

Designated Non-Financial Businesses and Professions' Anti-Money Laundering and Countering the Financing of Terrorism Compliance Directive No. 779/2021



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Financial Intelligence Service

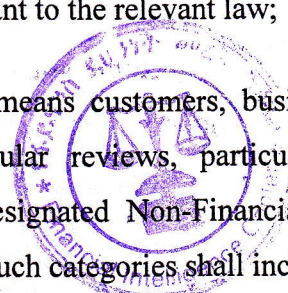
April 27, 2016

2. Definitions

For the purpose of this directive, unless the context provides otherwise:

- 1) "Applicant for Business" means the person or company seeking to establish a 'business relationship' or an occasional customer undertaking a 'one-off' transaction whose identity must be verified;
- 2) "Beneficiary" means a natural or legal person or any other form of legal arrangement identified by the originator as a beneficiary of the requested transaction, and:
 - (a) In trust, a beneficiary is the person or persons who are entitled to the benefit of any trust arrangement; and
 - (b) In the context of life insurance or another investment linked insurance policy, a beneficiary is the natural or legal person, or a legal arrangement, or category of persons, who will be paid the policy proceeds where an insured event occurs, which is covered by the policy.
- 3) "Business relationship" means any arrangement between a designated non-financial business and profession and the applicant for business which's purpose is to facilitate the carrying out of transactions between the parties on a frequent, habitual or regular basis;
- 4) "Center" means the Financial Intelligence Center of Ethiopia.
- 5) "designated non-financial businesses and professions" include: trust service providers; real estate agents, developers and brokers; miners and dealers in precious metals or precious stones; lawyers, notaries and other independent legal professionals when they prepare for, carry out or engage in transactions stated under Article 2(10)(c) of the Proclamation; independent accountants and audit firms; and other businesses and professions that may be designated by the Center subsequently..
- 6) "Enhanced Due Diligence" means additional consideration of situations that present a higher risk of Money Laundering or Terrorist Financing including steps additional to those in customer due diligence measures which should be taken depending on the situation that is present, and includes:



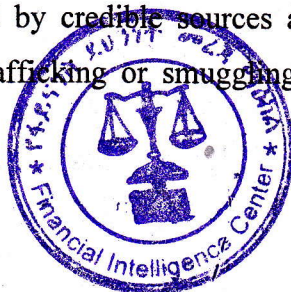
- (a) Obtaining additional information on the customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.);
 - (b) updating more regularly the identification data of customer and beneficial owner;
 - (c) Obtaining additional information on the intended nature of the business relationship;
 - (d) Obtaining information on the source of funds or source of wealth of the customer;
 - (e) Obtaining information on the reasons for intended or performed transactions;
 - (f) Obtaining the approval of senior management to commence or continue the business relationship;
 - (g) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination; and
 - (h) Requiring the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards.
- 7) "False disclosure" means a misrepresentation of the value of currency or bearer negotiable instruments being transported, or a misrepresentation of other relevant data which is asked for in the disclosure or otherwise requested by competent or regulatory authorities in Ethiopia;
- 8) "financial institution" means a bank, an insurance company, a micro finance institution, postal savings, money transfer institution or any other institution designated as such by the National Bank pursuant to the relevant law;
- 9) "High risk categories" means customers, businesses or transactions that need to be subjected to more regular reviews, particularly against the know-your-customer information held by Designated Non-Financial Businesses and Professions and the activity in the account. Such categories shall include, but not be limited to:
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(i) Customer risk factors:

- i. The business relationship is conducted in unusual circumstances (e.g. significant unexplained geographic distance between the designated non-financial business and profession and the customer).
- ii. Non-resident customers such as those staying in the country for less than one year or those in short visit or travel;
- iii. Legal persons or arrangements such as trusts that are personal asset holding vehicles;
- iv. Companies that have nominee shareholders or shares in bearer form;
- v. Business that are cash-intensive;
- vi. Complex, unusual or large transactions including the ownership structure of the company appears unusual or excessively complex given the nature of the company's business; and
- vii. Politically Exposed Persons (PEPs), their immediate family members and persons or companies related closely associated to them as per the definition given under article 2(14) of this directive and article and 2(11) of the proclamation.

(j) Country or geographic risk factors:

- i. Countries identified by credible sources, such as mutual evaluation or detailed assessment reports or published follow-up reports, as not having adequate AML/CFT systems.
- ii. Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations.
- iii. Countries identified by credible sources as having significant levels of drug production, trafficking or smuggling, corruption or other criminal activity.



- iv. Countries or geographic areas identified by credible sources as providing funding or support for terrorist activities, or that have designated terrorist organizations operating within their country.

(k) Product, service, transaction or delivery channel risk factors:

- i. Anonymous transactions (which may include cash);
- ii. Cross-border business relationships;
- iii. Non face-to-face business relationships or transactions; and
- iv. Payment received from unknown or un-associated third parties.

10) "Legal person" refers to a body corporate, foundation, partnership, non-profit organization or association, or any similar body that can establish customer relationship with a bank or other financial institution, or otherwise own property;

11) "One-off Transaction" means any transaction carried out other than in the course of an established business relationship.

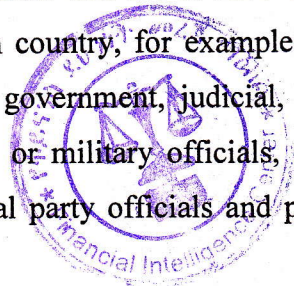
12) "Payable through account" means correspondent account that are used directly by third parties to transact business on their own behalf;

13) "Physical presence" means meaningful mind and management located within a country. The existence simply of a local agent or low level employee does not constitute physical presence;

14) "Politically exposed persons" (PEPs), PEPs' Immediate family member and PEPs' close associate of PEP means:

14.1 Politically Exposed persons

- (a) individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or Government, senior politicians, senior government, judicial, the speaker and deputy speaker of the legislative branch or military officials, senior executives of State owned corporations and political party officials and persons or companies related or close associated to them.



(b) individuals who are or have been entrusted domestically with prominent public functions, for example;

- i. Federal and State governments' Heads of States and Head of Government,
- ii. Senior Federal government, State governments, Addis Ababa and Dire Dawa City Administration officials such as Ministers, State Ministers, Heads of Bureaus, Deputy Heads of Bureaus, Mayors, deputy Mayors, Commissioners, deputy Commissioners, Director Generals, Deputy Director Generals.
- iii. Senior Diplomats, such as Ambassadors, Consulates...etc
- iv. Senior Federal and State Legislative officials such as the Speaker and Deputy Speaker of the House of Peoples' Representative and House of Federation
- v. Federal and State top judicial officials including the presidents and deputy presidents of Federal and State Supreme Courts, High Courts, First Instance Courts, and other senior judicial officials.
- vi. Military officials starting from Brigadier Generals,
- vii. Senior Executives of State owned corporations,
- viii. Higher education institutions and political party officials and persons or companies related or closely associated to them; and
- ix. Any other individuals who hold position in any of the office that may be designated by the Center as PEP subsequently.

(c) Persons who are or have been entrusted with a prominent function by an international organization and includes members of senior management such as directors, deputy directors and members of the board or equivalent functions other than middle ranking or more junior individuals;



14.2 An "immediate family member" of politically exposed person includes

- (a) A spouse;
- (b) A partner;
- (c) Children and their spouses or partners; ;
- (d) Parents / parents in law;
- (e) Grandparents; and
- (f) Grandchildren.

14.3 A "Close associate" of PEP includes:

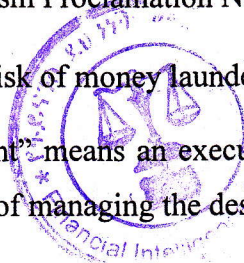
- (a) Any individual who is known to have joint ownership of a legal entity or legal arrangement, or any other close business relations, with a person referred to in sub article 1 of this article;
- (b) Any individual who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit of a person referred to in the above sub articles of this article;
- (c) Any natural person known to be a beneficiary of a legal arrangement of which PEP is a beneficial owner or beneficiary;
- (d) Any natural person known to be in a position to conduct substantial financial transactions on behalf of PEP.

15) "Private" means customer service rendered on a more personal basis than in mass-market retail basis, usually via dedicated sale or similar person.

