



Mutual Evaluation Report

Anti-Money Laundering and Combating the Financing of Terrorism

May 2015

**The Federal Democratic
Republic of Ethiopia**

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**THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA**

**DETAILED ASSESSMENT REPORT
ON ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM**

May 2015



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EXECUTIVE SUMMARY

1. This report provides a summary of the anti-money laundering and countering the financing of terrorism (AML/CFT) measures in place in the Federal Democratic Republic of Ethiopia as of the date of the on-site visit from April 7- 17, 2014. It analyses the level of compliance with the Financial Action Task Force (FATF) 40 Recommendations and the level of effectiveness of Ethiopia's AML/CFT system, and provides recommendations on how the system could be strengthened.

A. Risks and General Situation

2. Given the lack of a completed national risk assessment, the findings on risk noted here are necessarily preliminary, based predominantly on interviews and supported by some quantitative data. Before discussing actual risks, however, it is important to understand several contextual issues that are relevant to ML/TF in Ethiopia and the efforts undertaken by the Ethiopian government to curb them.
3. A critical factor in Ethiopia's risk profile is its relative economic isolation due to the limited extent to which it is integrated in the regional or global economy. Foreign currency controls are vigorously enforced and all financial institutions, by law, are fully owned by Ethiopians or Ethiopian legal entities (which in turn are fully Ethiopian owned). It is illegal (with a few minimal exceptions) to send money from Ethiopia to a foreign country and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners) can transfer money abroad using the bank's access to the SWIFT system. Thus, the only legal cross border flow of funds through the formal sector relevant to overall risk are the inbound money transfers - predominantly from the Ethiopian diaspora to their relatives in Ethiopia.
4. Linked to this isolation, is the relatively basic level of development of the financial sector. Banking services are limited to deposit/savings accounts, the provision of loans, and limited trade finance to Ethiopian export businesses. Private banking/private wealth management products/services (i.e., banking services for high net worth clients) are not yet offered by Ethiopian financial institutions. Overall financial penetration is still low - although it has been growing at double digit rates in the last few years. The total number of bank, microfinance, and insurance accounts is 15.5 million (in a country with a total population estimated at 96.51 million, the adult population being 53.9 million). There is no securities market and limited life insurance activity.
5. These factors, coupled with a large informal sector and the fact that even large-scale financial transactions (e.g., vehicle and even real estate purchases) are routinely conducted in cash or through a cashier payment order (CPO), would not appear to make the formal financial sector attractive for those seeking to launder illicit proceeds. Given its isolation and strict currency controls, it is highly unlikely that Ethiopia's financial sector would be used to launder funds from abroad.
6. The main sources of illicit proceeds generating activity in Ethiopia are the following: corruption (specifically involving administration of land, procurement, tax, telecommunications and pharmaceuticals), tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband (coffee, 'khat' and livestock outbound; textiles, electronics and pharmaceuticals inbound; foreign exchange inbound and outbound) and the profit made from providing illicit financial services. How and where these proceeds are laundered, even if they are laundered as commonly understood (rather than reinvested in further illegal activity), is not clear. Possible targets for integration of illicit funds include the purchasing of real estate, especially given the difficulty of moving funds outside the system. As noted, real estate transactions are frequently

settled in cash and real estate agents and developers are not aware of their AML/CFT obligations and do not ask any questions about the source of the funds. The cases and STRs generated so far seem largely unrelated to the proceeds generating activity mentioned above, focusing almost exclusively on the illegal (or unlicensed) provision of money or value transfer services (MVTS) and money exchange services. Neither the government of Ethiopia nor the assessment team have any credible estimates on the volume of illegal (or unlicensed) MVTS activity occurring in Ethiopia. The extent of the risk for ML/TF posed by this activity is unknown, and more should be done by the government of Ethiopia to understand the risks and address the issue.

7. With regard to risks related to terrorism financing, Ethiopia is located in a highly volatile region, with both Eritrea to the North and Somalia to the East providing support to terrorist (Al-Shabaab) or armed opposition groups (the Ogaden National Liberation Front (ONLF), Oromo Liberation Front (OLF)) active in Ethiopia. In addition there are believed to be several other armed rebel groups active in Ethiopian territory. How those groups are financed however, and whether the formal financial sector plays a significant role in facilitating transactions, remains unclear. Given the high degree of cash transactions, and the widespread presence of illegal (or unlicensed) MVTS and money exchange providers, it seems more likely that terrorist-related financing transactions are not made through the formal financial sector.

B. Key Findings

Overall Level of Compliance and Effectiveness

8. Ethiopia's efforts to combat money laundering and terrorist financing are relatively recent. Though a first comprehensive law was adopted in 2009 (but substantially revised in 2013), the implementation of a preventive system for money laundering and terrorist financing was started in 2012. Although minor technical compliance requirements remain, the legal framework underpinning Ethiopia's AML/CFT system is generally solid. The main issues that would require further legislative/regulatory attention concern the designation of terrorists and follow up action, more precise guidance to designated non-financial businesses and professions (DNFBPs), better coordination of asset freezing, confiscation and management, and a system for the implementation of sanctions related to non-proliferation of weapons of mass destruction, which currently is not covered under Ethiopian law.
9. The AML/CFT legal framework is, however, only recently in force and it is too early to be able to draw any firm conclusions on effectiveness. To align public and private efforts and ensure a common understanding of vulnerabilities and how to address them, it will be important that the national ML/TF risk assessment process, which was initiated mid-2013, be completed expeditiously and that a comprehensive action plan based on that assessment be adopted.

B.1 Understanding of the ML statute

10. As noted, Ethiopia strictly polices the inflows and outflows of funds and strongly enforces its capital controls. Possibly related to that, all of the money laundering cases to date, and the vast majority of investigations and of the suspicious transaction reports (STRs) received, relate **not** to the sources of illicit proceeds mentioned earlier, but rather to the illegal (or unlicensed) provision of MVTS and money exchange services, and largely focus on the profits gained from the provision of those services. Though criminal policy is a prerogative of the government, the use of money laundering provisions almost exclusively to investigate illegal (or unlicensed) providers of MVTS does not appear commensurate with the actual ML/TF risks. In all likelihood (no firm data or estimates are available), the proceeds generated by human trafficking, smuggling and corruption are likely to be

more substantial than the profits involved in the provision of illegal (or unlicensed) MVTS. Rather, the illegal (or unlicensed) provision of MVT services may be addressed effectively through regulatory enforcement (*e.g.*, the supervisor for MVT services). This would likely require a previous policy decision by the government to bring such unlicensed service providers under regulatory control. Additional training and awareness raising on more effective uses of the ML offence among relevant agencies and the private sector may lead to greater detection and investigation of proceeds generated from criminal conduct.

B.2 Domestic information gathering

11. A noteworthy feature of the Ethiopian system is the extent to which enforcement agencies rely on information provided by citizens. Without exception enforcement agencies indicated the general public is the primary source of information and intelligence. Authorities noted that for tax offences, an informant can receive up to 20 percent of the amount recovered by the revenue authority, and that a similar system is being contemplated for corruption offences. Information is collected from the private sector with ease, mainly to the low standard of proof (*i.e.*, a “serious indication”) required for establishing suspicion of ML/TF. As ML/TF investigations increase, it will be important for law enforcement to adhere strictly to the legal requirements for the gathering of evidence – failing to obtain a court order (can prove fatal to a case and) can also negatively impact foreign cases in situations where international cooperation is requested.

B.3 Domestic coordination

12. But for certain technological impediments (see below), the unimpeded flow of information extends to the collaboration amongst government agencies and between those agencies and the private sector. There do not appear to be any of the common issues concerning the exact delineation of responsibilities between agencies - the cooperation in money laundering cases between law enforcement and prosecution was clearly very close. Notably, it was the provision of analysed STRs from the Financial Intelligence Center (FIC, the Ethiopian financial intelligence unit) that led to the creation of a special investigative AML unit in the federal police force. The banks indicated that they had received very useful, hands-on training from the FIC, and received almost immediate feedback on the quality of STRs submitted (facilitated by the fact that this is still done by hand, in hard copy). Banks also indicated that they received feedback on what will have happened to the STRs submitted and whether an investigation was being initiated (which in itself testifies to the information being provided by the police to the FIC).

B.4 Low development/lack of technology

13. The low level of financial sector development and the lack of many technological means to transmit and store information present serious challenges to the Ethiopian AML/CFT system. By all accounts the scale of the informal, unrecorded economy is significant - with some putting the figure at 36% of the recorded economy - and many large transactions are still conducted in cash or through a CPO. Related to that, estimates of tax evasion and tax fraud are substantial. Many small businesses operate without a license and do not collect value added tax (VAT) - many thousands of such businesses alone at Merkato, Africa’s largest open air market located in Addis Ababa. Though the banking sector and the microfinance sector are expanding at a rapid pace, a very large proportion of the adult population (approximately 72%) remains unbanked, and that portion likely either operates fully in cash or uses illegal (or unlicensed) MVTS providers. Ethiopia does not have a national or regional identification card; the large number of different identity documents (and sometimes the lack thereof) further complicates access to financial services. Each kebele (similar to a ward) has its own identity card and there have been instances when false identity documentation has been used - particularly

when receiving money transfers. The information technology (IT) infrastructure in place is rudimentary; STRs are filed by hand at the premises of the FIC, and banks rely almost exclusively on their front-line staff for the identification of suspicious transactions or for the matching of United Nations sanctions lists against their database of customers (though the risk here may be minimal given that other than staff of international organisations and embassies in Addis Ababa, no non-resident foreigners who are not diaspora, are allowed to have foreign currency accounts in Ethiopia and there are currently no Ethiopians on the UNSCR 1267 list - only the Ethiopian branch of the Al Haramain foundation). Data are frequently maintained in hard copy only (e.g., customs data on cross border cash declarations) and are not analysed, thus leaving a potentially useful source of intelligence and trends untapped, which may be particularly relevant given the high volume of goods smuggled both to and from Ethiopia.

B.5 *Low capacity/lack of manpower*

14. Possibly related to the relatively recent introduction of AML/CFT measures in Ethiopia, many of the relevant officials indicated that they do yet have the requisite knowledge and expertise and are still familiarizing themselves with their role in the system as a whole. Virtually all indicated a need for more training and capacity building - be it on the identification of suspicious transactions, their proper analysis (and particularly aggregate, strategic, analysis to be able to identify trends) or their investigations and prosecutions. The FIC is currently understaffed and has taken on tasks beyond the core FIU tasks, specifically the supervision of reporting entities' AML/CFT obligations. While at present the FIC is the only government agency with the requisite know-how/knowledge to conduct in-depth AML/CFT supervision, the FIC is likely to be effective in its core functions if it allows (and trains) existing supervisory authorities to conduct AML/CFT compliance inspections- or at least to ensure the sectoral supervisor has a shared responsibility for conducting AML/CFT supervision. In view of the intended expansion of the AML/CFT regime to all DNFBPs in the near future, it is clear that the FIC lacks the capacity to conduct all supervision by itself. One way of dividing the responsibility between the FIC and the core supervisor/sectoral regulator would be to have the latter focus on "bigger picture"- existence of an internal policy, appointment of relevant compliance personnel and limit the FIC's role to more specific supervision on individual accounts and transactions.

C. **Priority Actions**

15. Whilst there are a number of actions that the Ethiopian authorities should take to improve their AML/CFT system, the following are paramount:
 - ***Completion of the National Risk Assessment (NRA) process*** - To ensure that all AML/CFT stakeholders in Ethiopia have the same understanding of the risks they are seeking to address and working towards the same goals, it will be important that the NRA process initiated last year be completed, that the results be disseminated to all relevant stakeholders, and that an Action Plan be developed to address the most significant gaps/deficiencies. Ethiopia should deal with this as a matter of urgency. It is recommended that the NRA process should take into account DNFBP regulators and authorities and National Intelligence and Security Services (NISS) in order to ensure an adequate scope of stakeholders in the NRA process. It is also recommended that the risk assessment process ensure to consider TF risk given the potential TF risk and the lack of effectiveness on Ethiopia's CTF framework.

- ***Broadening and reorientation of ST reporting, analysis, and ML investigations, prosecutions and asset freezing and confiscation towards the most significant sources of illicit proceeds and identification of the most common ML methods/techniques*** - Currently, it would appear that most of the efforts of AML/CFT authorities and reporting entities are geared toward detection and suppression of the illegal (or unlicensed) provision of MVTS. The NRA should assist in identifying the most significant sources of criminal proceeds and the most common methods/techniques of ML within Ethiopia. This in turn should assist policy makers, reporting institutions and investigative agencies in turning their attention and resources to address these areas of higher risks so that ML provisions can be used to take the profit out of crime - be it corruption, tax fraud/evasion, human trafficking or smuggling contraband. In addition, it will be important that investigative and prosecutorial authorities start bringing cases before the Court as a means to “test” the various provisions of the ML law, in particular the required level of proof of the predicate offence.
- ***Provide further training and awareness raising for government officials and reporting entities*** - Given the fact that the AML/CFT system only started yielding results relatively recently and that many actors are not yet fully aware of their obligations or understand the ultimate objective, it will be important to ensure constant training in obligations of the reporting entities and government agencies, money laundering techniques, and ensuring awareness of the NRA findings (once completed) and how the government intends to address them. Given the likelihood that proceeds of crime are invested in real estate, it will be particularly important to ensure that real estate agents are made aware of their obligations under the AML/CFT legislation, and start inquiring into the source of funds.
- ***Expand financial services to the unbanked and those without access to financial services*** - Given the very high percentage of the population that is without access to financial services, and the estimated very high volumes of transactions taking place in cash, unrecorded and untraceable, it will be important to ensure that the efforts of the NBE and the (public) financial sector to expand access, by offering low value accounts through traditional banks and through micro-finance institutions, be maintained and further strengthened. In addition, the efforts of the national government to promote financial inclusion should be coordinated closely with AML/CFT authorities to ensure that ML/FT risks are considered and managed in this context.
- ***Provide more resources/staff to the FIC*** - Authorities should consider increasing the staff of the FIC to enable the FIC to carry out its core responsibilities of receiving, analysing and disseminating STRs effectively. If it is to have a supervisory task (as provided for under the AML legislation) then there should be a dedicated department for that task. That department should focus on AML/ CFT supervision of the DNFBPs - notably real estate agents - and others who are not otherwise supervised. For the supervision of banks, microfinance institutions, and insurance companies, closer cooperation with the NBE should be established and consideration should be given to attributing primary responsibility for AML/CFT supervision to the NBE (which will require capacity building of NBE staff) with the FIC providing support, but not taking the lead role. The FIC should also further strengthen physical and IT security systems within its premises to ensure that access to information is restricted to authorised persons.

Table of Effective Implementation of Immediate Outcomes

Effectiveness		
Immediate Outcome	Level	Factor(s) underlying the rating
1. Risk, Policy and Coordination	Low	<ul style="list-style-type: none"> National risk assessment still ongoing process; lack of national understanding of risk, including identifying and addressing financial activity conducted through illegal (or unlicensed) MVTs providers No common understanding of risk by authorities National AML/CFT policies not risk based
2. International Cooperation	Moderate	<ul style="list-style-type: none"> Lack of case management system or expertise within the FIC to conduct MLA or extradition; cooperation with foreign FIUs is limited due to fact that it is not in the Egmont Group and has not signed any MOUs. Lack of case management system at the Ministry of Justice Requests for international cooperation (MLA, extradition or other informal requests) are not consistent with the main sources of illicit proceeds generating activity
3. Supervision	Low	<ul style="list-style-type: none"> So far only supervision of the banking sector No risk informed supervisory strategy at this time- and STR system not properly risk focused Inadequate measures to address illegal (or unlicensed) MVTs providers
4. Preventive Measures	Low	<ul style="list-style-type: none"> Lack of understanding of ML/TF risks by government officials and reporting entities and only a preliminary understanding of AML/CFT obligations Only banking sector (not other FIs or DNFBPs) consistently applying CDD and record-keeping measures FIs and DNFBPs not applying comprehensive measures for TFS relating to TF, nor higher-risk countries identified by the FATF STR reporting not focused on areas of highest risk; lack of reporting on TF Only banking sector (not other FIs or DNFBPs) consistently applying internal controls and procedures for AML/CFT compliance
5. Legal Persons and Arrangements	Moderate	<ul style="list-style-type: none"> Low threat of abuse of legal persons Lack of awareness of how legal persons can be misused for ML/TF purposes Inapplicability of FIC Directive No. 01/2014 to all legal persons and thus lack of sanctioning powers
6. Financial Intelligence	Low	<ul style="list-style-type: none"> Financial intelligence is rarely used by investigative authorities in their investigations and the FIC is not used as a source of intelligence by investigation authorities The STRs reported and disseminated do not relate to areas of highest risk in Ethiopia, nor to crimes generating significant proceeds The receipt, analysis and dissemination functions are limited by the lack of analytical software, lack of access to sources of information from other government agencies and foreign FIUs, and the lack of sufficient staff and resources.
7. ML Investigation and Prosecution	Low	<ul style="list-style-type: none"> ML investigations and prosecutions are not related to threats and risk profile of Ethiopia Limited means for identification of ML cases within the Federal Police Limited use of financial intelligence in investigations and few sources of information available Other types of ML cases have not been prosecuted Sanctions not dissuasive

8. Confiscation	Low	<ul style="list-style-type: none"> • Limited policy guidance for the agencies in the identification, freezing and confiscation of assets • Low level of provisional measures or confiscation by the Federal Police or ERCA • Confiscation results do not reflect the assessments of ML/TF risks
9. TF Investigation and prosecution	Low	<ul style="list-style-type: none"> • Terrorist financing activities have not been investigated or prosecuted • Concerns exist regarding the degree of domestic and international cooperation during TF investigation
10. TF Preventive measures & financial sanctions	Low	<ul style="list-style-type: none"> • Lack of implementation of targeted financial sanctions under relevant UNSCRs • Funds or other assets of designated persons and entities are not being identified • Delays in transmissions of designations to financial institutions • No transmissions of designations to DNFPBs • DNBPS are not aware of obligations regarding targeted financial sanctions • Lack of awareness and understanding of risks and vulnerabilities of NPRs to terrorist abuse
11. PF Financial sanctions	Low	<ul style="list-style-type: none"> • Missing framework for identification of designated persons and entities under relevant UNSCRs. • Lack of implementation of targeted financial sanctions. • Funds or other assets of designated persons and entities are not being identified. • Low level of awareness and understanding of targeted sanctions related to financing of proliferation.

Table of Technical Compliance with FATF Recommendations

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	NC	<ul style="list-style-type: none"> • Risk assessment process not finalised • No Risk Based approach adopted • Risk mitigation measures limited to FIs only
2. National cooperation and coordination	PC	<ul style="list-style-type: none"> • No risk informed domestic policy • DNFBP regulatory/licensing authorities not part of domestic policy setting body • No consideration of financing of proliferation
3. Money laundering offence	LC	<ul style="list-style-type: none"> • Sanctions (10-15 years) are disproportionate for cases of minor involvement
4. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> • Mechanisms for management and disposal of property are insufficient
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> • Ethiopia is a state party to the UN Convention for the Suppression of the Financing of Terrorism and criminalizes TF in Proclamation No. 780/2013, Article 31 • Insufficient range of sanctions that can be applied proportionately to greater or lesser breaches of offence
6. Targeted financial sanctions related to terrorism & TF	NC	<ul style="list-style-type: none"> • Absence of legal and regulatory framework in force and effect at the time of the on-site visit to implement UNSCRs
7. Targeted financial sanctions related to proliferation	NC	<ul style="list-style-type: none"> • Absence of legal and regulatory framework to implement and enforce targeted financial sanctions.
8. Non-profit organisations	PC	<ul style="list-style-type: none"> • Lack of a review of the sector’s vulnerabilities to terrorist activities • Lack of provisions permitting sharing of information between authorities, including provisions for domestic coordination and information-sharing and prompt sharing of information • Lack of points of contact or procedures to respond to international request for information on NPOs • Lack of requirements to “know your associated NPOs” and to collect and maintain records on activities and ownership for a period of five years
9. Financial institution secrecy laws	C	
10. Customer due diligence	LC	<ul style="list-style-type: none"> • Lack of provision to understand the nature of a customer’s business for legal persons or arrangements
11. Record keeping	C	
12. Politically exposed persons	C	
13. Correspondent banking	C	

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
14. Money or value transfer services	PC	<ul style="list-style-type: none"> No appropriate action taken to identify persons who could be carrying out MVTS without a license and apply proportionate sanctions
15. New technologies	LC	<ul style="list-style-type: none"> Lack of requirement for the country to identify and assess the ML/TF risks (requirement as written only applies to FIs) that may arise in relation to the development of new products and new business practices
16. Wire transfers	C	
17. Reliance on third parties	C	
18. Internal controls and foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> Lack of clarification that policies, procedures and controls should be implemented with regards to the size of the business
19. Higher-risk countries	PC	<ul style="list-style-type: none"> Lack of requirement to apply countermeasures proportionate to risks (a) when called upon to do so by the FATF and (b) independently of any call by the FATF to do so Lack of measures in place to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries
20. Reporting of suspicious transaction	C	
21. Tipping-off and confidentiality	LC	<ul style="list-style-type: none"> Absence of language to make it clear that the safe harbour also applies when the cause of action is breach of regulatory provisions.
22. DNFBPs: Customer due diligence	LC	<ul style="list-style-type: none"> No provision on identification of legal persons and arrangements for DNFBP
23. DNFBPs: Other measures	LC	<ul style="list-style-type: none"> R19 deficiencies apply to DNFBPs for R23
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> Absence of clear mechanisms to identify and describe legal persons, processes for creation of those legal person and for obtaining and recording basic and beneficial ownership information No assessment of ML/TF risks associated with all types of legal persons Lack of provisions for maintaining categories of shares (including nature of the associated voting rights) in the register for shareholders or members <i>Scope:</i> Unclear given that the FIC Directive 01/2014 is directed at CDD measures to be undertaken by Financial Institutions, beneficial ownership information requirements under this Directive can be applicable to all legal persons established in Ethiopia Lack of provisions for countries to monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information
25. Transparency and beneficial ownership of legal arrangements	NA	<ul style="list-style-type: none"> <i>Scope:</i> There is no legal or regulatory framework for the creation and establishment of legal arrangements, even though Proc. 780/2013 and FIC Directive 01/2014 make reference to legal arrangements. There are no foreign legal arrangements operating in Ethiopia at this time.
26. Regulation and supervision of financial institutions	LC	<ul style="list-style-type: none"> No review of ML/TF risk profile of FIs Frequency and intensity of on-site and off-site AML/CFT supervision not determined on the basis of ML/TF risks
27. Powers of	C	

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
supervisors		
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> No measures in place to prevent criminals from holding positions in certain categories of DNFBPs No risk based supervision of DNFBPs
29. Financial intelligence unit	LC	<ul style="list-style-type: none"> Inadequate physical security in place for facilities and information The FIC has not yet submitted an unconditional application for membership to the Egmont Group
30. Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> Absence of designated authority for identifying, tracing and initiating freezing of proceeds of crime
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> Absence of power to compel production of records held by natural or legal persons Absence of mechanism to ensure that competent authorities (other than the FIC and NISS) have a process in place to identify assets without prior notification to the owner
32. Cash couriers	PC	<ul style="list-style-type: none"> Lack of provisions for situations where currency of BNIs be declared when being transported across the border through mail or cargo Lack of provisions for authorities to request and obtain further information with respect to the origin of the currency or BNIs, and their intended use where a person provides false information or fails to disclose information when requested to do so Lack of provisions in relation to domestic cooperation and exchange of information with international counterparts on issues related to implementation of R32 Lack of provisions to impose sanctions against the carrier
33. Statistics	PC	<ul style="list-style-type: none"> Delays in providing statistics may suggest that there is no centralized/ comprehensive system in place, between the different institutions, for collecting and maintaining statistics.
34. Guidance and feedback	PC	<ul style="list-style-type: none"> While oral feedback has been relayed, FIC have not issued any guidelines to date
35. Sanctions	LC	<ul style="list-style-type: none"> Financial sanctions considered not proportionate nor dissuasive
36. International instruments	PC	<ul style="list-style-type: none"> Insufficient evidence provided at this time to show how and to what extent, the Vienna Convention, the Palermo Convention, the Merida Convention and the Terrorist Financing Conventions have been fully implemented
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> No case management system or processes for the prioritization and timely execution of requests Dual criminality is a condition for requests for non-coercive actions
38. Mutual legal assistance: freezing and confiscation	LC	<ul style="list-style-type: none"> No allowance for coordinated seizure and confiscation actions with other countries No procedures for management of property frozen or seized at the request of another country No procedure for the negotiation of asset sharing agreements outside of the bilateral treaty context
39. Extradition	LC	<ul style="list-style-type: none"> Absence of case management system for extradition requests

Compliance with FATF Recommendations

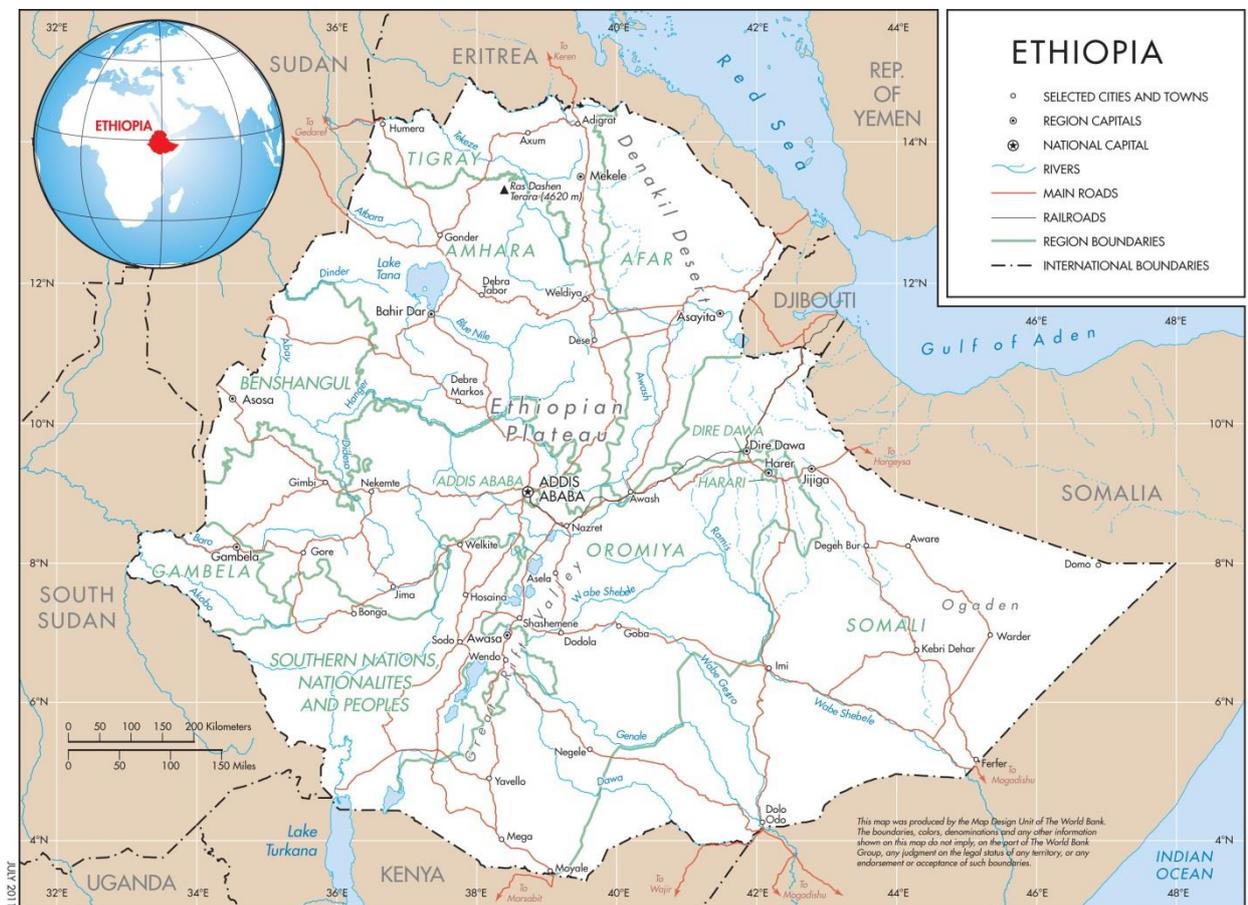
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> Simplified procedures exist only in cases where person whose extradition is requested explicitly consents. Other simplified extradition mechanisms (e.g., direct transmission of requests for provisional arrests, or extraditing person based only on warrants of arrests or judgments)
40. Other forms of international cooperation	NC	<ul style="list-style-type: none"> Absence of basis for exchange of information etc., outside of MLA, among competent authorities, except on a limited basis by the FIC, police and customs Absence of international cooperation between financial supervisors Absence of provisions for exchange of information between non-counterparts

Preface

16. This report summarises the AML/CFT measures in place in Ethiopia as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Ethiopia's AML/CFT system, and recommends how the system could be strengthened.
17. This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 Methodology. The evaluation was based on information provided by Ethiopia, and information obtained by the evaluation team during its on-site visit to Ethiopia from April 7-17, 2014.
18. The evaluation was conducted by an assessment team consisting of: Emily (Reinhart) Adeleke (financial sector expert, World Bank), Lisa Bostwick (legal/law enforcement expert, World Bank), Emile van der Does de Willebois (financial sector expert, World Bank), Francisca Fernando (consultant, World Bank), Larissa Gray (legal expert, World Bank), Joseph Jagada, (observer on behalf of the ESAAMLG Secretariat), and Tom Malikebu (FIU expert, ESAAMLG Secretariat). The report was reviewed by Ke Chen (IMF), Charlotte Gunka (IMF), Cari Votava (World Bank), Francesco Strobbe (World Bank), Brendan Nagle (Ireland), and Phineas Moloto (South Africa). This is the first evaluation of Ethiopia's AML/CFT system under the common methodology.

1. ML/TF RISKS AND CONTEXT

The Federal Democratic Republic of Ethiopia



19. The Federal Democratic Republic of Ethiopia is located in North East Africa¹ and occupies a total surface area of 1,104,300 square kilometres (km). Ethiopia shares borders with Djibouti (349 km), Eritrea (912 km), Kenya (861 km), Somalia (1,600 km), South Sudan (837 Km) and Sudan (769km). The capital of Ethiopia is Addis Ababa. In 2014, the total population of Ethiopia was recorded as 96.51 million (World Bank estimate).

20. Ethiopia is a Federal Republic made up of nine regions, namely Tigray, Afar, Amhara, Oromiya, Somali, Benshangul, Southern Nations, Nationalities and Peoples, Gambela, Harari, and two chartered cities, the Dire Dawa Administration Council, and the Addis Ababa City Administration. These nine regions are further divided into 68 zones, which are divided into ‘Woreda’ (wards), which in turn are further subdivided into ‘Kebele’ (municipalities).

