she acquired them by actually paying the fair price or in exchange for services equivalent to their value or for any other lawful reason, and that he/she was unaware of their illicit origin. Confiscation also applies to assets belonging, directly or indirectly, to any person convicted of money laundering, to his/her spouse, partner and children, unless the interested parties establish their lawful origin and their right of ownership. Furthermore, where the assets to be confiscated cannot be represented, confiscation may be ordered in value (article 4-2-8 of AML/CFT/PF Law n°106/AN/24/9ème L).

However, in spite of the above provisions, the dissuasive and proportionate nature of the sanction applicable to individuals convicted of money laundering is largely mitigated by the power given to the judge to attach a suspended sentence to the prison sentence.

Criterion 3.10

Where the offence was committed for the benefit of a legal person other than the State, the latter is sanctioned with a fine equal to five times the fines provided for natural persons. The court that delivers the conviction may also order the confiscation of the assets that was used or intended to be used to commit the offence or the assets that was the proceed thereof. Similarly, where they fail to meet their obligations, legal persons may be sanctioned by the disciplinary or supervisory authorities to a wide range of administrative sanctions. These supervisory authorities may also refer the matter to the State Prosecutor, who may initiate criminal proceedings resulting in criminal sanctions (art. 4-2-3 of AML/CFT/PF Law No. 106/AN/24/9th L). Thus, all the sanctions applicable to legal persons are considered proportionate and dissuasive.

Criterion 3.11

The criminal justice system of the Republic of Djibouti appropriately provides for offences related to the ML offence. Indeed, the provisions of Article 4.2.1 and 4.2.2 of AML/CFT/PF Law No. 106/AN/24/9th L, criminalizes the attempt and complicity of aiding, abetting or inciting using the same sanctions as those for the ML offence.

Weighting and conclusion

The Republic of Djibouti criminalizes money laundering based on the Vienna and Palermo Conventions, and applies the money laundering offence to all serious offences in order to cover the widest range of predicate offences. There are minor deficiencies, particularly in the system of applying suspended sentences, which, despite the sanctions applicable to money laundering perpetrators, gives the judge the latitude to confer a suspended sentence to the prison sentence.

The Republic of Djibouti is rated Largely Compliant on R.3.

Recommendation 4 – Confiscation and provisional measures

Criterion 4.1

The Republic of Djibouti provides for measures, including legislative ones, allowing the confiscation of the following assets where they are held by the accused, or to whosoever they belong (article 4.2.8 of AML/CFT/PF Law No. 106/AN/24/9th L.

- a) Laundered assets: Article 4-2-8 of AML/CFT/PF Law No. 106/AN/24/9th L provides for the confiscation of assets that are the subject of the offence.
- b) The proceeds (including income or other benefits derived from such proceeds) or instrumentalities used or intended to be used for money laundering or predicate offences: The judicial authority or competent official may also seize any assets related to the subject of the investigation. Therefore, the instrumentality used or intended to be used for the commission of the offence under investigation may be subject to seizure (Article 4-2-8 of AML/CFT/PF Law No. 106/AN/24/9th L). Furthermore, Article 44-7 of the Penal Code provides that the additional sanction of confiscation, when imposed, shall apply to the item that was used or intended to be used to commit the offence or to the item that is the proceed thereof.
- c) Assets constituting the proceeds of, or used for, or intended to be used for, or allocated to, terrorist financing, terrorist acts or terrorist organizations: In case of conviction for the offence of financing terrorism, the confiscation of funds, assets and financial resources used or intended to be used to commit the offence of financing terrorism shall be ordered (Article 7 of Law No. 104/AN/24/9th L amending AML/CFT/PF Law No. 110/AN/11/6th L).
- d) Assets of equivalent value: for the offence of money laundering, Article 4-2-8 of AML/CFT/PF Law No. 106/AN/24/9th L, stipulates the following: "Where the assets to be confiscated cannot be represented, confiscation may be ordered in value". With regard to the predicate offences of money laundering, Article 44 paragraph 7 of the Penal Code provides that where the confiscated item has not been seized or cannot be represented, confiscation shall be ordered in value.

Criterion 4.2

The Republic of Djibouti provides for measures, including legislative measures, which enable its competent authorities to:

- a- Identify, detect and estimate: The competent authorities may seize assets related to the offence under investigation as well as any elements leading to identification. However, the legal text does not provide for detection and estimation.
- b- Implement provisional measures: Issue precautionary measures including seizures, freezing, restraining capital and freezing financial transactions on assets. The judicial authority may also take precautionary measures, restrain capital and freeze financial

transactions on assets, whatever their nature, subject seizure or confiscation.

Similarly, the assets and other financial resources of persons who commit or attempt to commit terrorist acts, participate in them or facilitate their commission may be frozen by order of the competent authority under United Nations Security Council Resolutions 1267 and 1373, which provide for freezing measures to be implemented without prior notification.

c- Take measures to prevent or cancel actions: No measure in force compromises the country's capacity to freeze, seize or recover assets subject to a confiscation measure.

d- Take all appropriate investigative measures: The judicial authorities in charge of detection and enforcement have the power to seize assets related to the offence. They may also, in order to obtain proof of the offence, order special investigative technical measures for a specified period. The investigating judge may, ex officio or at the request of the State Prosecutor, order any precautionary measures. The judicial authorities and competent officials in charge of detection and enforcement, linked to ML, may seize assets related to the offence under investigation as well as any elements likely to enable them to be identified.

Similarly, the Financial Intelligence Service receives, processes and analyses the information it receives from reporting entities or judicial authorities, police agencies, disciplinary and supervisory authorities and all other State administrative departments. In order to enrich the said information, the Financial Intelligence Service exercises its right to communicate with any public authority and any natural or legal person.

From the analysis of all this information it can access, the Intelligence Service may, where it identifies clues supporting its suspicions, disseminate financial intelligence obtained from the State Prosecutor.

Criterion 4.3

The rights of bona fide third parties are protected by law: Article 4-2-8 of AML/CFT/PF Law No. 106/AN/24/9th L stipulates that any assets that is the subject of the ML offence shall be confiscated unless its owner establishes that he/she acquired it by actually paying the fair price or in exchange for services equivalent to its value or for any other lawful reason, and that he/she was unaware of its illicit origin.

Criterion 4.4

Mechanisms for managing and, where necessary, disposing of frozen, seized or confiscated assets: Confiscated assets may be allocated to a fund to fight against organized crime or drug trafficking. However, no mechanism has been put in place by the authorities of the Republic of Djibouti to manage and, where necessary, dispose of frozen, seized or confiscated assets.

Weighting and conclusion

There are minor outstanding deficiencies, particularly with regard to the lack of mechanism established by the authorities of the Republic of Djibouti to manage and, where appropriate, dispose of frozen, seized or confiscated assets.

The Republic of Djibouti is rated Largely Compliant on R.4.

Recommendation 5 – Terrorist Financing Offence

Criterion 5.1

Article 3 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L financing criminalizes TF by referring to the commission of offences covered by the universal instruments for the fight against terrorism as stipulated under Article 2 of the International Convention for the Suppression of Terrorism Financing. This Convention was ratified by Djibouti following Law No. 131/AN/05/5th L ratifying the International Convention for the Suppression of Terrorism Financing. The Appendices contained in the said Convention have also been ratified by the Republic of Djibouti through the following ratification laws:

- Law No. 197/AN/92/2e L of 9th February 9, 1992, on the Republic of Djibouti's accession to three international Conventions relating to civil aviation safety.
- Law No. 49/AN/04/5th L on the country's accession to international counter-terrorism Conventions.
- Law No. 127/AN/11/6th L ratifying the Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms Located on the Continental Shelf.
- Law No. 147/AN/11/6th L ratifying the International Convention for the Suppression of Acts of Nuclear Terrorism.

On the other hand, the terrorist acts criminalized by Article 167 of the Penal Code and Articles 1 to 3 of Law No. 105/AN/24/9th L amending Law No. 111/AN/11/6th L relating to the fight against terrorism and other serious offences, Articles 187 and 188 of the Penal Code relating to insults, offences and violence against those in authority or public esteem, Article 385 of the Penal Code on the hijacking of aircraft, ships or any other means of transport, do not cover the diversity of terrorist acts provided for by the Conventions referred to in the Appendix to the Convention on the Suppression of Terrorism Financing. The legislation in force in Djibouti does not criminalize violence against persons on board aircraft, the destruction of or damage to aircraft, attacks at international airports causing serious injury or death, attacks on official premises, the private home or means of transportation of an internationally protected person. Nor does it cover hostage-taking to coerce States or organizations, offences related to nuclear materials, the destruction of fixed platforms or the use of explosives targeting public places or infrastructure causing economic losses.

Criterion 5.2

Article 3 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that terrorist financing is any act committed by any means whatsoever, by a person who directly or indirectly provides or collects funds, assets or other resources or attempts to provide or collect them with the illegal intention of having them used or knowing that they will be used in whole or in part, a) either with a view to committing, attempting to commit or facilitating one or more terrorist acts b) or by an individual terrorist or a terrorist group even if there is no link with any or more specific terrorist acts.

Criterion 5.2 bis

Article 3 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that terrorist financing offences also include financing the travel of persons who going to a State other than their State of residence or nationality, with the intention of committing, organizing or preparing acts of terrorism, or in order to participate in them or to provide or receive training in terrorism.

Criterion 5.3

The Funds referred to under Article 3 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L are defined under Article 2 of the same law, mean goods and assets of any nature, tangible or intangible, movable or immovable, acquired by any means whatsoever, and legal documents or instruments in any form whatsoever, including in electronic or digital form which prove a right of ownership or interest in such assets, including but not limited to bank credits, traveler's cheques, bank cheques, money orders, shares, securities, bonds, drafts and letters of credit, among others.

They also mean any assets, including, but not limited to, financial assets, economic resources (including petroleum and other natural resources), assets of any kind, tangible or intangible, movable or immovable, however acquired, as well as legal acts or instruments in any form, including electronic or digital, evidencing ownership of such funds and other assets or rights relating thereto, including, but not limited to, bank credits, traveler's checks, bank checks, money orders, shares, securities, bonds, drafts or letters of credit and any interest, dividends and other income or values derived from or generated by such funds and other assets, and any other assets that may be used to obtain funds, goods or services.

This provision does not distinguish between the nature or origin of the assets and does not exclude any assets and the lawful or illicit nature of the assets has no bearing on the constitution of the TF offence.

Criterion 5.4

Article 3 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that terrorist financing offences do not require the funds and other assets (a) to have actually been used to commit or attempt to commit one or more terrorist acts or (b) that they are linked to one or more specific terrorist acts.

Criterion 5.5

Article 3, paragraph 6 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that the knowledge, intention or motivation necessary as an element of the offence may be inferred from objective factual circumstances.

Criteria 5.6

The TF offence is liable to 20 years of criminal imprisonment and a fine of 10,000,000 FD. Where the offence has resulted in the death of one or more persons, it is liable to life imprisonment. Participation in an association or agreement with a view to committing the offence of financing terrorism is liable to the same sanctions. Legal persons guilty of the offence of financing

terrorism are liable to the sanctions provided for in Articles 45, 46 and 47 of the Penal Code. Attempted terrorism financing and complicity, the organization of such an act, order given, aid and assistance, incitement, advice and assistance provided for its commission or for the facilitation of its execution are also liable to sanctions as a financing offence.

Article 7, paragraph 1 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that in case of conviction for the terrorist financing offence, the confiscation of funds, assets and financial resources used or intended to be used to commit the offence of financing terrorism shall be ordered.

Finally, the suspended sentence shall not be applicable in case of conviction for TF since the suspended sentence is only applicable to prison sentences of up to 5 years. However, the TF offence is liable to a 20-year imprisonment.

Criterion 5.7

The criminal liability of legal persons applies to the TF offence (Articles 45, 46 and 47 of the Penal Code). The criminal sanctions applicable to legal persons are: a fine equal to five times the one incurred by natural persons, exclusion from public procurement contracts permanently or for a period not exceeding ten years, confiscation of assets used or intended to be used to commit the offence, judicial surveillance for a maximum period of five years, suspension of professional or social activities during which the offence was committed or permanent closure or for a period of 10 years at most, or dissolution of the institution where it was established to commit the convicted acts.

These sanctions shall be applied without prejudice to the criminal liability of individuals.

Furthermore, the competent supervisory authority, contacted by the State Prosecutor within the framework of the lawsuit instituted against an FI, may apply appropriate sanctions, pursuant to the laws and regulations in force. This range of sanctions shall be proportionate and dissuasive.

Criterion 5.8

Article 6, paragraph 6 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L, provides that a) the attempt to finance terrorism shall be liable to sanction like as TF offence.

The said article also provides that the attempt to commit any act of terrorism financing and complicity, the organization of such an act, order given, aid and assistance, incitement, advice and assistance given for its commission or for the facilitation of its execution are liable to sanction like any terrorist offence. Therefore, it can be concluded that criterion 5.8 is Met.

Criterion 5.9

Article 1-2-2 indent 9 of AML/CFT/PF Law No. 106/AN/24/9th L provides that "the predicate offence means any criminal offence, even if committed abroad, from which its perpetrator to obtain proceeds as defined by this law". As defined, the offence TF could constitute a predicate offence provided it produced assets that could be laundered or that it enabled its perpetrator to obtain some proceeds.

In order to ensure that the FT offence remains a predicate offence to ML, the authorities of the Republic of Djibouti should unconditionally determine the list of predicate offences across a range of offences within each of the categories designated by the FATF as indicated in criterion 3-2.

Criterion 5.10

Article 3, paragraph 5 of Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L provides that any person or group of persons acting in concert as accomplices or who knowingly contributes to it or facilitates the criminal activity also commits the terrorism financing offence, as well as anyone who organizes the commission of the offence or orders other persons to commit it, even if the acts are committed on the territory of a third State.

Weighting and conclusion

The legal framework for criminalizing terrorism financing has moderate gaps. The legislation in force in Djibouti does not criminalize the variety of terrorist acts provided for in the Conventions referred to in the Appendix to the Convention for the Suppression of Terrorism Financing. Furthermore, as expressed in the AML/CFT law, terrorist financing is not always a predicate offence to ML.

The Republic of Djibouti is rated Partially Compliant on R.5

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

IDENTIFICATION AND DESIGNATION

Criterion 6.1

Regarding designations relating to UNSC Resolutions 1267/1989 and 1988:

- a) The national authority in charge of proposing the designation of persons or entities to the 1267/1989 Committee and proposing the designation of persons or entities to the 1988 Committee is the Technical Committee for the Implementation and Management of Targeted Financial Sanctions Related to Terrorism and the Proliferation of Weapons of Mass Destruction (Articles 8 and 9 of Law 104/An/24/9th, Articles 3 and 5 of Decree 2024-053/PR/MJDH);
- b) The identification of designation targets based on the criteria established in the United Nations Security Council Resolutions (UNSCRs) is done by collecting all available information from members of the Technical Committee and any other competent authority (Article 5, paragraph 4 of Decree 2024-053/PR/MJDH).
- c) The designation proposal must be supported by “reasonable grounds” and is not subject to the existence of criminal proceedings (Article 5, paragraph 5 of Decree 2024-053/PR/MJDH).
- d) The designation proposal must follow the listing procedures and templates (in the case of United Nations Sanctions Regimes) adopted by the relevant committee (Committee 1267/1989 or Committee 1988) (Article 7, paragraph 3 of Decree 2024-053/PR/MJDH);

- e) The authorities should provide as much relevant information as possible on the proposed name; as detailed a statement of reasons as possible on the reasons for inclusion; and (in the case of proposals of names to the 1267/1989 Committee), specify whether their criteria as a designating State may be made public (Article 7 of Decree 2024-053/PR/MJDH).

Criterion 6.2

Regarding designations relating to UNSC Resolution 1373:

- a) The competent authority in charge of proposing the designation of individuals or entities that meet the specific designation criteria described in UNSCR 1373 is the Technical Committee for the Implementation and Management of Targeted Financial Sanctions Related to Terrorism and the Proliferation of Weapons of Mass Destruction (Article 8 of Law 104/An/24/9th · Articles 3 and 5 of Decree 2024-053/PR/MJDH); done at the initiative of the country itself or after having examined the request of another country and, where appropriate, given effect to it (Article 5, paragraphs 1 and 2 of Decree 2024-053/PR/MJDH).
- b) The identification of designation targets based on the criteria established under UNSCR 1373 is done by collecting all available information from the Technical Committee members and any other competent authority (Article 5, paragraph 4 of Decree 2024-053/PR/MJDH).
- c) When receiving a request from a foreign country, the Technical Committee must gather all information from the foreign authority to promptly determine whether the request is supported by reasonable grounds to suspect or believe that the person or entity proposed for designation meets the designation criteria of UNSCR 1373 in order to adopt the designation proposal (Article 5, paragraphs 4 and 5 of Decree 2024-053/PR/MJDH);
- d) The designation proposal must be supported by “reasonable grounds” and is not subject to the existence of criminal proceedings (Article 5, paragraph 5 of Decree 2024-053/PR/MJDH).
- e) The Technical Committee must transmit to a third State as much relevant information as possible for identification with certainty, as well as the most detailed information possible to support the decision where another country is asked to give effect to actions taken under the freezing mechanisms (Article 7, paragraph 4 of Decree 2024-053/PR/MJDH).

Criterion 6.3

- a) The Technical Committee has the power to collect information from all its members and any other national or foreign authority in order to identify persons and entities who meet the designation criteria, based on reasonable grounds, or for whom there is a reasonable basis to suspect or believe that they meet these criteria (Article 5, paragraph 4 of Decree 2024-053/PR/MJDH);
- b) The Technical Committee has the power to intervene *ex parte* against a person or entity that has been identified and whose designation (or proposed designation) is being reviewed (Article 5, paragraph 3 of Decree 2024-053/PR/MJDH).

FREEZING

Criterion 6.4

The Minister of Budget shall order the designation of persons and entities appearing on the UNSCR 1267/1989,1988 Sanctions List and persons or entities subject to a designation proposal adopted by the Technical Committee pursuant to UNSCR 1273 within a maximum period of 16 hours from either the announcement through a United Nations Press Release of the addition of a name to the UNSCR 1267/1989,1988 Sanctions List , or the adoption of a designation proposal by the Technical Committee pursuant to UNSCR 1273 (Article 8 of Decree 2024-053/PR/MJDH). This designation shall be published on the Technical Committee website without delay (Article 8, paragraph 2.b of Decree 2024-053/PR/MJDH) and the freezing of the funds of the designated persons and entities shall be effected within a maximum of 8 hours from this publication (Article 9 of Decree 2024-053/PR/MJDH).

Criterion 6.5

- a) The Republic of Djibouti requires all natural or legal persons and entities likely to hold all funds to freeze such funds and other assets of designated persons within a maximum period of 8 hours from the publication on the website of the Technical Committee of the administrative decision of designation and without prior notification (Article 10 of Law 104/An/24/9th^{and} Article 9 of Decree 2024-053/PR/MJDH).
- b) The obligation to freeze funds in the Republic of Djibouti extends to: (i) all funds and other assets that are owned or controlled by the designated entity or person; (ii) funds or other assets owned or controlled wholly or jointly, directly or indirectly, by the designated persons or entities; (iii) funds or other assets derived from or generated by funds and other assets owned or controlled, directly or indirectly, by the designated persons or entities; (iv) funds or other assets of persons and entities acting on behalf of or at the direction of the designated persons or entities (Article 10 of Law 104/An/24/9th and Article 9 of Decree 2024-053/PR/MJDH).
- c) It is prohibited for any person or entity to make release funds and other assets, economic resources, or financial services and other related services, directly or indirectly, in whole or in part, for the benefit of designated persons or entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of or on the directives of designated persons or entities, unless otherwise licensed, authorized, or notified, pursuant to the applicable UNSCRs (Article 11 of Law 104/An/24/9th^{and} Article 10 of Decree 2024-053/PR/MJDH).
- d) The administrative decision to designate shall be published in the following edition of the Official Gazette and without delay on the website of the Technical Committee (Article 8, paragraph 2.b of Decree 2024-053/PR/MJDH). This decision shall also be disseminated to the financial sector and non-financial companies and professions designated by the Technical Committee (Article 8, paragraph 2.d of Decree 2024-053/PR/MJDH) but the modalities and procedures for such dissemination had not yet been established by the Technical Committee as at the time of the on-site visit. The Technical Committee develops and provides financial institutions and other persons and entities, including designated non-financial businesses and professions likely to hold funds or other assets covered, with guidelines on their obligations regarding designation/freezing and delisting/unfreezing measures (Article 5, paragraph 7 of Decree 2024-053/PR/MJDH). However, no guidelines had been developed as at the time of the on-site visit.
- e) Financial institutions and designated non-financial businesses and professions must report to the ANRF all frozen assets and measures taken pursuant to the prohibitions of the relevant UNSCRs, including attempted transactions involving or related to the funds and other assets subject to freezing or to designated persons and entities within 24 hours (Article

13 of Decree 2024-053/PR/MJDH). However, the procedures and forms for this purpose had not been developed by the Technical Committee as at the time of the on-site visit.

- f) The normative texts provide that the rights of *bona fide* third parties shall be respected within the framework of implementing the obligations under Recommendation 6 (Article 12 of Law 104/An/24/9th^{and} Article 12 of Decree 2024-053/PR/MJDH) but no concrete measures existed as at the time of the on-site visit to implement this provision.

DE-LISTING, RELEASE AND ACCESS TO FROZEN FUNDS AND OTHER ASSETS

Criterion 6.6

The Republic of Djibouti has developed and implemented publicly known mechanisms for the delisting and release of funds and other assets of persons and entities that do not or no longer meet the designation criteria, but certain procedures are yet to be defined. In particular:

- a) The Republic of Djibouti has mechanisms to submit requests for delisting to the relevant United Nations Sanctions Committee in the case of individuals and entities designated under the United Nations sanctions regimes who, in the country's opinion, do not or no longer meet the designation criteria (Article 8, paragraph 2.c and Article 19 of Decree 2024-053/PR/MJDH). However, the procedures and related forms had not yet been developed by the Technical Committee as at the time of the on-site visit.
- b) The Technical Committee and the Minister of Budget have powers and mechanisms to delist and release the funds or other assets of persons and entities, designated under UNSCR 1373, who no longer meet the criteria for designation (Article 8, paragraph 2.c and Articles 19, 21 and 22 of Decree 2024-053/PR/MJDH). However, the procedures and forms for submitting the request for delisting had not yet been developed by the Technical Committee as at the time of the on-site visit.
- c) The designated person may have the designation decision reviewed by the Administrative Tribunal with regard to designations made pursuant to UNSCR 1373 (Article 20 of Decree 2024-053/PR/MJDH).
- d) The Technical Committee shall facilitate the review of designations under UNSCR 1988, pursuant to any applicable guidelines or procedures that the 1988 Committee has adopted, including those relating to the Focal Point Mechanism (Article 5, paragraph 8 of Decree 2024-053/PR/MJDH).
- e) All administrative designation decisions must be accompanied by information regarding the procedures to be followed by any individual or entity designated on the Al-Qaeda sanctions list to submit a request for delisting directly to the Office of the United Nations Ombudsman (Article 8, paragraph 2.c (ii) of Decree 2024-053/PR/MJDH).
- f) Any person or entity with the same or similar name as a designated person or entity, and who has inadvertently been affected by a freezing mechanism (i.e. in the case of a “false positive”), may file an appeal with the Technical Committee to release the funds or other assets, after the Technical Committee has verified that the person or entity concerned is not a designated person or entity (Article 14 of Decree 2024-053/PR/MJDH). However, the procedures and forms relating to this appeal had not yet been developed by the Committee as at the time of the on-site visit.

- g) Decisions to delist and release are taken by the Minister of Budget within a maximum of 16 hours and published on the Technical Committee’s website and in the following edition of the Official Gazette without delay (Article 21 of Decree 2024-053/PR/MJDH). They must also be disseminated to the financial sector and designated non-financial businesses and professions, but the relevant procedures had not yet been developed by the Technical Committee as at the time of the on-site visit. The obligations relating to the delisting and release of financial institutions and other persons and entities, including designated non-financial businesses and professions, likely to hold funds or other assets covered are described in the normative texts (Article 22 of Decree 2024-053/PR/MJDH). The country had no other guidelines for financial institutions and other persons and entities.

Criterion 6.7

The Republic of Djibouti authorizes access to frozen funds and other assets deemed necessary to cover basic expenses, the payment of certain types of charges, fees and remuneration for services or extraordinary expenses, pursuant to the procedures of UNSCR 1452 and any subsequent resolution. For the same reasons, the Republic of Djibouti authorizes access to funds and other assets where freezing measures are applied to designated persons and entities pursuant to UNSCR 1373 (Articles 8 and 16 of Decree 2024-053/PR/MJDH).

Weighting and conclusion

The legal framework of the Republic of Djibouti regarding the implementation of targeted financial sanctions is generally compliant to ensure the effective and prompt implementation of the United Nations Security Council Resolutions on the prevention and suppression of terrorism and terrorism financing. However, certain procedures for the practical implementation of the more general principles described in the normative texts, particularly on the dissemination of designation and delisting decisions to financial institutions and DNFBPs, are yet to be developed by the competent authorities.

The Republic of Djibouti is rated Largely Compliant on R.6.

Recommendation 7 – Targeted financial Sanctions related to proliferation

Criterion 7.1

The Minister of Budget shall order the designation of persons and entities on the UNSCR 1718 Sanctions List within a maximum of 16 hours from the announcement through a United Nations Press Release of the addition of a name to the Sanctions List (Article 8 of Decree 2024-053/PR/MJDH). This designation shall be published on the Technical Committee website without delay (Article 8, paragraph 2.b of Decree 2024-053/PR/MJDH) and the freezing of the funds of the designated persons and entities shall be done within a maximum of 8 hours from this publication (Article 9 of Decree 2024-053/PR/MJDH).