16) "Proclamation" means the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No.780/2013;

17) "Risk" means the risk of money laundering, predicate offences or terrorist financing;

18) "Senior management" means an executive/s at the highest level who have the day-to-day responsibilities of managing the designated non-financial business or profession;

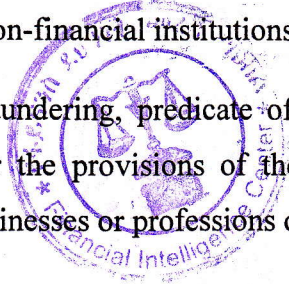


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- 19) "Settlers" are persons or companies who transfer ownership of their assets to trustees by means of a trust deed.
- 20) "Shell bank" means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial services group that is subject to effective consolidated supervision.
- 21) "simplified CDD" means measures taken where the risks of money laundering or terrorist financing are lower taking into account the nature of the risk and includes:
- (a) Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship;
 - (b) Reducing the frequency of customer identification updates;
 - (c) Reducing the degree of on-going monitoring and scrutinizing transactions based on monetary thresholds stipulated under the provisions of these directives; or
 - (d) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transactions or business relationship established.
- 22) "Suspicious Transaction" means one which is unusual because of its size, volume, type or pattern or otherwise suggestive of known money laundering, predicate offense or terrorist financing methods and includes:
- a) Transactions or patterns of transactions that is inconsistent with a customer's known, legitimate business or personal activities or normal business for that type of account or that lacks an obvious economic rationale;
 - b) transactions involving high-risk categories vulnerable to money laundering, predicate offenses or terrorist financing;
 - c) transactions involving shell companies;



- d) transactions with correspondents that have been identified as higher risk;
- e) transaction activity that exceed certain limits or involving amounts that are just below the stipulated reporting sum under the provisions of these Directives or enquiries that appear to test an institution's own internal monitoring or controls;
- f) large volume of cash transactions through a business account, where there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves designated high- risk locations or very high account turnover inconsistent with the size of the account balance;
- g) large transaction activity involving monetary instruments such as traveler's cheques, bank drafts, money order, particularly those that are serially numbered;
- h) where persons involved in a transaction share an address or phone number; particularly when the address is also a business location or does not seem to correspond to the stated occupation, such as student, unemployed, or self-employed;
- i) cash transaction by a nonprofit or religious organization, for which there appears to be no logical economic purpose or for which there appears to be no link between the stated activity of the organization and other parties in the transaction;
- j) where the stated occupation of the customer is inconsistent with the type and level of account activity;
- k) reference to the persons or entities listed in the UN lists or Ethiopian or foreign jurisdiction lists of terrorists or terrorist organizations;
- l) failure to comply with approved operating guidelines by any person including employees of non-financial institutions, businesses and professions; or
- m) other money laundering, predicate offenses and terrorist financing indicators indicated under the provisions of these directive or identified non financial institutions, businesses or professions or approved by the Center.



23) "Trustees" include paid professionals or companies or unpaid persons who hold the assets in a trust fund separate from their own assets.

24) "Unique identifier" means any unique combination of letters, numbers or symbols that refer to a specific originator;

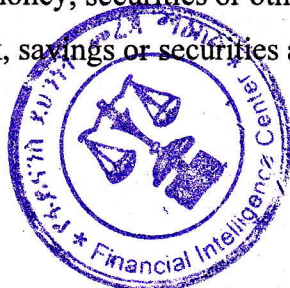
25) Each of the neuter, feminine or masculine gender(s) includes the other(s).

26) Terms which are not defined under these Directives shall have the definitions assigned to them under Article 2 of the Proclamation and other subsistent laws of the country so far as the definitions given there to are consistent with the Proclamation.

3. Scope of Application

This Directive shall apply to the activities of money laundering, predicate offenses, and financing of terrorism of designated non financial businesses and professions including:

- (a) real estate agents, developers and brokers that are involved in transactions for a customer concerning the buying and selling of real estate;
- (b) miners and dealers in precious stones and metals who engage in any cash transaction with a customer which at a minimum equals or exceeds Birr 300,000, USD 15,000 or equivalent in other foreign currencies or such other thresholds as may be determined by the Center from time to time, subject to the Proclamation; this shall include situations where the transaction is carried out in a single operation or in several operations that appear to be linked or structured;
- (c) lawyers, notaries, other independent legal professionals and accountants including auditing service providers prepare for, or carry out, transactions for their client concerning the following activities:
 - (i) buying and selling of real estate;
 - (ii) managing of client money, securities or other assets;
 - (iii) management of bank, savings or securities accounts;



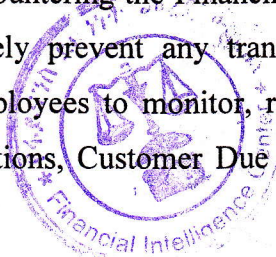
- (iv) organization of contributions for the creation, operation or management of companies;
 - (v) Creating, operating or management of legal persons or arrangements, and buying and selling of business entities.
- (d) trust service providers they prepare for or carry out transactions for a client concerning the following activities:
- (i) acting as a formation agent of legal persons;
 - (ii) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons; and
 - (iii) Providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement.

PART-II

INSTITUTIONAL POLICY FRAMEWORK AND INTERNAL COMPLIANCE PROGRAMS

4. Internal Policies, Controls and Procedures

- 1) Designated non financial businesses and professions shall:
- (a) establish, implement, monitor, and maintain, an effective program of compliance with the requirements of the Proclamation, this directive and other related laws;
 - (b) adopt written policy framework stating their commitment to comply with Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) obligations under any law to actively prevent any transaction that facilitates criminal activities by enabling their employees to monitor, recognize, detect and respond appropriately to suspicious transactions, Customer Due Diligence, record retention, and the reporting obligation;



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- (c) formulate and implement internal controls and other procedures that will deter criminals from using its facilities or service for money laundering and terrorist financing and to ensure that its obligations under subsisting laws are met in accordance with Article 11 of the Proclamation and the provisions of this Directive;
 - (d) screening procedures to ensure high standards when hiring employees;
 - (e) If they are legal persons or established in a form of firm:
 - (i) designate Compliance Officer at a senior management level and employ other appropriate employees with the relevant competence, authority and independence to implement the institution's AML/CFT compliance program in accordance with Article 11(3) of the Proclamation; and
 - (ii) Adequately resourced and independent audit function to test compliance with the procedures, policies and controls in accordance with Article 11(2)(f) of the Proclamation.
 - (f) allocate sufficient resources for the proper functioning of AML/CFT compliance;
 - (g) establish an ongoing employee awareness and training program to ensure that employees are kept informed of new developments, including information on current AML/CFT techniques, methods and trends; and that there is a clear explanation of all aspects of AML/ CFT laws and obligations in Accordance with Article 38 of these Directives; and
 - (h) ensure that relevant policies, procedures, processes and controls are communicated to all relevant employees.
- 2) Designated non-financial businesses and professions shall render their level of compliance to the Center in accordance with Article 11 of this Directive.
- 3) Designated non-financial businesses and professions shall ensure that their foreign branches and majority-owned subsidiaries (if any) apply AML/CFT measures consistent with the requirements of the Proclamation, this Directive and other relevant laws, where the minimum AML/CFT requirements of the host country are less strict than provisions

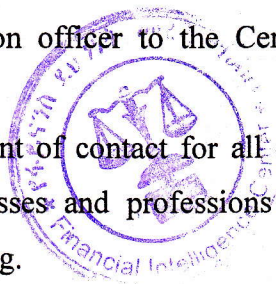


of the Proclamation, this Directive and other relevant laws, to the extent that host country laws and regulations permit.

- 4) If the host country does not permit the proper implementation of AML/CFT measures consistent with the provisions of the Proclamation, this Directive and other relevant laws, Designated non-financial businesses and professions shall apply appropriate additional measures in accordance with the provisions of the Proclamation, this Directive and other relevant laws to manage the money laundering, predicate offenses and financing of terrorism risks, and inform the same to the Center.

5. Compliance Management Arrangements

- 1) The respective board (if any) or the senior management of the designated non financial businesses and professions shall ensure that a program of compliance with the Proclamation, this directive and other subsisting laws is in place.
- 2) The duties of a Compliance Officer designated under Article 4(1)(e) of this Directive shall include but not limited to:
 - (a) developing an AML/CFT Compliance Program;
 - (b) rendering returns on mandatory disclosure and the monitoring of suspicious transactions including receiving, vetting from employee, and reporting suspicious transaction reports to the Center;
 - (c) conducting regular and internal supervision to ensure compliance and rendering reports on similar matters to the Center;
 - (d) coordinating the training of employee in AML/CFT awareness, detection methods and reporting requirements;
 - (e) serving as liaison officer to the Center and respective competent and regulatory authorities; and
 - (f) serving as a point of contact for all employees of the respective Designated non-financial businesses and professions on issues relating to money laundering and terrorist financing.



- 3) Designated non-financial businesses and professions shall make appropriate provisions for any absence of the compliance officer and shall appoint a suitable deputy to assume the responsibilities set out under Sub-article (2) of this Article.
- 4) *The compliance officer shall be sufficiently senior and independent to act on his own authority, have direct access to the board if there is any/ or senior management, and has sufficient resources including offices, and appropriately trained and effective employees.*
- 5) The compliance officer shall have access to relevant information concerning customers, representatives of the customers, business relationships and transactions and the details of such transactions which the designated non financial business or profession enters into, or considers entering into, with or for a customer or other party.
- 6) Designated non-financial businesses and professions shall commission an annual report from its compliance officer which shall report the level of compliance adherence to relevant policies, procedures, processes and controls with respect to regulatory obligations.

