



**Middle East North Africa
Financial Action Task
Force**

**Anti-money laundering and
counter-terrorist financing
measures**

The People's Democratic Republic of Algeria

Mutual Evaluation Report



May 2023

**The People's
Democratic Republic of
Algeria**

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Executive Summary

1. This report provides a summary of AML/CFT measures in place in Algeria during the onsite visit from July 24 to August 10, 2022. This report also analyzes the extent of compliance with FATF's 40 recommendations and the extent of effectiveness of the AML/CFT system and provides recommendations on how the system could be strengthened.

Key findings

- a) Algeria has taken preliminary and positive steps with the aim of enhancing its understanding of ML/TF risks through the formation of committees and sectoral technical work units and the collection of the necessary data for the risk assessment process. However, the NRA process was not completed and is still in its initial stages. The competent authorities showed a general and non-unified understanding of these risks. Algeria has several special policies to address some crimes and has taken several measures at the strategic level with the aim to reduce risks. It is noted that the policies and measures in place are based on the authorities' general and non-unified understanding of ML/TF risks.
- b) The competent authorities in Algeria access directly and indirectly a wide range of financial information and use this information and other information in the context of ML investigations as well as the associated predicate offences and TF. Despite the challenges faced by the Cellule de Traitement du Renseignement Financier (CTRF), including limited resources, lack of digitalization, lack of STRs from a number of entities, with those actually received being of poor quality and focused on export issues, most CTRF disseminations, albeit limited, have reasonably contributed to initiating or opening ML/TF investigations by competent authorities.
- c) LEAs investigate proceed-generating predicate offences, mainly those that take place within the framework of organized crime, but they do not sufficiently carry out parallel financial investigations to identify the ML offence, which explains why the number of ML investigations and prosecutions is relatively low. Nevertheless, ML investigations and prosecutions are in line with Algeria's risk profile. Convictions included all types of ML, but cases of self-laundering are discovered more than other types of ML.
- d) Algeria pursues confiscation as one of its main objectives through the confiscation of funds, property, and instrumentalities of crime as well as the application of precautionary measures in most of the proceed-generating predicate offences to prevent the disposal, transfer or movement of the property subject to confiscation before ordering its confiscation, which is consistent with the risks facing Algeria. In addition to the confiscation of funds moved across borders due to non-declaration or false declaration and the application of proportionate and dissuasive fines, and the confiscation and recovery of funds from abroad in significant amounts in the context of ML and corruption offences, not including other crimes of a cross-border dimension.

- e) LEAs resort to parallel financial investigations and use special investigative techniques and methods in prosecuting various types of TF activity (collection, movement, and use of funds) in a manner that is consistent with the risk structure to which Algeria is exposed. Proportionate sanctions are being imposed where in some cases the circumstances of the accused are taken into consideration in TF cases; however, sanctions are generally considered dissuasive.
- f) Algeria has put in place the regulatory framework for the implementation of UNSCRs related to combating terrorism and TF within the country. However, the mechanism adopted to transpose UN designations and implement TFS does not guarantee their implementation without delay. Algeria has not identified the subset of NPOs falling within the FATF definition and does not conduct targeted risk-based supervision against them.
- g) Algeria has not established the legal and regulatory framework for the implementation of UN TFS requirements related to CPF within the country, which affected the understanding of the supervisory authorities and the subject entities of the relevant requirements under Recommendation 7.
- h) The understanding of risks and implementation of CDD measures vary across FIs and DNFBPs. The banking sector, which is the most important reporting sector overall, has a moderate to poor understanding of ML risks. Its understanding of TF risks is poor. The remaining FIs, especially the postal sector, have a non-comprehensive and non-unified understanding of risks. In general, FIs (except for most banks) do not take sufficient measures to mitigate risks. Banks apply CDD measures un-evenly, especially when it comes to the identification of the BO. EDD measures applied by banks are generally considered unsatisfactory regarding TFS, higher risk countries and PEPs. The application of CDD and EDD measures by other FIs is uneven and generally unsatisfactory. The understanding of risks and application of AML/CFT obligations among DNFBPs is considered poor and insufficient. Contrary to the remaining DNFBPs, notaries take some acceptable measures to mitigate risks.
- i) Licensing and registration controls applied by the supervisory authorities prevent criminals to some extent from controlling FIs and DNFBPs or from holding a management function or operating them. Although, progress must be made in various areas to ensure the application and implementation of effective fit and proper tests, particularly, towards the shareholders before and after granting the license and resorting to the security authorities to inquire about the reputation of the shareholders and managers and the extent of their association and the association of BOs with criminals. Unlike the remaining supervisory authorities, the Banking Commission (through the BOA) takes some measures to promote a risk-based supervisory approach regarding banks, but these measures are still insufficient. None of the supervisory authorities has applied any penalties related to non-compliance with the AML/CFT requirements. Insurance companies and brokers and DNFBPs are not supervised for AML/CFT compliance.
- j) Algeria has not assessed how legal persons are being misused for ML/TF purposes. Despite this, Algeria has taken several measures to prevent the misuse of legal persons for ML/TF purposes, but these measures are limited and insufficient: there are no mechanisms to ensure that basic information registered in the National Center for Commercial Register (NCCR) is accurate and up to date. BO information is not verified upon establishing a legal person. Only some FIs collect information on BO but deficiencies related to CDD requirements significantly impact their ability to hold accurate and up to date information. Sanctions applied are not considered effective, proportionate, and dissuasive.
- k) The Algerian authorities execute legal assistance requests received in a timely manner, and most of the responses are of the required quality, despite the delay in responding to some requests. Algeria received extradition requests, most of them for non-Algerians, and extradited some of them within reasonable timelines. As for extradition requests relating to Algerian nationals whom Algeria refuses to

extradite under its legislation, they were limited to one request, which was executed by the Algerian judicial authorities without delay. As for outgoing legal assistance requests, most of them are of high quality and have resulted in the freezing, confiscation, and recovery of funds from abroad in the context of corruption and bribery, and ML, not including other important offences in the context of Algeria. As for the types of crimes underlying the requests for cooperation issued by LEAs, they were limited to corruption and bribery and, to a lesser extent, drug trafficking, smuggling of goods and the smuggling of migrants, while cooperation in terrorism and TF remains very limited, and in some cases, there is low and near absent information exchange with neighboring countries, which is inconsistent with Algeria's risk profile.

Risks and General Situation

2. Although Algeria is not a regional financial center, it has a strong and diverse economy, one of its pillars is the banking sector, which represents about 99.5% of the total assets of the formal financial sector. It has also geographical, cultural, and economical characteristics that make it vulnerable to its informal economy, based mainly on cash, which is estimated at 40% of GDP. The length of its land borders, the presence of al-Qaeda in the Islamic Maghreb in parts of Algeria, instability in neighboring Libya and Mali, and regional political instability in general, may increase Algeria's ML/TF risks.
3. Drug trafficking, corruption and bribery, smuggling of goods and commodities, and the smuggling of migrants are among the most prominent proceed-generating predicate offences and constitute a source of threat in the context of Algeria. These offences are no less important, especially when they are committed by criminal groups or when they are committed within the framework of transnational organized crime. Algeria is also exposed to TF risks, given its geographical location, its proximity to geographical locations where terrorist groups are located, the activity of Al-Qaeda in parts of Algeria, and their dependence on collecting funds from legal and illegal sources derived from drug smuggling and trafficking, extortion, imposing fees on smugglers and hostage-taking.
4. Algeria did not specify the areas of high or low risks facing the various sectors within the country, as it has not yet completed the NRA process. However, the AT considers that the size of the banking sector's assets, its market share, and the diversity of services provided through this sector compared to other sectors, may make it more vulnerable than others to ML/TF risks. This is followed by the post sector due to its wide geographical spread and the services it provides, and the notaries sector due to the multiplicity of operations carried out through this sector, as it is exclusively concerned with preparing contracts for the sale and purchase of real-estate and vehicles, contracts for the establishment of legal persons, and the amendments that occur thereto. As for the sectors exposed to medium risks, they are represented in the real estate sector and DPMS', since most of the operations through these two sectors are carried out in cash, while other FIs, represented by the stock exchange, insurance companies, FIs (subject to the supervision of the Banking Committee) and other DNFBPs, especially lawyers are exposed to low risks.

The overall level of effectiveness and technical Compliance

5. The legislative and regulatory developments, Law No. 05-01 of 2005 on AML/CFT was adopted and published in the Official Gazette issue No. 11 on 9 February 2005, amended and supplemented by Decision 12-02 of 13 February 2012 published in the Official Gazette issue No. 08 on 15 February 2012 and Law 15-06 of 15 February 2015 published in the Official Gazette No. 08 on 15 February 2015. TF was criminalized by Article (87 bis 4) of the Penal Code and by Article (3) of Law No. 05-01. Whereas Article (4) of this law includes a definition of "a Terrorist", "Terrorist Organization," and "Terrorist Act", as well as the criminalization of the financing of terrorists, the financing of terrorist organizations, and the criminalization of persons traveling to another country to commit, plan or prepare terrorist acts, or participate in or train to commit such acts. Algeria also amended the Penal Code by Decision 08-21, which stipulates by Article 87 bis 13 the establishment of a committee to designate persons and organizations on the local list of terrorists and entities, in implementation of Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

UNSCR 1373.

6. CTRF was established by the Executive Decree No. 02-127 of 7 April 2002, published in the Official Gazette No. 23 on 7 April 2002, where Article (2) thereof stipulates that “an independent financial intelligence cell shall be established at the Ministry of Finance (MOF) and it shall be, by virtue of Article (4), responsible for AML/CFT, provided that it undertakes the tasks stipulated for in this Article, including receiving and processing STRs and disseminating them, when necessary, to the regionally competent Public Prosecutor (PP) whenever the facts examined are subject to criminal follow-up.
7. Regarding supervisory controls, the supervisory authorities issued AML/CFT controls to the entities subject to their supervision. Whereas the Bank of Algeria (BOA) issued Regulation No. 12-03 on 28 November 2003, which includes AML/CFT controls for banks, financial institutions, and financial departments of Algeria Post and Exchange Offices subject to the supervision of the Banking Committee. By virtue of the provisions of Article 10-bis 4 of Law No. 05-01, CTRF issued guidance on CDD measures towards clients of companies, non-financial professions, and some FIs that are not under the authority of BOA. Also, by Article 10 bis and Article 10 bis 4 of Law No. 05 -01, the SERC issued guidance on due diligence measures toward clients in the context of AML/CFT. This guidance applies to various parties, including brokers in stock exchange transactions. On the other hand, the Algerian legislature regulated the rules for the import and export of banknotes and/or BNIs in foreign currency when they are equal to or greater than one thousand (1,000) EURO. In an implementation of the UNSCRs on combating terrorism and terrorist financing, the Minister of Finance issued a decision dated 31 May 2015 which includes freezing and/or seizing the funds of persons, groups and entities on the Consolidated List of the Sanctions Committee of the United Nations Security Council, in addition to Executive Decree No. 15-113 issued in May 2015 related to the procedures for seizing and/or freezing funds in the framework of preventing and combating TF.

Risk assessment, co-ordination, and policy setting (Chapter 2: IO 1, R.1, 2, 33 & 34)

8. Algeria started the NRA process for the first time in late 2020 after having established a national NRA committee, from which two sub-committees emerged, of which, a sub-committee for combating ML/TF. This sub-committee held, until the onsite visit, 4 meetings in which it discussed the working mechanism for conducting the NRA. Whereby these meetings resulted in a recommendation to establish 5 sectoral technical work units, some of which began, in a proactive manner, before their official establishment, to collect part of the information and data necessary for the assessment process in preparation for its analysis and to propose a mechanism to identify threats and vulnerabilities and determine the levels of risks.
9. Although Algeria has not assessed its ML/TF risks, LEAs (the NG, the GDNS, and the COCC) and CTRF have a good understanding of ML/TF risks, while this understanding is generally weak among the supervisory authorities.
10. Algeria does not have policies and strategies to address ML/TF risks. However, Algeria has several policies to address some offences, including the national anti-drug strategy, the strategy to combat human trafficking and the strategy to combat terrorism. Several measures have been taken at the strategic level to mitigate the risks of using cash in the real estate sector and other sectors for ML, by obligating those concerned to pay the price of real estate and some movables through banking channels when their value equals a certain threshold, in addition to moving electronic commerce payments to established platforms instituted by the banks. It is noted that these policies and measures are based on the authorities' general and non-unified understanding of ML/TF risks.
11. Although there is a lack of a risk assessment, it has been noted that there are efforts in place to combat terrorism and its financing, combat extremist ideology and establish province security committees with the aim to coordinate the work of all security interests in the province. As for AML efforts, except for the efforts related to confiscations, recovery of funds from abroad, pursuing the main proceed-generating predicate offences, and converting commercial registries into electronic ones, it does not appear that the objectives and activities of law

enforcement and investigation authorities are based on risks.

12. The participation of the private sector in the assessment process was limited, and it will be activated in the future through the sectoral units entrusted with the task of risk assessment. In general, the private sector's understanding of risks is not uniform and generally ranges between moderate to weak, and it was noted that the level of banks' understanding of ML risks ranges between moderate and weak, whereas their understanding of TF risks is considered weak. The level of understanding among other FIs varies between moderate and weak, while DNFBS' understanding of risks remains weak and insufficient.

Financial Intelligence, ML investigations, prosecutions, and confiscation (Chapter 3: IO.6, 7, 8; Rec. 1, 3, 4, 29-32)

13. Algerian legislation provides an appropriate framework for conducting ML investigations. ML in Algeria is identified either through investigations carried out by the investigative authorities and the judicial police, or through STRs analyzed by CTRF that are received from the subject entities as well as based on the confidential reports it receives from the General Directorate of Customs (GDC) and BOA.
14. The competent authorities in Algeria access, directly and indirectly, a wide range of financial information and use this information and other information in the context of ML investigations as well as the associated predicate offences and TF. CTRF has a secured headquarters but with limited human resources available thereto, in addition to the poor quality of STRs it receives, most of CTRF's disseminations, albeit limited, have reasonably contributed to initiating or opening investigations by competent authorities into ML/TF offences. This indicates the quality and depth of the analysis carried out by CTRF.
15. Algeria has various LEAs to identify the ML offence, but they do not sufficiently conduct parallel financial investigations when investigating proceed-generating predicate offences, which take place within the framework of organized crime. This explains why the number of ML investigations and prosecutions is relatively low. Despite this, ML investigations and prosecutions are consistent with Algeria's risk profile. Most convictions have included all types of ML, but cases of self-laundering are discovered more than other types of ML, including cases of stand-alone ML; this is because the Algerian authorities are more prone to investigate and prosecute ML alongside predicate offences. The prison sentence applied upon conviction for an ML crime is considered proportionate and dissuasive even in cases where penalties applied are less than the minimum statutory punishment of five years.
16. Algeria pursues confiscation as one of its main objectives through the confiscation of funds, property and instrumentalities of crime and the application of precautionary measures to prevent the disposal, transfer, or movement of property subject to confiscation, without seizing the assets derived from the crimes of smuggling goods and commodities during the first investigation stage to prevent their transfer or disposal before ordering confiscation. Algeria has demonstrated its ability to seize, capture and confiscate proceeds and instrumentalities of crime in huge amounts in all predicate offences in line with the risks it faces, as well as confiscation of funds transferred across borders for non-declaration or false declaration and the application of proportionate and dissuasive fines, and the confiscation and recovery of funds from abroad in serious amounts in the context of ML and corruption crimes, excluding other crimes of a transnational dimension. Algeria does not have competent authority or body to manage seized and/or frozen funds, before or after the confiscation ruling confiscation is issued in the context of all predicate offences, while the property in the form of legal persons is managed by a judicial administrator before and after the confiscation ruling. This mechanism does not extend to include other seized property.

Terrorist and Proliferation Financing (Chapter 4: IO.9, 10, 11; Rec. 1, 4, 5-8, 30, 31 & 39)

17. LEAs in Algeria are pursuing different types of TF activity, including collection, movement, and use of funds, which is consistent with Algeria's risk profile. These authorities identify TF cases on their initiative or by a mandate by the PP and carry out parallel financial Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

investigations in all types of TF activity and use special investigative techniques and methods. The role of CTRF in identifying TF cases is considered very limited due to the lack of human resources and the limited STRs it receives from subject entities. Algeria applies proportionate penalties, some of which consider the circumstances of the accused in TF cases, but they are generally considered dissuasive. Algeria has alternative measures in cases where it is not possible to secure a conviction for TF, by prosecuting persons on charges of praising terrorist acts, conducting surveillance, and deporting foreigners.

18. Algeria has put in place an organizational framework for the implementation of UNSCRs related to combating terrorism and TF within the country. However, UNSCR 1267 and the relevant resolutions enter into force in Algeria as soon as the decisions of the Minister of Finance and the list attached thereto are published on the CTRF website, and not once they are issued by the UN Sanctions Committees, which does not warrant that the subject entities will implement their obligations of seizure and/or freezing without delay. Proposed designations *ex parte* to the Sanctions Committee established under Resolutions 1267/1989/2253 are not consistent with Algeria's terrorism and TF risk profile, being limited to one request in the last five years. Algeria is not implementing TFS without delay on other UNSCRs like 1373, because of the delays in publishing the committee's decisions in the official gazette. Despite this, several bank accounts were frozen and many real estates owned by the listed persons were seized.
19. Algeria has not identified the subset of NPOs, nor has it identified the threats to NPOs and how they are abused by terrorists. As for supervision and oversight of NPOs, the reliance is mainly on offsite inspections and to a lesser extent on onsite inspections to target all local NPOs at the national level without conducting targeted risk-based supervision of NPOs that are more vulnerable than others to abuse for TF purposes.
20. Algeria has not established the legal and regulatory framework for the implementation of UNSCRs related to CPF, which affected the understanding of the subject entities of the relevant international requirements, especially in terms of how to implement TFS effectively and without delay.

Preventive Measures (Chapter 5: IO 4, Rec. 9-23)

21. Algeria has a diversified financial sector, and the size of the banking sector's assets constitutes around 99.5% of the total assets of the financial sector, and there is a disparity in FIs and DNFBPs compliance with the AML/CFT requirements, especially concerning PEPs, high-risk countries, and TFS.
22. Banks have a non-unified understanding of ML risks that ranges between moderate and poor. Their understanding of TF risks is poor and not consistent with Algeria's risk profile. Most other financial institutions have a non-comprehensive and non-unified understanding of risks. Banks take satisfactory measures to mitigate risks. Algeria post and FIs subject to the supervision of the Banking Committee take some measures to mitigate risks, but they are not considered sufficient. On the other hand, the remaining FIs do not take any measures in this regard. Banks apply CDD measures to varying degrees, especially when it comes to identifying the BO (of controlling shares). They apply EDD measures in an unsatisfactory manner, especially concerning TFS, higher risk countries, and PEPs. The application of CDD and EDD measures by the remaining FIs is considered uneven and generally unsatisfactory, especially when it comes to the application of TFS. Banks and Algeria Post are the most reporting to CTRF on operations suspected of involving ML. STRs received from banks and Algeria Post account for around 99% of the total STRs, but the quality of ML-related STRs remains weak, while TF-related STRs remain very limited. Also, crimes ranked high risk are not highly reflected in the STRs submitted to CTRF.
23. All DNFBPs have a poor level of understanding of ML/TF risks as well as their obligations in this regard. Notaries take some acceptable measures to mitigate risks. The remaining DNFBPs do not take any measures in this regard, except for the legal requirement of not accepting cash payments when exceeding certain thresholds. They are not aware of the BOs concept and the mechanisms for the

identification of the BO and the application of EDD measures is considered weak, whereas they do not have sufficient knowledge of PEPs or high-risk countries, and their implementation of the obligations related to TFS is almost non-existent. The level of reported STRs still constitutes a concern, as the number of STRs submitted by DNFBPs is very limited, especially from notaries (considered high risk) and almost non-existent in the remaining sectors.

Supervision (Chapter 6: IO. 3, Rec 14, 26-28,34, 35)

24. Licensing and registration measures applied by supervisory authorities prevent criminals to some extent from controlling FIs and DNFBPs or holding a management function or operating them. Although, progress must be made in various areas to ensure the application and implementation of effective fit and proper tests, particularly, towards shareholders before and after granting the license and resorting to the security authorities to inquire about the reputation of the shareholders and managers and the extent of their association and the association of BOs with criminals.
25. BOA has prepared a preliminary draft of the sectoral assessment as part of the NRA project and has classified the institutions subject to its supervision according to the level of risks to which they are exposed. However, its understanding of risks is still limited since the measures taken in the assessment process are considered insufficient and lack key aspects due to the limited information relied on. On the other hand, it has not been found that there is a sufficient understanding among supervisory authorities of other financial institutions and the remaining authorities of DNFBPs of ML/TF risks to which the subject entities are exposed.
26. Risk-based supervision varies between supervisory authorities. The Banking Committee takes some measures to develop targeted risk-based supervision regarding banks, and to a lesser extent concerning FIs and financial departments of the post. However, the application of the RBA remains limited in the absence of sectoral assessments for all financial and DNFBPs sectors, thus, affecting the supervisory authorities' understanding of risks and how institutions are classified within different sectors and targeting them based on risks. On the other hand, the comprehensive inspection visits conducted by the SERC were limited to 2021 only, and were not conducted based on risks, while all other FIs and DNFBPs are not subject to supervision on the extent of their compliance with AML/CFT requirements.
27. None of the supervisory authorities apply sanctions to the relevant entities in the event of failing to implement the AML/CFT requirements, except for one sanction applied by the Banking Committee on a bank, while BOA is following up on the corrective measures taken by banks and FIs. This has had a positive and minor impact on their compliance with the requirements. In comparison, the lack of sanctions and corrective measures from the remaining supervisory authorities hinders the analysis of the impact of the supervisory measures on compliance.

Legal Persons and Arrangements (Chapter 7: IO 5; Rec. 24-25)

28. Algeria has not assessed how legal persons are being misused for ML/TF purposes. Despite this, the authorities found that legal persons were created with funds from illegal sources, or they were exploited as a front for laundering criminal proceeds. The assessment team did not find evidence that they were exploited for TF purposes.
29. Algeria has taken some measures to prevent the misuse of legal persons for ML/TF purposes, including verifying the criminal status of shareholders, managers, and authorized signatories, and screening their names against local and UN sanctions lists upon the establishment of legal persons and regularly upon any change in the ownership and management structure. There are several bodies concerned with this, including banks and notaries. However, notaries are not obligated to apply these measures under any regulation, which may not warrant their systematic and effective application, and because the beneficial ownership information is not verified upon establishing legal persons, and there is no indication that it is necessary to ensure the information is accurate and up to date.
30. Basic information related to legal persons is available to all concerned parties, whether from the public sector or the private sector, through Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

the database of the NCCR. However, there is no mechanism to ensure that the basic information registered is accurate and up-to-date. As for the information related to the BOs of the legal person, it is not verified upon establishing a legal person. Only some FIs collect information on BO but deficiencies related to CDD requirements significantly impact their ability to hold accurate and up to date information. As a result, BO information is not available and no laws or directive that obliges companies to keep and update the information related to the BOs, or to ensure that BO information is maintained in a register and that the information is accurate and up to date.

31. The sanctions applied by the legislation in force on legal persons for failure to comply with their obligations are not proportionate or dissuasive.