Criterion 7.2

- a) The Republic of Djibouti requires all natural or legal persons and entities likely to hold the funds to freeze the funds and other assets of the designated persons within a maximum period of 8 hours from the publication on the website of the Technical Committee of the administrative designation decision and without prior notification (Article 9 of Decree 2024-053/PR/MJDH).
- b) The obligation to freeze funds in the Republic of Djibouti extends to: (i) all funds and other assets that are owned or controlled by the designated entity or person; (ii) funds or other assets owned or controlled wholly or jointly, directly or indirectly, by the designated persons or entities; (iii) funds or other assets derived from or generated by funds and other assets owned or controlled, directly or indirectly, by the designated persons or entities; (iv) funds or other assets of persons and entities acting on behalf of or at the direction of the designated persons or entities (Article 9 of Decree 2024-053/PR/MJDH).
- c) It is prohibited for any person or entity to release funds and other assets, economic resources, or financial and other related services, directly or indirectly, in whole or in part, for the benefit of designated persons or entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of or at the direction of designated persons or entities, unless licensed, authorized, or otherwise notified, pursuant to the applicable UNSCRs (Article 10 of Decree 2024-053/PR/MJDH).
- d) The administrative decision to designate shall be published in the following edition of the Official Gazette and on the website of the Technical Committee without delay (Article 8, paragraph 2.b of Decree 2024-053/PR/MJDH). This decision shall also be disseminated to the financial sector and non-financial companies and professions designated by the Technical Committee (Article 8, paragraph 2.d of Decree 2024-053/PR/MJDH) but the modalities and procedures for such dissemination had not yet been developed by the Technical Committee as at the time of the on-site visit. The Technical Committee develops and provides financial institutions and other persons and entities, including designated non-financial businesses and professions likely to hold funds or other assets covered, with guidelines on their obligations regarding designation/freezing and delisting /unfreezing actions (Article 5, paragraph 7 of Decree 2024-053/PR/MJDH). However, no guidelines had been established as at the time of the on-site visit.
- e) Financial institutions and designated non-financial businesses and professions must report to the ANRF all frozen assets and measures taken pursuant to the prohibitions of the relevant UNSCRs, including attempted transactions involving or related to the funds and other assets subject to freezing or to the designated persons and entities within 24 hours (Article 13 of Decree 2024-053/PR/MJDH). However, the procedures and forms for this purpose had not yet been developed by the Technical Committee as at the time of the on-site visit.
- f) The normative texts provide that the rights of bona fide third parties are respected within the framework of implementing obligations under Recommendation 7 (Article 12 of Decree 2024-053/PR/MJDH) but no concrete measures had been taken as at the time of the on-site visit to implement this provision.

Criterion 7.3 – Not Met

The Republic of Djibouti has no measures to monitor and ensure financial institutions and designated non-financial businesses and professions' compliance with the applicable laws and enforceable means implementing the obligations provided for in Recommendation 7 and no sanctions for non-compliance have been provided.

Criterion 7.4

The Republic of Djibouti has developed and implemented publicly known mechanisms for delisting and releasing funds and other assets of persons and entities that do not or no longer meet the designation criteria, but certain procedures are yet to be defined. In particular:

- a) Any administrative designation decision must be accompanied by information regarding the procedures to be followed by any designated person and entity to submit a request for removal from the lists directly to the United Nations Focal Point (Article 8, paragraph 2.c (ii) of Decree 2024-053/PR/MJDH).
- b) Any person or entity with the same or similar name as a designated person or entity, and who has inadvertently been affected by a freezing mechanism (i.e. in the case of a “false positive”), may file an appeal with the Technical Committee to release the funds or other assets, after the Technical Committee has verified that the person or entity concerned is not a designated person or entity (Article 14 of Decree 2024-053/PR/MJDH). However, the procedures and forms relating to this appeal had not yet been developed by the Committee as at the time of the on-site visit.
- c) Any administrative designation decision must be accompanied with information on the procedures to be followed by any designated person and entity to submit a request for exemption from the freezing of funds to the Technical Committee and the Technical Committee, when it decides that the conditions for exemption established by UNSCR 1718 are met, grants access to the funds, pursuant to the procedures of UNSCR 1718 and any subsequent resolution (Articles 8, 16 and 17 of Decree 2024-053/PR/MJDH).
- d) Decisions to delist and release shall be taken by the Minister of Budget within a maximum of 16 hours and published on the Technical Committee website without delay and in the following edition of the Official Gazette (Article 21 of Decree 2024-053/PR/MJDH). They must also be disseminated to the financial sector and designated non-financial businesses and professions, but the relevant procedures had not yet been developed by the Technical Committee as at the time of the on-site visit. The obligations relating to the actions of delisting and releasing financial institutions and other persons and entities, including designated non-financial businesses and professions, likely to hold funds or other assets covered are described in the normative texts (Article 22 of Decree 2024-053 /PR/MJDH). The country had no other guidelines for financial institutions and other persons and entities as at the time of the on-site visit.

Criterion 7.5

- a) The Republic of Djibouti allows the accounts frozen pursuant to Resolution 1718 to be credited with interest or other income due or payments due under contracts, agreements or obligations arising before the date on which these accounts were subject to the provisions of this Resolution and these interests, income and payments shall themselves be frozen (Article 15 of Decree 2024-053/PR/MJDH).
- b) Not analyzed given the expiration of targeted financial sanctions pursuant to UNSCR 2231.

Weighting and conclusion

The Republic of Djibouti has a legal and institutional framework to implement targeted financial sanctions pursuant to the United Nations Security Council Resolutions on the prevention, suppression and disruption of the proliferation of weapons of mass destruction and its financing. However, no monitoring measures to ensure compliance by designated

financial institutions and non-financial businesses and professions with the applicable laws and enforceable means implementing the obligations provided for in Recommendation 7 have been implemented and no sanctions for non-compliance have been provided for. Also, certain procedures for the practical implementation of the more general principles described in the normative texts, particularly relating to the dissemination of designation and delisting decisions to financial institutions and DNFBPs, are yet to be developed by the competent authorities.

The Republic of Djibouti is rated Partially Compliant on R.7.

Recommendation 8: Nonprofit organizations (NPOs)

Criterion 8.1

- (a) The competent authority (Ministry of the Interior designated under Article 2-3-1 of Law No. 106/AN/24/9th) has a legal obligation to take the necessary measures to identify which subset of organizations fall within the definition of NPOs (legal persons, legal arrangements or organizations that are primarily involved in the collection and distribution of funds for charitable, faith-based, cultural, educational, social or fraternal purposes or in other types of “good works”), and to use all relevant sources of information to identify the peculiarities and types of NPOs that, due to their activities or characteristics, are vulnerable to misuse for the purpose of terrorism financing (Article 21, paragraph 2.1 of Law No. 104/AN/24/9th¹). In this regard, it works in coordination with and under the supervision of the National Coordinating Committee against Money Laundering and terrorism financing and the Proliferation of Weapons of Mass Destruction (Article 21, paragraph 1 of Law No. 104/AN/24/9th). However, the competent authority had not identified the organizations that fall within the definition of NPOs as at the time of the on-site visit.
- (b) The competent authority shall take the necessary measures to identify the nature of the threats posed by terrorist entities to NPOs that present risks as well as the manner in which terrorists misuse such NPOs (Article 21, paragraph 2.2 of Law No. 104/AN/24/9th).
- (c) The competent authority has a legal obligation to take necessary measures to review the adequacy of the measures in place in Djibouti, including laws and regulations, concerning NPOs that may be misused for terrorist financing purposes, in order to be able to take proportionate and effective measures to address the identified risks (Article 21, paragraph 2.3 of Law No. 104/AN/24/9th). However, these threats had not been identified as at the time of the on-site visit.
- (d) The competent authority shall take necessary measures to periodically reassess the sector by reviewing new information on potential vulnerabilities to terrorist activities, in order to ensure effective implementation of the measures (Article 21, paragraph 2.4 of Law No. 104/AN/24/9th). However, the competent authority had not conducted the periodic reassessment as at the time of the on-site visit.

Criterion 8.2

- (a) The Republic of Djibouti has implemented transparency measures, including the obligation to register with the competent authority and in a register of NPOs with indications of the corporate name and purpose of the NPO, the name, first names, date of birth, nationality, address as well as the specific responsibilities and powers of any person in charge of assuming responsibility for the functioning of the NPO, and where applicable, the name, first names, date of

birth, nationality and address of the beneficial owners of the NPO (Article 20 of Law No. 104/AN/24/9th). However, such a register had not been established as at the time of the on-site visit. NPOs must also keep accounts pursuant to the standards in force in Djibouti and submit financial statements for the foregoing financial year to the competent authority for this purpose. They must also make available to the competent authority any other information relating to the administration and management of their activities, including information on their finances, when requested to do so (Article 23, paragraph 5 of Law No. 104/AN/24/9th). The competent authority must take measures to promote the responsibility and integrity of NPOs in order to strengthen public confidence in their management and operations (Article 22, paragraph 1 of Law No. 104/AN/24/9th) but as at the time of the on-site visit, no measures had been taken by the Ministry of the Interior.

- (b) The competent authority has a legal obligation to conduct sensitization and educational campaigns to encourage and deepen knowledge among NPOs and the donor community on the potential vulnerabilities of NPOs to misuse for terrorist financing purposes and terrorist financing risks, and on the measures that NPOs can take to protect themselves from such misuse (Article 22, paragraph 2 of Law No. 104/AN/24/9th). However, the competent authority had not conducted such campaigns as at the time of the on-site visit.
- (c) The competent authority has a legal obligation to work with NPOs to develop best practices to address terrorist financing risks and vulnerabilities, thereby protecting NPOs from being misused for terrorist financing purposes (Article 22, paragraph 3 of Law No. 104/AN/24/9th). However, the competent authority had not undertaken such an exercise as at the time of the on-site visit.
- (d) The competent authority must encourage NPOs to carry out their operations through regulated financial channels whenever they can, bearing in mind that capacities are not the same in all areas of emergency charitable and humanitarian action (Article 22, paragraph 4 of Law No. 104/AN/24/9th). In particular, NPOs are required to deposit in a bank account with an approved institution all sums of money given to them as donations or during transactions that they are required to carry out (Article 23, paragraph 2 of Law No. 104/AN/24/9th).

Criterion 8.3

The competent authority has a legal obligation to take measures to promote effective supervision or monitoring in order to demonstrate that risk-based measures are applied to NPOs that may be misused for the purpose of terrorism financing (Article 24, paragraph 1 of Law No. 104/AN/24/9th) but no measures had been taken by the Ministry of the Interior as at the time of the on-site visit, due to the lack of adequate risk analysis of NPOs. NPOs must also maintain a register of all donations received for an amount equal to or greater than FDJ 1,000,000 accessible upon request to the supervisory authority and to law enforcement authorities (Article 23, paragraph 1 of Law No. 104/AN/24/9th).

Criterion 8.4

- (a) The competent authority shall monitor the NPOs compliance with the requirements of this law, including risk-based measures (Article 24, paragraph 2 of Law No. 104/AN/24/9th).
- (b) The competent authority must mete out effective, proportionate and dissuasive sanctions for any violation of their obligations by NPOs or persons acting on their behalf (Article 24, paragraph 3 of Law No. 104/AN/24/9th).

However, the Decree determining the nature and scope of such sanctions had not been adopted as at the time of the on-site visit.

Criterion 8.5

- (a) The competent authority works in coordination with and under the supervision of the National Coordinating Committee for the fight against money laundering and terrorism financing and the proliferation of weapons of mass destruction comprising various national authorities, including the ANRF and law enforcement authorities (Article 2, paragraph 1 of Law No. 104/AN/24/9th) but there is no other provision to ensure the effectiveness of cooperation, coordination and information exchange among all appropriate authorities and organizations holding relevant information on NPOs.
- (b) The Police authorities initiate investigations pursuant to the provisions of the Code of Criminal Procedure. However, the authorities have not provided any references to the relevant articles of the Code of Criminal Procedure and have not clearly specified the subject matter of such investigations. There are no provisions regarding the investigative powers of other authorities.
- (c) The ANRF and competent authority have the power to request for all information and documents that must be collected and kept by NPOs and any information on the administration and management of their activities, including information on their finances (Article 2, paragraphs 4 and 5 of Law No. 104/AN/24/9th). There are no provisions regarding access to records and information from other authorities.
- (d) In order to initiate investigations, the competent authority and the ANRF shall inform the State Prosecutor without delay when they suspect or have good reason to suspect that any NPO (1) is involved in misuse for the purpose of terrorism financing and/or serves as a front for a terrorist individual or terrorist group for fundraising purposes; (2) is being misused for terrorism financing purposes, including avoiding measures to freeze funds and other assets, or as other forms of support for terrorism; (3) conceals or obscures the clandestine embezzlement of funds initially intended for legitimate purposes but in fact used for the benefit of terrorists or terrorist groups (Article 25 of Law No. 104/AN/24/9th). However, there is no obligation for the prosecution and law enforcement authorities and the ANRF to inform the competent authority so that the latter can take preventive measures.

Criterion 8.6

The competent authority (Ministry of the Interior) is in charge of responding to international requests for information regarding any NPO suspected of terrorism financing or supporting it by any other means (Article 26 of Law No. 104/AN/24/9th). However, the procedures for responding to such requests had not yet been established by the competent authority as at the time of the on-site visit.

Weighting and conclusion

The Republic of Djibouti has a legal framework relating to the prevention of the misuse of NPOs for the purposes of terrorism financing, but there are some significant outstanding gaps, particularly the authorities' failure to identify the NPOs most at risk,

the lack of an effective and dissuasive sanctions regime, risk-based monitoring measures as well as the lack of adequate measures and procedures to ensure cooperation and information exchange at both national and international levels.

The Republic of Djibouti is rated Partially Compliant on R. 8.

Recommendation 9 – Financial Institutions’ Professional Secrecy Laws

Criterion 9.1

Competent authorities’ access to information:

Pursuant to the provisions of Article 1-1-3 of Law No. 106, on the lifting of professional secrecy and notwithstanding any legislative or regulatory provisions to the contrary, professional secrecy cannot be invoked by the reporting entities referred to under Article 2-1-1, including financial institutions and VASPs, for the implementation of their obligations in the fight against ML/TF. Furthermore, Article 3-7-1 under Chapter 7 on banking and professional secrecy explicitly provides that banking or professional secrecy cannot be invoked to refuse to provide the information provided for under Article 2-2-6 or required in the context of a criminal investigation.

Furthermore, paragraph 4 of article 41 of law 119/AN/11/6th on the constitution and supervision of credit institutions and financial affiliates, stipulates that professional secrecy shall not be enforceable against the Djibouti Central Bank, nor against the judicial authority acting within the framework of criminal proceedings.

In particular, Article 3-2-1-3 of Law No. 106, provides for the ANRF’s access to information. It stipulates that when analyzing suspicious transaction reports and other information, the ANRF has the power to request for all information and documents that must be obtained and kept by the reporting entities referred to under Article 2-1-1, concerning natural or legal persons or legal arrangements. The reporting entities referred to under Article 2-1-1 are required to provide, within a timeframe set by the ANRF, all requested information and documents. The dissemination of such information and documents does not constitute a violation of professional secrecy or any other legally protected secrecy.

Information exchange among authorities at national and international level:

At national level and under the provisions of Article 3-2-1-3 on access to information, the National Financial Intelligence Agency has the power to obtain from other competent authorities the widest possible range of financial and administrative information and information from law enforcement authorities required to efficiently perform its main functions. The competent authorities are required to convey all information and documents requested by the ANRF within a time frame set by the latter. The transmission of this information and documents does not constitute a violation of professional secrecy or any other legally protected secrecy. The competent authorities may also, on their own initiative, communicate to the ANRF any information they deem useful for the accomplishment of its mandate.

Similarly, the ANRF receives and analyses information received from supervisory authorities, public officials, the Customs and Excise Department and the State Prosecutor, within the framework of information or a directive linked to money laundering, associated predicate offences and terrorism financing;

At international level and pursuant to Article 3-2-1-1 paragraph 2, the ANRF cooperates and exchanges information with other foreign FIUs, to the largest extent possible and regardless of their status (i.e. administrative, police, judicial or other), The ANRF exchanges, spontaneously or upon request, all information likely to be relevant for the processing or analysis of information conducted by any FIU in connection with money laundering, associated predicate offences or terrorism financing as well as the natural or legal person or legal arrangement in question, even if the nature of the predicate offence is not identified at the time of the exchange.

The ANRF does not prohibit or impose unreasonable or unduly restrictive conditions on the information exchange and shares information with its FIU counterparts.

Information exchange among financial institutions:

Regarding the information exchange among financial institutions themselves when required by Recommendations 13, 16 or 17, the Assessment Team notes that:

1) Regarding Recommendation 13, cross-border correspondent banking is provided for under Article 2-2-21 of the AML/CFT/PF Law No. 106/AN/24/9th L of 6th March, 2024. Financial institutions, in the correspondent relationship agreement, provide for the respective responsibilities of each institution, the methods of transmitting information at their request and the methods of monitoring compliance with the agreement.

2) Regarding Recommendation 16, and pursuant to Article 2-2-23, financial institutions must include the required and accurate information on the originator as well as the required information on the beneficiary in wire transfers and other related messages, and take measures to enable the traceability of all wire transfer transactions throughout the payment chain. They must keep this information pursuant to the provisions of Article 2-2-19.

Pursuant to Section 2-2-24, the virtual asset service provider of the originator shall obtain and keep the required and accurate information on the originator and the required information on the beneficiary of the virtual asset transfer. It shall also submit such information to the beneficiary's virtual asset service provider or its financial institution promptly and securely, and make such information available to the appropriate authorities upon request. The beneficiary's virtual asset service provider shall obtain and maintain the required and accurate information on the originator and the required and accurate information on the beneficiary of the virtual asset transfer, and make such information available to the appropriate authorities upon request.

3) With regard to 10.7, reporting entities are prohibited from using third parties to implement monitoring measures (Article 2-2-25 of Law No. 106/AN/24/9me, Article 23 of Directive No. 2023-01).

Furthermore, and pursuant to Article 2-2-27, the parent companies of the group shall define and implement a system enabling the exchange and provision within the group of information on customers, accounts and transactions necessary for the purposes of fighting against money laundering and terrorism financing, including audit functions.

Weighting and conclusion

The laws on professional secrecy of financial institutions and VASPs do not hinder the implementation of the FATF recommendations.

The Republic of Djibouti is rated Compliant on R. 9.

Recommendation 10: Customer DUE DILIGENCE

Criterion 10.1

All financial institutions are prohibited from opening anonymous accounts or sub-accounts under clearly fictitious names (art. 2-2-2 of law n°106/AN/24/9thL).

Criterion 10.2

Customer due diligence obligations form part of the provisions of Chapter II of Law No. 106. In this regard, financial institutions are required to comply with the provisions listed below.

Sub-criterion (a)

Articles 2-2-4 and subsequent map out the due diligence obligations of financial institutions when entering into a business relationship with their customers.

Sub-criterion (b)

Article 2-2-9 requires, for any transaction involving any amount above one million DJF (i.e. an amount less than the equivalent of 15,000 euros) defined in Recommendation 10.2 b), an identification and verification of the identity of the occasional customer and the beneficial owner.

Sub-criterion (c)

The USD 1,000 threshold is not provided for in the regulations. Identification and verification is mandatory for all wire transfers regardless of their amount. However, the threshold for identification and verification of the identity of occasional customers from USD 15,000 mentioned in b) de facto exempts occasional customers from the above-mentioned obligation.

Sub-criterion (d) Article 2-2-13 of Law No. 106 requires reporting entities to enhance due diligence measures where the money laundering and terrorist financing risk seems to be higher.

Sub-criterion (e)

Article 2-2-10 requires reporting entities to carry out a new identification and verification of the customer's identity where there is doubt as to the veracity or relevance of the data previously obtained.

Criterion 10.3

Articles 2-2-2 and 2-2-3 of Law 112/AN/11 stipulate that credit institutions and financial institutions are required to verify the identity and address of their customers, whether in business or occasional relationships. The verification of the identity of a natural person shall be carried out by presenting an original valid official document containing a photograph, of which a copy is taken. The verification of their professional and residential address shall be carried out by presenting a document proving it. The identification of a legal person shall be carried out by producing the statutes and any document establishing that it has been legally registered and that it has a real existence at the time of identification. A copy shall be taken. Managers, employees and agents called upon to enter into relations on behalf of others must produce, in addition to the documents provided for in paragraph 2 of this article, documents certifying the delegation of authority granted to them, as well as documents certifying the identity and address of the beneficial owners. The provisions of Law No. 106 enhance and specify the measures for identifying and verifying the identity of customers in business relations and their beneficial owners (art. 2-2-4) or occasional customers and their beneficial owners (art. 2-2-9). Where the customer is a natural person, these measures shall be carried out by presenting a valid official document and by taking a copy of this document and a document ascertaining the address. For legal persons and legal arrangements, the documents collected and copied shall be the statutes and copies from the official registers dating less than 3 months back, and these documents must indicate the identity of the managers and legal representatives.

Criterion 10.4

Managers, employees and agents called upon to enter into relationships on behalf of others must produce, in addition to the documents provided for in paragraph 2 of this article, documents attesting to the delegation of power granted to them, as well as documents attesting to the identity and address of the beneficial owners (art. 2-2-2 of law 112/AN/11).

Article 2-2-8 of Law No. 106 specifies this identification and verification of identity obligation for managers, employees and agents called upon to enter into business relationships with the financial institution on behalf of the customer.

Criterion 10.5

Financial institutions must identify and verify the identity of the beneficial owner(s) of their business relationships. In this regard, Article 2-2-4 of Law No. 106 states that verification shall be conducted based on the relevant information or data. Paragraph 4 of the same article specifies that this information or data must be relevant and come from a reliable source.

Criterion 10.6

Article 2-2-6 of Law No. 106 requires, before entering into a business relationship, financial institutions to collect the information necessary for understanding and knowing the purpose and nature of the relationship.

Criterion 10.7

Article 21 of Directive 2023-01 specifies that reporting institutions shall ensure that their customers' transactions are in line with the in-depth knowledge they must have of them, in the form of developing a profile, including all information collected on their activities, income and assets.

Article 2-2-7 of Law No. 106 its strengthens this general provision. The constant due diligence that must be implemented by financial institutions is being carried out:

(a) Through a cautious review of the transactions carried out, ensuring that they are consistent with their current knowledge of their business relationship;

(b) Financial institutions ensure that documents, data or information obtained during the implementation of constant due diligence are up to date and relevant.

Furthermore, Art. 34 of Directive 2023-01 states that reporting institutions must regularly update all documents, data and information collected on their customers and beneficial owners, when identifying them, and when collecting the information required to develop their profile used to assess their ML/TF risk. In this regard, they review the information already in their possession, particularly for the categories of their customers, for which the mapping has led to the consideration that they are exposed to a higher ML/TF risk than the rest of their customers.

Criterion 10.8

There are no legal or regulatory provisions requiring financial institutions, for their customers who are legal persons or legal arrangements, to understand the nature of their operations as well as their ownership and control structure.

The AML/CFT/PF Law No. 106/AN/24/9th L prescribes under Article 2.2.6 that before entering into any business relationship, the persons mentioned under Article 2-1-1 of the same law are required to collect the information required for understanding and knowing the purpose and nature of this relationship. The latter are also required to update the records, data or information thus collected throughout the duration of the business relationship, based on a frequency adapted to the risks presented by the business relationship.

Article 2.2.12 of the AML/CFT Law specifies the criteria for identifying the natural persons who are real beneficiaries or who exercise effective control in complex legal arrangements such as trusts. Furthermore, Article 2.2.11 of the same Law aims to ensure transparency by identifying the natural persons who effectively control the legal persons, even though this requires a review of the various levels of control or, as a last resort, referring to the key Executives.

The texts do not mention the need to understand the ownership and control structures.

Criterion 10.9

Pursuant to the provisions of Article 17 of Directive 2023-01, reporting institutions shall take all necessary measures to identify their customers, legal persons, as well as, where applicable, before establishing a business relationship with them. The information collected must include:

(a) The name of the person; his/her company statutes; his/her patent number;

Where the customer is a legal person or a legal structure, their identity shall be verified:

(b) and (c) by collecting the original of any Articles of Association of the company or extract from the trade register dating back less than three months. The documents must mention: the name, legal status, address of the registered office, identity of the relevant persons occupying management positions in the legal person or legal arrangement, including its legal representatives (art. 2-2-4 paragraph 3 of law no. 106), as well as documents attesting to the delegation of powers of the persons acting on behalf of the customer (art. 2-2-8).

Criterion 10.10

With regard to legal persons, the reporting establishments must:

Sub-criterion (a): take all necessary measures to identify the beneficial owners of their legal person customers. Indeed, Law No. 106 defines the beneficial owner of a legal person as the person or persons who ultimately hold or hold a controlling interest in the legal person of their customers, before establishing a business relationship with them (art. 17 directive 2023-01).

Sub-criterion (b): Where no natural person meeting sub-criterion a) is identified, the law defines beneficial owner as the natural person(s) exercising control of the legal person or legal arrangement (art. 2-2-11 paragraph 2).

Sub-criterion (c): Where the identification measures defined in a) and b) have not made it possible to identify a beneficial owner, the law provides that the natural person occupying the position of Managing Director should be considered as the beneficial owner of the legal person (art. 2-2-11 paragraph 3).

Criterion 10.11

With regard to legal arrangements and in order to identify their beneficial owners and take reasonable measures to verify the identity of these persons, financial institutions are required to ensure:

Sub-criterion (a): for trusts, the identification and verification of identity which are applicable to the settlor of the trust, the trustee, the protector, the beneficiaries and, where applicable, any natural person exercising effective control through a chain of control or ownership (art. 2-2-12 paragraph 2 of law no. 106).

Sub-criterion (b): the provisions of Law No. 106 which are applicable to trusts are also applicable to all similar legal arrangements (art 1-1-2 paragraph 21).

Criterion 10.12

Sub-criterion (a): For life insurance contracts, the identity of the beneficiaries is recorded (Law No. 106, art. 2-2-5). In the context of life insurance or any other investment product linked to insurance, a beneficiary is the natural or legal person, the legal structure that will receive the amount of the contract as soon as the insured or covered event occurs (art. 1-2-2, paragraph 19).

Sub-criteria (b) and (c): Verification of the beneficiary of a life insurance contract or capitalization contract linked to an insurance contract is carried out during the contract subscription and when the benefits are being paid (art. 2-2-5 of Law No. 116). The texts do not specify for beneficiaries designated by characteristics or by category or by other means, the need to obtain adequate information on the beneficiaries so that the financial institution has the assurance that it will be in a position to establish their identity at the time of paying the benefits.

Criterion 10.13

Under Article 2-2-5 paragraph 3 of Law No. 106, insurance companies are required to take into account the characteristics of the beneficiary of the contract when establishing a risk profile of the business relationship.