21. Ethiopia has a bicameral Parliamentary system, with a legislature comprising the House of Federation and the House of People’s Representatives. The House of Federation is the upper chamber responsible for interpreting the constitution and federal-regional issues, consisting of 132 seats with members chosen by state assemblies to serve five-year terms. The House of People’s Representatives is the lower chamber responsible for passing legislation, consisting of 547 seats with

¹ Geographical Coordinates : 8 00 N, 38 00 E

members directly elected by popular vote from single-member districts to serve five-year terms. The Prime Minister serves as the Head of Government, and is nominated by the lower house from its current seated members. The Prime Minister heads the Council of Ministers consisting of representatives from a coalition of parties which makes the majority in the House. The President, who is the nominal Head of State, is elected by the joint session of the upper and lower houses. The most recent constitution of Ethiopia entered into force on 21 August 1995. The ruling party in Ethiopia, the Ethiopian People's Revolutionary Democratic Front, has been in power since 1991.

22. The legal system in Ethiopia is codified and is based on civil law practice. The main sources of the law are the constitution, proclamations, regulations, directives, case law emanating from decisions of the Federal Supreme Court and customary law. The court system is made up of courts with federal and regional jurisdictions. The Prime Minister nominates all federal level judges and they are appointed after approval by the House of People's Representatives. The hierarchy of the courts in Ethiopia consist of the Federal Court of First Instance, High Court and Supreme Court all at federal level, the Woreda, Zonal and Supreme Courts at the regional level. The Federal High Court has the ultimate jurisdiction to deal with regional matters.

1.1 ML/TF Risks

23. In the absence of a completed national risk assessment, the findings on ML and TF risks faced by Ethiopia are preliminary, predominantly based on interviews and not necessarily supported by data. The main sources of illicit proceeds generating activity in Ethiopia are corruption (specifically involving administration of land, procurement, tax, telecommunications and pharmaceuticals), tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband (coffee, 'khat' and livestock outbound; foreign exchange; textiles, electronics and pharmaceuticals inbound) and the profit made from providing illicit financial services. It is not entirely clear how these proceeds are laundered.
24. International organizations and counterparts in Ethiopia have noted corruption as an issue in the jurisdiction. Based on 8 surveys conducted, Ethiopia has received a rating of 33 out of 100 by the Transparency International's Corruption Perception Index 2013 (based on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean) and is ranked 111 out of 177 countries. Ethiopia is ranked at 32 by the World Bank Worldwide Governance indicator, for control of corruption in 2013 (where 0 corresponds to the lowest rank and 100 corresponds to the highest rank). A report by the World Bank in 2012 on Diagnosing Corruption in Ethiopia, finds that there is an emerging pattern in sector-level corruption, with interesting variations in the levels of corruption across the sectors studied. According to the study, in Ethiopia, the risk of corruption is greater in sectors such as construction, land and mining and particularly in "new" investment sectors which include telecommunications, pharmaceuticals, etc. According to the authorities, there have been violations of public procurement rules, regulations and directives. The Business Anti-Corruption Portal² notes that practices of corruption are increasingly in the form of private to private corruption whereby private companies yield procurement contracts to other private companies, in return for bribes. The Portal also notes that land distribution and administration has been reported as a highly vulnerable sector to corruption, involving facilitation payments and bribes being paid to keep land that is leased from the state. The Ethiopian authorities indicated that they disagree with these findings. In addition, the Ethiopian authorities provided two reports on corruption conducted by Addis Ababa University and Kilimanjaro International Corporation Limited. The latter study found that "*corruption remains a problem in the country, but it is not among the topmost*

² The Business Anti-Corruption portal is an initiative funded by a number of ministries and organizations, including the European Union – [<http://www.business-anti-corruption.com/>]

problems faced by the citizens. There are other, more pressing, problems that threaten their daily struggles for survival, notably inflation and unemployment. However, inflation/increasing cost of living and unemployment create an environment that is conducive to corruption. The survey also found that, while the general perception is that corruption is a serious and worsening problem, the reality is perhaps not as bad as the perception” Furthermore, the World Bank study claims that “a specific finding that seems to span a number of sectors points towards the widely held concerns that there is favouritism towards members of the ruling political party”. The World Bank study also noted that prosecutorial and judicial corruption was less of a common occurrence. Most reported cases are those of petty corruption involving payment or solicitation of bribes or other considerations to alter a decision or action, specifically bribes solicited by or offered to police to ignore a criminal offence, not to make an arrest and not to bring witnesses or suspects to court. The World Bank study notes that the Government has made important strides in dis-incentivizing corruption in the justice sector.

25. Ethiopia is located at the very center of a highly volatile region. Ethiopia shares long porous borders with its neighbours. Eritrea lies to the north, Somalia lies to the east, and there are regional terrorist groups (Al-Shabaab) and domestic armed opposition groups (Ogaden National Liberation Front (ONLF), Oromo Liberation Front (OLF)) operating in and around Ethiopia. Eritrea provides training facilities, and material and logistical support to OLF and ONLF and Al-Shabaab controls some areas in Somalia. “Both countries in very different ways serve as platforms for foreign armed groups that represent a grave and increasingly urgent threat to peace and security in the Horn and East Africa region.”³ In addition there are believed to be several other armed rebel groups active in Ethiopian territory. More recent incidents include the pre-detonation of bombs by two suspected Al-Shabaab operatives in October 2013, a terrorist attack on tourists in January 2012 and the killing of several people by ONLF at an Ethiopian Oil Field in April 2007.

1.2 Materiality

26. Ethiopia is classified as a low income, developing country with a gross per capita income of US\$410, which is substantially lower than the regional average. In 2012, the current gross domestic product (GDP) was US\$41.72 billion, but with a GDP growth rate of 8.7% (World Bank, 2013). The Ethiopian economy has experienced strong and broad based growth over the past decade, averaging 10.6% per year between 2004/05 and 2011/12 compared to the regional average of 4.9%, thereby making Ethiopia one of the fastest growing economies in Africa. This growth is largely attributed to expansion in the agriculture and services sector of Ethiopia; agriculture constitutes almost 50% of Ethiopia’s GDP. The main exports for Ethiopia include coffee, khat, livestock, gold and leather. The Government of Ethiopia’s current five-year development plan (2010/11-2014/15), the Growth and Transformation Plan (GTP), is geared towards fostering broad-based development in a sustainable manner with a focus on rapid economic growth, the doubling of agricultural production and increase in foreign exchange reserves, among other goals. The official currency used in Ethiopia is the Ethiopian Birr (ETB), with an exchange rate of roughly US\$1 to ETB20.
27. Notwithstanding, the economy continues to deal with some persistent structural weakness including an inflation rate of 8.1% (World Bank 2013 estimate). More particularly, the Ethiopian financial sector remains unintegrated with the regional or global economies, and relatively isolated from the global financial system. Foreign direct investment (‘FDI’) flows remain low, ranging between 0.8% and 0.7 % of GDP between 2009 and 2012. In 2012, there was an estimated ETB100 billion (roughly USD\$50 million) of FDI flows into Ethiopia. According to World Bank statistics (1992 to 2012) countries providing significant FDI to Ethiopia include China, U.S.A., Saudi Arabia, India, Turkey and Sudan. Foreign currency controls are vigorously enforced. It is illegal (with a few minimal

³ UN Report of the Monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 2002 (2011)

exceptions) to send money from Ethiopia to a foreign country and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners, who are staff of international organisations and embassies in Addis Ababa) can transfer money abroad using the bank's access to the SWIFT system.

28. The formal financial sector is small, simple in structure, and only serves approximately 28% of the total population of the country (the total number of bank, microfinance, and insurance accounts is 15.5 million in a country with a population estimated at 96.51 million, the adult population being 53.9 million), but is reported to have grown rapidly over the past 3 years. Banking services are limited to deposit/savings accounts, the provision of loans, and limited trade finance to Ethiopian export businesses. There is no private banking/private wealth management. The financial institutions operating include banks, microfinance institutions, and insurance companies, all of which are fully owned by Ethiopians or Ethiopian legal entities, which in turn are fully Ethiopian owned. As of December 2013 there were 19 banks (3 public, 16 private), which operated 2,048 branches, with 11.57 million deposit accounts, and total assets of ETB348.2 billion (approximately USD\$17.9 billion). In the microfinance sector there were 31 institutions (11 public, 20 private), which operated 1,238 branches or sub-branches, with 3.3 million clients, and total assets of ETB20.4 million (approximately USD\$1.05 million). The insurance sector is relatively small with only 17 insurers (1 public, 16 private), which operated 293 branches, with total assets of ETB7.8 billion (approximately USD\$387 million). There is a relatively basic level of development of the financial sector. The informal, unrecorded economy is substantial with estimates of up to 36% of the recorded economy - and many large transactions are still conducted in cash or through a CPO. The large proportion of the adult population that remains unbanked likely either operates fully in cash or uses illegal (or unlicensed) MVTS providers. In that respect it is to be noted that the vast majority of STRs related to the unlicensed provision of financial services.
29. Designated non-financial businesses and professions (DNFBPs) operating in Ethiopia include real estate agents and brokers, dealers in precious metals and stones, auditors and accountants, and lawyers. Casinos are prohibited by law. There are 640 real estate agents and brokers; 267 dealers in precious metals and stones; 83 auditors and 978 accountants, and 2100 lawyers.

1.3 Structural Elements

30. Ethiopia recently joined the regional FSRB, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) in August 2013 and has a relatively robust AML/CFT legal framework. Ethiopia has initiated a national risk assessment process but has yet to finalize the report and draw up an action plan to address identified risks.
31. The main institutions responsible for the implementation of the AML/CFT regime are the Ministry of Finance and Economic Development, the Ministry of Justice, the National Bank of Ethiopia, the Federal Ethics and Anti-Corruption Commission, the Federal Police Commission, the Ethiopian Revenue and Customs Authority, the National Intelligence and Security Service, the Charities and Societies Agency and the Financial Intelligence Center (FIC).
32. International organizations and counterparts have noted that the laws governing the licensing, registration and supervision of charities and societies is having the impact of severely restricting NGO activities and thus disrupting and discouraging legitimate charitable activities. For example, NGOs that receive more than 10% of their financing from foreign sources are prohibited from engaging in essentially all human rights and advocacy activities. It also requires associations to

allocate at least 70% of their budget to program activities and no more than 30% to administrative costs, a broadly-defined category. In 2013, the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association, Mr. Maina Kiai, commented that “The enforcement of these provisions has a devastating impact on individuals’ ability to form and operate associations effectively, and has been the subject of serious alarm expressed by several United Nations treaty bodies.” However, Ethiopian Authorities argue that the Proc. No.652/2009 does not prohibit these NGOs from performing their humanitarian activities, but rather that it only prohibits these NGOs from interfering in the internal political affairs of the country.

33. The establishment and implementation of Ethiopia’s AML/CFT regime is relatively recent. The legal AML/CFT framework has only been in existence since 2009, with amendments to the law in 2013. The Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 780/2013 repealed the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 657/2009 and Article 684 of the Criminal Code. Despite some technical compliance deficiencies, in general the legal framework underpinning Ethiopia’s AML/CFT system is comprehensive and affords improved powers and duties to the Financial Intelligence Center (FIC). However, the FIC only became operational in January 2012 and only issued its first directive in January 2014. As a result, the legal system as a whole lacks maturity, and consequently it has proved challenging to draw any firm conclusions on effectiveness or management of ML/TF risks, given the lack of time in which to test the system. Many of the relevant stakeholders do not appear to have the requisite knowledge and expertise and are still familiarizing themselves with their role in the AML/CFT system as a whole. In addition, regulations on AML/CFT preventive measures for DNFBPs have yet to be enacted.

1.4 Other Contextual Factors

34. Enforcement agencies noted that they rely heavily on information provided by citizens. The level of vigilance among the general population appears very high. But for certain technological impediments, there is an unimpeded flow of information as a result of the collaboration amongst government agencies and between those agencies and the private sector.
35. A factor mentioned throughout this assessment relevant to how Ethiopia’s AML/CFT system operates is the relative economic isolation due to the limited extent to which it is integrated in the regional or global economy. Foreign currency controls are vigorously enforced and all financial institutions, by law, are fully owned by Ethiopians or Ethiopian legal entities (which in turn are fully Ethiopian owned). It is illegal (with a few minimal exceptions) to send money from Ethiopia to a foreign country and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners) can transfer money abroad.
36. Financial exclusion remains a significant issue for Ethiopia with approximately 72% of the population having no access to the formal financial sector, and thereby depending fully on cash transactions or illegal (or unlicensed) provision of MVTS and money exchange services. The International Monetary Fund’s (IMF) Financial Access Survey (FAS) indicates that as of end 2012 Ethiopia only had 2.95 bank branches per 100,000 adults, and .46 ATMs per 100,000 adults. The Growth and Transformation Plan of the government is geared towards significantly increasing the current financial access level within Ethiopia. The Ethiopian Financial Inclusion Project (EFIP) was initiated in 2009 and is managed by the Ministry of Finance and Economic Development. This project works towards equipping microfinance institutions and other relevant financial enterprises with the appropriate technologies so as to have sustainable financial services available to the rural

Ethiopian population, and is aimed at increasing access to formal financial services for Ethiopia's previously "unbanked" or "under banked" farmers.

1.5 Scoping of Higher-Risk Issues

37. As identified, the main proceeds-generating crimes include corruption, tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband. Higher risk sectors include real estate, as real estate transactions are frequently settled in cash or through a CPO, and real estate agents and developers are not aware of their AML/CFT obligations. They do not ask any questions about the source of the funds, thereby making it easier to integrate illicit funds into real estate purchases with a very low likelihood of detection. Another possible target for money laundering which was mentioned to the assessment team was the purchase of used vehicles which are also often conducted through cash transactions; therefore vehicle dealers may be considered a higher-risk category of business. It is also worth noting the higher risks prevalent through the significant presence of the informal economy which is largely cash-based and the widespread use of illegal (or unlicensed) MVTS providers.

2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings

To coordinate national policy on AML/CFT, the National Committee for AML/CFT was established 6 years ago and recently reorganised following the listing of Ethiopia by the FATF for strategic AML/CFT deficiencies. The National Committee includes high-level representation from most relevant agencies and is chaired by the Minister of Finance and Economic Development. This body initiated the revision of the AML/CFT law and the process of conducting a national risk assessment (NRA). This NRA is in the process of being finalized - working groups have gathered and drafted sections of a report, but no comprehensive national risk assessment has been adopted. While some preliminary findings were shared, the process of using the outcome of the NRA s to provide the basis for a national AML/CFT policy has not yet been initiated. At the operational level, the FIC is the main driver of action. Several memoranda of understanding (MOUs) are in place with the main counterparts to facilitate exchange of information. At present the Ethiopian system is aimed at formal technical compliance with the international standards and not informed by or targeted at risks. There is no formal (documented) national AML/CFT policy.

2.1 Background and Context

(a) Overview of AML/CFT Strategy

38. Though money laundering had been criminalised under Ethiopian law since 2004, action to fight money laundering and terrorist financing in Ethiopia received renewed impetus following the identification of Ethiopia by the FATF for strategic AML/CFT deficiencies in June 2010. The National Committee for Anti-Money Laundering and Combatting the Financing of Terrorism (the National Committee) was recently reorganised. According to its terms the National Committee's aims are to:
- Assess the effectiveness of policies and measures to combat money laundering and the financing of terrorism in Ethiopia;
 - make recommendations to the government for legislative, regulatory and policy reforms in respect of anti-money laundering and combating the financing of terrorism;
 - promote co-ordination among the Financial Intelligence Center, investigatory authorities, supervisory authorities and other institutions with a view to improving the effectiveness of existing policies to combat money laundering and the financing of terrorism;
 - formulate policies to protect the international reputation of Ethiopia with regard to anti-money laundering and combating the financing of terrorism;
 - issuing from time to time guidance as to compliance with the Proclamation and regulations; and
 - generally advise the government in relation to such matters relating to anti-money laundering and combating the financing of terrorism, as the government may refer to the National Committee.
39. The National Committee meets every month and is supported by a Technical Committee, to assist in the drafting of new legislation. Concretely the National Committee launched the process for the review of the AML/CFT legislation which resulted in the adoption of Proc. No. 780/2013 and the issuance of FIC Directive No. 01/2014 for financial institutions. The National Committee has also launched the process for the NRA in 2013 (see in further detail below). At this stage the main objective for the National Committee is compliance with the international standards and being

removed from the FATF listing for strategic AML/CFT deficiencies. It is understood that once the risk assessment has been finalised the National Committee will oversee the implementation of the actions that are expected to be outlined by that plan.

(b) *The Institutional Framework*

40. The National Committee consists of the following members:

- a) The Minister of Finance and Economic Development or his representative;
- b) A representative of the Prime Minister's Office;
- c) The Minister of Justice or his representative;
- d) The governor of the National Bank of Ethiopia or his representative;
- e) The Minister of Foreign Affairs or his representative;
- f) Director General of Charities and Societies Agency or his representative;
- g) The Commissioner General of the Federal Police or his representative;
- h) The Director General of Ethiopian Revenues and Customs Authority or his representative;
- i) The Director General of the Financial Intelligence Center or his representative;
- j) The Commissioner of the Federal Ethics and Anti-Corruption Commission or his representative; and
- k) The Minister of Ministry of Trade or his representative.

41. The National Committee is chaired by the Minister of Finance and Economic Development, and the FIC acts as the Secretariat. Its tasks are listed above and it is the main policy-setting body on AML/CFT in Ethiopia. The Technical Committee that carries out a lot of the technical work consists of representatives of the Ministry of Finance and Economic Development, Ministry of Justice and the FIC, and has seven members in total. The Technical Committee was responsible for drafting Proc. No. 780/2013 and the FIC Directive No. 01/2014 for financial institutions.

42. At the operational level, all AML/CFT - related action is driven by the FIC. To facilitate the exchange of information, the FIC has concluded MOUs with the Ministry of Justice (in charge of prosecutions), the National Bank of Ethiopia (in charge of financial institution supervision), the Federal Ethics and Anti-Corruption Commission, the Ethiopian Revenues and Customs Authority, and the Federal Police. Cooperation with the Police is particularly intensive, and as a result of the information flow from the FIC, the Federal Police established a special team of 7 persons dedicated to economic crimes. At the moment there is no mechanism in place to combat the financing of the proliferation of weapons of mass destruction.

(c) *Country's assessment of Risk*

43. Ethiopia has launched the process to assess its national AML/CFT risks, using the methodology developed by the World Bank. An initial workshop where the participants familiarized themselves with the ML risk assessment concept, learn the structure, features and functions of the tool and start using it was organised in June 2013. It brought together the following institutions/bodies:

- Financial Intelligence Center
- National Bank of Ethiopia
- Supervisory authorities/self-regulatory bodies for DNF�Ps
 - Ministry of Mining
 - Ministry of Urban Development and Construction
 - Federal Auditor General
 - Charities and Civil Societies Agency
 - Licensing Directorate of the Ministry of Justice for Lawyers and Notaries

- Ministry of Finance and Economic Development
- Revenues and Customs Authority
- National Intelligence and Security Service
- Federal Police
- Federal Ethics and Anti-Corruption Commission
- Ministry of Justice (Public Prosecutor’s Office/Attorney General’s Office)
- Ministry of Trade
- Ministry of Industry (Investment Agency)
- Micro and Small Enterprises Development Agency
- Academics
- Representatives from all financial sector categories (banks, insurances, microfinance)
- Representatives from DNFBPs (law society, real estate, accountants, auditors)
- Bankers Association
- Ministry of Federal Affairs and Justice and Legal Study and Research Institute

44. Participants were divided into different sub-groups under the following headings:

- Group 1 - Threat Analysis (proceeds of crime and TF threat)
- Group 2 - National Vulnerability
- Group 3 - Banking Sector Vulnerability
- Group 4 - Insurance Sector Vulnerability
- Group 5 - Other Financial Institutions’ Vulnerability
- Group 6 - DNFBPs Vulnerability
- Group 7 - Financial Products for Financial Inclusion

45. Each group has been gathering data and qualitative information to populate a template to ensure comprehensive coverage of the relevant topic. The extent of the informal sector is dealt with both as a matter of national vulnerability and under the other financial institutions vulnerability, which normally considers the provision of e.g. remittance services by unlicensed providers. The templates form the basis for a report. Those working group reports should eventually feed into a general risk assessment which provides the basis for a government action plan. While officials indicated that this process had generally been finalized and that most sub-group reports were ready, they were not shared with the assessment team because the NRA report had not been completed at the time of the on-site. Consequently, these sub-group reports cannot be taken into account for the purposes of this on-site assessment visit. Some tentative findings were shared orally during the on-site meetings. For instance, vehicle dealers were considered a high-risk sector for ML and the real estate sector was also considered high-risk, but the anecdotal nature of the bits of information provided cannot be said to constitute a proper or thorough risk assessment that demonstrates a comprehensive, shared understanding of ML/FT risk in Ethiopia or provides a basis for national coordinated action to mitigate those risks.

2.2 Technical Compliance (R.1, R.2, R.33)

Recommendation 1 – Assessing Risks and applying a Risk-Based Approach

46. Ethiopia is rated non-compliant (NC) with R1. As noted the risk assessment process has been initiated, but is not yet complete and no areas of higher risk have been identified. There appears to be no clear and comprehensive understanding of national risk that informed government action. Thus no mitigation measures had been put in place to allocate appropriate resources to areas of identified

higher risk. In addition, the risk factors FI and DNFBPs are to consider when determining the level of overall risk are limited to technological/new products risk. Finally the risk mitigation measures that FIs and DNFBPs are required to take (c1.11 and 1.12) are limited to FIs only. While a little has been done, overall R1 cannot be said to have been met.

Recommendation 2 – National Cooperation and Coordination

47. Ethiopia is rated partially compliant (PC) with R2. The mechanisms for cooperation at the policy and operational levels are described in more detail above. Ethiopia's main priority is putting in place an AML/CFT system which is in compliance with the international standards. That system has not yet been tailored to address assessed risk. In addition, the framework for cooperation is currently geared towards ensuring compliance and application of AML/CFT standards in the financial sector. Not all DNFBP regulators or government bodies that license DNFBPs (notably to regulate the real estate sector) have been included in the National Committee. Given the importance of the informal sector, and the high risk attributed by both the assessment team and the country authorities to the real estate sector, this is a substantive deficiency. While not specific to AML/CFT, another national mechanism which deserves mention is the National Growth and Transformation Plan (GTP), a 5-year strategic plan (2011-2014) for development issued by the Government of Ethiopia. One area of risk to AML/CFT addressed in the GTP is the level of financial exclusion. One of the aims of the GTP has is to "significantly improve" access to finance by individuals and businesses by the end of the planned period.

Recommendation 33 – Statistics

48. Ethiopia is rated partially compliant (PC) with R33. Articles 13 of Proc. No. 780/2013 and Article 12 of Regulation No. 171/2009 cover some of the requirements of R33. Upon request, the Ethiopian authorities were able to provide statistics. However delays in providing the statistics, and noted inconsistencies in the statistics provided between the different institutions, may suggest that there is no centralized mechanism/system in place for collecting, maintaining and analysing statistics on ML/TF.

2.3 Effectiveness: Immediate Outcome 1 (Risk, Policy and Coordination)

49. In the absence of a completed (national) risk assessment that is used to implement the risk-based approach to allocating resources and implementing measures to prevent AML/CFT, a thorough discussion of Immediate Outcome 1 is not necessary. Though there were anecdotal observations on areas of risk, they had not been translated into a coherent policy informing a risk-based AML/CFT policy. While the NRA process as launched is some testimony to the good overall cooperation between relevant agencies and between the public and private sector, there are no results on which to build national AML/CFT policy. Similarly, the National Committee on AML/CFT, its Technical Committee and the various instruments in place to cooperate at the operational level constitute a potentially effective mechanism to initiate, supervise, operationalize and adapt national AML/CFT policy. However, in the absence of concrete information on high and low risks, no such policy can be formulated, and thus the role of the mechanism in place remains limited to ensuring formal compliance with international standards. Given the expected, but as yet tentative and unconfirmed, conclusions that will flow from the national risk assessment process on the high-risk nature of the non-financial sector, the absence of DNFBP regulators/authorities in the National Committee is likely to prove a substantive deficiency from an effectiveness perspective. In addition, the absence of the National Intelligence and Security Services (NISS) as part of the National Committee does not allow for a comprehensive coverage of TF issues.

50. At the operational level, the most effective channel of cooperation and information exchange appears to be between the police and the FIC. While there is an MoU in place between the FIC and ERCA, no information on funds and on bearer negotiable instruments that enter the country is being provided to the FIC for further analysis. The MoU between the NBE and the FIC has also, so far, remained without effect in practice, with no direct information exchange between the NBE and the FIC on specific bank deficiencies on AML/CFT.
51. When requested, the different agencies and institutions – including the FIC, police, customs and revenue authority, prosecutor’s office and Ministry of Foreign Affairs were able to provide relevant statistics requested by the assessment team. However there were delays in the provision of these statistics and inconsistencies noted between the statistics maintained between different agencies and institutions.
52. As will be discussed in greater detail later in the report (see sections 4, 5 and 6), it was determined by the assessment team that illegal (or unlicensed) MVTS activities may pose a significant risk in the Ethiopian system, with regards to the prevention of terrorism financing, and the effectiveness of preventive and supervision measures.
53. In view of the above, while credit is due for the coordinated response by the Ethiopian authorities to the public statement by the FATF and the subsequent action that was taken to bring Ethiopia’s system more in line with international standards, Ethiopia has not yet properly identified, assessed and understood its ML/TF risks or to have coordinated domestically to put in place actions to mitigate these risks. Thus, and considering the fact that no consideration has yet been given to the issue of the financing of proliferation of weapons of mass destruction, **Ethiopia’s effectiveness on Immediate Outcome 1 is low.**

2.4 Recommendations on National AML/CFT Policies and Coordination

54. First and foremost, the assessment team recommends that Ethiopia finalise its risk assessment process as soon as possible but certainly before the end of calendar year 2015. This risk assessment should serve as the basis for a risk-based action plan on AML/CFT. The action plan should stipulate a series of government actions, in order of priority, and provide timelines for completion of those actions accordingly. In determining how to increase the effectiveness of the AML/CFT regime it will be important for the government to coordinate closely with those in charge of furthering financial inclusion.
55. It is important that there be clear accountability for the actions in the action plan and that each action has a lead agency assigned that is made responsible for completion of the action. Given its role in the national system, it would appear appropriate that the National Committee take a lead role in drawing up this action plan and in overseeing its implementation by the relevant agencies. It will then be important for authorities to conduct outreach and training to all relevant stakeholders- to ensure that they understand the identified risks and take action accordingly.
56. Determine scope and ML/TF risks of illegal (or unlicensed) MVTS activity and mitigate the risks appropriately. While there is no credible estimate on the scope of illegal (or unlicensed) MVTS activity, the STR statistics and information shared with the team on-site indicate that it is an issue for the government of Ethiopia to address. The government (either the NBE/FIC as the regulator or law enforcement authorities) should take action to prohibit these service providers from operating illegally and create a plan to incorporate these service providers into the formal system.

57. Given that several DNFBPs are likely to represent high risk areas, the assessment team also recommends the inclusion of the relevant agencies that oversee or license those businesses or professions in the National Committee, notably those in charge of real estate agents. Once DNFBPs have effectively been brought into the AML/CFT system and implement CDD and STR obligations in practice, the conclusion of MOUs between the FIC and the relevant supervisors/authorities responsible for licensing (similar to the one in place between the NBE and the FIC) is also recommended. In addition, to ensure coordinated action on combating the financing of terrorism and proliferation, and given the presence of terrorist and other violent extremist groups in the region and on Ethiopian territory, the team recommends the inclusion of the NISS in the National Committee on AML/CFT.
58. The team also recommends that there be a coordinated approach and systematic process in collecting, analysing and maintaining statistics. It is recommended that the FIC take the lead in compiling, analysing and maintaining statistics from all relevant agencies and institutions, on STRs, ML/TF investigation, prosecutions and convictions, properties frozen, seized and confiscated and mutual legal assistance and other international requests made and received. The various agencies and institutions should be requested to submit updated statistics to the FIC, to be maintained in a central repository and published every fiscal year. Maintaining accurate statistics will enable the Ethiopian authorities to better understand ML/TF risks and improve the effectiveness of its response to those risks.

3. LEGAL SYSTEM AND OPERATIONAL ISSUES

Key Findings

The legal framework established to combat ML and confiscate assets is comprehensive, with some deficiencies in the systems for management and disposal of assets, the security of facilities and information at the FIC, the strategic analysis function of the FIC, and ensuring that all investigative authorities (Federal Police, FEACC, Revenue and Customs Authority) have the needed powers under Recommendation 31. The ML statutes have only recently come into force and it was clear during the on-site visit that the AML/CFT system as a whole is “young”, making it a challenge to find any firm evidence of effectiveness. However, considering the overall system, there is currently a low level of effectiveness given the absence of ML prosecutions and the fact that cases identified, investigated and prosecuted do not relate to the risk profile of Ethiopia. Although Ethiopia has some experience and success with the confiscation of criminal proceeds and instrumentalities, very few actions have been conducted as part of a money laundering case. The focus is still almost exclusively on the proof of the crime itself, disregarding the money/asset flows related thereto.

Moving forward, Ethiopia needs to identify, investigate and prosecute cases that are the greatest source of illicit proceeds generating activity in Ethiopia, bring cases to “test” the various legal provisions and freezing and confiscation measures, and provide the needed training, awareness-raising and staffing needed to support the redirection of cases. As ML/TF investigations increase, it will be important for law enforcement to adhere strictly to the legal requirements for the gathering of evidence, in accordance with Ethiopian domestic law – for example failing to obtain a court order can prove fatal to a case and can also negatively impact foreign cases in situations where international cooperation is requested.