International Cooperation (Chapter 8: IO 2, Rec. 36-40)

32. The Algerian authorities execute legal assistance requests received in a timely manner, and most of the responses are of the required quality, despite the delay in responding to some requests. Algeria received extradition requests of which most are for non-Algerians and extradited some of them within a reasonable period. As for extradition requests relating to Algerian nationals whom Algeria refuses to extradite under its legislation, were limited to one request which was executed by the Algerian judicial authorities without delay and at a very suitable time.
33. The Algerian authorities often contact their counterparts in advance to bypass potential obstacles before issuing MLA requests and have drawn up a good number of legal assistance requests, most of which are of high quality, with issues of lack of clarity related to one request. Overall, these requests resulted in tracing and freezing funds abroad, as well as the confiscation and recovery of funds from abroad within the context of combating corruption and bribery, and ML, not including other crimes of importance to Algeria's context that are characterized by a cross-border dimension, including drug trafficking and migrant smuggling, given the limited number of requests sent in this regard.
34. Algeria uses a wide range set of international cooperation mechanisms with its counterparts, to exchange different types of financial intelligence for AML/CFT purposes, most types of offences underlying the outgoing requests are limited to corruption and bribery and, to a lesser extent, drug trafficking, smuggling of goods and migrant smuggling, while cooperation in terrorism and TF remains very limited, and in some cases there is low and near absent of information exchange with neighboring countries, which is inconsistent with Algeria's risk profile.
35. There is no international cooperation between supervisory authorities and counterparts regarding the application of fit and proper tests, especially concerning foreign persons seeking to hold management functions in FIs operating in Algeria. There is no indication on implementing those tests towards foreign shareholders who seek to own controlling shares in FIs operating in Algeria for not receiving requests in this regard in the last five years.

Priority Actions

Priority Actions for Algeria are as follows:

- a) Algeria should complete the NRA process to produce clear results for the ML/TF risks and make the results of this assessment widely available to the public and private sectors to form a starting point for a common and comprehensive understanding of risks.
- b) Algeria should consider amending the mechanism for implementing UNSCRs relating to combating terrorism and its financing, to make them legally enforceable within the country promptly and without delay, and drop any procedures that would affect the effectiveness of the application of TFS. Also, consider making the necessary legislative amendments to bring into force the UNSCRs relating to CPF inside the country as soon as they are issued by the Security Council.
- c) CTRF should develop the procedures for handling STRs, take measures to address the delay in the analysis process and conduct an in-depth review of how reporting is prepared at the level of subject entities to determine the reasons for low or no reports, and the poor reporting quality. As a basic initial step, set up a mechanism to provide useful feedback to the subject entities, in coordination with the supervisory authorities, to enhance awareness of the subject entities and enhance their compliance with AML/CFT requirements, especially in the detection and reporting of suspicious transactions.
- d) LEAs should conduct parallel financial investigations while looking into the predicate offences to identify the ML offence and enhance their awareness and training not to disregard financial evidence and ensure that a follow-the-money approach is pursued, especially for serious and cross-border crimes.
- e) The Algerian authorities, especially the investigative and judicial authorities, should consider resorting to formal international cooperation to trace, freeze, confiscate and recover the proceeds of crimes of transnational dimension from abroad (i.e., proceeds derived from drug trafficking). Also, resort more to formal and informal international cooperation for the exchange of information related to terrorism and TF offences.
- f) Regulatory authorities should include in licensing and registration controls clear procedures to ensure that fit and proper tests are effectively applied to prevent criminals or their accomplices from owning controlling ownership shares in financial and non-financial institutions or holding a management function therein. The supervisory authorities should enhance their understanding of ML/TF risks, develop an effective supervisory RBA, and enforce administrative penalties in the event of non-compliance. Activate supervision of insurance companies and brokers and DNFBPs regarding AML/CFT requirements.
- g) Algeria should solidify its AML/CFT legislative framework by (quickly)¹ pursuing the amendments to AML/CFT law, addressing deficiencies particularly with respect to TFS-TF/PF, NPOs, preventive measures and supervision. Develop and implement continuous awareness training programs for reporting entities to raise their awareness of the risks they are exposed to (particularly with regard to TF risks) and require them to conduct ongoing self-assessment of risks.
- h) Algeria should assess the risks of abusing legal persons for ML/TF to determine how legal persons are abused and identify the level of risks facing them, as well as the type of legal person and activity that is being misused or mostly misused for ML/TF.
- i) The Algerian authorities should conduct a comprehensive assessment and review of the NPO sector, to identify the subset of NPOs that are vulnerable to TF abuse and identify the nature of the threats posed by terrorist entities or groups to the sector and how terrorist groups

¹ During the on-site visit, the AT was briefed on the draft amendment to the AML/CFT Law No. 05-01.

abuse the sector. Measures should be taken to mitigate the TF risks in a way that legitimate charitable activities are not disrupted or discouraged and undertake educational programs to raise awareness among NPOs and donor groups about the potential vulnerabilities of NPOs to TF abuse and TF risks, and the measures that NPOs can take to protect themselves against such abuse.

Effectiveness & Technical Compliance ratings

Effectiveness Ratings

IO. 1: Risks and policy coordination	IO. 2 International cooperation	IO. 3 Supervision	IO.4 Preventive measures	IO.5 Legal persons and Legal arrangements	IO. 6 Financial Intelligence for ML/TF
Low	Moderate	Low	Low	Low	Moderate
IO. 7 ML investigation and prosecution	IO. 8 Confiscation	IO. 9 TF investigation and prosecution	IO. 10 TF Preventive measures and financial sanctions	IO.11: TFS related to Proliferation Financing	
Moderate	Substantial	Substantial	Low	Low	

Technical Compliance Ratings

R. 1 Assessing Risks and Applying a Risk-Based Approach	R. 2 National Cooperation and Coordination	R. 3 Money Laundering Offence	R. 4 Confiscation and Provisional Measures	R. 5 Terrorist Financing Offence	R. 6 TFS related to Terrorism and TF
NC	PC	LC	LC	C	PC
R. 7 TFS related to proliferation Financing	R. 8 NPOs	R. 9 Financial Institution Secrecy laws	R.10 Customer Due Diligence	R.11 Record Keeping	R.12 PEPs
NC	NC	PC	PC	PC	NC
R.13 Correspondent Banking Relationships	R.14 Money or Value Transfer Services	R.15 New technologies	R.16 Wire Transfers	R.17 Reliance on Third Parties	R.18 Internal controls and foreign branches and subsidiaries
NC	PC	NC	NC	N/A	PC
R.19 Higher-risk countries	R. 20 Reporting of Suspicious Transactions"	R. 21 Tipping Off and Confidentiality	R. 22 DNFBPs: Customer Due Diligence	R. 23 DNFBPs: Other measures	R. 24 Transparency and beneficial ownership of Legal Persons
NC	LC	PC	PC	PC	NC
R.25 Transparency and beneficial ownership of Legal Arrangements	R. 26 Regulation and supervision of FIs	R. 27 Powers of Supervisors	R. 28 Regulation and supervision of DNFBPs	R. 29 FIUs	R. 30 Responsibilities of law enforcement and investigative authorities
NC	PC	PC	PC	LC	LC
R. 31 Powers of law enforcement and investigative authorities	R. 32 Cash Couriers	R. 33 Statistics	R. 34 Guidance and Feedback	R. 35 Sanctions	R. 36 International Instruments
LC	PC	C	PC	PC	PC
R. 37	R. 38	R. 39	R. 40		

Mutual Legal Assistance	Mutual Legal Assistance: Freezing and Confiscation	Extradition	Other Forms of International Cooperation
LC	LC	LC	NC

MUTUAL EVALUATION REPORT

Preface

This report summarizes the AML/CFT measures in place in the People's Democratic Republic of Algeria (referred hereinafter as Algeria) as of the date of the onsite visit. This report analyses the level of compliance with the FATF 40 recommendations and the level of effectiveness of the AML/CFT system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF recommendations and was prepared using the 2013 methodology and the amendments thereto. The evaluation was based on information provided by the country, and information obtained by the assessment team during the onsite visit to the country from 24 July to 10 August 2022.

The evaluation was conducted by an assessment team consisting of:

- Ahmed Mohamed Zaki, International Cooperation Department at the Egyptian AML/CFT Unit, Financial Expert.
- Arwa Snoussi, Head of the Mutual Evaluation and Follow-up Unit of the National System at the Tunisian FIU, financial expert.
- Yaqoob Fareed Al-Muftah, Bahrain National Center for Financial Intelligence, Law Enforcement Expert.
- Sbetan Anwar Zayed, Head of the Compliance Unit at the Financial Follow up Unit in the State of Palestine, Financial Expert.
- Abdulrahman Darrar AlWeqian, Public Prosecution Office of the State of Kuwait, Legal expert.
- Alaa Muhammad Bani Fawaz, Deputy Head of the AML/CFT Unit of the Hashemite Kingdom of Jordan, legal expert.

The Secretarial team consists of:

- Antoine Mandour, Senior Officer - Mutual Evaluation, MENAFATF Secretariat.
- Mohammad Abu Rahma, Senior Officer - Mutual Evaluation, MENAFATF Secretariat.
- Abdul-Rahman Al-Hirabi, Executive Officer, Policy Development and Quality Assurance Department, MENAFATF Secretariat.

The report was reviewed by:

- The FATF Secretariat
- International Monetary Fund
- Benjamin Mossberg, USA
- Waleed Alaskar, Kingdom of Saudi Arabia.

Algeria previously underwent a MENAFATF / World Bank Mutual Evaluation in 2009, conducted according to the 2004 FATF methodology. The report was published in 2010 and is available on MENAFATF's website. (<http://menafatf.org/ar/information-center/menafatf-publications>). That Evaluation concluded that Algeria is Compliant with three (3) recommendations, Largely Compliant with eight (8), Partially Compliant with eleven (11), and non-Compliant with sixteen (16) recommendations. Two recommendations were assessed as not applicable to Algeria.

Periodical follow-up of Algeria was undertaken by MENAFATF immediately after the adoption of the MER in the 1st round. Algeria exited the regular follow-up process and moved to biennial updates in April 2016, on the basis that the progress achieved in all core and key recommendations was equivalent to an LC rating.

Chapter 1: ML and TF Risks and Context

36. Algeria is a sovereign democratic state. The official languages of Algeria are Arabic and Tamazight. Its capital, Algiers, is situated in the central north of the country. The Algerian dinar (DZD) is the currency used in Algeria. Algeria has a population of 45.28 million and an area of 2,1381,741 km². Its land and sea borders are estimated at 7,543 km. It is bordered on the north by the Mediterranean Sea and shares its land borders with several countries.
37. Algeria has been divided administratively into (58) provinces. Each province is divided into districts (553 districts), and each district is in turn divided into municipalities (1,541 municipalities) throughout Algeria.

ML / TF Risks and Scoping of higher-risk issues

ML/TF risks

38. Algeria is not considered a financial center, because of government-imposed controls on outflows of currency. These controls led to a rise in violations related to foreign trade (i.e. smuggling hard currency abroad or transferring proceeds of crime for ML purposes). They also led to the heightened likelihood of using an alternative system to transfer funds abroad or to receive funds from abroad for TF purposes.
39. Algeria mainly faces ML threats from locally generated proceeds of crimes and to a lesser extent, from foreign-generated crimes. The most serious proceed-generating crimes at the national level include drug trafficking, smuggling of goods and commodities, migrant smuggling, corruption, and bribery. Most of these crimes feature a cross-border element.
40. For other crimes, including illegal arms trafficking, currency counterfeiting, fraud, robbery, and theft, generate proceeds of varying amounts, but are considered relatively less than those generated from serious crimes identified above.
41. As for the ML methods and the techniques used in depositing, disguising or concealing the sources of illegal funds, it is noted that Algeria has some information represented in the multiplicity of cash deposits in a way that is not in line with the economic nature of the account holder, or the use of the third party accounts through proxy or the use of a debt acknowledgment, or the integration of illegal funds into the economic cycle to acquire real-estate and, to a lesser extent, luxury vehicles in the names of front persons. This information remains incomplete because Algeria has not yet completed the NRA. As such, Algeria is not aware of the areas of high or low risks facing the various financial and non-financial sectors, including the extractive sectors, especially hydrocarbon exports, ports², and the defense³ sector. However, the size of the banking sector, and the diversity of services provided across the sector compared to other sectors, may make it more vulnerable than others to ML threats. This includes the postal sector as well, because of the expansion of its geographical areas and the services provided thereby (executing transfers between persons throughout the national territory, accepting deposits or allowing clients to make cash withdrawals at ATMs), which may make it vulnerable to exploitation, whether for ML or TF.
42. Regarding legal persons, the authorities found that they were exploited as a front for laundering criminal proceeds, or they were created with funds from illegal sources. In other cases, legal persons specialized in export and import were exploited by the relatives of the BOs or

² https://macn.dk/wp-content/uploads/2021/09/Top-5-Ports_July-2021.pdf

<https://macn.dk/wp-content/uploads/2022/02/MACN-ten-years-anonymous-reporting.pdf>

³ <https://ti-defence.org/defence-companies-index-on-anti-corruption-and-corporate-transparency/>

Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

by third parties. However, the legal form and types of activity being mostly exploited for ML were not perceived. On the other hand, the assessment team did not find evidence that legal persons were exploited for TF purposes.

43. Algeria is exposed to risks associated with domestic terrorist organizations, including those related to Al-Qaeda in the neighboring countries (the Salafist Group for Preaching and Combat (GSPC)), the Soldiers of the Caliphate in the Land of Algeria (ISIL), the two movements (Mac and Rashad), in addition to the threats associated with organizations in the region and neighboring countries such as the Islamic State in the Greater Sahara and Al-Qaeda in the Maghreb (western) Countries, the Unification and Jihad Movement, the Armed Islamic Group, the Supporting Islam and Muslims Group, the Uqba bin Nafie Battalion, and the Hisba Group affiliated with the Soldiers of the Caliphate. In light of these threats and monitoring the level of security in neighboring countries, the authorities continue to take precautionary and security measures to prevent the incursion and breach of the borders by these terrorist groups and to pre-empt attempts aimed at recruiting citizens to join these organizations, and to intercept funds in 2021 that were being moved across the border, in and out, to be used for TF, and their total was, respectively, approximately USD 544,152 and USD 6,838 (seized in different currencies).
44. The authorities also take other measures represented in continuously updating the border police databases and the inclusion therein of names of persons associated with terrorist organizations abroad, whether Algerians or others, as well as names of persons present in Algeria against whose information is available on their possible travel abroad to join terrorist organizations. Authorities also make use of special investigative techniques, intercepting communications and messages on social media, awareness-raising efforts and developing religious discourse, as proactive steps to prevent individuals from being recruited to join terrorist groups.
45. Terrorist groups that represent a threat to Algeria resort to financing their activities by using funds from illegal sources resulting from criminal activities such as theft, ransom, hostage-taking, drugs and arms trade, and migrant smuggling, in addition to using funds from legitimate sources such as donations that are sometimes collected through social media and not through NPOs. Funds are transferred from abroad mainly using the informal sector or by resorting to the physical transportation of funds across borders, and they are transferred at the national level sometimes through Algiers Post. These funds are used to secure supplies and support terrorist operations and families of deceased terrorists.
46. Despite the domestic and foreign TF threats to which Algeria is exposed, the authorities have not found that the NPOs sector has been exploited through donations, fundraising, and aid that are collected from persons or NPOs abroad. This includes NPOs mostly exposed more than others for TF purposes, which are represented in charitable NPOs, religious, and neighborhood committees as being NPOs that receive the most funding due to the multiple sources of funding available to them.

Algeria's Risk Assessment & Scoping of higher-risk issues

47. The information contained in this section is based on the results of the AT's analysis of the information provided by the Algerian authorities before the onsite visit and the information the team came across during discussions with the various authorities during the onsite visit, in addition to the information the team relied on from publicly available reliable sources, given that Algeria has not completed the NRA.
48. Algeria established in late 2020, a national ML/TF risk assessment committee, chaired by the Minister of Finance, and comprising (18) members representing various ministries and national bodies concerned with AML/CFT. The committee started the NRA process after it was provided with two sub-committees, one of which was dedicated to AML/CFT.
49. The ML/TF risk assessment sub-committee held four meetings up to the date of the onsite visit to discuss the action plan and the mechanism through which the national assessment will be carried out. Those meetings resulted in a recommendation to establish technical working units assigned with different tasks, of which the identification of proceed-generating offences to ML/TF, in addition to identifying risks at the sector level and areas that could be subject to ML/TF risks. On 10 August 2022 (the last day of the onsite visit), the ministerial decision to establish sectoral technical work units was published in the Official Gazette.

50. The sectoral technical work units did not carry out their duties until the end of the onsite visit to identify the ML/TF threats and the vulnerabilities and consequences related to the different sectors.
51. It is clear, according to the country's initial vision, that the most prominent proceed-generating predicate offences that may be the subject of ML include illegal trafficking in narcotics and psychotropic substances, corruption and bribery, smuggling of various goods and commodities, and migrant smuggling. However, Algeria is not aware of the high and low risk sectors within the country, including the banking and real estate sector:

Illicit Trafficking in Narcotics and Psychotropic Substances: Algeria is a transit country for drug trafficking, owing to its geographical location between two sensitive areas of cannabis production (i.e. neighboring country) and consumption (i.e. Western European countries) Large quantities of drugs transiting Algeria have been detected and seized by authorities. Huge proceeds generated from drug trafficking which amounted to approximately USD 1.9 billion were confiscated by Algerian authorities between 2017-2021(See IO 8). These factors make Algeria more vulnerable to ML risks arising from narcotics trafficking.

Smuggling of Goods and Commodities: Smuggling crimes are mainly related to regional exchanges with neighboring countries. Smuggling includes, as for goods smuggled from abroad to Algeria, prohibited products or products subject to high taxes, such as cigarettes, alcohol, fireworks, and used garments. As for the smuggled goods from Algeria to abroad, they include materials subsidized by the state such as fuel and building materials, various food products, and other goods. This crime ranks second in terms of the value of proceeds confiscated during the years 2017-2021, which amounted to approximately USD 284 million.

Corruption (including bribery): Bribery is the most common form of corruption in Algeria, followed by trading in influence and abuse of functions. Corruption cases are pursued by the Central Anti-Corruption Office and LEAs (the NG and GDNS). Corruption crimes ranked third in terms of the value of proceeds, which amounted to approximately USD 248 million (between 2017 – 2021), and ranked second, as a predicate crime, in the convictions for ML with 77 convictions imposed between 2017-2021 (See IO.7).

Migrant Smuggling: Algeria is a transit country and a destination for thousands of people, from African countries, heading toward Europe or the Middle East. Those migrants are illegally exploited by gangs involved in human trafficking and migrant smuggling. It is noted that the number of cases and proceeds related to this crime has been on a steady and noticeable increase during the last five years (see IO 7 and IO 8), where the value of the proceeds that were confiscated between 2017-2021 amounted to approximately USD 82 million. On the other hand, this crime ranked first in the number of convictions for ML, with 115 convictions imposed between 2017-2021. This is due to several factors, including the increase in criminal activity, the efforts of the authorities to intensify border control, land ports and seaports, and the tightening of restrictions on the granting of visas by European countries, which led smugglers to raise the cost of transporting people. Among the new methods that are used by smugglers to avoid detection and arrest is that one of the victims (a migrant) is assigned to operate the boat in exchange for not paying the transportation cost, as well as abandoning the boats and avoiding arresting any of the members of the criminal network, which contributed significantly to raise the cost of transporting migrants by sea to European countries.

52. BOA is the only supervisory authority that initiated a sectoral risk assessment for the sectors under its supervision (which at the time of the onsite was still at the preliminary stage). BOA relied on incomprehensive information that did not take into account the offences that may pose potential threats to the three sectors (banks, financial institutions and the financial departments of Algeria Post) as well as overall vulnerabilities that may affect the effectiveness of the implementation of measures (such as the comprehensiveness of the legislative framework, the effectiveness of supervisory practices, and licensing controls).
53. CTRF conducted a strategic analysis, which is considered the first of its kind. The results of this analysis are however incomprehensive and insufficient, due to the limited source of information used (i.e. confidential notifications and STRs received by CTRF in 2021). As such, the

data considered did not include for instance information requests submitted by LEAs and counterparts in the last five years.

54. In the absence of an NRA, authorities rely on their supervisory activities, (such as licensing and prior approval) to identify foreign threats associated with international transactions associated with commercial and financial centers, dealing with well-known tax-haven countries, anonymous companies whose commercial activity is unknown, frequent travels abroad, and modern payment methods. ML activities are materialized through the use of the debt acknowledgment and third-party accounts through a proxy, the multiplicity of cash deposits and withdrawals inconsistent with the economic nature, the multiplicity of commercial activities that do not have a complementary relationship, and transactions related to studies and real estate activity and other transactions.
55. The most prominent terrorist groups that pose a local threat to Algeria are Al-Qaida in the Islamic Maghreb (the Salafi Group for Preaching and Combat (SGPC)), Jund al-Khilafah (Soldiers of the Caliphate) in Algeria (the Islamic State Organization - ISIS), and MAK and Rachad movements. In addition to the foregoing, there are threats associated with organizations located in the region and neighbouring countries such as the Islamic State in the Greater Sahara, Al-Qaida in the Islamic Maghreb, the Movement for Oneness & Jihad, the Armed Islamic Group, the Group for the Support of Islam and Muslims, Uqba ibn Nafi Brigade and Al-Hisba group affiliated with Jund al-Khilafah. During the last five years, a total of 79 individuals belonging to these groups were convicted of the crime of TF. Furthermore, Algeria was exposed to the risk of foreign terrorist fighters (FTF) who travelled to join terrorist groups in conflict areas.
56. The methods of raising funds for TF purposes by the groups that pose a threat to Algeria are represented in the use of proceeds resulting from criminal activities such as theft, ransom, hostage-taking, narcotics and weapons trafficking, migrant smuggling, and raising funds through donations that are sometimes collected through social media platforms. Raised funds are then transferred primarily using the informal sector, physical cross-border transportation and sometimes through postal money orders. These funds are spent on supplies, operations sustainability and supporting families of the terrorists who died. Algeria is also exposed to the risk of raising funds using new technologies (see IO.9).
57. The data used in the NRA process that is still ongoing (i.e. at the end of the onsite visit) will cover the period between 2017-2021, and the Algerian authorities are considering updating the NRA every two years.

Elements of Specific importance (Materiality)

58. The Algerian economy witnessed a significant decline in the past seven (7) years due to the deterioration of oil prices and the impact of the Coronavirus pandemic, which required the provision of large resources to confront it, which affected the growth rates and the volume of GDP, which at the beginning of the pandemic - in 2019 - was about 171.07 billion USD, to fall to around 147.6 billion USD in 2020, which affected Algeria's ranking in the global economy (ranked 53rd) in 2020.
59. Algeria has 19 operating banks, including 6 publicly owned banks and 13 private banks (Algerian and foreign). The total volume of assets of banks operating in Algeria in 2021 is approximately USD 147 billion. This is equivalent to Algeria's GDP. The banking sector represents about 99.5% of the total assets of the formal financial sector, while the non-banking financial sector represents less than 1% of the total assets of the formal financial sector. The assessment team did not receive the share of each sector (FIs, Algerian Post Office, Stock Exchange and Insurance sector) out of the total assets of the financial system.
60. The non-financial sector is formed of many DNFBPs subject to the AML/CFT requirements. The assessment team did not receive any information on the volume of sales made through real estate agents and dealers in precious metals and stones (DPMS) in 2021. As for the Exchange Offices, they are inactive.
61. Algeria ranked eighth (8) in the Arab countries and sixty-seven (67) globally in terms of the volume of remittances received from expatriates in 2020, amounting to about 1.7 billion USD. In order to carry out financial transfers for commercial purposes between legal persons, the prior approval of BOA is required. The Algerian economy is dominated by cash transactions. This increases the chances of

using an alternative system (hawala-like system) to transfer funds outside Algeria or to receive funds from abroad. The assessment team could not see any adequate cooperation or coordination between all competent authorities to identify the unlicensed or unregulated hawala, since Algeria did not provide statistics in this respect. However, the case study referred to in IO 9 together with the exchange control restrictions indicates that the hawala system exists in Algeria.