6. Risk Assessment

Designated Non-Financial Businesses and Professions shall take appropriate steps to identify, assess, and understand their ML/TF risks. This includes but not limited to:

- (i) document their risk assessments;
- (ii) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;
- (iii) keep these assessments up to date; and
- (iv) have appropriate mechanisms to provide risk assessment information to the Center.

7. New Technologies

- 1) Designated non-financial businesses and professions shall identify and assess the money laundering or terrorist financing risks that may arise in relation to:



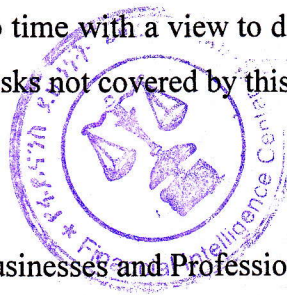
- (a) the development of new products and new business practices, including new delivery mechanisms; and
 - (b) the use of new or developing technologies for both new and pre-existing products.
- 2) Designated non-financial businesses and professions shall put in place:
- (a) policies or take such measures as may be needed to prevent the misuse of technological developments in money laundering or terrorist financing schemes such as internationally accepted Credit or Debit Cards ; and
 - (b) Policies and procedures to address any specific risks associated with non-face to face business relationships or transactions in accordance with Article 21 of these Directives.
- 3) These policies and procedures shall be applied automatically when establishing customers' relationships and conducting ongoing due diligence,
- 4) Risk assessment shall take place prior to the launch of such new products, business practices or the use of new or developing technologies, and Designated non-financial businesses and professions shall take appropriate measures to manage and mitigate those risks in accordance with Articles 6 and 9 of these Directives.

8. Additional Areas of AML/CFT Risks

- 1) Designated non-financial businesses and professions shall review, identify and record other areas of potential AML/CFT risks not covered by this directive and report same quarterly to the Center.
- 2) Designated non-financial businesses and professions shall review their AML/CFT frameworks from time to time with a view to determining their adequacy and identifying other areas of potential risks not covered by this Directive.

9. Risk Mitigations

Designated Non-Financial Businesses and Professions shall:



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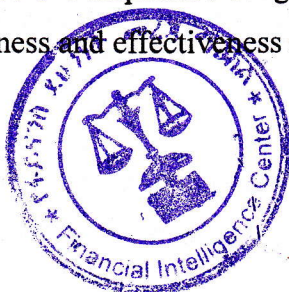
- (a) have policies, controls, manuals and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified either by the center or by the designated non-financial business or profession;
- (b) monitor the implementation of those controls policies, controls, manuals and procedures and to enhance them if necessary; and
- (c) take enhanced measures to manage and mitigate the risks where higher risks are identified.

10. Board (If Any) or Senior Management Approval of the AML/CFT Compliance Program

- 1) Designated Non-financial businesses and professions shall have a comprehensive AML/CFT compliance program including Manuals, Policies, Controls and Procedures to guide their compliance efforts and to ensure the diligent implementation of their program.
- 2) The management of designated non-financial businesses and professions shall ensure that programs under Sub-article 1 of this Article are formulated and presented to the respective board if any or senior management for consideration and formal approval.
- 3) If a designated Non-financial business or profession is not a legal person, such formulated Compliance Manuals, Policies, Controls and Procedures shall be formulated and approved based on the directions given by the Center.
- 4) The Compliance Manuals, policies, controls, and procedures formulated and approved by legal persons shall be forwarded to the Center for consideration and necessary action within one month of their release.

11. Testing for the Adequacy of Compliance

- 1) Designated non-financial businesses and professions shall make a policy commitment and subject their AML/CFT Compliance Program to internal audit/ testing to determine their adequacy, completeness and effectiveness quarterly



- 2) Designated non-financial businesses and professions shall make a policy commitment and subject their AML/CFT Compliance Program to independent-testing to determine their adequacy, completeness and effectiveness annually and
- 3) The result of the quarterly and annual audit/test of their AML/CFT compliance status shall be presented to their respective senior management and the Center for their information and necessary action within 15 days period of time.
- 4) Any identified weaknesses or inadequacies shall be promptly addressed by designated non-financial businesses and professions.

12. Cooperation with Competent Authorities

- 1) Designated non-financial businesses and professions shall comply promptly with all the requests made pursuant to the Proclamation and subsisting laws and directives and shall provide relevant information to the Center and other authorities on AML/CFT matters.
- 2) Where there is a request for information on money laundering, predicate offences and terrorist financing, designated non-financial businesses and professions shall:
 - (a) search the institution's records and electronic data-base to determine whether it maintains or has maintained any account for or has engaged in any transaction with any individual, entity or organization named in the request ;
 - (b) report the result of the search to the Center immediately and without delay but not later than 24 hours; from the time when the request is made.
 - (c) protect the security and confidentiality of such requests.
- 3) The Director General of the Center may modify the time specified under Sub-Article (2) (b) of this Article by issuing circulars based on the circumstances of the case.

13. Secrecy and Confidentiality Laws

Secrecy and confidentiality laws of Designated non-financial businesses and professions shall not inhibit the implementation of the requirements of this Directive in view of the



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provisions in the Proclamation and other relevant subsisting laws and in giving the Competent Authorities, either domestically or internationally, power to access information to properly perform their functions in combating money laundering and financing of terrorism.

14. Prohibition of Tipping-Off

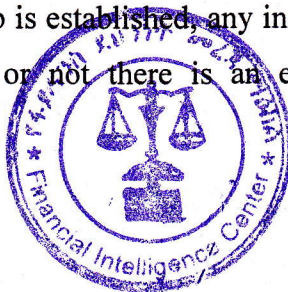
- 1) Neither the employees nor member of board (if any) or the senior management shall disclose to their customer or third parties information concerning suspected money laundering or financing of terrorism report (suspicious transaction report) that will be, is being or has been provided to the Center,
- 2) Neither the employees nor member of board (if any) or the senior management shall disclose to their customer or third parties information about money laundering or financing of terrorism investigation that will be, is being or has been carried.

PART-III

KNOW YOUR CUSTOMER (KYC) AND IDENTIFICATION PROCEDURES

14. General Principles

- 1) Subject to Article 23 of this Directive, Designated non-financial businesses and professions shall take a risk-based approach to the 'Know Your Customer' requirement and identify all their customers whether permanent or occasional, and whether natural or legal person or legal arrangement and verify their identities using reliable, independently sourced documents, up-to-date data or information.
- 2) Designated non-financial businesses and professions shall not establish a business relationship until all relevant parties to the relationship have been identified and the nature of the business they intend to conduct ascertained; and once an on-going business relationship is established, any inconsistent activity shall then be examined to determine whether or not there is an element of money laundering or terrorism financing.



- 3) The establishment of identity under this Directive shall be in the following broad categories of customer:
 - (a) Natural Person Customers ; or
 - (b) Customers that are Legal Persons or Legal Arrangements;
- 4) In carrying out transactions with any customer, designated non-financial businesses and professions shall identify the ultimate beneficial owner and take reasonable measures to verify the identity of the beneficial owner using relevant information or data obtained from a reliable source such that the designated non-financial business and profession is satisfied that it knows who the beneficial owner is.
- 5) Designated non-financial businesses and professions shall in respect of all customers, determine whether a customer is acting on behalf of another person; and where the customer is acting on behalf of another person, they shall take reasonable steps to obtain sufficient identification data and to verify the identity of that other person (the principal).

15. Natural Person Customers

- 1) The following information shall be established and independently validated for all natural persons whose identities need to be verified as they are required by competent authorities which are the:
 - (a) given or legal name and all other names used;
 - (b) permanent address;
 - (c) telephone number,
 - (d) fax number and e-mail address, if available;
 - (e) date and place of birth;
 - (f) nationality;
 - (g) occupation, public position held and/or name of employer;
 - (h) type of account; and
 - (i) signed statement certifying accuracy of the information provided and
 - (j) other information that may be required by the center.

- 2) The extent and number of checks can vary depending on the perceived risk of the service or business sought and whether the application is made in person or through a remote medium such as telephone, post or the internet.
- 3) For personal account relationships, all joint-account holders need to be verified.