3.1 Background and Context

(a) Legal System and Offences

59. The legal system in Ethiopia is codified and is based on civil law practice. The main sources of the law are the constitution, proclamations, regulations, directives, case law emanating from decisions of the Federal Supreme Court and customary law. Enactment of AML/CFT measures falls under the competency of the Federal Government.
60. The Ministry of Justice is responsible for the prosecution of all cases, conducted by the Directorate of Public Prosecutions. The Directorate of Public Prosecutions is in charge of the criminal investigation and oversee the Federal Police, which has authority to investigate crimes under jurisdiction of federal courts. In addition, other governmental offices can investigate offences, institute criminal proceedings and prosecute cases in court, in particular the Federal Ethics and Anti-corruption Commission (corruption offenses) and the Revenue and Customs Authority (tax and customs offenses).
61. The laws which form Ethiopia’s legal framework criminalizing money laundering are the following:
 - Proc. No. 780/2013 (Prevention and Suppression of Money Laundering and Financing of Terrorism), adopted in 2013 and which repealed the previous money laundering statutes, Proc. No. 657/2009 and Article 684 of the Criminal Code.
 - Proc. No 414/2004 (Criminal Code)
 - Proc. No 185/1961 (Criminal Procedure Code)

- Proc. No 434/2005 (Anti-Corruption Special Procedure and Rules of Evidence)

62. Money laundering is criminalized under Article 29 of Proc. No. 780/2013 which covers all material elements of the Palermo and Vienna Conventions. Ethiopia takes a threshold approach to predicate offences; defining predicate offences as any offence capable of generating proceeds of crime and punishable at least with imprisonment for one year, and each of the designated categories of offenses meet these criteria. Criminal liability and sanctions can be applied to legal persons, and persons seeking civil damages against a legal person may join their civil claim to a criminal case.
63. The legal basis for confiscation and provisional measures is under Articles 35-37 of Proc. No. 780/2013. The procedure and rules of evidence in Proc. No. 434/2005 (on anti-corruption) apply in so far as they are not inconsistent (Article 55 of Proc. No. 780/2013), which includes provisions on restraint of property (Articles 8-16 of Proc. No. 434/2005) and confiscation (Articles 29-34 of Proc. No. 434/2005). The measures for identification and tracing of property are under Articles 25-28 of Proc. No. 780/2013 and include measures to monitor bank accounts, access computer systems, conduct surveillance, conduct undercover operations, and intercept communications and correspondence. The legislative measures to evaluate property focus on court-ordered actions, including the making of inventories or an estimation of value by an expert (Article 28 of Proc. No. 434/2005). Other laws have provisions for investigations, provisional measures or confiscation, however these are provisions that were developed for seizure or confiscation in the predicate offences: Criminal Code, and Proclamations Nos. 434/2005 (anti-corruption), 587/2008 (Revenue & Customs), 622/2009 (Customs Declaration), and 652/2009 (Anti-Terrorism). Article 35(3) of Proc. No. 780/2013 allows for confiscation without a conviction in cases where the offender is unknown, has absconded or has died.
64. The legal provisions with respect to the establishment, powers and functions of the Financial Intelligence Center (FIC) are set out in Proclamations Nos. 657/2009, 780/2013 and the Council of Ministers Regulation No. 171/2009. The FIC was established in 2009 as an autonomous government body (having its own legal personality) under Article 3 of the Financial Intelligence Center Regulation No. 171/2009 which was issued under Article 21(1) of Proc. No. 657/2009. The FIC became operational in 2011. The key objectives of the FIC are to coordinate various institutions involved in the fight against money laundering and the financing of terrorism, to organise and analyse the information it receives and disseminates to law enforcement and to perform other related tasks to enable implementation of the Proclamation. (Article 5 of the Council of Ministers Regulation 171/2009). In addition it has been given the responsibility to supervise “independently or in collaboration with regulatory authorities” financial institutions and DNFBCs, to supervise NPOs and to receive MLA and extradition requests.
65. The responsibilities and powers of law enforcement and investigative authorities are set out in Proc. No. 780/2013, Articles 25-28. These provisions give a broad authority for investigation of ML/TF offenses by “crime investigation authorities,” which would include the Federal Police (authority to investigate crimes under jurisdiction of federal courts - Article 6 of Proc. No. 720/2013), the FEACC (authority to investigate and prosecute corruption under Article 6(3) of Proc. No. 433/2005), and the Revenue and Customs Authority (authority to investigate and prosecute violations of customs and tax laws under Article 16 of Proc. No.587/2008). Additional powers are set out in laws and procedure codes, including Proc. No. 185/1961 (Ethiopia Criminal Procedure Code), Proc. No. 434/2005 (Rules of Evidence on Anti-Corruption), Proclamations No. 622/2009 (Customs Proc.), 285/2002 (Value Added Tax), 286/2002 (Income Tax), 307/2002 (Excise Tax), 308/2002 (Turnover Tax). The National Intelligence and Security Service (NISS) is responsible for overall counterterrorism management and provides intelligence to the Federal Police, who are responsible for investigation of

terrorism, and terrorism financing. In addition to the above, Ministry of Justice is responsible for prosecuting ML and its associated predicate offences, as well as cases of terrorism and TF offences.

66. The FEACC, Revenue and Customs Authority and the Federal Police have signed MOUs with the FIC which provide for information exchange and requests for assistance.
67. **Requirements with respect to cross-border movement of currency and bearer negotiable instruments (BNIs) are set out in Proclamations Nos. 780/2013, 622/2009 and Foreign Exchange Directive No. 472/2009. These legal provisions are administered by the Revenue and Customs Authority.**

3.2 *Technical Compliance (R.3, R.4, R.29-32)*

Money Laundering and Confiscation:

Recommendation 3 – Money laundering offence

68. Ethiopia is rated largely compliant (LC) with R3. Proc. No. 780/2013 covers almost all the requirements of R3. There is a minor deficiency with regard to the proportionality of the sanctions available. The criminal sanction for ML is rigorous imprisonment from 10-15 years and with a fine not exceeding 100,000 Birr. Although provisions for more severe sanctions are provided in aggravating circumstances, lesser sanctions are not specified with regard to minor involvement which may lead to disproportionately severe penalties or reluctance to use the ML offence.

Recommendation 4 – Confiscation and provisional measures

69. Ethiopia is rated largely compliant (LC) with R4. While Proc. No. 780/2013 and Proc. No. 434/2005 include the main requirements of R4, the mechanisms for management of property frozen, seized, or confiscated are limited. Proc. No. 434/2005 outlines only court-order interventions, such as the appointment of a receiver, ordering an inventory or evaluation of property, and the affixing of seals. There are no policies or regulations guiding the asset management process prior to the intervention of the court, whether considerations in determining whether to seize property, the planning of management, the valuation of property or the making of an inventory. In addition, there are no provisions for the disposal of property subject to confiscation in either Proc. No. 780/2013 or Proc. No. 434/2005. It was reported by authorities that a draft directive is being considered.

Operational and Law Enforcement

Recommendation 29 – Financial intelligence units

70. Ethiopia is rated largely compliant (LC) with R29 for minor shortcomings. There is inadequate physical security in place for facilities and information. The FIC has issued an “Information Protection Directive” which provides for security and confidentiality of information, security clearance of staff members and restrictions on access to its facilities. The authorities made available the contents page of the document, however the entire document was not provided to the assessors for confidentiality reasons. Also, the FIC has not yet submitted an unconditional application for membership to the Egmont Group.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

71. Ethiopia is rated largely compliant (LC) with R30. While Proclamation 780/2013 authorizes all “crime investigation authorities” to investigate money laundering and terrorist financing offences, it

does not designate any specific law enforcement body to have responsibility for money laundering offenses or to trace, initiate freezing and seizing of property that may become subject to confiscation.

Recommendation 31 – Powers of law enforcement and investigative authorities

72. Ethiopia is rated largely compliant (LC) with R31. Articles 25 and 26 of Proclamation 780/2013 cover the investigative techniques outlined in Recommendation 31, specifically undercover operations, intercepting communications, accessing computers systems, and controlled delivery. Pursuant to Proclamation 433/2005, Article 7(5), the FEACC may obtain information regarding bank accounts upon reasonable suspicion and upon the order of the FEACC Commissioner. In exceptional cases, the Revenues and Customs Authority may obtain bank information under the provisions of Proclamation 286/2002, Article 81. There is an absence of a mechanism to ensure that competent authorities have a process to identify assets without prior notification to the owner, as recommended under 31.3(a).

Recommendation 32 – Cash Couriers

73. Ethiopia is rated partially compliant (PC) with R32. Ethiopia has moderate shortcomings in this area which lead to low level of compliance with FATF Standards.
74. Ethiopia adopted a disclosure system whereby a person is only required to declare how much he or she is carrying upon being requested to do so by the authorities. However, the law does not apply to situations where currency or BNIs are transported across the border through mail or cargo. It also does not give specific powers to the Revenue and Customs Authority to request and obtain further information with respect to the origin of the currency or BNIs and their intended use where a person provided false information or failed to disclose when requested to do so. Although Proc. No. 780/2013 requires the Revenue and Customs Authority to submit to the FIC information with respect to suspicious activity, it was noted that this had never happened as of the on-site visit. In addition, apart from submitting information to the FIC (and the underlying MoU), there are no legal provisions or operational mechanisms covering domestic cooperation and exchange of information with international counterparts on issues related to implementation of R32. Furthermore, in case of false disclosure, the Revenue and Customs Authority is only mandated to seize the currency or BNIs. The law does not prescribe any further sanctions against the carrier. These deficiencies are considered to be material and can potentially undermine effective deterrence of cross-border movement of currency or BNIs for money laundering or terrorist financing purposes.

3.3 Effectiveness: Immediate Outcome 6 (Financial Intelligence)

75. The FIC has made significant progress since its establishment in 2011, including the establishment of its functions and facilities, revisions to the AML/CFT laws, awareness raising among reporting entities, beginning the process to submit a membership application to Egmont, and attempting to improve domestic coordination and cooperation through MOUs, and weekly meetings with the Federal Police. Many of the agencies and reporting entities visited during the on-site visit commented on the key/central role that the FIC has had in the evolutions over the past few years. Despite these efforts, there are a number of factors impeding the effectiveness of Ethiopia on the use of financial intelligence and all other relevant information.
76. Although financial intelligence appears to be used to initiate ML/TF investigations by the Federal Police, the use of it for the development of evidence and tracing of proceeds appears to be more limited. Out of the 65 reports disseminated to the Federal Police, 16 investigations were initiated, 10 investigations were completed. Only 2 cases involved the seizure or restraint of assets (221,000 Birr),

suggesting that financial intelligence and asset tracing was not a big part of most of the investigations. Another factor demonstrating the limited use of financial intelligence is that none of the three investigative agencies has sought financial intelligence or other relevant information from the FIC in relation to on-going investigations or to follow-up disseminations; nor have they provided important feedback to the FIC on the quality of the disseminations and financial intelligence reports received from the FIC. The Ethiopian Revenue & Customs Authority and Federal Ethics and Anti-Corruption Commission, do not seem to rely on financial intelligence at all, whether to initiate cases or to develop evidence and trace assets.

77. The limited use of financial intelligence and limited extent to which competent authorities are requesting information from the FIC is likely impacted by types of STRs being received, analyzed and disseminated to law enforcement. In the past three years, the majority of STRs received from reporting entities have involved illegal hawalla⁴ or foreign currency smuggling: a total of 1134 were collected for suspicions of illegal hawalla and 22 for foreign currency smuggling, compared to 2 for fraud, 2 for corruption and bribery, 2 for terrorism, and 1 for human trafficking (see Table 2 in Section 5). Disseminations to law enforcement have followed similar trends: 49 for illegal hawalla, 14 for foreign currency smuggling, 2 for fraud, 2 for corruption and bribery, 2 for terrorism and 1 for human trafficking. Offenses of illegal hawalla and foreign currency smuggling are unlikely to generate significant proceeds of crime and there are regulatory enforcement options available (e.g., the supervisor for MVT services). As a result, the majority of these disseminations are not useful for competent authorities in performing their duties or supporting their operational needs.
78. The usefulness of financial intelligence is reduced by the limited operational capacity of the FIU in performing its core responsibilities of receiving, analyzing and disseminating STRs.
79. With regard to receipt, the FIC received 1,063 STRs from banks and 7 from other informers while 93 were generated following on-site supervisory visits to banks between January 2012 and March 2014. The DNFBP sector has not yet started submitting STRs. The implementation of the AML/CFT regime is being done in phases, starting with the financial sector. While the approach appears to be logical in the early stage of implementing the AML/CFT system in Ethiopia, and in the absence of the results of the national ML/TF risk assessment, it is not clear whether or not the approach is rational from a risk-based perspective. Considering the rapid expansion/growth of real estate in Ethiopia, lack of reports from this sector, due to non-implementation of AML control measures, makes it difficult for authorities to establish the legitimacy of the source of the funds being invested.
80. All suspicious transaction reports are relayed manually. The manual submission of STRs by branches from various parts of the country to their head offices (and eventually to the FIC) has resulted in delays given the size of the country. This undermines the prompt submission of STRs and their timely analysis which gives time to the suspects to move or use the funds, jeopardizes ML investigations and could result in a delayed response to TF risks.
81. There are a number of limitations impeding accurate and adequate STR analysis by the FIC. There are limitations with domestic and foreign sources of intelligence to complete and add value to STRs.

⁴ For the purposes of this report, the assessors have consistently used the terminology “illegal (or unlicensed) MVTs”, while the authorities have used the term “illegal hawalla” in their provided statistics. The references to the statistics have maintained the authorities’ language.

Domestically, for example, land and motor vehicle registries are not used and no use is made of the customs cash declarations. International sources of information are also limited. The FIC has powers to enter into information exchange agreements with its foreign counterparts, but has yet to do so; nor is it a member of the Egmont Group of FIUs which provides principles and an electronic platform for the sharing of intelligence with other members. As at the date of on-site, the FIC has not formally exchanged information with any foreign FIUs.

82. In addition, there is a lack of analytical software for processing the information and establishing relevant links, and protecting the confidentiality of data. For example, out of over 2 million Cash Transaction Reports (CTRs) received over the same period, only ten led to useful information for dissemination. If CTRs were adequately analyzed, the FIC could likely be able to identify more suspicious transactions from these reports which might have been missed by the reporting entities. In addition, the outcome of CTRs rigorous analysis could possibly benefit the Revenue and Customs Authority in detecting tax crimes and customs fraud.
83. The measures taken for securing and protecting the confidentiality of the information are considered to be inadequate. The manual submission of STRs by branches and the hand-delivery of financial disclosures or intelligence reports to law enforcement poses a security risk which could result in unauthorized access to and use of the reports and which could seriously undermine the confidence the reporting entities have in the FIC and law enforcement to deal with information submitted in a confidential manner. In addition, the FIC does not have any supplemental security systems to restrict access to information within its offices, beyond having armed guards at the main gate of its offices, a security arrangement that is common in offices.
84. Overall, there are considerable resource and capacity issues which impact the core functions of the FIC and ultimately the usefulness of financial intelligence for competent authorities. In addition to the lack of technical tools, there are only 10 staff members dedicated to analysis. While the FIC became operational in 2012, it does not have adequate staff to cover all the functional areas of FIU operations. For instance, the FIC takes the Analysis staff and ICT staff to form AML/CFT inspection teams. The broad mandate of the FIC provides additional pressures in this regard: in addition to the receipt, analysis and dissemination of STRs, they also have responsibility to supervise all reporting entities and NPOs, and receive MLA and extradition requests.
85. Despite some progress since the establishment of the FIC in 2011, financial intelligence is not being effectively used by competent authorities in Ethiopia in their investigations. The fact that the majority of STRs reported and disseminated do not relate to the higher risks in Ethiopia, and various other factors impede the quality of analysis and dissemination and limit the usefulness of the financial intelligence product. **For these reasons, the rating for effectiveness on Immediate Outcome 6 is low.**

3.4 Effectiveness: Immediate Outcome 7 (ML investigation and prosecution)

86. To a large extent, Ethiopian law enforcement agencies do not have the expertise, resources, or tools that allow them to effectively identify and investigate ML cases. Ethiopia has three agencies with the mandate to investigate ML, including the Federal Police (all predicate crimes), the Federal Ethics and Anti-Corruption Commission (FEACC) (corruption offenses), and the Ethiopian Revenue and Customs Authority (ERCA) (tax offenses). While there is no formal system to coordinate the various investigative agencies on the predicate offences that overlap (e.g., corruption, tax offenses), there are other mechanisms in place and the agencies all agreed that they coordinate informally to determine

the lead and delegate investigative powers. The expertise, approach, and effectiveness of these agencies is varied. The investigators met during the on-site visit, particularly from the Federal Police and the FEACC, were generally knowledgeable of the ML offence and the various techniques, tools, or measures to support investigations or prosecution. On the other hand, the ERCA has had limited experience in investigating or prosecuting an ML case (the team was provided with one case that was conducted under the previous ML statute, Article 684 of the Criminal Code and Proc. No.657/2009, but no statistics).

87. The following statistics demonstrate the varied experience of the law enforcement agencies in ML investigations. All convictions and the majority of investigations have been conducted under the previous ML statute, Article 684 of the Criminal Code and Proc. No. 657/2009. Approximately 5 investigations have proceeded under the new law, Proc. No. 780/2013. It is noteworthy that the FEACC has investigated a greater number of ML cases than the Federal Police, despite the broader jurisdiction of the Federal Police (all predicate crimes, including some corruption and bribery cases).

	July 2010- June 2011	July 2011 – June 2012	July 2012 – June 2013	July 2013 – Mar 2014
Federal Police				
Number of ML investigations	3	5	1	7
Number of ML convictions	4	2	1	1
FEACC				
Number of ML investigations	8	9	15	13
Number of ML convictions	7	8	13	11
ERCA (only one case provided)				
Number of ML convictions			1	

88. Experience varies between law enforcement agencies in the identification of ML cases. Since the establishment of the FIC, the Federal Police appears to have relied exclusively on disseminations from the FIC to identify ML cases and does not use other means (e.g., complaints, existing cases) – thus significantly limiting their effectiveness in identifying ML cases. In contrast, the FEACC uses other means (complaints and ongoing investigations) to identify and investigate ML in corruption cases: the FEACC investigated 45 corruption cases for ML between July 2010 and March 2014, despite receiving only 2 disseminations from the FIC.
89. Most of the investigative agencies are not effectively accessing relevant financial intelligence and other information required for ML investigations. Until recently, none of the investigative authorities were using the FIC channel to request and obtain financial intelligence and other relevant information. The Federal Police have begun to work more regularly with the FIC to support the investigation of their on-going ML/TF cases, a practice that should be continued and replicated by other investigative agencies. Other sources of information typically collected from other government agencies are limited, mainly due to the low development and lack of technology (e.g., while there is a

database of prosecutions (Prosecution Information Services) that is used by MoJ and the Federal Police, there is no national database of criminal records. Authorities indicated that justice authorities are trying establish a common database, National Integrated Justice Information System). While advanced investigative techniques exist in law, they have not been used in practice due to resource constraints. Similarly, joint or cooperative investigations have not been used.

90. Instead, the primary source of information and intelligence is the general public. Without exception all enforcement agencies met during the on-site visit mentioned the general public as a primary source of information and intelligence. Incentives are also provided in tax cases: an informant can receive up to 20 percent of the amount recovered by the revenue authority. In addition, information is collected from the private sector with ease, mainly due to the low threshold required for establishing suspicion of ML/TF (i.e., a “serious indication”).
91. Limited capacity and staffing issues have slowed the investigations by the Federal Police and impeded the timely prosecution and trial of cases: the Federal Police reported that they have received 53 disseminations since July 2013, and have only submitted 10 cases for prosecution, with the remaining 43 cases still under investigation.
92. Overall, the types of ML activity being investigated and prosecuted are not all consistent with Ethiopia’s threats and risk profile. On the one hand, the FEACC investigations and prosecutions correspond to the corruption risks in Ethiopia, including a case involving illegal land administration. On the other hand, corruption is only one risk area and remaining risks are not being addressed at all. The investigations reported by the Federal Police have focused mainly on the illegal (or unlicensed) provision of MVTs and money exchange services (sometimes including the use of the profits so gained) which does not appear commensurate with the actual ML/TF risks.
93. Ethiopia has limited experience with conducting complex cases, for example those that involve the laundering of foreign predicates, third party laundering, and ML as a stand-alone offence. In the ML cases prosecuted by the Ministry of Justice, Directorate of Public Prosecutions, convictions were obtained for the predicate offenses, but not for the ML offence. The FEACC has indicated that they have obtained 39 convictions for money laundering between July 2010 and March 2014. These cases were conducted under the old ML provisions (Article 684 of the Criminal Code and Proclamation 657/2009), and no complex cases were described or provided. ML prosecutions have only been conducted together with the prosecution for the predicate offense and other types of ML cases have not been prosecuted (e.g., foreign predicate offences, third-party laundering). This may be due to the fact that there is debate among Ethiopian legal practitioners as to the interpretation of the provisions. One example raised is the debate over the level of proof required to prove the predicate offense: Article 29(3) (b) of Proc. No.780/2013 states that a conviction for the predicate is not required, but practitioners argue that there are other factors (e.g., the title of the Proclamation in Amharic) that indicate that a predicate conviction may be needed. Similar interpretation issues exist with Article 29(3) (a) of Proc. No.780/2013 which permits the use of objective factual circumstances to prove knowledge or intent.
94. The dissuasiveness of sanctions and their effectiveness was difficult to assess due to the lack of data and cases provided. In addition, the majority of the cases were self-laundering and thus it is not possible to separate the sentence for the predicate offense from ML.
95. Investigators and prosecutors work together throughout the life of a case and therefore seemed to be interacting well. Investigations, prosecutions and the judicial process are impeded by low capacity and lack of manpower. Many of the relevant stakeholders indicated that they do not yet have the requisite knowledge and expertise and are still familiarizing themselves with their role in the system

as a whole. All stakeholders identified increased staffing levels as a critical need, with the Federal Police suggesting a need for double or triple the staff.

96. Despite some progress in the relatively short period of time that the AML/CFT system has been in place, there are many factors that undermine and outweigh this progress. Ethiopia is not investigating or prosecuting ML cases that align with their areas of greatest threat or risk; identification of ML cases by investigative authorities is limited, in particular the Revenue and Customs Authority and the Federal Police; investigations are hindered by low technology and lack of information; and investigations and prosecutions are hindered by a lack of capacity / manpower. **Ethiopia has a low level of effectiveness for Immediate Outcome 7.**

3.5 Effectiveness: Immediate Outcome 8 (Confiscation)

97. So far investigating agencies in Ethiopia appear to be still predominantly focused on the investigation of the crime itself and less on the proceeds of the crime and associated assets. The mind-set to follow the money has not yet taken hold. There is not an overall policy objective to identify, freeze and confiscate criminal proceeds, instrumentalities or property of equivalent value. There are general principles supporting the freezing, seizure and confiscation of property as a means of taking the profit out of crime in Ethiopia’s Crime Prevention and Criminal Justice Policy (2009), however this policy pre-dates Proc. No. 780/2013 and focuses mainly on the legislative changes needed at the time, and not on operational policies. In addition, there are no clear guidelines on how authorities decide to commence a financial investigation with a view to confiscation, or how the various provisions for freezing and confiscation work together.

98. Instead, the practice is that the law enforcement agencies follow their respective policies and guidelines on freezing and confiscation. The FEACC pursues parallel financial investigations in their cases, identifying and freezing assets that may be subject to confiscation in the early phases. The FEACC focuses on confiscation of all types of assets, including cash, land, houses, cars and businesses and this focus is supported by their legal framework under Proc. No. 434/2005. The FEACC have sought international cooperation from their foreign counterparts in relation to proceeds that had been moved to a foreign country in one case. They have not received requests for assistance in freezing/confiscating assets from other countries.

99. On the other hand, parallel financial investigations were not routinely pursued in cases conducted by the Federal Police. Both the Federal Police and ERCA continue to use their respective legislative provisions to freeze funds rather than the framework established under Proc. No. 780/2013. The fact that Proc. No. 780/2013 makes Proc. No. 434/2005 (Anti-corruption) applicable with respect to the execution of orders of freezing, seizure and confiscation of funds could be an explanation for their lack of use.

100. These approaches have produced diverse results as the statistics below demonstrate. The first chart show the number and type of assets that were confiscated in cases by the FEACC, Federal Police, and ERCA respectively. The next chart shows the number and types of assets frozen/seized over the same period. As the chart demonstrates, provisions measures were applied mainly almost exclusively in corruption cases.

Asset Confiscation	July 2010- June 2011	July 2011 – June 2012	July 2012 – June 2013	July 2013 – Mar 2014
FEACC				

Cash (in Birr)	650,553.39	13,734,666.60	21,256,663.28	8,429,348.66
Land	600,295.80	318,147.35	1,945	
Car		23		3
House		9		
Factory & business organization				9
Federal Police				
Cash (in Birr)		148,500		
ERCA (only one case provided, not yet confirmed)				
Cash (in Birr)			12,000,000	
Car			2	
House			1	

Asset Freezing	July 2010-June 2011	July 2011 – June 2012	July 2012 – June 2013	July 2013 –Mar 2014
FEACC				
Cash (in Birr)	67,876,334.30	917,347.39	3,901,255.52	124,492,704.70
Cash(in USD)			15,115,026.41	
Land	1,842,205	4,449.87	108,709.30	1050
Car	109	14	32	34
House	71	33	70	151
Factory & business organization	26	5	8	22
Federal Police				
Cash (in Birr)		221,000		
Cash (in USD)	50			

101. As indicated under the technical compliance components, the legal framework for asset management is limited and there are no provisions for the disposal of property subject to confiscation, such as assets that depreciate quickly or are a preservation challenge. Nor are there

policies guiding investigative or prosecution agencies on the process. Unfortunately it was difficult to assess the effectiveness of these laws and systems in the absence of statistics, reports, or other data.

102. The Revenue and Customs Authority have confiscated incoming and outgoing contraband goods in the value of 1,052, 293,097 Birr (approximately 50 million USD), between July 2011 and May 2014. In addition, possibly due to the stringent foreign exchange controls in Ethiopia, they have also seized outgoing currency from the Addis Ababa airport and from various checkpoints. The tables below provide a breakdown of the statistics provided by the Revenue and Customs Authority.

(i) Estimated value of seized incoming contraband goods, which include electronic goods, foods, medicines, cigarettes and tobacco products, vehicles, gold, ‘khat’:

<i>July 2013 – May 2014</i>	314 268 592 Birr
<i>July 2012 – June 2013</i>	349 159 125 Birr
<i>July 2011 – June 2012</i>	307 391 484 Birr
	TOTAL: 970,819,201 Birr

(ii) Estimated value of seized outgoing contraband goods, which include livestock, food products, coffee, ‘khat’, silver and gold:

<i>July 2013 – May 2014</i>	23 424 187 Birr
<i>July 2012 – June 2013</i>	31 436 046 Birr
<i>July 2011 – June 2012</i>	26 613 663 Birr
	TOTAL: 81,473,896 Birr

(iii) Types of currency seized outgoing from the Addis Ababa Airport and at various checkpoints, between July 2012 and May 2014, which include:

USD	ETB	SAR	GBP	EURO
1 014 119	1 222 912	524 588	2770	322 2

103. Overall, the freezing and confiscation results do not reflect the assessments of ML/TF risks. On the one hand, the statistics show that the FEACC is pursuing confiscation of corruption offenses and in the real estate sector and companies. This activity corresponds to the corruption risks in Ethiopia and the potential risk in the laundering of proceeds of crime through the real estate sector. On the other hand, corruption is not the only risk: other significant risks include tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband and the profit made from providing illicit financial services. The fact that these other risks have not been addressed at all (or to a limited extent), weighs heavily to limit the overall effectiveness of Ethiopia.

104. Overall, Ethiopia has had few results in terms of freezing and confiscation of the proceeds of crime. The lack of overall guidelines, laws, or policies, has led to approaches that differ by agency with the result that confiscation seems to be more ad hoc. **Ethiopia is therefore considered to have a low level of effectiveness for Immediate Outcome 8.**

3.6 Recommendations on legal system and operational issues

105. The assessment team recommends that the Ethiopian authorities consider the broadening and reorientation of ST reporting, analysis, and ML investigation towards the most significant sources of illicit proceeds, currently perceived to be corruption (specifically involving administration of land, procurement, tax, telecommunications and pharmaceuticals), tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband (coffee and livestock outbound; textiles, electronics and pharmaceuticals inbound) and the profit made from providing illicit financial services. The NRA should assist in identifying the most significant sources of criminal proceeds which will support investigative agencies in determining possible links between financial transactions and those activities and ensuring the use of ML provisions to take the profit out of crime through the confiscation of assets. The illegal (or unlicensed) provision of MVT services may be addressed more effectively through regulatory enforcement, allowing resources to focus on areas of greater threat or risk where proceeds are more substantial.

106. Similarly, the team recommends a reorientation by investigative and prosecutorial authorities towards the proceeds of crime- and the freezing and confiscation of these proceeds -- and not merely a focus on the crime itself. Cases should be brought before the Court as a means to test the various provisions of the ML law, in particular the required level of proof of the predicate offence and the objective factual circumstances needed to prove knowledge or intent. As ML/TF investigations increase, it will be important for law enforcement to adhere strictly to the legal requirements for the gathering of evidence – failing to obtain a court order can prove fatal to a case and can also negatively impact foreign cases in situations where international cooperation is requested.

107. Resources need to be enhanced to facilitate this broadening and reorientation by investigative and prosecutorial authorities. This will support a much-needed increase in staffing levels, particularly at the Federal Police, as well as to fund use of investigative tools and technology to improve case management.

108. Training and awareness raising on more effective uses of the ML offences among relevant agencies, the judiciary and the private sector will support greater detection, investigation and prosecution of proceeds generated from criminal conduct. All investigation and prosecution agencies expressed a need for additional training on ML/TF investigations and prosecutions, as well as the tracing, seizing and confiscation of assets.

109. Finally, the team recommends efforts be made to resolve technical compliance deficiencies with regard to the Recommendations, in particular the establishment of policies and clarifying the system to manage and dispose of assets, improving the security of the FIU premises and information, adopting a strategic analysis function for the FIC.

4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Note this chapter sets out the assessment of the Recommendations and Immediate Outcomes which are specific to terrorist financing and the financing of proliferation. The legal and operational measures set out in the previous chapter are relevant to countering both money laundering and the financing of terrorism.

Key Findings

As Ethiopia strictly controls the inflows and outflows of funds through the formal financial sector and strongly enforces its capital controls, there is likely a greater risk of inflows of funds to support terrorist activity in Ethiopia than outflows of funds to support terrorist activity outside of Ethiopia. Given the high degree of cash transactions, and the widespread presence of illegal (or unlicensed) MVTS, terrorism financing activities are less likely to be conducted through the formal financial sector.

Ethiopia has only investigated and prosecuted one case involving terrorism financing.

Ethiopia has not provided satisfactory evidence that procedures are in force and effect to implement targeted financial sanctions to comply with UNSCRs relating to the prevention and suppression of terrorism and terrorist financing: the domestic designation regime is unclear and the regime to implement UNSCR 1267 (1988) and 1989 suffers from some deficiencies.

Existing practices for the dissemination of designated persons and entities for targeted financial sanctions do not include DNFPBs. The manual transmission of information and the lack of automated systems and AML/CFT software among financial institutions likely lead to delays in the implementation of targeted financial sanctions, and low effectiveness of these practices.

There is a low awareness and understanding of risk and vulnerabilities of NPOs to terrorist abuse among NPOs, the Charities and Societies Agency, and the FIC.

Ethiopia has not implemented targeted financial sanctions to comply with UN Security Council resolutions relating to the prevention and disruption of the financing of the proliferation of weapons of mass destruction.

4.1 Background and Context

(a) Criminalisation of terrorist financing

110. Ethiopia acceded to the UN Convention for the Suppression of the Financing of Terrorism (Terrorism Financing Convention) on March 20, 2012. Proc. No. 780/2013 entered into force on February 4, 2013, as the primary legal framework for the criminalisation of terrorist financing, and addresses many of the material elements of the Terrorism Financing Convention. Specifically, terrorist financing is criminalized under Proc. No. 780/2013, Art. 31, as well as in a predecessor law, the Anti-Terrorism Proc. No.652/2009, Art. 31. Ethiopia did not provide evidence that any terrorist financing cases have been investigated or prosecuted under Proc. No. 652/2009 or Proc. No. 780/2013.