62. Gambling is prohibited in Algeria by decision No. 75-58 of 1975 of the Civil Code. The ban extends to online gambling, according to Law 18-05 of 2018, which prohibits every transaction through electronic means related to gambling, betting and lotteries, and the violator is punished with a fine of (DZD 200,000 to 1,000,000) without prejudice to the application of the most severe penalty, and the judge can order the shut-down of the website for a period ranging from (1) one to (6) six months.

Structural Elements

63. While Algeria is more stable than in past decades, it is still exposed to external threats, especially from some neighboring countries that are insecure and politically unstable.
64. Algeria has the necessary structural elements for the implementation of an effective system to combat crimes, whereby those elements are supported by the political and institutional stability of the state, the supremacy of its laws on national territory, as well as the high-level commitment of public authorities, which is evident in the ratification of all international treaties and the various government action plans, especially concerning the modernization of administrative and public functions on one hand, and the prevention and control of corruption on the other hand. This can also be seen through the establishment of a national committee to assess ML/TF risks to ensure better coordination of AML/CFT policies and the preparation of the national AML/CFT strategy.

Background and Other Contextual Factors

65. In 2018, Algeria issued Law 18-05 related to electronic commerce, which stipulates payments in electronic commercial transactions be made through dedicated payment platforms established and used exclusively by banks approved by BOA and Algeria Post. This law aims to enhance financial inclusion procedures through electronic payment and collection. Whereby the number of the adult population with bank accounts in 2021 amounted to about 18.8 million people, while the percentage of individuals who hold accounts with banks in 2021 amounted to about 59% up from 50.3% in 2020. This increase is due to the orientation of many banks towards providing banking services remotely and expanding their branch network to allow the provision of banking services to various citizens at the national level.
66. Algeria has the legal, regulatory, and institutional frameworks to combat corruption. According to the Corruption Perceptions Index of 2021, Algeria ranked 117th out of 180 countries, while it ranked tenth (10) among the least corrupt Arab countries.

AML/CFT Strategy

67. Algeria does not have a national AML/CFT strategy. However, Algeria had put in place several national strategies such as the national transparency and anti-corruption strategy (which is not yet in force⁴), the national anti-drugs strategy (2020 – 2024), and the strategy for combating human trafficking (2022 – 2024). The latter two strategies do not contain any objectives related to combating ML derived from narcotics trafficking and human trafficking. Algeria issued a strategy as well for combating terrorism (Its duration is unlimited and will be modified as needed). This strategy includes a set of objectives, including investigating the sources of funding for terrorism and extremism, and patterns of terrorism and its financing.

Legal and Institutional Frameworks

Authorities responsible for AML/CFT supervision

⁴ Expected to enter into force early 2023.

68. **Banking Committee:** It has the power to supervise banks, financial institutions, and the financial departments of Algeria Post and Exchange Offices, whether onsite or offsite. It does not in practice conduct supervision of these entities (given that it is a higher permanent committee that does not have an executive body to carry out supervision) and delegated this function to BOA.
69. **Bank of Algeria:** A national institution that enjoys legal personality and financial independence. It was created by Law No. 62-144 on 13 December 1962. Its tasks were defined by Order No. 03-11 of 26 August 2003 relating to money and credit, amended, and supplemented. Among its most important tasks, are the regulation of money in circulation, the regulation of liquidity, the regulation of the exchange market, to ensure the security and integrity of the banking system, the supervision of banks, financial institutions, exchange offices and the financial departments of Algiers Post, with a mandate from the Banking Committee, following Article 11 of Law No. 05-01 on AML/CFT. As such, BOA is the AML/CFT supervisory authority of the financial sector.
70. **The Stock Exchange Regulatory Commission (SERC):** It is an independent regulatory authority that enjoys legal personality and financial independence. It was established by Legislative Decree No. 93-10 of 1993, amended and supplemented, related to the Stock Exchange. It undertakes the task of regulating and monitoring the market for movable values by ensuring the protection of investors in movable values and the smooth functioning and transparency of the market for movable values, especially monitoring compliance and respecting market participants (institutions and professionals of the market) with the Legal and regulatory provisions, including Law 05-01 on AML/CFT.
71. **Insurance Sector:** The supervision of the insurance sector is carried out by the MOF (Directorate General of the Treasury), by the National Insurance Council and by the Insurance Supervisory Committee (ISC) following Law No. 07-95 of 25/01/1995 amended and supplemented and related to insurance.
72. **Legal professionals (individuals and offices):** the Ministry of Justice (MOJ) supervises this sector, and the National Union of Lawyers' Organizations and Regional Organizations of Lawyers regulate the legal profession following Law No. 13-07 of 29 October 2013.
73. **Notaries Sector:** The supervision of notaries is carried out by the Ministry of Justice and by the National Union, the National and Regional Chamber of Notaries, following Law No. 06-02 of 20 February 2006 regulating the profession of notaries.
74. **Real estate brokers and offices:** Supervision thereof is carried out by the Ministry of Housing and Urbanization (under Decree No. 18-09 dated 20/01/2009), the National Organization of Real Estate Agents and the National Federation of Real Estate Agencies following Law No. 11 dated 20/01/2009 related to real estate agents.

Other Supervisory Authorities (not responsible for AML/CFT supervision)

75. **Dealers in precious metals and stones sector:** It is subject to the supervision of the General Directorate of Taxes (GDT) on tax collection and granting licenses and accreditation, and the supervision of the Ministry of Commerce (MOC) on the general framework in terms of the verification of registration in the commercial register, the content of the permitted activity and the actual existence of the commercial stores.

LEAs

76. **The General Directorate of National Security; ("GDNS")** It is a law enforcement authority that enjoys the status of the judicial police and is specialized in combating all crimes, including TF under the Penal Code, the Code of Criminal Procedures, and following special laws such as Law 05-01 on AML/CFT.
77. **National Gendarmerie:** It is affiliated with the Ministry of Defense. It is a law enforcement authority that enjoys the status of the judicial police and is specialized in combating all crimes under the Penal Code, following special laws such as Law 05-01 on AML/CFT.
78. **Central Office for Combating Corruption (COCC):** Established by Law No. 06-01, relating to preventing and combating corruption, amended and supplemented, the Office is a central operational department of the Judicial Police, entrusted with the search, investigation Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

and examination of crimes within the framework of the fight against corruption (Presidential Decree No. 11-426 of 8 December 2011, which defines the composition of the Central Office, its organization and functioning).

Investigative authorities or bodies

79. **Public Prosecution:** It is a judicial body whose mission is to initiate public action in the name of the community, and to demand the application of the law. Its work and tasks are regulated by the Code of Criminal Procedures.
80. **Prosecutor of the Republic:** They have the powers to manage the activity of judicial police officers and agents within the jurisdiction of the court in which they are appointed, and they have all the powers and authorities associated with the capacity of a judicial police officer, and their work and tasks are regulated by the Code of Criminal Procedures. There are prosecutors at the level of the penal poles with national jurisdiction. They were created in 2020, namely: the economic and financial penal pole, the pole for combating terrorism and organized crime, and the pole for combating crimes related to information and communication technologies.
81. **Investigative Judge:** They are entrusted with taking all investigative measures they deem appropriate to reveal the truth by investigating the accusation and exculpatory evidence. Their jurisdiction is determined locally at the place of the crime, the place of residence of one of the persons suspected of participating in the commission of the crime, or the place of the arrest of one of these persons, even if this arrest occurred for another reason. The local jurisdiction of the investigative judge may be extended to the jurisdiction of other courts, through regulation, in specific crimes, including ML and terrorism. There are investigative judges at the level of the penal poles with national jurisdiction. They were created in 2020, namely: the economic and financial penal pole, the pole for combating terrorism and organized crime, and the pole for combating crimes related to information and communication technologies.
82. **Judge:** According to the judicial division, the judicial system includes five judicial poles specialized in 6 specific crimes exclusively, including ML and terrorism (terrorist financing).

Other authorities and ministries

83. **CTRF:** It is an independent administrative body with legal personality and financial independence, established by Executive Decree No. 127-02 dated 7 April 2002. It is considered a national center for the receipt and analysis of STRs and other information related to ML/TF and the associated predicate offences, analyze it, and the dissemination of the analysis results to the competent authorities.
84. **The Supreme Authority for Transparency, prevention and fight against Corruption:** It was established by Executive Law No. 127-02 dated 07 April 2002 and is considered an independent administrative authority with legal personality and financial and administrative independence. It aims to achieve the highest standards of integrity and transparency and undertakes administrative and financial investigations into manifestations of illicit enrichment by a public employee who cannot justify the increase in their financial gains.
85. **Customs Administration:** It ensures the uniform application of customs laws and regulations over the entire customs territory, has fiscal and economic tasks, and works on preventing and combating ML/TF following Law 05-01 and Law No. 79-07 dated 07/21/1979 amending and supplementing the Customs Law.
86. **The body responsible for the establishment of all legal persons in Algeria:** Notaries are entrusted with the establishment of legal persons and are obligated to register the contracts of incorporation with the Tax Directorate (registration rights) and record them in the NCCR, pursuant to Law No. 02-06 of 20 February 2006 regulating the profession of notaries.
87. **The body responsible for the registration of all legal persons in Algeria:** NCCR is authorized to register all legal persons according to the text of Decree No. 73-188 dated 11/21/1973 establishing and defining the powers of the Center.
88. **Ministry of Justice (MOJ):** Its main role is to enforce the rule of law and institutions, achieve justice and equality, enhance the principles of equal opportunities and transparency, and protect rights and freedoms, by preparing and setting up a national penal policy. It also has the power to supervise and monitor the works of the prosecution and DNFBPs (lawyers, notaries, and court bailiffs).

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89. **The Ministry responsible for the part related to Waqf (Endowments).** Endowment activity in Algeria is subject to the supervision of the Ministry of Religious Affairs and Endowments and the National Office of Endowments and Zakat pursuant to Law No. 91-10 of 27/04/1991 amended and supplemented and related to endowments.

Committees and Councils

90. **The National Committee for Assessment of ML/TF/PF Risks (NCFAR):** It was established by Executive Decree No. 20-398 dated 26 December 2020 headed by the Minister of Finance and includes in its membership the Secretary-General of the Ministries of National Defense, Foreign Affairs, Interior, Local Communities, Urban Development, Justice, Telecommunication and Trade, BOA, the Commander of the National Gendarmerie, and the General Directors of Internal Security, Documents and external security, customs, taxes, the COCC, the National Authority for the Prevention and Control of Crimes Related to Information and Communication Technologies, the Head of CTRF, and the Head of the National Authority for the Prevention and Control of Corruption. Its most prominent tasks are represented in studying and ratifying sectoral and national reports related to assessing ML/TF risks as well as financing the proliferation of weapons of mass destruction and ensuring better coordination of policies.
91. **The National Sub-Committee to Assess Financing Proliferation of Weapons of Mass Destruction Risks:** It was established by Executive Decree No. 20-398 of 26 December 2020, headed by a representative of the Minister of National Defense and includes in its membership representatives from the Cabinet, the Ministry of Foreign Affairs (MOFA), the Ministry of Interior (MOI), Local parties and Urban Development, the MOJ, the Ministry of Finance (MOF), BOA, and the COCC, CTRF, and the National Commission for Preventing and Combating Corruption. Its most important task is to prepare an assessment of the PF risks.
92. **The National Sub-Committee to assess ML/TF risks:** It was established by Executive Decree No. 20-398 of 26 December 2020, headed by a representative of the Minister of Justice, and includes in its membership representatives from the Cabinet, the Ministry of National Defense (MND), the MOFA, the MOI, Local parties and Urban Development, the MOF, and the Ministry of Energy, the MOC, the Ministry of Industry, the Ministry of Mines, the Ministry of Transport, the Ministry of Public Works, the Ministry of Telecommunications, the Ministry of Higher Education and Scientific Research, BOA, the COCC, CTRF, and the National Authority for Preventing and Combating Corruption. Its most prominent task is to prepare ML/TF risk assessment. The Subcommittee consists of five (5) technical work units established by a joint ministerial decision published in the Official Gazette on 10 August 2022. They undertake the tasks of identifying proceed-generating offences related to ML/TF, identifying risks at the level of sectors and areas that may be subject to ML/TF risks, identifying risks associated with electronic transactions or using modern technologies and virtual assets, and the risks of capital movement across borders, and determining the risks of using legal persons in ML/TF.
93. **The Inter-Ministerial Committee in charge of implementing the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction (“CWC”):** Established by Presidential Decree No. 97-125 issued in 1997. It consists of representatives from various ministries and departments, including the MND, Customs, Industry, Energy, Information and Communication Technology, and is considered a point of contact with the Organization for the Prohibition of Chemical Weapons.
94. **Border Security Committees:** Established under the security agreement with neighboring countries.

Financial sector, DNFBPs, and VASPs

95. This section provides general information on the size of the financial and non-financial sectors in Algeria. Not all sectors are equal in terms of materiality given the risks identified according to the country's primary view of ML/TF risks and according to the context of Algeria. The level of ML/TF risks affecting the subject entities varies widely, as is the case with the ML/TF risks facing certain sectors.
96. The AT rated the sectors based on the materiality and level of ML/TF risks to which they are exposed. The AT used these ratings to set out their conclusions in the report. Positive and negative issues were more weighted for important sectors, and less for less important sectors.

This rating applies to all chapters of the report and is more evident in Chapter Five on preventive measures and Chapter Six on supervision.

97. Considering their materiality as well as Algeria's risk profile, implementation issues are most heavily weighted for banks followed by Algerian Post Office (Provides current account services to customers and international⁵ and local non-bank transfers), heavily weighted for significant sectors, especially notaries (For concluding contracts related to the purchase and sale of real estate and contracts related to company formation) and moderately weighted for DPMS and real estate brokers, and less heavily weighted for less-significant sectors, especially FIs (subject to the supervision of the Banking Committee), insurance sectors, stock exchange companies, lawyers and Exchange Offices.
98. The FIs and DNFBPs sectors in Algeria are divided as follows:
- **Banking Sector:** This sector includes 19 banks with assets of about USD 147 billion and a combined market share of about 99.5% of the total assets of the financial sector.
 - **FI Sector (subject to the supervision of the Banking Committee):** It covers FIs subject to the supervision of the Banking Committee following the amended and supplemented Order No. 03-11 relating to money and credit (these are financial leasing companies). This term does not mean FIs according to the FATF definition. It includes (8) financial institutions (3 private and 5 public) that engage mainly in the field of financial leasing but cannot receive funds nor manage means of payment.
 - **Algeria Post:** This sector falls within the functional definition of the FATF because it provides current account services to customers and international and local non-bank transfers. The international transfers are carried out through an international money transfer company. The number of Algeria Post offices is (4,184). They are spread throughout the national territory and provide services for about 30.2 million clients.
 - **Exchange offices:** 3 exchange offices in Algeria that have not been providing any services since 2016. They cannot provide services on the ground since Regulation No. 01-16 of 2016, amended and supplemented Regulation (17-01) of 2007. Article 3 of the regulation of 2016 stipulates that the conditions for the establishment and operation of exchange offices shall be determined by a directive issued by the BOA. The latter did not issue this directive until the end of the on-site visit. This resulted in the offices' inability to provide their services in practice, given the lack of a directive in place. In addition, BOA is unable to process any new license requests because the directive has not yet been issued. Consequently, there is no legal basis for establishing exchange office, noting that there are (40) pending applications for licensing exchange offices that were submitted between 2017-2022. For these reasons, exchange offices were not assessed in IO 4. This also includes any related aspects among the remaining IOs, while some aspects were referred to in IO 3 with no impact on the level of effectiveness, especially regarding licensing and registration requirements. The continued non-issuance of this directive and the continued failure to process the pending requests for licensing exchange offices and limiting the provision of the exchange services within the banking sectors only, may lead to increased reliance on the informal financial sector to obtain exchange-related services, which may increase the ML/TF risks.
 - **Non-banking FIs Sector:** Trading in the financial market is carried out through 11 financial institutions in charge of the stock market sector, including 10 banks that provide trading services, and one trading company. The trading volume in 2021 amounted to about USD 898 thousand, against 2,444 shares. The insurance sector in Algeria includes 23 companies, out of which 8 companies are authorized to practice life insurance. The value of life insurance premiums during 2019 - 2021,

⁵ Through an international money transfer company

amounted, respectively, to a total of USD 94, 84 and 89 million, representing around 9% of the total insurance premiums. The Exchange Offices are limited to 3 inactive offices due to the growth of the parallel market.

- **DNFBPs Sector:** The size of the informal sector in Algeria is estimated at around 40% of the GDP (about USD 58 billion), and most of the operations through this sector are conducted in cash.

Table No. 1.2 - Number of entities subject to the AML/CFT requirements:

Sector	Number of subject entities in each sector as at the end of 2021
Lawyers	50,000
Notaries	3,098
DPMS	24,032
Real estate's brokers (agents)	1,971

- **Accountants Sector (individuals and offices):** The 3 accounting professions (bookkeepers, accountants, and CPAs) are regulated professions under Algerian legislation, and cannot prepare or carry out transactions⁶ for their clients concerning the activities specified in criterion 22.1 of the FATF methodology. For this reason, these professions were not included in this report.
- **Trust and Company Service Providers:** Algeria does not have an independent profession for trust and company service providers, except for lawyers who can work as representatives for legal persons in the creation of companies; however, bookkeepers or accountants or lawyers or notaries may provide their address as the headquarter for startup companies that do not have a headquarter (they cannot prepare or carry out transactions concerning this activity) for a maximum period of 2 years, renewable once (Article 21 of Law No. 13-06 of 2004 and its amendments), provided that the manner of applying the provisions of this article is determined by a joint decision between the Ministers in charge of investment, trade, and finance. However, the non-issuance of this decision to date practically prevents the provision of this service by these professions, including accountants. These combined reasons (they cannot carry out a financial transaction for the benefit of their clients as indicated in the above paragraph, in addition to the absence of any decision issued in implementation of the provisions of Article 21 of the said law) as well as the failure to carry out any of the activities specified in criterion 22.1 of the methodology, explains the reason for not including the accounting professions sector in this report.
- **VASPs:** In 2017, Algeria passed a law prohibiting the purchase, use and possession of virtual currencies. As such, this service can still be provided in Algeria given that the law did not explicitly ban the remaining VASPs activities covered in the FATF methodology (See IO3, IO 4 and R.15). The gaps in the VA/VASP legislation, activities of the non-banned VASPs and activities of foreign VASPs operating in Algeria, all of these elements should be taken into account for R.15, IO-1,3 and 4, especially given that Algeria is the third largest country regarding use of VAs in Africa according to the Chainalysis report released in 2021. The report notes that Algeria ranks 45 out of 157 countries in terms of the value of transactions in currencies and virtual assets⁷.

Preventive Measures

99. In general, FIs, especially banks, have internal controls and procedures for AML/CFT, including implementing some aspects of CDD measures

⁶ Pursuant to the provisions of Law No. 10-01 of June 29, 2010 concerning the professions of bookkeepers, accountants, and certified accountants.

⁷ <https://go.chainalysis.com/rs/503-FAP-074/images/Geography-of-Cryptocurrency-2021.pdf>

and record keeping, and appointing at least a senior employee responsible for the compliance, developing, and implementing programs for internal control and continuous training of employees, as well as appointing account keepers to assess the conformity of internal procedures relevant for the prevention and fight against ML/TF. However, the absence of any obligations related to screening procedures to ensure the presence of high standards when hiring employees, and the absence of obligations related to the implementation of AML/CFT programs at the group level.

100. In general, representatives of the DNFBPs sector have internal procedures and controls that include the application of some aspects of CDD measures and record keeping. Except for that, the obligations do not include the development and implementation of programs for internal control, continuous training of employees, and compliance management arrangements, including the appointment of a compliance officer at the management level, development and implementation of screening procedures to ensure high standards when hiring employees, and the establishment of an independent audit unit to test the AML/CFT system.

Legal persons and arrangements

101. Various types of legal persons can be established in Algeria, where there are Joint liability (solidarity) institutions, partnerships limited by shares, limited liability companies, joint stock companies, clusters (groups) and branches of foreign companies. Whereby the information related to the establishment of all types of legal persons is available to the public through the NCCR's website⁸. The registration process requires fulfilling all the conditions related to the commercial activity (the place where the activity is carried out and the person who will carry out the activity) and providing all the basic information required in terms of the company's name, commercial and fiscal number, headquarters, activity, capital, shareholders and those in charge thereof, and financial position. This information is available to the public through the NCCR's website, including financial brokerage and insurance companies. Documents belonging to all legal persons can also be extracted, such as the memorandum of association, decisions of the board of directors and the general assembly, and others (services provided to the public in return for a fee).
102. Every trader, whether a natural or legal person, is obliged to register at the NCCR, and this includes every commercial establishment based abroad and opens agency, branch, or any other establishment in Algeria, any foreign commercial representation that engages in commercial activity on the Algerian territory, and every craft establishment and all service providers, whether a natural or legal person, and each tenant operating an active business. The registration process requires verifying the identity of the shareholders, managers, and authorized signatories, in addition to screening their names against the local and international sanctions lists upon incorporation or any amendment in the company's system, as well as reviewing documents related to the criminal status through the criminal record extract, and verifying qualifications and CVs, especially managers.
103. There are no legal arrangements in Algeria, but there are endowments similar to trust funds, but they are not considered in their current form as legal arrangements or trust funds. Algeria allows the establishment of public and private endowments (Waqf). The public endowment is subject to the supervision and control of the Ministry of Religious Affairs and Endowments, and its employees are government employees. Information on the establishment of endowments is available to the public through the website of the Ministry of Endowments⁹ and the official newspaper website¹⁰. As for the private endowment, it is subject to the management of a person (Endowment Administrator) chosen by the endower according to some conditions, then its management reverts to the Ministry of Religious Affairs and Endowments after the beneficiaries of the endowment have ceased to exist, and thus becomes a public endowment.
104. The inability of transferring the endowment ownership makes it unattractive for being abused in ML; the TF risks are considered very low since Algeria manages the endowment through the Ministry of Religious Affairs and Endowments. Most of the endowments in Algeria are mosques and Quranic schools. In the event of any revenues from the charitable endowment, they shall be disbursed through the public sector banking

⁸ <https://sidjilcom.cnrc.dz/services-offerts>.

⁹ <https://www.marw.dz>

¹⁰ <https://www.joradp.dz/HAR/Index.htm>

channels. There is a mechanism regarding the disbursement of endowment revenues (if any) which is represented by the Religious Affairs Administrator who, after each expenditure disbursement process, submits a report on the completed operation and an expenditure report along with the related documents. Moreover, the endowments are not allowed to deal in cash or disburse subsidies to natural persons; and their accounts are supervised by the General Inspectorate of Finance and Accounting Boards, which limits their abuse for ML/TF purposes.

105. There are no TCSPs in Algeria, and there is nothing to prevent trustees located in Algeria from providing services to trusts established abroad. TCSPs (if any) are not subject to due diligence measures when dealing with financial institutions in Algeria.