16. Customers that are Legal Persons or Arrangements

- 1) For customers that are legal persons and arrangements, designated non-financial businesses and professions shall verify the status of the legal person by obtaining proof of incorporation from the relevant authority or similar evidence of establishment or existence and any other relevant information.
- 2) For these customers, designated non-financial businesses and professions shall:
 - (a) Take reasonable measures to understand the ownership and control structure of the customer and determine who the natural persons that ultimately own or control the legal person or arrangement are; this shall include those natural persons who exercise ultimate effective control over the legal person or arrangement;
 - (b) Verify that any person purporting to act on behalf of the customer is so authorized, and identify and verify the identity of that person;
 - (c) Verify the legal status of the customer at a minimum by obtaining proof of incorporation or similar evidence of establishment or existence and information concerning the legal person's or arrangement's:
 - (i) name,
 - (ii) legal form and proof of existence,
 - (iii) some form of official identification number such as tax identification number
 - (iv) Address which includes country, city/town/wereda/kebele in which the head office is located, house number, mailing address, telephone number and fax number,



(v) The powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position including directors, if applicable, and the chief executive officer in the legal person or arrangement;

(vi) The resolution of the board of directors (if applicable) or any other authorized body or person that authorize the carrying out of the transaction;

(vii) To the extent that there is doubt under (i) and (ii) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and

(viii) Identification of those who have authority to operate the account.

3) For the proper implementation of Article 5 of the Proclamation and the provisions of this Directive, legal persons shall:

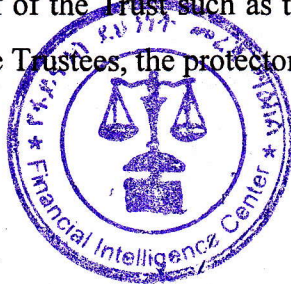
(a) take reasonable measures to obtain and maintain their name, proof of incorporation, legal form and status, the address of the registered office, basic regulating powers, a list of directors, a register of their shareholders or members, containing the number of shares held by each shareholder and categories of shares (including the nature of the associated voting rights), their beneficial owners;

(b) use existing information, including:

(i) information obtained by financial institutions and/or Designated non financial businesses and professions, in accordance with Articles 25, 26 and 27 of this Directive;

(ii) information held by other competent authorities on the legal and beneficial ownership of companies;

- (iii) information held by the legal person as required in Sub-Article 3(a) of this Article; and
 - (iv) available information on companies listed on a stock exchange, where disclosure requirements ensure adequate transparency of beneficial ownership;
 - (c) require shareholders with a controlling interest of bearer share or share warrants to notify such entity, and the legal person to record their identity;
 - (d) require nominee shareholders and directors to disclose the identity of their nominator to such entity and to any relevant registry, and for this information to be included in the relevant register;
 - (e) authorize one or more natural persons or a designated non financial business or profession resident in Ethiopia to be accountable to competent authorities, for providing all basic information and available beneficial ownership information, and giving further assistance to the authorities;
 - (f) ensure that information obtained and maintained under this Article is kept accurate and updated on a timely basis;
 - (g) maintain the information and records referred to by the entity itself (or its administrators, liquidators or other persons involved in the dissolution of the company), for at least ten years after the date on which the entity is dissolved or otherwise ceases to exist, or after the date on which the company ceases to be a customer of the designated non financial business or profession; and
 - (h) take other comparable measures, specifically identified by the Center.
- 4) In the case of Trusts or other types of legal arrangements, designated non-financial businesses and professions shall obtain and verify the identity of those providing funds for the Trust including the settler and those who are authorized to invest, transfer funds or make decisions on behalf of the Trust such as the principal trustees and controllers who have power to remove the Trustees, the protector (if any), the beneficiaries or class of



beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership) or persons in equivalent or similar positions.

5) For the proper implementation of Article 6(5)(c) of the Proclamation and the provisions of this Directive, legal arrangements shall:

- (a) obtain and hold adequate, accurate, and current information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust;
- (b) hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors; and
- (c) professional trustees to maintain this information for at least ten years after their involvement with the trust ceases;
- (d) ensure that information obtained and maintained under Sub-Articles 5(a) - (c) of this Article is kept accurate and updated on a timely basis;
- (e) disclose their status to the Center or other competent authorities or designated non financial businesses and professions on a timely basis when forming a business relationship or carrying out an occasional transaction above the threshold indicated under the provisions of these Directives;
- (f) provide with any information relating to the trust; or provide designated non financial businesses and professions, upon request, with information on the beneficial ownership, control of the trust, the residence of the trustee and the assets of the trust to be held or managed under the terms of the business relationship or for which they undertake an occasional transaction.

17. Duty to Obtain Identification Evidence and Identification Procedure

- 1) Designated non-financial businesses and professions shall ensure that it is dealing with a real person or organization, natural, corporate or legal, by obtaining sufficient identification evidence.

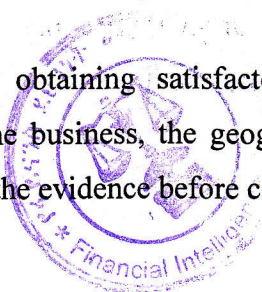
- 2) Subject to the provisions of this Directive, Designated non-financial businesses and professions shall:
- (a) obtain identification evidence after they have contact with a customer with a view to agreeing with the customer to carry out an initial transaction; or reaching an understanding, whether binding or not, with the customer that it may carry out future transactions ; and
 - (b) where the customer does not supply the required information as stipulated in Sub-Article (1) (a) of this Sub-Article, Designated non-financial businesses and professions shall discontinue any activity it is conducting for the customer ; and bring to an end any understanding reached with the customer.
- 3) Designated non-financial businesses and professions may however start processing the transaction or application immediately, provided that they promptly take appropriate steps to obtain identification evidence and do not execute the transaction or pay any money out to a third party until the identification requirements have been satisfied.
- 4) The failure or refusal by an applicant to provide satisfactory identification evidence within a reasonable time-frame without adequate explanation may lead to a suspicion that the customer is engaged in money laundering, predicate offenses or terrorist financing.
- 5) Designated non-financial businesses and professions shall make Suspicious Transactions Reports to the Center based on the information in their possession before the funds involved are returned to the potential customer or where they came from.
- 6) Designated non-financial businesses and professions shall put in place written and consistent policies of unwinding a transaction where satisfactory evidence of identity cannot be obtained and ensure that the identification processes is cumulative considering that no single form of identification can be fully guaranteed as genuine or representing correct identity, and the procedures adopted to verify the identity of private individuals, whether identification was done face-to-face or remotely, shall be fully stated in the customer's file.



- 7) The identification evidence collected at the outset shall be viewed against the inherent risks in the business or service and shall include a set of attributes such as names used, date of birth and the residential address at which the customer can be located.
- 8) Where an international passport, driving license or identity card is taken as evidence of identity, the number, date and place or country of issue as well as expiry date are required to be recorded.
- 9) The requirement in all cases is to obtain satisfactory evidence that a person of that name lives at the address given and that the applicant is that person or that the company has identifiable owners and that its representatives can be located at the address provided.
- 10) The reasonable steps taken to avoid single or multiple fictitious applications, substitution, or fraudulent impersonation shall be stated by the designated non-financial business or profession in the customer's file and an introduction from a respected customer or a person personally known to a Director, Manager or a member of staff which often provides comfort, must not replace compliance with identification evidence requirements set out under this Directive.
- 11) Details of the person who initiated and authorized the introduction shall be kept in the customer's mandate file along with other records.
- 12) Once identification procedures have been satisfactorily completed and the business relationship established, as long as contact or activity is maintained and records concerning that customer are complete and kept, no further evidence of identity is needed when another transaction or activity is subsequently undertaken.
- 13) Under this Article, "*transaction*" includes the giving of advice.

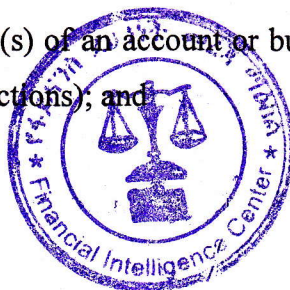
18. Timing of Verification

- 1) An acceptable time-span for obtaining satisfactory evidence of identity shall be determined by the nature of the business, the geographical location of the parties and whether it is possible to obtain the evidence before commitments are entered into or



money changes hands but any occasion when business is conducted before satisfactory evidence of identity has been obtained shall be exceptional and shall only be those circumstances justified with regard to the risk.