Where the beneficiary of a life insurance contract is a legal person or a legal arrangement presenting a high ML/TF risk, insurance companies carry out an identification and verification of the customer's identity adapted to the ML/TF risks of the beneficiary. In this case, they identify and verify the identity of the beneficial owner. In a nutshell, the verification of the beneficiary's identity is systematic when benefits are being paid out.

Criterion 10.14 – (NA)

The applicable regulations govern the verification of the identity of customers and their beneficial owners, which is always conducted prior to establishing a business relationship and before executing transactions for occasional customers (Law No. 106, Articles 2-2-4 and 2-2-9).

Sub-criteria (a), (b) and (c): Reporting institutions are prohibited from opening any account, or establishing any business relationship, or carrying out any transaction, when they cannot meet the requirements to identify their legal person customers, as well as their beneficial owners, where applicable (art. 20 directive 2023-01).

Criterion 10.15 – NA

Djibouti law prohibits the establishment of a business relationship or carrying out transactions in the case of occasional customers without prior identification of the customer and their potential beneficial owners.

Reporting institutions are prohibited from opening any account, or establishing any business relationship, or carrying out any transaction, when they cannot meet the requirements to identify their legal person customers, as well as their beneficial owners, where applicable. (art. 20 directive 2023-01).

Financial institutions identify and verify the identity of the customer in business relations before entering into a business relationship (Law no. 106 art. 2-2-4).

Criterion 10.16

Article 6 of Directive 2023-01 requires reporting institutions to implement a process for identifying, assessing, monitoring, managing and mitigating the ML/TF risks to which they are exposed. In this regard, they take into account their activities, the type of products they offer, the characteristics of their customers, the distribution channels for their products, the type of financial institutions they are dealing with contact and the countries with which they carry out transactions.

Financial institutions are required to update the records and data or information collected throughout the duration of the business relationship, at a frequency appropriate to the risks presented by the business relationship (Law No. 106, Art. 2-2-6). They exercise constant due diligence in line with the updated knowledge they have of their business relationship, the business activities and the risk profile of such customers (Art. 2-2-7).

Financial institutions must implement the above provisions introduced by Law No. 106 with regard to their existing customers within 12 months of their entry into force (Law No. 106 art. 2-2-28).

Criterion 10.17

Financial institutions are required to strengthen the intensity of required CDD measures where ML/TF risk seems to be higher (art. 2-2-13 Law no. 116). This obligation to implement enhanced due diligence measures for high ML/TF risks applies to risk assessment, identification and verification of the identity of customers in business relationships and beneficial ownership, including occasional customers for life insurance contracts, as well as the collection of information on the purpose and nature of the business relationship.

Criterion 10.18

Article 2-2-17 of Law No. 116 introduces the possibility for financial institutions to reduce the intensity of their due diligence measures where the ML/TF risk is apparently low based on a formalized and documented assessment. This risk assessment justifies measures taken with the supervisory authorities.

The article does not explicitly mention the necessary condition that there is no suspicion of money laundering or terrorist financing.

Criterion 10.19

Where the financial institution cannot comply with the due diligence obligation measures:

Sub-criteria (a) and (b):

Where a financial institution cannot meet its due diligence obligations, it shall not carry out any transaction, nor establish or continue a business relationship. It then files a suspicious transaction report (STR) to the ANRF (art. 2-2-18 paragraph 1 of law no. 116).

Criterion 10.20

Where financial institutions suspect that a transaction relates to money laundering and terrorist financing, and may reasonably believe that the implementation of the due diligence measures as defined in Law No. 116 would alert the customer, they may refrain from implementing them and eventually file a suspicious transaction report (art. 2-2-18 paragraph 2 of Law 116).

Weighting and conclusion

The legal framework for customer due diligence is considered as partially comprehensive in view of the relative weights of the criteria making up Recommendation 10. Indeed, FIs are not required, for their legal person customers, to understand the nature of their operations, as well as their ownership and control structure. Furthermore, Article 2-2-17 of Law No. 106 providing for FIs to simplify their due diligence measures, has not explicitly excluded cases where there is a suspicion of ML/TF or specific cases of higher risk.

The Republic of Djibouti is rated Partially Compliant on R. 10.

Recommendation 11: Record-keeping

The principle of record-keeping by financial institutions is set out under Article 2-2-19 of the AML/CFT/PF Law No. 106/AN/24/9e L of 6th March 2024. This article provides that all financial institutions and intermediaries shall keep for five years from their execution, regardless of the medium, all records and information relating to transactions carried out by them, including the reviews and analyses carried out during the implementation of due diligence measures, including the report provided for in paragraph 2 of Article 2-2-14.

Criterion 11.2

Article 2-2-19 of Law No. 106 specifies that all financial institutions and intermediaries retain for five years from the closing of their accounts or the termination of their relationship with them all records and information relating to their business relations or occasional customers.

Furthermore, Article 35 of the Directive of the Djibouti Central Bank No. 2023-01 relating to the provisions for the prevention and fight against money laundering and terrorism financing, specifies that the reporting institutions shall keep all documents relating to their operations, national or international, including regular or occasional customers for at least five years from the closing of the accounts or the cessation of business relationships with their customers and their beneficial owners,.

Article 2-2-19 of Law No. 106 also provides that the record-keeping should cover:

- All records and information relating to the due diligence measures implemented, as well as account books and commercial correspondence;
- Records and information, whatever the medium, relating to transactions carried out by these institutions, including reviews and analyses carried out during the implementation of due diligence measures; for five years from their execution.

However, this last indent of paragraph 1 of article 2-2-19 relating to the keeping of reviews and analyses carried out during of the implementation of due diligence measures provides for a record-keeping period of 5 years from their execution, whereas criterion 11.2 of Recommendation 11 provides for a minimum period of 5 years from the end of the business relationship or the date of the occasional transaction.

Criteria 11.3

According to Article 2-2-19 paragraph 3 of Law No. 106, the information and records kept must be adequate to allow the reconstruction of individual transactions. They must be kept in conditions that allow them to be used as evidence in legal proceedings, if necessary.

Criteria 11.4

According to Article 2-2-19 paragraph 2 of Law No. 106, financial institutions and intermediaries shall ensure that these records and information are kept in conditions and modalities that allow for them to be provided without delay upon request to the competent authorities, including the judicial authorities, officials in charge of the detection and repression of offences related to money laundering acting within the framework of a judicial mandate and the national financial intelligence agency.

Furthermore, Article 36 of Directive No. 2023-01 of the Djibouti Central Bank specifies that the records and documents shall be disseminated to the aforementioned authorities upon request without delay.

Weighting and conclusion

The majority of the criteria of Recommendation 11 are met.

The Republic of Djibouti is rated Largely Compliant on R. 11.

Recommendation 12: Politically exposed persons

Criterion 12.1

The Republic of Djibouti has expressly defined politically exposed persons through its law n°106/AN/24/9ème L of March 6, 2024, relating to the fight against money laundering, terrorism financing and the proliferation of weapons of mass destruction. Thus, article 1-2-2 paragraph 11 of said law designates as politically exposed persons: foreign and national politically exposed persons, as well as persons who exercise or have exercised important functions within or on behalf of an international organization. Paragraph 12 of the same article 1-2-2, defines foreign politically exposed persons as persons who exercise or have exercised important public functions in a foreign country, including but not limited to heads of state and government, high-ranking politicians, senior officials within public authorities, high-ranking magistrates and military personnel, directors of public companies and senior officials of political parties.

With regard to national PEPs, paragraph 13 of the same article defines them as natural persons who hold or have held important public functions in the territory of the Republic of Djibouti, including but not limited to heads of State and government, high-ranking politicians, senior officials among public authorities, high-ranking magistrates and military personnel, directors of public enterprises and senior officials of political parties.

It adds that persons who hold or have held important positions within or on behalf of an international organization designate the directors, deputy directors and members of the board of directors and all persons who exercise equivalent functions.

Sub-criterion (a): Article 2-2-20 paragraph 2 of Law No. 106 specifies that financial institutions and intermediaries define and implement procedures adapted to the money laundering and terrorist financing risks to which they are exposed, to determine whether their customer or their beneficial owner is a politically exposed person, or becomes one during the business relationship.

Sub-criterion (b): Article 2-2-20 paragraph 3 of Law No. 106 provides that where the customer or his beneficial owner is a politically exposed person, or becomes one during the business relationship, financial institutions and intermediaries must apply, in addition to normal due diligence measures, additional due diligence measures. Among these additional measures is the decision to enter into or maintain a business relationship with the PEP must be taken only by a member of senior management.

Sub-criterion (c): Paragraph 3.b) of the same article specifies that financial institutions and intermediaries must seek the origin of the assets and funds involved in the business relationship or transaction. However, sub-criterion c) of criterion 12.1 requires that reasonable measures be taken to establish the origin of the assets and funds of customers and beneficial owners who are PEPs, which is different from the assets or funds involved in the transaction or business relationship.

Sub-criterion (d): Paragraph 3.c) of the same Article 2-2-20 requires financial institutions and intermediaries to strengthen constant due diligence measures by carefully reviewing the transactions carried out and ensuring that they are consistent with the up-to-date knowledge they have of their business relationship, business activities and the risk profile of these customers. They must also ensure that the records, data and information obtained in implementing due diligence are up-to-date and relevant.

Criterion 12.2

The analysis of criterion 12.1 above also applies to criterion 12.2 because the definition of politically exposed persons includes foreign PEPs, national PEPs and persons holding or have held important positions within or on behalf of an international organization pursuant to paragraph 11 of Article 1-2-2 of Law No. 106.

Criterion 12.3

Pursuant to Article 2-2-20, paragraph 1 of Law No. 106, financial institutions and intermediaries are required to implement enhanced due diligence measures with respect to the customer where the latter is a direct member of the family of a politically exposed person as defined by Article 1-2-2, paragraph 11 of Law No. 106, or a person known to be closely associated with him/her, or becomes one during the course of a business relationship.

However, the analysis of sub-criterion (c) of criterion 12.1 affects the rating of criterion 12.3.

Criterion 12.4 – (Met)

Article 2-2-20 paragraph 2 of Law No. 106 specifies that financial institutions and intermediaries are required to implement procedures to determine whether the beneficiary of a life insurance or capitalization contract or its beneficial owner is a politically exposed person. This determination is done latest at the time of paying benefits.

Paragraph 4 of the same article provides that where the beneficiary or the beneficial owner of the beneficiary of a life insurance or capitalization contract is a politically exposed person, and in cases where higher risks are identified, financial institutions and intermediaries shall inform senior management before paying out the funds. They must also carry out a thorough review of the entire business relationship with the contract holder and they shall file the suspicious transaction report for suspicions of money laundering and terrorist financing.

Weighting and conclusion

The majority of the criteria of Recommendation 12 are met.

The Republic of Djibouti is rated Largely Compliant on R. 12.

Recommendation 13: correspondent banking

Criterion 13.1

Cross-border correspondent banking is provided for by Article 2-2-21 of AML/CFT/PF Law No. 106/AN/24/9th L of 6th March 2024.

This article specifies that when credit institutions or payment service providers provide cross-border correspondent banking services to another financial institution, they are required to implement, in addition to the usual due diligence measures, the following measures vis-à-vis the foreign financial institution they are dealing with:

Sub-criterion (a): They collect adequate information on the co-contracting establishment to know the nature of its activities and to assess, based on the publicly accessible and usable information, its reputation and the quality of the supervision it is subject to, including disciplinary or legal sanctions or other supervisory measures imposed against it, as well as any remedial measures implemented.

Sub-criterion (b): They assess the AML/CFT regime implemented by the co-contracting institution.

Sub-criterion (c): The decision to enter into a business relationship with the co-contracting institution is taken by a member of senior management.

Sub-criterion (d): In the correspondent relationship agreement they provide for the respective responsibilities of each institution, the methods of disseminating information at their request and the methods of monitoring compliance with the agreement.

Criterion 13.2 – (Met) Pursuant to paragraph 1.e) of article 2-2-21 of Law no. 106, when financial institutions and intermediaries accept transit accounts within the framework of correspondent relationships, they must ensure that the co-contracting institution:

Sub-criterion a: has verified the identity of customers having direct access to these correspondent accounts and has implemented due diligence measures in respect of these customers pursuant to those provided for in Recommendation 10; and

Sub-criterion b: They also ensure that the co-contracting institution can, at their request, provide them with relevant data concerning these due diligence measures.

Criterion 13.3

Paragraph 2 of Article 2-2-21 of Law No. 106 specifies that credit institutions and payment service providers are prohibited from establishing or continuing a banking correspondent relationship with shell banks.

Pursuant to the same paragraph, credit institutions and payment service providers providing correspondent banking services are also required to take the necessary measures to ensure that the customer institution does not authorize shell banks to use their accounts.

Weighting and conclusion

All criteria of Recommendation 13 are met.

The Republic of Djibouti is rated Compliant on R. 13.

Recommendation 14 – Money or value transfer services

Criterion 14.1

Persons providing money or value transfer services are required to be licensed or registered, pursuant to the provisions of Djibouti regulations:

- Art. 17 of law 119/AN/11 establishing the licensing obligation of credit institutions;
- Art. 1 of law 119/AN/11 establishing the licensing obligation of financial affiliates;
- Art. 2-2-9 of law 112/AN/11 establishing the obligation to request for authorization from the Djibouti Central Bank for natural or legal persons who usually engaged in foreign exchange transactions;
- Art. 22 of Law 110/AN/11 establishing licensing as a financial institution or as an authorized intermediary of persons engaged in money transfer transactions;
- Art.9 of law 118/AN/15/7th establishing the licensing by the Djibouti Central Bank of payment service providers;
- Art.11 of law 118/AN/15/7th establishing the possibility for the Central Bank to replace the licensing requirement with simple registration in the case where the service provider offers payment instruments that do not involve specific risks for the market or that do not risk compromising competitiveness.

Criterion 14.2

Article 2-1-3 of Law No. 106 stipulates that transfers of funds, securities or values exceeding 1 million DJF, to or from abroad, must be carried out by a creditor a financial institution, or by an intermediary.

The Republic of Djibouti is committed to ensuring that any natural or legal person who is not licensed as a financial institution as defined by the Banking Act or as an authorized intermediary as defined by the regulations on external financial relations, engaged in money or value transfer transactions on behalf of or representing another natural or legal person, must be licensed or registered in a register opened for this purpose with a competent authority designated for this purpose (art. 22 of law 112/AN/11/6th).

Article 24 of the same law provides for civil, criminal or administrative sanctions depending on the seriousness of the offence, against persons who carry out alternative money transfer transactions, without being registered in the register referred to in the previous article or without being licensed. The same applies to those who do not comply with the obligations imposed. This includes attempt and complicity. Legal persons may also be sanctioned with:

- A permanent prohibition or ban for a period of up to five years from engaging in certain professional activities directly or indirectly;
- The permanent closure or closure for a maximum period of five years of their businesses used to commit the offence;
- Dissolution where it was established to commit the convicted acts;
- A fine of a maximum amount of the fine applicable to legal persons equal to five times the one provided for by the law criminalizing the offence.

Criterion 14.3

Generally, the Djibouti Central Bank, within the framework of its mandate to monitor and regulate the national banking and financial system, is authorized to take all measures it deems necessary to fight against money laundering (art. 35 of law 118/AN/11/6th L) and article 2-3-1 of law No. 106/AN/24/9th L specifies that the Djibouti Central Bank shall monitor its reporting entities' compliance with their obligations under the terrorist financing legislation.

The Djibouti Central Bank ensures the supervision of credit institutions and financial affiliates. The supervision carried out by the Djibouti Central Bank takes the form of off-site and on-site inspections (art. 2-3-2 law n° 106/AN/24/9th establishing the powers of the Djibouti Central Bank). For financial affiliates, it may be limited to on-site inspections (art. 42 of law 119/AN/11/6th).

Finally, Article 48 of Law 119/AN/11/6th empowers the Djibouti Central Bank to conduct on-site investigations.

Criterion 14.4

Article 30 of Directive 2023-01 deals with the Djibouti Central Bank's mandate to maintain lists of agents, distributors and sub-distributors. Pursuant to Article 23 of Law No. 110/AN/11/6th L, the BCD acts as the "competent authority" for maintaining the list of agents of credit institutions and financial affiliates engaged in money transfer transactions, referred to under Article 22 of the same law.

The Djibouti Central Bank also maintains the register of distributors and sub-distributors of electronic money issuers, provided for in Articles 32 of Law No. 118/AN/15/5th L and 17 of Directive No. 2017-01.

The reporting institutions referred to in the two preceding paragraphs implement AML/CFT procedures with their agents, distributors and sub-distributors and ensure that they comply with their AML/CFT obligations.

Article 31 of Directive 2023-01 stipulates that the Djibouti Central Bank shall publishes the list of agents, distributors and sub-distributors it has registered on its website.

Criterion 14.5

The reporting institutions referred to in the two previous paragraphs implement AML/CFT procedures with their agents, distributors and sub-distributors and ensure that they comply with their AML/CFT obligations.

Weighting and conclusion

The publication of Law No. 106/AN/24/9th¹ of 7th March 2024 completed the existing legislative and regulatory corpus to cover all the provisions of Recommendation 14.

The Republic of Djibouti is rated Compliant on R.14

Recommendation 15 – New Technologies

Criterion 15.1

Article 2-2-22 of Law No. 106/AN/24/9 stipulates that all reporting entities including financial institutions shall identify and assess the money laundering or terrorist financing risks that may result from developing new products and new business practices, including new distribution mechanisms, and the use of new or developing technologies in connection with new or pre-existing products. However, in practice, there has been no concrete identification and assessment of the risks arising from new products or new business practices.

Criterion 15.2

Article 2-2-22 of the aforementioned law requires financial institutions, based on the assessment mentioned in criterion 15.1, to take the following measures:

- (a) Assess these risks prior to the launch or use of new products, mechanisms or uses;
- (b) Take appropriate measures to manage and mitigate the identified risks.

Furthermore, Article 7 of Directive 2023-01 already provided for the consideration of the f money laundering and terrorist financing risk in the case of a project designed to launch a new activity, product or service. This analysis must be formalized in writing and include a justification for the launch of the activity, product or service, with regard to the identified ML/TF risks allowing for measures envisaged to ensure their control. However, in concrete terms, there was no risk assessment prior to the launch or use of the new products, mechanisms or uses and therefore no measures were taken to mitigate such risks.

Criterion 15.3

As a prelude, it should be noted that the aforementioned Law No. 106 provides in its terminology a definition of the term virtual asset service provider. This refers to any person, natural or legal, who carries out on a commercial basis one or more of the activities or operations on behalf of a customer or on their behalf, listed in paragraph 31 of Article 1-2-2:

- 1) The exchange between virtual assets and fiat currency;
 - 2) The exchange between one or more forms of virtual assets;
 - 3) The transfer of virtual assets;
 - 4) The custody and/or administration of virtual assets or instruments designed for the inspection of virtual assets;
 - 5) Participation in the provision of financial services related to an issuer's supply and/or the sale of virtual assets.
- a) For the conduct of the aforementioned national risk assessment, Article 3-1-2-1 of Law No. 106/AN/24/9th L, covered the money laundering and terrorist financing risks arising from activities related to virtual assets and the activities or operations of virtual asset service providers. By and large, this involves identifying and assessing the risks of AML/CFT and proliferation of

weapons of mass destruction, including for the VASP sector. However, the country has not identified or assessed the ML/TF risks related to virtual assets and VASP activities pursuant to the FATF Recommendation 1.

(b) The Djibouti Central Bank has been designated as the supervisory and monitoring authority for virtual asset service providers (art. 2-3-1 of Law No. 106). It follows from the national risk assessment that the competent authorities, including the Djibouti Central Bank, which supervises virtual asset service providers, implement a risk-based approach to ensure that measures designed to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. Based on the findings of the national risk assessment, the competent authorities do implement a risk-based approach to ensure that measures designed to prevent or mitigate money laundering and terrorism financing and the proliferation of weapons of mass destruction are commensurate with the risks identified (art. 3-1-2-2 of Law No. 106). However, the National Risk Assessment did not address the aspect of virtual assets and VASP activities which were nonexistent as at the time of the on-site visit.

c) Virtual asset service providers are explicitly listed among the professions accountable to the AML/CFT obligations (art. 2-1-1 of Law No. 106/AN/24/9th L). Thus, they are required, like all other reporting entities, to take appropriate measures to identify, assess, manage and mitigate their money laundering and terrorist financing risks related to customers, countries or geographical areas, products, services, operations, and distribution channels. They are also required to ensure that this assessment is updated. However, there was no VASP operating in Djibouti as at the end of the on-site visit and the regulations governing these operations are yet to be established.

On the whole, and in the light of the foregoing analysis and with no regulation to govern these operations which should legally establish this profession based on the licensing or registration with the BCD, this criterion is not met.

Criterion 15.4

As at the time of the on-site visit, no regulations to govern the VASP profession had been put in place. Therefore:

- a) Regarding the licensing and registration requirement for VASPs: (i) There is no provision specifically requiring that VASPs created in the country, must be licensed or registered, (ii) Also, there is no provision for the country to ensure that where the VASP is a natural person located in its country, it should be licensed or registered in its country.
- b) With no license and registration requirement, the sub-criterion cannot be considered as Met.

A directive is being drafted on the obligation to register VASPs.

Criterion 15.5

There is no legal provision requiring the country to take measures to identify natural or legal persons engaged in VASP operations without being licensed or registered as required, and to mete out appropriate sanctions on them.

Criterion 15.6

(a) Virtual asset service providers are subject to AML/CFT obligations (art. 2-1-1 of Law No. 106/AN/24/9th^L). The frequency and scope of inspections should be conducted within the framework of a risk-based approach (art. 2-3-2 paragraphs 1 and 2). However, and pursuant to the provisions applicable to Recommendation 26, a regulation specifically designed for VASPs that would enable monitoring systems to ensure that they comply with their obligations, was yet to be established as at the end of the on-site visit.

b) Pursuant to the requirements of Recommendation 27, the Djibouti Central Bank has powers to conduct on-site and off-site inspections of VASPs in AML/CFT and has powers to mete out sanctions on its reporting entities including VASPs, pursuant to art. 2-2-4 of law n°106. However, this supervisory power has been diminished by the fact that the VASP operations are yet to be regulated and the obligation for these service providers to be licensed or registered is not even stipulated in Law No. 106. Furthermore, this supervision has not been implemented due to the lack of VASP operations to date.

Criterion 15.7

No text requires the competent authorities and supervisory authorities as defined by Recommendation 34 to establish guidelines and provide feedback in order to assist VASPs in the implementation of national AML/CFT measures and in particular to detect and report suspicious transactions.

Criterion 15.8

As defined by the provisions applicable to Recommendation 35:

- a) As a Supervisory and monitoring authority, the Djibouti Central Bank has the power to mete out sanctions on its reporting entities, including virtual asset service providers (art. 2-3-1 and 2-3-4 of Law No. 106/AN/24/9th L). However, with no specific regulations to govern VASP operations,
- b) the dissuasive nature of the potential sanctions has not been demonstrated and it is not specified in the texts that the sanctions shall also be applicable to members of the administrative body and senior management.

Criterion 15.9

a) Pursuant to Article 2-2-9 of Law No. 106/AN/24/9th L 2°, virtual asset service providers verify the identity of the customer and the beneficial owner of any occasional transaction of an amount over 177,000 Djiboutian Francs, i.e. the equivalent of 1,000 USD/EUR. This provision only partially meets the requirements of criterion 10.2, which require due diligence measures to be taken for such transactions and not just the verification of the identity of the customer and beneficial owner.

(b) Art. 2-2-24 of the law referred to in (a) stipulates that (i) With respect to virtual asset transfers, the virtual asset service provider of the originator shall obtain and maintain the required and accurate information on the originator and the required information on the beneficiary of the virtual asset transfer. It shall also be required to submit this information to the beneficiary's virtual asset service provider or its financial institution immediately and securely, and make this information available to the appropriate authorities upon request.

(ii) The beneficiary's Virtual Asset Service Provider obtains and maintains the required and accurate information of the Originator and the required and accurate information of the Beneficiary of the Virtual Asset Transfer, and makes such information available to the Competent Authorities upon request.

Virtual asset service providers are required to monitor virtual asset transfers to detect those that do not contain the required originator and/or beneficiary information. They must have risk-based policies and procedures to decide when to execute, reject or suspend virtual asset wire transfers that do not contain the required originator or beneficiary information and, appropriate initiate follow-up actions.

The terms of monitoring virtual asset transfers and the information required are determined by a directive of the Governor of the Djibouti Central Bank (paragraph 3 of art. 2-2-24 law n°106). To date, such a directive has still not been published.

(iii) With no publication of the aforementioned directive, VASPs are not formally subject to the requirements of Recommendation 16. Furthermore, the provisions of law 106 are not adequately precise to cover criteria: 16.2 dealing with batch transfers from the same originator, 16.4 requiring verification of customer information where there is a suspicion of money laundering, and 16.6 establishing the 3-day timeline for making the information requested from the originating party's financial institution available to the beneficiary's financial institution.

(iv) With no license or, where applicable, authorization to engage in VASP operations, the obligations to which other financial institutions would be subject when sending or receiving a transfer of virtual assets on behalf of a customer are not defined in the regulations.

Criterion 15.10

Regarding the implementation of criteria 6.5 d), 6.6 g), 7.2 d) and 7.4 d), Decree No. 2024-053/PR/MJDH provides that administrative designation decisions shall be published in the following edition of the Official Gazette and on the website of the Technical Committee without delay (Article 8, paragraph 2.b). However, the specific modalities for disseminating these designations to virtual asset service providers (VASPs) had not yet been established by the Technical Committee as at the time of the on-site visit.

Regarding criteria 6.5 e) and 7.2 e), the same Decree requires VASPs to freeze without delay all funds and other assets of designated persons and entities and to report the freezing operations to the National Financial Intelligence Agency (ANRF) (Articles 9 and 10 of Decree No. 2024-053/PR/MJDH). However, there are no specific provisions requiring VASPs to provide the Technical Committee or any other competent authority with detailed information on the accounts and amounts frozen consistent with the designations adopted.

With regard to criterion 7.3, the Republic of Djibouti does not have established measures to monitor and ensure VASPs' compliance with the laws and regulations enforcing the obligations under FATF Recommendation 7. No specific sanctions are provided for VASPs' non-compliance with these obligations.

