

**CMA Board of Directors**  
**Decision No. (87) Of 2008**  
**Issued on 27- 8- 2008**

After reviewing the law of companies engaged in receiving money for investment, promulgated by law no. 146 of 1988,

The capital market law promulgated by law no. 95 of 1992 and its executive regulation,

The depository and central registry law, promulgated by law no. 93 of 2000,

Money laundering law, promulgated by law no. 80 of 2002 and its executive regulation,

And the anti- money laundering regulation regarding companies operating in securities, issued by the decision no. 4 of 2003 of CMA board of directors,

The CMA board of directors approved the following

**Article (1):** CMA approved the issuance of the supervisory regulations on anti-money laundering and terrorism financing for companies operating in securities and companies engaged in receiving money for investment and securitization companies.

**Article (2):** companies stated in the attached regulations shall be committed to submit the following pledges, statements and documents within 15 days from the date of being notified of these regulations to the CMA and the stock exchange:

- A- A pledge that the company shall be committed to implement the law of companies engaged in receiving money for investment, the anti- money laundering law, the capital market law and its executive regulations referred hereto as well as all the decision issued by the CMA regarding anti- money laundering and terrorism financing, beside rules for identifying customer identity, these which are issued by the money laundering anti-unit.
- B- The name of the manager responsible for anti- money laundering and terrorism financing in the company , who shall have the experience and

the qualifications stated in these regulations , as well as the name of his deputy who shall meet all the pervious conditions .

- C- A copy of the procedures taken by the company regarding implementing anti- money laundering law and its executive regulation and stated rules, the company shall be committed to implement any amendments issued by the CMA in this regard.
- D- The company shall be committed to prepare training programs for all employees. They shall be committed to attend the training courses held by the CMA and the anti-money laundering unit.
- E- The company shall be committed to apply the anti- money laundering procedures regarding the clients' accounts, under the supervision of the manager responsible for anti- money laundering.

**Article (3)** : companies stated in the attached regulations shall be committed to define the procedures used in identifying the customers' identity and their legal positions as well as the methods used in verifying their data , this shall be done according to the rules for identifying the customers' identity - "know your customer " principle and its forms issued by anti-money laundering unit .

**Article (4)**: The provisions of these regulations shall be applicable by the companies stated in the attached regulations as well as its branches in Egypt or abroad. In case the stated obligations in the regulations are different from those set in the host state, the severest obligations shall be applied without prejudice to the legislations and supervisory instructions applied in the host state. The company shall inform the CMA in case it can not apply the right procedures regarding anti-money laundering and terrorism financing as a result of these legislations and instructions.

**Article (5)**: Decision no. (4) Of 2003 issued by CMA board of directors referred to shall be cancelled.

**Article (6)**: This decision shall be applied by all companies operating in securities, and shall be published on the website of the CMA and shall come into force from the date of being published.

**CMA Chairman**

**Dr. Ahmed Saad Abdel-Latif**

## **The capital market authority**

**Supervisory regulations on anti- money laundering and  
terrorism financing**

**For companies operating in securities and companies engaged  
in receiving money for investment and securitization  
companies**

**Supervisory regulations on anti-money laundering and terrorism financing**  
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**First: definitions**

The following phrases and words shall define the following :

**Authority:**

The Capital Market Authority

**Unit:**

Anti-money laundering unit

**Company:**

Licensed Companies operating in securities which gained license from the CMA and listed at the listing register, according to the provisions of the capital market law and the depository and central registry law, these companies which are practicing one or more of the following activities :

- Underwriting and promotion of securities
- Equity participation in companies issuing securities , or in increasing their capitals
- Venture capital
- Securities clearance and settlement
- Formation and management of portfolios and mutual funds
- Securities brokerage

- Nominee
- Custody trustee
- Depository Banks
- Companies engaged in receiving money for investment, those which gained a license from the CMA and listed at the listing register according to the provisions of law no. 146 of 1988
- securitization companies which gained a license from the CMA and listed at the listing register and operating in securitization according to the provisions of the capital market law , promulgated by law no. 95 of 1992

**Securities:**

All kinds of stocks and bonds as well as Sukuk and investment certificates.