111. Proc. No. 780/2013, Article 2(6), defines a terrorist act to include “an act, whether occurring in Ethiopia or elsewhere, which constitutes an offence within the scope of, and as defined in one of the treaties listed in the annex to the [Terrorism Financing Convention].” However, Ethiopia has not ratified or acceded to six of the relevant international conventions and protocols relating to terrorism that obligate parties to penalize offences defined in such instrument. Accordingly, it is not clear whether those acts would be included in the definition of terrorist act under Proc. No. 780/2013. The

way in which the element “terrorist act” in the criminalization of terrorism financing has been defined by simply making reference to the schedule to the TF convention is, from a comparative angle, unusual.

(b) *Legal basis for targeted financial sanctions relating to the financing of terrorism*

112. Proc. No.780/2013, Article 37(1), provides a legal basis for the implementation of targeted financial sanctions to comply with UNSCR 1267(1999) and its successor resolutions. As this provision provides that “The funds of terrorists, those who finance terrorism and terrorist organizations, designated by the United Nations Security Council acting pursuant to Chapter VII of the United Nations Charter, shall be frozen by the decision of the Council of Ministers”, it does not provide a legal basis for the implementation of UNSCR 1373(2001), which relates to designations by a country pursuant to such resolution.

113. To implement Proc. No. 780/2013, Article 37, the Council of Ministers issued regulations on January 24, 2014, to provide “Procedures for Freezing of Terrorist’s Assets” (Council of Ministers Regulation No 306/2014). However, as these regulations were published in the Federal Negarit Gazeta on June 3, 2014, there were not in force and effect by the end of the on-site visit (i.e., April 18, 2014). Accordingly, the regulations have not been taken into account in the conclusions of the assessment or for ratings purposes.

(c) *Legal basis for targeted financial sanctions relating to the financing of proliferation*

114. Ethiopia has not established a legal framework for the implementation of targeted financial sanctions relating to the financing of proliferation.

(d) *Additional laws or powers applicable in the context of terrorism, terrorist financing, or the financing of proliferation*

115. Ethiopia adopted the Anti-Terrorism Proc. No. 652/2009 in 2009, followed by legislation in 2011 designating five organizations as terrorist groups – including Al Qaida, Al-Shabaab, the Ogaden National Liberation Front (ONLF), Oromo Liberation Front (OLF) and Ginbot 7. Ethiopia has not provided evidence that the ATP has been used to prosecute and convict individuals. It is alleged by several international observers and NGOs that Proc. No. 652/2009 has been used as a basis to prosecute and convict individuals for their political, religious, or media-related activities, rather than terrorism. As noted in the Interpretative Note for R 6, “...the focus of Recommendation 6 is on the preventive measures that are necessary and unique in the context of stopping the flow of funds or other assets to terrorist groups, and the use of funds or other assets by terrorist groups. In determining the limits of, or fostering widespread support for, an effective counter-terrorist financing regime, countries must also respect human rights, respect the rule of law, and recognise the rights of innocent third parties.” Some of the international criticism of the use of anti-terrorism measures for political ends is certainly justified. However, Ethiopian Authorities strongly disagree with this statement as baseless and state that the Proc. No. 652/2009 is prepared based on international standards and experiences and that it is only used to prosecute and convict terrorist organizations and individuals. There can be no doubt however, that the designation of Al Qaida and Al Shabaab as terrorist entities is entirely legitimate and necessary.

(e) *Oversight of Non-profit organisations (NPOs)*

116. The non-profit sector is governed by Proc. No. 621/2009 (Charities and Societies Proclamation), Regulation No. 168/2009 and a series of eight related directives. The Charities and Societies Agency has powers to license, register and supervise charities and societies. NPOs that collect, receive, grant or transfer funds are also subject to oversight by the FIC under Proc. No. No. 780/2013, Article 12, although the FIC has not yet used this oversight authority and it is unclear how it intends to do so.
117. There are a total of 3,073 charities and societies in Ethiopia. Within the legislation a distinction is made between the activities that can be conducted by Ethiopian Charities or Societies (486) on the one hand, and Foreign Charities (345) and Ethiopian Resident Charities and Societies (2,125) on the other. There are also consortiums (53) and adoption foreign charities (61). Only Ethiopian Charities and Societies are permitted to conduct certain activities, namely the advancement of human rights, promotion of equality, rights of the disabled, children's rights, conflict resolution or reconciliation, or the efficiency of the justice and law enforcement services. Ethiopian Charities and Societies are formed under the laws of Ethiopia, members are Ethiopian, and not more than 10% of funding can be from foreign sources. Ethiopian Resident Charities and Societies have the first two characteristics, but receive more than 10% of their funds from foreign sources. Foreign charities mean charities with foreign ownership, control, or funding.
118. The use of funds by NPOs is regulated under Proc. No. 621/2009, Art. 88, which requires that charities or societies allocate not less than 70% of expenses for implementation of its activities and no more than 30% for administration activities (categories of expenses defined in Directive 2/2011).

4.2 Technical Compliance (R.5-8)

Recommendation 5 – Terrorist financing offence

119. Ethiopia is rated largely compliant (LC) with R5. Terrorist financing is criminalized under Proc. No. 780/2013, Article 31, which covers many of the material elements of the Terrorist Financing Convention and is a predicate for ML under Ethiopian law. Although provisions for more severe sanctions are provided in aggravating circumstances (i.e., the offence is perpetuated in pursuit of a trade or occupation, or as part of activities of an organized criminal group), lesser sanctions are not specified with regard to minor involvement which may lead to disproportionately severe penalties, or even reluctance to use the TF offence by prosecutors in such cases of minor involvement.
120. Ethiopia has not ratified or acceded to six of the relevant international conventions and protocols relating to terrorism that obligate parties to penalize offences defined in such instrument. As these six outstanding instruments are among the ten instruments that obligate parties to penalize offences, it is not clear that Ethiopia has designated all these offences as terrorist acts, and the provisions of Proc. No. 780/2013 will not apply.

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

121. Ethiopia is rated non-compliant (NC) with R6. Proc. No. 780/2013, Article 37(1), provides the legal basis for the implementation of targeted financial sanctions to comply with UNSCR 1267(1999) and its successor resolutions. Article 37(1) provides that freezing of assets shall be taken by decision of the Council of Ministers, and Art. 37(2) provides that “the decision of the Council of Ministers...shall define the terms, conditions and time limits applicable to the freezing.” The implication that the Council of Minister’s has some discretion in determining the terms, conditions, and time limits applicable to the freezing contravenes the principle that the freezes should

be indefinite until the UN Security Council Committees delist the entity. The necessity for action by the Council of Minister's may impact the ability of Ethiopia to implement the targeted financial sanctions without delay.

122. Proc. No. 780/2013 does not provide a legal basis for the implementation of UNSCR 1373 (2001), which relates to designations by a country. However, Proc. No. 652/2009, Article 25, provides a legal basis for the domestic designation of terrorist organizations by the House of Representatives upon submission of the government. However, Ethiopia did not provide any details regarding the process followed in this process, such as the applicable burden of proof, the designation criteria, what evidence must be provided for a determination, etc. There are no delisting procedures for organizations designated by the House of Representatives.

123. The Council of Ministers has issued Regulation No. 306/2014 to implement the UNSCR 1267 and its successor resolutions, as well as UNSCR 1373. However, as these regulations were published in the Federal Negarit Gazeta on June 3, 2014, there were not in force and effect by the end of the on-site visit (i.e., April 18, 2014). Accordingly, the regulations have not been taken into account in the conclusions of the assessment or for ratings purposes. Due to shortcomings of the draft regulations in compliance with R6, it is unlikely that consideration of these regulations would have materially altered the rating of technical compliance for this Recommendation.

Recommendation 7 – Targeted financial sanctions related to proliferation

124. Ethiopia is rated non-compliant (NC) with R7 as it has not established a legal framework or procedures to implement targeted financial sanctions to comply with UNSCRs relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing. No procedures exist for designations; freezing and prohibiting dealing in funds or other assets of designated persons and entities; delisting, unfreezing and providing access to frozen funds or other assets; and the UN designation criteria.

Recommendation 8 – Non-profit organisations

125. Ethiopia is rated partially compliant (PC) with R8. Ethiopia has very detailed provisions and directives outlining procedures for licencing, requirements for annual reporting of activities, statement of accounts, and audit, as well as powers of the Charities and Societies Agency to supervise and to sanction NPOs. There are deficiencies in the lack of provisions permitting sharing of information between authorities: the Agency is not included in the definition of a “regulatory authority” under Proc. No. 780/2013, Article 2(30), and therefore the powers and functions under Article 22(2) do not apply to it. It has not reviewed the adequacy of its laws for entities that can be used for TF, nor has it undertaken a domestic review of its NPO sector and identified where the possible vulnerabilities are. There are also deficiencies with lack of requirements to collect information on associated NPOs and to maintain records on activities and ownership for a period of five years.

4.3 Effectiveness: Immediate Outcome 9 (TF investigation and prosecution)

126. Ethiopia has not prosecuted or convicted any cases of TF activity (e.g., collection, movement, and use of funds). Anecdotal evidence was provided during the on-site visit of one case prosecuted under Proc. 652/2009 involving aiding and abetting terrorist activity that was prosecuted under as a terrorism financing offence, although no information about the case has been provided. There have been no TF investigations or prosecutions involving legal persons.

127. As mentioned previously, Ethiopia has not completed an ML/TF national risk assessment. Assessors were not informed whether specific TF threats and trends have been identified and specific action plans or strategies have been developed. Ethiopian counterparts noted high vulnerability to terrorism due to regional instability. There have been several terrorist acts and attempted terrorist acts in Ethiopia over the past few years. Further, since 2011, there have been press reports of the arrest and conviction for terrorism of Al Qaida and Al-Shabaab operatives in Ethiopia. How those groups are financed however, remains unclear - one incident of terrorist financing activity that occurred in Ethiopia was described in the report published in 2011 by the UN Security Council Monitoring Group on Somalia and Eritrea. In this incident, payments (approximating US\$4000) for terrorist activity in Ethiopia were transmitted through money transfer companies using intermediaries in Kenya and the Sudan.
128. As Ethiopia is not integrated in the regional or global economy, with strict foreign exchange controls and severe restrictions on sending money from Ethiopia to a foreign country, it is unlikely that Ethiopia is being used as a jurisdiction to support terrorist financing activities outside of Ethiopia to a significant extent. Nonetheless, in view of the terrorist activity within Ethiopia, the absence of TF prosecutions and convictions appears inconsistent with Ethiopia's TF risk profile.
129. Given the high degree of cash transactions, and the widespread presence of illegal (unlicensed) MVT services in Ethiopia, TF activities are less likely to be conducted through the formal financial sector. The extent to which the informal financial system is used for these activities is unknown. The low capacity of the FIC and the low level of implementation of several preventive measures in Ethiopia's AML/CFT framework may exacerbate the inability to identify TF cases. For a more general discussion of the deficiencies in use of financial intelligence reference is made to the discussion under Immediate Outcome 6
130. Additional sources of information regarding possible TF activity are not yet being collected by the FIC. In addition to other shortcomings in the implementation of R32, although the Revenue and Customs Authority is required under Proc. No. 780/2013, Article 3(4), to submit to the FIC information regarding any suspicion of ML or TF in the cross border transportation of currency, BNIs, precious stones or metals, as of the date of the on-site visit, no reports had been filed. The FIC has not made requests to other FIUs for financial information to assist TF investigations, nor has the FIC received any requests. Given reports about the activities of terrorist groups in remote areas, and crossing into surrounding countries, close coordination and information exchange between customs and the FIC could yield useful intelligence about terrorist related money flows.
131. In relation to domestic coordination with regard to TF cases, the level of domestic cooperation and coordination among concerned institutions was described by authorities interviewed during the on-site visit as lower than with regard to ML investigations. The NISS is not represented on the National Committee for Anti-Money Laundering and Combatting the Financing of Terrorism. Similarly, although the FIC, Federal Police and the Ministry of Justice meet regularly to discuss the portfolio of ML investigations and to prioritize cases, the FIC does not have regular meetings to discuss TF cases. Authorities acknowledge that this may be due in part to the sensitive nature of TF cases with regard to issues of national security, as well as the newness of the legal framework related to TF. Many authorities identified a need for training in the identification and investigation of TF cases, including with regard to the role of the terrorist financier. In general, investigative authorities do not seem to be seeking to collect and utilize financial intelligence as part of their TF investigations.
132. The NISS and the Federal Police acknowledged that TF investigation has not been a priority to date in Ethiopia's counter-terrorism investigations, primarily due to a lack of training on TF issues. Within the NISS, Federal Police and Ministry of Justice, although there are dedicated staff assigned

to terrorism, there are no staff specifically dedicated to TF investigation and prosecution. Based on solely on anecdotal evidence, to date, TF cases appear to be identified and investigated as aiding and abetting offences, rather than with a specific focus on TF as a distinct criminal activity. Ethiopia did not provide evidence that any terrorist financing cases have been prosecuted under Proc. No. 652/2009 or Proc. No.780/2013. Accordingly, a full effectiveness assessment of Proc. 780/2013 as the legal basis for the investigation and prosecution of TF offences may only be possible after some time.

133. The lack of more moderate sanctions (other than rigorous imprisonment from 10 to 15 years) may lead to disproportionately severe penalties or even reluctance to use the TF offence by prosecutors in such cases of minor involvement.
134. In the absence of convictions of TF offences, there are insufficient data available to assess whether the sanctions being applied are effective, proportionate and dissuasive. Ethiopia did not provide any information regarding cases, statistics and sanctions for related offenses such as aiding and abetting terrorism.
135. Ethiopia did not provide any information or evidence regarding attempts to disrupt TF through use of its criminal justice, regulatory, or other measures outside of the investigation or prosecution of terrorist financing or acts of terrorism.
136. **As an overall conclusion for Immediate Outcome 9, Ethiopia has a low level of effectiveness** in the investigation, prosecution and conviction of terrorist financing offenses. In the absence of prosecutions of terrorist financing offences, there are insufficient data to support a conclusion on whether effective, proportionate and dissuasive sanctions are being applied. Terrorist financing is not being pursued as a distinct criminal activity and there appears to be a low level of coordination among the relevant authorities. Given the perceived risks of terrorism activity in Ethiopia, and the known operations of Al Qaida and Al-Shabaab, significant progress remains to detect and disrupt terrorist financing threats. The low levels of effectiveness in Immediate Outcomes 6 and 10, as well as Ethiopia's partial compliance with R29, are also contributing to the deficiencies in identifying and investigating TF cases.

4.4 Effectiveness: Immediate Outcome 10 (TF preventive measures and financial sanctions)

137. Proc. No. 780/2013, Article 37, provides the legal basis for the implementation of targeted financial sanctions to comply with UNSCR 1267 (1999) and its successor resolutions. However, as noted above in R6, as Article 37 provides for discretion by the Council of Ministers with regard to the terms, conditions, and time limits applicable to any freezing, this provision may allow for Ethiopia to vary the targeted financial sanctions. Further, the necessity for action by the Council of Minister may impact the ability of Ethiopia to implement financial sanctions without delay. Ethiopia did not provide any evidence that freeze orders had been issued under this provision.
138. Proc. No. 780/2013 does not provide a legal basis for the implementation of UNSCR 1373 (2001), which relates to designations by a country pursuant. Regulation No. 306/2014 has been issued by the Council of Ministers to implement the UNSCR 1267 and its successor resolutions, as well as UNSCR 1373. However, as this regulation was not in force and effect by the end of the on-site visit, it has not been taken into account in the conclusions of the assessment or for ratings purposes.
139. In anticipation of the implementation of Regulation No. 306/2014, Ethiopia has established certain practices regarding the dissemination of designated persons and entities. As described to the

assessors during the on-site visit, and as provided in draft Regulation No. 306/2014, the FIU maintains four lists of designated persons and entities: (1) individuals convicted by Ethiopian courts of an act of terrorism; (2) organizations designated as a terrorist organization by the House of Representatives; (3) individuals and entities designated by the 1267/1989 Committee or the 1988 Committee under UNSCR 1267 and its successor resolutions; and (4) individuals or organizations proposed by a foreign jurisdiction under UNSCR 1373. As of the on-site visit, Ethiopia had not received any requests for designations from foreign jurisdictions under UNSCR 1373. Ethiopia has not employed any targeted financial sanctions under any of the UNSCRs.

140. With regard to the implementation of UNSCR 1373, several significant shortcomings were noted in the practices established by Ethiopia. No provisions are provided for the designation of entities controlled by the terrorist organization or person, nor persons or entities acting on their behalf or at their direction. No procedures have been provided regarding the House of Representatives' mechanism for identifying targets for designation, other than upon submission of the Government. As a result, there are concerns that this process could be used to achieve primarily political objectives. As a practical matter, the FIC and FIs could not explain to the assessors how once an organization had been designated a terrorist organization by the House of Representatives, individual members of the organization would be identified and designated. The requirement of conviction for terrorism acts for the designation of individuals nullifies the use of targeted financial sanctions as a preventative measure.

141. Several shortcomings were identified by officials in the existing practices by Ethiopia to implement targeted financial sanctions. First, there is a significant reliance on the manual transmission of information regarding designated persons and entities. For example, the Ministry of Foreign Affairs estimates that it requires on average 8-9 days to transmit new designations received from the UN Security Council by its office in New York to the FIC. Financial institutions asserted that they received hard copies of the designation lists and then manually entered new names into their systems. As Ethiopia does not have a reliable personal identification system, it may be possible for terrorists to evade detection, even if FIs are applying CDD measures. As STRs are submitted manually to the FIC (which may require significant travel for distant branch offices of FIs), targeted financial sanctions cannot be implemented in Ethiopia without significant possibility of delay. Furthermore, as of the date of the on-site visit, designations were not being disseminated by the FIC to DNFBCs and there was a low level of understanding of risks and obligations with regard to the targeted financial sanctions regimes.

142. With regard to the oversight of NPOs, Ethiopia has very detailed provisions and directives outlining procedures for licensing, requirements for annual reporting of activities, statement of accounts, and audit, the categories of operational and administrative costs, as well as the powers of the Charities and Societies Agency or the FIC to supervise and sanction NPOs. These provisions apply to all charities and societies regardless of risks, the portion of the financial resources under the sector, or the share of the sector's international activities. While the licensing and regulation of NPOs is the prerogative of the government, such a broad level of oversight is not required from an AML/CFT perspective. The current blanket approach is in any event not justified by assessed TF risks. Some NPOs have indicated a disruption of legitimate activities resulting due to Proc. No. 621/2009. For example, Foreign Charities and Ethiopian Resident Charities and Societies -- NGOs that receive more than 10% of their financing from foreign sources -- are prohibited from engaging in essentially all human rights and advocacy activities. However, Ethiopian Authorities argue that the Proc. No.62/2009 does not prohibit these NGOs from performing their humanitarian activities, but rather that it only prohibits these NGOs from interfering in the internal political affairs of the country. The

law also requires associations to allocate at least 70% of their budget to program activities and no more than 30% to administrative costs, a category that is broadly defined and therefore a difficult threshold to meet (prescribed under Proc. No. 621/2009, Article 88, and outlined in Directive No. 02/2011). In practice, there has not been a focus on the terrorist financing issue within the NPO sector, and the Charities and Societies Agency has limited expertise in the area of terrorist finance. As there has not been a review of the potential vulnerabilities of the sector to identify the features and types of NPOs at risk from the threat of terrorist abuse, a targeted approach to identify NPOs at risk has not been yet been developed. Assessors were not provided with any examples of instances where the issue of terrorist abuse has been the subject of NPO supervision, monitoring, or investigations. While international charities may receive training from their headquarters, NPOs have not been provided training or any outreach on the risks of terrorist abuse by Ethiopian officials. Representatives of the CSA and NPOs met during the on-site visit identified a need and an interest in obtaining training to understand TF risk and possible actions to mitigate those risks.

143. As of the date of the on-site visit, Ethiopia had not deprived any terrorists, terrorist organizations or terrorist financiers of assets and instrumentalities related to TF activities. Whether through criminal, civil or administrative processes, no interventions or confiscations of assets related to TF activities had been effected.
144. As Ethiopia has not completed an ML/TF national risk assessment as contemplated under R1, the assessors did not have the benefit of Ethiopia's assessment of TF risks, and proposed risk-based approach to allocate resources and implement measures to prevent or mitigate TF. As noted previously in this report, there are terrorism risks in Ethiopia due to its location in a highly volatile region with vast, porous border areas, and known operations of Al Qaida, Al-Shabaab and several designated domestic terrorist organizations. There have been several terrorist acts and attempted terrorist acts in Ethiopia over the past few years.
145. How those terrorist groups are financing their activities remains unclear. Given the high degree of cash transactions, and the widespread presence of illegal (or unlicensed) MVTs providers in Ethiopia, TF activities are not likely to be conducted through the formal financial sector to a significant extent. The extent to which the informal financial system is used for these activities is unknown. Further, as Ethiopia is not integrated with the regional or global economy, with strict foreign exchange controls and severe restrictions on sending money from Ethiopia to a foreign country, it is unlikely that Ethiopia is being used as a jurisdiction to support TF activities outside of Ethiopia to a significant extent either. Within Ethiopia, other than staff of international organisations and embassies in Addis Ababa, foreigners are not permitted to have bank accounts in Ethiopia. In addition, there are currently no Ethiopians designated under UNSCR 1267 (only the Ethiopian branch of the Al Haramain foundation) and Ethiopia has not received any requests from other jurisdictions under UNSCR 1373 to apply targeted financial sanctions. Accordingly, although Ethiopia is not providing international cooperation in this regard, Ethiopia's low level of implementation of targeted financial sanctions under UNSCRs does not likely impact these international efforts to combat terrorism financing at present. However, the absence of an effective national sanctions regime in Ethiopia may undermine efforts to combat terrorism in Ethiopia and across its borders.
146. **As an overall conclusion for Immediate Outcome 10, Ethiopia has a low level of effectiveness** in the prevention of terrorists, terrorist organisations and terrorist financiers from raising, moving and using funds and abusing the NPO sector. Ethiopia has not properly implemented targeted financial

sanctions regimes to comply with UNSCRs relating to the prevention and suppression of terrorism and terrorism financing. Ethiopia does not have a good understanding of TF risks and has not demonstrated that it is seeking to take appropriate and proportionate actions to mitigate TF risks. For example, in light of the widespread presence of illegal (or unlicensed) MVTS providers, greater regulatory enforcement in this sector may be a priority in a risk-based approach to mitigate TF risks. Further, a risk-based approach may allow for the proportionate exercise of oversight in and monitoring only those NPOs that have been identified at risk from the threat of terrorist abuse. Further, given the perceived risks of terrorist activity in Ethiopia, and the known operations Al Qaida and Al-Shabaab, significant progress remains to identify terrorists, terrorist organisation and terrorist support networks and to deprive them of the resources and means to finance and support terrorist activities. The low levels of effectiveness in Immediate Outcomes 2, 6 and 9, as well as Ethiopia's non-compliance with R6, are also contributing to Ethiopia's low effectiveness in Immediate Outcome 10.

4.5 *Effectiveness: Immediate Outcome 11 (PF financial sanctions)*

147. In its report dated March 7, 2011, to United Nations Security Council, regarding implementation of UNSCR 1540, Ethiopia asserted that it has never developed and does not own or possess any nuclear, chemical or biological weapons and/or production facility in any place within its territory, nor transferred, either directly or indirectly, any equipment for the production of such weapons. Further, the report to the UNSC asserted that Ethiopia has never assisted any State or non-State actor to develop, acquire, manufacture, possess, transport, transfer or use nuclear, chemical or biological weapons or their means of delivery. As noted above in this report, as Ethiopia is not integrated with the regional or global economy, with strict foreign exchange controls and severe restrictions on sending money from Ethiopia to a foreign country, it is unlikely that Ethiopia is being used as a jurisdiction to support financing of proliferation activities outside of Ethiopia.
148. Nonetheless, the proliferation of weapons of mass destruction is a significant global security concern which requires consistent and effective implementation of targeted financial sanctions when these are required by the UN Security Council to combat this threat. In the event that Ethiopia establishes and implements a legal framework and procedures similar to those existing practices in place with regard to the UNSCRs related to terrorist financing, the concerns noted in the discussion of Intermediate Outcome 10 would be applicable.
149. **As an overall conclusion for Immediate Outcome 11, Ethiopia has a low level of effectiveness.** Ethiopia has not established and implemented a legal framework and procedures to identify and prevent designated persons and entities under relevant UNSCRs from raising, moving and using funds or other assets for the financing the proliferation of weapons of mass destruction.

4.6 *Recommendations on Terrorist Financing and Financing of Proliferation*

150. The assessment team recommends that Ethiopia provide capacity building and training to investigative authorities in TF investigation, the use of financial intelligence and the role of the terrorist financier. Many investigative authorities identified a need for training in the identification and investigation of TF cases, including with regard to the role of the terrorist financier. In general, investigative authorities do not seem to be seeking to collect and utilize financial intelligence as part of their investigations. (Immediate Outcomes 9 and 10)

151. In addition the team recommends that steps be taken by Ethiopia to improve domestic and international coordination on TF investigations and prosecutions. (Immediate Outcomes 9 and 10, Recommendations 6 and 40)
152. The team also recommends that training and awareness raising regarding TF risks be provided. After completion of its ML/TF national risk assessment, outreach should be made to raise the awareness of all sectors with regard to the identified TF risks. It will be particularly important to ensure that DNFBPs are made aware of their obligations under the AML/CFT legislation, and start inquiring into the source of funds. (Immediate Outcomes 9 and 10, Recommendations 6, 20, and 22)
153. The assessment team further recommends that Ethiopia conduct an assessment of the NPO sector's potential vulnerabilities to terrorist activities and identify features and types of NPOs that are particularly at risk of being misused for terrorist financing or other forms of terrorist support. Such an assessment and understanding of the sector is a fundamental building block to an effective system. The assessment will help to inform amendments to relevant laws and regulations, improve the outreach and guidance to the sector, and target the vulnerable NPOs for risk-based supervision and monitoring. Similarly, under a risk-based approach, the less vulnerable NPOS receive lesser supervision. (immediate outcome 10 and R8)
154. The team recommends that Ethiopia address the deficiencies noted in the procedures to implement targeted financial sanctions related to terrorism and terrorist financing. Ethiopia should identify ways to improve the timely dissemination of designated persons and entities to all recipients contemplated under the UNSCRs and the FATF Recommendations. Ethiopia may also wish to consider using the mechanisms under UNSCR 1373 to request other relevant jurisdictions to implement targeted financial sanctions with regard to any organizations that have been designated by Ethiopia as terrorist organizations believed to be operating outside of Ethiopia. To the extent possible, FIs and DNFBPs should be encouraged to adopt AML/CFT software programs, or otherwise address the deficiencies of the existing reliance on manual systems. (immediate outcome 10, Recommendations 6, 8, 20 and 23)
155. The assessment team recommends that Ethiopia establish and implement a legal framework and procedures to implement targeted financial sanctions in compliance with the UNSCRs relating to the prevention, suppression and disruption of proliferation of WMD and its financing. As the framework is developed and implemented, outreach should be made to FIs and DNFBPs regarding the risks of financing proliferation of WMD and the obligations under the framework to identify and to freeze funds and other assets of designated persons or entities. (Immediate Outcome 11, R7 and elements of R2)

5. PREVENTIVE MEASURES

Key Findings

Ethiopia is a highly cash-based economy. The formal financial sector is small, simple in structure, and only serves approximately 28% of the total population of the country (the total number of bank, microfinance, and insurance accounts is 15.5 million in a country with a population estimated at 96.51 million, the adult population being 53.9 million). The financial institutions operating include banks, microfinance institutions, and insurance companies. All other FATF defined financial activities either do not exist or occur exclusively through the banks (including MVTS).

DNFBPs operating in Ethiopia include real estate agents and brokers, dealers in precious metals and stones, auditors and accountants and lawyers. Casinos are prohibited by law.

Proc. No. 780/2013 provides for the legal framework of AML/CFT preventive measures and FIC Directive No. 01/2014 provides additional AML/CFT requirements for financial institutions only (not DNFBPs). There is a high level of technical compliance of the measures in the Proclamation and the FIC Directive, however, these measures have only been recently introduced and there is a lack of awareness among obligated entities. While the STR obligation in law is technically compliant, the STR reporting by FIs does not appear to be focused on the areas of high risk. Outside of the formal banking sector, there is a low level of implementation of the required measures resulting in an overall low level of effectiveness.

5.1 Background and Context

(a) Financial Sector and DNFBPs

156. The primary financial institutions operating in Ethiopia's financial sector are banks, microfinance institutions, and insurance companies. These three types of institutions are both publicly and privately-owned. A number of financial activities, including foreign currency exchange, money value transfer services (remittances), factoring, issuing and managing credit and debit cards, and safekeeping and administration of cash or liquid securities, are only conducted through banks. Ethiopia is not a regional or international financial center, and is relatively isolated given that foreign ownership in the financial sector is prohibited by law. Securities activity does not exist in the Ethiopian financial sector. As of December 2013 there were 19 banks (3 public, 16 private), which operated 2,048 branches, with 11.57 million deposit accounts, and total assets of 348.2 billion Birr (approximately 17.9 billion USD). In the microfinance sector there were 31 institutions (11 public, 20 private), which operated 1,238 branches or sub-branches, with 3.3 million clients, and total assets of 20.4 million Birr (approximately 1.05 million USD). The insurance sector is relatively small with only 17 insurers (1 public, 16 private), which operated 293 branches, with 700,000 clients, with total assets of 7.8 billion Birr (approximately 387 million USD). Postal services are permitted by law to conduct domestic money or value transfer services, but in practice do not offer this service.

157. DNFBPs operating in Ethiopia include real estate agents and brokers, dealers in precious metals and stones, auditors and accountants, lawyers, and notaries. Casinos do not exist as gambling is a crime (2005 Ethiopian Criminal Code, Article 789). There are 640 real estate agents and brokers; 267 dealers in precious metals and stones; 83 auditors and 978 accountants and 2100 lawyers. While not included in the FATF definition of DNFBPs, the team was informed that one of the conclusions of the national risk assessment will be that vehicle dealers as a category of business are a high risk and that they therefore intend to designate them as obligated entities for AML/CFT purposes. There are currently 65 vehicle dealers operating in Ethiopia.