Regarding criterion 7.4 d), the decisions to delist and release are taken by the Minister of Budget within a maximum period of 16 hours and are published on the website of the Technical Committee as well as in the following edition of the Official Gazette without delay (Article 21.c of Decree No. 2024-053/PR/MJDH). However, the specific procedures for disseminating such decisions to the VASPs had not yet been developed by the Technical Committee as at the time of the on-site visit.

Criterion 15.11

Generally, the international cooperation system has deficiencies that are considered minor to moderate with regard to Recommendations 39 on the one hand and 37, 38 and 40 on the other. Consequently, the international cooperation measures outlined in Recommendations 37 to 40 are only partially applicable within the context of activities related to Virtual Assets or concerning VASPs, mainly due to the following deficiencies:

- 1) With regard to the provisions of R.37, due to the lack of a formal mechanism for the transmission and execution of requests for mutual legal assistance
- 2) Regarding Recommendation 38, due to the lack of a bilateral cooperation agreement on mutual legal assistance,
- 3) With regard to the requirements of Recommendation 39, due to the lack of a mechanism for managing extradition requests, and
- 4) Regarding Recommendation 40, due to the lack of a legal basis for the BCD, in its capacity as the supervisory and monitoring authority of VASPs, to exchange information with its counterparts.

Weighting and conclusion

The current legal framework partially covers some of the obligations relating to the development of new products and new business practices, including new distribution mechanisms, as well as the use of new or developing technologies in connection with new or pre-existing products. However, in practice, there has been no concrete identification and assessment of the risks arising from new products or new business practices. Besides, there has been no risk assessment prior to the launch or use of new products, mechanisms or uses, and therefore no measures have been taken to mitigate such risks. Subjecting virtual asset service providers, placed under the supervision of the Djibouti Central Bank, to anti-money laundering and counter-terrorist financing obligations, partially meets some of the requirements of Recommendation 15. However, the country has not identified or assessed the ML/TF risks related to virtual assets and operations of VASPs pursuant to FATF Recommendation 1. Furthermore, the activity related to virtual assets and VASPs is not governed by any specific regulations and enforcement texts. Consequently, the BCD's supervisory power has been impaired and diminished by the fact that the VASP activity is not yet regulated and the obligation for these service providers to be licensed or registered is not provided for in Law No. 106.

Based on all these considerations, the Assessment Team considers that the regulatory framework in force in Djibouti and the system designed to ensure compliance with the criteria of Recommendation 15, present major deficiencies.

The Republic of Djibouti is rated Non-Compliant on R. 15.

Recommendation 16 – WIRE transfers

Originator's Financial Institutions

Criterion 16.1

Djibouti does not impose any threshold below which financial institutions would be exempt from the obligation to ensure the availability of the required information. Financial institutions should nevertheless be required to ensure that all cross-border wire transfers are systematically accompanied by the following information:

(a) The AML/CFT/PF Law No. 106/AN/24/9th L, published in the Official Gazette (JORD) in its special edition No. 2 dated 7th March 2024, clearly states under article 2-2-23, on "Wire transfers", that:

1. Financial institutions must include the required and accurate information on the originator as well as the required information on the beneficiary in wire transfers and other related messages. They must also take measures to ensure the traceability of all wire transfer transactions throughout the payment chain. This information must be kept in accordance with the provisions of Article 2-2-19.
2. Financial institutions must monitor wire transfers in order to detect those that do not contain the required information on the originator and/or the beneficiary.
3. The implementation modalities for financial institutions, designed to monitor wire transfers and specifying the information required for each of the institutions concerned, are determined by a Directive issued by the Governor of the Central Bank of Djibouti.

Directive No. 2023-01 issued by the Central Bank of Djibouti, on the designed for the prevention and fight against money laundering and terrorist financing, specified under article 26-1 the information required, including the name of the originator, the account number of the originating party where such an account is used to carry out the transaction or, where there is no account, a unique transaction reference number that would facilitate the traceability of the transaction and the address of the originator, his/her national identity number, customer identification number or date and place of birth.

under article to the fighting against under article (b) This sub-criterion is met since Directive No. 2023-01 on the mechanisms designed for the prevention and fight against money laundering and terrorist financing (IO.1) under article 26.1 on the "Specific obligations of the originators' reporting institutions" stipulates that: The reporting institutions shall ensure that every wire transfer, national or international, includes all the information on the beneficiary, as mentioned in items a) and b) of article 26.1 and which therefore repeat item (i) and (ii) of sub-criterion 16-1-b.

The requirement to obtain the requisite and accurate information of the originator and the requisite information on the beneficiary are both met by Article 2-2-23 of Law No. 106/AN/24/9th L, relating to "Wire transfers" and Article 26-1 of the BCD's Directive No. 2023-01.

Directive No.2023-01 would be more relevant if it had provided for the verification of the exact information required on the originator.

Criterion 16.2

Pursuant to Article 26.2 of Directive No. 2023-01 on "Cross-border transfers in batches" relating to the mechanisms designed for the prevention and fight against money laundering and terrorism financing (IO.1) "Cross-border wire transfers transmitted in

batches, emanating from the same originator to the beneficiary, must contain the requisite and accurate information on the originator and the complete information on the beneficiary mentioned in items a) to c) of Article 26.1", namely:

a) His/her name;

(b) His/her account number or, where applicable, a unique transaction reference number to be used in tracing the transaction;

(c) His/her address, national identity number, or customer identification number or date and place of birth.

The same article specifies that "the reporting institutions shall indicate the originator's account number as well as the unique transaction reference number."

Article "2-2-23: Wire transfers" under Law n°106/AN/24/9ème L specifies in paragraph 1 that "Financial institutions must... and take measures to facilitate the traceability of all wire transfer transactions throughout the payment chain."

Criterion 16.3

The requirements of the criterion are meant for countries that set a threshold for the implementation of the obligations of criterion 16.1. Djibouti does not set a threshold below which financial institutions should be required to ensure the existence of the requisite information, and therefore reporting institutions ensure the existence of all the information required by Article 26.1 for all cross-border wire transfers, which includes the information required by criterion 16.3. Therefore, criterion 16.3 is not applicable.

Criterion 16.4

The Republic of Djibouti has not set any minimum threshold below which financial institutions will be exempted from verifying the existence of the requisite and accurate information. The legal and regulatory provisions in force (Articles 2-2-23 of Law No. 106/AN/24/9th L and Article 26-1 of BCD Directive No. 2023-01) require a systematic verification of the existence of the requisite and accurate information, regardless of the amount of the transaction, including the case of any suspicion of money laundering and terrorist financing.

Criteria 16.5

Directive No. 2023-01 on the mechanisms designed for the prevention and fight against money laundering and terrorism financing (IO.1) under article 26.1 relating to the "Specific obligations of the originator's reporting institutions" stipulates that the reporting institutions must ensure that every domestic wire transfer includes all of the following information relating to the originator: i) His/her name; ii) His/her account number or, where applicable, a unique transaction reference number to facilitate the traceability of the transaction, and iii) His/her address, national identity number, customer identification number or date and place of birth.

Criterion 16.6 - Not Applicable

The legislative framework of the Republic of Djibouti does not provide for the possibility of the financial institution of the beneficiary and authorities concerned to provide the information accompanying the domestic wire transfer by any other means, pursuant to Article 26.3 of Directive No. 2023-01 on the mechanisms designed for the prevention and fight against money laundering and terrorist financing (IO.1), which stipulates that all the originator's institutions shall not be authorized to execute wire transfers if they are not in compliance with the provisions of Article 26.1 and 26.2 which set out the information on the originator and the beneficiary required for the execution of any transfer (or transfer batches) domestically or internationally.

Criterion 16.7

Article 2-2-19 on record-keeping and disclosure of documents provides that the persons mentioned under Article 2-2-1 shall keep for a period of five years from the closing of their accounts or the termination of their relationship with them, all records and information relating to their business relationship or occasional customers and to the due diligence measures implemented, as well as the account books and business correspondences. They shall also keep, for a period of five years from their execution, regardless of the medium, all records and information relating to the transactions carried out by them, including all reviews and analyses carried out within the framework of implementing the due diligence measures, including the report provided for in paragraph 2 of Article 2-2-14.

They ensure that they are kept under conditions and procedures that allow for quick access to the competent authorities listed in 3 of the same article, which in turn provides that the information and records referred to in the first paragraph must be adequate to enable the reconstruction of individual transactions. They must be kept under conditions that allow them to be used as evidence in legal proceedings, if necessary. They are communicated, upon request, to the judicial authorities, to officials in charge of the detection and repression of money laundering offences acting under a judicial warrant and to the National Financial Intelligence Agency established under Article 3-2-1-1 and within the framework of its powers defined under Articles 3-2-1-2 and subsequent ones.

In the light of the above and consistent with Recommendation 11 as provided for in criterion 16.7, record-keeping relating to bank transfers complies with the obligations provided for in Recommendation 11.

Criterion 16.8

Directive No. 2023-01 relating to the mechanisms designed for the prevention and fight against money laundering and terrorist financing (IO.1) under article 26.3 on "Prohibiting the executing of certain transfers" requires the originator's reporting institutions to refrain from executing transfers if they are not in compliance with the provisions of articles 26-1 and 26-2 which set out the information of the originator and the beneficiary required for the execution of any transfer (or transfer batches) domestically or internationally.

Also, law No. 106/AN/24/9th L requires that such required information should be kept under the conditions provided for in Recommendation 11.

Intermediate financial institutions

Criterion 16.9

Pursuant to Article 26.5 (IO.1) of Directive No. 2023-01 establishing the "specific obligations for reporting institutions acting as intermediaries for the execution of transfers" on the mechanisms designed for the prevention and fight against money laundering and terrorism financing, reporting institutions acting as intermediaries in the processing of transfers ensure that all the information required on the originator and the beneficiary is included therein, and this obtains for every type of transfer, whether domestic or cross-border, pursuant to Article 26.1 relating to the required information referred to under Article 26.5.

Criterion 16.10

Article 26.5 of Directive No. 2023-01 on the "specific obligations of reporting institutions acting as intermediaries for the execution of transfers" fighting against, clearly states that institutions acting as intermediaries in the processing of transfers shall ensure that whatever they receive contains all the required information on the originator and the beneficiary and that if technical constraints prevent the implementation of this obligation, the institutions are required to keep the information received from the originator's institution or the intermediary institution for at least 5 years.

Criterion 16.11

Directive No. 2023-01 establishing the mechanisms designed for the prevention and fight against money laundering and terrorism financing (IO.1) under article 26.5 (IO.1) on the "Specific obligations for reporting institutions acting as intermediaries for the execution of transfers" clearly states that reporting institutions acting as intermediaries in the processing of transfers shall take reasonable measures, covering the entire processing process and reasonable enough to identify all transfers for which the required information on the originator and the beneficiary is missing.

Criterion 16.12

Directive No. 2023-01 establishing the mechanisms designed for the prevention and fight against money laundering and terrorism financing (IO.1) under article 26.5 (IO,1) on the "Specific obligations for institutions subject to the regulation acting as intermediaries for the execution of transfers", provides for the development by reporting institutions acting as intermediaries in the processing of transfers, of risk procedures to decide on (a) the suitability of executing, rejecting or suspending wire transfers that do not contain the required information on the originator or the beneficiary, and (b) the appropriate consequential actions to be taken in the cases mentioned in (a) above.

Beneficiary's financial institutions

Criterion 16.13

Article 26.4 of Directive No. 2023-01 provides that reporting institutions of beneficiaries to take reasonable measures to detect cross-border wire transfers for which some of the required information on the originator or the beneficiary is missing, without specifying whether such measures could include a post monitoring or real-time monitoring where possible.

Criterion 16.14

Article 2-2-23 of the new law n°106/AN/24/9ème L provides that financial institutions must monitor wire transfers in order to detect those which do not contain the required information on the originator and/or the beneficiary.

In the light of the foregoing, these provisions concern financial institutions in general and do not specify the obligation for the beneficiary's financial institutions to verify the beneficiary's identity and refer this obligation to financial institutions in general without explicitly designating the beneficiary's financial institutions as implied by criterion 16.14.

The record-keeping obligation is provided for by this new law.

Criterion 16.15

Directive No. 2023-01 establishing the mechanisms for the prevention and fight money laundering and terrorism financing (IO.1) under article 26.4 (IO.1) on the "Specific obligations for the beneficiaries' institution, provides for the development of risk procedures by the beneficiaries' institutions to decide on (a) the suitability of executing, rejecting or suspending wire transfers that do not contain the required information on the originator or the beneficiary, and (b) the appropriate consequential actions to be taken in the cases mentioned in (a) above.

Money or Value Transfer Service operators**Criterion 16.16**

Article 26.7 of Directive No. 2023-01 relating to "Money or value transfer services" require reporting institutions that providing money or value transfer services to comply with articles 26.1 to 26.8 of the directive, where they are operating, directly or through their agents. The specified articles, namely 26.1 to 26.8, do not meet all the obligations established by Recommendation 16 (see analysis above).

Criterion 16.17

The requirements of this criterion are met by Article 2-2-23 of Law No. 106/AN/24/9th L - paragraph 4. Indeed, the latter provides that where a money or value transfer service provider controls both the placing of an order and the receipt of a wire transfer, it must:

a. Take into account all information from the originator and the beneficiary in order to determine whether a suspicious transaction report should be filed; and

b. Where applicable, make a suspicious transaction report in all countries concerned by the suspicious wire transfer, and provide all information on the transaction to the Financial Intelligence Units of the countries concerned.

Implementation of targeted financial sanctions

Criterion 16.18

Pursuant to Article 26.8 of Directive No. 2023-01 fighting against, reporting institutions shall inform the competent authorities when the transfers concern natural or legal persons subject to a to freezing measure their assets or a ban on carrying out transactions, due to a Resolution adopted by the United Nations Security Council, relating to the prevention and suppression of terrorism and terrorism financing". Thus, and pursuant to Articles 9 to 13 of Decree No. 2024-053/PR/MJDH establishing the mechanism for the implementation of targeted financial sanctions related to terrorism financing and the proliferation of weapons of mass destruction, FIs must take freezing measures and comply with the prohibitions on carrying out operations pursuant to the UNSCRs relevant to AML/CFT (see R.6 and 7).

Weighting and conclusion

Djibouti's system has minor deficiencies. Directive No. 2023-01 should clarify the verification of information on the originator (criterion 16.1). For criteria 16.13 and 16.14, the real-time monitoring measures and specific obligations for the beneficiary's financial institutions are not adequately defined.

The Republic of Djibouti is rated Largely Compliant on R.16

Recommendation 17 – RELIANCE ON third parties

Criterion 17.1. (a), (b) and (c) – Not Applicable

Reporting entities are prohibited from using third parties to implement due diligence measures (Article 2-2-25 of Law No. 106/AN/24/9me, Article 23 of Directive No. 2023-01).

Criterion 17.2 – Not Applicable

Criterion 17.3. (a), (b) and (c) – Not Applicable

Weighting and conclusion

The use of third parties for the implementation of identification and due diligence obligations is prohibited in the Republic of Djibouti.

The Republic of Djibouti is rated not applicable on R.17

Recommendation 18 – Internal controls and foreign branches and subsidiaries

Criterion 18.1

Pursuant to Article 2-2-27, paragraph 1 of Law No. 106/AN/24/9th, parent companies of groups shall establish, at group level and for all subsidiaries and branches, a mechanism designed to fight against money laundering and terrorism financing that takes into account all the risks, including policies, internal procedures and internal control measures including (a) compliance monitoring systems, (b) selection procedures guaranteeing the recruitment of employees, (c) a continuous training program for all staff. They shall also establish an independent audit function to test the effectiveness of the system in place. These legislative provisions are detailed in the Central Bank Directive No. 2023-01 applicable to all financial institutions except insurance companies, and providing for the establishment of:

- (a) A structure in charge of implementing the AML/CFT system, attached to a high hierarchical level (Article 8). The Head of the structure must be designated and must have the necessary skills.
- (b) Prior review of staff recruitment process, at least their CVs as well as their criminal records and their experience in relation to the position applied for (article 13 providing for staff recruitment, training and sensitization).
- (c) A permanent staff training program (Article 13)
- (d) Internal control measures to ensure the existence and effectiveness of all components of the AML/CFT system, and its compliance with the relevant legislative and regulatory requirements (Article 15 on internal control measures). The periodic review of the AML/CFT system shall be carried out independently by the internal audit function (Article 45).

Criterion 18.2

Pursuant to Article 2-2-27 of Law No. 106/AN/24/9th and Article 33 of the Central Bank Directive No. 2023-01, groups whose parent company is located in Djibouti are required to implement the AML/CFT system covering all their branches and foreign subsidiaries. This system includes the measures provided for in criterion 18.1 as well as the following components:

- (a) Policies and procedures for sharing information required for the implementation of due diligence obligations within the group and adapted to the management of money laundering and terrorist financing risks.
- (b) A mechanism designed for the exchange and provision of information within the group relating to customers, accounts and transactions, as well as, where applicable, the results of analyses of their transactions, which would appear unusual in view of their activities, necessary for the purposes of fighting against money laundering and terrorism financing, including audit functions.
- (c) Adequate guarantees regarding confidentiality and use of the information exchanged to ensure it is used only for the purposes of fighting against money laundering and terrorist financing, as well as adequate guarantees to prevent its disclosure.

Criterion 18.3

Financial institutions are required to ensure that the majority of their foreign branches and subsidiaries implement AML/CFT measures at least equivalent to those of the Republic of Djibouti (Article 2-2-27, paragraph 3 of Law No. 106/AN/24/9th and Article 33 of the Central Bank Directive No. 2023-01).

Where the local law of the countries where the subsidiaries or branches are located does not allow the implementation of anti-money laundering and anti-terrorist financing obligations at least equivalent to those of the Republic of Djibouti, the parent company of the group shall take additional measures to mitigate the money laundering and terrorist financing risks and inform the supervisory authority accordingly (Article 2-2-27, paragraphs 3 and 4 of Law No. 106/AN/24 risks of /9th).

Weighting and conclusion

The legislative framework on internal controls and foreign branches and subsidiaries of the Republic of Djibouti is largely compliant with Recommendation 18 but nevertheless has some minor deficiencies relating to the level of hierarchical attachment of the compliance structure for the insurance sector, but have no major impact on effectiveness.

The Republic of Djibouti is rated Largely Compliant on R.18.

Recommendation 19 – higher-Risk Countries

Criterion 19.1

Financial institutions implement specific enhanced due diligence measures, in line with R.10, the intensity of which varies according to a risk-based approach and which take into account the peculiarities of the transactions, the business relationships and transactions with all natural and legal persons established, registered or domiciled in countries or jurisdictions identified by the FATF among those presenting serious strategic deficiencies in the fight against money laundering, terrorist financing and proliferation financing (Article 2-2-15, paragraph 1 of Law No. 106/AN/24/9th Article 24 of Central Bank Directive No. 2023-01).

Criterion 19.2

The Republic of Djibouti is capable of implementing counter-measures proportionate to the risks independently of any call from the FATF (Article 2-2-16 of Law No. 106/AN/24/9th). In particular, the Djibouti Central Bank may subject to specific conditions or measures any activity, or all or part of the business relationships and operations carried out on their own behalf or on behalf of third parties, of financial institutions with natural or legal persons, including their subsidiaries or institutions, maintaining links with countries at high risk of money laundering or terrorist financing, other than those targeted by the FATF. However, the implementation of counter-measures is not provided for where the FATF calls for it.

Criterion 19.3

The Ministry of Economy and Finance prepares the list of countries or jurisdictions with a high risk of money laundering or terrorist financing other than those targeted by the FATF (Article 2-2-16 of Law No. 106/AN/24/9th). No mechanism is provided for to inform financial institutions of the concerns raised by the deficiencies identified in the AML/CFT regimes of the countries identified by the FATF.

Weighting and conclusion

The legislative framework on higher-risk countries of the Republic of Djibouti contains moderate deficiencies, including the impossibility to implement counter-measures proportionate to the risk for higher-risk countries where the FATF so requires.

The Republic of Djibouti is rated Partially Compliant on R.19.

Recommendation 20 –suspicious transactions Reporting

Criterion 20.1

Pursuant to Article 3-3-1 of the AML/CFT/PF Law No. 106/AN/24/9th L, the reporting entities referred to under Article 2- 1-1, are required to immediately prepare and file a suspicious transaction report to the ANRF, when they know, suspect, or have reasonable grounds to suspect, that funds are the proceeds of crime or related to money laundering or terrorism financing.

Criterion 2 0.2

Reporting institutions are required to report all suspicious transactions, including attempted suspicious transactions, regardless of the amount of the transaction. (Article 40 of Directive No. 2023-01.

Also, Article 3-3-1 of the AML/CFT/PF Law No. 106/AN/24/9th L, provides that the reporting entities referred to under Article 2- 1-1, are required to report and immediately file a suspicious transaction report to the ANRF, when they suspect, or have reasonable grounds to suspect:

- 1- That funds, regardless of the amount, are the proceeds of crime or are related to money laundering or terrorism financing;
- 2- That transactions or attempted transactions involve the proceeds of crime and/or are linked to money laundering or terrorism financing. This reporting obligation is also applicable even if the customer does not carry out the intended transaction.

Weighting and conclusion

All the criteria are met.

The Republic of Djibouti is rated Compliant on R.20.

Recommendation 21 – Disclosure and confidentiality

Criterion 21.1

The new AML/CFT/PF law n°106/AN/24/9th L, stipulates under article 3-4-1 regarding exemption from liability due to suspicious reports filed in good faith - that: "No liability of any kind, civil, criminal or disciplinary, may be brought, and no prejudicial or discriminatory measure in terms of employment may be issued against the reporting entities referred to under Article 2-1-1, or their managers, staff members, agents or distributors, who, in good faith, have disseminated information pursuant to article 3-2-1-3, paragraph 1°, filed reports pursuant to article 3-3-1 or blocked a transaction pursuant to article 3-3-4 of this law, even in a situation where they did not have precise knowledge of the predicate offence, regardless of the fact that an illicit activity has actually occurred, produced and even if, where applicable, the investigations and court trials have not led to any convictions.

Criterion 21.2

The new AML/CFT/PF law n°106/AN/24/9ème L meets the requirements of the criterion by specifying under article 3-4-2 - Prohibition on disclosure - that: "1- the reporting entities referred to under Article 2-1-1, their managers, staff members, agents and distributors shall not reveal to the customer concerned or to third parties that information or records are being, will be or have been filed to the ANRF pursuant to Articles 3-2-1 paragraph 1°, 3-3-1 and/or 3-3-4 or that any money laundering or terrorist financing-related analysis is in progress or likely to be carried out".

Weighting and conclusion

The new AML/CFT/PF law No. 106/AN/24/9th L provides for protection to cover all parties specified by criterion R.21-1 against any criminal or civil liability for violation of any rule governing the disclosure of information. Also, the new legislative provisions, while preserving the right to share information provided for by R18, extend the enforcement of the prohibition on disclosure to reporting entities, in addition to their managers and staff.

The Republic of Djibouti is rated Compliant on R.21.

Recommendation 22: Designated non-financial businesses and professions – Customer due diligence

Criterion 22.1

Designated non-financial businesses and professions (DNFBPs) are required to carry out a series of verifications including that of the identity, address, objective and purpose of the economic activity "before establishing any business relationship" (Art. 2.1.1 and 2-2-2 of Law 112/AN/11/6th L). DNFBPs are subject to the obligations of Caps. II and III of Law No. 106. For Cap. II, deals with AML/CFT obligations which include the provisions relating to the due diligence obligations, required for legal persons and legal arrangements as defined in Recommendation 10.

(a) For casinos, the threshold of 50,000 DJF set above is consistent with the threshold of the equivalent of 3,000 USD or EUR defined in the criterion.

b) It is noteworthy that the position of real estate agents, held by real estate developers who market their construction skills when they are involved in transactions on behalf of their customers relating to the purchase or sale of real property, fall within the scope of designated non-financial professional businesses covered by the regulations.

(c) Dealers in gems and precious metals – when carrying out a cash transaction with a customer equal to or higher than USD/EUR 15,000 – fall within the scope of designated non-financial professional businesses covered by the regulations.

d) Pursuant to the provisions of law 112/AN/11/6th L, notaries and other independent legal and accounting professions are subject to regulations on the prevention of money laundering and its detection.

e) Law No. 106/AN/24/9th subjects trust and company service providers to AML/CFT obligations.

The deficiencies identified under R.10 are equally applicable to DNFBPs.

Criterion 22.2

The extant legislations require DNFBPs to keep records in accordance with the modalities mapped out by Recommendation 11, in particular article 2-2-19 of law n° 106/AN/24/9th^L of 7th March 2024. Indeed, institutions accountable to the AML/CFT legislations, including DNFBPs, are required to keep the records of their transactions for 5 years after they have been carried out.

Criterion 22.3

Article 2.2.5 of Law 196/AN/02/4th L requires DNFBPs designated by law to enforce specific due diligence with regard to transactions carried out by or on behalf of persons holding or have held important public positions as well as members of their families and entourage. The designation under Article 2 of Law No. 110/AN/11/6th of politically exposed persons is compliant with the FATF terminology.

DNFBPs are subject to the same obligations as FIs as provided for under the criteria of Recommendation 12, which are mostly met.

Criterion 22.4

Article 2-2-22 of Law No. 106/AN/24/9th L requires all reporting entities, including DNFBPs, to comply with the obligations relating to new technologies established in Recommendation 15.

However, in practice, there has been no concrete identification and assessment of risks arising from new products or new business practices. Furthermore, there has been no risk assessment prior to the launch or use of new products, mechanisms or uses and therefore no measures have been taken to mitigate such risks.

Criterion 22.5 NA

Reporting entities subject to AML/CFT obligations are prohibited from using third parties to carry out the identification and verification of the identity of customers in business relationships, as well as their beneficial owners (art. 2-2-25 law 106/AN/24/9th¹).

Weighting and conclusion

Recommendation 22 has moderate deficiencies. Thus, the observations made in R.10 are equally applicable to DNFBPs (criterion 22.1) and, in practice, there has been no concrete identification and assessment of risks arising from new products or new business practices. Besides, there has been no risk assessment prior to the launch or use of any new products, mechanisms or uses (criterion 22.4).

The Republic of Djibouti is rated Partially Compliant on R. 22.

Recommendation 23: Designated non-financial businesses and professions – Other measures

Criterion 23.1

With regard to DNFBPs, Law No. 112/AN/11/6ème L includes in the scope of reporting entities subject to the suspicious reporting obligation, brokers in the sale or rental of buildings or business funds, notaries, chartered accountants, Revisors, auditors, auctioneers, casinos and gaming establishments, dealers in gems and precious metals and works of art, cash-in-transit, NGOs and non-profit organizations and travel agencies.