Table No. 1.3 - legal persons established in Algeria as at the end of 2021

Legal form	Number of Companies	Algerians	Foreign
Joint stock companies	4,344	3,358	986
Limited Liability Companies	41,432	38,306	3,126
Sole proprietorships and Limited Liability	24,408	24,292	116
Joint liability institutions	1,265	1,257	8
Simple partnership Companies	4	4	0
Private company limited by shares	1	1	0
Branches of foreign companies	13	0	13
Groups (clusters)	23	21	2
Total	490 71	239 67	251 4

Source: information from the NCCR (from 01/01/2017 to 31/12/2021)

NPOs

106. The NPO sector in Algeria consists of local (national, interstate, state, and municipal) NPOs, local private foundations and foreign NPOs. According to this classification, they are subject to the supervision of different bodies, except for local private foundations as they are not subject to any supervision and their total number has not been determined. Algeria did not specify the subset of NPOs to which the FATF definition applies, whether for local NPOs or private institutions, and the definition of the subset does not apply to foreign NPOs in Algeria because they do not collect and disburse funds.
107. The supervisory authorities have never refused to establish an NPO due to the founders' association with terrorist activities or entities. The security authorities are heavily relied upon to follow up on NPOs and their activities as well as verify that those in charge thereof are not associated with terrorist activities or groups, and the process of verifying the integrity and reputation of the founders is also done when any change occurs in the executive body. NPOs are obliged to open a single bank account in the banking sector. The account keeper is responsible for monitoring and approving the NPOs' financial accounts and portfolios, except for local private foundations (NPOs) that are not legally obligated to appoint account keepers and the matter is left to their discretion.
108. Each supervisory public authority is concerned with approving NPOs subject to its supervision to receive foreign funding, and the governor is concerned with approving to collect donations for municipal and state associations, and this competence also falls within the powers of the Minister of Interior for interstate and national associations. No NPOs have applied for a license to raise funds in the last five years, and this may be since NPOs can collect donations by accepting gifts, which do not require any license. This can be done by announcing to the public the project or activity to be funded and informing them of the possibility of contributing to the project or activity to support it financially. NPOs can receive cash and in-kind donations.
109. All NPOs at the national, interstate, state, and municipal levels are subject to one level of supervision, and the supervisory authorities do not conduct targeted risk-based supervision or monitoring of NPOs, and these authorities do not focus their supervisory efforts on NPOs that are more vulnerable to abuse for TF. The relevant authorities inform the NPOs subject to their supervision of the necessity of reviewing

the UN and national lists of terrorism to verify the identity of donors and recipients of financial aid. However, the interviewed NPOs do not review these lists unless they suspect the donor or beneficiary because they are not aware.

Supervisory Arrangements

110. The Banking Committee, through BOA, supervises banks, FIs, and the financial departments of Algeria Post in relation to AML/CFT matters. Financial brokerage companies are subject to the supervision of the SERC, while the ISC monitors insurance companies in general. DNFBPs are not subject to systems for monitoring compliance with the AML/CFT requirements. On the other hand, there are no institutions licensed to provide VA services in Algeria, which may require subjecting them to supervision. This is due to the partial ban on VAs in Algeria.

International Cooperation

111. Algeria is not considered a financial center, but international cooperation is important in the context of Algeria due to its geographical location and the length of its land borders estimated at 6,343 km, and the instability in some countries that have common borders with Algeria with the presence of some terrorist groups in the region, and by its economy based mainly on cash and the size of its informal sector, which constitutes a significant proportion of the GDP.
112. Algeria faces ML/TF risks resulting from the crimes of drug trafficking, smuggling of goods, migrant smuggling, and corruption. These crimes are considered among the serious crimes in the context of Algeria, and given the nature of most of them, which are characterized as a cross-border nature, especially in terms of the source and destination of the laundered criminal proceeds, which requires international cooperation to trace and recover the proceeds of crimes from abroad and prosecute criminals.
113. Algeria has signed several international agreements in the context of combating cross-border crime, especially corruption, and TF crimes. It has also worked to increase the number of international cooperation agreements, especially bilateral ones between the competent national bodies (CTRF, the Tax Administration, the GDC, and the SERC, the MOJ) and foreign counterpart bodies.
114. The Algerian authorities respond to requests for judicial cooperation about all crimes related to ML/TF and use a wide range of formal and informal cooperation, including security, police, administrative, judicial and extradition cooperation. Judicial authorities are responsible for such cooperation, and CTRF exchanges all nationally available information with its counterparts abroad, except for information related to issues subject to judicial investigations that require permission from the Public Prosecution.
115. During the last five years, Algeria received several requests for legal assistance (458) that included a variety of crimes, including corruption, and smuggling of goods and drugs, while the number of outgoing MLA requests during the same period was (717) - some of them related to corruption, drugs, migrant smuggling and smuggling of goods. It is worth noting that the predicate offences that Algeria identified as high-risk crimes that are characterized by a cross-border dimension, led to relatively few requests for MLA.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 1:

- a) Algeria did not yet complete its NRA process, initiated in late 2020. Authorities however have demonstrated a certain understanding of ML threats related to illicit trafficking in narcotics and psychotropic substances, smuggling of goods and commodities, corruption, bribery, and migrant smuggling, but also ML methods (such as the excessive use of cash, the informal sector, TBML, and the physical movement of funds across borders). Overall, ML/TF risk understanding is not unified and not shared similarly between authorities. For example, LEAs (The NG, GDNS, and the COCC) and CTRF have a good understanding of the ML/TF risks, whereas the understanding of the regulatory and supervisory authorities is generally poor.
- b) Algeria does not yet have policies or strategies to address the ML/TF risks. Nevertheless, Algeria has several special strategies to tackle certain crimes (do not contain ML components), such as the National Drug Control Strategy, the Strategy to Combat Human Trafficking and the Counter-Terrorism Strategy. As for the anti-terrorism strategy, it contains a set of objectives related to TF.
- c) At the operational level, authorities have put in place some measures to address ML / TF risks in some areas. This is the case in the real estate sector, DNFBPs and sectors dealing in cash, through the executive decree requiring that the consideration of real estate and some movables be paid through banking channels when their value is equal to or exceeds a certain threshold; Algeria has also worked on converting e-commerce payments to platforms established by banks. It is noted that these policies and measures rely on the authorities' general and non-unified understanding of risks.
- d) The measures related to the regulation of Exchange Offices are insufficient to curb the unofficial sector due to the non-issuance of the directive regulating their work. These measures contributed to the inactivity of these offices, and no meaningful steps have been taken to minimize the unlicensed MVTS.
- e) The authorities did not issue any exemptions or directives to adopt enhanced or simplified CDD measures based on ML/TF risks, due to the lack of risks assessment.
- f) Although Algeria has not assessed its ML/TF risks, it was noted that a number of authorities have objectives and activities that contribute to reducing risks, including converting commercial registries to electronic ones to prevent their forgery, as well as the efforts exerted to combat terrorism and TF, combating extremist ideologies. This includes as well, efforts exerted by LEAs and investigative authorities on confiscations and the recovery of funds from abroad, and the systematic creation of joint task forces.
- g) Given the lack of strategies to address ML/TF risks, the efforts of national cooperation and coordination in Algeria can be described as relatively sufficient in some areas, whether at strategic, policy-making, and operational levels. Cooperation takes place by setting up committees and joint task forces; signing MOUs to enhance cooperation and coordination, and the formation of the CTRF Board and the Central Office on Combating Corruption from members representing different entities that contribute to activating and strengthening cooperation. The competence to coordinate the best policies for combating PF rests with the committee established by Executive Decree No. 20-398.
- h) The engagement of the private sector in the assessment process was limited. The authorities did not communicate adequate information related to risks at the national level to FIs and DNFBPs. In general, the private sector's understanding of ML/TF risks is not unified, as it ranges from moderate to poor.

Recommended Actions:

- a) The authorities should complete the NRA process to produce clear results for the ML/TF risks to form a starting point for a common

and comprehensive understanding in Algeria in general, provided that the following shall be taken into consideration:

- The assessment process should be carried out in accordance with a methodology based on identifying risks, as well as analyzing and assessing the threats and vulnerabilities.
 - The risk of the unofficial sector.
 - The risk of virtual assets and legal persons
 - The risks arising from the proceeds that are transported from abroad to be laundered in Algeria and the risks related to the proceeds that are transported to be laundered abroad including all predicate offences.
 - The perspective of LEAs regarding the risk of TF should be integrated into the NRA process.
 - The private sector should be more engaged in the NRA process.
- b) Following the completion of the risk assessment process, the outcomes of this assessment should be made widely accessible to the public and private sectors to raise their awareness so that they can incorporate it into their policies and activities.
- c) Adoption of strategies, policies, and activities necessary to address the risks identified at the national level, particularly by the supervisors of the financial sector and DNFBPs.
- d) Establishing effective mechanisms to prosecute unlicensed MVTs providers and impose deterrent penalties against them, reviewing the procedures related to regulating Exchange Offices, and adopting new procedures that contribute to activating the activities of these offices to curb the informal sector.

116. The relevant Immediate outcome considered and assessed is IO.1. The Recommendations relevant for the assessment of effectiveness under this chapter are: R.1, R.2, R.33, and R.34 and elements of R.15.

117. The conclusions of the assessment team for IO.1 are based on the information provided by authorities regarding the ML/TF risks; a review of the policies and activities taken by the authorities in this regard; self-assessments carried out by banks; and interviews with the committee on ML/TF risks assessment, LEAs, regulatory and supervisory authorities of FIs and DNFBPs, and some entities that are subject to the AML/CFT requirements.

Immediate Outcome 1:(Risk, policy, and coordination)

1.1 Algeria's understanding of its ML/TF risks

118. The Understanding of ML/TF risks in Algeria is not unified and differs from one authority to another. LEAs (the NG, the GDNS, and the COCC) and CTRF have a good understanding of the ML/TF risks, while this understanding is generally considered poor among regulatory and supervisory authorities.

119. Algeria initiated the NRA process on the ML/TF risks for the first time in late 2020 after having established a National Committee on ML/TF risks Assessment. The committee was provided with two sub-committees, one of which is a sub-committee dedicated to AML/CFT. Until the date of the onsite visit, this committee held 4 meetings to discuss the work plan and discuss related issues. It also held 4 meetings with the private sector, especially with DNFBPs to discuss and collect some information from them orally. On August 10, 2022 (the last day of the onsite visit), 5 technical sectoral work units emerged from the sub-committee to initiate the NRA process. The sub-committee had previously collected some data, statistics, and information related to cross-border capital flows and crimes that generate profits and some cases and case studies. Other data required for the assessment process will be collected as well.

120. The AT was not informed of the methodology that will be followed in conducting the NRA, since the technical units did not proceed with the tasks assigned to them.

121. During the onsite visit, the BOA finalized a preliminary draft for sectoral assessment of the exposure of banks, FIs and Algeria Post Office to the ML/TF risks. CTRF completed a strategic analysis of the STRs and confidential reports received during 2021. These documents were sent to the Subcommittee on ML/TF risks Assessment as one of the inputs that will be discussed by the sectoral units.
122. Despite the above-mentioned effort and development, the NRA process is still in its initial stages and requires more effort to complete the process. In this way, clear results of the ML/TF risks will be produced so that they constitute a starting point for a common and coordinated understanding of the risk at the level of Algeria in general.

Money Laundering

123. The authorities have presented a paper on ML/TF risks that points to a range of aspects involving potential ML risks, including the excessive use of cash in Algeria; the informal sector or the shadow economy that is used to execute financial transactions across borders; trade-based ML that occurs through over-invoicing of imports to illegally transfer foreign currency abroad or under-invoicing of exports to avoid the necessity of recovering hard currency derived from exportation; and physical transportation of funds across borders (currency smuggling out of Algeria using fraudulent methods particularly related to false declaration). In addition to the threats related to the predicate offences that generate proceeds in significant amounts, namely (illicit trafficking in narcotics and psychotropic substances, smuggling of goods and merchandise, corruption and bribery, and migrant smuggling). This information remains preliminary, since Algeria has not completed the NRA process.
124. The understanding of the ML risk in Algeria is not generally unified and differs from one entity to another. For example, LEAs (the NG and GDNS), by their experience and the investigations they conduct, have a good understanding of threats arising from the predicate offences that generate the most proceeds at the national level, as well as a good understanding of ML methods related to such crimes. These authorities have been able to present case studies and a vision that support their understanding of risks.
125. The COCC has the same level of understanding as it was able to identify 6 cases that led to ML conviction. As for CTRF, it has a good understanding of the ML risk and its related threats, methods and sectors misused for this. This understanding is derived from the experiences of some CTRF council members through their previous work at the NG and GDNS; this understanding is also derived from the continuous open channels of communication maintained informally between CTRF council members and these two authorities by their work.
126. In general, regulators of FIs and DNFBPs have a poor understanding of the ML risks. The reason behind this is the incompleteness of the NRA, and the failure of these authorities to conduct sectoral assessments. Although the BOA conducted a sectoral assessment, the preliminary draft of which was completed during the onsite visit; however, the AT believes that this assessment did not contribute significantly to raising the level of the BOA's understanding of the ML risks due to many shortcomings (see IO.3). The Insurance Supervision Commission is aware of the low risks of the sector, owing to the scarcity of life insurance and its limitation to insurance for the benefit of banks to obtain loans, and for the benefit of company employees. However, its understanding of risks remains limited due to its failure to conduct a sectoral assessment that allows it to identify the actual reality of risks. Algeria has not identified and assessed how legal persons and virtual currencies were misused for ML. This resulted in a lack of a comprehensive and unified understanding in this regard.
127. Algeria mainly faces ML threats from the proceeds of crimes generated domestically, and to a lesser extent from those generated from crimes committed abroad. Regarding the proceeds that are generated in Algeria and laundered abroad, it is clear to the AT that the investigation authorities understand the risks associated with smuggling the proceeds of corruption crimes abroad, to the exclusion of all other predicate offences. According to the number of outgoing legal assistance requests between 2017 – 2021, it was found that the total amount of money that the authorities were able to freeze abroad was (582) million USD, in addition to confiscating and recovering the

amount of (23.6) millions USD from abroad, and all these amounts of money related to ML and corruption, not including other predicate offences. Regarding the proceeds generated abroad and laundered in Algeria, the authorities did not receive any requests in relation to confiscating any amount of money inside Algeria; however, they have received (12) requests in relation to freezing money and assets temporarily, but there is no indication that any funds or assets are owned by the person subject of the requests for foreign assistance which may require their freezing or seizure(see IO 2 and 8).

Terrorist financing

128. The assessment based its opinion on a set of information and data, given Algeria's context and its geographical location within proximity to border areas where terrorist groups, such as Al-Qaida in the Islamic Maghreb, are present; what was mentioned in some statements issued by the MND about the arrest of individuals supporting terrorist groups¹¹; and what was stated in credible reports about Al-Qaida's activity in parts of Algeria, and their dependence in fund-raising on narcotics smuggling and trafficking, extortion, imposing fees on smugglers and hostage-taking¹²; and Al-Qaida fighters using two routes through an Algerian town and border area¹³.
129. Understanding of TF risk in Algeria, in general, is not unified. It is considered good among LEAs (the GDNS and the NG). The assessment team found that LEAs are aware of the high risk of TF faced by Algeria. They are also aware of the threats emanating from terrorist groups that pose a threat to Algeria, whether at the local or external level. They also showed their understanding of the methods of collecting, transferring, and using funds from terrorist groups that pose a threat to Algeria. LEAs have asserted that the TF risk remains high, which requires continued efforts and raising vigilance in all instances. In contrast, understanding of TF risks is poor among the regulatory and supervisory authorities of FIs and DNFbps, including the BOA. This is due to the limited information upon which BOA relied while conducting the sectoral risk assessment and not considering different risk factors when categorizing institutions (see IO.3). Also because of its absence of any knowledge of the case studies referred to in IO.9 related to the exploitation of Algeria Post in raising funds and financing terrorists. As for CTRF, the understanding of TF risks is considered good, noting that this understanding is not based on the STRs that CTRF received due to the limited number of TF related STRs (see IO 6); however, this understanding is based on CTRF's good knowledge of TF threats and how to process STRs and extract red flags indicative of TF behaviour, which is derived from the experiences of some CTRF council members by their previous work at the NG and GDNS; this understanding is also derived from the continuous open channels of communication maintained informally between CTRF council members and these two authorities by their work, which enabled them to continue to form a clear understanding of TF risks regularly.
130. Algeria has not identified and assessed TF risks regarding legal persons and virtual currencies. The assessment team did not find evidence of the misuse of legal persons and virtual currencies for TF purposes in Algeria.

National policies to address identified ML/TF risks

131. Algeria does not have strategies and policies to address ML/TF risks. However, Algeria has in place several special strategies to address specific crimes, and several measures have been taken at the strategic level that contribute to reducing some risks. However, these strategies, policies and measures rely on the authorities' general and non-unified understanding of ML/TF risks.
132. Algeria has in place the National Anti-Drug Strategy (2020-2024) that relies on a set of objectives and activities designed to address

¹¹ https://www.mdn.dz/site_principal/sommaire/actualites/ar/2022/avril/lutte27042022ar.php
https://www.mdn.dz/site_principal/sommaire/actualites/ar/2022/mai/lutte04052022ar.php

¹² INCSR 2021 Volume II – Money Laundering

¹³ <https://www.un.org/securitycouncil/ar/sanctions/1267/monitoring-team/reports>

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narcotics supply and demand, border control, develop legislation, promote international agreements to allow the exchange of information on transnational narcotics and organize joint actions between countries, as well as enhance awareness and knowledge. Despite the importance of this Strategy and its role in reducing the ML risk by combating predicate offences, it does not contain any objectives related to combating ML derived from narcotics trafficking.

133. In addition to the foregoing, there is an action plan related to the National Strategy to Combat Trafficking in Persons (2022-2024), which is based on four pillars aimed at preventing, regulating and strengthening the legal framework, protecting and providing assistance to victims, and promoting international cooperation on combating the crime of trafficking in persons. This plan does not contain any activities related to reducing the ML risks resulting from human trafficking.
134. As for the National Strategy for Transparency, Prevention and Combating Corruption, although it contains objectives related to combating ML, it has not, until the date of the on-site visit, contributed to reducing ML risks, given that the start date of its implementation is not due, as it will enter into force in early 2023.
135. Algeria adopts a comprehensive and multidimensional strategy to combat terrorism. This strategy includes preventing extremism; eradicating extremist ideas; combating and eradicating terrorist activity; involving the national army, volunteers, and municipal guards in the efforts to combat terrorism; disseminating moderate ideas; and rehabilitating those in charge of mosques. This strategy relies on a set of objectives related to TF, including combating and eradicating terrorist activity by eliminating financial flows that would allow cells, networks, or individuals to commit attacks or recruit new individuals, investigating the sources of TF. Based on this strategy, the competent authorities should provide the operational units with immediate information about terrorist groups and their financial and media support networks.
136. Many important measures have been taken at the legislative and executive levels to reduce risks through the implementation of the objectives of the anti-terrorism strategy. These include developing legislations and laws such as the Penal Code, which was amended in 2017 to address the FTF phenomenon, enhancing security presence at terrorist groups' known areas for their continuous pursuit; taking security and precautionary measures to prevent border incursions by terrorist groups, continuously updating border police databases to prevent the movement of terrorists, using special investigation techniques and intercepting messages on social media as proactive steps to prevent recruitment of individuals by terrorist groups, separating extremist prisoners from other prisoners, and integrating those who have shown repentance (whose acts have not caused the death of a person or their permanent disability, and who did not use explosives to harm people's lives and property) in addition to the contribution of clergy in correcting extremist ideas, which led to a decrease in the number of terrorist acts (see IO 9).
137. Algeria reviewed several steps that have been implemented at the national level to reduce the risk of using cash in the real estate sector and other sectors for ML, by requiring relevant parties to pay via written (traceable) payment methods such as banking and financial channels¹⁴, particularly in the following instances:
 - Purchasing real estate when its value is equal to or greater than five million DZD (equivalent to about USD 39,450).
 - Purchasing some movables whose value is equal to or greater than one million DZD (equivalent to about USD 7,890). Movables are defined as: yachts, ships of all kinds, new industrial equipment, new vehicles, motorcycles, motorized bikes that are subject to registration by car dealerships or other authorized distributors or resellers, valuable goods purchased by DPMS, antique goods, artifacts, furniture, and physical movables purchased at auctions.
 - Payment for services provided by DNFBPs when each transaction is equal to or greater than one million DZD (USD 7,890). Given

¹⁴ According to the Executive Decree No. 15-153 of 2015

that Algeria expands the concept of DNFBPs (Article 4 of Law 05-01) to include, in addition to the activities required under the methodology, for example, customs agents, car dealers and consultancy service providers, this means that all these institutions are required to conduct their services through banking channels.

138. During the onsite visit, the AT found that the above executive decree is important and effective, as the various sectors (real estate agents, gold dealers) confirmed the implementation of these procedures effectively in practice, and that one of the most important ways to verify this application is through notaries public. To increase the effectiveness of the application and to reduce the risk of not reporting the true value of the real estate to notaries public, the General Directorate of Taxation has issued a manual on real estate prices¹⁵ for the years 2021-2022 based on information obtained from various entities, agencies, companies, and offices active in the real estate field. This manual includes a range of real estate prices (minimum value -maximum value) based on the state, municipality, region, nature of the real estate and its market value. The National Chamber of Notaries circulated the above-mentioned manual to all notaries public in Algeria to comply with it when notarizing contracts.
139. Data from the BOA indicates that the adult population who owned bank accounts in 2021 was around 18.8 million people and that the percentage of banking transactions was approximately 59% in 2021 (it was 50.3% in 2020). This is due to the tendency of many banks towards providing remote banking services and expanding their branch network to allow the provision of banking services to various citizens at the level of Algerian territory. To enhance the financial inclusion procedures through electronic payment and collection, Algeria enacted Law No. 18-05 of 2018 regarding electronic commerce, which stipulates that payment in electronic commercial transactions must be made through payment platforms dedicated for this purpose and that are created and operated exclusively by banks approved by BOA and Algeria Post and are subject to the supervision of the BOA.
140. Regarding the financial transactions of the Public Treasury, the MOF cooperates with the BOA to modernize payment systems by developing an electronic payment system and the inclusion of informatics and digitization at the level of its structures in all its financial transactions, given the importance of this in monitoring funds and providing information to the regulators and national authorities.
141. The steps taken by Algeria regarding the regulation of exchange offices did not contribute to reducing the informal sector, which provides exchange related services. This is due to the absence of a directive regulating the exchange sector and the absence of any activities carried out by the previously (3) licensed exchange offices.
142. Except for the measures described above, Algeria does not have a national policy, or a comprehensive strategy based on the risks identified at the national level. The authorities have not taken any other measures to reduce the risk of the informal cash-based sector, which constitutes about 40% of the GDP (about USD 145 billion according to World Bank data), or measures to tackle effectively the existence of non-licensed financial operators, considering that there are no explicit provisions to prevent the non-registered or non-licensed natural or legal person from practicing money or value transfers; this is in addition to the lack of a sufficient legal basis to apply deterrent and proportionate penalties against natural or legal persons who provide money or value transfer services without a license or registration (see the IO.3 and Rec. 14).
143. The authorities did not take any measures to reduce the risk of using virtual assets in ML/TF, despite the presence of such activity even on a limited scale in Algeria (see the case study set out in IO.3).

Exemptions, enhanced and simplified measures

144. Algeria has not completed the process of identifying the ML/TF risks at the national level, which explains why the authorities did not issue

¹⁵ Real estate prices manual is available at: <https://www.mfdgi.gov.dz/ar/referentiels-ar>

any exemptions or directives to adopt streamlined or enhanced due diligence measures based on the national ML/TF risks.

