Anti-Money Laundering Regulations for Banks

The Anti-Money Laundering Law No.80 for the year 2002, issued on 22 May 2002, imposed certain obligations on financial institutions, including banks operating in Egypt, their foreign branches and branches of foreign banks operating in Egypt, to combat money laundering. The following regulations are designed to put such obligations into effect, with a view to stressing the already existing practices in the area of opening accounts and conducting business transactions, while underlining the measures followed by banks in combating money laundering. These regulations are intended to improve and further enhance the efforts exerted in the area of money laundering combating, so as to make banks and all their foreign branches and affiliates comply with these regulations.

First: Opening Accounts:-

Banks shall establish the systems adequately enabling them to obtain and verify the information necessary for the identification of their customers and ultimate beneficial owners, natural or legal, and their legal standing, to meet the requirements of the "Know Your Customer" principle, when opening accounts for any customer, through official identification documents, and such information shall be recorded. Particular attention shall be paid to the following:

1- Banks shall not open accounts for anonymous persons or persons using false or fictitious names.

2- All banks’ branches shall use in opening accounts a unified form to be duly filled and signed by their customers. Then bank shall verify the information provided by the customer, and confirm its verification in accordance with the available original documents.
3- Opening account application forms shall include detailed information about the applicant, including his full name, nationality, permanent residential address, telephone number, the business address, type of business activity, names of proxies authorized to administer the customers' account, their nationality and any other information deemed necessary by the bank.

In case of legal persons, application forms shall include the following additional information:

- The legal form and nature of the business.
- The proxy authorized to sign for the legal person.
- Names and addresses of the partners, in case of partnerships.
- Names and addresses of shareholders who own more than 10% of the business capital, in case of joint stock companies.

4- Application forms shall include the acknowledgment of the applicant that he is the original owner and the sole beneficiary of the account, and that he shall not deposit, in person, funds of anonymous or suspected sources, in addition to a pledge to update the relevant information.

5- The competent employee shall review and obtain a copy of the original documents, and testify, in writing, that they are an identical copy of the original, as follows:

**A- For Natural Persons**

- The original identification documents (national card- identity card-passport-military card).
- As for ineligible persons- such as minors- the documents establishing the identity of their proxies administering such accounts.
- The necessary information and authorization documents for the persons acting on behalf of the customer.
B- For Legal persons

· Documents necessary for verifying the existence of the legal person and the exercise of the business, especially the commercial register and the taxation card

· Documents proving the existence of an authorization from the legal person to the natural person(s) representing it, and sufficient information about him/them.

· For non-profit organizations the documents proving their foundation and the nature of their activities allowing them to open such accounts.

6- In case of a request by any other bank or financial institution (locally or abroad) to open an account with the bank, sufficient information shall be obtained about such a bank or financial institution taking the following into consideration:

· Obtaining documents including the necessary information about the said bank or the financial institution.

· Ensuring that the said bank or financial institution is regulated by a regulatory authority in the motherland.

· Ensuring the existence of anti-money laundering laws in the motherland of the said bank or financial institution.

7- Banks shall verify the information provided by the natural or legal persons, and that there is nothing prohibiting dealing with them, particularly in the following respects:

· The eligibility of the natural persons.

· The existence of the legal person and soundness of its legal standing, via the incorporation documents.
- The eligibility of the authorizing person and the proxy administering the account.

- In case applications are not directly provided to the bank's branches, the application form shall be certified.

8- Banks shall establish the systems and procedures necessary for accepting customers, paying particular attention to the following customers, in accordance with the data and information available to the bank when carrying out transactions or conducting services, and shall determine the appropriate administrative level to deal with them. Such customers include:

- Customers with huge wealth, the source of which is unclear.

- Customers and banks residing in countries having no adequate anti-money laundering legislative systems.

- Customers regularly dealing in expensive goods, such as jewels, gold, cars, monuments, or dealing in real estate lease financing, and gambling houses.