- 2) Designated non-financial businesses and professions shall verify the identity of the customer, beneficial-owner and occasional customers before or during the course of establishing a business relationship or conducting transactions for occasional customers or when series of linked transactions take place.
- 3) The persons whose identity are required to be verified include customers and persons acting on behalf of another provided that there is no obligation to look beyond the customer where:
 - (a) he is acting on his own account rather than for a specific customer or group of customers;
 - (b) a customer is a regulated financial institution or designated non financial profession or business; and
 - (c) the business is to be undertaken in the name of a regulated Financial Institution.
- 4) In other circumstances, except the customer is a public office, regulated Financial Institution or designated non-financial business or profession or financial institution or designated non-financial business or profession acting as agent on behalf of one or more underlying customers within Ethiopia and has given written assurance that it has obtained the recorded-evidence of identity to the required standards, identification evidence shall be verified on:
 - (a) the named account holder and person in whose name an investment is registered;
 - (b) any principal beneficial owner of funds being invested who is not the account holder or named investor;
 - (c) the principal controller(s) of an account or business relationship (such as those who regularly provide instructions); and



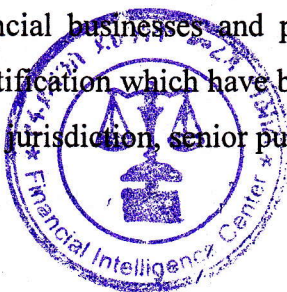
- (d) any intermediate parties (such as where an account is managed or owned by an intermediary).
- 5) Notwithstanding the provisions of this Article, Designated non-financial businesses and professions shall complete the verification of the identity of the customer and beneficial owner following the establishment of the business relationship where:
- (a) it shall take place as soon as reasonably practicable ;
 - (b) it is essential not to interrupt the normal business conduct of the customer ; and
 - (c) the money laundering and terrorism financing risks can be effectively managed.
- 6) Normal conduct of business may not be interrupted in cases such as:
- (a) securities transactions where the securities industry, companies and intermediaries may be required to perform transactions very rapidly, according to the market conditions at the time the customer is contacting them and the performance of the transaction may be required before verification of identity is completed;
 - (b) non face-to-face business, and
- 7) In all such cases listed under Sub-article (3) of this Article, identification and verification shall occur at or before the time of the execution of the transaction or the time when the beneficiary intends to exercise vested rights under the contract.
- 8) Where a customer is permitted to utilize the business relationship before verification, Designated non-financial businesses and professions shall adopt risk management procedures concerning the conditions under which this may occur and these procedures shall include but not limited to a set of measures such as:
- (a) types and amount of transactions that can be performed, and
 - (b) the monitoring of large or complex transactions being carried out outside the expected norms for that type of relationship.

19. New Business Relation by an Existing Customer

- 1) Where an existing customer enters into a new agreement to purchase products or services, there is no need to verify the identity or address of such a customer except where the name or the address provided does not tally with the information in the designated non-financial business's and profession's file.
- 2) Procedures shall be put in place by Designated non-financial businesses and professions to guard against impersonation and fraud and the opportunity of opening the new account shall also be taken to ask the customer to confirm the relevant details and to provide any missing KYC information especially where:
 - (a) there was an existing business relationship with the customer and identification evidence had not previously been obtained; or
 - (b) there had been no recent contact or correspondence with the customer within the past six months; or
 - (c) a previously dormant business relationship is re-activated.
- 3) Notwithstanding the provisions of Sub-article (1) of this Article, the previous account and any identification evidence previously obtained or any introduction records shall be linked to the new account records and retained for the prescribed period in accordance with the provisions of these Directives.

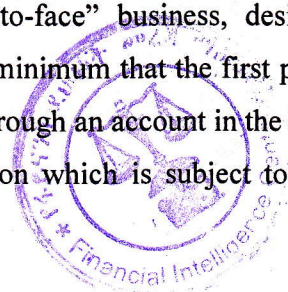
20. Non Face-to-Face Transaction

- 1) When conducting "non-face-to-face" business with clients that have not been physically present for the purposes of identification and verification, designated non-financial businesses and professions shall have policies, procedures, systems and controls in place to manage specific risks associated with such "non-face to face" business, relationships or transactions.
- 2) Designated non-financial businesses and professions shall at a minimum require two pieces of formal identification which have been certified appropriately by a notary public or court of competent jurisdiction, senior public servant or their equivalent in the private



sector shall be obtained and a person undertaking the certification must be known and capable of being contacted, and one formal document that will verify the physical address of the client.

- 3) Where the client is a legal person or arrangement, designated non-financial businesses and professions shall require documentary evidence of the existence of the legal person and a certified copy of acceptable identification and address documentation to verify the address of any person defined in Article 17 of this Directive.
- 4) In order to guard against the dangers of postal-interception and fraud, prospective customers shall not be asked to send by post originals of their valuable personal identity documents such as international passport, identity card or driver's license.
- 5) In the case of foreign nationals, the copy of international passport, national identity card or documentary evidence of his address shall be certified by:
 - (a) the embassy, consulate or high commission of the country of issue;
 - (b) a senior official within the prospective customer institution;
 - (c) Notary, Public or Court of competent jurisdiction, or
 - (d) Copies of identification evidence stamped, dated and signed "original sighted by me" by a senior officer of the designated non-financial business and profession.
- 6) Designated non-financial businesses and professions shall always ensure that a good production of the photographic evidence of identity is obtained and where this is not possible, a copy of evidence certified as providing a good likeness of the applicant could only be acceptable in the interim.
- 7) When conducting "non-face-to-face" business, designated non financial businesses and professions shall require at a minimum that the first payment received from the non face-to-face customer is carried out through an account in the customer's name with a designated non financial business or profession which is subject to internationally recognized AML/CFT standards.



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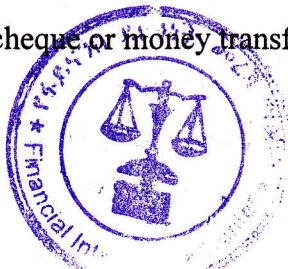
- 8) Designated non-financial businesses and professions shall ensure procedures for monitoring activity of "non-face to face" business are in managed effectively.

21. Recording Identification Evidence

- 1) Unless otherwise is provided by subsisting laws in Ethiopia, records of the supporting evidence and methods used to verify identity are required to be retained for a minimum period of ten years after the business relationship is ended/terminated.
- 2) Where the supporting evidence could not be copied at the time it was presented, the reference numbers and other relevant details of the identification evidence are required to be recorded to enable the documents to be obtained later.
- 3) Confirmation shall be provided and the original documents shall be seen by certifying either on the photocopies or on the record that the details were taken down as evidence.
- 4) Where checks are made electronically, a record of the actual information obtained or of where it can be re-obtained shall be retained as part of the identification evidence and such records will make the reproduction of the actual information that would have been obtained before, less cumbersome.

22. Concession in Respect of Postal or Electronic Payment

- 1) Where the money laundering, predicate offense or terrorist financing risk is considered to be low, concession may be granted for product or services where payment is to be made from an account held in the customers' name, or jointly with one or more other persons, at a regulated Financial Institution or designated Non financial business or profession, no further evidence of identity is necessary.
- 2) Waiver of additional verification requirements for postal or electronic transactions shall not apply to:
 - (a) products or account where funds can be transferred to other types of products or account which provide cheque or money transfer facilities;



- implemented and that adequate
- (b) situations where funds can be repaid or transferred to a person other than the original customers ; and
 - (c) Investments where the characteristics of the product or account may change subsequently to enable payments to be made to third parties.
- 3) Postal/Electronic concession is not an exemption from the requirement to obtain satisfactory evidence of a customer identity.
 - 4) Payment debited from an account in the customer's name shall be capable of constituting the required identification evidence in its own right.
 - 5) Designated non-financial businesses and professions shall maintain records for a minimum period of ten years after the transaction is finalized or the business relationship ended indicating how a transaction arose,
 - 6) The concession shall apply to where an application is made directly to the Financial Institution and where a payment is passed through a regulated intermediary.

23. Exemptions

- 1) Identification of a customer does not need to be verified where the customer is itself a regulated bank or other financial institution or Designated non-financial business or profession that is subject to anti-money laundering and combating terrorist financing obligations.
- 2) Where the customer or owner of the controlling interest is a public enterprise established in Ethiopia, it is not necessary to identify and verify the identity of the shareholders of such an enterprise.

PART-IV

CUSTOMER DUE DILIGENCE (CDD) MEASURES

24. CDD Measures by Designated Non-Financial Businesses and Professions

- 1) Designated non financial businesses and professions shall:

- (a) carry out the full range of the CDD measures on a risk sensitive-basis in accordance with Article 6(5) of the Proclamation and as provided for in this Directive;
 - (b) determine in each case if the risks are lower or not, depending on the type of customer product, transaction or location of the customer; and
 - (c) Understand and, as appropriate, obtain information on, the purpose and intended nature of the business relationship including the expected or predictable pattern of transactions.
- 2) Without prejudice to Article 3(1) of this Directive, Designated non financial businesses and professions shall undertake Customer Due Diligence (CDD) measures when:
- (a) business relationship is established ;
 - (b) carrying out occasional cash transaction with a customer, which at a minimum equals or exceeds Birr 300,000, USD 15,000 or equivalent in other foreign currencies or such other thresholds as may be determined by the Center from time to time, subject to the Proclamation; this shall include situations where the transaction is carried out in a single operation or in several operations that appear to be linked or structured;
 - (c) There is a suspicion of money laundering or terrorist financing, regardless of any exemptions or any other sum referred to in this directive; or
 - (d) There are doubts about the veracity or adequacy of previously obtained customers identification data; provided that, a designated non financial business or profession may not repeatedly perform identification and verification exercise every time a customer conducts a transaction, unless the institution suspects that there is a change in the documents earlier provided.
- 3) If the amount of the transaction referred to in Sub-article (2)(b) of this Article is unknown at the time of the operation, the identification of customer shall be done as soon as the amount becomes known or tilt threshold is reached.
- 4) A designated non financial business or profession shall not enter into an agreement with anonymous customers or customers with fictitious names.