158. The formal financial sector has been growing rapidly over the past 3 years, though it still only serves approximately 28% of the population. The total number of licensed banks increased from 17 to 19 from 2011 to 2013, and the total number of bank branches increased from 1128 to 2015 in that same time period. This increase in banks and bank branches also resulted in an increase in bank account holders from 6.34 million to 11.57 million. Similarly, microfinance institutions increased from 1191 branches to 1428 branches between 2011 and 2013, resulting in an increase in micro finance account holders of 2.7 million to 3.3 million. However, access to formal financial services is still severely limited in Ethiopia. Formal financial activity is centered in the major cities, primarily Addis Ababa. Ethiopia has a total population of approximately 96.51 million people, with only 4 million people living in Addis Ababa. The total number of accounts open in banks, microfinance institutions, and insurance companies added together is approximately 15.5 million. The International Monetary Fund's (IMF) Financial Access Survey (FAS) indicates that as of end 2012 Ethiopia only had 2.95 bank branches per 100,000 adults, and .46 ATMs per 100,000 adults. By all accounts the scale of the informal, unrecorded economy is significant - with some putting the figure at 36% of the recorded economy - and many large transactions are still conducted in cash or through a CPO. The large proportion of the adult population that remains unbanked likely either operates fully in cash or uses illegal (or unlicensed) MVTs providers.
159. The NBE noted to the assessment team that Ethiopian banks have been eager to expand services in mobile banking and agent banking in order to extend financial access to a greater portion of the population. The NBE issued Directive No. 01/2012 on the regulation of mobile and agent banking service. At the time of the on-site, the NBE had received four applications from banks to provide mobile banking services, and two of those applications had been approved for a "pilot" phase while the remaining two were still under review. Likewise, at the time of the on-site, two banks had applied for agent banking services, but those were both still under review by the NBE.
160. A unique characteristic of the Ethiopian financial system is its lack of integration into the regional or global economy. Ethiopia is relatively isolated from the global financial system. Foreign currency controls are vigorously enforced and all financial institutions are fully owned by Ethiopians or Ethiopian legal entities (which in turn are fully Ethiopian owned). It is illegal, with a few minimal exceptions, to send money from Ethiopia to a foreign country and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners) can transfer money abroad using the bank's access to the SWIFT- system. Thus the only cross border flow of funds through the formal sector that is of any relevance are the inbound money transfers - predominantly from the Ethiopian diaspora to their relatives in Ethiopia.

(b) *Preventive Measures*

161. Proc. No. 780/2013 provides for the legal framework of AML/CFT preventive measures in Ethiopia. This Proclamation defines the financial institutions and DNFBPs that are subject to AML/CFT obligations (Article 2, 9-10). There is full scope of coverage of FIs and DNFBPs in the Proclamation, however in practice, given that the Proclamation is relatively new, not all sectors have begun implementation. FIC Directive No. 01/2014 provides additional AML/CFT requirements for financial institutions only (not DNFBPs). The FIC indicated during the April 2014 on-site that a similar FIC Directive was being developed for the DNFBP sectors. Any gaps in preventive measures for DNFBPs will be addressed in R22 and R23.

(c) *Risk-Based Exemptions or extensions of preventive measures*

162. The assessors are not aware of any sectors or activities which Ethiopia has exempted from the FATF requirements.

163. While there were no measures in place at the time of the on-site mission, Ethiopian authorities indicated that they have identified vehicle dealers as a high risk sector in their jurisdiction. They indicated there are plans to incorporate vehicle dealers into the AML/CFT regime in the near future.

5.2 *Technical Compliance (R.9-23)*

Recommendation 9 – Financial institution secrecy laws

164. Ethiopia is rated compliant (C) with R9. Article 13 of FIC Directive No. 01/2014 ensures that financial institution secrecy and confidentiality laws shall not inhibit the implementation of the FATF Recommendations. This provision also ensures that the competent authorities, domestically or internationally, have power to access information to properly perform their functions in combatting ML and TF. There are no technical compliance deficiencies related to financial institution secrecy laws.

Recommendation 10 – Customer due diligence

165. Ethiopia is rated largely compliant (LC) with R10. Proc. No. 780/2013 and FIC Directive No. 01/2014 cover almost all the requirements of R.10. There is a minor deficiency in that there is no requirement to understand the nature of a customer's business for legal persons or arrangements (c10.8).

Recommendation 11 – Record-keeping

166. Ethiopia is rated compliant (C) with R11. All requirements of R.11 are covered by Proc. No. 780/2013 and FIC Directive No. 01/2014. There are no technical compliance deficiencies related to record-keeping.

Additional Measures for specific customers and activities

Recommendation 12 – Politically exposed persons

167. Ethiopia is rated compliant (C) with R12. Proc. No. 780/2013 and FIC Directive No. 01/2014 cover all the requirements of R.12. There is one minor contradiction to note – the definition of PEP in Proc. No. 780/2013, Article 2(11) and FIC Directive No. 01/2014, Article 2(20), differ slightly, with the definition in the Proclamation being more comprehensive. Given that the Proclamation takes precedence over the Directive, this contradiction does not affect technical compliance.

Recommendation 13 – Correspondent banking

168. Ethiopia is rated compliant (C) with R13. Provisions relating to correspondent banking are set out in Article 6(9) of Proc. No. 780/2013 and Articles 33 and 34 of the FIC Directive No. 01/2014. The two instruments cover obligations for financial institutions to gather sufficient information about a respondent institution, assess their AML/CFT controls, seek senior management approval before entering a correspondent banking relationship and satisfy themselves that respondent banks have carried out CDD on customers that have a direct access to the correspondent bank account. In addition there is an obligation not to enter into or continue a correspondent banking relationship with

a shell bank and for financial institutions to satisfy themselves that respondent banks don't permit their accounts to be used by shell banks.

Recommendation 14 – Money or value transfer services

169. Ethiopia is rated partially compliant (PC) with R14. Money or Value Transfer Services (MVTS) are regulated by Proc. No. 592/2008, Proc. No. 718/2011, Proc. No. 780/2013 and the Regulation of Mobile and Agent Banking Services Directives No. FIS 01/2012. Currently, only banks operate as agents of Western Union, Money Gram, Bole International, Dahaabshil, and any other MVTS operating in Ethiopia. All banks are licenced by the NBE and subject to a full range of obligations under the FATF Recommendations. All providers of money or value transfer services are covered under Proc. No. 780/2013 as reporting institutions for AML/CFT purposes. In view of the apparent scale of unlicensed MVTS providers, a lot of weight is attached to the absence of government action to identify those and bring them within the purview of government supervision, and consequently Ethiopia is rated partially compliant on this recommendation.

170. Any natural or legal person who wishes to provide money or value transfer services in Ethiopia is required to be licensed. Furthermore, Article 35(1) of Proc. No. 718/2011 stipulates that any person who carries out MVTS without authorisation from the National Bank of Ethiopia contravenes Article 5 and shall be punishable by an imprisonment of between 10 and 15 years and a fine of Birr 20,000 in respect of each day on which he contravenes the law. However, while some criminal actions have been taken to deal with unlicensed MVTS providers (see above), it does not appear that Ethiopia has taken action to identify persons who could be carrying out these services without a license and apply proportionate sanctions to them. Neither the government of Ethiopia nor the assessment team have any credible estimates on the volume of illegal (or unlicensed) MVTS activity occurring in Ethiopia. The gap between the requirements for the formal and informal is large – currently only banks operate as agents of MVTS providers and are subject to the full range of obligations under the FATF Recommendations, whilst there are no requirements for those operating illegally (or unlicensed), nor is there a clear policy for how to address this activity. In view of this deficiency, Ethiopia is rated partially compliant.

Recommendation 15 – New technologies

171. Ethiopia is rated largely compliant (LC) with R15. Proc. No. 780/2013 and FIC Directive No. 01/2014 have provisions which require FIs to identify and assess the risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies for both new and pre-existing products. However, these provisions do not extend to the “country” to do the same, which is a requirement of R.15 (c15.1). Proc. No. 780/2013 and FIC Directive No. 01/2014 also have provisions which require FIs to undertake risk assessments prior to the launch or use of new products, practices or technologies, and to take appropriate measure to manage and mitigate the risks.

Recommendation 16 – Wire transfers

172. Ethiopia is rated compliant (C) with R16. Article 8 of Proc. No. 780/2013 and Article 35 of FIC Directive No. 01/2014 cover the requirements of R16. A slight change of wording in the Directive would help clarify that intermediary financial institutions are required to keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary financial institution (c16.10). This is because the applicability of the Directive to intermediary financial institutions has been specifically clarified elsewhere in other requirements of the Directive.

Reliance, Controls and Financial Groups

Recommendation 17 – Reliance on third parties

173. Ethiopia is rated compliant (C) with R17. FIC Directive No. 01/2004, Art. 36, expressly permits reliance on third parties and outsourcing for financial institutions with regard to technical aspects of the CDD process only. Art. 36(2) states that the “ultimate responsibility for CDD measures shall remain with the financial institution relying on the third party.” However, FIs in Ethiopia indicated that CDD is always carried out directly by the financial institutions themselves.

Recommendation 18 – Internal controls and foreign branches and subsidiaries

174. Ethiopia is rated largely compliant (LC) with R18. Article 11 of Proc. No. 780/2013 and Article 4 of the FIC Directive No. 01/2014 set out obligations with respect to internal controls of financial institutions, financial groups, their foreign branches and subsidiaries. As at the date of the on-site, only one bank in Ethiopia had one branch in another country. The provisions substantially meet the FATF Standards with minor shortcomings.

175. Where the minimum AML/CFT requirements of the host country are less strict than those of Ethiopia, the foreign branches are required to adopt and implement AML/CFT measures that are similar to those applicable in Ethiopia. Failure to implement the foregoing internal control programs is an offence which is subject to administrative and criminal sanctions (Article 30(1) (g) of Proc. No. 780/2013). Neither the Proc. nor the FIC Directive No. 01/2014 states that the policies and controls will have regard to the size of the business. This may imply that even small financial institutions such as foreign exchange bureaus may be expected to have such elements as an internal audit function. These shortcomings are considered minor.

Recommendation 19 – Higher-risk countries

176. Ethiopia is rated partially compliant (PC) with R19. Proc. No. 780/2013 and FIC Directive No. 01/2014 have provisions which require FIs to apply enhanced due diligence (EDD), proportionate to the risks, to business relationships and transactions with natural and legal persons (including FIs) from countries for which this is called for by the FATF. However, there is no clear ability to apply countermeasures proportionate to risks when called upon to do so by the FATF or independently of any call by the FATF to do so (c19.2). There are also no measures in place to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries (c19.3).

Reporting of Suspicious Transactions

Recommendation 20 – Reporting of suspicious transactions

177. Ethiopia is rated compliant (C) with R20. Proc. No. 780/2013 and FIC Directive No. 01/2014 impose a direct obligation on all covered financial institutions to submit suspicious transaction reports to the FIC, including attempted transactions regardless of the amount involved. The Proclamation does not mention a threshold as a condition to file an STR. Furthermore, Art. No 39 of FIC Directive No. 01/2014 elaborates that the reporting obligations apply irrespective of the amount involved. It also provides guidance on detecting suspicious transactions and handling of STRs within a financial institution and further provides that an STR must be submitted within 24 hours of forming a suspicion. Failure to submit an STR attracts administrative and/or criminal sanctions (Art. 30(1)(i) of Proc. No. 780/2013).

Recommendation 21 – Tipping-off and confidentiality

178. Ethiopia is rated largely compliant (LC) with R21. In terms of Article 24 (1 and 3) of Proc. No. 780/2013, no action, whether criminal, civil or administrative shall be taken against financial institutions, their directors, officers, employees and seconded staff for breach of professional secrecy or contract who comply with reporting obligations or provide information in good faith in accordance with that Proclamation. Furthermore, pursuant to Article 20, *financial institutions, their directors, officers and employees are prohibited from disclosing to their customers or third parties that information concerning suspected money laundering and terrorist financing will be, is being or has been provided to the FIC*. The minor shortcoming concerns the absence of language to make it clear that the safe harbour also applies when the cause of action is breach of regulatory provisions. Whether, in practice that safe harbour would not be applied is doubtful- but hypothetically possible.

Designated non-financial businesses and professions

Recommendation 22 – DNFBPs: Customer due diligence

179. Ethiopia is rated largely compliant (LC) with R22. Gambling is prohibited by law and therefore there are no casinos legally operating in Ethiopia. Trust and company services are not offered by any profession in Ethiopia (including lawyers and accountants). Accountants and lawyers may occasionally provide advice on setting up a corporate structure- but their advice would always be limited to the legal aspects. They play no role in handling or managing client funds, or contributions for the creation/operation of business entities. Lawyers may (but rarely) provide advice on a real estate contract- but otherwise have no role in buying or selling real estate. Accountants play no role in real estate deals at all. The core of the CDD requirements are laid out in Proc. No. 780/2013 and DNFBPs are obliged under that law. However, as noted, the FIC Directive on customer due diligence is applicable only to financial institutions and not to DNFBPs. The two issues addressed exclusively in the FIC Directive (and thus not provided for DNFBPs at this time) are the identification of legal persons and arrangements, and what to do in the case of a failure to satisfactorily complete CDD. Since the more detailed provisions for CDD by DNFBPs have not been issued yet, no threshold for identification of customers by dealers in precious metals or stones has been established yet.

Recommendation 23 – DNFBPs: Other measures

180. Ethiopia is rated largely compliant (LC) with R23. All DNFBPs are obliged to file STRs- and an exemption exists for lawyers and legal professionals for information obtained “in the course of determining the legal position for their clients or performing their tasks of defending or representing those clients in, or concerning judicial proceedings”. There are no obligations on DNFBPs to conduct enhanced due diligence for higher risk countries identified as such by FATF since this is covered by the FIC CDD directive which does not apply to DNFBPs.

5.3 Effectiveness: Immediate Outcome 4 (Preventive Measures)

181. As mentioned previously, Ethiopia has yet to complete a ML/TF national risk assessment process. The NRA has not been completed at the national level, or at the sectoral or institutional level. When asked about their understanding of ML/TF risks, FIs and DNFBPs are able to give certain anecdotes, but information supporting those anecdotes is sparse. Of the FIs, banks have the most developed understanding of risk, and all banks interviewed mentioned the same areas as high risk – transactions in certain geographical (border) areas, large cash transactions, remittances/money transfers, provision of illegal (or unlicensed) MVTs providers, and financing of construction/real estate sector. Banks identified some measures to mitigate those risks including application of CDD measures and manual

monitoring of transactions. However, overall, the lack of technology and the relatively new nature of many of the technical requirements lead to very few mitigating measures commensurate with the risks. Outside of the banking sector there was a very low understanding of ML/TF risks and a lack of measures to mitigate those risks.

182. As described above, all legal MVTs occur through banks. However, the widespread illegal (or unlicensed) provision of these services, especially in certain geographical (border) areas was acknowledged. Banks indicated they would file an STR if they detected this illegal activity, and statistics provided by the FIC indicate that a large majority of STRs filed to date relate to “Illegal Hawalla” (see Table 2 below). Between January 2012 and March 2014 a total of 1134 STRs were submitted in this category, and over the same period only 29 STRs were submitted in all other categories combined. Neither the FIC and NBE as the regulator, nor law enforcement authorities in Ethiopia, have prioritized taking action to prohibit these service providers, nor has a plan been created to incorporate these service providers to the formal system. More should be done by the government of Ethiopia to understand the risks of illegal (or unlicensed) MVTs providers and address the issue.
183. FIs have a general understanding of their CDD and record keeping requirements. However, the lack of technological means to transmit and store information present serious challenges to compliance with those requirements and any ongoing monitoring. FIs indicated that if CDD is unable to be completed, business would be refused, but no information was provided to substantiate that assertion and certain examples were described that indicated business had not been refused. Ethiopia does not have a national or regional identification card; the large number of different identity documents (and sometimes the lack thereof) further complicates FIs ability to conduct CDD and the general population’s access to financial services. Each kebele (similar to a ward) has its own identity card and FIs described instances when false identity documentation had been used, particularly when receiving money transfers.
184. DNFBPs have not implemented any AML/CFT preventive measures yet and awareness of AML/CFT and the possible risk of their services being used for ML/TF purposes is low. DNFBPs also struggle with the same constraints as FIs, including lack of technological means and the lack of a consistent and verifiable identity document.
185. FIs interviewed provided consistent responses with regard to implementation of the requirements related to PEPs, correspondent banking and wire transfers. The relative isolation of the Ethiopian financial sector, as described above, reduces the exposure to certain international risks (including foreign PEPs and wire transfers that are not remittances). While banks indicated that significant scrutiny is given to new technologies by their own institutions and by the NBE, it did not appear that the scrutiny was done in the context of mitigating risk to AML/CFT. FIs and DNFBPs do not have measures in place to apply enhanced due diligence or countermeasures to business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF, or independently of any call by the FATF to do so. Ethiopia does not have measures in place to ensure that FIs and DNFBPs are advised of concerns about weaknesses in the AML/CFT systems of other countries.
186. FIs rely exclusively on their front-line staff for the identification of suspicious transactions and for the matching of United Nations sanctions lists against their database of customers (though the risk here is minimal given that other than staff of international organisations and embassies in Addis Ababa, no foreigners are allowed to have accounts in Ethiopia and there are currently no Ethiopians on the UNSCR 1267 list - only the Ethiopian branch of the Al Haramain foundation). The information technology infrastructure in place is rudimentary; STRs are filed by hand at the premises

of the FIC Statistics provided by the FIC (see tables below) indicate that the all STRs that have been received in the past three years have been submitted by FIs (all banks), and no STRs have been submitted by DNFBPs. Of the STRs submitted by FIs, almost all related to two categories of offense – “Illegal Hawalla” and “Foreign Currency Smuggling”. Given that the assessment team has determined that the main sources of illicit proceeds generating activity in Ethiopia are corruption, tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband, STR reporting by FIs does not appear to be focused on the areas of highest risk.

187. **As an overall conclusion for Immediate Outcome 4, Ethiopia has a low level of effectiveness** of FIs and DNFBPs applying AML/CFT preventive measures commensurate with their risks, and reporting suspicious transactions. There is a lack of understanding of ML/TF risks and only a preliminary understanding of AML/CFT obligations. Only the banking sector is consistently applying AML/CFT preventive measures (CDD, record keeping, internal controls, etc), with other FIs and DNFBPs mostly unaware of these obligations. FIs and DNFBPs are not applying comprehensive measures for TFS relating to TF, nor higher-risk countries identified by the FATF. STR reporting is only happening in the banking sector, and that reporting is lacking for TF and otherwise not focused on areas of highest risk for ML.

Table 1: STRs/CTRS Received and Disseminated

GENERAL STATISTICS ON STRS /CTRS RECEIVED AND DISSEMINATED	January 2012 – June 2012	July 2012 – June 2013	July 2013 – March 2014
Number of STRS received from Financial Institutions	29	544	490
Number of CTRs received from Financial Institutions	248590	994517	849338
Number of STRs received from DNFBPs	-	-	-
Number of CTRs received from DNFBPs	-	-	-
Number of STRs generated from Supervision	-	40	53
Number of STRs received from other informants	1	4	2

Number of STRs disseminated to Federal Police	4	9	52
Number of STRs disseminated to the Ministry of Justice	1	-	-
Number of STRs disseminated to NISS	1	1	-
Number of STRs disseminated to Federal Ethics and Anti-Corruption Bureau	-	2	-

**Table 2:
STRs received by predicate offence**

NUMBER OF STRs RECEIVED BY PREDICATE OFFENCE	January 2012 – June 2012	July 2012 – June 2013	July 2013 – March 2014
1. Participation in an organized criminal group and racketeering	-	-	-
2. Terrorism, including terrorist financing	1	1	-
3. Trafficking in human beings and migrant smuggling	-	1	-
4. Sexual exploitation, including sexual exploitation of children	-	-	-
5. Illicit trafficking in narcotics drugs and psychotropic substances	-	-	-
6. Illicit arms trafficking	-	-	-
7. Illicit trafficking in stolen and other goods	-	-	-
8. Corruption and bribery	-	2	-
9. Fraud	-	-	2
10. Counterfeiting Currency	-	-	-
11. Counterfeiting and Piracy of Products	-	-	-
12. Environmental Crime	-	-	-
13. Murder, grievous bodily injury	-	-	-
14. Kidnapping, illegal restraint and hostage –taking	-	-	-
15. Robbery or theft	-	-	-
16. Smuggling (including in relation to customs and excise duties and taxes)	-	-	-
17. Tax crimes (related to direct taxes and indirect taxes)	-	-	-
18. Extortion	-	-	-

19. Forgery	-	-	-
20. Piracy	-	-	-
21. Insider Trading and Market Manipulation	-	-	-
22. Illegal <i>Hawalla</i>	28	574	532
23. Foreign Currency Smuggling	1	10	11

5.4 Recommendations on Preventive Measures

188. Expand financial services to the unbanked and those without access to financial services - Given the very high percentage of the population that is without access to financial services, and the estimated very high volumes of transactions taking place in cash, unrecorded and untraceable, it will be important to ensure that the efforts of the NBE and the (public) financial sector to expand access, by offering low value accounts through traditional banks and through micro-finance institutions, be maintained and further strengthened. It is also important that efforts to expand financial inclusion be coordinated with efforts to ensure strong AML/CFT measures are in place, to ensure that ML/FT risks are considered and managed in this context. Once Ethiopia has established this understanding of ML/FT risks, some efforts to support financial inclusion to consider include enabling financial institutions to apply simplified CDD for low risk/low value financial services products, or providing guidelines on the acceptable identification documents to conduct the CDD process.
189. Provide further training and awareness raising to obligated entities - Given the fact that the AML/CFT system only started yielding results relatively recently and that many actors are not yet fully aware of their obligations or understand the ultimate objective, it will be important to ensure constant training in obligations of the FIs and DNFBPs, and ensuring awareness of the NRA findings (once completed) and how the government intends to address them. Given the likelihood that proceeds of crime are invested in real estate, it will be particularly important to ensure that real estate agents are made aware of their obligations under the AML/CFT legislation, and start inquiring into the source of funds.
190. Verifiable identification system/mechanism – Given that the lack of a verifiable identification system or mechanism at a national or local level complicates the ability of individuals to have access to financial services, Ethiopia should consider developing a mechanism for all citizens that could help facilitate access to formal financial services. This initiative should be closely coordinated and tied to financial inclusion efforts mentioned above.
191. Technological improvements – The rudimentary information technology systems prohibit financial institutions and DNFBPs from being able to comply with AML/CFT obligations currently as written. The government institutions, as well as the obligated entities should consider investing in basic technological improvements which could improve customer identification, record-keeping, reporting, and monitoring.
192. Resolve technical compliance deficiencies with regard to Recommendations 15 and 19. – Ethiopia should, at a national level, identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices. Also, Ethiopia should apply countermeasures proportionate to risks when called upon to do so by the FATF, independent of any call by the FATF, and should have measures in place to inform FIs of concerns about weaknesses in the AML/CFT systems of other jurisdictions.

6. SUPERVISION

Key Findings

All financial institutions and DNFBPs in Ethiopia are licensed, and subject to AML/CFT supervision under Proc. No. 780/2013. The legal framework governing AML/CFT supervision is generally solid, although the financial penalties are low and unlikely to be dissuasive. That legal framework so far remains ineffective since, other than for banks, no supervision for AML/CFT purposes is as yet being conducted. AML/CFT supervision for banks is not conducted with a risk-based approach. Legally, Proc. No. 780/2013 defines the National Bank as the regulatory authority and gives the FIC the power to conduct inspections either independently or in collaboration with the regulator.- In practice the FIC does the majority of AML supervision, but a clear division of tasks between regulator and FIC would be useful. Manpower in the FIC to conduct supervision is very limited. If the FIC continues to exercise this function for all obliged entities, as seems likely, then it will require significant extra staff to do so properly. Given the risks in non-financial sectors, it will be important that the FIC, acting with the government agencies that grant the relevant licenses, prioritise awareness raising among DNFBPs and through supervisory action ensure their implementation of AML/CFT obligations. No supervisory action has so far been taken to bring unlicensed providers of MVTS under the licensing regime.

6.1 Background and Context

193. Banks, insurance companies and microfinance institutions are subject to licensing and supervision by the National Bank of Ethiopia. There are no securities institutions. Directors and senior management of banks and insurance companies are subject to qualification criteria- shareholders are subject to propriety criteria, to prevent criminals from holding a significant interest or a management position with financial institutions. While the National Bank of Ethiopia is defined as the regulatory authority for financial institutions in the AML/CFT Proclamation, the FIC is granted the power to conduct inspections of financial institutions and DNFBPs to ensure compliance with AML/CFT requirements. To fulfil its functions the FIC has the power to obtain any information from reporting institutions. Within the FIC there is a team of three persons who has responsibility for this. The NBE's total staff dedicated to bank supervision amounts to 40 staff.
194. Dealers in precious metals and stones and real estate agent are licensed by, respectively, the Ministry of Mining and the Ministry of Urban Development, Housing and Construction. Accountants are licensed by the Office of the Federal Auditor- General (OFAG) in all of Ethiopia- except for two regions (the Amhara and Tigra regions) which have their own licensing system- which issues certificates of competence that are periodically reviewed. Many (but not all) accountants are members of the Ethiopian Professional Association of Accountants and Auditors (EPAAA), the professional representative body for accountants. Lawyers (advocates) are members of the Ethiopian Bar Association (EBA) and are licensed by the Ministry of Justice. Neither the OFAG, the EPAAA, the Ministry of Justice nor the EBA have so far issued any guidance or regulation on AML/CFT. The regulatory authority for DNFBPs is, according to the AML/CFT proclamation, "the government organ empowered by law to regulate such business or profession". Thus, for dealers in precious metals and stones, for real estate agents, for accountants and for lawyers the regulatory authority is considered to be, respectively the Ministry of Mining, the Ministry of Housing, the OFAG, and the Ministry of Justice.
195. In addition to Proc No. 780/2013 which grants the FIC the responsibility to supervise "independently or in collaboration with regulatory authorities" financial institutions and DNFBPs,

the FIC CDD Directive grants the FIC the competence to conduct risk based supervision of banks, insurance and money transfers institutions and stipulates that the frequency and intensity of that supervision be determined by the risk associated with the institution, and the country risk and that those risk profiles be reviewed periodically. The FIC has the responsibility to designate vehicle dealers; after which they will be supervised by Ministry of Transport.

6.2 *Technical Compliance (R.26-28, R.34, R.35)*

Recommendation 26 – Regulation and supervision of financial institutions

196. Ethiopia is rated largely compliant (LC) with R26. Proclamations Nos. 592/2008 and 746/2012 govern the licensing of banks and insurance businesses respectively, while Proc. No.780/2013 governs the AML/CFT supervision of all obliged entities, including financial institutions. The NBE functions as the licensing institution, conducts fit and proper tests and high-level supervision of AML/CFT. All financial institutions are supervised by the National Bank of Ethiopia. In accordance with the relevant laws all management (chief and senior executive officers) is subject to fit and proper testing- which includes a check of their experience/knowledge, their integrity (including any disciplinary measures) and their financial soundness. Influential shareholders (above 2%) are subject to integrity checks and financial soundness checks. To establish professional qualifications, a candidate needs to supply documents on education and previous employment which are checked by the NBE. To establish integrity the candidate submits a completed questionnaire that includes responses to questions on criminal records. Proc. No. 780/2013 grants the FIC the authority “either independently or in collaboration with regulatory authorities” to conduct inspections of obliged entities to ensure compliance. So far no risk-based supervision is being conducted in practice (26.6), nor is the frequency and intensity of supervision being determined on the basis of risk (26.5).

Recommendation 27 – Powers of supervisors

197. Ethiopia is rated compliant (C) with R27. The FIC “either independently or in collaboration with the regulatory authority” has the powers to conduct inspections of financial institutions and DNFBPs to ensure compliance with the proclamation (art 13.8). To that end the FIC has the power to conduct inspections and compel production of information. In addition, the concerned regulatory authorities shall supervise compliance with the proclamation (art 22).

Recommendation 28 – Regulation and supervision of DNFBPs

198. Ethiopia is rated partially compliant (PC) with R28. Each of the relevant DNFBPs is licensed under different proclamations. The existence of fit and proper tests to prevent criminals exercising influence over DNFBPs could not be ascertained for each category, notably real estate agents (28.4). As in the case of financial institutions, the FIC is designated either independently, or in collaboration with regulatory authorities to conduct inspections of obliged entities to ensure compliance with Proc. No. 780/2013 and in addition the concerned regulatory authority supervises compliance. As yet, no basis for risk-based supervision has been established, nor is any supervision taking place in practice (28.5).

Recommendation 34 – Guidance and feedback

199. Ethiopia is rated partially compliant (PC) with R34. While Proc. No.780/2013 provides for the establishment of guidelines, competent authorities, supervisors and self-regulating Bodies (SRBs) have not issued any guidelines to date. The FIC does provide feedback to the banks reporting STRs- often at the moment the STR is manually filed. In addition, the FIC meets with compliance officers quarterly, where, among other things, it shares with them outcomes of STRs and disseminations in

terms of investigations and prosecutions. The FIC has not provided guidance to reporting entities on ML trends and techniques. The FIC has not started providing feedback to DNFBPs because DNFBPs have not yet started reporting STRs.

Recommendation 35 – Sanctions

200. Ethiopia is rated largely compliant (LC) with R35. Criminal penalties are applicable to financial institutions and DNFBPs for failure to comply with CDD or reporting obligations. In addition the regulatory authority can impose administrative sanctions for failure to comply with AML/CFT preventive obligations which include written warnings, orders to comply with specific instructions, monetary fines from 10,000- 100,000 Birr (approx. 5,000 USD), barring individuals from employment within specific sectors, restricting management powers and suspension or revocation of licence. The financial sanctions are too low to be considered dissuasive.

6.3 Effectiveness: Immediate Outcome 3 (Supervision)

201. As noted, so far supervision is only being conducted of banks- which include MVTS services since all MVTS in Ethiopia are provided by banks. No regulatory action has been taken to identify those providing MVTS services without a licence. As shown earlier- the ML offence, i.e., criminal measures, is used to go after unlicensed providers of such services.

202. Regarding fit and proper tests: there is no database of criminal records and so the NBE is limited in its ability to independently verify the information supplied and has to rely on the honesty of the respondent. It was argued that in practice other shareholders would denounce a new 2% shareholder with a criminal record- since they would not want such a person to exercise any influence over a financial institution. As yet there have been no such instances. Given the overall culture of vigilance and surveillance- also at the citizens level- the assessment team finds that a plausible argument, provided there is no collusion to take over/infiltrate a financial institution. Given the fact that so far Ethiopian banks are exclusively owned and controlled by Ethiopians, and that money flows into/out of Ethiopia from abroad are minimal, risk of penetration of financial institutions by foreign criminal elements is low. If and when the sector opens up, better checks on background and information exchange protocols with foreign supervisory institutions will be necessary.

203. The NBE exercises on- and off-site supervision over banks for prudential purposes. 40 staff members are dedicated to supervision. As part of that prudential supervision there is some attention to AML/CFT issues. However, this is limited to a verification of whether the systems and internal controls (including reporting lines) are in place and whether all banks have a compliance officer- their actual application in individual instances is not checked. In practice the supervision conducted by the NBE is very high level and limited. Supervisors' knowledge of AML/CFT was similarly limited. Depending on prudential risk ratings all banks are inspected at least once every 2 years. The on-site inspections typically last one month.