- Customers who travel regularly to countries known for drug cultivation and trafficking.

- Customers who tend to invest in unusually high-risk investments, so their behavior seems to be different from that of the normal investor.

9- Banks shall have to update the opening accounts relevant information and documents periodically, once every three years at least, or when there appear other reasons calling for that.

Second: Conducting Banking Transactions:

Dealing with customers’ accounts aims to satisfy their needs, be they natural or legal persons, according to the nature of their businesses and the special considerations of each one of them. Consequently, it is necessary for banks
to have sufficient information when dealing with such accounts to meet the requirements of the "Know You Customer" principle, while being committed not to place deposits or accept funds or deposits from anonymous sources or under false or fictitious names. Therefore, particular attention shall be paid to the following:

(1) Cash Deposits

A- The following deposits shall be considered cash deposits:

- Traveler's checks deposited in customers' accounts.

- Bank bearer checks deposited in customers' accounts.

B- When accepting cash deposits attention shall be paid to the following:

- Depositing shall be made in accordance with an application form outlining the following basic data (name of the person for whom the deposit is made, the account number, name of the depositor and his address).

- Verifying the data recorded in the form and reviewing the identity papers of the depositor.

C- Particular attention shall be accorded to the following deposits:

- Large cash deposits by account holders, personally or via their proxies, inconsistent with the nature of their activity.

- Frequent cash deposits whose total, over a specific period, is inconsistent with the activity of the customer.

- Frequent cash deposits by different entities in a customer's account for no clear purpose, and with no apparent relation between such entities and the customer.
- Large cash deposits transferred over short periods to another entity not closely connected with the activities of the customers conducting such transfers.

- Large cash deposits by customers who often use checks or other banking instruments.

- Large cash deposits carried out by customers through electronic savings, thereby avoiding direct contact with the bank staff, especially if such deposits are inconsistent with the activity of the customer.

- Customers whose accounts deal in big amounts of cash without using other banking instruments for no clear reason.

- Customers having several accounts for cash deposits, whose aggregate total, over a specific period of time is large.

- Persons seeking to exchange large amounts of small denominations for small amounts of high denominations.

- Deposits containing counterfeit banknotes.

(2) Dealing with Customers’ Accounts Due care shall be paid to the following:

- Customers who transfer large amounts abroad with instructions to pay in cash, and large amounts transferred from abroad to non-resident customers with instructions to pay in cash.

- Large amounts of transfers from abroad by banks or financial institutions to a customer inconsistent with the nature and volume of his activity with the outside world.

- Large amounts of transfers from abroad with instructions to pay in cash beneficiaries having no accounts at the bank.

- Transfers from and to countries having no adequate anti-money laundering legislative systems.
- Successive transfers to account(s) opened abroad.

- Depositing checks of high value, whose beneficiary is a third party, and endorsed in favor of the customer with no clear relation between the customer and the beneficiary necessitating that.

- Customers holding several accounts inconsistent with the nature of their activity, especially if dealings in these accounts are conducted with persons having no clear relation with them.

- Customers using their accounts to receive or transfer large sums, for no clear reason, or that have no relation with them or their activity.

- Large withdrawals from a previously dormant account, or from an account that received large transfers from abroad unexpectedly.

- Frequent small electronic transfers to an account, followed by a withdrawal of these sums, or transferring them to another account locally or abroad.

- Frequent requests for traveler’s checks or bearer’s checks in foreign currencies in sums inconsistent with the nature of the activity of the customer.

- Frequent reception of bills for collection to be repaid abroad inconsistent with the nature and volume of activity of the customer.

- Opening documentary credit in large sums that are inconsistent with the nature and volume of activity of the customer, or where the beneficiary is a customer closely connected with the customer abroad.

- Discounting commercial papers, the beneficiary of which is a foreign party unknown to the bank without any justification for discounting them locally.