25. On-going Due Diligence

- 1) Designated non financial businesses and professions shall conduct ongoing due diligence on a business relationship.
- 2) The ongoing due diligence measures under Sub-Article (1) of this Article includes:
 - (a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the designated non financial businesses and professions' knowledge of the customer, their business and risk profile, including where necessary, the source of funds; and
 - (b) ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers.
- 3) For customers that may require additional caution to be exercised when transacting with them, activities in such customer's account shall be monitored on a regular basis for suspicious transactions.
- 4) Designated non financial businesses and professions shall refuse to do business with the customer referred to in Sub-Article (2) of this Article or automatically classify them as high risk and subject them to an enhanced customer due diligence.
- 5) Designated non financial businesses and professions shall consider reclassifying a customer as higher risk and file a suspicious transaction report to the Center if following its initial acceptance of the customers the pattern of account activity of the customer does not fit in with their knowledge of the customer in accordance with Article 17 of the Proclamation and provisions stipulated under Part V of these Directives.

26. Application of CDD to Existing Customers

- 1) Designated non financial businesses and professions shall apply CDD measures to existing customers on the basis of materiality and risk, and to conduct due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

- 2) The appropriate time to conduct CDD by a designated non financial business or profession includes where:
 - (a) a transaction of significant value takes place ;
 - (b) customers documentation standards change substantially ;
 - (c) there is a material change in the way that the business relationship is operated ; and
 - (d) the institution becomes aware that it lacks sufficient information about an existing customer.
- 3) A designated non-financial business or profession shall properly identify the customers in accordance with the provision of the Proclamation and this Directive; and the customers' identification records shall be made available to the compliance officer, other appropriate employee and relevant authorities.

27. Application of Enhanced Customer Due Diligence

- 1) Designated non-financial businesses and professions shall adopt enhanced CDD measures whenever there is suspicion of money laundering and terrorism financing or for higher risk categories of customers, countries or geographic areas, and particular products, services, transactions or delivery channels that may be categorized as a high risk product, service, transaction and delivery channels by the National Risk Assessment and/or by their own risk assessment in accordance with the provisions of this Directive.
- 2) Designated non-financial businesses and professions shall exercise greater caution when approving the conducting of transactions with high risk customers.
- 3) The type of enhanced due diligence measures applied by Designated non-financial businesses and professions under this Directive shall be effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions and designated non financial businesses and professions).

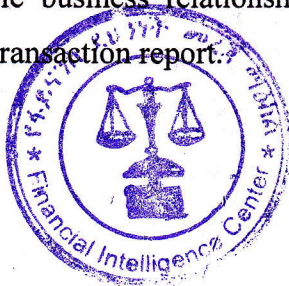


28. Lower Risk Categories of Customers

- 1) Without prejudice to Article 17 of this directive, simplified CDD process may be adopted for lower risk categories of customers, business relationships or transactions commensurate with the lower risk factors and identified through an adequate analysis of risks by the designated non-financial business or profession.
- 2) For the purpose of Sub-article 1 of this Article, Designated non-financial businesses and professions may consider the following as categories of low risk customers:
 - (a) Financial Institutions, provided they are subject to requirements for the combat of money laundering and terrorist financing which are consistent with the provisions of this Directive and are supervised for compliance;
 - (b) public enterprises established in Ethiopia or similar situations that are subject to regulatory disclosure requirements;
 - (c) Government ministries, departments, parastatals and agencies;
 - (d) insurance policies for pension schemes where there is no surrender value clause and the policy cannot be used as collateral;
 - (e) a pension, super annuation or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the scheme ; and
 - (f) beneficial-owners of pooled-account held by Designated Non-Financial Businesses and Professions provided that they are subject to requirements to combat money laundering and terrorist financing consistent with the provisions of the Proclamation and other laws including these Directives and have been so certified by their respective regulators or self-regulatory organizations.
 - (g) Such other categories as approved by the Center identified through an adequate analysis of risks and concerns about strengths or weaknesses in the AML/CFT systems of other countries.

29. Determination of a Politically Exposed Person

- 1) Designated non-financial businesses and professions shall, in addition to performing CDD measures in accordance with the provisions of the Proclamation and this directive, put in place appropriate risk management systems to determine whether a potential customer or existing customers or the beneficial-owner is a Politically Exposed Person (PEP).
- 2) Designated non-financial businesses and professions established in a form of artificial/legal persons shall obtain senior management approval before they establish business relationships with PEPs and render monthly returns on their transactions with PEPs to the Center in addition to its regular activities on rendering suspicious and cash transaction reports.
- 3) If a designated non-financial business or profession is a natural person, the approval under Sub-article 2 of this Article shall be obtained from the Center.
- 4) Where a customer has been accepted or has an ongoing relationship with the Designated non financial business or profession and the customer or beneficial-owner is subsequently found to be or becomes PEP, in order to continue the business relationship, they shall obtain approval pursuant to Sub-articles (2) and (3) of this Article.
- 5) Designated non-financial businesses and professions shall take enhanced CDD measures pursuant to Article 6(8) of the Proclamation and Article 17 of this Directive, to establish the source of wealth and the sources of funds of customers and beneficial owners identified as PEPs and report all suspicious transactions immediately to the Center.
- 6) Designated non-financial businesses and professions in a business relationship with PEPs shall conduct enhanced ongoing monitoring of that relationship and in the event of any transaction that is unusual; they shall flag the account and report the suspicion immediately to the Center.
- 7) Where higher risks are identified, designated non financial business or profession shall inform senior management before the executing the transaction, conduct enhanced scrutiny on the whole business relationship with the policy holder, and to consider making a suspicious transaction report.

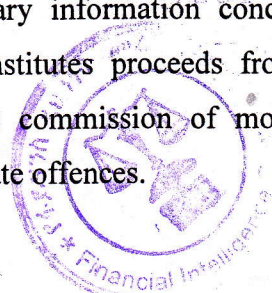


31. UN Security Council Resolutions

Designated non financial businesses and professions shall take freezing action in accordance with the provisions of the Proclamation and other relevant laws and shall prohibit conducting transactions with persons and entities, that are designated by Ethiopian Court and Ethiopian Parliament as per the obligations set out in the relevant domestic laws such as Council of Ministers' Regulation No. 306/2014 and persons and entities that are designated by United Nations Security Council Sanctions Committees and other countries pursuant to UN Resolutions (UNSCRs), relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions.

32. Reliance on Third Parties and Outsourcing

- 1) A designated non financial business or profession may outsource the technical aspects of CDD process only to qualified service providers duly regulated and supervised in the country where they are based and incorporated, as long as such outsourcing allows for:
 - (a) Designated non-financial business and profession to promptly obtain from the CDD service provider the information under this Part of the Directives;
 - (b) Designated non-financial business and profession take steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request promptly;
 - (c) Designated non-financial business and profession satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with, CDD, know your customer policies and record-keeping requirements in line with the Proclamation and these Directives; and
 - (d) Designated non-financial business and profession take steps to obtain immediately the necessary information concerning property which has been laundered or which constitutes proceeds from, instrumentalities used in and intended for use in the commission of money laundering and financing of terrorism or other predicate offences.



- 2) If a designated non financial businesses or professions rely upon third party Designated non-financial businesses and professions to perform elements of CDD measures such as identification of the customer; identification of the beneficial owner; and understanding the nature of the business or to introduce business, the ultimate responsibility for CDD measures shall remain with the designated non-financial business or profession relying on the third party.

33. Failure to Complete CDD Measures

Where designated non-financial businesses and professions are unable to comply with relevant CDD measures under the provisions of the Proclamation and this Directive, they shall:

- (a) not commence business relations or perform the transaction; or terminate the existing business relationship; and
- (b) consider making a suspicious transaction report in relation to the customer pursuant to the provisions of the Proclamation, other laws and these Directives.