204. The more detailed AML/CFT supervision is carried out by the FIC, since January 2013. The FIC assigned a team of three staff members to conduct on-site supervision. They received training from the NBE in the process of conducting on site supervision. There are plans to set up a separate department within the FIC dedicated to supervision of all obliged entities and to have more staff in that department.

205. FIC on-site visits are more detailed than those conducted by the NBE, reviewing not only the policies and procedures and staff training, but also transaction sampling. On the basis of random dates selected by the FIC supervisors, the banks will be asked to provide all transactions related to

that day, which are then checked by the FIC for compliance with the proclamation. CDD files are also selected on a random basis to verify whether all required information is provided in the CDD and account opening documentation. So far 13 out of the 19 banks have received on-site supervisory visits- a mix of low and high performing banks. Typically an on-site visit will require about 2 days on-site- many of the document will be taken off-site for further examination for another 4-5 days. After the process is finalized, an exit conference takes place with the bank president and the money laundering reporting officer to discuss the main findings and to discuss follow up action to be taken. On the basis of their on-site visits 93 STRs have been generated, which, although not the aim of an on-site inspection, is testimony to the thoroughness of the onsite inspection and scrutiny of individual transactions. In addition it demonstrates a need for continued awareness raising.

206. The number of staff currently dedicated to AML/CFT supervision within the FIC is too low. Three persons cannot by themselves conduct supervision of all obliged entities within Ethiopia. While the licensing institution, such as the NBE for banks, may provide some support, its knowledge of and familiarity with AML/CFT is too limited to expect it to go much beyond a high level check of whether basic systems and policies are in place. Therefore, the FIC is likely to continue to bear primary responsibility for conducting AML/CFT supervision.
207. At this stage the AML/CFT supervisory program is not risk based- no work has been conducted to determine higher and lower risk banking institutions and to devise a supervisory program accordingly. The national risk assessment process should provide a good basis to draw up such a program. The current focus on the banking sector stems more from a wish to comply with international standards because the banking sector is already well regulated and thus more easily brought into compliance, than from a considered understanding of the highest risks within Ethiopia, which, as indicated above, would probably focus more on the informal/unregulated activity.
208. So far only oral warnings have been given for any deficiencies that were noted during an on-site visit. Main failures identified relate to deficient identification data. Initially the NBE also noted the absence of a compliance officer as a failure- but that appears to have been remedied and all 19 banks now have such a function. While the newness of the system and the lack of familiarity with AML/CFT issues makes it unlikely that all banks are now in compliance and properly implementing their AML/CFT obligations, it is possibly too early to expect more severe regulatory action against individual banks. The FIC did indicate it has a follow-up process and monitors whether the improvements discussed at the exit meeting are indeed being adopted.
209. Banks indicated that both the supervisory process and the immediate feedback provided when an STR is submitted (as indicated earlier STRs are submitted by hand) seem to have contributed to the steady improvement of the quality of STRs submitted by banks. There is a MoU in place between the FIC and the NBE to facilitate the exchange of information between the two institutions, though so far such exchange has not taken place. Other than for banks (which include MVTS since they are always associated with a particular bank) no AML/CFT supervision has taken place of any other financial institution or DNFBP.
210. In conclusion: so far only the banking sector is being supervised and the work for other sectors is yet to start. Within that one sector supervision so far is across the board and not yet informed by an AML/CFT risk analysis. **Therefore and given the risk in as yet unsupervised sectors, effectiveness of immediate outcome 3 is rated as being low.** It is noted that coordination between banks and FIC appears to be working well and improving the quality of information submitted.

6.4 *Recommendations on Supervision*

211. Once the national risk assessment process has been completed, the results should be used to draw up a risk based strategy for supervision, prioritising those areas identified as most highly vulnerable. Within each sector, the FIC should work with the governmental agencies that licence the different obliged entities to determine which institutions are higher and lower risk and plan their on-site supervisory program accordingly.
212. Both the areas of unlicensed MVTS providers and real estate agents are likely to be determined to be high risk- and supervisory action could assist in mitigating that risk. The ML offence should not be used as the sole enforcement mechanism for MVTS licencing obligations. Criminal law efforts should be aimed at fighting crime- not enforcing financial regulation. Rather, the regulator for MVTS the NBE should apply regulatory sanctions to unlicensed MVTS providers. This may require a prior policy decision to ensure the NBE brings such unlicensed providers into the regulatory and AML/CFT system. Where initial regulatory sanctions are not effective (for example where repeat violations are identified) or when criminal activity is suspected, criminal actions may be appropriate. Authorities may wish to consider whether to continue the current policy of only allowing MVTS services to be delivered through banks- or whether to allow a wider circle of providers to offer such services. This would enable many of the existing service providers to be brought within a supervisory regime (involving licensing or registration) specifically tailored for MVTS business operations and services, and ensuring the wider availability of MVTS services.
213. In addition, the licensing authority for real estate agents should raise awareness among real estate agents and make a concerted effort, in conjunction with the FIC, to start enforcing AML/CFT preventive measures, ensuring agents conduct due diligence on the source of funds that are invested into real estate.
214. The FIC will require extra staff members to be able to broaden the scope of supervision and support other licensing institutions in their outreach efforts. The team does not recommend that the FIC be made solely responsible- but there could be merit in emulating the current dual structure in place for bank AML supervision in other areas as well, i.e., that the original regulator have a more general, high level objective of ensuring an entity have the basic building blocks in place and that the FIC conduct more detailed supervision. It will require further cooperation between the FIC and respective regulators, and possibly further MoUs between the agencies. The FIC should be provided with the extra financial resources to make this possible. Given the risks in non-financial sectors it will be important that the FIC, acting with the government agencies that grant the relevant licenses, prioritise awareness raising among DNFBPs and through supervisory action ensure their implementation of AML/CFT obligations. In the long term, as core/sectoral regulators become more familiar with AML/CFT requirements and develop further expertise, it may be possible to transition to a system under which they are wholly responsible for AML/CFT supervision, and the FIC is responsible only for those sector which have no regulatory authority of their own.
215. To enhance the dissuasive and proportionate character of the administrative sanctions, authorities may wish to consider increasing the upper-limit of the fine.

7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings

Ethiopia has not considered the risks of misuse of legal persons and arrangements for ML/TF purposes. To that extent there is a lack of awareness among competent authorities as to the vulnerabilities posed by legal persons. However, there is a perceived low risk of misuse of legal entities, given the lack of foreign ownership and control of legal persons in Ethiopia.

There is a functioning registration system for collection and maintenance of basic information of legal persons, and competent authorities have indicated that they have had timely access to information maintained in these registers. Proc. No. 780/2013, Article 5 makes it a requirement for legal persons to maintain information on their beneficial owners and control structure. However, it is doubtful if the existing requirements in relation to beneficial ownership information, under the FIC Directive No. 01/2014 are in fact applicable to legal persons, as per the requirements of R24.

Despite references to legal arrangements in the Proc. No. 780/2013 and the FIC Directive No. 01/2014, there is no legislative or regulatory framework for the creation and establishment of legal arrangements in Ethiopia. An earlier report had noted that legal arrangements may be created by a judicial decision, deed or will and some authorities confirmed this, others did not and some practitioners indicated there were no such structures. Since no document was provided that could corroborate their existence and there being no background of common law, the team concluded that there were no legal arrangements. Given the isolation of the economy, the lack of foreign economic presence, and cross border activity, there are no foreign legal arrangements operating in Ethiopia at this time. Consequently, R25 was considered not applicable. Legal arrangements are not currently an issue and are not likely to be so any time soon.

Some sanctions have been applied against legal persons for their inability to provide up to date and accurate information, but insufficient information has been provided to determine whether these sanctions are effective, proportionate or dissuasive.

7.1 Background and Context

(a) Overview of legal persons

217. The Commercial Code, 1960 as amended; the Civil Code, 1960 as amended; the Commercial Registration and Licensing Proc. No. 686/2010 as amended; the Investment Proc. No. 769/2012 and Regulation No. 270/2012 provide the legal and regulatory framework for the creation, registration and post-incorporation requirements of legal persons.

218. The Commercial Code of Ethiopia provides the legal framework for legal persons undertaking commercial activities in Ethiopia. Article 212 of the Commercial Code recognizes six forms of business organizations that may exist in Ethiopia, namely: ordinary partnerships, joint ventures, general partnerships, limited partnerships, share companies and private limited companies. Business organizations will be deemed to be a commercial nature if they carry out any of the activities, listed by Article 5 of the Commercial Code. The issuance of bearer shares is permissible under Ethiopian law, as per Article 325 of the Commercial Code. In addition, under Article 347 of the Commercial Code, bodies corporate may be directors of a company, which is a significant vulnerability.

219. As of March 2014, 747,799 business organisations were registered in Ethiopia; of which 675,579 are individual traders (consisting 85% of registered business entities) 497 are share companies (0.5%), 8975 are private limited companies (12%) and 8069 are joint ventures (2.5%). The Ministry of Commerce and Industry is the responsible authority for legal persons carrying out commercial activities in Ethiopia. Registration of companies is carried out by either the Registrar of Companies at the Ministry of Commerce and Industry or by the Regional Trade and Industry Bureaus or by Investment Agencies and Bureaus. Foreign entities need to be verified by the Investment Agency and can only be registered with the Ministry of Commerce and Industry. All other business organizations can decide to register centrally at the Ministry of Commerce and Industry or if more convenient, with regional trade and industry bureaus. An Investment Agency or Bureau will register a business organization when there is a need to issue that business organization with an investment permit.
220. A central commercial registration system has been established whereby registration information is collected by local registers and centralized in a national register maintained by the Registrar of Companies at the Ministry of Commerce and Industry. In accordance with Article 94 of the Commercial Code, entries in the commercial register must contain all principal, subsidiary or complementary registrations and be updated with all alterations and deletions. Articles 105 and 106 list the particulars that are to be included in the register with respect to the individual trader. Article 110 references the additional entries to be included with respect to business organizations, as per the requirements of Book II of the Commercial Code. Accordingly, the memoranda of association of companies, the registers of shareholders and directors are also submitted to the Ministry of Commerce and Trade.
221. Failure to register this information will be subject to sanctions and penalties as provided for in Article 423 of the Penal Code. To date, Ethiopia reports that there have been 45 instances in which sanctions have been applied for failure to provide relevant and accurate information in the register. Companies have been sanctioned by either having their license revoked, license suspended, or fines imposed. The information contained in registers is accessible to the public, on payment of a prescribed fee for search of a particular entry or relevant extract from the register, Article 92 of the Commercial Code. In accordance with Article 331 of the Commercial Code 1960, every share company is required to maintain register of shareholders. The register may be inspected by any shareholder free of charge and can be inspected by the public on payment of a prescribed fee. Competent and regulatory authorities may inspect and obtain information as necessary from the commercial register and registers of shareholders.
222. Legal persons created for non-commercial purposes, specifically charities and societies in Ethiopia are administered under the Charities and Societies Proc. No. 621/2009, which requires they be registered with the Registrar of Charities and Societies Agency. As of March 2014, there were 3,073 Charities and Societies registered in Ethiopia. Section 4 of this report discusses the legal entities that qualify as charities in further detail.

(b) *Overview of legal arrangements*

223. There currently exists no legal or regulatory framework for the establishment of legal arrangements in Ethiopia; and as such there is no formal system for registration of legal arrangements in Ethiopia. An earlier report noted that legal arrangements may result from a judicial decision, deed or will. The registration of these trusts would be carried out on a voluntary basis through the Documents Authentication and Verification Office. However, the Documents Authentication and Verification Office indicated that they did not register any legal arrangements as defined by FATF. Furthermore, practitioners indicated there were no such structures in Ethiopia. Considering this lack of clarity, the fact that Ethiopia is not a common law country, and the minimal cross border activity, and thus the

very low likelihood of any foreign trust or similar arrangement seeking to establish a presence or a business relationship in Ethiopia, the team considered that for this report R25 is not applicable (NA).

(c) *International context for legal persons and arrangements*

224. Ethiopia is not an international center for the creation or administration of legal persons or arrangements. Ethiopia remains largely unintegrated with the regional or global economy, with low levels of foreign direct investment flows, amounting to only about 0.8% of GDP between 2009 and 2012, related to manufacturing, agriculture and mining industries. Ethiopia is relatively isolated from the global financial system as a result of stringent controls on money transfers out of Ethiopia and no foreign ownership of financial institutions. Non-resident foreigners are not permitted to hold accounts in Ethiopian banks. Consequently only 9.5% of companies are controlled by foreign persons.

225. As mentioned, foreign persons wishing to invest in Ethiopia must first submit all documentation for verification to the Investment Agency and can only be registered through the Ministry of Trade. Foreign legal persons in Ethiopia are subject to monitoring by the Ministry of Trade or Investment Agency. No information was provided to what extent and how the Investment Agency or Ministry of Trade verify beneficial ownership information submitted by foreign entities.

7.2 Technical Compliance (R.24, R.25)

Recommendation 24 – Transparency and beneficial ownership of legal persons

226. Ethiopia is partially compliant (PC) with R24. There are no clear mechanisms for identifying and describing the different types and features of legal persons, the processes for creation of those legal persons and for obtaining and recording beneficial ownership information). In the absence of a national risk assessment or relevant typologies, Ethiopia has not assessed the ML/TF risk associated with legal persons created in country.

227. Articles 105, 106, 110, 323, 331, and 359 lay out the particulars of the basic information pertaining to legal persons that are to be maintained by the Commercial Register. Article 331 of the Commercial Code notes the information to be maintained for shareholders or members, however, there are no provisions for maintaining categories of share (including nature of the associated voting rights) in the register for shareholders or members.

228. Proc. No. 780/2013 and FIC Directive No. 01/2014 set out the requirements for maintenance of beneficial ownership information. It is a requirement under Article 5, of Proc. No. 780/2013 that “legal persons established in Ethiopia shall maintain adequate, accurate and current information on their beneficial owners and control structure”. However, the FIC Directive No. 01/2014, which is directed at financial institutions and CDD measures to be undertaken, does not reference Article 5 of Proc. No. 780/2013 as a basis for the Directive. Therefore, it is doubtful if the FIC Directive, Article 17 directed at financial institutions that have legal persons as customers, can be enforced against all legal persons established in Ethiopia. While Article 30(1) of Proc. No 780/2013 imposes sanctions – ranging from imprisonment of 3 to 5 years and a fine from Birr 5,000 to Birr 10,000 – against legal persons failing to comply with the requirements pursuant to Article 5 of Proc. No 780/2013; this does not cover the requirements for beneficial ownership information under the FIC Directive No 01/2014. Given that the FIC Directive entered into force recently, no sanctions have been imposed against legal or natural persons who have failed to comply with the requirements of this Directive. No information was provided on whether any sanctions had been provided on the basis of Article 30 of the Proclamation.

229. To date, authorities indicated they have not received any requests by foreign competent authorities for basic information held by the company register or information on shareholders held by companies. There are no provisions for Ethiopia to monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information.

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

230. For reasons stated above R25 is not applicable. It should be emphasized that this is a unique situation: not only does Ethiopia itself not have any trust-like structures, the assessment team also deems it highly unlikely that any foreign trustee would at this time ever considering establishing a relationship with an Ethiopian financial institution or DNFBP. Also, this is further impacted by the impossibility non-resident foreigners to open an account in Ethiopia.

7.3 Effectiveness: Immediate Outcome 5 (Legal Persons and Arrangements)

231. Since legal arrangements are not considered for this report, the discussion on Immediate Outcome 5 will focus on legal persons.

232. There is a functioning registration system for legal persons with a centralized system for collecting and maintaining basic information in the central commercial register. However given problems in identification of natural persons - this could potentially have an effect on the accuracy of the commercial register - although no persons or authorities mentioned such problems. Furthermore, documents supplied to the register are not further verified independently. Authorities indicated that businesses are required to renew their licenses yearly, requiring that the information maintained in the registers is accurate and up to date. The team was informed that this information is easily accessible and searchable through an electronic system. Competent authorities indicated that they had been able to get easy access to information on legal persons, as necessary from the central register. Financial institutions interviewed mentioned that when conducting verification of beneficial ownership and other information submitted by customers who are legal persons, they had been able to get timely access to information from the Ministry of Trade and Industry or relevant regional trade and industry bureaus. Between 2006 and 2014 the central registry noted that they had received up to 35 requests for information pertaining to legal persons.

233. However, it appears that up till now there have been no money laundering or terrorist financing (ML/TF) investigations or prosecutions involving legal persons. While Ethiopia is in the process of conducting a national risk assessment, no information was provided as to how and to what extent legal persons had been considered in this process. Ethiopia has also not conducted any typologies on misuse of legal persons. To that extent, they appear not to have considered the risks of misuse of legal persons for money laundering and terrorist financing offences. No action appears to be contemplated to deal with the potential misuse of bearer shares.

234. The measures under the AML legislation compelling legal entities to maintain beneficial ownership information have only been recently introduced and there is a lack of awareness among legal entities of these obligations. The team considers it unlikely that legal entities are complying with this obligation at this time.

235. Competent authorities did not indicate that they had ever made requests for basic or beneficial

ownership information, or ever sought to investigate beneficial owners residing abroad.

236. Given that corporate bodies are permitted to be directors of companies, this adds another layer to determining which natural person is ultimately in control. While at this time, the team is not aware that there are any such corporate directors, this is a significant vulnerability.
237. Nevertheless, given that Ethiopia is not an international center for the creation and administration of legal persons and legal arrangements, it is unlikely that Ethiopia is being used as a jurisdiction for the creation of shell companies to funnel illicit proceeds from money laundering or terrorist financing activities. Thus, the threat of their abuse to conceal beneficial ownership is considered low. For domestic beneficial owners, barring identification problems in some cases, authorities will generally be able to find the relevant information within Ethiopia, and the links with the outside world are few.
238. While acknowledging that there may be a low threat that legal persons are misused for criminal purposes in Ethiopia, no attempts have been made by Ethiopia to identify, assess and understand the vulnerabilities and extent to which legal persons created in the country can be misused for ML/TF and address potential vulnerabilities of bearer shares. There has also been a lack of information or statistics provided to the assessment team in relation to access to basic and beneficial ownership information by competent authorities, international cooperation and sanctions imposed. **Given the low threat, but unaddressed vulnerabilities, Immediate Outcome 5 is rated moderate.**

7.4 Recommendations on Legal Persons and Arrangements

239. As mentioned, it is doubtful if the FIC Directive can impose requirements on legal persons established in Ethiopia. Proc.780/2013, Article 5 should be added as a basis for the Directive or enact separate and specific directives for legal persons as per the requirements of R24. Ethiopia must ensure they have a comprehensive system in place for ensuring that there is access to accurate and up to date beneficial ownership information, and that this information is available on a timely basis.
240. Carry out awareness-raising of the risks of misuse of legal persons. In the absence of a national risk assessment, it is recommended that Ethiopia undertake a typology to further understand the risk of misuse of legal persons. There should be awareness raising among competent authorities to identify, assess and understand the vulnerabilities and extent to which legal persons created in Ethiopia can be misused for ML/TF. In addition, measures should be put in place to make sure that bearer shares cannot be misused.
241. Clarify the existence of legal arrangements in Ethiopia, noting that an earlier report suggested that legal arrangements may result from a judicial decisions, deed or will, even though the team was unable to confirm this.

8. INTERNATIONAL COOPERATION

Key Findings

Mutual legal assistance and extradition are provided under Proc. No. 780/2013. Ethiopia is a party to the Vienna Convention, the Palermo Convention, the United Nations Convention against Corruption, and the Terrorist Financing Convention. Other forms of international cooperation are provided for the FIC (Proc. No. 780/2013) and the Federal Police (Proc. No.720/2011), but not for the FEACC, Revenue and Customs Authority, or supervisors.

The legal framework is largely in place, with the main deficiencies being the lack of systems to manage cases and manage and dispose of assets, the requirement for dual criminality for non-coercive measures, and the lack of powers of the FEACC, Revenue and Customs, and supervisory authorities to exchange information with foreign counterparts. The system has not established itself as being effective in conducting international cooperation. There are no mechanisms and expertise within the FIC to conduct MLA or extradition in ML/TF cases, lack of management systems at the Ministry of Justice, limited examples of other forms of cooperation, and the requests submitted are not commensurate with the risks faced in Ethiopia. It will be important for the authorities to conduct awareness-raising and training on international cooperation with the various stakeholders, clarify the role of the FIC, establish systems for managing all cases, and begin to use the various international cooperation channels in ML/TF and other proceeds generating cases.

8.1 Background and Context

242. Some of the main sources of illicit proceeds generating activity involve international aspects as part of the predicate crime, in particular crimes involving human trafficking and migrant smuggling, arms trafficking, smuggling of contraband, and terrorism financing. Countries identified as being somehow involved in these activities include the bordering countries of Eritrea, Kenya, Somalia, and South Sudan, as well as Yemen and Saudi Arabia. Although it is not clear how and where proceeds of these and other crimes are laundered, there are cases in which proceeds and/or offenders have moved to/through foreign jurisdictions.
243. Given Ethiopia's isolation from the global financial system, the strict foreign currency controls and restrictions on foreign ownership, it is highly unlikely that Ethiopia's formal financial sector would be used to launder funds from abroad.
244. Articles 38-51 of Proc. No. 780/2013 set out the requirements and procedures for MLA and extradition in ML/TF cases. Assistance is provided on the basis of multilateral conventions (IGAD Convention on Mutual Legal Assistance in Criminal Matters Ratification Proc. No. 732/2012 [Convention not yet in force], and the UNCAC Ratification Proc. No. 544/2007; and bilateral treaties (Djibouti and Sudan for MLA and extradition on all criminal matters, and Yemen for MLA and extradition on security and terrorism issues). Ethiopia does not have legal provisions which permit the provision of assistance on the basis of reciprocity. Extradition requests are transmitted as mutual legal assistance requests through the Ministry of Foreign Affairs to the Ministry of Justice.

245. For other forms of cooperation, the FIC may share information with foreign counterparts or enter into agreements (e.g., MOUs) with other FIUs for the exchange of information pursuant to Proc. No. 780/2013, Article 14. Pursuant to Article 6(37) and 6(38) of Proc. No. 720/2011, the Federal Police may establish relations with foreign counterparts and exchange information with international police.

246. The FIC has the responsibility and power to receive MLA and extradition requests in ML/TF cases and to transmit them to the competent authorities for execution (Article 47, Proc. No 780/2013). The Ministry of Justice is the central authority for all criminal matters. The Ministry of Justice established a directorate in 2012 and has three experts and one acting director.

8.2 Technical Compliance (R.36-40)

Recommendation 36 – International instruments

247. R36 is rated partially complaint (PC) at this time. Ethiopia acceded to the Vienna Convention in 1994. The Palermo Convention, the Merida Convention and the Terrorist Financing Convention were ratified through Proc. Nos. 526/2007, 544/2007 and 734/2012 respectively. No further information has been provided as to how the relevant articles of these international instruments have been incorporated into domestic law.

Recommendation 37 - Mutual legal assistance

248. Ethiopia is largely compliant (LC) with R37. Ethiopia has a legal basis that allows them to provide a range of mutual legal assistance in ML/TF. The deficiencies relate to the lack of provisions permitting the use reciprocity or similar measures as a legal basis for MLA, the lack of a case management system or processes for the prioritization and timely execution of requests, either at the FIC or the Ministry of Justice. In addition, there is nothing that removes the dual criminality condition in requests for non-coercive actions.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

249. Ethiopia is largely compliant (LC) with R38. Ethiopia provides the same assistance with tracing, freezing and confiscation as it conducts domestically. There are deficiencies in that Ethiopia does not permit coordinated seizure and confiscation actions with other countries, and nor is there a process for the management of property frozen or seized at the request of another country. Also, although there is the possibility for agreements on the disposal of confiscated property (asset sharing), the process or authority for negotiating these agreements is unclear.

Recommendation 39 – Extradition

250. Ethiopia is largely compliant (LC) with R39. A case management system for extradition requests and clear processes for the timely execution of requests has not been established. Under Proc. 780/2013, Art. 46, simplified procedures exist only in cases where person whose extradition is requested explicitly consents. Other simplified extradition mechanisms (e.g., direct transmission of requests for provisional arrests, or extraditing person based only on warrants of arrests or judgments) are not provided.

Recommendation 40 – Other forms of international cooperation

251. Ethiopia is non-compliant (NC) with R40. Outside of the MLA process, there is a very limited basis for the exchange of information among between competent authorities with foreign

counterparts in connection with money laundering or financing of terrorism. Aside from exchanges permitted between the FIC and Federal Police and their counterparts (outlined above), there is only limited scope for exchanges between other law enforcement authorities and their foreign counterparts, or between financial supervisors and their foreign counterparts. Ethiopian authorities have signed a letter of intent with ARIN-EA which may in the future, provide for an information sharing mechanism among members to the extent permitted by their Ethiopian domestic legal framework. In addition, the exchanges permitted between the Federal Police and their counterparts are limited. Although they may establish relations with foreign counterparts and exchange information with international police (Article. 37 and 38 of Proc. No. 720/2011), a legal basis for the use of investigative powers to conduct inquiries and to obtain information on behalf of foreign counterparts outside of MLA is not provided. There are no provisions for the formation of joint investigative teams. Ethiopia does not have provisions allowing for the indirect exchange of information between financial supervisors, nor between competent authorities with non-counterparts.

8.3 *Effectiveness: Immediate Outcome 2 (International Cooperation)*

252. With the legal framework for ML/TF and international cooperation only recently in force, the recent establishment of a directorate for MLA/extradition at the Ministry of Justice in 2012, the limited number of ML cases being investigated, and the context of Ethiopia's isolation from the global financial and economic system, there has been little experience in sending or receiving requests for MLA/extradition in cases related to ML, TF or the associated predicate offences by either of the designated central authorities (Ministry of Justice or FIC). A further complication is the low staffing levels and the lack of any system to manage cases and retain information on past cases, resulting in the inability to confirm basic information or statistics on international cooperation, including on the number of requests sent/received, whether it was an MLA or extradition request and the countries and crimes involved.
253. At the Ministry of Justice, the designated central authority for MLA and extradition in criminal matters, approximately 22 MLA and six extradition requests were received between July 2012 and March 2014. None of the requests involved money laundering, terrorist financing, or any of the main sources of illicit proceeds. Despite the relatively low number of cases, the authorities could not confirm basic details on their cases, such as the crimes and countries involved. Only general information was provided, such as names of countries (i.e., Turkey, UAE, Thailand, Switzerland) and offences (i.e., rape, child abduction), but not broken down case-by-case. None of the requests resulted in the freezing or confiscation of assets, use of simplified extradition procedures, or a request to extradite an Ethiopian national.
254. Although the Ministry of Justice was not able to provide a break-down of requests responded to and the time required, the authorities' reports to have responded to MLA requests in a timely manner (approximately 3 weeks) and has not sent a refusal to any request for assistance. Regarding extradition, three requests were fully executed and three are pending, due to formalities that need to be met; no information was provided on the amount of time taken to process the requests. No information to the contrary was received from other countries or in response to the request from the ESAAMLG and FATF Secretariats to members of FATF and FSRBs seeking information on experiences with international cooperation with Ethiopia
255. Between July 2012 and March 2014, seven MLA requests were sent to foreign jurisdictions; including one ongoing case with Djibouti involving illegal trade, tax fraud and money laundering (the information on the other two cases could not be confirmed). The request was responded to within 4 weeks.

256. In addition, the authorities provided one example where the Ministry of Justice had worked with the central authority in the requested country, resulting in an exchange of information between law enforcement authorities that allowed Ethiopia to improve and narrow its request.
257. Article 47 of Proc. No.780/2013 designates the FIC with the power to receive MLA and extradition requests from foreign jurisdictions on ML/FT cases. Although this authority has yet to be ‘tested’, it far exceeds the expertise and capacities of the FIC, diverting much-needed resources away from the core responsibilities of the FIC under Recommendation 30 to issues that could be covered by experience MLA and extradition practitioners in the Ministry of Justice. With this current situation, the involvement of the FIC appears to have added an additional step (and corresponding time delay) for processing MLA and extradition requests in ML/FT cases.
258. Similarly, there have been few examples of exchanges of financial intelligence and supervisory, law enforcement or other information with foreign counterparts. The FIC, NBE, and the Revenue and Customs Authority have not sought or provided other forms of international cooperation. The Revenue and Customs Authority should have many examples of exchanges given their role in policing the borders and the amount of cash and goods seized at the points of entry. Although the FIC is permitted to share financial intelligence with foreign counterparts (Article 14 of Proc. No. 780/2013), the requirement for reciprocity limits potential disclosures because many foreign counterparts can only promise reciprocity to an FIU that is a member of the Egmont Group or with whom it has signed an MOU. Ethiopia FIC is not a member of the Egmont Group and it has not signed any MOUs with foreign counterparts.
259. The Federal Police has some experience with the exchange of information with foreign counterparts in cases, but could not confirm the crimes involved. They indicated that they have experience cooperating with a number of countries, including the United States, several European and Middle Eastern jurisdictions, as well as with Sudan, South Sudan, Somalia, Djibouti, Kenya, Rwanda, Uganda, Nigeria, and Tanzania. Similarly, the Federal Police has experience using law enforcement networks to exchange information, including Interpol, Afropol, and the East African Police Commission. Ethiopia has not received or sent requests for cooperation in identifying and exchanging basic and beneficial ownership information of legal persons and arrangements.
260. Of the 2,036 cases investigated by the FEACC since July 2010, they indicated that there has been only one case involving a foreign jurisdiction. In this particular case, the offender absconded to a foreign jurisdiction with his proceeds. The FEACC attempted to cooperate through the law enforcement channel.
261. On the one hand, there is a low-likelihood that the Ethiopian financial system would be used to launder foreign proceeds. Where assistance has been requested, Ethiopia has examples of where it has provided MLA and foreign cooperation between law enforcement authorities in a timely manner and no countries have indicated problems with international cooperation. On the other hand, there are significant issues with the seeking of international cooperation and the management of information which limit Ethiopia’s effectiveness. Requests are not consistent with the main sources of illicit proceeds generating activity; there is a lack of other forms of cooperation particularly between the FIC and foreign counterparts and the Revenue and Customs Authorities and foreign counterparts; there is an absence of a system to manage cases and preserve the limited experience that is available at the Ministry of Justice; and there is no mechanisms or expertise within the FIC to

conduct MLA or extradition. When considered together, these result in a **moderate level of effectiveness on Immediate Outcome 2.**

8.4 *Recommendations on International Cooperation*

262. The exchange of other forms of international cooperation between foreign counterparts is an essential building block for effective MLA and extradition requests. Increasing these exchanges requires awareness-raising and training on ML/TF and international cooperation with all agencies involved – the FIC, NBE, FEACC, Revenue and Customs Authority, and the Federal Police. It will also require additional staff and resources to facilitate these exchanges or conduct the cases. In terms of outgoing requests, cases involving ML/TF and the main sources of the illicit proceeds generating activity should be prioritized.
263. Ethiopia should expand the types or numbers of cooperation arrangements with other countries, in particular to include the exchange of information on the basis of reciprocity.
264. With regard to the process for MLA and extradition, it will be important to clarify the role of the FIC and consider delegating the power to receive MLA and extradition requests to the Ministry of Justice. Additional resources are required to increase staffing, to fund technology that facilitates the management of cases and maintenance of accurate statistics, and to provide training on MLA and extradition.

**THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA**

**DETAILED ASSESSMENT REPORT
ON ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM**

TECHNICAL COMPLIANCE ANNEX

The following table is intended to identify the provisions in the Ethiopian legal framework that satisfy the relevant criteria of the FATF Recommendations. There will only be additional explanation when the relevant criterion is partially met or not met. If the criterion is sufficiently important to the effectiveness of the Ethiopian AML/CFT system, it is discussed in the body of the report.

FATF Rec.	Yes No In Part NA	Factors underlying the rating
R. 1 ASSESSING RISKS AND APPLYING A RISK-BASED APPROACH		NC
OBLIGATIONS AND DECISIONS FOR COUNTRIES		
Risk assessment		
	No	In Ethiopia, a national committee on AML/CFT (NAMLC) has been established and this Committee is leading the national risk assessment (NRA) now being conducted in Ethiopia. The major objective of this assessment includes but is not limited to identifying and assessing as well as to prioritizing the risks of ML/TF in Ethiopia in an effective and efficient manner. However while the risk assessment process has been initiated, it has not yet been completed and no areas of higher risk have been identified.
	Yes	Article 13 (3), (7) & (9) of Proclamation No. 780/2013 and Article 12(2) of FIC Regulation No.171/2009, the Financial Intelligence Center of Ethiopia has been assigned to coordinate the NRA being conducted under the direction given by NAMLC.
	Yes	In Ethiopia, a NRA is being conducted for the first time and this will be done on a continual basis in order to keep the risk assessments up-to-date.
	Yes	Article 13 (1), (3) & (7) Proclamation No. 780/2013 and Article 12(2) of FIC Regulation No.171/2009, the FIC is mandated to provide information on the findings of the NRA. This has further been strengthened by the signing of Memorandum of Understandings with different stakeholders.
Risk mitigation		
	No	The team did not consider that there was a comprehensive understanding of national risk that informed government action. Thus no mitigation measures had been put in place to allocate appropriate resources to areas of identified higher risk.
1.6 (a)	NA	
(b)	NA	
1.7 (a)	Yes	Article 9(1)(a) of Proclamation No. 780/2013, financial institutions and DNFBPs are required to take enhanced CDD measures whenever they identify higher risk of ML/TF.
(b)	Yes	Article 6(1) of Proclamation No. 780/2013, financial institutions and DNFBPs are required to take into account information regarding the risks of ML/TF in Ethiopia as identified and assessed at a national level under the direction of NAMLC and under the coordination of FIC.

1.8	Yes	Article 9(1)(b) of Proclamation No. 780/2013, financial institutions and DNFBPs are allowed to take simplified CDD measures in the case of identifying lower risks.
R. 2 NATIONAL COOPERATION AND COORDINATION		PC
1.9	Yes	Articles 13(8) & 22(1) of Proclamation No. 780/2013, the FIC and Regulatory Authorities are mandated to inspect or supervise compliance of financial institutions and DNFBPs with respect to the requirements set under the Proclamation which has been enacted in lined with FATF Recommendations.
OBLIGATIONS AND DECISIONS FOR FINANCIAL INSTITUTIONS AND DNFBPS		
Risk assessment		
1.10	Yes	Article 6(1) & (7)(a) of Proclamation No. 780/2013
(a)	Yes	Article 6(2) of Proclamation No. 780/2013. Article 6 (i) of FIC Directive No 01/2014
(b)	In Part	Article 6(7)(b) of Proclamation No. 780/2013, they are required to take appropriate measures to manage and mitigate the risks. Article 6 (ii) of FIC Directive No 01/2014 is not applicable to DNFBPs
(c)	Yes	Article 6(2) of Proclamation No. 780/2013, the risk assessment conducted must be kept up-to-date. Article 6 (iii) of FIC Directive No 01/2014
(d)	In Part	Article 6(2) of Proclamation No. 780/2013, the risk assessment conducted must be readily available to the FIC and other competent authorities. Article 6 (iv) of FIC Directive No 01/2014
Risk Mitigation		
1.11 (a)	In Part	Article 11 of Proclamation No. 780/2013, they are required to have internal prevention programs to enable them to manage and mitigate the risks identified both at a national and institutional level. Article 9 (a) FIC Directive No 01/2014 states that this program must be approved by the senior management. The risk mitigation measures that FIs and DNFBPs are required to take are limited to FIs only.
(b)	In Part	Article 11(1) of Proclamation No. 780/2013 Article 9(b) of FIC Directive No 01/2014 The risk mitigation measures that FIs and DNFBPs are required to take are limited to FIs only
(c)	Yes	Under Article 9(1)(a) of the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No. 780/2013, financial institutions and DNFBPs are required to take enhanced CDD measures whenever they identify higher risk of ML/TF.
1.12	In Part	Article 9(1)(b) of Proclamation No. 780/2013 and Article 31 (1) of FIC Directive No. 01/2014 Under Article 30(1) of FIC Directive No. 01/2014, they are required to take an enhanced CDD measure whenever there is a suspicion of ML/TF. The risk mitigation measures that FIs and DNFBPs are required to take are limited to FIs only.

2.1	No	The policy is expected to be formulated once the NRA has been completed. Till then, the system has not been tailored to address assessed risks.
2.2	Yes	NAMLC has a major responsibility here. Besides, the FIC is mandated to coordinate in accordance with Article 13(9) of Proclamation No.780/2013. The Board of Directors of the FIC is empowered to advise the Ethiopian government on legislative, regulatory and policy reforms in relation with ML/TF.
2.3	In Part	Articles 13, 21 and 22 of Proclamation No.780/2013, the FIC (i.e., under its coordination) and other competent authorities as well as regulatory authorities are required to cooperate domestically with each other in combating ML/TF. However not all DNFBP regulatory/licensing authorities contribute to domestic policy setting body (c2.3)
2.4	No	No consideration of financing of proliferation

R. 3 MONEY LAUNDERING OFFENCE			LC
3.1	Yes	ML is criminalized on the basis of the Vienna and Palermo Convention: Article 29 (1)(a),(b)(c) (d) of Proclamation No.780/2013	
3.2	Yes	The predicate offences for ML cover any offence capable of generating funds and with a maximum penalty of more than one year: Article 2(4) of Proclamation No. 780/2013. Each of the designated categories of offences are covered under this definition, with offences set out in Proclamations 414/2004 (Criminal code), 780/2013 (ML/TF), 652/2009 (Anti-Terrorism), 622/2009 (Customs), 110/1998 (Stamp Duty), 285/2002 (VAT), 286/2002 (Income tax), 307/2002 (Excise Tax), 308/2002 (Turnover Tax), 551/2007 (Commodity Exchange Authority).	
3.3 (a)	NA	Under Article 6(9)(f) of Proclamation No.780/2013 and Article 33(2)(b) of FIC Directive No. 01/2014	
3.4	Yes	The ML offence extends to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime: Articles 2 (3), (4), (5) and Article 29 of Proclamation No. 780/2013	
3.5	Yes	A conviction for the predicate is not required: Article 29 (3)(b) of Proclamation No. 780/2013.	
3.6	Yes	Predicate offences extend to conduct committed outside of Ethiopia: Article 29(3)(c) of Proclamation No. 780/2013	
3.7	Yes	ML offense applies to persons who have committed the predicate: Article 29(3)(d) of Proclamation No. 780/2013	
3.8	Yes	Knowledge, intent or purpose can be inferred from objective factual circumstances: Article 29(3)(a) of Proclamation No. 780/2013	
3.9	No	The criminal sanction for ML is rigorous imprisonment from 10-15 years and with fine not exceeding 100,000 Birr. In aggravating circumstances, the penalties will be increased from 15-25 years and with fine not exceeding Birr 150,000: Article 29(1) and (2) of Proclamation No. 780/2013. Sanctions (10-15 years) are disproportionate for cases of minor involvement. Penalties can be reduced in mitigating circumstances under Article 34 of Proclamation No. 780/2013, although this applies only to offenders seeking to assist the investigation.	
3.10	Yes	There is criminal liability for legal persons under Article 34 of the Criminal Code and Article 2(31) of Proclamation No	

		780/2013 which defines a “person” to mean any natural or legal person. Criminal sanctions under Proclamation No. 780/2013 are against “any persons” and so legal persons are included. In addition, Article 33 of Proclamation 780/2013 provides for augmented penalties for legal persons convicted under Articles 29 and 31 of the Proclamation (ten times the fine specified). Article 90(3)(d) of the Criminal Code specifies a fine of five fold in cases of juridical person. Administrative measures: Article 22(3) of Proc. No. 780/2013 outlines administrative sanctions for reporting entities. Civil liability, Article 101, 102 and 405 CC. Permits joining to criminal case only.
3.11	Yes	Ancillary offences are set out under Article 29(1)(d) of Proclamation No. 780/2013.

R. 4 CONFISCATION AND PROVISIONAL MEASURES			LC
4.1 (a)	Yes	Measures to confiscate property laundered: Article 35 (1)(a) of Proclamation No.780/2013	
(b)	Yes	Measures to confiscate proceeds or instrumentalities: Article 35(1) (b) and (c) of Proclamation No. 780/2013 Article 2(16) defines instrumentalities to include property “used or intended to be used...”	
(c)	Yes	Measures to confiscate proceeds of for use in financing of terrorism: Article 35 (1) (a)-(e) of Proclamation No. 780/2013 Article 27 of Proclamation 652/2009 for proceeds of terrorism and terrorist organizations.	
(d)	Yes	Measures to confiscate property of corresponding value: Article 35 (1)(e) of Proclamation No. 780/2013	
4.2 (a)	Yes	Measures to identify, trace, and evaluate property: Article25 (1) of Proclamation No. 780/2013, Article 7(5) of Proclamation No. 433/2005, and Article 42 of Proclamation No. 434/2005.	
(b)	Yes	Provisional measures: Article36 & 37 of Proclamation No. 780/2013 (ML, TF offences) Article32 &33 CPC (general search and seizure provisions), Article7 (5) & (6) of Proclamation No. 433/2005 and Article 8 of Proclamation No. 434/2005 (corruption offences), and Article 82 & 109 of Proclamation No. 622/2009 (customs offenses). Procedures for ex parte restraining orders are provided under Article 12(2) of Proclamation 434/2005	
(c)	Yes	Measures to void actions: Article32 (1) and Article 35(5) of Proclamation No. 780/2013.	
(d)	Yes	Appropriate investigative measures: - Article25 &26 of Proclamation No. 780/2013 in ML/TF cases and Article 46 and 47 of Proclamation No. 434/2005. See also: The Federal Ethics and Anti-corruption Commission pursuant to Article7(4) of Proclamation No.433/2005; the Ethiopian Revenues and Customs Authority pursuant to Article6(10) of Proclamation No. 587/2008 and Article81,82,84,86 of Proclamation No. 622/2009; the Ministry of Justice pursuant to Article16(5) of Proclamation No 691/2010.	
4.3	In Part	Laws protecting bona fide third parties at Article 35(5) & Article 36(2) of Proclamation No. 780/2013. There are no provisions that address notice to the property holder or third party. Article 27(3) of Proclamation No. 652/2009.	
4.4	In Part	Mechanisms for asset management are limited to a court appointed receiver and the affixing of seals: Article17-28 of	

		Proclamation No.434/2005. While there are mechanisms for disposal of property seized pursuant to a customs offence (see Article31,104, 105 of Proclamation No. 622/2009), there are no mechanisms for disposal of property seized pursuant to a money laundering investigation (there are no provisions in 434/2005 or 780/2013).
NCB	Yes	Article 35(3) allows for confiscation without a conviction in cases where the offender is unknown, has absconded, or has died.

R. 5 TERRORIST FINANCING OFFENCE			LC
5.1	Yes	Ethiopia is a state party to the UN Convention for the Suppression of the Financing of Terrorism and criminalizes TF in Proclamation No. 780/2013, Article 31.	
5.2	Yes	Proclamation 780/2013, Art. 31,	
5.3	Yes	Article 2(5), 55(2), and Article 31(1)(a) of Proclamation No. 780/2013. Provision defines fund as “any asset”, but does not expressly provide from illegal sources.	
5.4	Yes	Article 31(1) (a) (2)(3) of Proclamation No. 780/2013.	
5.5	Yes	Article 29 (3) (a) Proclamation 780/2013	
5.6	No	The criminal sanction for TF is rigorous imprisonment from 10-15 years and with fine not exceeding 100,000 Birr. In aggravating circumstances, the penalties will be increased from 15-25 years and with fine not exceeding Birr 150,000: Article 29(1) and (2) of Proclamation No. 780/2013. Sanctions (10-15 years) are disproportionate for cases of minor involvement. Penalties can be reduced in mitigating circumstances under Article 34 of Proclamation No. 780/2013, although this applies only to offenders seeking to assist the investigation.	
5.7	In part	There is criminal liability for legal persons under Article 34 of the Criminal Code and Article 2(31) of Proclamation No 780/2013 which defines a “person” to mean any natural or legal person. Criminal sanctions under Proclamation No. 780/2013 are against “any persons” and so legal persons are included. In addition, Article 33 of Proclamation 780/2013 provides for augmented penalties for legal persons convicted under Articles 29 and 31 of the Proclamation (ten times the fine specified). Article 90(3)(d) of the Criminal Code specifies a fine of five fold in cases of juridical person. Administrative measures: Article 22(3) of Proc. No. 780/2013 outlines administrative sanctions for reporting entities. Civil liability, Article 101, 102 and 405 CC. Permits joining to criminal case only.	
5.8	Yes	Article 27 of the Criminal Code and Article 31 (1)(d) of Proclamation No. 780/2013.	
(a)	Yes	Article 37 of the Criminal Code and Article 31 (1)(d) of Proclamation No. 780/2013.	
(b)	Yes	Article 31(1) (c) of Proclamation No. 780/2013.	
(c)	Yes	Article 31(2)(b) of Proclamation No. 780/2013.	
(d)	Yes	Article 31(d) of Proclamation 780/2013.	

5.9	Yes	Article 2(4) of Proclamation 780/2013 defines predicate offences as any offence capable of generating proceeds of crime and punishable at least with simple imprisonment for one year. However, TF is not expressly designated as a ML predicate offence.
5.10	Yes	Article 2(6), (7) and (8) of Proclamation No.780/2013.

R. 6 TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORIST FINANCING			NC
Identifying and designating			
6.1(a)	No	Does not have a designated competent authority or court with responsibility for proposing persons or entities to the 1267/1989 Committee or 1988 Committee.	
(b)	No	Does not have a mechanisms or procedures for identifying and designating persons or entities to be proposed to the 1267/1989 Committee or 1988 Committee.	
(c)	No.	Does not have a mechanisms or procedures for identifying and designating persons or entities to be proposed to the 1267/1989 Committee or 1988 Committee.	
(d)	No	Does not have a mechanisms or procedures for identifying and designating persons or entities to be proposed to the 1267/1989 Committee or 1988 Committee.	
(e)	No	Does not have a mechanisms or procedures for identifying and designating persons or entities to be proposed to the 1267/1989 Committee or 1988 Committee.	
6.2 (a)	In part	Under Proclamation No.652/2009, an organization is designated as a terrorist organization by the House of Peoples' Representatives; however, at the time of the on-site visit, no provisions in force and effect for the designation of individual terrorists or for determinations on designations at the request of another country.	
(b)	No	No regulations in force and effect by the end of the on-site visit to implement UNSCR 1373.	
(c)	No	No regulations in force and effect by the end of the on-site visit to implement UNSCR 1373.	
(d)	No	No regulations in force and effect by the end of the on-site visit to implement UNSCR 1373.	
(e)	No	No regulations in force and effect by the end of the on-site visit to implement UNSCR 1373.	
6.3 (a)	No	No regulations in force and effect by the end of the on-site visit regarding the legal authorities and procedures to collect or solicit information to identify persons or entities that meet the criteria for designation.	
(b)	No	No regulations in force and effect by the end of the on-site visit setting forth procedures for proceeding ex parte against a person or entity who has been identified and whose (proposal for) designation is being considered.	
Freezing			

6.4	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
6.5 (a)	In Part	Article 37 of Proclamation No.780/2013 provides that for designations by the UN Security Council, funds shall be frozen by the decision of the Council of Ministers. This provision does not apply to designations under UNSCR 1373, which are not made by the UN Security Council.
(b) (i)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(b) (ii)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(b) (iii)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(b) (iv)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(c)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(d)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(e)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
(f)	No	No regulations in force and effect by the end of the on-site visit to implement targeted financial sanctions.
De-listing, unfreezing and providing access to frozen funds or other assets		
6.6	No	No regulations in force and effect by the end of the on-site visit.
6.7	No	No regulations in force and effect by the end of the on-site visit.

R. 7 TARGETED FINANCIAL SANCTIONS RELATED TO PROLIFERATION		NC
7.1 -7.5	No	Absence in entirety of legal and regulatory framework to address this recommendation

R. 8 NON- PROFIT ORGANISATIONS (NPOs)		PC
8.1 (a)	In part	Ethiopia conducted a review of laws and regulations on NPOs, however there was no review on the abuse of entities for financing of terrorism. Proclamation No. 621/2009 and 8 Directives were passed independent of TF requirements of FATF
(b)	In part	The Agency has authority to collect, analyze and dissemination information that has connection with its powers and functions and power to publish and distribute information: Article 6(c) and (d) of Proclamation No. 621/2009. No domestic review undertaken to identify features and types of NOPs that are particularly at risk of being misused for TF or other forms of terrorist support

(c)	No	Assessors were advised that an assessment of vulnerabilities has been initiated through the NRA process, but this has not been finalized or released.
8.2	In part	The Agency has the authority to conduct outreach: Article 6 (e) of Proclamation No. 621/2009. No outreach has been conducted.
8.3	Yes	Clear objectives to promote transparency, accountability and integrity within the NPO sector and to encourage better administration of NPOs: Article 5, 6(b) of Proclamation No. 621/2009.
8.4	Yes	Standards apply to all charities, with limitations on the types of activities which foreign charities may engage in.
(a) (i)	Yes	Registration to include information on the goals, objectives and activities: Article 68(3) of Proclamation No. 621/2009. Information is collected by the Agency, but not publicly available
(a) (ii)	In part	Registration to include the identities of founders, officers, and members of the charity or society (Article 3(1)(d) of Regulation No. 168/2009), detailed information about its country representative (Article 4(1)(b) of Regulation No. 168/2009) and the organizational structure of the charity or society (Article 6(1)(b) of Regulation No. 168/2009). Charity or society must also report annually on the identities and duties of members, officers and members of governing bodies: Article 26 of Regulation No. 168/2009 and Article 22 of Directive 8/2011 Information is not publicly available
(b)	Yes	Charities and societies must keep accounting records (Article 77 of Proclamation No. 621/2009) and present annual reports on statement of accounts, audit, and activities: Article 78 -80 of Proclamation No. 621/2009; Article 20 of Regulation No. 168/2001; Directive No. 8/2011.
(c)	Yes	The annual reporting requirements (audit, statement of accounts, statement of activities, etc) are controls to ensure that funds are fully accounted for and in manner consistent with purpose and objectives: Article 78 -80 of Proclamation No. 621/2009; Article 20 of Regulation No. 168/2001; Directive No. 8/2011. With regard to controls to ensure that funds are spent in a manner that is consistent with the purpose and objectives of the NPO's stated activities, the requirement that 70% of the annual expenditure is for "implementation of its purposes": Article 88(a) of Proclamation No. 621/2009 and Directive 2/2011 lists the activities.
(d)	Yes	Registration required: Article 29, 33 and 68 of Proclamation No. 621/2009 and Articles 3-8 of Regulation No. 168/2009.
(e)	In part	Know your beneficiary information is part of activity plan to be submitted annually: Article 20 of Directive No. 8/2011. Know your associated NPOs: Charities and societies can form consortiums but no directive explaining this requirement.
(f)	In part	Accounting records, statement of accounts, detailed receipts, vouchers and expenditure documents are to be preserved for a period of 5 years (Article 77(4), 78(3) of Proclamation 621/2009 and Article 7(1)(i) of Directive 8/2011). There are no time requirements for the keeping of information on the objectives of the charity and ownership or those who own, control or direct the activities.
8.5	Yes	FIU has "oversight" in collaboration with the supervision role of the Agency: Article 12 of Proclamation No. 780/2013. Charities and Societies have general power to supervise and sector Administrators are assigned and have powers to supervise charities and societies: Articles 6(1) (a) and 67 of Proclamation 621/2009. The Agency has power to institute inquiries, order production of documents: Article 84 and 85 of Proclamation No. 621/2009. Range of sanctions outlined in Proclamation No. 621/2009 including: - Suspension of officers and orders to improve the system (Article 90) - Removal and replacement of officers (Article 91) - Suspension and cancellation of license (Article 92)

		- Dissolution (Article 93) - Subject to criminal sanctions (Article 102) and additional fines
8.6(a)	In part	FIC can conduct domestic cooperation and coordination. Article 6(1)(c) of Proclamation 621/2009 gives the Agency the power to collect, analyse and disseminate information that has connection with its powers and functions. However, there are no provisions requiring other authorities to cooperate, coordinate or share information with the Agency. The Agency does not meet the definition of a “regulatory authority” under Article 2(30) of Proclamation No. 780/2013 and therefore the sharing requirements under Article 22(2) do not apply.
(b)	Yes	In addition to annual reporting requirements that are available at the Agency, the Agency can require the Charity or Society to produce documents (Article 84 and 85 of Proclamation No. 621/2009).
(c)	No	There are no mechanisms to ensure that relevant information is shared with competent authorities.
8.7	No	There are no points of contact or procedures to respond to international request for information on NPOs suspected of TF, aside from requirements for mutual legal assistance and extradition (more formal forms of cooperation)

R. 9 FINANCIAL INSTITUTION SECRECY LAWS		C
9.1	Yes	Article 13 of FIC Directive No. 01/2014

R. 10 CUSTOMER DUE DILIGENCE (CDD)		LC
10.1	Yes	Article 6(12) of Proclamation No. 780/2013
When CDD is required		
10.2(a)	Yes	Article 6(3)(a) of Proclamation No.780/2013
(b)	Yes	Article 6(3)(b)(1) of Proclamation No.780/2013
(c)	Yes	Article 6(3)(b)(2) of Proclamation No. 780/2013
(d)	Yes	Article 6(3)(d) of Proclamation No. 780/2013
(e)	Yes	Article 6(3)(c) of Proclamation No. 780/2013
Required CDD measures for all customers		
10.3	Yes	Article 6(5)(b) of Proclamation No. 780/2013 and Article 15(1) of FIC Directive No. 01/2014
10.4	Yes	Article 6(5)(d) of Proclamation No. 780/2013 and Article 15(4) of FIC Directive No. 01/2014
10.5	Yes	Article 6(5)(c) of Proclamation No. 780/2013 and Article 15(3) of FIC Directive No. 01/2014
10.6	Yes	Article 6(5)(a) of Proclamation No. 780/2013 and Article 26(1)(c) of FIC Directive No. 01/2014
10.7(a)	Yes	Article 6(6) of Proclamation No. 780/2013 and Article 28(2)(a) of FIC Directive No. 01/2014
(b)	Yes	Article 6(6) of Proclamation No. 780/2013 and Article 28(2)(b) of FIC Directive No. 01/2014
Specific CDD measures required for legal persons and legal arrangements		

10.8	In Part	Article 17(2)(a) of FIC Directive No. 01/2014 Lack of provision to understand the nature of a customer's business for legal persons or arrangements.
10.9(a)	Yes	Article 17(2)(c)(i)-(ii) of FIC Directive No. 01/2014
(b)	Yes	Article 17(2)(c)(v) of FIC Directive No. 01/2014
10.10 (a)	Yes	Article 17(2)(c)(iv) of FIC Directive No. 01/2014
(b)	Yes	Article 17(2)(c)(vii) of FIC Directive No. 01/2014
(c)	Yes	Article 17(2)(c)(vii) of FIC Directive No. 01/2014
10.11(a)	Yes	Article 17(2)(c)(vii) of FIC Directive No. 01/2014
(b)	Yes	Article 17(4) of FIC Directive No. 01/2014
CDD for Beneficiaries of Life Insurance Policies		
10.12(a)	Yes	Article 27(1)(a) of FIC Directive No. 01/2014
(b)	Yes	Article 27(1)(b) of FIC Directive No. 01/2014
(c)	Yes	Article 27(3) of FIC Directive No. 01/2014
10.13	Yes	Article 27(4)-(5) of FIC Directive No. 01/2014
Timing of verification		
10.14(a)	Yes	Article 6(3) of Proclamation No. 780/2013 and Article 20(3)(a) of FIC Directive No. 01/2014
(b)	Yes	Article 6(3) of Proclamation No. 780/2013 and Article 20(3)(b) of FIC Directive No. 01/2014
(c)	Yes	Article 6(3) of Proclamation No. 780/2013 and Article 20(3)(c) of FIC Directive No. 01/2014
10.15	Yes	Article 20(8) of FIC Directive No. 01/2014
Existing customers		
10.16	Yes	Article 6(11)(2)(a) of Proclamation No. 780/2013 and Article 21 and 29 of FIC Directive No. 01/2014
Risk-Based Approach		
10.17	Yes	Article 9(1)(a) of Proclamation No. 780/2013 and Article 30 of FIC Directive No. 01/2014
10.18	Yes	Article 9(1)(b) of Proclamation No. 780/2013 and Article 31 of FIC Directive No. 01/2014
Failure to satisfactorily complete CDD		
10.19 (a)	Yes	Article 37(a) of FIC Directive No. 01/2014
(b)	Yes	Article 37(b) of FIC Directive No. 01/2014
CDD and tipping-off		
10.20	Yes	Article 19(2) of Proclamation No.780/2013 and Article 39(2) of FIC Directive No. 01/2014

R. 11 RECORD KEEPING			C
11.1	Yes	Article 10(1)(b) of Proclamation No. 780/2013 and Article 44(1)(a) of FIC Directive No. 01/2014	
11.2	Yes	Article 10(1)(a) of Proclamation No. 780/2013 and Article 44(1)(b) of FIC Directive No. 01/2014	
11.3.	Yes	Article 10(1)(b) of Proclamation No. 780/2013 and Article 44(1)(d) of FIC Directive No. 01/2014	
11.4	Yes	Article 10(2) of Proclamation No. 780/2013 and Article 44(1)(c) of FIC Directive No. 01/2014	

R. 12 POLITICALLY EXPOSED PERSONS (PEPS)			C
12.1(a)	Yes	Article 6(8) of Proclamation No. 780/2013 and Article 32(1) of FIC Directive No. 01/2014	
(b)	Yes	Article 6(8)(a) of Proclamation No. 780/2013 and Article 32(2) of FIC Directive No. 01/2014	
(c)	Yes	Article 6(8)(b) of Proclamation No. 780/2013 and Article 32(4) of FIC Directive No. 01/2014	
(d)	Yes	Article 6(8)(c) of Proclamation No. 780/2013 and Article 32(5) of FIC Directive No. 01/2014	
12.2(a)	Yes	Articles 2(11) and 6(8) of Proclamation No. 780/2013 and Articles 2(20), 32(1) of FIC Directive No. 01/2014	
(b)	Yes	Articles, 2(11), 6(8)(a)-(c) of Proclamation No. 780/2013 and Articles 2(20), 32(2),(4),(5) of FIC Directive No. 01/2014	
12.3	Yes	Articles, 2(11), 6(8)(a)-(c) of Proclamation No.780/2013 and Articles 2(20), 32(2),(4),(5) of FIC Directive No. 01/2014 There is one minor contradiction to note – the definition of PEP in Proc. No. 780/2013, Article 2(11) and FIC Directive No. 01/2014, Article 2(20), differ slightly, with the definition in the Proclamation being more comprehensive. Given that the Proclamation takes precedence over the Directive, this contradiction does not affect technical compliance.	
12.4	Yes	Article 32(6)-(7) of FIC Directive No. 01/2014	

R.13 CORRESPONDENT BANKING			C
13.1(a)	Yes	Under Article 6(9) of Proclamation No.780/2013 and Article 33(1)(a) of FIC Directive No. 01/2014	
(b)	Yes	Under Article 6(9) of Proclamation No.780/2013 and Article 33(1)(b) of FIC Directive No. 01/2014	
(c)	Yes	Under Article 6(9) of Proclamation No.780/2013 and Article 33(1)(c) of FIC Directive No. 01/2014	
(d)	Yes	Under Article 6(9) of Proclamation No.780/2013 and Article 33(1)(d) of FIC Directive No. 01/2014	
13.2(a)	Yes	Under Article 6(9)(f) of Proclamation No.780/2013 and Article 33(2)(a) of FIC Directive No. 01/2014	
(b)	Yes	Under Article 6(9)(f) of Proclamation No.780/2013 and Article 33(2)(b) of FIC Directive No. 01/2014	

13.3	Yes	Under Article 4 of Proclamation No.780/2013 and Article 34 of FIC Directive No. 01/2014
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R. 14 MONEY OR VALUE TRANSFER SERVICES (MVTS)			PC
14.1	Yes	See Article 2(1)-(2) and 3(1) of Proclamation No. 592/2008 (for funds transfer) Article 2(16)(a) and 5 (1) of Proclamation 718/2011 (for sending/processing transfers of money)and Article 6 of the Regulation of Mobile and Agent Banking Services Directive No. FIS/01/2012 (for mobile and agent banking services- which includes money or value transfer services)	
14.2.	No	Proclamation No. 592/2008 Article 7, 32, 58 and Proclamation No. 718/2011 Article 35 No appropriate action taken to identify persons who could be carrying out MVTS without a license and apply proportionate sanctions	
14.3	Yes	Under Article 3 of Proclamation No. 01/2014	
14.4	Yes	Regulation of Mobile and Agent Banking Services National Bank of Ethiopia Directives No. FIS /01/2012, article 9.3.4 and 10 (2)	
14.5	Yes	Regulation of Mobile and Agent Banking Services National Bank of Ethiopia Directives No. FIS /01/2012, article 8 and 9.2.3	

R. 15 NEW TECHNOLOGIES			LC
15.1	In Part	Article 6(7)(a) of Proclamation No. 780/2013 and Article 7 of FIC Directive No. 01/2014 However the obligations outlined here only apply to FIs and (in some cases) DNFBPs. There is no requirement for the country to identify and assess the ML/TF risks (requirement as written only applies to FIs) that may arise in relation to the development of new products and new business practices.	
15.2(a)	Yes	Article 6(7)(a) of Proclamation No. 780/2013 and Article 7(1)(a) of FIC Directive No. 01/2014	
(b)	Yes	Article 6(7)(b) of Proclamation No. 780/2013 and Article 7(4) of FIC Directive No. 01/2014	