Independent legal professions are also included when they carry out, outside of any legal proceedings, transactions on behalf of their customers, including the purchase of real property, management of securities, assets, bank accounts, creation or management of companies or other legal arrangements.

The provisions of Article 3-3-1 of Law No. 106 stipulate that all categories of DNFBPs listed in the FATF methodology, defined in Art. 2-1-1, are required to report suspicious transactions when they know, suspect or have reasonable grounds to suspect that:

- Funds are the proceeds of crime or related to money laundering or terrorist financing.
- Transactions or attempted transactions involve the proceeds of a crime and/or are related to money laundering or terrorism financing.

(a) Lawyers, notaries, other independent legal professionals and accountants - where, for or on behalf of a customer, they carry out a financial transaction related to the activities referred to in criterion 22.1 d (Article 2-2-1 II paragraph f).

b) Dealers in gems and precious metals - when they carry out cash transactions with a customer equal to or greater than 15,000 USD/EUR (law no. 106 art. 3-3-2).

(c) Trust and company service providers - when, for or on behalf of a customer, they carry out a transaction related to the activities referred to in criterion 22.1 e (Article 2-2-1 III).

Criterion 23.2

DNFBPs, in the situations described in criterion 22.1 and like FIs, are required to comply with the internal control obligations established in Recommendation 18 (art. 2-2-26 of law no. 106/AN/24/9th L).

Criterion 23.3

The gap identified in R.19 is reflected in DNFBPs. Indeed, the impossibility to implement counter-measures proportionate to the risk for higher-risk countries when required to do so by the FATF, extends to DNFBPs.

Criterion 23.4

DNFBPs are required to comply with the same disclosure and confidentiality obligations as FIs (see R.21). Indeed, pursuant to Article 2-4-2 of Law No. 106/AN/24/9th L, reporting entities, their managers, staff members, agents and distributors shall not reveal to the customer or to a third party that information or documents are being, will be or have been transmitted to the ANRF, or that an analysis for money laundering or terrorist financing is in progress or likely to be carried out.

Weighting and conclusion

Djibouti's compliance with Recommendation 23 reveals moderate deficiencies, particularly with regard to:

- The non-formalization of internal control obligations for DNFBPs, established in Recommendation 18;
- The impossibility to implement counter-measures proportionate to the risk for higher-risk countries where the FATF so requires.

The Republic of Djibouti is rated Partially Compliant on R.23

Recommendation 24 – Transparency and Beneficial Ownership of Legal Persons

Criterion 24.1

- a) The legislation of the Republic of Djibouti identifies and describes the various types, forms and characteristics of legal persons in the country (including Free Areas) (Business Code for companies and economic interest groups (GIE), law n°107/N/24/9th for civil society organizations with legal personality (including associations, foundations, cooperatives), Civil Code for foundations, law 103/AN/05 5th for companies in free areas). These texts are available to the public through the Official Gazette portal, which is accessible online. However, with regard to civil society organizations, the regulatory provisions governing their institutions were not in existence as at the time of the on-site visit, except for NPOs as defined by the FATF Recommendation 8, which were governed by Law No. 104/An/24/9 published on the Official Gazette portal.
- b) The procedures for creating and the mechanisms for obtaining and keeping basic information on legal persons are outlined in the same texts, as well as the enforcement regulations which are also available online through the Official Gazette portal. With regard to the beneficial ownership information of legal persons established in Djibouti, the methods for obtaining and keeping information are outlined in Law No. 106/AN/24/9th published on the Official Gazette portal. For companies in Free Areas, the obligation to identify beneficial ownership does not exist and therefore the methods

for obtaining and keeping beneficial ownership information are not publicly accessible.

Criterion 24.2

The Republic of Djibouti has not conducted any assessment of the ML/TF risks associated with the various categories of legal persons created in the country.

Criterion 24.3

Companies and economic interest groups established in Djibouti are required to be registered in the RCS held by the ODPIC, which records the company name, legal form, nature of the business, address of the head office, as well as all instruments and documents filed (in particular the list of directors, certified copy of the statutes) (Business Code, articles L.1211-4, L.1211-5, L.1300-7). All information in the Trade and Company Register is accessible to the public, either directly on the ODPIC website or upon request.

Civil society organizations with legal personality registered as NPOs must be registered in a register maintained by the Ministry of the Interior (Article 19 of Law No. 104/An/24/9th) but this register was not in place as at the time of the on-site visit. Other civil society organizations are not required to register.

Free Area companies are registered in the Free Area Companies Register (Article 6 of Law 103/AN/05 5th). The information filed in the Free Area Register is defined by the regulations issued by the Free Area Authority but these texts are not accessible to the public and had not been communicated to the Assessment Team, and could therefore not assess whether the basic information required was in compliance with R.24.

Criterion 24.4

Legal persons established in Djibouti, with the exception of civil society organizations, must obtain and keep the basic information of criterion 24.3 (Article 3-5-1-1 paragraph 1 of Law No. 106/AN/24/9th) as well as information on shareholders or members, containing the name of the shareholders and the number of shares held by each shareholder as well as the category of shares, including the nature of the voting rights associated with them (Article 3-5-1-1 paragraph 3 of Law No. 106/AN/24/9th). For the register of shareholders and members, this information must be kept in Djibouti in a place indicated to the ODPIC by the legal person (Article 3-5-1-1 paragraph 3 of Law No. 106/AN/24/9th), but this is not the case for the basic information of criterion 24.3 where existing legislation, including the Business Code, does not specify the place where this information is kept by the company.

Free Area companies must keep a register of shareholders containing the number, amount and name of the owner of the shares (Articles 27 and 29 of Law 103/AN/05/5th), all issued shares being of the same class. However, it is not specified that the basic information of criterion 24.3 as well as the one on shareholders must be kept at the registered office or in another place in the Republic of Djibouti notified to the Free Area Company Registry.

Criterion 24.5

Legal persons established in Djibouti and civil society organizations registered as NPOs are required to submit a request for amended registration within one month of any amendment or update of the information provided for in 24.3 (Business Code, Article L.1211-9, Article 3-5-1-1 paragraph 2 of Law No. 106/AN/24/9th); Article 20, paragraph 2 of Law

No. 104/AN/24/9th). For companies and GIEs, the ODPIC must take reasonable measures to verify the basic information, to ensure that the applications are complete and consistent with the supporting documents produced (Business Code, Article L.1211-13, Article 3-5-1-3 of Law No. 106/AN/24/9th). For civil society organizations there is no verification of the accuracy of the information provided at the time of registration or during their existence.

Companies in Free Areas are required to notify the Free Area Registry of all changes relating to their shareholders (RL10, article 29) but no verification of the accuracy of the information provided is provided for.

Criterion 24.6

The Republic of Djibouti uses several mechanisms to ensure that beneficial ownership information (the person or persons who ultimately exercise effective control) of a company, GIE or civil society organization registered as an NPO established in Djibouti is obtained by that company or organization and available at a designated location in the country, or may otherwise be identified without delay by a competent authority:

- (a) Legal persons established in Djibouti are required to obtain and maintain accurate, satisfactory and up-to-date information on their beneficial owners, and to transmit it to the ODPIC at the time of incorporation, when filing annual returns and when there are changes in beneficial ownership information (Article 3-5-1-2 paragraph 2 of Law No. 106/AN/24/9th). Civil society organizations registered as NPOs are also required to identify and communicate their beneficial ownership information to the Ministry of the Interior (Article 20 of Law No. 104/ AN/24/ 9th).
- (b) The Ministry of Trade is in charge of establishing and maintaining a national beneficial ownership register in the Republic of Djibouti. The ODPIC collects and maintains accurate, satisfactory and up-to-date beneficial ownership information and control structures of all legal persons established in Djibouti and ensures that they are included in the of beneficial ownership register (Article 3-5-1-2 paragraph 1 of Law No. 106/AN/24/9th). Beneficial ownership information of civil society organizations registered as NPOs is included by the Ministry of the Interior in the NPOs register (Article 20 of Law No. 104/AN/24/9th).
- (c) Reporting entities (financial institutions and DNFBPs) are required to identify the beneficial owner of customers – legal persons, as defined in the FATF Standards (Article 2-2-4 of Law No. 106/AN/24/9th). This information is accessible to the competent authorities (Article 3-5-1-6 of Law No. 106/AN/24/9th).

For companies in the Free Areas, beneficial ownership information is only available from the reporting entities. However, there is no legal requirement to always use a licensed reporting entity service provider in Djibouti, at the time of the creation of the company and during its existence.

Criterion 24.7

The beneficial ownership information held by companies and GIEs established in Djibouti, civil society organizations registered as NPOs must be updated regularly, in particular at the time of incorporation, when filing annual returns and when there is any change. The competent authorities and the registry must be notified within one month when there are changes in the beneficial ownership information (Article 3-5-1-2 of Law No. 106/AN/24/9th, Article 20, paragraph 2 No. 104/AN/24/9th). Reporting entities must update the beneficial ownership information during their due diligence exercise (Articles 2-2-7 and 2-2-9 of Law No. 106/AN/24/9th).

However, for companies in the Free Area, the only mechanism for verifying and updating beneficial ownership information within the framework of the due diligence of reporting entities does not ensure that the information is accurate and updated because the due diligence is risk-based.

Criterion 24.8

The Republic of Djibouti ensures that companies and economic interest groups established in Djibouti cooperate to the fullest extent possible with the competent authorities to identify the beneficial owners (Article 3-5-1-4 of Law No. 106/AN/24/9th). In particular:

- a) Companies and economic interest groups established in Djibouti must authorize one or more natural persons residing in Djibouti to communicate all and available basic and beneficial ownership information, and to provide any other form of assistance to the competent Djiboutian authorities and/or;
- (b) Companies and EIGs established in Djibouti must authorize any DNFBP to communicate all available basic and beneficial ownership information, and to provide assistance to the competent Djiboutian authorities.

There are no equivalent provisions for civil society organizations and companies in the Free Areas.

Criterion 24.9

Basic and beneficial ownership information must be kept by the ODPIC, reporting entities, companies and GIEs established in Djibouti or their managers, liquidators or other persons involved in their dissolution for at least five years after the date on which the company is dissolved or ceases to exist, or for at least five years after the date on which the legal person ceases to be a customer of a reporting entity.

Such an obligation to keep basic and beneficial ownership information does not exist for civil society organizations and companies in the Free Areas and the Free Areas Authority, as well as for the Ministry of the Interior as the competent authorities for the registration of NPOs.

Criterion 24.10

The ANRF, law enforcement authorities and other competent Djiboutian authorities have timely access to basic information relating to legal persons that is kept in the business database (ODPIC register) and to beneficial ownership information of legal persons that is kept in the beneficial ownership register and the one that is kept by reporting entities (Article 3-5-1-6 of Law No. 106/AN/24/9th). However, the beneficial ownership register was not in place as at the time of the on-site visit.

However, no specific access by other competent authorities, including law enforcement authorities, to basic and beneficial ownership information of companies in Free Areas, is provided for in the legislation.

For civil society organizations, there are no specific provisions on access to basic and beneficial ownership information, but the ANRF and the Ministry of the Interior have access to all information that must be collected and kept by civil society organizations registered as NPOs (which includes basic and beneficial ownership information) (Article 23, paragraphs 4 and 5 of Law No. 104/AN/24/9th). However, this is not the case for other authorities and law enforcement authorities in particular.

Criterion 24.11

With the exception of companies in the Free Area which cannot issue bearer shares (Article 27 of Law 103/AN/05 5th), the legislation of the Republic of Djibouti does not exclude the possibility for companies to issue bearer securities and the authorities could not affirm that such shares did not exist in practice. However, no mechanism has been put in place to ensure that they are not misused for money laundering or terrorist financing purposes. In particular:

- (a) Bearer shares and share securities are not prohibited;
- (b) There is no obligation to convert bearer shares and securities into registered shares or securities (through automation or otherwise);
- (c) There is no obligation to restrain bearer shares and securities by requiring them to be held with a financial institution or regulated professional broker;
- (d) Shareholders with a controlling shareholding are not required to notify the company, and need not record their identity;
- (e) No other mechanism has been identified by the Republic of Djibouti.

Criterion 24.12

The legislation of the Republic of Djibouti does not exclude the possibility for legal persons to issue shares registered on behalf of nominees or to have directors acting on behalf of another person. However, the following mechanisms are in place to ensure that they are not misused (Article 3-5-1-7 of Law No. 106/AN/24/9th) :

- a) Shareholders and directors acting on behalf of another person must be licensed as trust and company service providers and their status must be registered in the company database. However, no licensing procedure has been put in place and no authority in charge of issuing such licenses has been designated. It is also unclear whether the reference to the company database is the same as the trade and company registry.
- b) Shareholders and directors acting on behalf of another person must keep information identifying the person who appointed them and make such information available to the competent authorities upon request.

Criterion 24.13

Any person who fails to comply with the obligations regarding the collection and keeping of basic and on beneficial ownership information shall be sentenced to 3-5 years imprisonment and a fine ranging from 5,000,000 to 20,000,000 DJF (Article 3-5-1-8 of Law No. 106/AN/24/9th).

Any trader or manager of a company of Djiboutian or other nationality who does not request for mandatory registration within the prescribed period shall be sanctioned with a fine of the 4th category (Business Code, article L.1300-13).

Any person who, in bad faith, provides inaccurate or inadequate information for the purpose of registration or a supplementary or remedial entry in the trade register shall be sanctioned with a fifth category fine (Business Code, art. L.1300-14, equivalent to 50,000 DJF under article 42 of the Penal Code). This fine shall be accompanied by a one-month prison sentence.

There are no provisions on liability and sanctions for civil society organizations and companies in Free Areas.

Criterion 24.14

The authorities of the Republic of Djibouti must provide international cooperation on basic and beneficial ownership information pursuant to Recommendations 37 and 40 (Article 3-5-1-6 paragraph 2 of the Law No. 106/AN/24/9th). This cooperation implies in particular, the responsibility to:

- (a) Facilitate foreign competent authorities' access to basic information in company registers;
- (b) Exchange information on shareholders; and
- (c) Use the investigative powers of their competent authorities, pursuant to domestic law, to obtain beneficial ownership information on behalf of foreign counterparts.

Criterion 24.15

There are no provisions or procedures for monitoring the quality of assistance that the Djibouti authorities receive from other countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad.

Weighting and conclusion

The Republic of Djibouti has mechanisms to ensure, to a large extent, the transparency of legal persons (companies and GIEs) established in Djibouti pursuant to Recommendation 24. However, this is not the case for companies in Free Areas and civil society organizations other than those registered as NPOs, which present a high risk of being misused. The issuance of bearer shares of legal persons established in Djibouti is not regulated to prevent their abusive use, although these securities are not issued in practice. The Republic of Djibouti is yet to analyze the ML/TF risks of legal persons established on its territory.

The Republic of Djibouti is rated Partially Compliant on R.24.

Recommendation 25 – Transparency and Beneficial Ownership of Legal Arrangements

The fiducie is the only legal structure in the Republic of Djibouti with a structure or function similar to the trust. At the time of the on-site visit, no trust was established in the Republic of Djibouti.

The Republic of Djibouti does not recognize trusts and has not ratified The Hague Convention.

The Waqf which is a form of legal arrangement in the Republic of Djibouti, consists in blocking any assets in order to protect it from, among other things, sale, donation, inheritance and devote the income from its use to a charitable purpose. The assets constituted as a waqf is unavailable, non-transferable and inalienable. The waqf in the Republic of Djibouti is controlled by a government body - the General Department of the Diwan of Waqf Assets - which is the body in charge of the administration of Waqf assets. During the review period, waqf assets were exclusively buildings donated for the benefit of mosques and administered by the General Department of the Diwan of Waqf Assets which manages these buildings and collects rents, which makes this legal arrangement lose the attractive elements for being misused for ML and TF purposes.

Criterion 25.1

(a) The fiducie agreement determines the identity of the settlor(s), the trustee(s), the beneficiary(ies) or, otherwise, the principles or rules for their designation (CC, Article 2210). The fiducie agreement and any amendments must be registered in a public register within one month with effect from that date (CC, Article 2213). However, such a public register has never been established. There is no obligation for the trustee as such to identify any other natural person ultimately exercising effective control over the fiducie. However, since trustees must be accountable to AML/CFT obligations, they are required to identify the beneficial owner of their customer, which is the trust, within the framework of their due diligence (Article 2-2-9). of Law No. 106/AN/24/9th).

(b) The legislation does not impose any specific obligation on the trustee to maintain information on agents or advisers providing services to the trust.

(c) Since trustees are entities subject to AML/CFT preventive measures, they must keep the information mentioned above for 5 years (Article 2-2-19 of Law No. 106/AN/24/9th).

Criterion 25.2

The fiducie/trust contract and its amendments must be registered in a public register within one month, failing which they will be null and void. The transfer of rights derived from the trust contract and any subsequent designation of the beneficiary must be confirmed with a written instrument registered under the same conditions (CC, Article 2213), otherwise they will be null and void. A national register of trusts must be established and kept by the Djibouti Central Bank (CC, Article 2214). However, no control mechanism is provided for and no trust register had been set up as at the time of the on-site visit.

Criterion 25.3

Where the trustee is acting on behalf of the trust, he/she must explicitly mention this, which includes declaring their status to the financial institutions and designated non-financial businesses and professions when they establish a business relationship or carry out an occasional transaction (CC, article 2226).

Criterion 25.4

The information on the trust agreement must be included in a public register (CC, Article 2213) and should therefore be accessible to the competent authorities and financial institutions and designated non-financial businesses and professions. However, such a public register was not in existence as at the time of the on-site visit. However, the information collected and held by the FI or DNFBP trustee within the framework of the due diligence exercise, including beneficial ownership information, is accessible to the competent authorities (Article 2-2-19 of Law No. 106/AN/24/9th). There is no explicit provision that beneficial ownership information shall be available upon request to other FIs or DNFBPs, but there is also no explicit prohibition.

Criterion 25.5

Relevant information on the assets transferred to the trust must be published in a public register (CC, Article 2213) but such a register did not exist as at the time of the on-site visit. The trust agreement must be registered but there is no obligation to indicate the residence of the trustee. There is no specific provision for access by the competent authorities, including the law enforcement authorities, to information held by trustees as such. With regard to information held by FIs and DNFBPs on (a) beneficial ownership, (b) the residence of the trustee and (c) any assets held or managed by the financial institution or designated non-financial business or profession in relation to any trustee with whom they have a business relationship or for which they carry

out an occasional transaction, the general provisions on access by the competent authorities to information held by reporting entities apply (Article 2-2-19 of Law No. 106/AN/24/9th).

Criterion 25.6

(a) There are no specific provisions or procedures that facilitate foreign competent authorities' access to basic information held in the registers or held by other national authorities of Djibouti.

(b) The competent national authorities exchange information on trusts available at the national level with FIs and DNFBPs within the framework of the general provisions on international cooperation, according to which the authorities of the Republic of Djibouti agree to cooperate as best as possible with those of other States for the purposes of exchanging information, investigation and procedure, aimed at executing precautionary measures and confiscations of instrumentalities and proceeds of money laundering, for the purposes of mutual technical assistance, as well as extradition (Article 5-1-1 of Law No. 106/AN/24/9th).

(c) Djibouti legislation does not contain any specific provisions on the investigative powers available to their competent authorities in Djibouti to obtain beneficial ownership information of trusts on behalf of foreign counterparts. The general provisions on international cooperation relating to the information exchange and mutual legal assistance in AML issues apply (Article 5-1-1 of Law No. 106/AN/24/9th).

Criterion 25.7

Failure to register the trust agreement and its amendments renders the agreement null and void for trusts (CC, Article 2210). Where the trustee fails to fulfil his duties, the beneficiary or designated third party may apply to the courts for the appointment of a provisional trustee or request the replacement of the trustee (CC, Article 2225). No other specific sanction or legal liability of the trustee for a breach of these obligations is explicitly provided for. However, the sanctions for the failure of the trustee to comply with the due diligence as a reporting entity (FI or DNFBP) apply.

Criterion 25.8

The legislation of the Republic of Djibouti does not provide for specific sanctions for the failure to disseminate the information referred to in criterion 25.1 to the competent authorities. However, non-compliance with AML/CFT obligations by reporting entities, including the failure to communicate to the competent authorities documents relating to customers and beneficial ownership identification, is likely to be sanctioned by the competent authority (Article 2-3-4-of Law No. 106/AN/24/9ème9 but the type and amount of these sanctions had not been defined in the normative texts in force as at the time of the on-site visit and it was not possible to determine whether these sanctions were proportionate and dissuasive.

Weighting and conclusion

The legislative framework of the Republic of Djibouti has a legal framework to ensure the transparency of legal arrangements (trusts) which has a number of deficiencies, including the adequacy, accuracy and timeliness of information since there is no monitoring and verification mechanism, the accessibility of basic and beneficial ownership information held by another FI or DNFBP, which may impact the effectiveness of identifying trusts and their beneficiaries. Sanctions for failure to provide information to the competent authorities were also lacking.

The Republic of Djibouti is rated Partially Compliant on R.25.

Recommendation 26: Regulation and supervision of financial institutions

Criterion 26.1

Pursuant to Article 2-3-1, paragraph 1 of Law No. 106/AN/24/9th L of 7th March 2024, the Djibouti Central Bank is designated as the supervisory and monitoring authority for all financial institutions and intermediaries with the exception of insurance companies. The Djibouti Central Bank is also the supervisory and monitoring authority of the Post Office for its money transfer and foreign exchange transactions.

Paragraph 2 of the aforementioned article designates the Ministry of Economy and Finance as the supervisory and monitoring authority of insurance companies.

There is no capital market in Djibouti for companies to provide investment services.

Criterion 26.2

Law 119/AN/11/6th establishing the incorporation and supervision of financial institutions provides that:

- No person shall engage in credit institution operations, nor claim this criteria, nor create a semblance of this, in his/her name or company name, business name, advertising or in any way in his/her operations, without obtaining the prior approval of the Djibouti Central Bank (art. 17);

- Subject to the implementation of the option given to the Djibouti Central Bank in the third paragraph of Article 2, no one shall exercise the activity of financial affiliate, nor claim this criteria, nor create any semblance of it, in his/her name or company name, business name, advertising or in any way in his/her operations, without obtaining the prior approval of the Djibouti Central Bank (Art. 29).

For electronic money, art. 1 of law 110/AN/11/6th L stipulates that with the exception of credit institutions authorized by Banking Regulations Act, no structure or establishment shall carry out electronic money issuing operations without having duly obtained a license hitherto issued by the Central Bank.

For microfinance, art. 7 of law 179/AN/07/5^{ème} L stipulates that before engaging in their operations on the territory of the Republic of Djibouti, microfinance institutions must obtain the license issued for this purpose by the Central Bank which ensures that all the requisite conditions are met. This authorization is called "License". Before issuing the license, the Central Bank also ensures that the conditions relating to social and financial viability are met.

For intermediaries, art. 22 of law 110/AN/11/6th L stipulates that the Republic of Djibouti is fully committed to ensuring that any natural or legal person who is not licensed as a financial institution as defined by the Banking Act or as a licensed intermediary as defined by the regulation of external financial relations, engaged in money or value transfer operations, for or on behalf of another

natural or legal person, is licensed or registered in a register opened for this purpose with a competent authority designated for this purpose.

Art. 2-2-1 of Law 112 and Art. 2-2-1 of Law No. 106 establish the principle that the State shall organize the legal framework in such a way as to ensure the transparency of economic relations, particularly by ensuring that corporate law and legal mechanisms for the protection of assets do not allow the creation of shell or front entities. However, the texts do not explicitly mention the prohibition of authorizing shell banks and banning the continuation of their activities.

No one, without having been previously licensed and registered on the list of credit institutions, shall engage in the activity defined under Article L.2261-104 nor claim the criteria of such institutions, nor create any semblance of this criteria, in his/her name or company name, business name, advertising or in any way whatsoever in that activity (Art. L.2261-301 of the French Business Code).

These provisions were clarified and expanded by law 106/AN/24/9th¹ which broadens the scope of financial institutions and affiliates placed under the supervision of the Djibouti Central Bank.

There is no capital market in Djibouti open to companies providing investment services.

Before commencing their operations, insurance companies are subject to licensing by the Ministry of Economy and Finance.

Finally, Directive 2023-01 art 29 published by the Central Bank prohibits the establishment of relations with shell banks by any bank that it has issued a license to.

Criterion 26.3

Under Article 18 of Law 119/AN/11/6th:

- 1) No one, within a credit institution, shall hold the position Managing Director, as defined under Article 24, be a member of its supervisory or executive body or hold more than 10% of its share capital, if he/she has been finally convicted by any court in the Republic of Djibouti or a foreign jurisdiction, for crime, forgery and use of forgery, theft, fraud, breach of trust, bankruptcy and fraudulent bankruptcy, extortion of funds or assets, embezzlement of public funds. This article nowhere provides for the prevention of criminals from becoming the beneficial owners of an effective shareholding or control of any financial institution.
- 2) Any conviction for attempt or complicity in the offences listed in the first paragraph of this article carries the same prohibition.
- 3) Approved credit institutions are required to open an account in their name in the books of the Djibouti Central Bank.
- 4) The compensation between the reciprocal obligations of the approved credit institutions shall be conducted at the places, days and times prescribed by the Central Bank. The movements resulting therefrom shall be recorded and conducted through the accounts they hold with the Central Bank.

No one shall direct, administer or manage a credit institution: - if he/she does not have the requisite professional and moral qualities to practice the profession; - if he/she has been finally convicted for crime, forgery and use of forgery, theft, fraud, breach

of trust, bankruptcy and fraudulent bankruptcy, extortion of funds or securities, issuing dud cheques and embezzlement of public funds. Any conviction for attempt or complicity in the offences listed above shall carry the same prohibition. These prohibitions shall apply automatically when the conviction, bankruptcy, dismissal, suspension or resignation has been delivered by a foreign court. Anyone who has been convicted of one of these acts shall not be employed, in any capacity whatsoever, by a credit institution (Art. L.2261-402 Business Code).

Credit institutions must be managed by at least two persons approved by the Central Bank. These managers cannot be in charge of a non-banking company (Art. L.2261-401 Business Code).