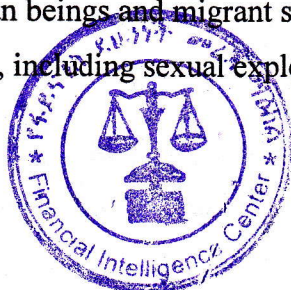
PART-V

MONITORING AND REPORTING OF CASH AND SUSPICIOUS TRANSACTIONS

34. Identification of Proceeds of Crime

Designated non-financial businesses and professions shall, in the course of their business, identify and report to the Center, any suspicious transactions with respect to proceeds derived from the following predicate offenses:

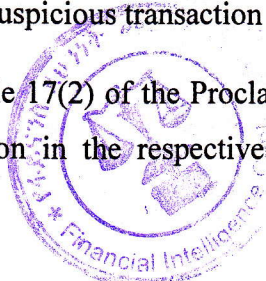
- (a) participation in an organized criminal group and racketeering;
- (b) terrorism, including terrorist financing;
- (c) trafficking in human beings and migrant smuggling;
- (d) sexual exploitation, including sexual exploitation of children;



- (e) illicit trafficking in narcotic drugs and psychotropic substances;
- (f) illicit arms trafficking;
- (g) illicit trafficking in stolen and other goods;
- (h) corruption and bribery;
- (i) fraud;
- (j) counterfeiting currency;
- (k) counterfeiting and piracy of products;
- (l) environmental crime;
- (m) homicide, grievous bodily injury;
- (n) kidnapping, illegal restraint and hostage-taking;
- (o) robbery or theft;
- (p) smuggling; (including in relation to customs and excise duties and taxes);
- (q) tax crimes (related to direct taxes and indirect taxes);
- (r) extortion;
- (s) forgery;
- (t) piracy;
- (u) insider trading and market manipulation; and
- (v) any other offense specified in any law of Ethiopia, capable of generating proceeds of crime and punishable at least with simple imprisonment for one year.

35. Suspicious Transactions Reporting “Red Flags”

- 1) Designated non-financial businesses and professions shall pay special attention to all suspicious transactions and maintain a checklist of such transactions as ‘red flag’ which shall be disseminated to their relevant employees and made available to the Center.
- 2) In cases where Designated non-financial businesses and professions form a suspicion of money laundering or predicate offenses or terrorist financing, and they reasonably believe that performing the CDD process will tip-off the customer, they shall not pursue the CDD process, and instead file a suspicious transaction report.
- 3) Without prejudice to Article 17(2) of the Proclamation and Sub-article 5 of this Article, when any concerned person in the respective designated non financial business or



profession detects any "red flag" for suspicious money laundering activity or predicate offenses or financing terrorism, such person is required to promptly institute a "Review Panel" under the supervision of the Compliance Officer, who shall immediately file a suspicious transaction report to the Center immediately and without delay but not later than 24 hours provided that all suspicious transactions, including attempted transactions are to be reported regardless of the amount involved.

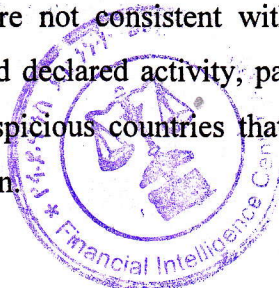
- 4) Without prejudice to Article 20(2) of the Proclamation, Designated non-financial businesses and professions, their directors, officers and employees (permanent and temporary) shall maintain confidentiality in respect of any detection, investigation and report of suspicious transaction that will be filed or has been filed with or in possession of the Center and other competent and regulatory authorities in accordance with the provisions of the Proclamation and these Directives.
- 5) Where the violations involve the Compliance Officer, employees shall report such to the Center.
- 6) Notwithstanding the provisions of this Article, the requirements to report suspicious transactions shall apply to designate non financial businesses and professions subject to the qualifications stipulated under Article 16 of these Directives.
- 7) Some examples of Red flags:
 - a) **Lawyers:**
 - i. Appointing a lawyer in financial or commercial transactions and requesting the concealment of the customer's name in any of these transactions.
 - ii. The customer resorts to lawyers to create companies, particularly international business companies, from outside the country (offshore) in a way that shows that the objective of creating the company is to conceal the illicit source of the funds.
 - iii. The customer resorts to lawyers to invest in the real estate market but the purchase or sale prices are not commensurate with the real estate value.



- iv. The customer requests, upon hiring a lawyer to incorporate a company, to transfer/deposit the incorporation fees or the capital to/in the bank account of the lawyer through multiple accounts that he has no relation to without a reasonable justification.
- v. The lawyer manages investments portfolios, in countries allowing such conduct, and receives instructions from the customer to make buying/selling transactions that have no clear economic reason.

b) Accountants:

- i. The customer does not indicate concern in incurring losses or realizing extremely low profits in comparison with persons engaged in the same business. The customer remains persistent in pursuing his/her activities.
- ii. High volume of foreign transfers from/to the client's accounts or the sudden increase of the revenue and cash amounts he obtains that is not consistent with his/her usual income. This type of activity occurs in a manner without any justification.
- iii. Customer's receipt of cash money or high value cheques, which do not suit the volume of his/her work or the nature of his/her activity, particularly if the transactions come from persons who are not clearly or justifiably connected to the client.
- iv. Unjustified amounts or deposits in the customer's account whose origin or cause is difficult to identify.
- v. Disproportionate amounts, frequency and nature of transactions carried out by the customer that are not consistent with the nature of his business, profession or known and declared activity, particularly if these transactions are carried out with suspicious countries that are not connected to his/her apparent business domain.

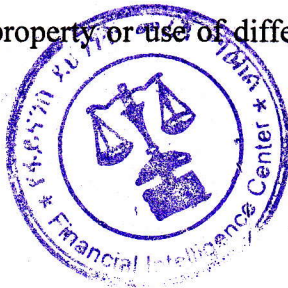


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- vi. Repeated large-amount cash transactions including foreign exchange transactions or cross-border fund movement when such types of transactions are not consistent with the usual commercial activity of the customer.

c) Real Estate Agents:

- i. Buying or selling real estate property at a price not consistent with its actual value, whether by increase or decrease, in comparison with the market prices or the prices of similar real estate in the same area.
- ii. Repeated buying of real estate properties whose prices do not suit the buyer's usual capacity according to the information available about him/her or expected from him/her (due to the nature of his/her profession or business), which creates suspicion that he/she is carrying out these transactions for other persons.
- iii. Trying to register the real estate property at a price less than actual value or the amount that will be paid and pay the difference "under the table".
- iv. The customer is not interested in inspecting the real estate to check its structural condition prior to the completion of the purchase operation.
- v. The customer is not interested in verifying the legal status of the real estate property he/she intends to buy.
- vi. Purchase of a number of real estate properties in a short period of time without expressing any interest in their location, condition, costs of repairs and otherwise.
- vii. Sale of the real estate property directly after buying it at a price less than the price of purchase.
- viii. The customer is not interested in putting his name on any file that may relate him/her to the property, or use of different names when submitting purchase offers.



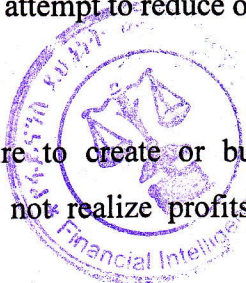
- ix. Buying real estate properties in the name of another person who is not clearly or justifiably connected to the customer.
- x. Replacing the buyer's name shortly before the completion of the transaction without sufficient or clear justification.
- xi. To arrange the financing of purchase transactions, partially or in full, through an unusual source or an offshore bank.

d) Dealers in precious stones and metals (jewelers and gold merchants):

- i. Customer's purchase of jewels of high value without selecting any particular specifications or with no clear justification.
- ii. Customer's purchase of jewels of high value does not correspond with what is expected from him/her (upon the identification of his profession or the nature of his/her business).
- iii. To regularly purchase high value commodities or large quantities of a specific commodity in a way that does not suit the usual deals carried out by the customer or the usual pattern of the business for his/her income or appearance.
- iv. Attempt to recover the amount of new purchases without a satisfactory explanation or when the customer tries to sell what he/she recently bought at a price that is much less than the purchasing price.
- v. Attempt to sell high value jewels at a price much less than their actual or market value.
- vi. Customer's willingness to pay any price to obtain jewels of extravagant amounts without any attempt to reduce or negotiate the price.

e) Notaries:

- i. Customers desire to create or buy a company that has a suspicious objective, does not realize profits or does not seem to be connected to

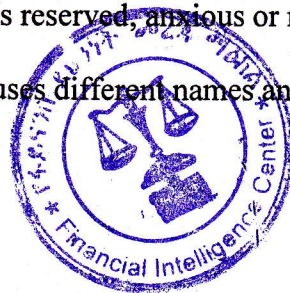


his/her usual profession or related activities, without being able to submit sufficient explanations to the notary.