(3) Other Banking Transactions Banks shall be careful, particularly, when dealing with other banking transactions, especially the following:
· The purchase of securities in large sums through the bank, or keeping them it as a trust, inconsistent with the nature of the activity of the customer.

· Customers who rent private saves or trust funds from banks.

In case such customers are foreigners, a copy of the form containing their personal information shall be dispatched to the Money Laundering Combating Unit, at the Central Bank of Egypt.

· Customers requesting credit against assets owned by others having no apparent relation with them, or when the volume of the credit requested is not consistent with the nature of the said customers’ activities.

(4) Unusual Banking transactions

Banks shall establish the detailed criteria necessary for detecting any unusual transaction, taking into consideration, at least, what is included in these regulations as to such transactions, and in a way that allows the internal system of the bank to detect such transactions and report them to the compliance officer. Particular attention shall be accorded to cash transactions exceeding LE 100,000 or their equivalent in any foreign currency.

Third Reporting Transactions Suspected of Involving Money Laundering:

1- The compliance officer shall examine all suspicious and unusual transactions reported to him directly by the internal system, or by one of the bank staff or any other entity and justifiable reasons for suspicion shall be appended.

2- If the compliance officer finds no suspicions about such transactions, he shall be responsible for deciding not to take any actions and for explaining to the Money Laundering Combating Unit the reasons behind such a decision.
3- If the compliance officer suspects that such transactions involve money laundering, he shall report them to the Money Laundering Combating Unit on the form prepared by the Unit, along with all the data and copies of the relevant documents.

4- Reports dispatched to the Money Laundering Combating Unit shall contain the specific detailed reasons that made the bank decide that the transaction involves money laundering.

5- Banks shall not divulge to customers, beneficiaries, or any other entities except the authorities and entities entitled to enforce the Anti-money Laundering Law, any reporting procedures or data regarding financial transactions suspected of involving money laundering.

Fourth: Documents and Records Keeping

Banks shall keep documents and records they committed to maintain for a period not less than five years from the date the relationship with the customer has ended, or the date of closing the account- as the case may be, as follows:

· For accounts opened for natural or legal persons or other banks or financial institutions, documents and records related to such accounts shall be kept for a period not less than five years from the date of closing the account.

· For transactions conducted for customers not holding accounts, documents and records for any transaction shall be kept for a period not less than five years from the date the transaction is completed.

· For transactions carried out on accounts, documents and records of any transaction shall be kept for a period not less than five years from the date the transaction is completed.
Banks shall have to update these data periodically, and make them accessible for judicial authorities and entities concerned with the enforcement of the Anti-Money Laundering Law No. 80 for 2002, when requested during examination, investigation, enquiry, or trial in any of the crimes subject to this Law.

Fifth: Training

Banks shall prepare and implement continuous training programs for their staff- at least on a yearly basis- especially for new staff and those handling cash, or following up the customers’ accounts, or conducting banking transactions, and internal auditors with the aim of enhancing their efficiency in complying precisely with these regulations. Particular attention shall be given ensure that such programs do include methods of money laundering, ways of detecting and reporting it, and ways of dealing with suspected customers.

Banks shall keep the records of all training programs implemented for a period not less than five years. Such records shall contain names of the trainees, their qualifications, and the training entity, be it local or foreign.

Sixth: Internal Systems

Banks shall establish the adequate internal systems enabling them to verify the sound application of these regulations, detecting any weaknesses whether in the system itself or in its application and taking the necessary measures to rectify them. Such systems shall ensure the following:

- The ability to detect transactions not consistent with the volume and nature of the customer’s activity, or those conducted by suspected customers.

- Reporting to those in charge any transactions whose value exceed the limits set and determined by the management, such as cash deposits and withdrawals, selling or purchasing currencies in cash, and transfers from and to abroad.
- Establishing regulatory systems for customers’ accounts referred to in the First Item (No.8), together with information systems that provide the management, in due time, with the information enabling it to identify, analyze and control such accounts, and take the appropriate