145. As stated in Rec. 1, there are some provisions related to taking streamlined due diligence measures for customers, operations and accounts that fall into the low-risk category, and taking enhanced due diligence measures for customers, operations and accounts that fall into the high-risk category; however, these measures are not based on risks identified or assumed to be identified at the national level (see Rec. 1).
146. Despite the foregoing, the AT noted that some banks have applied some strict due diligence measures to some high and medium-risk sectors and activities, such as real estate agents, gold traders, religious associations, the hotel industry, the construction industry, import and export of hard currency, and setting limits on cash withdrawals and deposits. However, this practice is not systematic and does not rely on a national view of risks (see IO.4).

Objectives and activities of competent authorities

147. The objectives and activities of several competent authorities contribute to reducing risks. This includes the conversion of commercial registries into electronic ones to prevent their forgery, as well as the efforts exerted to combat terrorism and TF, combating extremist ideologies, and establishing province security committees with the aim of coordinating the work of all security interests in the province. This includes efforts as well exerted by LEAs and investigative authorities on confiscations and the recovery of funds from abroad, and the systematic creation of joint task forces.
148. In 2021, authorities established several specialized bodies, such as the central department for combating organized crime (October 2021) and the central department for combating illicit drug trafficking by organized crime at the local and international levels (July 2021). The creation of these two departments is a positive step, but due to their recent establishment, the AT was unable to measure or determine their effectiveness and whether they were achieving the expected results.
149. To reduce suspicious import operations carried out by legal persons using commercial registries and forged documents of destitute persons, in 2018, Algeria issued an executive decree to convert commercial registries into electronic ones that can be read electronically. All departments and institutions were subsequently obligated to accept only these registries in their transactions, which limits the forgery of commercial registries. During the onsite visit, the AT noticed that approximately 70% of the holders of commercial registries have transferred them into electronic ones and that the deadline given to merchants for this purpose is December 2022. This action is considered a positive step towards limiting the abuse of legal persons in suspicious import operations; however, this step alone is still insufficient in the absence of a national assessment of ML/TF risks associated with all types of legal persons incorporated in Algeria and the measures to be taken to reduce the possibility of their exploitation for ML/TF purposes as per the requirements set out in Rec. 24 (see IO 5).
150. To combat terrorism and its financing, the authorities are constantly updating the databases of the border police to include the names of persons associated with terrorist organizations abroad, whether Algerians or others, as well as the names of persons inside Algeria on whom information is available about the possibility of their travel abroad to join terrorist organizations, which would lead to their eventual arrest and the necessary action taken against them. In addition, they are using special investigation techniques, intercepting communications, and messages on social media platforms, conducting awareness-raising efforts, developing religious language, rehabilitating mosque officials, and separating extremist prisoners as proactive steps to prevent individuals from being recruited to join terrorist groups (See Chap. 1 and IO 9).
151. LEAs (the GDNS, the NG, and the COCC) and the investigation authorities were able to demonstrate their ability to confiscate proceeds resulting from predicate offences and ML/TF crimes in line with Algeria's risk profile. It is also noted that the effective efforts that were followed by the authorities with the aim of freezing, confiscating, and recovering amounts and assets from abroad, effectively contribute to reducing the risk of smuggling local proceeds out of Algeria. A double control system is applied at the border-crossing points (by the

GDC and GDNS) to detect funds transported across borders in contravention of legislation (see IO 8 and IO 9). As for the activities related to the investigation and prosecution of ML offences, it is noted that the authorities' efforts are consistent with Algeria's ML risks as they cover, in varying degrees, the main proceed-generating predicate offences (see IO 7).

152. As for the other regulatory and supervisory authorities and self-regulatory bodies they do not have any activities or objectives that are compatible with the ML/TF risks. The reason for this is the lack of identification of this risk at the national level, and the absence of comprehensive national policies and plans to address the same. In addition, except for BOA, the competent authorities and self-regulatory bodies have not taken any actions to determine the ML/TF risks at the sectoral level (see IO.3).
153. With regard to CTRF, it classifies the STRs it receives from the subject entities according to a number of factors, including (existence of previous STRs, the nature of the customer (regular, occasional), PEP, the nature, number and volume of operations, etc.). None of these factors are based on the risk identified at the national level.

National co-ordination and co-operation

154. Given the lack of strategies to address the ML/TF risks, national cooperation and coordination efforts in Algeria are considered relatively adequate in some areas, whether at the strategic, policy development, or operational levels. The legal framework in place (see R2) allows effective cooperation and coordination between relevant AML/ CFT agencies. Cooperation takes place through the formation of joint committees and task forces and the signing of MOUs to enhance cooperation and coordination. In addition, the formation of the CTRF Council and the COCC from members of various authorities contributes to activating and strengthening cooperation. These members play a vital role in expediting and facilitating information exchange with the various competent authorities, whether formally or informally.
155. At the policy-making level, the NCFAR set up in late 2020 to assess the ML/TF risks, and tasked to facilitate the coordination of AML/CFT policies and the preparation of the national AML/CFT strategy, has not yet produced concrete results due to its recent establishment.
156. On the operational level, the NCFAR includes a subcommittee specialized in monitoring AML/CFT matters. It is headed by a representative of the MOJ and includes representatives of national entities specialized in AML/CFT, with the possibility of establishing several sectoral technical work units emerging from it. Since its establishment, this committee has held four meetings to proceed with the NRA and proposed the formation of sectoral units. This committee also held 4 meetings with the private sector to initiate the assessment process, which is still in its initial stages, as referred to above.
157. Regarding the implementation of Security Council resolutions on terrorism and its financing, cooperation is limited to the "Terrorists and Terrorist Organizations Classification Committee" which is concerned with designating individuals and organizations on the National List of Terrorists and Terrorist Organizations (see IO.10). As for combating the financing of the proliferation of WMD, the NCFAR includes a sub-committee headed by a representative of the MND with members representing several national entities. Among them is a national committee tasked with ensuring better coordination of policies to combat PF. Despite this, the absence of a legal basis for applying TFS related to combating PF in Algeria was noted (see IO.11). According to Presidential Decree No. 97-125 of 1997, an inter-ministerial committee was established to implement the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction. This committee consists of representatives from different ministries and departments, including the MND, GDC, Ministry of Industry, Ministry of Energy and Ministry of Communications and Information Technology. This committee is deemed to be a point of contact with the Organization for the Prohibition of Chemical Weapons (OPCW).
158. LEAs (the NG, the GDNS, and the COCC) cooperate and coordinate daily to combat crimes, including predicate offences, ML and TF. Such cooperation is characterized as intense at the investigation stage. The reason behind the success of this cooperation is that all these authorities are "judicial police" and are subject to the supervision and control of the PP. Furthermore, the COCC is composed of judicial

police officers delegated from different departments (The GDNS and the NG), which contributes to raising the effectiveness of cooperation on corruption crimes. LEAs systematically form joint task forces that include representatives of all competent authorities, including CTRF, to facilitate cooperation and information exchange, especially in the context of serious and complex crimes (see IO.6). In addition, province security committees have been formed to coordinate the work of all security interests in the province (see IO.9).

159. The SERC sought to promote its partnership with CTRF and the BOA by executing agreements for cooperation and exchange of information in the field of AML/CFT. The guidelines of AML/CFT issued by the SERC have been validated by CTRF before being communicated to the entities subject to it. In addition, CTRF signed a cooperation and information exchange agreement with the General Inspectorate of Finance and the Directorate-General of Taxation. There is no indication that the other authorities would adopt a similar approach by signing MOUs or by other means.

Private sector's awareness of risks

160. Algeria has not identified and assessed the ML/TF risks at the national level. The regulatory and supervisory authorities have not carried out any relevant assessments at the sectoral level, except BOA, which completed the initial draft of the sectoral assessment during the onsite visit without sharing the results of this assessment with the private sector. Accordingly, FIs and DNFBPs do not have any knowledge of practical results on the nature of threats facing all sectors and how they are exploited for ML/TF purposes. Algeria does not have binding provisions or tools that provide mechanisms for communicating relevant information to FIs and DNFBPs (see Rec. 1).

161. The Sub-Committee for the assessment of ML/TF risks held 4 meetings with the private sector, especially with DNFBPs to discuss and collect some information from them verbally. According to the Ministerial Decree, which provided for the establishment of sectoral technical units that will assume the NRA process for the risks, these units can seek the assistance of the private sector such as the Banks Association, the Federation of Insurance Companies, the National Chamber of Notaries, the National Union of Bar Associations, and others for the assessment. However, because these units did not carry out their work until the end of the on-site visit, the effectiveness of the participation of the private sector in the NRA process has not been identified.

162. The level of understanding of ML/TF risks by most representatives of the private sector is not unified and ranges between moderate and poor. In general, banks have a moderate to a weak level of understanding of ML risks, while their understanding of TF risks is considered weak. As for the remaining FIs, the level of understanding varies from one sector to another and ranges between moderate and weak. Regarding DNFBPs, they have a weak and insufficient understanding of their ML/TF risks. (See IO.4).

163. **Overall Conclusion on IO.1:** Algeria initiated the process for the national assessment of ML/TF risks and has taken preliminary measures in this regard. The understanding of ML/TF risks is not unified. LEAs and CTRF have a good understanding of ML/TF risks, while the understanding of this risk is poor among the authorities responsible for the supervision of the financial and DNFBP sectors. As for most private sector entities, their understanding is uneven and ranges between moderate and poor. Algeria does not have strategies to address ML/TF risks; however, it has a number of strategies to tackle specific types of crimes and took a number of measures and activities aimed at mitigating some risks, but the activities of supervisory authorities are insufficient, especially in terms of organizing Exchange Offices and combating the informal sector, and authorities did not issue any exemptions or directives to adopt enhanced or simplified CDD measures based on risks. Cooperation and coordination efforts between the authorities can be generally described as relatively sufficient in some areas, with the absence of cooperation concerning CPF.

164. **Algeria is rated as having a low level of effectiveness for IO.1**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL MATTERS

Key Findings and Recommended Actions

Key Findings:

Financial Intelligence (Immediate Outcome 6):

- a. The competent authorities in Algeria, especially the NG, the GDNS and COCC, are accessing a wide range of financial intelligence and all other relevant information relevant to ML, associated predicate offences and TF. This information is used to develop evidence and trace proceeds of crime when investigating TF, ML and associated predicate offences, especially corruption or those committed within the framework of organized crime.
- b. CTRF receives a significant number of STRs mainly from banks and the Algeria Post Office. CTRF temporarily archives many of them because of their poor quality and lack of accurate and sufficient information that helps CTRF perform its tasks. The CTRF has not received any STRs from the remaining FIs and DNFbps, except for some STRs from notaries and bookkeepers. This is mainly because of the limited number of transactions conducted by some sectors and the weak understanding of other sectors of their ML/TF compliance requirements (IO.4). Most of the STRs received by CTRF refer to trade-based violations; there is only a handful of STRs related to TF, which is not consistent with Algeria's risk profile.
- c. CTRF board members are involved in the analysis and prioritization of the STRs. The decision to collect additional information on filed STRs and confidential reports is left to the discretion of the CTRF head and not to CTRF analysts. This may hinder the operational independence of CTRF analysts.
- d. Most CTRF disseminations, although limited in number, have helped to a reasonable extent to initiate, or open ML/TF investigations by the competent authorities, which reflects the quality and depth of the analysis conducted by CTRF. The limited human and logistical resources available for CTRF and the inadequate quality of the received STRs led to performing comprehensive and in-depth analysis only for a limited number of STRs (3%) and disseminating a very small percentage (2%) of the total STRs to the judicial authorities, which negatively affects the extent to which LEAs and judicial authorities can benefit from financial intelligence disseminated by the CTRF and financial analysis it performs.
- e. CTRF prepared a strategic analysis based only on the information relevant to the STRs and confidential reports received during 2021. Moreover, the data relevant to the incoming requests for information received by CTRF from the LEAs were not used, despite their high importance. Moreover, CTRF has not disseminated its strategic analysis to the FIs and DNFbps, and the type of feedback provided to reporting entities is not conducive to an increase in the quality of STRs.
- f. The IT system used by CTRF is outdated and does not have any functionalities that might assist the analysts in their daily tasks. CTRF receives reports and disseminates them by conventional means (through authorized persons or by regular mail), which may affect the time taken to process these reports and the confidentiality of the information contained therein.
- g. The representation of the NG and the BOA at CTRF helps enhance the cooperation and information exchange between CTRF and different LEAs and supervisors. Also, the LEAs systemically form joint teams that include representatives from different competent authorities including CTRF to facilitate cooperation and information exchange, especially in complex and serious offences. CTRF took the initiative to conclude cooperation agreements with some entities such as the SERC and the General Inspectorate of Finance.

ML Investigation and Prosecution (Immediate Outcome 7):

- a) Law Enforcement and Investigation Authorities identify ML cases either through investigations they carry out while looking into

the predicate offences or through files referred from CTRF based on STRs received from reporting entities. However, ML investigations compared to investigations into serious crimes that generate proceeds of significant amounts and take place within the framework of organized crime are considered relatively low.

- b) Algerian authorities conducting investigations into predicate offences are not sufficiently resorting to parallel financial investigations, because of the lack of awareness and training on the importance of what a parallel financial investigation may offer in tracing the proceeds of crime to identify the ML offence.
- c) LEAs give priority to conducting parallel financial investigations in the predicate offences that take place within the framework of organized crimes and yield significant amounts of proceeds, given that the elements of ML are rarely identified during the investigation of crimes that take place in an individual unorganized framework, as they rarely generate proceeds that would require conducting a parallel financial investigation.
- d) There are few standalone cases of ML prosecutions, and cases of self-laundering were identified more than other forms of ML. 41.5% of conviction sentences issued involve self-laundering and third parties in line with ML patterns associated with drug trafficking and migrant smuggling crimes.
- e) The ML investigations and prosecutions related to the different predicate offences are in line with Algeria's risk profile, as they covered, though to varying degrees, the top 4 proceeds generating offences that take place within the framework of organized crime and generate significant criminal proceeds.
- f) The sanctions applied to natural and legal persons accused of ML are generally considered to achieve in all cases the elements of deterrence and proportionality, and this includes cases in which sanctions applied are less than the minimum statutory punishment of 5 years.
- g) Except for deporting foreign persons, Algerian authorities do not implement alternative measures for criminal justice when it is not possible to pursue ML offences and secure an ML conviction.

Confiscation (Immediate Outcome 8):

- a) Algeria has in place a policy (not written) that considers confiscation as one of its main objectives, and was able in practice to confiscate significant value of proceeds of crime. Confiscation extends to include all movable and immovable funds and precautionary measures are taken such as seizure and freezing to prevent the disposal, transfer, or conversion of property subject to confiscation; however, the confiscation of assets of equivalent value is not pursued in Algeria.
- b) Algeria does not have a department or an authority competent to manage the seized and/or frozen funds before and after the confiscation ruling is issued in the context of all the predicate offences. However, regarding properties in the form of legal persons, a judicial officer is appointed to manage and prevent interruption of its business before and after the confiscation ruling is issued. This mechanism does not extend to include all other seized property.
- c) Given the total amounts confiscated in the various predicate offences, there is consistency between the results of confiscation and Algeria risk profile in most of the predicate offences such as drug trafficking, smuggling of goods and commodities, corruption and bribery and migrant smuggling.
- d) Investigative authorities are tracing and seizing funds, assets, and instrumentalities of crime at the initial investigation of all ML-associated predicate offences, without seizing the assets derived from the smuggling of goods and merchandise, which may reduce, though to a limited extent, the overall effectiveness of the national system for asset confiscation because the scale of confiscation of other predicate offences is substantial.
- e) Algeria, with the assistance of international cooperation with some foreign countries, was able to freeze huge sums abroad as well

as confiscate and recover sums related to ML or derived from corruption offences. However, it was not able to freeze, confiscate or recover the funds resulting from the remaining ML-associated predicate offences, such as drug trafficking, despite the transnational nature of this crime.

- f) The penalties applied to cash couriers (arrivals or departures) in terms of confiscating the movable funds for failure to declare or false declaration, as well as the application of fines equivalent to twice the value of the transported funds, are proportionate and dissuasive.

Recommended Actions

Immediate Outcome 6

- a) CTRF should consider the following:
 1. Increase the number of sufficiently trained analysts and upgrade the IT system to assist analysts in their daily tasks.
 2. Create a dedicated channel for the dissemination of reports and an electronic system for the receipt of STRs and provide training to all staff on confidentiality to guarantee their understanding of their responsibilities when handling and disseminating sensitive and confidential financial intelligence.
 3. Enhance the information technology system to automate the process of information and data collection, and benefit from the capabilities of this system in arranging STRs based on risks or relative importance, analyzing, and disseminating STRs and exchanging information with the competent authorities.
 4. Develop procedures for STRs processing, ensure the independence of the financial analysts, and take corrective actions to address the delay in the analytical process.
 5. Provide useful feedback to the reporting entities, in coordination with the supervisors to raise reporting entities' awareness and enhance their compliance with AML/CFT requirements, especially in detecting and reporting suspicious transactions.
 6. Conduct outreach to and training for a full range of reporting entities (beyond banks and post) so that the CTRF can have better raw intelligence that would positively impact its operational and strategic analysis.
 7. Conduct a strategic analysis based on a wide range of reports received from the subject Entities, LEAs, and others to identify trends and ML/TF patterns and disseminate the results of that analysis to the concerned parties, especially FIs, DNFBPs and LEAs.
 8. Conclude additional cooperation agreements with the remaining competent authorities such as the GDC, the General Directorate of the National Assets, and other supervisors of FIs and DNFBPs to enhance CTRF access to the financial intelligence required to perform its tasks.

Immediate Outcome 7

- a) Algeria should systematically conduct parallel financial investigations, while looking into the predicate offences to identify the ML offence.
- b) Algeria should enhance training and awareness raising programs for LEAs not to disregard financial evidence and ensure that a follow-the-money approach is pursued, especially for serious and cross-border crimes.
- c) Investigative authorities and LEAs must pursue ML investigations and prosecutions even if the proceeds of crime are in the possession of the predicate offense perpetrator and/or their accomplices; they must also focus on the stand-alone and third-party ML in line with Algeria's risk structure, and continue to give priority to investigations into serious crimes that are carried out within the framework of organized crime and that generate significant amounts of proceeds, without neglecting the serious crimes that take place in an individual unorganized framework.
- d) Algeria should increase international cooperation to pursue drug and smuggling-related ML and seek when processing incoming

MLA requests to detect any foreign predicate laundering in Algeria.

Immediate Outcome 8:

Algeria should:

- a) Develop a (written) national policy or strategy prioritizing confiscation as a goal within all criminal investigations that may generate proceeds.
- b) Set instructions, guidelines, or standard operating procedures for LEAs, investigative judges, and prosecutors, and consider ways to incentivize confiscation, such as through performance objectives.
- c) Streamline the legal regime for control over the cross-border declaration of currency and BNIs and remedy the technical shortcomings in R.32. Also consider having one, unified declaration or disclosure system (not multiple), applying it to both foreign and domestic currency, and establishing a clear threshold amount. Consider sharing all declarations with the CTRF.
- d) Assign an authority or body, to manage all seized funds or frozen assets (funds and all other types of property, including virtual assets), no matter what offence they derive from, and consider procedures to enable the sale/liquidation of seized assets that may lose value over time. Ideally, the same body that manages assets would also oversee evaluating and disposing of assets, including through sales or auctions, after final confiscation.
- e) Utilize the power stipulated by law to confiscate assets of equivalent value if illicit assets cannot be found or recovered.
- f) Maintain comprehensive seizure and confiscation statistics, especially for both inbound and outbound smuggled cash and BNIs.
- g) Resort to official international cooperation to trace, confiscate and recover proceeds of crime abroad (other than the proceeds of corruption, bribery) especially drug proceeds moved or laundered abroad.
- h) Seize assets related to the crimes of smuggling of goods and merchandise during the initial investigation stage to prevent their disposal or transfer to secure them for confiscation at sentencing and deter any possible dealing or disposal thereof.

165. The Immediate Outcomes considered and assessed in this chapter are IOs.6-8. The relevant Recommendations under this section are R.1, R.3, R.4, R.29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Use of Financial Intelligence ML/TF)

166. The conclusions of the AT are based on the meetings with CTRF and the remaining competent authorities (The NG, GDNS, COCC, MOJ, BOA, SERC and GDT) and the information and statistics provided by Algeria before and during the on-site visit as well as the review of case studies and rulings submitted by the country, and the onsite visit to CTRF.

Use of financial intelligence and other information

167. LEAs in Algeria, especially the NG, the GDNS and the COCC, can access financial intelligence and all other relevant information when investigating ML, associated predicate offences and TF. The authorities use this information to develop evidence and trace criminal proceeds when investigating TF, ML, and associated predicate offences especially corruption or those committed within the framework of organized crime.

168. LEAs possess powers to use compulsory measures to request financial information from FIs (Please see R.31); these authorities in practice obtain financial intelligence and all other relevant information to trace criminal proceeds and develop evidence by communicating directly with banks and FIs. The same applies to TF, where the judicial police, especially the NG and GDNS use financial intelligence and other

informally obtained information to identify financial links between individuals and discover potential TF networks even in the absence of a link to a specific terrorist act (see IO 9). These authorities mainly resort to CTRF, albeit to varying degrees, to obtain financial intelligence available through counterpart FIUs at the international level (See IO 2).

169. LEAs, especially the COCC, GDNS and NG can access information and other data maintained with many national entities. Hereunder are some of the information sources directly available for LEAs.

Table 3.1: The databases directly available for LEAs

Database	Owner	Nature of information
Civil status (ID)	The Minister of the Interior, Local Authorities and Regional Planning	Persons IDs and civil status
Arrest warrants and travel ban	MOJ	Enforcement actions (arrest warrants, travel bans against the suspects)
Criminal records		Criminal rulings against suspects
Commercial Register	MOJ	Commercial registries in the name of natural persons (traders and craftsmen) and legal persons

170. The competent authorities may indirectly access a wide range of financial intelligence maintained with several ministries and general directorates through formal letters. The competent authorities depend on the informal cooperation and coordination mechanisms to obtain required information within no more than a week (7 days). This period is considered reasonable to access the requested information. Hereunder are the main sources:

Box 3.1: Information sources available for LEAs as per the authority maintaining such information
<ul style="list-style-type: none"> - MOF's Taxes Department: The database of all opened bank and post accounts, saving accounts and current post accounts for natural and legal persons. - CTRF: The database of STRs, confidential reports and international cooperation requests. - Supreme Authority for Transparency, Prevention, and Fight Against Corruption: Database of properties disclosures, especially real estate and movables owned by local councils and public employees. - Supreme Court: Database of properties disclosures, especially real estate properties and movables owned by senior officers of the country. - General Directorate of the Status of Persons and Properties: Information on persons who owns vehicles in their names. - The General Directorate of Real Estate Properties: Information on persons' real estate properties. - General Directorate of Electricity Distribution: Information on unannounced real estate properties. - Stock Exchange Operations Regulatory Commission: Database for share owners. - National Office of Statistics and Commercial Information Regulation: Information on all imports and exports.