Article 17 of law 179/AN/07/5ème L provides for the management of microfinance institutions:

The institutions shall be organized and administered as determined in their basic approved texts (statutes & internal regulations) or taken (Decree or order) by the competent authorities. (.....)

Furthermore, it is specified that no one shall be an elected and paid manager of a Microfinance institution, nor have the power to sign on its behalf, if he/she:

- a. Is holding a managerial position in a competing institution, having totally or partially the same corporate objective.
- b. Is not a member/associate (for capital companies and association-type organizations) or duly appointed agent (for Funds/Projects/Agencies).
- c. Does not enjoy his/her civil and civic rights.
- d. Has already been finally convicted for a crime or misdemeanor likely to tarnish his/her honor, and in particular one of the offences covered by the legislation in force relating to the prohibition from administering and managing any of the association-type organization, capital company and Funds/Projects/Agencies. In this regard, particular attention shall be paid to the following offences:

- Counterfeiting and forgery of banknotes, but also any other offences of this nature;
- Issuance of a dud cheques;
- Forgery and use of forgery;
- Theft, extortion, embezzlement or breach of trust, fraud, receiving stolen goods;
- Bankruptcy, fictitious circulation of commercial paper;
- Corruption/bribery/money laundering;

e. Participated in the administration, management or day-to-day running of any institution falling within the scope of Law No. 92/AN/05/5th L of 16th January 2005 and whose compulsory liquidation has been ordered or whose bankruptcy has been declared.

The assessment team notes that the term crime is too broadly defined. It is followed in texts by certain offences designated as conditions of non-compliance the fit-and-proper status of beneficial owners and directors of financial institutions. These lists do not explicitly cover all offences that may prevent the persons concerned from being licensed. Thus, for example, a person who has been convicted of drug trafficking does not fall within these definitions. Moreover, there is no mention in these texts of criminal accomplices.

Criterion 26.4

Sub-criterion (a):

Banks and insurance companies accountable to the Core Principles are subject to regulation and inspection in accordance with said Core Principles, in AML/CFT, including the conduct of consolidated inspection missions at group level for AML/CFT purposes. Indeed, the BCD and Ministry of Economy and Finance have the power to supervise on the above-mentioned FIs, including conducting consolidated inspection missions at group level for the AML/CFT purposes, pursuant to paragraph 1 of Articles 3-3-2 and 3-3-3 of Law No. 106 respectively.

On the other hand, FIs operating on the capital market as investment service providers do not exist in Djibouti.

The Djibouti Central Bank and the Ministry of Economy and Finance have, in AML/CFT, pursuant to paragraph 1 of Articles 3-3-2 and 3-3-3 of Law No. 106 respectively, the power to conduct off-site and on-site inspections of their reporting entities or groups to which their reporting entities belong for compliance with their obligations.

Sub-criterion (b): For other financial institutions, in particular foreign exchange bureaus, money transfer companies, electronic money issuers and VASPs, Article 2-1-1 of Law No. 106 subjects these entities, in the same way as other reporting entities, to supervision mechanisms that ensure compliance with their domestic AML/CFT obligations.

Criterion 26.5

According to the provisions of Law No. 106 AN/24/9th L, and pursuant to paragraph of Article 2-3-2 and paragraph 2 of Article 2-3-3, the frequency and scope of AML/CFT-related off-site and on-site inspections on financial institutions (banks, financial institutions and insurance companies) or financial groups conducted by the BCD and Ministry of Economy and Finance respectively are determined based on the:

(a) AML/CFT risks and the institution or group's internal policies, controls and procedures, as identified in the supervisory authority's assessment of the institution or group's risk profile.

b) Existing AML/CFT risks in the country.

(c) Characteristics of financial institutions and financial groups, including the diversity and number of financial institutions as well as the degree of discretion granted to them under the risk-based approach.

Criterion 26.6

Pursuant to paragraph 3 of the aforementioned articles, the BCD as well as the Ministry of Economy and Finance, in charge of industries, must reassess the money laundering and terrorist financing risk profile of every financial institution or group, including the risk of non-compliance, at a frequency defined according to the risks, and as soon as significant events or developments occur in the management and operations of the financial institution or financial group. However, in fact, the BCD is currently developing tools to assess and reassess the risk profiles of its reporting entities. The same obtains for the Ministry of Economy and Finance regarding insurance companies, as life insurance products are yet to be marketed in Djibouti.

Weighting and conclusion

Djibouti's system has moderate deficiencies: provisions on fitness and propriety of directors do not cover all relevant offences and do not address accomplices of criminals (criterion 26.3). There are no specific regulations for certain financial institutions such as foreign exchange offices (criterion 26.4). Furthermore, supervisors do not effectively assess and reassess the risk of non-compliance when supervising FIs (criterion 26.6).

The Republic of Djibouti is rated partially compliant with recommendation 26.

Recommendation 27: Power of supervisory authorities

Criterion 27.1

With regard to financial institutions, under Law No. 106, the authorities have supervisory powers in AML/CFT:

(i) In this regard, the Djibouti Central Bank supervises and monitors credit institutions, financial affiliates, microfinance institutions, the Post Office for its money transfer and foreign exchange transactions, payment service providers, electronic money institutions and virtual asset service providers (art. 2-2-1 and art.2-3-2).

It should be noted that the Post Office's domestic money order activities are not explicitly designated by the regulations as fund transfers. However, according to the new law No. 106 these activities would fall under the responsibility of the Central Bank.

(ii) The Ministry of Economy and Finance supervises and monitors insurance companies in this context (art. 2-3-3).

Criterion 27.2

The Central Bank of Djibouti and the Ministry of Economy and Finance have, respectively, the authority to conduct on-site inspections of financial institutions and insurance companies. (See the articles referenced in 27.1).

Criterion 27.3

The Djibouti Central Bank may request from financial institutions under its supervision any information, documents, in whatever form, and obtain copies thereof, as well as any clarification or justification needed in the performance of its functions. Besides, it determines by directive the list, frequency and timelines for the submission of periodic remittances (art. 2-3-2 paragraph 4).

By and large, the Ministry of Economy and Finance may request from insurance companies and insurance groups under its supervision and monitoring any information, documents, in whatever form, and obtain a copy, as well as any clarification or justification needed in the performance of its functions. Furthermore, it determines by directive the list, frequency and timelines for submitting periodic remittances (art. 2-3-3 paragraph 4).

Criterion 27.4

Where the Djibouti Central Bank discovers that a credit institution or financial affiliate has violated the legislation or regulations applicable to it, the Governor may refer the matter to the Sanctions Commission (art. 56 of law 119/AN/11/6th).

Based on its power to impose sanctions, the Sanctions Commission may impose, depending on the seriousness of the offence, a range of disciplinary sanctions (warning, reprimand, suspension or prohibition of certain operations, suspension or immediate resignation of the managers in charge of the credit institution or the manager of the financial affiliate, liquidation and removal from the list of credit institutions or financial affiliates (art. 57 of law 119/AN/11/6th). Furthermore, the Sanctions Commission may, either instead of or in addition to disciplinary sanctions, impose a financial sanction at most equal to the minimum capital to which the sanctioned institution is subject.

Pursuant to the provisions of Article 55 of Law 119/AN/11/6th, the Governor of the Djibouti Central Bank may impose financial sanctions on credit institutions and financial affiliates which have not provided him with the documents and information required by the regulations in force on the due date.

Article 37 of Act No. 179 on microfinance activities provides for disciplinary and financial sanctions, up to and including license withdrawal.

However, these provisions do not apply to e-money issuers because the e-money instruction has no legal basis. Furthermore, the provisions of Article 2-3-4 of Law No. 106 do not provide that the supervisory authorities may, in the event of non-compliance with AML/CFT obligations, impose a range of disciplinary and financial sanctions ranging from restriction, to suspension or withdrawal of the financial institution's license.

Weighting and conclusion

The legal framework of the Republic of Djibouti regarding the powers of supervisory authorities presents a minor shortcoming.

Specifically, electronic money issuers are not subject to the provisions of Banking Law No. 119 concerning disciplinary and financial sanctions for non-compliance with AML/CFT obligations. Instead, they are governed solely by an instruction that lacks a legal basis (criterion 27.4).

The Republic of Djibouti is largely compliant with Recommendation 27.

Recommendation 28: Regulation and supervision of designated non-financial businesses and professions

Criterion 28.1

In Djibouti, casinos and gaming establishments are provided for by the provisions of Law No. 39/AN/53/1st L of 19th March, 1983 regulating gambling in the Republic of Djibouti, repealing and replacing Deliberation No. 311/7th L of 12th December, 1972. Their operations are subject to the prior approval of the Ministry of the Interior (Article 2.2.10 of Law 112/AN/11/6th L).

Article 2-3-6 of Law No. 106/AN/24/9th L particularly specifies that:

- a) The Ministry of the Interior shall issue to casinos, before the commencement of their operations, an operating permit after reviewing a file to ensure the legitimate origin of the funds needed for the creation of the establishment (art. 2-3-6 of law 106/AN/24/9th L).
- b) Article 2 of Law No. 39/AN/53/1^{ère} L of 19th March 1983 provides that licenses shall be issued by Order of the President of the Republic, Head of Government after investigation and based on the Terms and Conditions established after the opinion of the Ministry of the Interior, the Ministry of Finance – Direct Taxation Department and the Ministry of Trade. An investigation shall be conducted prior to the issuance of any license.
- (c) The Ministry of the Interior is in charge of monitoring casinos' compliance with their obligations in the fight against money laundering and terrorism financing.

Criterion 28.2 and 28.3

In accordance with the provisions of Article 2-3-1 of Law No. 106/AN/24/9th L, the following designated authorities and/or self-regulatory bodies shall be responsible for monitoring and ensuring DNFBPs' compliance with their AML/CFT:

- 1) The Ministry of Economy and Finance in charge of auditors, reviewers and auctioneers;
- 2) The Ministry of the Interior in charge of casinos, gaming establishments and non-governmental organizations and Non-profit organizations;

- 3) The Ministry of Energy of natural resources in charge of dealers in gems and precious metals and works of art;
- 4) The Ministry of the City, Housing and Accommodation in charge of intermediaries in the sale or rental of buildings or business premises;
- 5) The Ministry of Tourism in charge of travel agencies;
- 6) The Council of the Bar Association in charge of lawyers;
- 7) The Chamber of Notaries in charge of notaries;
- 8) The Association of Chartered Accountants of Djibouti in charge of Chartered Accountants;
- 9) The Ministry of Trade in charge of trust and company service providers.

Apart from the above-listed categories of DNFBPs, there are no other designated non-financial professions in Djibouti that may be subject to AML/CFT supervision.

However, the said supervision is yet to be formalized for all DNFBPs.

Criterion 28.4

- a) Paragraph 1 of Article 2-3-1 of Law No. 106/AN/24/9th L stipulates that the supervisory authorities of DNFBPs have the power to conduct off-site and on-site inspections on compliance with the AML/CFT obligations of their reporting entities and may request for any information necessary to execute their mandate.
- b) Under Law No. 170/AN/02/4th L on the Status of Notaries, the latter are appointed by Cabinet Decree. Any person seeking admission into the notary profession should be a Djiboutian national, enjoy his/her civil and political rights, be of good character and morals, and aged at least twenty-five years.

Under Law No. 236/AN/87/1^{ère} L establishing the legal profession, anyone seeking to become a lawyer should meet the following requirements: must be a Djiboutian national; hold at least a Master's degree in Law or an equivalent qualification, never engaged in any criminal act leading to a criminal conviction for actions contrary to honor, probity or sound morals, never engaged in acts of the same nature leading to a disciplinary sanction of dismissal, removal, revocation, withdrawal of license or authorization, and never declared bankrupt.

The supporting documents for compliance with the requirements presented above are reviewed by the Ministry of Justice, which after an investigation conducted by the State Prosecutor's Office and a reasoned opinion from the First President of the Judicial Court, the Attorney General at this Court and the President of the Bar Association, forwards the file to the Government General Secretariat. License is issued by Cabinet Decree.

For Chartered accountants, Law 053/AN/19/8èmeL of 4th July 2019 establishes the requirements for registration on the list of Chartered accountants/auditors: must be a Djiboutian national, be at least 25 years old, enjoy civil rights, never engaged in acts leading to a criminal conviction for actions contrary to honor, probity or sound morals, never engaged in acts of the same nature leading to a disciplinary sanction of dismissal, removal, revocation, withdrawal of license or authorization, and never declared bankrupt.

Under Law No. 36/AN/09/6th L establishing the Organization of the Bailiff Profession, Bailiffs perform the functions of Auctioneer, in charge of carrying out, under the conditions set by the Laws and Regulations, the valuation and public sale by auction of furniture and tangible movable items. Apart from the academic qualification and competence, only Djiboutian nationals may be admitted to the Bailiff profession, aged at least 25 years, enjoying their civil and civic rights, of good conduct and sound morals, especially those who have not been convicted of acts contrary to probity or sound morals, who have not been declared bankrupt or in insolvency, nor admitted to judicial settlement, nor are directors of a company, in which case, they have not been dismissed or struck off by disciplinary measure as a lawyer, ministerial officer, affiliate of justice or member of the Association of Chartered Accountants.

The texts do not provide for requirements to access the profession of dealer in gems and precious metals and works of art other than auctioneers. The same applies to trust and company service providers, and to real estate developers involved in the purchase of real property purchase and sale transactions on behalf of their customers.

(c) The sanctioning authorities referred to under Article 2-3-1 of Law No. 106/AN/24/9th^L have the power to impose sanctions for non-compliance with the AML/CFT obligations of the professions under their supervision. These provisions cover all DNFBPs.

Criterion 28.5

Sub-criteria (a) and (b): Paragraph 2 of Law No. 106/AN/24/9th^L requires all supervisory authorities to assess the AML/CFT risk profile of all reporting entities under their jurisdiction, to determine the frequency and intensity of their off-site and on-site inspections. They examine the implementation and adequacy, taking into account the risks of the system, internal procedures and internal control measures put in place by the reporting entities.

For DNFBPs, these provisions only came into effect for all DNFBPs since the adoption of the aforementioned law in March 2024, and therefore yet to be effectively implemented and the Assessment Team considers this criterion as partly met.

Weighting and conclusion

Chapter III on supervisory authorities and sanctions of Law No. 106 AN/24/9th L partly meets the criteria on the regulation and supervision of DNFBPs. Indeed, the texts do not formally specify to what extent dealers in gems and precious metals and trust and company service providers are subject to a fit-and-proper test aimed at preventing criminals or their accomplices from accessing the status of a licensed professional, or from holding a significant or controlling interest, from becoming the beneficial owners of such an interest, or from occupying a management position in a designated non-financial company or profession. Also, the inspection missions for all DNFBPs are yet to be formalized and overall, supervision is yet to be effectively implemented to

ensure that the conduct of inspection missions is risk-based. Also, the assessment Team considers that the outstanding deficiencies in relation to Djibouti's compliance with Recommendation 28 are moderate.

The Republic of Djibouti is rated Partially Compliant on R. 28.

Recommendation 29 – Financial Intelligence Units

Criterion 29.1

Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Financial Intelligence Agency (ANRF) under Article 4 provides that the ANRF shall receive and analyze suspicious transaction reports (STRs), other types of reports as well as any other information relating to money laundering, related offences and terrorist financing. Also, the same Decree provides under Article 5 that "without prejudice to the powers of the judicial authorities, the ANRF is tasked with analyzing this information in order to establish the nexus between suspicious transactions and illicit activities in order to prevent and fight against money laundering and terrorist financing, and to disseminate the results of its analyses to the State Prosecutor and other competent judicial authorities where there are reasons to suspect criminal or misdemeanor activity or terrorist financing."

Criterion 29.2

ANRF acts as a central agency for receiving suspicious transaction reports issued by reporting entities.

Sub-criterion (a) : Article 3-3-1 of the new AML/CFT/PF Law No. 106/AN/24/9th L, specifies the cases of obligation to report suspicious transactions and provides that the persons referred to under Article 2-1-1 (reporting entities) are required to report immediately to the ANRF, when they know, suspect or have reasonable grounds to suspect. Also, Article 4 of Decree No. 2024-052/PR/MJDH meets the requirements of sub-criterion 29.2

Sub-criterion (b): Article 3-3-2 on special monitoring and reporting of certain transactions provides that: The reporting entities referred to under Article 2-1-1 must also report the following transactions to the ANRF:

- 1° Cash transactions with a value equal to or higher than a threshold of 1,000,000 FDJ or its equivalent in foreign currency;
- 2° Wire transfers from or to abroad with a value equal to or higher than a threshold of 1,000,000 FDJ or its equivalent in foreign currency;
- 3° As directed by the National Coordinating Committee, all transactions originating from or intended for a country identified by the Financial Action Task Force Public Statement as a high-risk jurisdiction against which counter-measures should be applied or another country designated at national level.

Criterion 29.3

Sub-criterion (a): The ANRF has the right to request reporting entities, as well as any public authority and any natural or legal person referred to under Article 2-1-1, to provide information held by them that could enrich the suspicious transaction reports. Pursuant to Law No. 106/AN/24/9th L, access to such information shall be granted without the need for a prior suspicious transaction report. Article 3-2-1-3 of the law stipulates that when analyzing suspicious transaction reports and the information referred to under Article 3-3-1, the ANRF is authorized to request all information and documents that must be obtained and kept by the reporting entities referred to under Article 2-1-1, even those which have not submitted any suspicious transaction report or other types of reports on the natural or legal persons or legal arrangements that are targeted in the request.

Sub-criterion (b): In Law No. 106/AN/24/9th L, access to information is given without necessarily requiring a prior suspicious transaction report. The law provides under article 3-2-1-3 that when analyzing the suspicious transaction report and the information referred to under Article 3-3-1, the ANRF has the power to:

1° Request all information and records that must be obtained and kept by the reporting entities referred to under Article 2-1-1, including those who have not submitted any suspicious transaction report or any other type of report on natural or legal persons or legal arrangements that are targeted in the request. The reporting entities referred to under Article 2-1-1 are required to provide, within a time limit set by the ANRF, all the requested information and records. The dissemination of such information and records does not constitute a violation of professional secrecy or any other legally protected secret.

2° Obtain from other competent authorities the widest possible range of financial and administrative information and information from law enforcement authorities necessary to properly perform its core functions. The competent authorities are required to disseminate all information and records requested for by the ANRF within a timeframe set by the latter. The dissemination of such information and records is not a violation of professional secrecy or any other legally protected secrecy. The competent authorities may also, on their own initiative, communicate to the ANRF any information they consider useful for the execution of its mandate.

Criterion 29.4

Sub-criterion (a): Article 3-2-1 - 4 of the new law relates to the analytical function and provides that in carrying out its essential functions, the ANRF shall carry out operational analysis using available and obtainable information to identify specific targets, track specific operations or transactions and establish the nexus between these targets and possible proceeds of crime, money laundering, associated predicate offences and terrorist financing.

Sub-criterion (b): Article 3-2-1-4 of the new law on the analytical function provides in paragraph 2 that the ANRF shall carry out strategic analysis using available and obtainable information, including data provided by other competent authorities, to identify trends and patterns in money laundering and terrorist financing.

Criterion 29.5

Article 3 of Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Financial Intelligence Agency provides that the ANRF has the authority and capacity necessary to freely perform its functions.

Article 5 states that the ANRF is in charge of filing the results of its analyses to the State Prosecutor and other competent judicial authorities when there are reasons to suspect criminal or delinquent activity or terrorist financing.

Although Article 5 does not specify the mention of money laundering facts as a reason for the ANRF to transmit the results of its analyses, Article 6 specifies that the judicial and police authorities may request the ANRF to disseminate to them all relevant information it has for the purposes of investigations into money laundering facts, offences of related origin or terrorism financing.

Article 23 specifies that the ANRF cooperates closely with other competent authorities, including the judicial, police and customs authorities, and provides them with information on risks. The same article also provides that the ANRF and its authorities also organize coordination sessions.

Article 20 of the same Decree provides that the dissemination of information and intelligence is done securely and that the ANRF sets up and maintains a modern and secure information system allowing the reception, collection of information and records, operational and strategic analyses, the transmission of financial intelligence, the keeping of statistics and information exchange at both domestic and international levels.

Article 21 provides that the information the ANRF receives, processes, possesses or transmits must be protected, exchanged and used securely, pursuant to the procedures, policies and applicable laws and regulations. In this regard, it establishes rules concerning the security and confidentiality of such information, including procedures for the processing, storage, transmission, protection and access to this information. It also ensures that access to its premises and its information, including computer systems, is restricted.

Criterion 29.6

Sub-criterion (a)

Article 21 of Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Agency for Financial Intelligence provides that the information the ANRF receives, processes, possesses or transmits must be protected, exchanged and used securely, pursuant to the procedures, policies and applicable laws and regulations. In this regard, it establishes rules governing the security and confidentiality of this information, including procedures for processing, keeping, transmitting, protecting and accessing this information. It also ensures that access to its premises and information, including its IT systems, is restricted.

Sub-criterion (b)

Article 18 of Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Agency for Financial Intelligence provides that the ANRF provides for employees and experts hired for more than 6 months to take an oath

before the Supreme Court according to the terms set out in **paragraph 3 of Article 4**. However, Article 4 of the Decree does not concern the issue raised and Article 18 does not specify the legal text to which it refers.

The same Article 18 adds that experts appointed for short-term assignments (less than six months) sign confidentiality documents. The ANRF ensures that its employees and experts, regarding the performance of their functions, are aware of the provisions of the AML/CFT Act and their responsibilities. Analysts receive ongoing training, which helps them to understand the typologies of ML and TF, for them to recognize suspicious transactions, conduct operational and strategic analyses and maintain an adequate database.

Article 21 specifies that the ANRF shall also ensure that access to its premises and information, including computer systems, is restricted.

However, its obligations do not specify the responsibilities of staff regarding the processing and dissemination of sensitive and confidential information. The above texts do not specify the detailed system in place to inform staff of the rules of security and confidentiality of information and to ensure that these staff understand their responsibilities.

Sub-criterion (c)

Article 21 of Decree No. 2024-052/PR/MJDH on the mandate, organization and operation of the National Financial Intelligence Agency provides that the ANRF establishes rules concerning the security and confidentiality of this information, including procedures for processing, storage, transmission, protection and access to this information and that it also ensures that access to its premises and its information, including computer systems, is restricted.

Criterion 29.7

Sub-criterion (a)

Article 2 of Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Agency for Financial Intelligence provides that the ANRF shall be an independent public administrative institution with legal personality and financial autonomy. It shall be attached to the National AML/CFT/PF Committee (National Coordinating Committee). And Article 3 provides that the ANRF has the authority and capacity necessary to freely perform its functions, including taking decisions in a completely autonomous manner, analyzing the information it receives, and requesting for additional information for its analytical exercise. The analytical exercise which reveals serious indications of money laundering, related offences and terrorist financing, leads the ANRF to file a factual report to the State Prosecutor and the competent judicial authorities.

Sub-criterion (b)

The new Decree establishing the mandate, organization and functioning of the national financial intelligence unit stipulates under article 24 that subject to reciprocity, the ANRF shall cooperate and exchange with other FIUs, spontaneously and upon request, all information related ML, related predicate offences, and TF to the greatest extent possible and regardless of the criteria of these

FIUs, under the conditions set out in the extant laws on the prevention and fight against ML/TF. It is empowered to conclude agreements and collaborate with foreign counterparts in a completely autonomous manner.

Sub-criterion (c)

Article 15 of the new Decree establishing the mandate, organization and functioning of the financial intelligence unit provides that the ANRF shall be provided with adequate financial, technical and human resources, so as to guarantee its autonomy and independence and to enable it effectively accomplish its mandate. The resources of the ANRF are provided for by the State Budget, they come from contributions from technical and financial partners and from the shares (45%) of funds from confiscations executed following decisions relating to money laundering and terrorism financing.

At the end of each year, the Director General of the ANRF establishes, independently and according to the needs determined in the performance of ANRF activities, the budget for the following year. The amount and terms of implementation of this budget are approved by the National Committee.

Sub-criterion (d)

Article 15 of the new Decree on the mandate, organization and functioning of the national financial intelligence unit provides that the ANRF shall be provided with adequate financial, technical and human resources, so as to guarantee its autonomy and independence and enable it effectively achieve its mandate. The resources of the ANRF are provided for by the State Budget, they come from contributions from technical and financial partners and from the 45% share of funds from confiscations ordered following money laundering and terrorism financing-related verdicts.

At the end of each year, the Director General of ANRF independently prepares the budget for the following year, based on the needs determined within the framework of implementing the ANRF's activities. The amount and implementation modalities of this budget are approved by the National Committee.

Criterion 29.8

The process of ANRF joining the Egmont Group has commenced with the submission of the application, the designation of sponsoring FIUs and participation in meetings organized by MENAFATF with the Egmont Group to activate and fast-track the membership of MENAFATF member FIUs including the Djibouti-FIU.

Weighting and conclusion

There are minor outstanding gaps, particularly in terms of (i) clarifying staff responsibilities in the processing and dissemination of sensitive and confidential information.

The Republic of Djibouti is rated Largely Compliant on R.29.

Recommendation 30 – Responsibilities of Law Enforcement Authorities

Criterion 30.1

The State Prosecutor directs and supervises the activities of all officers and staff participating in criminal investigations. (Article 14 of the Code of Criminal Procedure). The Department of Public Prosecution, also known as the Prosecutor's office, represents the State in criminal lawsuits and advocates for the enforcement of the law. It ensures court verdicts are executed (Article 27 of the Code of Criminal Procedure).

The criminal investigation department has the power to conduct criminal investigations (Articles 13, 17 and 18 of the Code of Criminal Procedure)

The Djibouti National Police can conduct investigations in several areas of complex crime, including predicate crimes such as narcotics, prostitution, economic and financial crimes, and migrants' smuggling. It has units and personnel capable of conducting investigations into money laundering and terrorist financing (the economic and financial brigade 8 criminal investigation officers, the migrants' smuggling unit 5 criminal investigation officers, and the counter terrorism division 9 police officers.

The research and documentation section of the national gendarmerie comprises 29 criminal investigation officers, 10 of whom are in charge of investigations into several areas of economic and financial crime. It has adequate means and resources to conduct money laundering investigations. A group of 5 criminal investigation officers created in January 2024 (official memo No. 05/2/gjud) is dedicated to investigating case of counter terrorism and its financing.