**Beneficial owner:**

Every natural or legal person in which all transactions held for his interest or on his behalf , or any person who has the full control on a legal person , or any person who have the right in taking any legal action as he is a guardian or an agent .

**Secondly: rules for identifying the customers' identity**

The company shall be committed to the rules for identifying the customers' identity and their legal positions which are issued by the anti-money laundering unit on setting the internal rules of the company regarding identifying the customer's identity and their legal positions.

**Thirdly: The manager responsible for anti- money laundering and terrorism financing**

The company shall be committed to inform the CMA and the anti- money laundering unit of the name of the manager responsible for anti- money laundering and terrorism financing, as well as the name of his deputy. The company shall be committed to inform the CMA and the anti- money laundering unit in case any of them are changed. The following shall be taken into account upon appointing the manger and his deputy:

**1- standards used upon appointing the manager responsible for anti- money laundering and terrorism financing**

Upon choosing the manager responsible for the anti- money laundering and terrorism financing and his deputy, the company shall be committed to meet the

conditions and the standards stated in this regard, these which are issued according to decision no. (24) Of 2007 regarding licensing regulations for employees at securities companies, besides meeting the following:

- A- occupying a high level position
- B- having the qualifications and the required experience

## **2- The responsibilities of the manager responsible for anti- money laundering and terrorism financing**

The responsibilities for the anti-money laundering and terrorism financing manager shall be defined according to the amount of trading implemented by the company , as well as its resources and its applied systems , generally the anti--money laundering and terrorism financing manager shall be responsible for the following :

- A- Examining the unusual transactions which the internal systems of the company provided, as well as examining the suspicious transactions which the employees of the company inform the unit of, attached with the reasons behind such transactions.
- B- Informing the unit of the transactions which involve money laundering or terrorism financing, this shall be done through the forms set in this regard.
- C- Taking the necessary measures concerning keeping the suspecting reports in which he sees that it do not involve any kind of suspicion, these measures shall include the reasons for keeping these reports .
- D- Suggesting new polices that the company shall adopt regarding anti-money laundering and terrorism financing, besides updating the systems and procedures used in this respect, in order to increase its efficiency and effectiveness and to keep pace with the global and local developments.
- E- The manager shall closely supervise how far the company does and its branches apply the provisions of law and the supervisory regulations as well as the internal systems adopted by the company regarding anti-money laundering and terrorism financing.
- F- Cooperating and coordinating with the concerned department in the company regarding setting a training plan for the employees in the company , and suggesting the training program used in implementing and following up this plan .

G- Preparing a periodic report – once a year at least – concerning anti-money laundering and terrorism financing, and submitting it to the board of directors for comments, as well as taking all the measures recommended by the board, and submitting this report to the CMA and the unit, attached with the comments and the decisions issued by the board of directors. This report shall include – at least – the following :

- Efforts exerted within this period concerning the suspicious transactions, and the measures taken in this respect.
- The results of the periodic review of the systems and procedures of anti-money laundering and terrorism financing, those procedures adopted by the company. This shall include the points of weaknesses and comments to avoid it, as well as reviewing the basics used in preparing the reports of the unusual transactions which the internal systems made available.
- The amendments that took place within the policies or the internal systems or the procedures adopted by the company regarding anti- money laundering and terrorism financing within the reporting period.
- Stating the commitment of the company to implement the plans set regarding supervising how far do the company's branches apply the provisions of the law and the supervisory regulations as well as the internal systems regarding anti- money laundering and terrorism financing during the reporting period.
- Presenting the plan set for supervising the branches of the company within the period following the report.
- Stating the training programs set for the employees of the company regarding anti- money laundering and terrorism financing within the period referred to.

### **3-The powers given to the manager responsible for anti- money laundering and terrorism financing**

The manager responsible for anti- money laundering and terrorism financing shall work independently and shall be offered all possible means that may help him carrying out his tasks, and this shall include the following:

- He shall not be assigned to any other duty that shall affect his position as the manager of anti- money laundering and terrorism financing
- He shall have the right to access all information and to review all records and documents required in inspecting and examining the report of the

unusual transactions or suspecting reports submitted to him, as well as keeping in contact with the employees of the company who shall help him in carrying out his duty.