171. CTRF has the required powers to obtain access to a wide range of financial intelligence and other relevant information to enrich its operational analysis. CTRF has direct access to the Commercial Register database and can indirectly obtain other types of information (real estate properties, statements of income, statements of properties, capital movement to/from abroad and import and export operations) through requests submitted to relevant authorities. Hereunder are examples of the databases accessible by CTRF:

Table 3.2: Examples of the financial intelligence accessed and used by CTRF for operational analysis

Database	Owner	Nature of information
Real estate properties database	The General Directorate of National Properties	Current properties of natural and legal persons whether Algerians or of different nationalities
The National Register for Violators	MOF	Contains the identity of persons involved in violations of legislations and regulations of exchange and capital movements to and from abroad
The GDC disclosures database	GDC	Information on all import and export transactions. Information on Customs Passage Document (TPD) for vehicles temporarily entered to the country
Criminal records	MOJ	Criminal rulings against suspects
Taxes database	GDT	Information on the nature and size of disclosed income during the investigated period; information on the nature and size of disclosed income subject to charges and taxes

172. The COCC (Office) automatically investigates the financial liability of the accused when investigating all corruption crimes. In some cases, the Office initiates the financial investigations before investigating the predicate offences. Although the Office is accessing a comprehensive and wide range of financial intelligence and other relevant information, the frequency of using such information in investigating ML crimes remains, despite the quality of analysis it conducts, relatively limited and less than other agencies.

173. During the period 2017-2021, the Office collected financial intelligence and used them in investigating corruption and ML offences regarding 58 cases. In general, the COCC collects financial intelligence mainly from banks (70%), and to a lesser extent from insurance companies and brokers (6.4%), from Algerian Post Office (3.4%) and to a very limited extent from brokers of stock exchange operations (14 request only). The Office, during the same period, managed to obtain information on cross-border transportation of currency or exports and imports through the GDC regarding 24 cases by sending 98 requests. Based on the subject and depth of investigations, the COCC benefits from the financial intelligence conducted by the General Inspectorate of Finance (20 requests regarding 14 cases), and the GDT (74 requests regarding 4 cases) to review bank accounts opened in the name of accused persons. Also, the Office refers to CTRF (29 requests) to obtain access to the STRs database or for international cooperation requests. The office also resorts, when necessary, to the Supreme Authority for Transparency, Prevention, and Fight Against Corruption to use the information on property disclosures (4 requests). Hereunder are the statistics of requests for financial intelligence and all other relevant information issued by the COCC during the period 2017-2021:

Table 3.3: Requests for information sent by COCC to FIs and other administrators

Sector	2017	2018	2019	2020	2021	Total
Banks	187	208	261	82	232	970
GDC	28	15	25	17	13	98
Insurance Companies and Brokers	06	08	13	26	36	89
Tax Authority	22	06	12	14	20	74
Algerian Post Office	06	22	09	04	06	47
NCCR	12	07	07	07	07	40

CTRF	01	02	17	08	01	29
General Inspectorate of Finance	01	02	11	06	–	20
Brokers of stock exchange operation	–	01	06	03	04	14
Supreme Authority for Transparency, Prevention, and Fight Against Corruption	–	–	03	01	–	04
Total	263	271	364	168	319	1385

174. The total number of corruption-related cases was 72 against 7 ML-related cases. The COCC explained this discrepancy by reporting that not all corruption-related cases result in proceeds, especially cases of job negligence or cases where the facts do not have a criminal nature, especially in the absence of ML elements such as transferring, disguising, or depositing money to conceal its source.
175. Upon reviewing some case studies provided by the country during the on-site visit, the AT concluded that the COCC intends to direct its efforts and human resources to investigate, develop evidence, and trace the criminal proceeds of the most complex and serious corruption crimes, which include comprehensive financial analysis that mostly led to convictions (6 convictions out of 7 referrals) (see IO.7)

Box 3.2 Case study on COCC access to financial intelligence and all other relevant information for use in investigations to trace corruption proceeds

Upon investigating a corruption case involving two public transactions with two foreign companies, the COCC initiated investigations into the financial liability of the persons involved in the case. Such investigations included collecting financial intelligence from the banks and Post office, as well as other relevant information from different authorities such as the Real Estate Register, National Centre for Enterprises Records, the Borders Police, National Social Security Fund, and General Directorate of Housing and Vehicles Transportation Office. The investigations covered the accused and their families. The financial investigations conducted concluded that there was a suspicion of illicit enrichment and money laundering because the accused received significant amounts in national and hard currencies in accounts opened under the names of their spouses and children, in addition to owning many real estate properties that are not aligned with their disclosed incomes. Moreover, the Central Anti-Corruption Office's investigations found that the families of the accused are pursuing high standards of living that do not align with the source of wealth for the accused. The case was referred to the judicial authorities and the accused was arrested. The case is new and still under process by the judicial authorities.

176. When investigating ML, associated predicate offences and TF, LEAs, especially the GDNS and the NG, collect financial intelligence directly from banks, FIs and other competent authorities. The number of requests sent by the judicial police, especially the NG, to FIs, DNFs and competent authorities is 11,719 during the period 2017-2021. It should be noted that LEAs use financial information mainly when investigating predicate crimes (particularly corruption and bribery) and to a lesser extent when investigating ML crimes. Hereunder are the statistics for the information requests sent by the NG to FIs and other entities. The AT did not receive any statistics regarding the information requests sent by the GDNS. However, the team reviewed the case studies provided by them, which mainly included information requests to banks and competent authorities. The requests exceed 60 in some cases.

Table 3.4: Requests for information sent by judicial police to the FIs and other administrators

Sector	2017	2018	2019	2020	2021	Total
Banks	302	446	1893	1967	2083	6691
Brokers of stock exchange operation	00	00	25	03	03	31
Insurance Companies and Brokers	08	10	17	62	73	170
DPMS	04	04	26	06	06	46

Algeria Post Office	146	203	509	506	564	1928
Tax Authority	77	91	508	676	629	1981
Supreme Authority for Transparency, Prevention, and Fight Against Corruption	00	00	00	01	03	04
GDC	63	143	155	157	223	741
General Inspectorate of Finance	07	11	43	30	36	127
Total	607	908	3176	3408	3620	11719

177. The above table shows the regular access of the judicial police, especially the NG to wide and comprehensive financial intelligence and all other relevant information. LEAs prioritize the appropriate collection and usage of financial intelligence when investigating predicate offences that are committed within the framework of organized crime, considering their proceeds are significant (see IO.7).

178. The Algerian authorities provided many case studies showing that the judicial police collect and use financial intelligence in developing evidence and tracing the proceeds of crime. Hereunder are some case studies that show LEA's access and usage of financial intelligence and all other relevant information in corruption and drug trafficking crimes (as organized cross-border crime) and terrorist financing.

Box 3.3: A case study showing LEAs accessing and using financial intelligence and all other relevant information from banks and government entities in developing evidence and tracing proceeds of corruption crimes that are laundered

Upon investigating the embezzlement of public funds, the GDNS collected the following wide range of financial intelligence and all other relevant information:

- Financial transactions on the bank accounts of the accused and their associates
- The companies owned by the accused family members
- Properties and vehicles owned by the accused and their families

The investigations identified the embezzled amounts and the techniques used by the persons involved in the case to launder the criminal proceeds. The criminal proceeds, such as cash amounts, movables, immovables, and bank balances were seized along with arresting the accused and referring the case to the judicial authorities.

Box 3.4: A case study showing LEAs accessing and using financial intelligence and all other relevant information from banks and government entities in drug trafficking crime (as organized cross-border crime) and laundering its proceeds

Upon investigating a drug trafficking crime committed by a foreign person in collusion with Algerians residing in Algeria and foreigners residing abroad, the GDNS began collecting evidence in the ML offence and tracing criminal proceeds to identify the ML elements. Significant financial intelligence is collected regarding investments in Algeria for the involved persons as well as bank accounts in their names and their movables and immovables. The investigations showed that this network laundered the proceeds of drug trafficking by establishing fake companies active in sectors generating cash profits and by integrating the criminal proceeds in the alleged economic activity of the companies as well as purchasing properties (such as apartments, villas, lands and shops) and luxurious cars registered in the name of third parties who turn out to be involved in laundering the criminal proceeds. The case is still under process as being new.

Box 3.5: A case study showing LEAs accessing and using financial intelligence and all other relevant information from banks and government entities in TF crime

In line with the follow-ups conducted by LEAs regarding relatives of terrorists of ISIS abroad, a message through a social media platform to a brother of a terrorist raised their attention. The message said that the terrorist's wife needed financial aid of USD 15,000 and requested the amount to be sent to a post account of a third party. Upon investigating the financial transactions of the said

account, the authorities discovered an activity of collecting funds provided by several sympathizers to be handed over to the terrorist wife. It turned out that the funds are being deposited to the mentioned post account, then withdrawn and given to Arab nationals to be transferred abroad using “the unofficial Hawala” under the cover of investment activities which proved to be fake and used to finance ISIS. The authorities managed to confirm the financial intelligence by using special investigative techniques (e-surveillance) and the involved persons were referred to the attorney general. The case was ongoing given it is new.

179. While conducting investigations into predicate crimes, especially corruption and bribery, investigative authorities and LEAs mainly rely on CTRF to obtain the information available through counterpart FIUs at the international level. These authorities rarely resort to CTRF to obtain information stored in its database or to request financial information, given that authorities obtain financial and other information directly at the local level. This leads to the conclusion that the authorities consider CTRF as a point of contact for accessing financial information available in the possession of external parties and do not consider it as a source of financial information to support its operational needs, as they automatically access financial information available at the local level without resorting to CTRF to do so on their behalf. On its part, CTRF directs requests for information to foreign counterpart FIUs and provides the requesting authorities with the necessary responses (see IO 2). During 2017-2021, CTRF received 275 requests from LEAs and judicial authorities.

Table 3.5: Requests for information received by CTRF from different judicial authorities and LEAs¹⁶

Requesting authorities	2017			2018			2019			2020			2021			Total
	ML	TF	Predicate offences													
Judiciary	1	0	2	1	0	0	0	0	7	1	0	26	0	0	21	59
COCC	0	0	4	0	0	0	0	0	5	0	0	5	0	0	1	15
NG	6	0	11	12	0	10	1	0	46	1	0	35	0	4	22	148
GDNS	4	0	5	0	0	0	2	1	5	4	1	22	2	0	7	53
Total	11	0	22	13	0	10	3	1	63	6	1	88	2	4	51	275

180. The above table shows that the NG has sent the majority of requests to CTRF (54%), followed by the judicial authorities (21%) and the GDNS (19%). The requests sent by the COCC to CTRF remain very limited compared to other authorities (15 requests¹⁷). The reliance of Algerian authorities on CTRF to obtain financial intelligence that might be in the possession of external bodies depends on the available information in the cases under investigation and the extent to which it is related to external bodies in terms of the nationality of persons and the source and destination of proceeds, which might or might not require activating the international cooperation mechanisms.

181. Based on the cases under investigation by LEAs and judicial authorities, CTRF directed 485 requests for information to counterpart FIUs mostly regarding the investigation of corruption crimes (78%) based on investigations mainly conducted by the NG and to a lesser extent by the GDNS and the COCC. The below table shows the requests sent by CTRF to the counterpart FIUs based on requests by LEAs and

¹⁶ The number of requests for information received by CTRF (totaling 275) does not correspond to the number of outgoing requests for information directed by CTRF, totaling 485 requests. This is due to the fact that the incoming request received by CTRF may be followed by several requests to a number of different parties abroad, which explains the difference between the number of incoming and outgoing requests.

¹⁷ The 15 requests sent from the Central Office for Combating Corruption to CTRF resulted in 5 requests for information sent from CTRF to foreign counterpart FIUs as shown in the table below titled: “Requests for information sent by CTRF based on request by LEAs or judicial authorities.”
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judicial authorities during the period 2017-2021:

Table 3.6: Requests for information sent by CTRF based on requests by LEAs or judicial authorities

Year	Requests for information sent based on a request by local authorities				Total
	Investigative judge	COCC	NG	GDNS	
2017	0	0	31	6	37
2018	0	0	63	8	71
2019	48	5	216	3	272
2020	35	0	33	6	74
2021	31	0	0	0	34
Total	114	5	343	23	485

182. Upon reviewing some case studies, it turned out that LEAs appropriately use the financial intelligence collected on the international level by CTRF, especially in cases when CTRF receives the desired responses by the counterparts and in a timely manner.

Box 3.6: Case study showing that the COCC seeking the assistance of CTRF to obtain international financial intelligence, for use in investigating corruption and ML crimes

Upon investigating suspicions of abuse of office and bribery of a public official with the aim of forging and tampering with official documents and reaping significant sums of money of unknown origin using foreign trade operations, the COCC sought the assistance of CTRF to obtain financial intelligence from counterpart FIUs to trace criminal proceeds transferred to a number of foreign countries. The investigations conducted on the international level uncovered solid evidence of a public official colluding and abusing their power by assisting a businessperson to forge documents to conceal and integrate funds of anonymous source into the economic activity for the purpose of transferring them abroad. The case was referred to the court and is still under trial.

STRs and other reports received and requested by competent authorities

183. CTRF receives a significant number of STRs mainly from banks and Algerian Post Office. Also, CTRF receives a limited number of STRs from some DNFBPs, especially notaries and bookkeepers¹⁸. However, CTRF did not receive in the period 2017-2021 any STRs from the remaining reporting entities, especially DPMS and real estate agents that are classified medium risk sectors. This limits the scope of the financial intelligence directed to CTRF to properly conduct its tasks. Moreover, CTRF temporarily archived most of the STRs during the period 2017-2021 (92%) after being evaluated by CTRF as low risk. This is mainly because such STRs are of inadequate quality and lack accurate information to assist CTRF in performing its tasks. Also, CTRF does not have adequate logistical and human resources to conduct a comprehensive analysis of the received STRs based on their materiality and to what extent they are related to serious crimes.

184. CTRF also receives confidential reports from the BOA and the GDC involving suspicion of ML and associated predicate offences, most of which were archived by CTRF (87%) before collecting additional information. This is mainly because most of them are related to foreign trade and banking violations that often do not amount to an ML-associated predicate offence or TF.

185. Additionally, CTRF receives from GDC disclosures of currency by travellers when entering Algeria and transporting currency exceeding €

¹⁸ They are bound by the reporting obligation, but cannot prepare or carry out transactions for their clients concerning the activities specified in criterion 22.1 of the FATF methodology (See Chap. 1).

20,000 or equivalent in other foreign currencies¹⁹. CTRF uses these disclosures to enrich its database. Hereunder are all types of reports registered in the CTRF database during the period 2017-2021:

Table 3.7: STRs received by CTRF during 2017-2021

Types of reports	2017	2018	2019	2020	2021	Total
Total number of STRs	1635	2106	2306	2762	3240	12049
Confidential reports	184	218	123	74	72	671
Disclosure of currency	3089	1462	704	605	285	6145

186. CTRF receives STRs and confidential reports from various banks FIs and other parties (BOA and GDC) in hardcopies by depositing them at CTRF Secretary by CTRF pre-defined messengers. While DNFBPs send their STRs by mail, which is not considered as a protected or secure channel for sending STRs, the Algerian Post Office sends STRs electronically through a USB device with a SIM card. However, the AT could not verify how the security and protection of the information exchanged between CTRF and the Post Office are guaranteed.

STRs

187. During the period 2017-2021, the STRs received by CTRF were 12,049, and witnessed a remarkable increase over the years, but mainly because some banks have a defensive approach in reporting STRs to CTRF, as discussed more in detail further down. Most of the STRs were related to suspicion of ML and associated predicate offences at 99.9%, where the STRs related to TF suspicion were only 4, which does not align with TF risks in Algeria. The banks and Algeria Post Office explained that the low number of TF-related STRs is because terrorist entities do not resort to banks to deposit, transfer, or convert funds, but mainly exploit the illegal market for the conversion, transfer, or movement of funds. CTRF also confirmed that TF-STRs were too low, which is not consistent with Algeria TF risks and its geographic location, which makes it subject to local and international TF risks.

Table 3.8: The classification of STRs received by CTRF during 2017-2021 based on the suspicion type.

Year	Received STRs			
	ML	ML and associated predicate offences	TF	Total
2017	1263	372	00	1635
2018	1700	406	00	2106
2019	1963	342	01	2306
2020	2062	698	02	2762
2021	1962	1283	01	3240
Total	8944	3101	04	12049

188. The STRs related to predicate offence suspicion, which reached 3101 as per the statistics, are mostly related to violations of foreign trade (85 %). This is because the efforts of banks and Algerian Post Office are focused to combat hard currency smuggling to other countries according to the regulations of exchange and the movement of capital from/to abroad. Upon interviewing the private sector, 25% of the indicators of the IT systems of banks are assigned to detect suspicious transactions related to foreign trade (i.e. inflating import invoices (over-invoicing), to transfer hard currency abroad or reduce the value of invoices (under-invoicing) to avoid the necessity of recovering hard currency generated from various export transactions). And by reviewing some STRs sent to CTRF and the case studies provided by

¹⁹ The threshold for inbound and outbound currency disclosures is equivalent to 1000 euros or more (see R.32). Customs chose to notify CTRF of currency disclosures exceeding the equivalent of 20,000 euros. Algeria stated that since the 2nd quarter of 2022 the customs authorities have been sending all information related to the currency disclosures, whatever the value of the disclosed amount, to CTRF.

the country, banks focus on currency smugglings abroad, regardless of the source of funds whether legitimate or resulting from a predicate offence on one hand, and the destination of the funds and if will be used for TF on the other hand. The remaining STRs relate to fraud (5%), corruption (5%) and to a lesser extent drug trafficking (1%), which is not consistent with the country's risk profile. Hereunder is a table on STRs based on the identified predicate offences:

Table 3.9: STRs that include predicate offences suspicion

Type of predicate offense	2017	2018	2019	2020	2021	Total	%
Trafficking in narcotic drugs	0	21	0	2	1	24	1%
Corruption	0	31	80	33	25	169	5%
Smuggling	0	0	0	0	0	0	0%
Migrant smuggling	0	0	0	0	0	0	0%
Offences associated with external trading	342	334	251	631	1186	2744	88%
Fraud	26	20	8	25	54	133	4%
Forgery	2	0	1	5	8	16	1%
Currency Counterfeiting	0	0	0	1	0	1	0%
Tax crimes	2	0	1	1	9	13	0%
Extortion	0	0	1	0	0	1	0%
Total	372	406	342	698	1283	3101	100%

189. The majority of the STRs received by CTRF, as shown in the table below, were from banks and the Post Office during the entire period 2017-2021, where the banks sent 7,865 STRs and the Post Office sent 4185 STRs. Therefore, the percentage of banks was 65% and Post Office was 34% of the total STRs, while DNFBPs, especially notaries and bookkeepers, sent 29 STRs, and CTRF did not receive any STR from the remaining FIs, such as DPMS and real estate agents. CTRF attributed the dominance of banks and Post Office to the materiality of the banking sectors, in terms of the total assets of the Algerian financial system as well as the size of the client base of banks and Post Office and their geographic outreach to the entire Algerian land. CTRF also attributed the absence of STRs from some sectors to the limited services and products provided by them as well as the small number of their clients. However, the absence of STRs from some sectors affects the operational needs of CTRF and the comprehensiveness of the outcomes of the strategic analysis conducted by CTRF.

Table 3.10: The classification of STRs based on sectors

Sector	2017		2018		2019		2020		2021		Total	
	ML/offences	TF										
Banks	1247	00	1353	0	1753	01	1578	01	1931	01	7862	03
Post Office	387	00	753	0	552	00	1185	01	1307	00	4184	01
Stock exchange	00	00	00	0	00	00	00	00	00	00	00	00
Insurances	00	00	00	0	00	00	00	00	00	00	00	00
Bookkeepers	00	00	00	00	00	00	00	00	01	00	01	00
Notaries	01	00	04	00	20	00	03	00	00	00	28	00
Total	1635	00	2106	00	2305	01	2760	02	3239	01	12045	04

190. CTRF classifies all STRs using the risk-based approach. Based on the results of such classification, the STRs can be temporarily archived pending additional information at a later stage or referred to the Analysis and Investigations Department at CTRF for analysing and collecting additional information. The percentage of archived STRs received by CTRF before collecting financial intelligence reached 92%, and this percentage reached about 93% after collecting information. CTRF attributed such a high percentage to the defensive approach adopted by some banks when filing STRs and provided some examples of STRs filed by banks on all transactions of foreign trade or cash deposits that exceed identified threshold without any confirmed suspicions by the banks. Upon reviewing some sanitized or anonymized STRs filed by a sample of reporting entities, the AT believes that the high percentage of STRs archived by CTRF is because of the inadequate quality of the STRs or the insufficient information in the STRs filed by reporting entities, and the limited logistics and human resources in CTRF. The total STRs received by CTRF largely exceed the capabilities of CTRF’s financial analysts (only two analysts from the Analysis and Investigations Department). Therefore, CTRF focuses on the higher risk STRs which undergo comprehensive and in-depth analysis, and some of which are referred to the judicial authorities.

Table 3.11: The percentage of STRs archived before/after collecting information

	2017	2018	2019	2020	2021	Total
Total of STRs received by CTRF	1635	2106	2306	2762	3240	12049
Total STRs archived before collecting information	1509	1925	2004	2573	3109	11120
The percentage of STRs archived before collecting information	92%	91%	87%	93%	96%	92%
STRs referred for analysis and information collection	126	185	329	195	135	970

191. Regarding the feedback provided by CTRF to the reporting entities, it contains one of the following elements:

- Requesting the reporting entity to apply EDD to the client's accounts.
- Requesting the reporting entity to apply EDD to the client's accounts and notify CTRF of any unusual transactions conducted by the client in the future.
- Requesting the reporting entity to apply EDD to the client's accounts, and request for additional information to complete the data of the STR.
- Administrative freeze of the client's account for 72 hours.

192. Despite the efforts exerted by CTRF to provide feedback to reporting entities, such efforts remain limited and ineffective given that they have not led to increasing the quality of the STRs received by CTRF especially from banks, adding that CTRF does not provide any feedback on the quality of the STRs. Based on the interviews conducted with CTRF and the private sector, the AT concluded that the feedback currently provided by CTRF leads to exhausting the resources of reporting entities by automatically requesting to apply EDD to the client's accounts, even for the cases when CTRF decides to archive the STR or classify it as “low risk” and temporarily archives it before being analysed in a comprehensive and in-depth manner. Up to 2021, CTRF has not taken any measures to enhance the quality of the STRs by addressing the reporting entities directly or indirectly in collaboration with the supervisors²⁰, especially the BOA in its capacity as the supervisor of banks and Post Office, from which the largest volume of STRs is received (99% as per the analysis above).

²⁰ CTRF took some positive measures in 2022 to communicate with the supervised entities especially banks in collaboration with BOA to improve the quality of STRs, but the assessment team cannot reflect these efforts in the MER since Algeria did not provide the supporting documents.

Confidential reports

193. During the period 2017-2021, CTRF received 671 confidential reports from the GDC and the BOA, while no confidential report was received from the remaining competent authorities such as the GDT and the General Inspectorate of Finance. The said 2 agencies refer directly to the security authorities and the attorney general to report suspicious transactions related to ML and/or predicate offences.

194. The number of reports sent by the GDC relatively declined over the last three years. CTRF and the GDC attributed that to the decrease in import and export operations and travellers' movement due to COVID-19 and border closure measures. However, the reports sent by the BOA slightly increased since 2019 to reach 14 in 2020 and 12 in 2021. Such reports are mainly related to unusual transactions kept by the banks in internal confidential reports, so that the inspectors of the BOA may, at a later stage during the onsite inspections, review such reports and collect additional information and refer them, as and when needed, to CTRF. Hereunder are the statistics of the confidential reports received by CTRF during the period 2017-2021 as per the two relevant authorities.