Criterion 30.2

A directive No. 23/PG/D/24 of 28/01/2024 was issued by the Attorney General to the judicial authorities (State Prosecutor, deputy prosecutors and investigating judges) and to the criminal investigation units (police, gendarmerie, national security). This directive is instructing that the qualification of money laundering be applied for where the predicate offence (embezzlement of public funds, counterfeiting, breach of trust, etc.) reveals financial data, and to proceed, during the ongoing investigations, with the identification, seizure and confiscation of the proceeds of the offence.

Indeed, a parallel investigation may be conducted at magistrate level (prosecutor's office or investigation). Once the case has been classified as money laundering, the magistrate may initiate a financial investigation and directly contact the financial intelligence service as well as the police force (gendarmerie or police) in order to conduct the investigation at their level.

Criterion 30.3

The criminal investigations department, with the approval of the State Prosecutor, is authorized to seize all items and documents useful in establishing the truth (article 50 of the Code of Criminal Procedure)

Articles 4-1-1 (seizure) and 4-1-2 (preventive measures) of Law 106 empower the authorities in charge of detecting and suppressing money laundering offences and the competent judicial authorities, respectively, to seize assets related to the offence,

as well as any elements that would facilitate their identification, and to order preventive measures including restraining funds and freezing financial transactions on assets liable to be seized or confiscated.

Criterion 30.4

The National Financial Intelligence Agency is an administrative FIU. Although it does not have the judicial powers to embark on criminal lawsuits, it can be requested by the judicial authorities to conduct parallel investigations, it therefore contributes to the fight against crime by disseminating to the State Prosecutor's office reports of facts on suspicious cases received from reporting entities (article 3-2-1-5 law 106). It also has the power to block the execution of suspicious operations and transactions before referring the case to the courts (article 3-3-4)

The DJIBOUTI Customs department does not have the legal powers to conduct investigations into suspicions of money laundering or terrorist financing, but it does have the power to seize assets that are the subject of customs-related offences in order to report the offences to the State Prosecutor.

Criterion 30.5 - Not Applicable

Pursuant to Articles 4 and 5 of Law No. 103/AN/24/9th L establishing the prevention and fight against corruption, an independent national commission (administrative authority) in charge of fighting against corruption has been established.

The Commission does not have the legal powers to conduct criminal investigations, but it does receive complaints from natural or legal persons relating to acts of corruption. If, after analysis, it considers that it has a set of elements to justify the opening of legal proceedings, it can refer the matter to the competent courts.

Weighting and conclusion

Law enforcement authorities, including the police and national gendarmerie, are legally empowered to conduct investigations into money laundering, related predicate offences, as well as terrorism financing.

The Republic of Djibouti is rated Compliant on R.30.

Recommendation 31 – Powers of Law Enforcement Authorities

Criterion 31.1

- a) The production of documents held by financial institutions, designated non-financial businesses and professions or other natural or legal persons: pursuant to article 3-3-1 of law RL04, the criminal investigation department may order, when conducting investigations into money laundering and predicate offences, the disclosure of authentic and private title deeds, and all documents, including banking, financial and business.

Pursuant to Article 2-2-7 (RL04): Disclosure of records. All information and records referred to in Articles 2-2-2 to 2-2-6 shall be communicated, upon request, to the judicial authorities, to officials in charge of the detection and repression of offences related to money laundering acting under a court mandate and to the financial intelligence service established under Article 3-1-1 and within the framework of its mandate defined in Articles 3-1-1 to 3-1-7

- b) Search of persons and premises: Pursuant to Article 50 of the Code of Criminal Procedure, where the nature of the crime or offence is such that proof may be obtained by seizing papers, documents or other items in the custody of persons who seem to have participated in the crime or offence or to hold documents or items relating to the criminal acts, the criminal investigation officer shall immediately go to the latter's home to carry out a search and prepare a report accordingly. He alone, with the persons designated under Article 51 and those to whom he may have used pursuant to Article 49, has the right to examine the papers or documents before seizing them.

All seized items and documents shall be immediately recorded and placed under seal. However, if their on-site inventory presents difficulties, they shall be subject to provisional restraint until the time of their inventory and their final sealing, in the presence of the persons who witnessed the search according to the procedures provided for under Article 51.

With the approval of the State Prosecutor, the criminal investigation officer shall only maintain the seized items and documents useful for establishing the truth.

Pursuant to Article 89 (Code of Criminal Procedure): Searches shall be conducted in all places where there may be items which, when discovered, would be useful in establishing the truth.

- c) The collection of testimonies: pursuant to Article 74 (Code of Criminal Procedure), the investigating judge shall, in accordance with the law, prepare all information notes that he deems useful for the manifestation of the truth. He has the duty to investigate both the prosecution and the defence. Where the investigating judge not in a position to conduct all the acts of investigation himself, he may give letters rogatory to the criminal investigation officers in order to have them prepare all the necessary information notes under the conditions and subject to the reservations provided for in Articles 155 to 159. Pursuant to Article 98 (Code of Criminal Procedure), the investigating judge shall have summoned before him, by a bailiff or by a law enforcement officer, all the persons whose testimony he deems useful. A copy of this statement shall be given to them. Witnesses may also be summoned by simple letter, by registered letter or by administrative means; they may also appear voluntarily.
- d) Seizure and obtaining evidence: pursuant to Article 74 (Code of Criminal Procedure), the investigating judge shall prepare, in accordance with the law, all information notes which he deems useful for the manifestation of the truth.

Pursuant to Article 50 of the Code of Criminal Procedure: the criminal investigation officer has the right to examine all papers or documents before seizing them.

The law enforcement authorities of Djibouti, including the investigating judge and criminal investigation officers, are equipped with a satisfactory legal arsenal (the Code of Criminal Procedures) which has been strengthened by the enactment of law RL04, allowing them to conduct and carry out investigations into money laundering, the predicate offences linked to it and terrorism financing and to implement the measures provided for (disclosure of documents, searches of premises, collection of testimonies, seizures) pursuant to sub-criterion 31.1

Criterion 31.2

The competent authorities in Djibouti are capable of using a wide range of investigative techniques adapted to investigations into money laundering, related predicate offences and terrorism financing, in particular and as mentioned under Article3-3-2:

- a) Undercover operations;
- b) Interception of communications;
- c) Access to computer systems;
- d) Controlled delivery.

Criterion 31.3 – (a) and (b)

"The State Prosecutors shall carry out or have the competent authorities (investigating judges or judicial police) carry out all the acts necessary for the investigation and prosecution of the actions" (Article 38 of Criminal Procedures). Generally, these actions may include access to information on accounts held by persons (or their monitoring).

Pursuant to Article 12 of the Code of Criminal Procedure: "the procedure during the investigation and the directive shall be secret. Any person who participates in it shall be bound by secrecy". This obligation allows the competent authorities to identify the property without prior notification of the owner.

Criterion 31.4 – Met

Article 3-1-2: the information exchange is done upon information request from the ANRF to the judicial authorities. The latter may also, pursuant to articles 63-74 of the Code of Criminal Procedures and 49 of the code of criminal prosecution, contact the financial intelligence service through judicial requisitions to request for information or data necessary for the continuation of investigations into money laundering or terrorist financing.

Weighting and conclusion

All criteria are met.

The Republic of Djibouti is rated Compliant on R.31.

Recommendation 32 – Cash Couriers

Criterion 32.1 – Met

Pursuant to Article 27 of the new law 104/AN/24/9th¹, physical cross-border transportation of cash and bearer negotiable instruments while entering and leaving the Djiboutian territory, in FDJ and in foreign currency, are subject to a declaration obligation and are subject to monitoring and control to prevent them from being used for criminal purposes, including terrorism financing, money laundering or any predicate offence.

Pursuant to Article 28 of the same law, cross-border physical transportation of cash and bearer negotiable instrumentalities of an amount equal to or greater than one million (1,000,000) FDJ must, upon entering and leaving the national territory, be declared in good faith and in writing at the border posts by the carrier using the form provided for this purpose. This declaration is required for all cross-border physical transportation, whether by passengers or by mail and freight. The declaration obligation is not considered met if the information provided is incorrect or incomplete.

Criterion 32.2 – Met

The country has chosen to implement a system based on the automated declaration of cash of any amount equal to or greater than 1,000,000 FD (the equivalent of 5,327 euros/5,624 USD) and justification at border posts by the carrier (article 28 of law 104).

Criterion 32.3 – Not Applicable

Criterion 32.4

Article 29 of Law 104 meets the requirements of the sub-criterion, in fact in the event of detecting or suspecting a false or non-declaration incident, or when suspecting terrorist financing, money laundering or predicate offences, customs are authorized to:

- to make the bearer subject to identification and require and obtain additional information on the origin of the cash and BNIs as well as the use for which they are intended.
- To stop or seize the cash or BNIs for 30 working days with the possibility for the competent authorities to extend the period to a maximum of 90 days to allow them to establish whether evidence of terrorist financing, money laundering or predicate offences is likely to be found.

Criterion 32.5

Pursuant to Article 31 (on sanctions) of Law No. 104, Chapter XII (on cash couriers), any failure to comply with declaration obligations is subject to civil, administrative and criminal sanctions, as well as precautionary measures provided for in the texts in force. This includes the provisions of Law No. 104, those relating to the fight against money laundering, confiscation, international cooperation on proceeds of crime, as well as the Customs Code, pursuant to the following articles:

- Article 332 (Customs Code): This article provides for the confiscation of the proceeds of fraud, means of transportation, and items used to commit the fraud. It also provides for a fine equal to double the value of the fraudulent goods and a prison sentence of up to three months.
- Article 333 (Customs Code): The prison sentence may be increased from three months to one year if the offence is committed by a group of three to six people, tax sanctions meted out as provided for under Article 334 (fine equivalent to three times the value of the confiscated items).
- Article 334 (Customs Code): This article provides for a fine equivalent to three times the value of the confiscated items and a prison sentence of one to three years if the offence is committed by a gang or an organized network.

Criterion 32.6

Pursuant to Article 30, paragraph 3 of Law 104/AN/24/9th, the competent authority, in case of suspicion of money laundering, predicate offence, terrorist financing, failure to make a declaration or false declaration, must transmit to the ANRF the information relating to all transportation of cash and bearer negotiable instruments involved. This information must be communicated to the ANRF without delay. The transmission shall be done electronically in order to ensure a rapid, effective and secure exchange of information. In case of false declaration or suspicion of terrorist financing, the competent authority is required to inform the financial intelligence unit of the suspected transaction (Article 29, RL02).

Criterion 32.7

Pursuant to Article 46, paragraph 2, of the Customs Code, as well as Article 251, paragraph 2, civil and military authorities are required to provide assistance to customs officers at the initial request. Furthermore, pursuant to Article 30, paragraph 3, of Law No. 104 (on record-keeping and information sharing), the competent authority, in case of suspicion of money laundering, predicate offence or terrorist financing, or non or false declaration, must ensure that the information mentioned in paragraph 2 on the transportation of cash and bearer negotiable instruments is filed to the ANRF without delay.

Pursuant to paragraph 4 of the same article, the information collected must also be made available to other authorities, including immigration services, tax authorities, law enforcement authorities, as well as any other relevant authority, upon request.

Criterion 32.8

Article 29 of Law 104 meets the requirements of the sub-criterion, it empowers the DJIBOUTI customs administration, in case of suspicion of false declaration, money laundering or terrorist financing or any predicate offence, to stop or withhold cash or bearer negotiable instruments for 30 working days with the possibility for the competent authorities to extend the period to a maximum of 90 days in order to allow them to establish whether any evidence of AML/CFT or the predicate offence is likely to be found.

Criterion 32.9 – (a), (b) and (c)

Pursuant to Article 30 of Law 104, the competent authority shall withhold all relevant information relating to cross-border transportation of cash and bearer negotiable instruments in the case of an amount greater than or equal to 1,000,000 FDJ or false or non-declaration or suspicion of money laundering or predicate offence or terrorist financing.

Under the same article, these measures may be used within the framework of national (paragraph 4) and international (paragraph 5) cooperation. Indeed, the authorities of the Republic of Djibouti, through their commitment to the World Customs Organization (WCO) since 19th March 2018 and the World Trade Organization (WTO) since 31st May 1995, have been demonstrating their willingness to cooperate in exchanging information with their foreign counterparts.

Criterion 32.10

Article 32 of Law 104 stipulates that the competent authorities shall ensure that the information collected and withheld by the reporting system does not in any way restrict payments relating to the exchange of goods or services between countries, nor the free movement of capital.

Criterion 32.11

Pursuant to Article 31 (Law 104), any failure to comply with reporting obligations shall be subject to civil, administrative and criminal sanctions of precautionary measures according to the texts in force, including the provisions of Law 104, the Customs Code and those of the law on money laundering, confiscation and international cooperation in matters of proceeds of crime.

On the other hand, the sanction provided for the same offence under Article 332 of the Customs Code is confiscation, a fine equal to or double the value of the fraud, and a prison sentence of up to three months.

The sanctions and precautionary measures applied are considered by the Assessment Team to be dissuasive and meet the requirements of the sub-criterion.

Weighting and conclusion

All the criteria are met.

The Republic of Djibouti is rated Compliant on R.32.

Recommendation 33 – Statistics

Criterion 33.1

(a) Article 3-1-3-1 of Law No. 106 on the collection and keeping of statistics does not clearly specify the obligation to keep comprehensive statistics on suspicious transaction reports (STRs). Similarly, Article 3-2-1-7 does not explicitly mention the obligation to maintain statistics on STRs, but it underscores the responsibility of the ANRF to maintain statistics on the effectiveness of the AML/CFT system.

(b) Article 3-1-3-1 of Law No. 106 provides that the competent authorities shall keep comprehensive statistics on relevant aspects of the fight against money laundering and terrorist financing. However, it does not clearly specify the nature of the statistics to be collected in relation to investigations, prosecutions and convictions. Furthermore, the details on the content, level of details, format, frequency and dissemination channels of these statistics are to be defined by an Order of the National Coordinating Committee which is yet to be issued.

(c) Article 3-1-3-1 of Law No. 106 on the collection and keeping of statistics does not clearly specify the obligation to maintain comprehensive statistics on frozen, seized or confiscated assets. Similarly, Article 3-2-1-7 does not explicitly mention the obligation to maintain statistics on such assets, but it underscores the responsibility of the ANRF to maintain statistics on the effectiveness of the AML/CFT regime.

(d) Pursuant to Article 5-1-3 of Law No. 106, the Ministry of Justice, as the central authority for judicial cooperation, shall be in charge of maintaining comprehensive statistics and data on requests for mutual legal assistance and extradition. These data shall include the number and nature of requests, the offences covered, the subject of the requests, the States of origin and destination of the requests. The judicial authorities must forward a copy of requests for mutual legal assistance or extradition to the Ministry of Justice for statistical purposes when such requests are received or conveyed directly between counterpart authorities.

Weighting and conclusion

Law No. 106 requires the keeping of statistics, but there are moderate outstanding gaps in terms of clearly stating the nature and methods of collection, particularly for STRs, frozen assets and investigations.

The Republic of Djibouti is rated Partially Compliant on R.33.

Recommendation 34: Guidance and feedback

Criterion 34.1

The ANRF has published 7 guidelines since 2017 (the first on 11/01/2017 on suspicious transactions, the other 6 on 09/03/2017 on (2) suspicious transactions, (3) the compliance program, (4) risk assessment, (5) assessment methods, (6) politically exposed persons, and (7) record-keeping). These guidelines are intended for natural and legal persons subject to the guidelines and include clarifications to help them implement effective measures to fight against money laundering and terrorist financing.

However, and since the issuance of these guidelines in 2017, there has apparently been no feedback from the ANRF to financial institutions or DNFBPs to help them establish adequate measures designed to fight against money laundering and terrorist financing.

On the other hand, and apart from the ANRF, other competent authorities, supervisory authorities and self-regulatory bodies have not established any guidelines for the reporting entities under their supervision and have not provided any feedback to these entities.

Weighting and conclusion

The Republic of Djibouti is rated Partially Compliant on R. 34.

Recommendation 35 – Sanctions

Criterion 35.1

Sanctions applicable to FIs and DNFBPs which fail to comply with the AML/CFT obligations referred to in R.6:

The competent authorities of Djibouti do not have a range of proportionate and dissuasive sanctions applicable to FIs and DNFBPs that fail to comply with the AML/CFT obligations referred to in R.6. The legislative and regulatory texts do not provide for provisions to determine the sanctions applicable in criminal matters for any violation of the obligations prescribed in R.6 (TFS related to TF).

Sanctions applicable to FIs and DNFBPs failing to comply with the AML/CFT obligations referred to in R.8 to R.23:

I. Criminal sanctions

Pursuant to Article 4-2-4 of the AML/CFT/PF Law No. 106/AN/24/9th L, those who fail to report suspicions, those who contravene the provisions on international transfers of funds, managers and employees of money exchange companies, casinos, gaming circles, credit institutions and financial institutions who contravene their obligations shall be sanctioned with a fine of ten to twenty-five million francs. A permanent ban or a ban for a maximum period of five years from practicing the profession with effect from the date the offence was committed.

Persons and managers or employees of reporting entities who knowingly discloses to the owner of the sums or to the originator of the transactions concerned with the report they are required to file or about the pending consequences (R21), those who knowingly destroy or remove registers or records that should be kept (R.11), those who fail to comply with identification obligations (R.10 and subsequent), those who, having become aware of an investigation into money laundering by reason of their profession, knowingly inform the person or persons targeted by the investigation by any means, those who disclose information or documents to persons other than those provided for by law (R.21), and those who fail to report suspicions where the circumstances of the transaction led to the conclusion that the funds could be included in a ML process, shall be sanctioned with imprisonment of five to ten years and a fine of twenty-five to fifty million francs.

However, the legal text does not provide for the application of proportionate and dissuasive criminal sanctions in TF matters.

II. Administrative and disciplinary sanctions

Administrative and disciplinary sanctions are of several types. They are:

Warning or injunction, to take, within a specified period, the precautionary measures it deems appropriate. Art.54 (RL06):

Financial sanctions imposed by the Governor of the Djibouti Central Bank, the amounts of which are set by directive from the Central Bank (art.55) (RL06).

Disciplinary sanctions applicable to credit institutions and financial affiliates (article 56 (RL06).

Article 58 (RL06) provides that the Sanctions Commission of the Central Bank may impose disciplinary sanctions such as warning, reprimand, suspension or prohibition of certain operations, suspension or automatic resignation of the managers in charge of the credit institution or the manager of the financial affiliate, liquidation and removal from the list of credit institutions or financial affiliates, without prejudice to criminal prosecution. The Sanctions Committee may also impose a financial sanction equal to the minimum capital to which the sanctioned institution is subject.

The competent authorities of Djibouti have no proportionate and dissuasive administrative and financial sanctions that are applicable to other FIs (insurer, decentralized financial system, capital market players) and to DNFBPs.

Criterion 35.2

Sanctions applicable to the administrative body and senior management for failure to comply with the obligations of R.6:

No criminal sanctions are applicable to the administrative body and senior management for failure to comply with the obligations imposed pursuant to R.6.

Sanctions applicable to the administrative body and senior management for failure to comply with the obligations of R 8 to 23:

I. Criminal sanctions

The provisions in force in the Republic of Djibouti provide for sanctions to be applied against members of senior management and members of the administrative body, where the fault is personally attributable to them.

II. Administrative and disciplinary sanctions

The sanctions applicable to senior management and members of the administrative body of the credit institution sector have been indicated. They are liable to sanctions in case of personal misconduct.

Weighting and conclusion

From a criminal perspective, no sanctions are provided for intentional or unintentional breaches of the obligations provided for in Recommendations 6 and 8 to 23 in TF. Nor are administrative and financial sanctions provided for such breaches for other FIs (insurers, decentralized financial systems, etc.) or where the violation is caused by their managers.

The same applies to violations committed by members of non-financial professions (DNFBPs) in matters of money laundering and terrorist financing.

All these deficiencies constitute moderate deficiencies.

The Republic of Djibouti is rated Partially Compliant on R. 35.

Recommendation 36 – International Instruments

Criterion 36.1

The Republic of Djibouti is a party to the Vienna Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances of 1988, the Palermo Convention against Transnational Organized Crime of 2000, the Merida Convention against Corruption of 2003, and the International Convention for the Suppression of Terrorism Financing of 1999. It ratified the Vienna Convention on 22nd February 2001, the Palermo Convention and the Merida Convention on 20th April 2005, and the Convention for the Suppression of Terrorism Financing on 13th March, 2006.

Criterion 36.2

This criterion requires countries to fully implement certain relevant articles of the Vienna Convention (Articles 3-11, 15, 17 and 19), the Palermo Convention (Articles 5-7, 10-16, 18-20, 24-27, 29-31 and 34), the Mérida Convention (Articles 14-17, 23-24, 26-31, 38, 40, 43-44, 46, 48, 50-55, 57-58) and the Convention against Terrorism Financing (Articles 2-18).

Concerning the first two Conventions, namely the Vienna Convention of 1988 and the Palermo Convention of 2000, the relevant articles of these Conventions have been partially domesticated into the internal legal order of Djibouti, essentially through the Djiboutian Penal Code.

With regard to the other two Conventions, namely the 2003 Merida Convention and the 1999 United Nations Convention for the Suppression of terrorism financing, the Djiboutian laws on money laundering, terrorism financing and the proliferation of weapons of mass destruction (Law No. 106/AN/02/4e L and Law No. 112/AN/24/9e L), on the prevention and fight against corruption and related offences (Law No. 103/AN/24/9e L), on the fight against terrorism financing (Law No. 104/AN/24/9e L), and on the fight against terrorism and other serious crimes (Law No. 105/AN/24/9e L), have covered the majority of the relevant articles of the two aforementioned Conventions. However, there are a few articles that would need to be complemented in order to fully implement the said Conventions.

For example, with regard to the Merida Convention, the articles relating to the criminalization of money laundering, and measures for its prevention, the liability of legal persons, and the various elements of the offence of corruption, and measures for judicial prosecution, judgment and sanction, participation and attempt, the rules of limitation, mutual assistance in investigations and procedures, cooperation between detection and law enforcement agencies and international cooperation for the purposes of confiscation as well as mutual legal assistance and special investigative techniques, have been implemented in Djibouti's legislation.

With regard to the United Nations Convention for the Suppression of Terrorism Financing, the Republic of Djibouti has implemented certain relevant articles, namely the criminalization of terrorism financing, establishing the liability of legal persons, establishing the power of the State to identify, detect, freeze or seize funds used to commit TF offences, the measures necessary for the confiscation of funds and their allocation, the implementation of provisions relating to extradition and the principle of "prosecute or extradite", the implementation of provisions relating to mutual legal assistance, the non-invocation of banking secrecy or the fiscal or political nature of the offence as the sole reason for refusing a request, and the implementation of provisions relating to the transfer of persons detained or serving a sentence for the purposes of identification or testimony.

Areas that have not been domesticated into national legislation include, for instance: the establishment of procedures for the detention of persons suspected of TF (including the notification of other countries), the establishment of mechanisms for information sharing or evidence necessary for the establishment of criminal, civil or administrative liabilities, and the establishment of procedures for international cooperation for the information exchange between competent bodies and agencies and with third parties.

Weighting and conclusion

The Republic of Djibouti has ratified all the international Conventions mentioned in criterion 36.1. The implementation of all the Conventions is inadequate because not all the articles of these Conventions have been domesticated into Djibouti's internal legal order.

The Republic of Djibouti is rated Partially Compliant on R.36

Recommendation 37 – Mutual Legal Assistance

Criterion 37.1

Djibouti has a legal basis to provide the broadest possible range of mutual legal assistance for investigations, prosecutions and related proceedings relating to money laundering, associated predicate offences and terrorism financing without delay; AML/CFT/PF Law No. 106/AN/24/9th L sets out the framework for mutual legal assistance in ML. The country undertakes to cooperate as best as possible with other States, for the purposes of exchanges in matters of investigations and procedures, aimed at preventive measures and confiscations of instrumentalities and proceeds of money laundering Article 5-1-1 (AML/CFT/PF Law No. 106/AN/24/9th L). Mutual assistance is granted for ML, the agreement to commit the said offence as well as to suppress a certain number of actions linked to ML and TF.

On the other hand, although mutual legal assistance for predicate offences is not explicitly provided for, it may be granted where the offence of ML is targeted.

Criterion 37.2

The Ministry of Justice is the central authority for international cooperation, including the transmission and execution of requests for mutual legal assistance. Requests are sent or received through diplomatic channels or, in emergencies, through Interpol. However, no formal mechanism has been established for the transmission and execution of requests for mutual legal assistance, and no clear procedures have been put in place to establish priorities.

Criterion 37.3

Article 5-2-2 of the AML/CFT/PF Law No. 106/AN/24/9th L, describes in a limited manner the hypotheses for refusing to execute requests for mutual assistance. The aforementioned hypotheses are in line with those provided for by the Palermo Convention. Furthermore, the State Prosecutor may appeal the decision to refuse execution issued by a court within 10 days following this decision.

The legislation of the Republic of Djibouti therefore does not provide for unreasonable or unduly restrictive conditions.

Criterion 37.4

(a) The Republic of Djibouti does not refuse to provide mutual assistance on the grounds that the offence concerns tax matters. (Article 5-2-2 of AML/CFT/PF Law No. 106/AN/24/9th L.

b) The professional secrecy of FIs or DNFBPs is not a justification for refusing to grant mutual legal assistance.) Article 5-2-2 of AML/CFT/PF Law No. 106/AN/24/9th).

Criterion 37.5

The principle of preserving the confidentiality of requests for mutual assistance is not guaranteed. Indeed, Article 5-4-6 provides that confidentiality shall only be guaranteed when the request for mutual assistance contains a request for confidentiality; which implies that confidentiality is not guaranteed in all cases.

Criterion 37.6

Article 5-2-2 point 4 of AML/CFT/PF Law No. 106/AN/24/9th L provides that mutual assistance shall not be granted if the act underlying the request does not constitute an offence under Djibouti law or does not have common characteristics. The principle of dual criminality is therefore established by Djibouti law. However, there is no indication that this principle is being implemented when it comes to non-coercive measures. Which conversely means that the principle applies without adjustment and even when the requested measure is not coercive. The criterion is therefore not met.

Criterion 37.7

Article 5-2-2 of AML/CFT/PF Law No. 106/AN/24/9th L provides that, however, the fact that the authorities of the Republic of Djibouti and the requesting State do not place the offence that is the subject of the foreign request in the same category or that they do not designate it by the same terminology will not constitute a ground for refusal. This criterion is also met.