- He shall have the right to submit reports to the administration or the board of the company or any other related committee , this shall help in increasing the effectiveness and the efficiency of anti- money laundering and terrorism financing systems as well as ensuring the commitment of the employees to these systems.
- Ensuring the confidentiality of the unusual transactions' reports and the suspecting reports referred to, and all the measures taken in examining it and notifying the anti- money laundering unit.

#### **Fourth: The procedures taken upon notifying of the transactions involving money laundering or terrorism financing**

- 1- The manager responsible for anti- money laundering and terrorism financing shall inform the unit about the transactions involving money laundering or terrorism financing, including the actions taken upon holding these transaction, regardless the amount of the transaction.
- 2- The notification shall include the motives and the reasons which the company counts on upon deciding that this is a suspicious transaction.
- 3- The notification shall be made through the forms prepared by the unit regarding this, that form which was submitted to the company attached with the conditions that shall be met. The form shall be as well as attached with the information and copies of the documents related to the suspicious transaction, and the commitment to fulfill the instructions of the form referred to.
- 4- The notification shall be attached with – at least – the copies of the following documents :
  - contract of the account opening
  - Identity card
  - Documents supporting the suspicious transaction
- 5- The notification's procedures taken regarding transactions involving money laundering or terrorism financing, or any related information, shall not be disclosed to any customer , beneficial owner, or to any authority other than

the concerned authorities which are committed to apply the anti- money laundering law and its amendments.

#### **Fifth: Records and Bookkeeping**

##### **1- Kinds of records and documents that shall be kept**

**The company shall keep the following:**

- A- Records and documents of the customers and the beneficial owner, including the contract of the account opening and copies of the identity card – either legal or natural persons – as well as copies of their correspondence.
- B- Records and documents related to transactions done with the customers, including the whole information regarding the details of each transaction, particularly buying and selling orders.
- C- Reports of the unusual transactions, including a document referring that these reports were reviewed.
- D- Records of the suspicious transactions, including the copies of the notifications of the transactions, as well as the data and the related documents that are send to anti- money laundering unit.
- E- Records and documents of the reports, in which the manager responsible for anti- money laundering and terrorism financing decided to keep.
- F- Records of training programs held for employees, including all programs concerned with anti- money laundering and terrorism financing. The record shall include the names of the trainees, their departments, the content of the program, its period as well as the party that held the training program either in Cairo or abroad.

##### **2- The conditions that shall be met upon keeping records and documents**

The company shall meet the following conditions upon keeping records and documents stated in the item above:

- A- Keeping all the records, documents and reports in a safe place, as well as keeping copies of these documents in another place.

- B- The way of keeping the records shall be easy as well as the rapid retrieval of the records and documents, in order to provide information or data easily.

### **3- The period set for keeping the record and documents**

Records and documents shall be kept for five years at least, the way used in calculating the beginning of keeping records and documents differs according to the kind of documents, and this shall be shown as follows:

#### **A-Records and documents of customers and beneficial owner**

These shall be kept for at least five years from the date of closing the account

#### **B- Records and documents related to transactions done with the customers**

These shall be kept for at least five years from the date of closing the account

#### **C-Other records and documents**

The following records and documents shall be kept for at least five years :

- The reports of the unusual transactions, and this shall be kept starting from the date of issuing the report.
- The records of the suspicious transactions which have been sent to the anti-money laundering unit, starting from the date of sending. The period of keeping these records shall extend to the date of issuing the decision or the date of the final ruling regarding the suspicious transaction whenever the unit request and this shall be done according to a notification send to the company and the CMA.
- The records and documents of the suspecting reports which the manager responsible for anti- money laundering and terrorism financing decided to keep, and this shall be kept from the date of issuing a decision in this regard.
- Records of training programs shall be kept from the date of finishing the program.

