

# Egypt's Strategic Evolution in Combating Illicit Finance: A Briefing on National AML/CFT Progress

## Executive Summary

In March 2023, Egypt launched a new phase of its national strategy to combat money laundering, terrorist financing, and proliferation financing. This strategic shift represents an evolution from establishing a legislative foundation to achieving operational effectiveness. While Egypt has significantly improved its technical compliance with Financial Action Task Force (FATF) standards, a gap remains between the adoption of rules and the delivery of measurable results, such as high-quality financial intelligence, successful prosecutions, and the recovery of criminal assets. The current strategy focuses on cross-institutional coordination, deeper risk understanding in both financial and non-financial sectors, and the integration of parallel financial investigations into all predicate crime cases. Success is now measured by the disruption of criminal networks and the removal of the economic incentives driving illicit activity.

## National Strategy and Strategic Objectives

The Egyptian national strategy, led by the **Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU)** in cooperation with the **National Coordinating Committee**, serves as a coordinated operating model for the nation's financial and non-financial sectors.

## Primary Goals

- **Economic Protection:** Safeguarding the Egyptian economy from the risks of money laundering (ML), terrorist financing (TF), and proliferation financing (PF).
- **Financial Stability:** Supporting sustainable development through a stable financial environment.
- **Operational Integration:** Connecting financial intelligence, supervision, law enforcement, prosecution, asset recovery, and international cooperation.
- **Inclusivity:** Extending oversight beyond traditional banking to include money-transfer businesses, securities, insurance, and professional service providers.

## The Risk Environment and Predicate Offenses

Egypt's risk exposure is influenced by the scale of its economy, its regional connectivity, and the coexistence of formal services with a significant informal, cash-intensive sector.

## Predicate Risks and Exploitation Channels

The following table outlines the primary sources of illicit funds and the channels through which they are moved:

| Predicate Crimes              | High-Risk Channels                       |
|-------------------------------|------------------------------------------|
| Drug Trafficking              | Real Estate                              |
| Corruption & Fraud            | Precious Commodities (Gold/Jewels)       |
| Antiquities Trafficking       | Professional Services (Legal/Accounting) |
| Arms and Ammunition Offenses  | Remittances & Cash                       |
| Transnational Organized Crime | Digital Payments & Mobile Wallets        |

The national risk assessment is intended to be a dynamic process that evolves with criminal methods and geopolitical conditions, translating findings into actionable institution-level controls.

## Institutional Architecture

Effective implementation relies on the interaction between intelligence and enforcement bodies.

- **Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU):** As the nation's Financial Intelligence Unit (FIU), it receives and analyzes suspicious transaction reports (STRs). Its role is to convert these reports into actionable intelligence for investigators.
- **National Coordinating Committee:** Provides the mechanism for aligning policy across prevention, investigation, and enforcement agencies.
- **Operational Requirements:** The document emphasizes that coordination must move beyond regular meetings to active information exchange, joint cases, and parallel financial investigations.

## Technical Compliance vs. Operational Effectiveness

Egypt's progress is tracked through Middle East and North Africa Financial Action Task Force (MENAFATF) evaluations.

## Evolution of FATF Ratings

Evaluation Year, Status Highlights

2021 (Baseline), "Compliant with 9 Recommendations; Largely Compliant with 23; Partially Compliant with 8. Effectiveness ratings were mostly "Moderate" or "Low.""

2024 (Upgrades), "Upgrades in standards for money/value-transfer services, DNFBP obligations, and new technologies (e-KYC, mobile wallets)."

2025 (Latest), "Recommendation 3 (ML Offense) upgraded to Largely Compliant. Total: 11 Compliant, 26 Largely Compliant, 3 Partially Compliant."

Despite these technical upgrades, Egypt remains in **enhanced follow-up**, indicating that the focus must remain on proving results in convictions and asset confiscation.

## Key Challenges and Emerging Threats

### 1. Designated Non-Financial Businesses and Professions (DNFBPs)

While banks are generally mature in their AML frameworks, sectors like real estate, legal services, and company formation remain vulnerable.

- **Beneficial Ownership (BO):** Identifying the natural persons who ultimately control legal entities is critical. Registration alone is insufficient; authorities require accurate, verified, and current BO data to prevent criminals from using layered companies and nominees.

### 2. Digital Transformation and Virtual Assets

- **Innovation Risk:** While digital onboarding (e-KYC) and mobile wallets improve financial inclusion, they also increase the velocity of potential illicit transfers.

- **Virtual Assets:** Egypt prohibits dealing in virtual assets under its banking framework. However, authorities must still investigate crypto-linked transactions and unlicensed providers operating through foreign platforms.

### 3. Informal Value Transfer

The strategy prioritizes identifying and disrupting unlicensed money or value-transfer activity that operates outside the regulated financial system.

### Strategic Priorities for Enforcement

To move from "technical compliance" to "effectiveness," the document identifies several operational priorities:

- **Parallel Financial Investigations:** Authorities are urged to conduct financial investigations simultaneously with the investigation of predicate crimes (e.g., drug trafficking) to prevent assets from being layered or moved abroad before recovery.
- **Quality Over Volume in STRs:** Suspicious transaction reporting should focus on relevance and analytical quality rather than sheer volume. Feedback loops between the FIU and the private sector are essential for improving report quality.
- **Asset Tracing and Confiscation:** The credibility of the AML regime depends on making crime unprofitable. This requires tracing the full value of proceeds and seeking confiscation of property of equivalent value.
- **International Cooperation:** Given the cross-border nature of financial crime, Egypt must use international mechanisms to freeze and recover assets held in foreign jurisdictions.

### Guidance for Financial Crime Leaders

The strategy provides a roadmap for both public and private sector leaders to align with national objectives.

### Action Items for Regulated Entities

- **Align Internal Controls:** Update enterprise-wide risk assessments to reflect Egypt-specific risks, such as antiquities trafficking and unlicensed transfer activity.
- **Strengthen Due Diligence:** Improve customer and beneficial ownership verification, applying enhanced due diligence (EDD) to higher-risk relationships.
- **Incorporate Emerging Risks:** Integrate proliferation financing and corruption typologies into existing transaction monitoring systems.
- **Data Quality:** Maintain high-quality records and participate in feedback loops with the FIU to improve STR effectiveness.

### Conclusion

Egypt's 2023 strategy provides the necessary architecture for a robust AML/CFT system. However, its ultimate success depends on whether this architecture can consistently produce the disruption of illicit networks and the successful confiscation of criminal proceeds.