Criterion 37.8

(a) and (b): In mutual legal assistance, the investigative and probing measures are implemented in accordance with the legislation of the Republic of Djibouti, article 5-2-3 of the AML/CFT/PF Law No. 106/AN/24/9th L. All the specific investigative techniques provided for under Article 3-6-1 may be used within the framework of mutual assistance.

Weighting and conclusion

There are moderate deficiencies, particularly with regard to the confidentiality of requests for mutual assistance, the lack of a formal mechanism for the transmission and execution of requests for mutual assistance, and the lack of clear procedures designed to establish priorities.

The Republic of Djibouti is rated Partially Compliant on R.37

Recommendation 38 – Mutual Legal Assistance: freezing and confiscation

Criterion 38.1

(a), (b), (c), (d), (e): Mutual legal assistance may be granted in the context of seizure and confiscation for ML offences, complicity in ML and for certain ML-related actions that constitute an offence (Article 5-1-1 AML/CFT/PF Law No. 106/AN/24/9th L); for terrorism financing (Article 16 Law No. 104/AN/24/9th L amending the CFT Law No. 110/AN/11/6th L) and predicate offences.

The assistance provided may relate to the identification, freezing, seizure and confiscation of the item, proceeds or instrumentalities of the offence or relate to assets of equivalent value (Article 5.2.5), provided the jurisdiction referred to has the latitude to order the requested preventive measures (Article 5-2-4).

Criterion 38.2

The authorities of the Republic of Djibouti have no legislation allowing them to conclude that the country can grant assistance within the framework of requests based on non-conviction-based confiscation or at least under the conditions provided for by the criterion.

Criterion 38.3

(a) Agreements to coordinate seizure and confiscation measures with other countries: The Republic of Djibouti has ratified the United Nations Conventions on Transnational Organized Crime, Against Corruption and Against Terrorism

Financing, which provide a legal framework for coordinating seizure and confiscation measures. However, the authorities have not provided any information on bilateral or regional agreements to which the Republic of Djibouti is a party.

(b) Mechanisms for managing and, where necessary, disposing of frozen, seized or confiscated assets; no mechanism has been put in place by the authorities of the Republic of Djibouti to manage and, where necessary, dispose of frozen, seized or confiscated assets.

Criterion 38.4

The Republic of Djibouti has the possibility of sharing with other countries all assets confiscated within the framework of the cooperation agreement that it signs (Article 5-2-6).

Weighting and conclusion

There are moderate gaps, particularly in the country's capacity to provide mutual assistance based on non-conviction-based confiscations or even where the perpetrator is at large, unknown or absent, the lack of a bilateral cooperation agreement on mutual legal assistance and the lack of mechanism to manage and, where necessary, dispose of frozen, seized or confiscated assets.

The Republic of Djibouti is rated Partially Compliant on R.38.

Recommendation 39 – Extradition

Criterion 39.1

- a. The authorities of the Republic of Djibouti agree to provide the broadest possible cooperation in ML and TF, including extradition (Article 5-1-1 the AML/CFT/PF Law No. 106/AN/24/9th L); for terrorism financing (Article 16 Law No. 104/AN/24/9th L amending CFT Law No. 110/AN/11/6th L).
- a. The authorities of the Republic of Djibouti have not provided any information to support the existence of a system for managing extradition requests that would enable requests to be prioritized and monitored.
- b. The legislation of the Republic of Djibouti does not unduly restrict the possibilities of extradition and does not provide for any unreasonable or unduly restrictive conditions for providing it.

Criterion 39.2

- a) *(Not applicable)* Extradition may be refused where the individual whose extradition is requested is a national of the Republic of Djibouti (Article 5-3-4 the AML/CFT/PF Law No. 106/AN/24/9th L).
- b) In this case, the shall be referred to the competent national courts so that the suspect can be prosecuted for the offence which was the subject of the extradition request (In ML-related cases, article 5-3-5 and in TF-related cases, article 18 of CFT law).

Criterion 39.3

Article 5-3-2 of the AML/CFT/PF Law No. 106/AN/24/9th L provides that extradition shall only be executed where the offence giving rise to extradition or a similar offence is provided for in the legislation of the requesting State and the Republic of Djibouti. As worded, the similarity requirement provided for in the legislation of the Republic of Djibouti may lead to similarity requirements in the classification of the offence or even the requirement of identical terminology. Thereby making the execution of the extradition request particularly difficult and even leading to a refusal to extradite.

Criterion 39.4

Article 5-4-8 of the ML law provides for a simplified extradition procedure which may be granted by the Republic of Djibouti on receipt of the request for provisional arrest.

Weighting and conclusion

There are minor gaps, particularly due to the lack of a mechanism for managing extradition requests, prioritizing them and monitoring them. Furthermore, the principle of dual criminality as worded may lead to similarity requirements in the classification of the offence or even the identical terminology requirement.

The Republic of Djibouti is rated Largely Compliant on R.39

Recommendation 40 – Other Forms of International Cooperation

Criterion 40.1

Generally, Laws 106, relating to the fight against money laundering, confiscation, national cooperation, as well as Law 104, dealing with counter-terrorism financing, have established specific provisions emphasizing the importance of international cooperation. This is clearly stated under Article 5-1-1 of Law 106 and Article 16 of Law 104.

Various authorities are involved in international cooperation, including:

1. The national financial intelligence agency, as defined under Article 3-2-1-6 law 106, which is committed to cooperating with its foreign counterparts.
2. Law enforcement authorities, who have the possibility to exchange information through the International Criminal Police Organization (ICPO/Interpol).
3. The judicial authorities, also mentioned under Article 5-4-2 of law 106.
4. Customs, which, since 19th March 2018, has been a member of the World Customs Organization (WCO), thus demonstrating its commitment to international cooperation in these specific areas.

Criterion 40.2

- a. The provisions contained in laws 104 and 106 generally govern international cooperation and its mechanisms). With regard to the ANRF, the Republic of DJIBOUTI is not a member of the Egmont Group, the ANRF may conclude cooperation agreements with other financial intelligence units for the purposes of exchanging information.

- b. The cooperation mechanisms for judicial authorities (mutual legal assistance), law enforcement authorities (national police and gendarmerie through the Interpol network) and customs (member of the International Customs Organization) are considered effective. The ANRF, and as indicated in the analysis of the previous sub-criterion, may conclude cooperation agreements with other financial intelligence units for the purposes of exchanging information.
- c. The previously detailed channels (diplomatic channel for mutual legal assistance) Interpol exchange platform for the police ... are official and secure channels. Indeed, international cooperation for the police is done through the INTERPOL platform. The exchange of judicial information is done through the law enforcement agencies of neighboring countries but within the framework of MUOs signed, practically with only one border country which is Ethiopia.
- d. There are no clear procedures for prioritizing and executing requests without delay.
- e. No clear procedure has been presented regarding the protection of information received.

Criterion 40.3

Generally, and pursuant to article 5-1-1 (chapter V on international cooperation) of law 106/AN/24/9th, the authorities of the Republic of DJIBOUTI are committed to cooperating as best as possible with those of other States for the purposes of exchanging information, investigations and procedures, aimed at establishing preventive measures and confiscations of instrumentalities and proceeds linked to money laundering for the purposes of mutual technical assistance, as well as for the purposes of extradition.

Furthermore, Article 3-2-1-6 meets the requirements of the criterion on cooperation and information exchange between the ANRF and its foreign counterparts.

Criterion 40.4

Although, for the purposes of mutual legal assistance, Article 16 of Law No. 104 and Article 5-1-1 of Law No. 106 provide that the Government of the Republic of Djibouti shall implement international cooperation and mutual legal assistance with other States in the areas of information exchange, investigations, as well as procedures relating to preventive measures and confiscation of instrumentalities, there is, however, no provision guaranteeing feedback to the competent authorities that provided such assistance without delay, on the use and usefulness of the information obtained.

Criterion 40.5

- a. Article 5-2-2 (Law 106/AN/24/9th) on the refusal to execute mutual assistance outlines all the conditions for refusing legal assistance (1)(2)(3)(4)(5)(6)(7)(8)(9) and (10). The fact that the request is tax-related is not among these conditions and thus does not constitute a reason for refusing to execute the request for mutual assistance. Furthermore, Article 5-1-2 stipulates that requests for mutual assistance cannot be refused on the sole grounds that they are related to a tax offence.
- b. Banking secrecy cannot be invoked to refuse execution of the request.

- c. Pursuant to Article 5-2-2, a request for mutual assistance may be refused if the facts to which it relates are the subject of criminal proceedings or have already been the subject of a final verdict in the Republic of Djibouti's territory.
- d. The fact that the nature or status of the requesting authority (civil, administrative, judicial, etc.) is different from that of its foreign counterpart does not constitute, according to the same article 5-2-2, a condition for refusing to provide mutual assistance.

Criterion 40.6

Article 5-4-9 of Law 106 provides that the consumption or use, for investigations or procedures other than those provided for in the foreign application, of the evidence contained therein is prohibited, subject to the nullification of the said investigations and procedures, except with the prior consent of the foreign government.

Criterion 40.7

Article 5-4-4 (law 106/AN/24/9èmeL) meets the requirements of the sub-criterion only in relation to mutual legal assistance and does not regulate other channels of exchange for other authorities (financial, customs, security)

Criterion 40.8

Section 3-2-1-6 deals with the ANRF's provisions regarding exchanges with its foreign counterparts. The law does not stipulate any provisions regarding other authorities. However, with no explicit prohibition, these other authorities could conduct such investigations.

Criterion 40.9 (Met)

The new AML/CFT/PF Law n°106/AN/24/9ème L, under article 3-2-1-6 provides a legal basis for the ANRF to cooperate in cases of money laundering, related predicate offences and terrorism financing "Pursuant to article 3-2-1-1 paragraph 2, the ANRF cooperates and exchanges information with other foreign FIUs as best as possible and regardless of their criteria (i.e. administrative, police, judicial or other) under the conditions set out in this article and in the enforcement Decree..."

Criterion 40.10

The last paragraph of Article 24 of the new Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the National Financial Intelligence Agency provides that the ANRF shall provide, upon request, feedback on the use and usefulness of the information to foreign counterparts from that have rendered some assistance.

Criterion 40.11

- a) Under Article 3-2-1-6 of the law, it is stipulated that the National Financial Intelligence Agency (ANRF) may exchange information with foreign financial intelligence units, either spontaneously or upon request. Similarly, Article 3-2-1-3 of the same law empowers the ANRF to exchange information and documents with foreign financial intelligence units when analyzing suspicious transaction reports.

Furthermore, Article 24 of Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the ANRF meets the requirements of criterion 40.11 (a). This article specifies that "Subject to reciprocity, the ANRF shall cooperate and exchange with other FIUs upon request, information on money laundering, related predicate offences, and TF as best as possible and regardless of the status of the FIUs, under the conditions set out in the extant laws on the prevention and fight against ML/TF."

- b) Article 24 of the new Decree No. 2024-052/PR/MJDH establishing the mandate, organization and functioning of the ANRF addresses cooperation with other FIUs, thus enabling the information exchange on ML, related predicate offences and terrorism financing (TF) subject to reciprocity. It also specifies that the ANRF has the power to collect and analyze information that it may obtain, directly or indirectly, and defines clear conditions on the protection of information. In this context, Article 22 addresses the part concerning access to information at national level. It specifies that the ANRF may collaborate and exchange information with other national authorities, which enables it to obtain information directly or indirectly at national level. Based on these articles, the country meets the requirements of criterion 40.11.

Criteria 40.12

The Djibouti Central Bank and the insurance sub-department in particular have, through Article 5-1-1 of Law No. 106, an appropriate legal basis for cooperation with their foreign counterparts, particularly in the area of the information exchange for AML/CFT purposes.

Criterion 40.13

There is no explicit legal provision allowing financial authorities to exchange with their foreign counterparts, information to which they have access at national level, including information held by financial institutions, to meet their respective needs.

However, the Governor of the Djibouti Central Bank has the power to sign Memoranda of Understanding (MoUs) with other financial supervisory and monitoring authorities (Law No. 118, Art. 44). In this regard, the Bank of Djibouti has concluded MoUs with the Central Bank of the Kingdom of Morocco and the Labuan Financial Services Authority that allow it to exchange in AML/CFT as and when necessary, particularly information and documents of common interest.

Criterion 40.14

The current regulations do not provide for the possibility for financial sector supervisory authorities to exchange the types of information relevant in the context of AML/CFT, in particular with other relevant supervisory authorities sharing common responsibility towards financial institutions operating within the same group:

- (a) Regulatory information, such as information on national regulations and general information on financial sectors;
- (b) Prudential information, particularly for supervisory authorities implementing the Core Principles, such as information on the activities of financial institutions, their beneficial owners, their management and their fit-and-proper status;
- (c) AML/CFT information, such as information on financial institutions' internal AML/CFT procedures and policies, customer due diligence, customer files, account samples and transactions.

Criterion 40.15

Financial sector supervisory authorities do not explicitly have an adequate legal basis to seek information on behalf of their foreign counterparts.

Furthermore, the texts do not mention the possibility for the financial sector supervisory authorities to allow their foreign counterparts to seek information within the country themselves, or facilitate this task for them, in such a way as to promote effective supervision of the groups.

Criterion 40.16

No text provides that the financial sector supervisory authorities, including the Djibouti Central Bank, must have the prior approval of the foreign authority which provided them with some information for dissemination of the latter or any use for inspection or other purposes.

Criterion 40.17

There is no legal provision in Djibouti's internal legal order that prevents the authorities from prosecuting criminal offences.

Criterion 40.18

There are no legal provisions in Djibouti's domestic legal order that prevent the prosecutorial authorities from using their powers, including investigative techniques, to request and obtain information on behalf of their foreign counterparts.

Criterion 40.19

There are no legal provisions in Djibouti's domestic legal order that prevent the prosecutorial authorities from forming joint investigation teams to conduct investigations cooperatively. Indeed, in practice, the Ministry of Justice of Djibouti concluded a Memorandum of understanding with its Ethiopian counterpart in November 2023 on the establishment of a joint investigation team, with the mandate of fighting against human trafficking and migrants' smuggling on the eastern route stretching from Ethiopia to Yemen via Djibouti.

Criterion 40.20

There are no legal provisions in Djibouti's internal legal order that prevent the competent authorities from indirectly exchanging information with non-counterpart authorities.

Weighting and conclusion

There are moderate gaps in the information exchange mechanism with counterpart FIUs, among financial sector supervisory authorities relating to the exchange between law enforcement authorities and among non-counterpart authorities.

The Republic of Djibouti is rated Partially Compliant on R.40

Technical Compliance Summary – Key Deficiencies

Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) justifying the rating
1. Risk assessment and implementation of a risk-based approach	PC	<ul style="list-style-type: none"> - Reliable and official statistics: The lack of precise data prevents a rigorous analysis of threats, particularly with regard to financial flows linked to corruption. - Participation of key entities: Some important entities did not participate in the National Risk Assessment (NRA), which limits the scope of the analysis. - Inter-institutional coordination: Although informal collaboration exists, coordination among the various competent authorities could be improved for more effective risk management. - Risk-based approach: The implementation of the risk-based approach is not fully consistent with the NRA, particularly in terms of simplified measures and mechanisms for communicating risks to the competent authorities.
2. National cooperation and coordination	PC	<ul style="list-style-type: none"> - National strategy based on identified risks: the lack of a national strategy based on these risks persists. - Composition and functioning of the Coordinating Committees: Although institutional coordination is mentioned, the specific gaps regarding the composition and functioning of the Coordinating Committees have not been outlined. It would be useful to know what obstacles are preventing the implementation of the implementing texts. - Counter-proliferation cooperation mechanism: The analysis highlights the lack of enforcement texts for the cooperation mechanism in countering the proliferation of weapons of mass destruction.
3. Money laundering offence	LC	<ul style="list-style-type: none"> - Minor deficiencies relating to the system of applying suspended sentences which, despite the sanctions applicable to those in charge of money laundering, gives the judge the possibility of adding a suspended prison sentence to the sentence.
4. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> - There are minor outstanding deficiencies, particularly with regard to the lack of a mechanism put in place by the authorities of the Republic of Djibouti to manage and, where appropriate, dispose of frozen, seized or confiscated assets.

5. TF Offence	PC	- Partial criminalization of acts mentioned in the Conventions
6. TFS related to terrorism and TF	LC	- Djibouti's legal framework is consistent with the TFS, but practical procedures for disseminating decisions to financial institutions and DNFBPs still need to be developed.
7. TFS related to proliferation	PC	- The legal framework has no supervisory and sanction measures to ensure compliance with the obligations related to Recommendation 7, as well as practical procedures for disseminating decisions to financial institutions and DNFBPs.
8. Non-profit organizations	PC	- There are outstanding gaps, particularly in the identification of NPOs at risk, the lack of effective sanctions, risk-based supervision, as well as cooperation and information exchange at domestic and international levels.
9. Fls' Professional Secrecy Laws	C	- All criteria are met.
10. Customer due diligence	PC	- - Fls are not required, for their legal person customers, to understand the nature of their business, as well as their ownership and control structure. Furthermore, the legislation allowing Fls to simplify their due diligence measures has not explicitly excluded cases where there is a suspicion of ML/TF or specific of higher-risk cases.
11. Record-keeping	LC	- Recommendation 11 is largely compliant. However, Article 2-2-19 provides for record-keeping of 5 years from the execution of the due diligence measures, while criterion 11.2 requires this period to commence at the end of the business relationship or transaction.
12. Politically exposed persons	LC	- Some specific requirements of criterion 12.1, sub-criterion (c), such as the definition of the full origin of the assets and funds of politically exposed persons, are not fully integrated into national legislation.
13. Correspondent Banking	C	- All criteria are met.
14. Money or value transfer services	C	- All criteria are met.
15. New technologies	NC	- The legal framework partially covers the obligations related to new products and technologies, but in practice there is no risk identification or assessment prior to their launch, and no risk mitigating measures have been put in place
16. Wire transfers	LC	- Djibouti's system has minor deficiencies. Directive No. 2023-01 should clarify the verification of information on the originator (criterion 16.1). For criteria 16.13 and 16.14, the real-time monitoring measures and

		specific obligations for the beneficiary's financial institutions are not adequately defined.
17. Reliance on third parties	N / A	- The use of third parties for the implementation of identification and due diligence obligations is prohibited in the Republic of Djibouti.
18. Internal controls and foreign branches and subsidiaries	LC	- There are minor outstanding gaps regarding the hierarchical positioning of the compliance structure in the insurance sector, with no significant impact on the overall effectiveness.
19. Higher-risk countries	PC	- Lack of mechanisms for the implementation of counter-measures proportionate to the risk for higher-risk countries when so required by the FATF
20. Suspicious transactions reporting	C	- All criteria are met.
21. Disclosure and Confidentiality	C	- All criteria are met.
22. Designated non-financial businesses and professions: due diligence	PC	- - Recommendation 22 has similar deficiencies as Recommendation 10, affecting DNFBPs. Besides, there was no risk identification, assessment or prior action prior to the launch of new products or business practices.
23. Designated non-financial businesses and professions : other measures	PC	- - Djibouti is rated partially compliant on Recommendation 23, with moderate deficiencies, including the non-formalization of internal control requirements for DNFBPs, as provided for in Recommendation 18. Furthermore, there is no mechanism to implement counter-measures proportionate to the risks for high-risk countries where the FATF so requests.
24. Transparency and beneficial ownership of legal persons	PC	- There are outstanding gaps with regard to companies in free Areas and certain civil society organizations, as well as the supervision of bearer shares, with no analysis of ML/TF risks of established entities.
25. Transparency and beneficial ownership of legal arrangements	PC	- There are outstanding gaps, particularly in terms of control mechanisms, access to information and sanctions, compromising the effectiveness of the identification of trusts and their beneficial owners.
26. Regulation and supervision of FIs	PC	- - There are moderate outstanding gaps: the legislation does not explicitly mention the prohibition of shell banks and does not prevent criminals from becoming beneficial owners of financial institutions (criterion 26.2), the provisions on the fit-and-proper status of directors do not cover all relevant offences and do not address accomplices of criminals

		(criterion 26.3), - there are no specific regulations for certain financial institutions such as foreign exchange bureaus or e-money issuers (criterion 26.4). Besides, FI supervisory authorities do not effectively assess and reassess the risk of non-compliance when supervising FIs (criterion 26.6).
27. Powers of supervisory authorities	LC	- There are minor deficiencies regarding the inadequate coverage of electronic currency issuing institutions, as well as the absence of comprehensive controls and sanctions for such institutions.
28. Regulation and supervision of designated non-financial businesses and professions	PC	- -The Djiboutian system reveals moderate deficiencies in verifying the fit-and-proper status of DNFBPs. The supervision of these entities is yet to be fully formalized or effective.
29. Financial Intelligence Units (FIUs)	LC	- There are minor outstanding gaps regarding the clarification of staff responsibilities in the handling and dissemination of sensitive and confidential information.
30. Responsibilities of law enforcement authorities	C	- All criteria are met.
31. Powers of law enforcement authorities	C	- All criteria are met.
32. Cash couriers	C	- All criteria are met.
33. Statistics	PC	- No clarity regarding the nature, scope and management of data, particularly for STRs, frozen or confiscated assets, and requests for mutual legal assistance and extradition. Further clarification is required through orders to ensure effective and comprehensive implementation.
34. Guidance and feedback	PC	- The relevant authorities, with the exception of ANRF, have not issued any guidelines or feedback to the entities under their supervision.
35. Sanctions	PC	- Criminal, administrative or financial sanctions do not cover all of the obligations provided for.
36. International instruments	PC	- The degree of implementation of all the Conventions is inadequate because not all the articles of these Conventions have been domesticated into the Djiboutian internal legal order.
37. Mutual legal assistance	PC	- The key deficiencies are the confidentiality of requests for mutual assistance, the lack of a formal mechanism for their transmission and execution, as well as the lack of clear procedures for establishing priorities.

38. Mutual legal assistance: freezing and confiscation	PC	<ul style="list-style-type: none"> - The country has gaps in its capacity to provide mutual assistance on non-conviction-based confiscations, in cases where the perpetrator is fugitive or absent, as well as the lack of bilateral cooperation agreements on mutual legal assistance and mechanisms to manage or dispose of frozen, seized or confiscated assets.
39. Extradition	LC	<ul style="list-style-type: none"> - Minor outstanding gaps, mainly due to the lack of a mechanism to manage, prioritize and monitor extradition requests.
40. Other forms of international cooperation	PC	<ul style="list-style-type: none"> - Outstanding gaps in the information exchange system between the FIU and its counterparts, as well as between supervisory authorities, law enforcement authorities and non-counterpart authorities.

APPENDIX C. GLOSSARY OF ACRONYMS¹⁶

Acronyms	Definition
AAACA	African Association of Anti-Corruption Agencies
AAC	Independent Administrative Competition Authority
ACINET	Arab Anti-Corruption and Integrity Network
ANRF	National Financial Intelligence Agency
AQPA	Al-Qaeda in the Arabian Peninsula
ARIN-EA	Asset Recovery Internetwork - East Africa
ARULOS	Urban Rehabilitation and Social Housing Agency
ML/TF	Money Laundering and Terrorist Financing
ML/TF/PF	Money Laundering, Terrorism Financing and Proliferation Financing
MLC	Trade-Based Money Laundering Crimes
BCD	Djibouti Central Bank
NCB	National Central Office
BIRR	Ethiopian Currency
CNLT	National Counter Terrorism Committee
CNSS	National Social Security Fund
COI	Indian Ocean Commission
CPC	Code of Civil Procedure
CCP	Code of Criminal Procedure
FIU	Financial Intelligence Unit
UNSC	United Nations Security Council
CTLT	Counter-Terrorism Commission
DATUH	Department of Regional Planning, Urban Development and Housing
DFT	Cross-Border Cash Declarations
DGDDI	Customs and Excise Department
DGSDS	General Department of Documentation and Security Services
DJF	Djiboutian Franc
STR	Suspicious Transactions Report
FTTRS	Cash Transfer Transaction Statements
DSB	Banking Supervision Department
EAACA	Eastern Africa Association of Anti-Corruption Agencies
NRA	National Risk Assessment
EPFND	Designated non-financial businesses and professions
FRUD-ARMED	Front for the Restoration of Unity and Democracy

¹⁶ Acronyms already defined in the FATF 40 Recommendations are not included in this glossary.

TF	Terrorism Financing
FATF	Financial Action Task Force
MENAFATF	Middle East and North Africa Financial Action Task Force
IAACA	International Association of Anti-Corruption Authorities
P&C	Fire, Accidents and Miscellaneous Risks
FIs	Financial Institutions
IGAD	Intergovernmental Authority on Development
IGE	General State Inspection
BNI	Bearer negotiable instruments
INTERPOL	International Criminal Police Organization
ISO	International Organization for Standardization
KYC	Know Your Customer
AML	Anti-money Laundering
AML/CFT	Anti- money laundering and Counter Financing of Terrorism
AML/CFT/PF	Anti-Money Laundering/ Counter Financing of Terrorism and Proliferation Financing
MAE	Ministry of Foreign Affairs
MAECI	Ministry of Foreign Affairs and International Cooperation
NPO	Non-Profit Organization
OECD	Organization for Economic Co-operation and Development
OCI	Organization of Islamic Cooperation
ODPIC	Djibouti Office of Industrial and Commercial Assets
OEC	Association of Chartered Accountants
IOM	International Organization for Migration
OIPC	International Criminal Police Organization
OLAF	European Anti-Fraud Office
WTO	World Trade Organization
OMD	World Customs Organization
NGO	Non-governmental organization
UN	United Nations
CID	Criminal Investigation Department
FSRB	FATF-style Regional Body
PIAC	Criminal Asset Identification Platform
GDP	Gross Domestic Product
PEP	Politically Exposed Person
VASP	Virtual Asset Service Provider
RCS	Trade and Companies Register
RCSNU	United Nations Security Council Resolution
RILO	Regional Liaison and Intelligence Office

DPRK	Democratic People's Republic of Korea
ITS	Public Limited Company
SAS	Simplified Joint Stock Company
TFS	Targeted Financial Sanctions
SNIF	National Financial Inclusion Strategy
SRD	Research and Documentation Section
SRF	Financial Intelligence Service
SYDONYAWorld	A customs management system developed by the United Nations on Trade and Development
VOSTRO	Types of bank account used in international banking transactions
WAAFI	A mobile payment platform operating in Djibouti