## **Sixth: Systems of internal control**

The company shall be committed to set the suitable systems of internal control in order to be able to apply the legislation and supervisory regulations , this shall include the policies and the procedures regarding anti-money laundering and terrorism financing . These systems shall be reviewed on a periodical basis to ensure how far does the company apply them and this shall help also in exploring the points of weakness that may occur in these systems and taking the necessary measures to avoid them. The following shall be taken into account :

- 1- Setting a clear policy regarding anti-money laundering and terrorism financing approved by the board of directors. That policy shall help in applying the legislation and supervisory regulations issued in that respect .The policy shall be updated regularly.
- 2- Setting the detailed procedures regarding the anti-money laundering and terrorism financing in a written form. This shall include the duties and responsibilities that shall be set in accordance with the stated policy .
- 3- The ability of the internal control , policies and procedures to detect the value and the amount of the unusual transactions , or these transactions made by the suspected customers , and presenting it to the manager responsible for anti-money laundering and terrorism financing .
- 4- Setting the right mechanism to ensure the commitment to the internal systems regarding anti-money laundering and terrorism financing.
- 5- Setting the systems that shall guarantee the coordination between the compliance officer and the manager responsible for anti-money laundering and terrorism financing concerning examining the systems in order to ensure its efficiency and effectiveness in anti-money laundering and terrorism financing as well as suggesting new ideas that shall complete and update them.

## **Seventh: training in anti-money laundering and terrorism financing**

The company shall be committed to set continuous plans and programs- yearly at least – these which shall help the employees and increase their efficiency in applying the set rules and systems regarding anti-money laundering and terrorism financing and shall also ensure that they are aware of the new developments related to the methods and the general trends concerning anti-money laundering and terrorism financing and the ways to combat them , as well as the international , local and regional developments in this regard .

Setting and implementing these programs shall be done in coordination with the company, the CMA and the unit. The following shall be taken into account:

- 1- The training shall include all the branches of the company and its employees.
- 2- Upon implementing the training programs , the company shall seek the help of the specialized institutions which are concerned with anti-money laundering and terrorism financing , whether these institutions were local or international , the company shall as well benefit from the local and international experts in this respect , this shall be done according to the general policy of rehabilitation and training set by the unit .
- 3- Coordinate efforts with the manager responsible for anti-money laundering and terrorism financing in the company regarding choosing the employees who are nominated to attend the training program.

#### **Eighth: Indicative indices used in identifying the transactions involving money laundering and terrorism financing**

##### **1- Indices used in identifying the transactions involving money laundering**

Identifying the transactions involving money laundering shall depend on the sufficient knowledge of employees regarding the provisions of anti-money laundering law and its executive regulations as well as the supervisory regulations; this is in addition to the experience gained from practice and the information available from training. The following shall show the transactions which shall need further examination as well as exploring the suspicion of money laundering:

- Clients who refuse to reveal the sufficient information or provide incorrect information, either personal information, or information about the activity or the beneficial owner.
- Clients who submit an identity card which is suspected of being fraud .
- Clients who find difficulty in describing the nature of their activity or who have lack in the general information related to their activity.
- Clients who are always interested in asking about the applied systems concerned with the unusual transactions, or the suspicion criteria, or the notification procedures regarding the suspicious transactions.
- Clients who belong to a country which is known of corruption or illegal activities as drugs trafficking and planting and weapons smuggling etc.

- Transactions of huge accounts that do not suit the client's activity.
- Transactions which feed the accounts with large amounts of money that are being withdrawn without completing any operation and without any clear reason stated by the client.
- The repeated transactions that held in a certain period and do not match the client's activity.
- Clients who do not care about the risks or the commission or any other costs of trading in securities.
- Clients who tend to make transactions or deals that show his lack of any sense of investment, for an example, he shall not care about buying or selling the securities at the best price.
- The repeated transfer of money from the account of the clients to other accounts in the company, without setting any clear reason.
- Clients who do not care about the investment advices offered by the authorities.
- Transactions which are funded through bank checks or any financial instruments traded in money market repeatedly and without setting any clear reason.
- Clients who intentionally held a number of transactions which value is less than the limit defined by the CMA that is to avoid bank transactions.
- The sudden change that occur in one of the employee's level of living without any clear reason.

## **2- Indices used in identifying the transactions involving terrorism financing**

- Transactions that held by local and international entities, which do not aim at profit, especially if these entities belong to countries which is known of supporting terrorism.
- Transactions which are held by clients who belong to countries known of supporting terrorism.