- ii. When a customer sells assets or real estate properties repeatedly without realizing any profit margin or submitting a reasonable explanation in this respect.
- iii. The customer who creates or wishes to create different companies in a short timeframe for his own interest or the interest of other persons without reasonable financial, legal or commercial grounds.
- iv. The customer's use of another person as a facade to complete a transaction without any legitimate financial, legal or commercial excuse.

f) General Suspicious Activity;

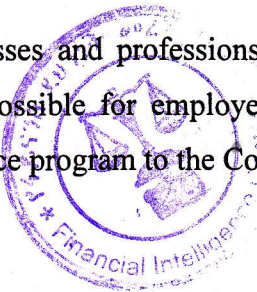
- i. The customer has an unusually comprehensive knowledge of money laundering issues and the AML Law without justification. For instance, if the customer points out he/she wishes to avoid being reported.
- ii. Attempt to divide the amounts of any operations below the applicable designated threshold of reporting to the competent authorities regarding money laundering or terrorist financing suspicion.
- iii. The customer has an unusual interest in the internal policies, controls, regulations and supervisory procedures and unnecessarily elaborates on justifying a transaction.
- iv. When a customer has accounts with several international banks or has lately established relationships with different financial institutions in a specific country without clear grounds, particularly if this country does not apply an acceptable AML/CFT regime.
- v. The customer is reserved, anxious or reluctant to have a personal meeting.
- vi. The customer uses different names and addresses.



- vii. The customer requests or seeks to carry out the transactions without disclosing his identity.
- viii. The customer refuses to submit original documentation particularly those related to his identification.
- ix. The customer intentionally conceals certain important information like his address (actual place of residence), telephone number or gives a non-existent or disconnected telephone number.
- x. The customer uses a credit card issued by a foreign bank that has no branch/headquarters in the country of residence of the client while he/she does not reside or work in the country that issued said card.
- xi. Cash transactions where banknotes with unusual denominations are used.
- xii. Unusual transactions in comparison with the volume of the previous transactions or the activity pursued by the customer.
- xiii. Unnecessarily complex transactions or those that do not seem to have an economic feasibility.
- xiv. Transactions that involve a country that does not have an efficient AML/CFT regime, that is suspected to facilitate money laundering operations or where drug manufacturing or trafficking are
- xv. Transactions that appears unusual, has no clear economic purpose; appears illegal;
- xvi. Transactions that involves proceeds from an unlawful activity;

36. Protection of Employee who Report Violations

- 1) Designated non-financial businesses and professions shall create an enabling working environment that can make it possible for employees to report any violations of the institution's AML/CFT compliance program to the Compliance Officer and the Center.



- 2) Designated non-financial businesses and professions shall inform their concerned employees in writing to make such reports confidential and that they will be protected from victimization for making them.

37. Threshold for Cash Transaction and Wire Transfer Reports

Designated non financial businesses and professions shall report all cash transactions in any currency as indicated under Article 3 of this Directive for both individuals and legal persons to the Center whether conducted as a single transaction or several transactions that are carried out within 24 hours and appear to be linked.

PART-VI

EMPLOYEE AWARENESS AND TRAINING PROGRAMME

38. Comprehensive Employee Awareness and Training Programs

- 1) Designated non financial businesses and professions, which are legal persons, shall design comprehensive employee awareness and training programs not only to make employees fully aware of their obligations but also to equip them with relevant skills required for the effective discharge of their AML/CFT tasks; provided that the timing, coverage and content of the employee awareness and training program shall be tailored to meet the perceived needs of designated non financial businesses and professions.
- 2) The employee awareness and training program under Sub-Article 1 of this Article shall be developed under the guidance of the Compliance Officer in collaboration with the top Management; and the basic elements of the employee training programs shall include but not limited to:
 - (i) AML/CFT laws and predicate offences ;
 - (ii) The nature of money laundering and terrorism financing ;
 - (iii) Money laundering and terrorist financing 'red flags' and suspicious transactions, including trade based money laundering typologies ;



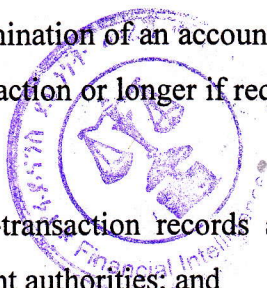
- (iv) Reporting requirements ;
 - (v) Customers Due Diligence ;
 - (vi) Risk-based approach to AML/CFT ; and
 - (vii) Record keeping and retention policy.
- 3) Designated non financial businesses and professions shall submit their Annual AML/CFT employee training program together with report of the implementation of the previous program to the Center not later than the end of the first month of the fiscal year of Ethiopian government on which that new program has been made.
- 4) Except in respect of senior managers and compliance officers whose training must be provided immediately on assumption of their duties, designated non financial businesses and professions shall ensure that all relevant employees receive appropriate training within 30 days of commencement of employment.

PART-VII

MISCELLANEOUS PROVISIONS

39. Keeping and Maintenance of Records of Transactions

- 1) Designated non financial businesses and professions shall:
- (a) maintain all necessary records of transactions, both domestic and international, for at least ten years following completion of the transaction or longer if requested by other laws or by the Center in specific cases regardless of whether the account or business relationship is ongoing or has been terminated;
 - (b) maintain records of the identification data, obtained through CDD measures, account files and business correspondence and results of any analysis undertaken for at least ten years following the termination of an account or business relationship or after the date of the occasional transaction or longer if required by other laws or by the Center in specific cases;
 - (c) ensure that all customers-transaction records and information are available on a timely basis to the competent authorities, and



- (d) keep the necessary components of transaction-records sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity which shall include:
- (i) customers' and beneficiary's names, physical addresses or other identifying information normally recorded by the intermediary;
 - (ii) the nature and date of the transaction;
 - (iii) the type and amount of currency involve; and
 - (iv) the type and identifying number of any account involved in the transaction.
- 2) Any information obtained during any meeting, discussion or other communication with the customers shall be recorded and kept in the customers' file to ensure that current customers' information is readily accessible to the Compliance Officers and the Center or to other competent and regulatory authority in accordance with the provision of the Proclamation.
- 3) Where maintenance of customers' records is outsourced to qualified service providers in accordance with Article 32 of this Directive designated non financial businesses and professions shall take reasonable steps to ensure that such records are held in a manner that conforms to this Directive.
- 4) Designated non financial businesses and professions shall maintain records of the dates of training sessions, a description of training provided and names of the employees that received training for a period of at least 10 years from the date on which training was received.
- 5) Designated non financial businesses and professions shall maintain records of the annual report, and any other reports that highlight the level of compliance, deficiencies and actions, that it submits to senior management.
- 6) All records of transactions must comply with the provisions of Data Protection Laws of Ethiopia.

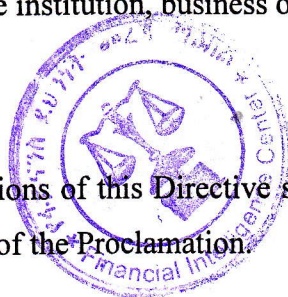


40. Supervision

- 1) The Center may at any time conduct inspection and supervision of designated non financial businesses and professions' compliance with the AML/CFT requirements pursuant to the provisions of the Proclamation, this Directive, and other subsisting laws and standards.
- 2) In doing the supervision under the provisions of this Article, the Center shall take into account in preventing criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in a designated non financial business or profession.
- 3) The frequency and intensity of on-site and off-site AML/CFT supervision of designated non financial businesses and professions shall be determined on the basis of:
 - (a) The money laundering, predicate offenses and terrorist financing risks and the policies, internal controls and procedures associated with the institution, business or profession, as identified by the Center's assessment of the institution's, business's or profession's risk profile;
 - (b) The money laundering, predicate offenses and terrorist financing risks present in Ethiopia; and
 - (c) The characteristics of the institution, business or profession, in particular the diversity and number of institutions, businesses or professions and the degree of discretion allowed to them under the risk-based approach.
- 4) The Center shall review the assessment of the ML/TF risk profile of designated non financial businesses and professions and other financial institutions (including the risks of non-compliance) periodically, and when there are major events or developments in the management and operations of the institution, business or profession.

41. Sanctions for Non-Compliance

- 1) Failure to comply with the provisions of this Directive shall attract appropriate sanctions in accordance with the provisions of the Proclamation.



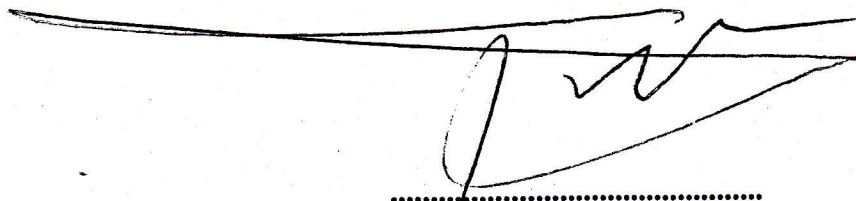
- 2) For purpose of emphasis, incidence of false declaration or false disclosure by the designated non financial business or profession or its officers shall be subject to administrative review and appropriate sanctions meted out subject to the provisions of the Proclamation.

42. Inapplicable Directives

All other directives and procedures that are inconsistent with these directives may not apply on matters covered under these directives.

43. Effective Date

This Directive shall enter into force as of the 27 day of April 2016.



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Sufian Ahmed

**Chairperson of the Board of Directors of Financial Intelligence Center of the Federal
Democratic Republic of Ethiopia**