Table 3.12: Total confidential reports received by CTRF during 2017-2021

Reporting authority	2017	2018	2019	2020	2021	Total
GDC	180	216	119	54	66	635
BOA	4	2	4	14	12	36

195. CTRF conducts a preliminary (not exhaustive) analysis of the information contained in all STRs received and determines the STRs for which additional information should be collected before disseminating the collected information to judicial authorities. As shown in the table below, CTRF referred 63 out of 671 confidential reports to the judicial authorities and archived more than 87% of them before collecting additional information. This is because most of these reports are related to foreign-trade violations and did not include accurate and adequate information on the legality of the source and destination of the funds to help CTRF to perform its tasks.

Table3.13: The percentage of confidential reports archived before/after collecting information

	2017	2018	2019	2020	2021
Total confidential reports archived before collecting information	139	205	116	70	59
Confidential reports for which additional information was collected	45	13	07	04	13
Reports referred to the judicial authorities	45	13	02	03	00
Reports archived after collecting information	00	00	5	1	00
Percentage of archived reports	75.54 %	%94.03	% 98.37	% 94.59	81.94 %

Disclosures of currency

196. During the period 2017-2021, CTRF received 6145 disclosures of currency (see the table below) sent by the GDC on disclosure of currency by travellers upon entering the country when exceeding € 20,000 or its equivalent in other foreign currencies. CTRF analysed all of them, but only one case was referred to the judicial authorities in 2021. CTRF does not appropriately benefit from the information contained in the disclosures of currency provided by the GDC for identifying or discovering potential ML/TF offences; CTRF only benefits by feeding its database with information on cash couriers, their nationalities, date of entry, and departure and other information. It also uses the information contained in the disclosures of currency to analyse the STRs and confidential reports, and when processing the information requests received from local and international authorities.

Table 3.14: Total disclosures of currency received by CTRF during 2017-2021

	2017	2018	2019	2020	2021
Total of disclosures of currency received by CTRF	3089	1462	704	605	285
Total processed disclosures of currency	3089	1462	704	605	285
Reports referred to the judicial authorities	00	00	00	00	01

Operational needs supported by FIU analysis and dissemination

197. CTRF has very limited human and logistical (technological) resources. The organizational chart of CTRF is divided into four sections: The Department of Strategic and Operational Analysis and Investigations, Department of Legal Affairs, Department of Documents and Information Systems, and Department of Cooperation, Public Relations and Communications as well as the Board and Secretary.
198. In 2021 CTRF had 13 employees²¹ distributed among different operational departments and the Secretary. The Department of Strategic and Operational Analysis and Investigations and the Department of Cooperation, Public Relations and Communications have 2 employees each, responsible for operational analysis and domestic and international cooperation²², respectively. The Department of Legal Affairs contains one employee, while there are no employees in the Department of Documents and Information Systems. CTRF Board currently contains 4 officers representing each of the NG, the GDNS, GDC, and BOA. CTRF Board members are only and permanently working for CTRF. The numbers show that all the departments of CTRF face a shortage of employees compared to the number of domestic and international requests and reports (including STRs) received by CTRF.
199. The IT system used by CTRF is outdated and does not have any functionalities that might assist the analysts in their daily tasks, since it does not allow for integration and cross-matching of similar data within a number of STRs or information received from different sources. The management of CTRF is fully aware that a new system should be introduced as a priority. However, CTRF could not secure any additional budget in 2020 due to freezing the financial resources of the public administration. Also, it was not evident during the onsite visit whether CTRF will be able to secure the funds required to initiate communications with the relevant IT providers.
200. Since the IT system is absent, CTRF analysis is conducted manually and depends mainly on the expertise of its employees, which limits CTRF's ability to identify STRs that need more analysis as well as the allocation of analytical resources based on risks given the few human resources available to CTRF. Also, this negatively affects the time between the receipt of the STR and the more substantive operational analysis that is supposed to be conducted.
201. CTRF developed a procedural manual for its employees that explains and details the working method for the Board members, financial analysts, and the remaining departments of CTRF. This manual contains the entire stages of processing any type of reports received by CTRF, especially touching on the STRs, confidential reports, and how to deal with international cooperation requests.
202. All financial institutions, except the Algerian Post Office, file STRs using a specific hardcopy format directly to CTRF headquarters, while DNFBPs send their STRs by secure mail. The Algerian Post Office sends STRs electronically through a USB device with a SIM card. CTRF noted that they are working on a project for an e-reporting system that automatically links all reporting entities (FIs and DNFBPs).
203. Once the STR or confidential report is received, its information is directly entered in the database of CTRF (COLIMAT) by the General Organization Office at CTRF, then the Head of CTRF or a member of its Board manually classifies the STRs and confidential reports, based

²¹ The number of employees increased to 21 in 2022; however, the AT relied upon the number of employees in 2021, as this number is concerned with processing the STRs referred to in the statistics submitted for the years (2017-2021).

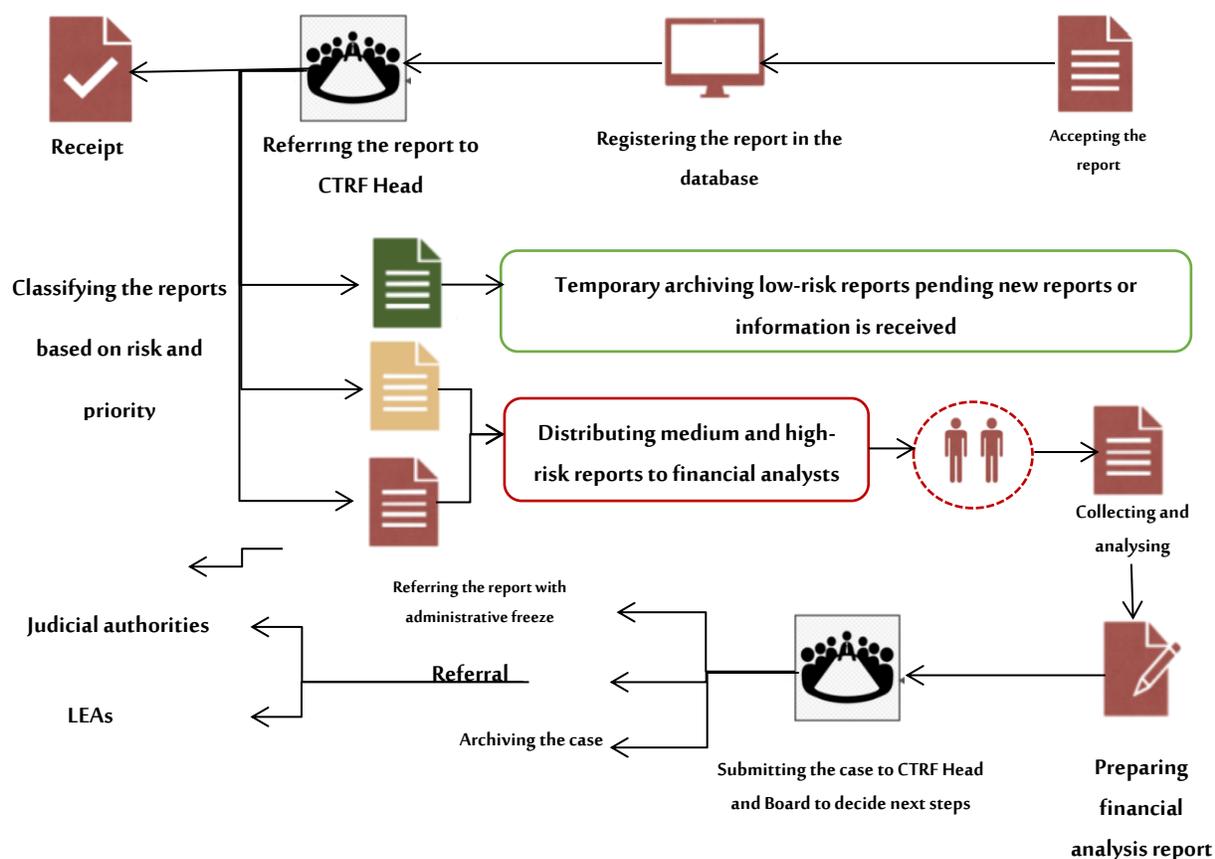
²² Sometimes the head of the department of cooperation is called upon to assist in conducting the operational analysis, due to the lack of resources. Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

on risk and priority, using standards identified in the procedural manual. The path of processing STRs and confidential reports is different according to the level of risk. The Board temporarily archives the STRs and confidential reports of low risks which do not require any analysis. The medium and high-risk reports are referred to the financial analysts for processing under the supervision of a Board member and priority is given to the high-risk reports or those related to suspicion for TF. CTRF does not identify or follow up on the timeframe for processing the STRs by the financial analysts based on their risk, which affects the extent to which the judicial authorities and LEAs are benefiting from the referrals of CTRF in a timely manner.

204. The Board members actively participate in the analysis and identify the prioritized STRs based on a set of criteria (the nature of the client's line of business, the existence of a previous STR involving the subject person, the nature of the executed transactions, the destination of the funds, etc.....). The analysts cannot take an independent decision about whether to collect additional information regarding STRs that are classified as low risk, since the Head or any of the Board members are the ones who identify the reports that need comprehensive analysis or should be temporarily archived. But there is no indication whether they can make an informed decision without any analytical report to support such decision. The Board members decide upon all requests for which additional information should be sought and the scope of the inquiry. All outgoing requests for additional information are exclusively signed by the Head of CTRF.
205. CTRF collects information from any of the reporting entities and the responses are normally received within two days. However, the information required by other competent authorities takes between 1 to 7 days, and this period can be significantly shortened when dealing with urgent cases. CTRF Board members can intervene to obtain a response from the relevant authority as and when needed. Resorting to foreign FIUs to collect additional information is very limited. It turned out that CTRF communicated with counterpart FIUs during the last five years by sending only 27 requests for information, while it communicated more on behalf of other competent authorities by sending 490 requests²³ (see IO.2). This means that CTRF rarely uses the international cooperation when conducting operational analysis for the received STRs and confidential reports.
206. The operational analysis conducted by CTRF takes a long period to some extent. This period ranges between 30 days up to 6 months, except for the cases that require immediate freeze where the analysis period can be shortened to 72 hours (the legal period for administrative freeze). The analysis process differs according to the complexity and the parties involved in the case. According to the review of cases, there was no comprehensive report that summarizes the STRs, the results of collecting information and the method of analysis. Also, there is a limited number of cases that reflect the outcomes and depth of operational analysis conducted by CTRF.
207. Hereunder is a chart on the steps taken by CTRF to process the received STRs and confidential reports:

²³ This number reflects 99% of the requests sent overseas, and 5 requests were not counted among the requests sent because they came from various authorities (i.e. the Ministry of Justice (3), the Ministry of Foreign Affairs (1), and the Military Court (1)) (see IO 2).

Chart 3.1: The stages of processing STRs and confidential reports received by CTRF



208. After completing the stages of processing STRs, CTRF either archives the STRs or disseminates them to the competent judicial authorities. During the period between 2017 and 2021, CTRF decided to freeze, and for a maximum period of 72 hours, the banking transactions for natural or legal persons. The number of these decisions was 44. After referring the related STRs to the judicial authorities, the latter transferred all the administrative decisions taken by CTRF into judicial orders to temporarily freeze the funds and accounts subject to these STRs. The conversion of all administrative decisions into judicial decisions concludes that the judicial authorities found strong ML/TF suspicion in CTRF disseminations. This confirms the point made earlier that the STRs disseminated by CTRF, although limited, support the operational needs of the judicial authorities.

209. On the level and depth of operational analysis, CTRF conducts initial analysis for all received STRs and confidential reports, and such analysis is limited to reviewing the database and studying the suspicious indicators. CTRF conducts comprehensive analysis only for medium and high-risk received STRs and confidential reports. This analysis represents tracing the financial transactions and collecting information relevant to the subject legal and/or natural persons. CTRF conducts to a lesser extent in-depth financial analysis that covers tracing all financial transactions for all persons involved with the suspects and those involved with the suspected-subject persons, as well as collecting and analysing information relevant to all involved persons. The statistics below show the number of reports (STRs and confidential reports) that underwent initial, comprehensive, and in-depth analysis during 2017-2021:

Table 3.15: The STRs and confidential reports distribution based on the level of operational analysis conducted by CTRF

Type	2017	2018	2019	2020	2021	Total
Number of received reports (STRs and confidential reports)	1819	2324	2429	2836	3312	12720
Number of reports underwent initial analysis	1648	2130	2120	2643	3168	11709
Number of reports underwent comprehensive analysis	171	191	336	199	148	1052
The status of reports that were subject to in-depth analysis						
Number of reports	76	83	129	48	42	378
Number of reports referred to LEAs/judicial authorities	68	52	87	44	18	269
Number of archived reports	0	16	12	0	8	36
Number of under-process reports by the analysts	8	15	30	4	16	73

210. The above table shows the number of STRs and confidential reports that underwent comprehensive analysis, which represent 8.2% of the total received reports, as well as the percentage of reports that underwent in-depth analysis which does not exceed 3% of the total received reports. These limited numbers are mainly attributed to the inadequate quality of the STRs, and confidential reports received by CTRF as well as the limited logistical and human resources available to CTRF. Therefore, CTRF allocates its very limited human resources (two analysts) to conduct comprehensive and/or in-depth financial analysis for complex cases which involve indicators relevant to corruption and/or organized crime.

211. The below statistics show the requests for financial intelligence and all other relevant information sent by CTRF to banks, FIs and DNFBPs as well as CTRF accessibility to the information held by various domestic authorities. During the period 2017-2021, CTRF sent 2836 requests to banks and FIs, 1098 requests to supervisors (BOA) and other competent administrators, 62 requests to judicial authorities and LEAs, and one request to DNFBPs. Hereunder are the statistics of the total number of requests sent by CTRF to various entities:

Table 3.16: Requests for information sent by CTRF to various entities

Sector	2017	2018	2019	2020	2021	Total
Banks	358	231	266	885	949	2689
Stock exchange companies	0	0	0	02	0	02
Algerian Post Office	22	10	11	52	50	145
DNFBPs	0	0	0	01	0	01
GDT	70	45	50	46	27	238
GDC	32	170	137	102	59	500
BOA	09	87	50	78	45	269
COCC	00	00	00	03	01	04
NCCR	08	08	23	40	5	84
General Directorate of the National Assets	00	00	00	04	00	04
Treasury Judicial Agency	00	00	01	01	00	02
GDNS	00	03	09	12	21	45
NG	00	00	02	00	00	02
General Directorate of Domestic Security	00	00	00	01	03	04
General Directorate of Documents and External Security	00	00	01	01	03	05

MOFA	00	00	00	01	01	02
MOC	00	00	00	00	01	01
Total	499	554	550	1229	1165	3997

212. The above table shows the diversity of financial intelligence and all other relevant information collected and used by CTRF in processing the received STRs and confidential reports. CTRF mainly resorts to banks and the BOA, and a lesser and very limited extent to the remaining FIs and DNFBPs. The GDC and the BOA come first and second in terms of the number of requests received from CTRF among the competent authorities in Algeria. This is mainly because both of them are considered reporting entities to CTRF and the requests directed to them are basically for completing the financial intelligence related to confidential reports. Also, the number of requests for financial intelligence sent by CTRF to LEAs, especially the COCC, the GDNS and the NG is very limited. CTRF attributed the low number of requests to adopting the informal cooperation mechanisms in most cases, by resorting to the representatives of LEAs at CTRF Board to obtain information on suspects, and formal cooperation requests are only sent in the case where LEAs have essential information on the person subject of received STRs and confidential reports.
213. Most CTRF disseminations contributed to supporting the operational needs of the competent authorities in ML/TF crimes; however, the limited STRs disseminated to competent authorities negatively affect the extent to which LEAs and judicial authorities can benefit from financial intelligence disseminated by CTRF and the financial analysis it performs.
214. During 2017-2021, CTRF referred 66 cases²⁴ to the attorney general on ML suspicion, out of which 59 were referred to the court, and 7 cases were archived. Hereunder are the statistics of the cases referred by CTRF to the attorney general with the details of the cases resulting from ML investigations and convictions.

Table 3.17: Statistics of cases disseminated by CTRF to the attorney general along with the details of the cases resulting from ML investigations and convictions

	2017	2018	2019	2020	2021	Total
Cases referred to the attorney general	13	7	22	17	7	66
Archived cases	3	2	1	1	0	7
Cases referred to the courts (prosecutions based on CTRF referrals)	10	5	21	16	7	59
Convictions based on CTRF referrals	00	1	3	00	00	04

215. The statistics above show investigations were initiated for 89% of the total cases referred by CTRF to the attorney general for ML suspicion. This percentage is acceptable to a large extent and indicates the quality and depth of analysis conducted by CTRF, notwithstanding its poor logistical and human resources and the inadequate quality of the received STRs and confidential reports. The above table shows that the number of convictions resulting from CTRF referrals is very limited (4 convictions) and this is mainly because the prosecutions take a long time and are not decided upon within reasonable deadlines. The reason for this may be the ramification of the files under consideration, after the files referred from CTRF were merged with files considered by the judicial authorities, and linked to external components that the authorities are still following up with external counterparts before finally deciding on the files (see IO.2 and IO7).
216. Regarding TF, CTRF referred only two cases on TF suspicion to the competent authorities during the period 2017-2021, because of the limited number of the received STRs related to TF (4 STRs). Despite the quality of the analysis conducted by CTRF regarding the two cases referred to the judicial authorities as shown in the below case study, the limited number of CTRF referrals is attributed to the limited

²⁴The single case may contain more than one STR, or an STR and confidential report.

number of STRs received from the reporting entities as a result of their inadequate understanding of the TF risks (see IO.4) which affects the ability of CTRF to identify TF patterns and techniques.

Box 3.7: Case study on the quality of CTRF TF financial analysis and how it supports the operational needs of competent authorities

CTRF received an STR involving a manager of a FI (the reporting entity) who received during the period 2018-2020 cash deposits and high-frequent transfers (15 per day) in small amounts (USD 30 per transaction) from dozens of persons in different locations in Algeria without any clear relationship with the suspect.

The analysis of the financial flow of the suspect's account and the investigations by CTRF revealed that the suspect is involved with 4 other persons in receiving donations for the benefit of a terrorist group. CTRF applied an administrative freeze against the accounts of the involved persons and referred the case to the attorney general.

The security investigations led to the arrest of the suspect who turned out to be a member of a terrorist group. The suspect revealed during interrogation that the most significant methods to finance the activities of the terrorist group are donations through social media platforms, which are paid directly to his bank account.

217. The number of cases referred by CTRF to the judicial authorities is very low as shown above. CTRF rarely receives any feedback from the attorney general's office on the follow-up procedures resulting from the cases referred by CTRF, especially whether such voluntary referrals have led to official investigations. CTRF seeks to regularly address the attorney general to obtain information on the results of the referred cases.
218. CTRF spontaneously refers financial intelligence to LEAs when reasons for ML/TF suspicions exist, especially when the degree of suspicion is insufficient to refer the case to the attorney general. During the period 2017-2021, CTRF spontaneously referred 16 cases to LEAs, mainly to the COCC on suspicion related to corruption. The COCC initiated investigations into corruption and ML offences for 100% of such referrals. Although the country has provided statistics on the results of investigations initiated by the Office (archiving/referral to judicial authorities/convictions), the case studies below, provided by the COCC, show the extent to which the Office benefits from CTRF spontaneous referrals, as they contain accurate financial intelligence and red flags that contributed to supporting the Office operational needs.

Box 3.8: Case study showing CTRF spontaneous referrals in supporting the operational needs of the COCC

CTRF spontaneously referred to the COCC a number of STRs involving a senior public official and some of their relatives and friends who are suspected of their involvement in ML and corruption, mainly the abuse of office, bribery in public deals and participation in laundering the proceeds of such crimes. Through inquiry, inspection and interrogation of the suspects, the COCC could verify the elements of suspicion received from CTRF, and identify the method adopted by the public official to violate the legal procedures of public deals, and how they received illegal benefits, as well as identify the persons involved in laundering the funds resulting from bribery and the laundering techniques. The investigations led to the identification, freezing, and seizing of proceeds of corruption in the form of balances in the bank accounts, real estate properties and cars owned by the family members of the suspect. The COCC referred the case to the judicial authorities on charges of corruption in public deals and laundering their proceeds, and brought those involved before the same competent authorities, which ordered the placement of some of the accused under temporary detention, while the remaining accused were subject to judicial monitoring. The case is still under consideration by the judicial authorities.

219. Despite its limited human resources, CTRF conducted a strategic analysis only starting from 2021 that included the main tools, channels and methods adopted in ML, as well as identified the activities and sectors most vulnerable to ML risks. However, the analysis did not extend to include TF since it is not possible to conduct a strategic analysis of the TF methods and abused sectors based on the very few TF-

STRs received by the CTRF. Moreover, the analysis was limited to the information of the STRs and confidential reports, while the data of requests of information received by CTRF from LEAs and counterparts were not used, despite their significance. Also, up to the end of the onsite visit, CTRF has not shared the results of the strategic analysis with FIs, DNFBBs and LEAs, although its limited outcomes are dependent only on STRs and confidential reports received during 2021. The quality of the strategic analysis is largely affected by the quality of the STRs and confidential reports which are still inadequate because of the poor understanding of the ML risks by reporting entities. Moreover, the quality of the strategic analysis is affected by the limitation of TF-related STRs (see IO.3 and IO. 4).

Co-operation and exchange of information/financial intelligence

220. Cooperation between CTRF and Algerian competent authorities regarding exchanging information and financial intelligence is good to a large extent. The domestic cooperation and information exchange are conducted both formally and informally, whether through cooperation agreements concluded between various authorities, by forming committees and joint teams in addition to the members of CTRF Board and officials of COCC, representing LEAs and relevant authorities, as liaison officers to facilitate and enhance AML/CFT cooperation and information exchange.
221. CTRF Board currently contains 4 officers representing the NG, the GDNS, the GDC, and the BOA. The representation of such authorities in the CTRF Board helped in reducing the timeframe of responding to requests for information received /sent by CTRF and various LEAs and BOA. The period for responding to requests for information ranged from 1 day to a maximum of 7 days according to the seriousness of the case during 2021, and from 3 days to a maximum of 10 days in 2017. The same applies to the COCC which consists of judicial police officers from various competent authorities (GDNS and NG) who play a vital role in facilitating information exchange between LEAs.
222. LEAs, especially the NG and the COCC coordinate and cooperate daily in the investigation stage to exchange financial intelligence and all other relevant information. What contributes to the success of this cooperation is that all these authorities are considered “judicial police” and are supervised by the attorney general (IO.1).
223. The COCC systemically and regularly form joint teams that include representatives from different competent authorities, including CTRF to facilitate cooperation and information exchange, especially in complex and serious offences. Hereunder 2 case studies that show the operational cooperation between authorities using joint teams:

Box 3.9: Case studies of the operational cooperation between authorities using joint teams

Case Study 1: Upon CTRF spontaneous referral of an STR to the COCC, an investigation was initiated into the illicit enrichment of a public official and the laundering of the proceeds of bribery and corruption through third parties. Since the case was complex, the COCC formed a joint team containing representatives from the Office, CTRF, BOA, GDC, NCCR, and the General Inspectorate of Finance. The representation of these authorities helped in facilitating access to and analysis of financial intelligence and all other relevant information, such as bank accounts, the movables and immovables, investments, and companies in the name of the involved persons. The investigations led to the freeze and seizure of the proceeds of corruption. The case has not been yet referred to the judicial authorities for charges of corruption and ML.