R. 16 WIRE TRANSFERS			C
Ordering financial institutions			
16.1(a) (i)	Yes	Article 8(1) of Proclamation Number 780/2013 and Article 35(2) of FIC Directive No. 01/2014	
(a) (ii)	Yes	Article 8(1) of Proclamation Number 780/2013 and Article 35(2) of FIC Directive No. 01/2014	
(a) (iii)	Yes	Article 8(1) of Proclamation Number 780/2013 and Article 35(2) of FIC Directive No. 01/2014	

(b) (i)	Yes	Article 8(1) of Proclamation Number 780/2013 and Article 35(2) of FIC Directive No. 01/2014
(b) (ii)	Yes	Article 8(1) of Proclamation Number 780/2013 and Article 35(2) of FIC Directive No. 01/2014
16.2	Yes	Article 35(5) of FIC Directive No. 01/2014
16.3 (a) (i)	Yes	Article 35(3)(a) of FIC Directive No. 01/2014
(a) (ii)	Yes	Article 35(3)(b) of FIC Directive No. 01/2014
(b) (i)	Yes	Article 35(3)(a) of FIC Directive No. 01/2014
(b) (ii)	Yes	Article 35(3)(b) of FIC Directive No. 01/2014
16.4	Yes	Article 35(4) of FIC Directive No. 01/2014
16.5	Yes	Article 35(2)-(3) of FIC Directive No. 01/2014
16.6		Not applicable
16.7	Yes	Article 10(1) of Proclamation No.780/2013 and Article 44 of FIC Directive No. 01/2014
16.8	Yes	Article 35(11) of FIC Directive No. 01/2014
Intermediary financial institutions		
16.9	Yes	Article 35(1)-(4) of FIC Directive No. 01/2014
16.10	Yes	Article 10(1) of Proclamation No.780/2013 and Article 44 of FIC Directive No. 01/2014 A slight change of wording in the Directive would help clarify that intermediary financial institutions are required to keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary financial institution (c16.10).
16.11	Yes	Article 35(10) of FIC Directive No. 01/2014
16.12 (a)	Yes	Article 35(10)(a) of FIC Directive No. 01/2014
(b)	Yes	Article 35(10)(b) of FIC Directive No. 01/2014
Beneficiary financial institutions		
16.13	Yes	Article 35(7) of FIC Directive No. 01/2014
16.14	Yes	Article 35(8) of FIC Directive No. 01/2014
16.15(a)	Yes	Article 35(10)(a) of FIC Directive No. 01/2014

(b)	Yes	Article 35(10)(b) of FIC Directive No. 01/2014
Money or value transfer service operators		
16.16	Yes	Article 35 of FIC Directive No. 01/2014
16.17 (a)	Yes	Article 35(9)(a) of FIC Directive No. 01/2014
(b)	Yes	Article 35(9)(b) of FIC Directive No. 01/2014
Implementation of Targeted Financial Sanctions		
16.18	Yes	Under Article 35(6) of FIC Directive No. 01/2014

R. 17 RELIANCE ON THIRD PARTIES			C
17.1(a)	Yes	Under Article 36(1)(a) of FIC Directive No. 01/2014	
(b)	Yes	Under Article 36(1)(b) of FIC Directive No. 01/2014	
(c)	Yes	Under Article 36(1)(c) of FIC Directive No. 01/2014	
17.2	Yes	Under Article 36(1) of FIC Directive No. 01/2014	
17.3 (a)	NA	Not applicable	
(b)	NA	Not applicable	
(c)	NA	Not applicable	

R. 18 INTERNAL CONTROLS AND FOREIGN BRANCHES AND SUBSIDIARIES			LC
18.1(a)	In part	Articles 11(3) and 11(2)(b) of Proclamation No.780/2013 and Article 4(1)(a) of FIC Directive No. 01/2014 Lack of clarification that policies, procedures and controls should be implemented with regards to the size of the business. (c 18.1)	
(b)	Yes	Under Article 11(2)(c) of Proclamation No.780/2013 and Article 4(1)(d) of FIC Directive No. 01/2014	
(c)	Yes	Under Article 11(2)(d) of Proclamation No.780/2013 and Article 4(1)(h) and 42 of FIC Directive No. 01/2014	
(d)	Yes	Article 4(1)(f) of FIC Directive No. 01/2014	
18.2 (a)	Yes	Article 11 (1) and (2)(e) and (4) of Proclamation 780/2013,	
(b)	Yes	Article 11(2)(f) and 11(4) of Proclamation No. 780/2013	
(c)	Yes	Article 11(2)(e) and 11(4) of Proclamation No.780/2013	
18.3	Yes	Article 11(4) of Proclamation No.780/2013 and article 4 (3) and (4) of FIC Directive No. 01/2014	

R. 19 HIGHER RISK COUNTRIES			PC
19.1	Yes	Article 9(1)(a) of Proclamation No. 780/2013 and Articles 2(8), 2(12)(b), and 30 of FIC Directive No. 01/2014	
19.2 (a) (b)	No	Lack of requirement to apply countermeasures proportionate to risks (a) when called upon to do so by the FATF and (b) independently of any call by the FATF to do so.	
19.3.	No	Lack of measures in place to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries.	

R. 20 REPORTING OF SUSPICIOUS TRANSACTIONS			C
20.1	Yes	Article 17 of Proclamation No. 780/2013 and article 39 (3) of FIC Directive No. 01/2014	
20.2	Yes	Article 17 of Proclamation No. 780/2013 and article 39 (3) of FIC Directive No. 01/2014	

R. 21 TIPPING-OFF AND CONFIDENTIALITY			LC
21.1	Yes	Article 24 (1), (3) of Proclamation No 780/2013	
21.2	In Part	Article 20, 23 and 30 (1) of Proclamation No.780/2013 Absence of language to make clear that the safe harbor also applies when the cause of action is breach of regulatory provisions	

R. 22 DNFBS: CUSTOMER DUE DILIGENCE			LC
22.1(a)	No	No provision on identification of legal persons and arrangements for DNFBSs similar to that provided for under the FIC directive.	
(b)	In Part	Article 7(2) of Proclamation No.780/2013 For all DNFBSs- see deficiencies with respect to R 10 for FIs equally applicable here FIC Directive No. 01/2004 is only applicable to FIs	

(c)	In Part	Article 7(1) of Proclamation No.780/2013. For all DNFBPs- see deficiencies with respect to R 10 for FIs equally applicable here In addition FIC Directive No. 01/2004 only applicable to FIs
(d)	In Part	Article 2(10)(c) of Proclamation No.780/2013. For all DNFBPs- see deficiencies with respect to R 10 for FIs equally applicable here FIC Directive No. 01/2004 is only applicable to FIs
(e)	NA	Not applicable
22.2	Yes	Article 10 of Proclamation Number 780/2013.
22.3	Yes	Article 6(8) of Proclamation Number 780/2013.
22.4	In Part	Article 6(7) of Proclamation Number 780/2013. The obligations outlined here only apply to FIs and (in some cases) DNFBPs. Is there a requirement on the country to do the assessment of new technologies
22.5	NA	Not applicable in the case of DNFBPs.

R. 23 DNFBPS: OTHER MEASURES		LC
23.1(a)	Yes	Articles 2(10) (c) and 17 of Proclamation No.780/2013
(b)	Yes	Articles 2(10) (b), 7(2) and 17 of Proclamation No.780/2013
(c)		See the comment given for Rec.22(1)(e) above
23.2	In part	See comments to 18.1 (a)
23.3	In part	Articles 6(1), (5) , 9(1)(a) and 13 of Proclamation No.780/2013 R19 deficiencies apply to DNFBPs for R23
23.4	Yes	Articles 17, 20 and 24 of Proclamation No.780/2013

R. 24 TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS		PC
24.1	No	There is an absence of clear mechanisms to identify and describe legal persons, processes for creation of those legal person and for obtaining and recording basic and beneficial ownership information (c 24.1)
24.2	No	There has been no assessment of ML/TF risks associated with all types of legal persons.

24.3	Yes	Article 105, 106, 110, 323,331,359 of the Commercial Code
24.4	In part	Article 331 of Commercial Code – Register of shareholders Does not include all categories of shares (including nature of the associated voting rights).
24.5	Yes	Mechanisms available
Beneficial Ownership Information		
24.6 (a)	Yes	Article 5 of Proclamation No.780/2013
(b)	NA	
(c)	NA	
24.7	Yes	Article 5(1) of Proclamation No.780/2013
24.8 (a)	No	FIC directive not applicable to all legal persons, since Article 5 of the Proclamation is a not a basis for this Directive.
(b)	No	FIC directive not applicable to all legal persons, since Article 5 of the Proclamation is a not a basis for this Directive.
(c)	No	FIC directive not applicable to all legal persons, since Article 5 of the Proclamation is a not a basis for this Directive.
24.9	No	FIC directive not applicable to all legal persons, since Article 5 of the Proclamation is a not a basis for this Directive.
Other Requirements		
24.10	In part	Articles 5(2) of Proclamation No.780/2013 No specification of what powers are available to competent authorities to obtain timely access of basic and BO information.
24.11 (a)	No	Bearer shares are permissible under Ethiopian law – Article 325 of the Commercial code
(b)	No	Not applicable
(c)	No	Not applicable
(d)	No	FIC directive not applicable to all legal persons, since Article 5 of the Proclamation is a not a basis for this Directive.
(e)	No	Not applicable
24.12 (a)	NA	Nominee shareholders are not permitted under Ethiopian Law
(b)	NA	Not applicable
(c)	NA	Not applicable
24.13	In Part	Article 30(1) of Proclamation No.780/2013 Requirements under FIC directive not applicable to all legal persons, since neither Article 5, or Article 30 of the Proclamation are a basis for this Directive
24.14 (a)	Yes	Articles 14, 15(4), 38, 39(2)(j), 47 of Proclamation No.780/2013.

(b)	Yes	Articles 14, 15(4), 38, 39(2)(g), 47 of Proclamation No.780/2013.
(c)	In part	Article 39 (2) of Proclamation No.780/2013.
24.15	No	No provisions for countries to monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information

R. 25 TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL ARRANGEMENTS		NA
25.1– 25.8	NA	There is no legal or regulatory framework for the creation and establishment of legal arrangements, even though Proc. 780/2013 and FIC Directive 01/2014 make reference to obligations legal arrangements may owe to financial institutions. Since no document was provided that could corroborate their existence and there being no background of common law and practitioners also were not aware of their use, the team concluded that there were no legal arrangements. Given the isolation of the economy, the lack of foreign economic presence and cross border activity, there are no foreign legal arrangements operating in Ethiopia at this time. Consequently R25 was considered not applicable

R. 26 REGULATION AND SUPERVISION OF FINANCIAL INSTITUTIONS		LC
26.1	Yes	Articles 2(30), 13(8), and 22 of Proclamation No. 780/2013 Articles 5 (7), 14 Proclamation No. 591/2008, Article 2 and 3 (1) of Proclamation 746/2012 Articles 4 (1), g and h of Proclamation No. 592/2008
Market Entry		
26.2	Yes	Proclamation Nos.591/2008, Articles 4 (1) g and h of Proclamation No. 592/2008 Article 2 and 3 (1) of Proclamation 746/2012 Article 34(1) of the FIC Directive No. 01/2014
26.3	Yes	Article 45 (2) of the FIC Directive No. 01/2014
Risk-based approach to supervision and monitoring		
26.4 (a)	Yes	Article 45(1) of the FIC Directive No. 01/2014
(b)	Yes	Article 45 of the FIC Directive No. 01/2014
26.5 (a)	Yes	Article 45(3)(a) of the FIC Directive No. 01/2014 However, this is not adequately applied in practice.
(b)	Yes	Article 45(3)(b) of the FIC Directive No. 01/2014
(c)	Yes	Article 45(3)(c) of the FIC Directive No. 01/2014

26.6	In part	Article 45(4) of the FIC Directive No. 01/2014, but no review of the ML/TF risk profile
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R. 27 POWERS OF SUPERVISORS		C
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27.1	Yes	Articles 2(30), 13(8), and 22 of Proclamation Number 780/2013 Proclamation No. 591/2008 Proclamation No. 592/2008, Proclamation No. 746/2012, Proclamation No. 626/2009, Article 45(1) of the FIC Directive No. 01/2014
27.2	Yes	Articles 2(30), 13(8), and 22 of Proclamation Number 780/2013 Proclamation No. 591/2008 Proclamation No. 592/2008, Proclamation No. 746/2012, Proclamation No. 626/2009 Article 45(1) of the FIC Directive No. 01/2014
27.3	Yes	See 27.1 and 27.2
27.4	Yes	Article 22(3) of Proclamation No.780/2013

R. 28 REGULATION AND SUPERVISION OF DNFBS		PC
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Casinos		
28.1 (a)	NA	Not applicable
(b)	NA	Not applicable
(c)	NA	Not applicable
DNFBPs other than casinos		
28.2	Yes	Articles 16(12) of Proclamation. No. 691/2010 Articles 19 of Proc. No. 199/2000 Proclamation No.651./2009 Proclamation Number 678/2010 Articles 2(30), 13(4), (8) & 22 of Proclamation No.780/2013 Article 5(14) and (16) of Proc. No. 669/2010
28.3	Yes	Article 2(10) (e) of Proclamation No. 780/2013.
28.4 (a)	Yes	Article 2(30), 13 (8) and 22 of Proclamation No. 780/2013.

(b)	No	No measures in place to prevent criminals from holding positions in certain categories of DNFBPs (c28.4b)
(c)	Yes	Articles 22 (3) and 30 of Proclamation No. 780/2013.
All DNFBPs		
28.5 (a)	No	No risk based supervision of DNFBPs (c28.5)
(b)	Yes	Articles 11(5) and 13(8) of Proclamation No.780/2013.

R. 29 FINANCIAL INTELLIGENCE UNITS (FIU)			LC
29.1	Yes	Article 3 of the Financial Intelligence Center Regulation No. 171/2009 issued under Article 21(1) of Proclamation 657/2009.	
29.2 (a)	Yes	Article 13 of Proclamation No.780/2013 and Articles 3 and 5 of Regulation No.171/2009	
(b)	Yes	Article 13 and 17 of Proclamation No.780/2013 and Articles 3 and 5 of Regulation No.171/2009. Articles 18 of Proclamation 780/2013	
29.3 (a)	Yes	Article 15(1) of Proclamation No.780/2013	
(b)	Yes	Article 15(2) (3) of Proclamation No.780/2013	
29.4 (a)	Yes	Article 13(1)and(3) of Proclamation No.780/2013	
(b)	Yes	Article 12 of Regulation No.171/2009 Article 13 (3) of Proclamation 780/2013	
29.5	Yes	Article 13 (1) and (5), 20, 21, 23 and 24 of Proclamation No.780/2013	
29.6 (a)	Yes	Article 13 (5), 20, 21, 23 and 24 of Proclamation No.780/2013 “Information Protection Directive” provides for security and confidentiality of information, however was not provided to the assessors for confidentiality reasons	
(b)	Yes	“Information Protection Directive” provides for security clearance of staff members, however was not provided to the assessors for confidentiality reasons	
(c)	In part	“Information Protection Directive” provides for restrictions on access to its facilities, however was not provided to the assessors for confidentiality reasons	
29.7 (a)	Yes	Article 13 (1), (7) and (8), 16 of Proclamation No. 780/2013	
(b)	Yes	Article 13 (5) and (8), 14, 15, 16, 21, of Proclamation No.780/2013 and Articles 3 and 6 of Regulation No.171/2009	

(c)	NA	Not applicable
(d)	Yes	Article 11 (3), 13 of Regulation No.171/2009, the Center has its own Board of Directors and Director General who can effectuate this recommendation.
29.8	No	Under process with the help of the government of Mauritius, Ethiopia plans to apply unconditionally to be a member Egmont Group.

R. 30 RESPONSIBILITIES OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES		LC
30.1	In Part	While Proclamation 780/2013 authorizes all “crime investigation authorities” to investigate money laundering and terrorist financing offences, it does not designate any specific law enforcement body to have responsibility for money laundering offenses or to trace, initiate freezing and seizing of property that may become subject to confiscation.
30.2	Yes	Article 23 of Proclamation 720/2011.
30.3	In Part	Absence of designated authority for investigating ML/TF and identifying and tracing proceeds of crime. Authorities are designated for initiating freezing under Articles 35, 36, and 37 of Proclamation 780/2013.
30.4	NA	Not applicable;
30.5	In part	Articles 7(5) & (6) of Proclamation. No. 433/2005 Article 8 of Proc. No. 434/2005 Articles 36, 27 and 55(1) of Proclamation No.780/2013. Absence of provisions relating to assets other than bank accounts.

R. 31 POWERS OF LAW ENFORCEMENT AND INVESTIGATIVE AUTHORITIES		LC
31.1 (a)	In part	Under Proclamation 780/2013, art. 10(2), FIs and DNFBPs must maintain records and make them readily available to FIC and competent authorities. Criminal Procedure Code (Cr. Pro. Code) of 1962.
(b)	Yes	Article 16 of Proclamation No. 587/2008. Article 16 of Proclamation No. 433/2005. Article 32 & 33 of the Cr. Pro. Code
(c)	Yes	Article 16 of Proclamation No. 587/2008. Article 16 of Proclamation No. 433/2005. Article 30 of Cr. Pro. Code.

(d)	Yes	Article 16 of Proclamation No. 587/2008. Article 16 of Proclamation No. 433/2005. Article 32 & 33 of the Cr. Pro. Code Article 6 (18) of Proclamation No 720/2011 Articles 25(1)(e) and 36 of Proclamation No.780/2013 Article 26 of Proclamation No.652/2009
31.2	Yes	Articles 25 and 26 of Proclamation 780/2013 and Article 46 of Proclamation No. 434/2005.
31.3 (a)	Yes	Article 5 of Proclamation No. 780/2013
(b)	No	Absence of mechanism to ensure that competent authorities have a process in place to identify assets without prior notification to the owner.
31.4	In part	Competent authorities must rely on MOUs to request information from the FIC. Although the FIC has entered into MOUs with the ERCA, the Federal Police, FEACC, and the National Bank, a MOU has not been entered into with the NISS.

R. 32 CASH COURIERS			PC
32.1	In part	Article 3 of Proclamation No.780/2013 Lack of provisions for situations where currency or BNIs be declared when being transported across the border through mail or cargo.	
32.2 (a)	N/A	Not applicable	
(b)	N/A	Not applicable	
(c)	Yes	Article 3(1) of Proclamation No.780/2013 (US\$3000)	
32.3	Yes	Article 3(1) of Proclamation No. 780/2013	
32.4	No	Lack of provisions for authorities to request and obtain further information with respect to the origin of the currency or BNIs, and their intended use where a person provides false information or fails to disclose information when requested to do so (c 32.4)	
32.5	No	Lack of provisions to apply sanctions against the carrier (c32.5)	
32.6	Yes	Article 3(4) of Proclamation No 780/2013	
32.7	In part	Articles 15, 16, 21, 22 of Proclamation No.780/2013.	
32.8 (a)	Yes	Article 3(2)-(3) of Proclamation No 780/2013 Articles 81 and 82 of Proclamation No.622/2009	
(b)	Yes	Article 3(2)-(3) of Proclamation No 780/2013 Articles 81 and 82 of Proclamation No.622/2009	

32.9 (a)	No	Lack of provisions in relation to domestic cooperation and exchange of information with international counterparts on issues related to implementation of R32.
(b)	No	Lack of provisions in relation to domestic cooperation and exchange of information with international counterparts on issues related to implementation of R32
(c)	No	Lack of provisions in relation to domestic cooperation and exchange of information with international counterparts on issues related to implementation of R32
32.10	In part	International legal instruments 1995 Ethiopian Constitution (esp., Chapter 3 and Article 9)
32.11	In part	Article 3(1) and 30(1)(a), (2), (3) of Proclamation No 780/2013 (criminal fines) Article 35 of Proclamation number 780/2013 (confiscation, but only if conviction for ML, a predicate or FT)

R. 33 STATISTICS		PC
General comment: Delays in providing statistics may suggest that there is no centralized/ comprehensive system in place, between the different institutions, for collecting and maintaining statistics.		
33.1 (a)	Yes	Articles 13(1) and (6) of Proclamation No. 780/2013 Article 12 of Regulation 171/2009.
(b)	In part	Article 13(6) of Proclamation No 780/2013 (investigations, prosecutions) Article 12 of Regulation 171/2009 (prosecutions) Articles do not expressly require the need to collect data on ML/TF convictions
(c)	No	No express provisions requiring that statistics be collected on property frozen, seized and confiscated
(d)	In part	Articles 13(6) of Proclamation No 780/2013 Article 12 of Regulation 171/2009 Articles do not specify that data should be collected for both international requests made and received

R. 34 GUIDANCE AND FEEDBACK		PC
34.1	In part	Article 13(4), 54(2) of Proclamation No 780/2013 (FIC to issue guidelines to assist FIs and DNFBPs) Article 12 of Regulation 171/2009 (FIC shall transmit info on typologies) Article 39 of Financial AML/CFT Directives (red flag indicators) While oral feedback has been relayed, competent authorities, supervisors and self-regulating bodies (SRBs) have not issued any guidelines to date (c 34)

R. 35 SANCTIONS		LC
35.1	No	Article 22(3) of Proclamation No. 780/2013 (admin sanctions) Article 30 of Proclamation No. 780/2013 (criminal sanctions)

		Financial sanctions considered not proportionate nor dissuasive (c 35.1) On NPOs, there does not appear to be range of sanctions, particularly for offenses named under Article 102 of Proclamation 621/2009 (criminal sanctions only).
35.2	Yes	Art 22(3) and 30 of Proclamation No 780/2013

R. 36 INTERNATIONAL INSTRUMENTS			PC
36.1	Yes	Vienna Convention acceded in 1994 Palermo Convention ratified in 2007 Merida Convention ratified in 2007 TF Convention ratified in 2012	
36.2	No	Information not provided, specifically as to how the following Articles 13 -11, 15, 17 and 19 of the Vienna Convention. Articles 5 -7, 10- 16, 18- 20, 24 -27,29 – 31 & 34 of the Palermo Convention, Articles 2 – 18 of the Terrorist Financing Convention and Articles 14 – 17, 23 – 24, 26 – 31, 38, 40, 43 – 44, 46, 48, 50- 55, 57 – 58 of the Merida Convention have been implemented into domestic law.	

R. 37 MUTUAL LEGAL ASSISTANCE			LC
37.1	No	A wide range of legal mechanisms are available: Article 38 of Proclamation No. 780/2013. Regional IGAD treaty on MLA in criminal matters ratified but not in force: Proclamation No. 732/2012. IGAD = Djibouti, Eritrea, Kenya, Somalia, Sudan, Uganda. Ratified UNCAC, but provisions have not been domesticated into Ethiopian law (TBC) Bilateral MLAT and extradition treaties with Sudan and Djibouti. Discussions ongoing with 4 countries. There are no provisions outlining measures to ensure the response is “rapid”.	
37.2	No	FIC is central authority for receipt of AML/CFT cases: Article 47(1) of Proclamation No. 780/2013 MoJ is central authority for other criminal justice matters: Criminal Justice Policy [TBC] FIC does not process in place for the timely prioritization and execution of requests, nor is there a case management system in place. MoJ has processes in place to execute request, however there is no case management system. They are seeking to create one.	
37.3	Yes	Reasons for refusal do not seem unreasonable or unduly restrictive: Articles 38(2) and 40 of Proclamation No. 780/2013 Article 10 of IGAD, Art 46(21) of UNCAC.	
37.4 (a)	Yes	No refusals on sole ground that the offence involves fiscal matters: Article 38(2) & 40 of Proclamation No. 780/2013, Article 37 of IGAD convention.	
(b)	Yes	No refusals on the grounds of secrecy or confidentiality requirements on financial institutions or DNFbps: Articles 38(2) & Art 40 of Proc. No. 780/2013, Article 37 of IGAD convention.	

37.5	Yes	Confidentiality of requests is maintained: Articles 23 & 50 of Proclamation No. 780/2013.
37.6	No	Dual criminality is a reason for refusal under Article 40(1)(e) of Proclamation No. 780/2013. There is nothing that states that dual criminality is limited only to coercive actions, or that dual criminality is not a condition for rendering assistance in non-coercive actions. The IGAD Treaty encourages States Parties to render assistance in the absence of dual criminality: Article 33 (1).
37.7	Yes	Dual criminality to be reviewed based on conduct, not the terminology or category of offence: Articles 40 (1) (e) and 44 (3) of Proclamation No. 780/2013).
37.8 (a)	Yes	Under Proclamation No. 780/2013, the powers and investigative techniques required under Recommendation 31 are available, in particular production of documents held by bank, financial, corporate or business records (Article 39(2)(g)), search and seizures (Article 39(2)(d)) and taking of witness statements (Article 39(2)(a)). Investigative measures are to be undertaken in conformity with rules of procedure of Ethiopia: Article 41(1) of Proclamation No. 780/2013.
(b)	Yes	A broad range of powers and investigative techniques is provided: Article 39(2) of Proclamation 780/2013 and Article 1(5) of IGAD convention.

R. 38 MUTUAL LEGAL ASSISTANCE: FREEZING AND CONFISCATION		LC
38.1	Yes	Can take action to requests by foreign countries to identify, freeze, seize, or confiscate: Articles 39 (h-j). Investigative or provisional measures requested are to be undertaken in accordance with the law of Ethiopia: Articles 41(1), 42(1) of Proclamation No. 780/2013. Confiscation orders apply to funds or property in Article 35: Article 43(3) of Proclamation No 780/2013.
(a)	Yes	Laundered property: Articles 35(1) (a), 36 and 43(3) of Proclamation No 780/2013.
(b)	Yes	Proceeds: Articles 35(1) (a) & 36 of Proclamation No 780/2013.
(c)	Yes	Instrumentalities used in: Articles 35(1) (c) 36 and 43(3) of Proclamation No 780/2013. Article 2(16) of Proclamation No 780/2013 defines instrumentalities to include “use in”
(d)	Yes	Instrumentalities intended for use in: Art 35(1) (c) 36 and 43(3) of Proclamation No 780/2013. Article 2(16) of Proclamation No 780/2013 defines instrumentalities to include “intended to be used in”
(e)	Yes	Property of corresponding value: Article 35(1)(e), 36 and 43(3) of Proclamation No. 780/2013
38.2	Yes	Requests for confiscation apply to funds or property in Article 35 (Article 35(3) permits NCB confiscation where the perpetrator is unknown, absconded, or dead): Article 43(3) of Proclamation No 780/2013.
38.3 (a)	No	There are no provisions permitting coordinated seizure and confiscation actions with other countries.
(b)	In part	Power to dispose of property rests with “appropriate government organ”: Article 43(4) of Proclamation No. 780/2013. Only the customs authority has powers to dispose of property outlined in legislation: Article 31,104,105 of Proclamation No. 622/2009. No provision on management of property frozen or seized.
38.4	In part	An agreement on the disposal of confiscated property can be concluded with the requesting state: Article 43(4) of Proclamation

		No. 780/2013. However it is unclear which agency has the power to negotiate these agreements.
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R. 39 EXTRADITION			LC
39.1 (a)	Yes	Article 21 of the Criminal Code (Articles 11 and 12 are also relevant) Articles 44 and 45(3) of Proclamation No. 780/2013 Other multilateral and bilateral treaties.	
(b)	No	A case management system for extradition requests and clear processes for the timely execution of requests has not been established.	
(c)	Yes	Article 45 (1) (2) of Proclamation No 780/2013 provides the grounds for refusal of extradition requests, but does not place any unreasonable or unduly restrictive conditions.	
39.2 (a)	Yes	Ethiopia does not extradite its own nationals, but pursuant to Proclamation 780/2013, art. 45(3), if extradition has been refused, the case shall be referred to the appropriate authority so that proceedings may be instituted against the person in respect of the offense which gave rise to the extradition request.	
(b)	No		
39.3	Yes	Article 44(2) and (3) of Proclamation No 780/2013.	
39.4	In part	Under Proclamation 780/2013, art. 46, simplified procedures exist only in cases where person whose extradition is requested explicitly consents. Other simplified extradition mechanisms (e.g., direct transmission of requests for provisional arrests, or extraditing person based only on warrants of arrests or judgments) are not provided.	

R. 40 OTHER FORMS OF INTERNATIONAL COOPERATION			NC
General Principles			
40.1	No	Article 38(1) of Proclamation No 780/2013 provides for the widest range of cooperation for the purposes of mutual legal assistance. No provisions are provided for spontaneous exchange of information to foreign counterparts and international cooperation outside of mutual legal assistance is not permitted except for the FIC and the Police.	
40.2 (a)	No	Other than MLA, there are no applicable express provisions except for on a limited basis for the FIC and the police.	
(b)	No	Efficient means of cooperation is not expressly provided.	
(c)	No	Other than MLA, there are no applicable express provisions.	
(d)	No	Other than MLA, there are no applicable express provisions.	
(e)	In part	Articles 13(5) and 23 Proclamation No. 780/2013 (FIC) Article 50 of Proclamation No 780/2013 (MLA requests) provides for the safeguarding of information by the FIC. No other provisions are provided for other competent authorities	
40.3	In part	Proclamation No. 691/2010 (MoJ and MFA can negotiate). Article 14(2) of Proclamation No. 780/2013 (FIC to enter in to agreements with other FIUs (foreign counterparts) for the	

		purpose of AML/CFT. No other provisions are provided for other competent authorities.
40.4	No	No provisions provided for the provision of feedback.
40.5	No	No provisions provided for the exchange of information outside of MLA, with limited exceptions for FIC and police.
40.6	In part	Article 14(3) of Proclamation No. 780/2013 (FIC).
40.7	In part	Article 14(1) of Proclamation No 780/2013 (FIC).
40.8	In part	Art. 15 of Proclamation 780/2013 allows access to information by the FIC on pursuant to request from foreign counterparts. No provisions are provided for other competent authorities on behalf of other foreign counterparts.
40.9	Yes	Article 14 Proclamation No.780/2013
40.10	No	No provisions concerning the provision of feedback (other than through MLA) by the FIC to foreign counterparts have been provided.
40.11	Yes	Article 14 Proclamation No.780/2013
Exchange of information between financial supervisors		
40.12	No	A legal basis for cooperation between financial supervisors outside of MLA is not provided.
40.13	No	A legal basis for cooperation between financial supervisors outside of MLA is not provided.
40.14	No	A legal basis for cooperation between financial supervisors outside of MLA is not provided.
40.15	No	A legal basis for cooperation between financial supervisors outside of MLA is not provided.
40.16	No	A legal basis for cooperation between financial supervisors outside of MLA is not provided.
Exchange of information between law enforcement authorities		
40.17	Yes	Art 37 and 38 of Proclamation 720/2011, the Federal Police may establish relations with foreign counterparts and exchange information with international police.
40.18	No	No provisions permitting the use of law enforcement powers, including investigative techniques to conduct inquires and obtain information on behalf of foreign counterparts outside of MLA.
40.19	No	No provision for formation of joint investigative teams.
Exchange of information between non-counterparts		
40.20	No	A legal basis for cooperation between non-counterparts has not been provided.