Case Study 2: Upon investigating the crimes of abuse of office and bribery by a public official, the COCC formed a joint team consisting of representatives of the Office, CTRF, the GDC, BOA, and the NCCR. The investigations conducted by the team on a domestic and international level (through the cooperation between CTRF and counterpart FIUs) uncovered solid evidence of a public official colluding and using their powers to help a businessperson to forge documents to conceal and integrate funds from the anonymous source into the economic activity to transfer them abroad. The case is still under investigation and has not been referred to court due to its recency.

224. CTRF signed agreements for cooperation and information exchange in the AML/CFT field with the SERC, the General Inspectorate of Finance, and the GDT. However, the extent to which these agreements were used to enhance the effectiveness of CTRF in practice, was not perceived.
225. CTRF headquarters is suited inside an independent building for the MOF. This building is under constant security by a specialized team stationed on the inside and the outside according to a security plan reviewed and endorsed by the Provincial Security Committee. CTRF building is monitored through cameras equipped with sensors placed in and around it. A manual was prepared for the protection of persons and properties that outlines the security measures required by all CTRF employees such as the rules for entering/leaving the office, the rules of reception and dealing with external entities, and the procedures to be considered after the end of the working hours.
226. For the information and reports exchanged with the judicial authorities, LEAs, and other competent authorities, and given the absence of any secure channels to electronically exchange information, cases, and reports, they are only exchanged in hardcopies by depositing with CTRF Secretary or at the offices of the relevant authorities. LEAs reported that maintaining the secrecy of the information and data in the context of investigations is confidential and protected under the law and cannot be published or circulated.
227. **Overall conclusion on IO.6:** The LEAs do seem to be using financial information in their investigations, but CTRF is essentially viewed as a channel or a vehicle for international cooperation and seems to be extremely underutilized. CTRF does not proactively analyze an acceptable number of (useful) STRs. It does not as well conduct useful strategic intelligence, and essentially prove its value to LEAs by disseminating products that help initiate cases and produce leads in ongoing investigations, as it has done for the COCC. Most suspicions reported to CTRF (85%) are related to the exchange and capital movement violations or “foreign trade. Much of what CTRF receives appears not to be useful and defensive filing, which is another reason the CTRF as an entity is relegated to acting as a quasi-central authority for international requests. CTRF is supporting the operational needs of the authorities to a limited extent, as 59 of its 66 ML referrals were sent to court.
228. **Algeria is rated as having a moderate level of effectiveness for IO.6**

Immediate Outcome 7 (ML investigation and prosecution)

229. The assessment team based their conclusions on the meetings they held with the competent authorities represented in the National Gendarmerie (NG), the General Directorate of National Security (GDNS), the Central Office for Combatting Corruption (COCC), the MOJ, the Public Prosecution (PP) and CTRF, on reviewing and studying the practical cases submitted by Algeria, and on the statistical data related to investigations and prosecutions into ML and serious predicate offences according to Algeria’s context, in addition to samples of received convictions.

ML identification and investigation

230. In Algeria, there are various bodies responsible for identifying ML offences, and they are mainly represented in the investigative authorities (the PP and the investigative judges), the NG of the MND, the GDNC, and the COCC, in addition to CTRF.
231. The Judicial police (the NG and GDNS) identify ML cases through investigations they carry out while pursuing predicate offences that fall within their jurisdictions, including drug trafficking, corruption, bribery, migrant smuggling, and smuggling in its various forms. They also carry out parallel investigations aimed at tracing criminal proceeds during and before the occurrence of the predicate offence, whereby financial investigations may extend to previous periods depending on the circumstances of the case.
232. The investigative authorities identify ML cases while supervising investigations carried out by the judicial police or the judicial

investigation. They assign the judicial police, especially GDNS, the NG and the COCC by investigating the financial liability of persons suspected of committing crimes that generate profits or proceeds of large sums. In addition, the PP receives reports, complaints, and referrals from CTRF, and in turn refers them to the investigative judges to conduct investigations into ML. The latter delegate LEAs to carry out parallel financial investigations to pursue, trace and seize proceeds of crime.

233. The ML offence is also identified through the financial information and investigation results available to LEAs, especially the NG and GDNS. Information is informally exchanged at the leadership and operational levels to coordinate efforts and invest the information stored in their databases.
234. Judicial police conducting investigations into predicate offenses resort to parallel financial investigations by de facto given that it is not required by internal procedures or national policies²⁵.
235. By reviewing the provided statistics, it is clear that the total requests directed, especially from the NG, to financial and non-financial institutions during 2017-2021, were (8,866) requests, including (6,691) requests to banks and (1,928) requests to Algeria Post. By examining a sample of the judgments issued for conviction, it is found that the parallel financial investigations include bank accounts, real estate properties, real rights/right in rem (utilization and concession rights), companies registered in the names of the accused persons, movables (vehicles, trucks, machinery and tourist vehicles) and real estate properties located abroad (if any); it can be inferred therefrom that parallel financial investigations target most criminal proceeds. Pursuing the proceeds of crime during and before the occurrence of the predicate offence, allows the authorities to be aware of any possible increase in the financial gain of the suspected person, which may allow their prosecution for the predicate offence and the laundering of its proceeds. Cooperation in this regard is carried out with the approval of the competent judiciary, and in limited cases, with the Higher Authority for Transparency, prevention, and fight against corruption²⁶, as the competent authority with which declarations of public properties are deposited (see IO.6).
236. Below is a case study detailing the depth and scope of parallel financial investigations conducted by LEAs:

Box 3.10: A Case Study showing the depth of the parallel financial investigation while looking into predicate offence(s)

In parallel with the investigation into the crime of international drug trafficking (cocaine and cannabis), one of the LEAs has launched a parallel investigation to identify the source of the huge wealth that the defendant acquired from drug trafficking, as it was found that they obtained a bank loan of 2.2 million DZD (about USD 15,500)) to be used to rent a swimming pool and a food store. The financial investigation concluded that the real income generated from the defendant's activities ranged between 14 and 15 million DZD (somewhere between USD 98,000 – 105,000), while the defendant's financial gain exceeds 500 million DZD (about 3.5 million USD); it was found that the defendant invested sums of money in real estate promotion, purchased several real estates (registered in their name and the names of their relatives) as well as purchased cars (in cash), opened bank accounts in Algeria and abroad, managed an LLC to establish 4 tourism projects, in addition to inflating his profits declared to the tax directorate to hide the true source of the criminal proceeds stemming from the drug trade. This was revealed by the parallel financial investigation. The accused were convicted for standalone ML (Please see case# 20/1083 listed in table 3.24)

237. The concerned authorities give priority in practice to conducting a parallel financial investigation in the crimes that take place within the

²⁵ The assessment team was provided with a copy of the draft amendment of Law No. 05-01 related to the prevention and combating of ML/TF that contains in Article 4 thereof (amended) a definition of what is meant by a parallel financial investigation and the purpose of conducting a parallel financial investigation.

²⁶ The aforementioned authority is considering adopting an IT software that will allow the collection and analysis of all data related to public officials, in order to enable the monitoring of cases that may lead to corruption cases.

framework of organized crime, especially the four (most serious) predicate offences, given that they generate huge proceeds, unlike those that take place in an individual unorganized framework, which rarely results in proceeds that require conducting a parallel financial investigation. However, the competent authorities do not resort to parallel financial investigation sufficiently while looking into the predicate offence, even for the four predicate offenses carried out within the framework of organized crime and which generate huge proceeds. The authorities have conducted 354 ML investigations, compared to 1,407 investigations into the four predicate offences executed within the framework of organized crime. This concludes that the number of investigations are within the limits of 25%, which is considered relatively low.

238. It is problematic to think that financial investigations cannot go hand in hand with investigations, especially into acquisitive crimes committed or motivated by profit. LEAs' failure to sufficiently resort to the parallel financial investigation is due to various reasons, namely the absence of a procedural guide or standard operating procedure that defines the cases or circumstances in which parallel financial investigation should be resorted to, lack of awareness or training in tracing proceeds of crime through parallel financial investigation, and a lack of training on the importance of parallel financial investigation.

Table (3.18): Comparative table between the total number of investigations in the predicate offences carried out within the framework of organized crime and in an individual unorganized framework, against the total number of ML investigations (2017 – 2021)

	Predicate offences carried out within the framework of		Number of ML investigations
	Individual Unorganized network	Organized Crime	
Drug trafficking	49 671	350	67
Corruption / bribery	5 173	278	117
Smuggling of good and commodities	50 265	447	74
Migrant smuggling	1 607	332	96
Sub-total	106 716	1407	354
Remaining crimes	15 287	616	53
Total	122 003	2,023	407

239. The above statistic shows that the ML investigations (total of 354) are related to corruption and bribery, followed, respectively in second, third, and fourth place, by migrant smuggling, smuggling of goods and commodities, and drug trafficking, whereas the number of investigations for the top 4 proceeds generating offences was 1,407 investigations. The Algerian authorities have clarified that not in all cases the ML elements (deposit, disguise, transfer, conversion....) may be available through parallel financial investigation, which explains why the number of ML investigations (354) is less than the number of investigations into the top 4 proceeds generating offences; however, the AT believes that ML also occurs if the proceeds of crime are in the possession of the perpetrator of the predicate offence (not just deposit, disguise etc...). It does not appear that the authorities are conducting ML investigations when the money is in the possession of the perpetrator of the predicate offence and/or their accomplices, otherwise, the ML investigations would have exceeded 354 investigations between 2017 and 2021. This conclusion was reached considering that the total value of money confiscated for ML was 57.4 million US dollars, while the total value of the funds seized in the possession of the defendants²⁷, which were confiscated in the top 4 serious crimes, was 2.2 billion US dollars (see IO 8).

²⁷ Possession of illegal funds is considered one of the ML elements (see R. 3)

240. In light of the approach pursued by Algeria as illustrated above, it would be difficult to identify third party and professional money laundering, when ML is not considered in practice a crime in its own right. This includes situations when providing a service to other criminals.
241. LEAs conduct parallel financial investigations after obtaining the permission of the competent PP or pursuant to a request issued by the competent investigative judges. According to the statistics provided by Algeria, it appears that parallel financial investigations conducted by LEAs (specifically the GDNS and the NG) during 2017 and 2021 extended to include movable and immovable funds (amounts of funds, precious metals, lands, apartments, buildings, etc., shops, tourist vehicles, motorcycles, trucks, ships) belonging to the persons subject of the investigations.
242. The COCC adopts different methods to identify and investigate ML cases. The most prominent of which is the discovery of criminal proceeds based on the investigation of corruption-related crimes, or through complaints²⁸ and communications it receives, or other information obtained from official or unofficial sources, especially from CTRF or through information published by various national and international media, social media or other departments. During the parallel financial investigation, the Office relies on a set of information from various sources that allows it to determine the extent to which the suspect's money is linked to the criminal acts attributed thereto after examining their financial liability and the possibility of discovering signs of unjustified wealth.
243. The COCC does not systematically conduct parallel financial investigations concerning laundering corruption proceeds; therefore, is it not able to identify offences of laundering corruption proceeds in line with Algeria's risk profile. During 2017 and 2021, the Office conducted only 5²⁹ ML investigations out of 72 corruption cases. The ratio of ML investigations compared to the total investigations related to corruption that is carried out individually and in the framework of organized crime is very low and not consistent with Algeria's risk structure.
244. Despite the limited number of ML cases pursued by the COCC, it turns out that the Office is assigned to follow up on important cases. This is because the Office includes officers with experience in various fields. The AT was briefed on a sample of cases submitted by the Office. One of them shows the prosecution of a PEP (a Minister).

The following is a case study detailing how ML activities are identified by the COCC:

Box 3.11: A Case Study illustrating the prosecution of a PEP in an ML case resulting from job abuse

The investigations of the COCC were launched in 2019 based on STRs received from CTRF, involving the General Director of a public economic institution and persons with whom they have a relationship or friendship. Investigations revealed that the public officer used their position and authority to grant several deals to one of their acquaintances by using several maneuvers to circumvent the public procurement law, and signs of unjustified wealth appeared on the public officer and their family members. After collecting the information, the COCC was able to prove the existence of legal violations in the procedures for awarding deals, illegal acceptance of benefits, misuse of their job, and the use of forged documents. To establish the possibility of an ML offence committed by the suspected persons, the COCC conducted parallel financial investigation and was able to identify, trace, freeze and seize the properties of these persons, reach out to the involved parties that benefited from the ML operations, laundering techniques, and maneuvers used to evade judicial orders by intercepting banking operations. Hence, the COCC determined their unjustified financial gains and that of their family

²⁸ The Office has set up a hotline for submitting complaints, and in most cases, it does not result in any prosecution after looking into it and verifying the accuracy and veracity of the information contained therein, as most of it relates to complaints towards other persons, without any legal basis thereof.

²⁹ The cases considered by the Office were 7, after counting two files that were referred to the Office by the CTRF, as indicated in IO 6, but the Office basically conducted its investigations in 5 cases.

members. The main involved persons were brought to justice and some of them were placed under temporary detention. However, the case is still under trial and not yet finalized to determine whether it will end in an ML conviction.

245. The statistics provided to the AT from the Algerian authorities show that CTRF disseminated from 2017 and 2021 a total of 66 files on ML suspicion. The total number of disseminations by CTRF is extremely low. This indicates the inability of CTRF to adequately identify ML cases and this is due to various reasons, including the poor quality of STRs received by CTRF on one hand, and given that it conducts on the other hand, a comprehensive and in-depth analysis of a limited number of STRs due its poor human resources (see IO 6). As for the disseminations, they were divided into 64 files referred to the PP and (2) two files to the COCC. The latter, in turn, referred them to the PP. As for the files referred directly by CTRF to the PP, directly and indirectly (66), it was found that 59 thereof were referred to the court according to the following statistics.

Table (3.19): Statistics of the files disseminated by CTRF to the PP (directly or indirectly), which resulted in investigations into suspected ML

	2017	2018	2019	2020	2021	Total
Files referred to the PP	13	7	22	17	7	66
Files archived	3	2	1	1	0	7
Files referred to court	10	5	21	16	7	59
Files under process	10	4	18	16	7	55

246. The files referred from CTRF to the PP, who in turn, referred them to the courts on ML suspicion, constitute about 89% of the total referred cases. This percentage is considered acceptable to a large extent despite the limited resources available to CTRF (human and logistics) to deal with the total number of STRs received from the reporting entities which during 2017 and 2021 were around 12,000 STRs, in addition to the poor quality of the STRs received, and part of them (36%) are related to violations related to foreign trade (see IO.6). It is noted, according to the above table, that there are files that are still under process since 2017, and this is an indication that the prosecutions take a long time and are not completed within reasonable deadlines. The reason for this may be due to the ramification of the files under consideration, after the files disseminated by CTRF were merged with files that were under follow-up by the judicial authorities, and linked to external components that the judicial authorities are still following up with external counterparts before finally deciding on the files (see IO 2 where the number of outgoing MLA requests that are still pending reached a total of 293 requests).

Table 3.20: Number of ML investigations by trigger type during 2017 and 2021

The authority initiating the case	2017	2018	2019	2020	2021	Total
Investigative authorities	14	18	80	65	54	231
GDNS	2	3	11	21	33	70
CTRF	13	7	22	17	7	66
NG	1	2	19	5	8	35
COCC	-	-	4	-	1	5
Total	30	30	136	108	103	407

247. The above table shows that the largest number of ML investigations are initiated by the investigative authorities (57%), followed by GDNS (17%), CTRF (16%), the NG (9%), and a lesser extent the COCC. (%1). What explains the investigative authorities' identification of the

largest proportion of ML cases, is their work by the powers of managing and supervising the investigations of LEAs through rogatory letters and directing orders to collect evidence on the commission of ML offences.

248. The ML cases investigated between 2017 – 2021 contain sufficient elements and evidence of the commission of ML offences that allow the courts to issue convictions thereon. Approximately 84 % of the 407 investigated cases were prosecuted. Most³⁰ of the prosecuted cases (340) led to convictions.
249. In general, most LEAs have the appropriate human resources to conduct investigations into the ML offence, considering the number of cases that have been investigated. The quality of the investigations is good given the high percentage of ML cases that have been investigated and prosecuted, and that most of them led to convictions, which indicates that the authorities have the appropriate technical expertise to identify ML cases; however, it cannot be certain whether all the authorities have the appropriate technical expertise because the AT did not receive cases that did not end with convictions and whether they came from the same authority or different authorities.
250. With regard to human resources, the number of ML investigations staff in the COCC is 34 (14 officers, 12 assistants and 7 financial analysts), while the GDNS has 58 economic and financial teams across the national territory and has financial investigators in AML matters, totalling 212 investigators, with an average year of experience of 9 years. It should be noted that the latter authority has created a central department to combat organized crime, and the AT believes that the establishment of the said department is a positive step and pushes towards specialization in cases that take place within the framework of organized crime, but it is not possible to assess the effectiveness of the department because it was launched and entered into force on 30 October 2021. As for the NG, the number of judicial police officers is 5,805, with an average experience of 17 years, and the number of financial investigators is 74 with an average experience of 19 years.
251. The Algerian authorities provided statistics from 2017 and 2021 showing the number of training courses and the number of participants therein, including officers and officials from the COCC and GDNS. It turns out that the largest number of training courses for the Office took place in 2021 with the participation of 76 officers, whereas the largest number of courses for GDNS was in 2017, with the participation of 133 officers. The topics of the training courses varied, the most prominent of which for the Office and the GDNS are related to the techniques of investigating financial liabilities and seizing criminal proceeds. It is noted that the number of courses and participants from the GDNS gradually decreased, especially during 2020 and 2021, due to the health situation associated with the Coronavirus pandemic. The AT was not provided with the training courses in which officers and officials from the NG participated.

Consistency of ML Investigations and prosecutions with threats, risk profile, and national AML policies

252. Algeria has not yet completed the ML NRA, which explains why it does not have in place national AML policies to address ML risks (see IO 1).
253. The top 4 proceeds generating offences in Algeria during the period between 2017 and 2021 are represented in drug trafficking, corruption and bribery, smuggling of various goods and commodities, and migrant smuggling. What increases the ML risks resulting from these crimes are the risks of the cash-based economy estimated at 40% of the GDP (see IO.1).
254. Algeria provided little information on the methods or trends used to undertake the ML detected (or suspected of being detected). This is because the information provided represents the opinion of the judicial police only and does not show the various ML techniques used or intended to be used across the financial and non-financial sectors, in addition to the most exploited sectors, given that the ML NRA is not

³⁰ The AT did not receive the actual number of cases in which convictions were issued during the period 2017-2021 and which resulted from the cases referred to the courts during this period, but it is noted that the number of convictions (384) issued during 2017-2021 exceeds the number of cases (326) referred to the courts during this period. This is because cases referred to the courts before the mentioned period (i.e. 2015 and 2016) may have resulted in convictions starting in 2017.

yet completed (see IO1 and Chapter 1)

255. It is noted from the statistics below that 83.5% of ML investigated cases have been prosecuted.

Table 3.21: Number of ML investigations and prosecutions per predicate offence

Offences	ML investigations	ML prosecutions
Drug trafficking	67	61
Corruption / bribery	117	73
Smuggling goods and commodities	74	70
Migrant smuggling	96	83
Sub total	354	287
Other crimes	53	53
Total	407	340

256. ML Investigations and prosecutions are in line with Algeria's risk profile as they covered, though to varying degrees, the most serious crimes that generate significant criminal proceeds and take place within the framework of organized crime. Investigations and prosecutions included all serious crimes, especially drug trafficking, corruption, smuggling of goods and commodities, and migrant smuggling; it is noted that corruption and bribery, smuggling of goods and commodities, and migrant smuggling generate criminal proceeds in large amounts, but are relatively less than those generated by drug trafficking. As shown by the statistical data, the criminal proceeds resulting from corruption and bribery, smuggling of goods and commodities, migrant smuggling, and drug trafficking were, respectively, in 2017 and 2021, around 248 million, 116 million, 32.4 million and 1.9 billion US dollars; however, the number of ML investigations and prosecutions related to drug trafficking were less than those related to corruption and bribery, migrant smuggling and smuggling of goods and commodities. Considering this, it is clear that the authorities give priority to investigations and prosecutions for corruption, migrant smuggling and, to a lesser extent, smuggling and drug trafficking, although drug crime proceeds constitute the largest share of the total criminal proceeds at around 83%.

257. The top 4 proceeds generating offences were slightly reflected in the STRs submitted to CTRF from financial institutions, including the banking sector. They represented only 6.2% of the total number of STRs related to predicate offences (see IO.6).

Proceeds of crime entering and leaving Algeria

258. There is an absence of information from the Algerian authorities on the estimated proceeds of the top 4 generating offences laundered domestically or abroad. However, most of these crimes (drug crime, smuggling, migrant smuggling and corruption) are cross-border in nature, especially when committed in the framework of organized crime where foreign nationals may be involved in laundering the proceeds abroad. Outgoing requests of assistance sent either through CTRF or Interpol to foreign counterparts on behalf of the judicial police when investigating drug crime did not exceed 5 requests during 2017- 2021; however, there were no requests during the same period related to migrant smuggling or smuggling of goods and commodities. In contrast, there were 405 requests sent through CTRF concerning corruption and bribery. The AT believes that judicial police efforts to target corruption proceeds that may have been transferred offshore align with Algeria's threat and risk profile as opposed to drug crime, migrant smuggling and smuggling of goods and commodities (see IO 2).

259. Outgoing MLA requests related to drug trafficking, smuggling of goods and commodities and migrant smuggling were respectively 56, 4 and 4 between 2017 – 2021 (See IO 2), whereas drug trafficking, smuggling of goods and commodities and migrant smuggling

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prosecutions in Algeria in the same period reached respectively 335, 434 and 322. As such, the outgoing MLA requests related to drug crime represent 16% of drug trafficking prosecutions, whereas those related to smuggling of goods and commodities and migrant smuggling represent respectively only 0.9 % and 1.2% of overall prosecutions in these two crimes. In contrast outgoing MLA requests related to corruption and bribery represent almost 74% of prosecutions in Algeria. This aligns with the point made earlier that it is not demonstrated as well that Algerian authorities are targeting proceeds of drug crimes, smuggling of goods and commodities and migrant smuggling that may have been transferred and laundered abroad, except for proceeds of corruption and bribery where significant sums were frozen abroad (see IO 2 and IO 8).

260. Between 2017 and 2021, Algeria received 548 MLA requests (see IO.2). Of these requests, there were 32 requests related to corruption and bribery, 22 related to the smuggling of goods and commodities, 15 related to drug trafficking and 5 related to migrant smuggling. The statistics provided by Algeria show that authorities pursued one ML investigation based on a foreign predicate offence that resulted in one conviction. Even though the number of foreign predicates related to Algeria is not significant, the Algerian authorities have not demonstrated that they are effectively investigating, and prosecuting ML derived from foreign predicate offences, since they provided one (1) ML conviction resulting from a foreign predicate offence, which represents a low percentage (0.18%) of the total MLA requests received from abroad.

Types of ML cases pursued

Table 3.22: Prosecutions by type of ML

year	Self-laundering	Third-Party laundering	Self and Third-Party laundering	Stand-Alone laundering
2017	36	5	8	3
2018	48	12	10	2
2019	33	35	19	2
2020	45	14	18	4
2021	31	18	8	3
Total	193	84	63	14

261. Algerian authorities prosecute various forms of ML, which mainly include self-laundering (54.5%) and to a lesser extent third-party laundering (23.7%) and self and third-party laundering (17.8%), and there are 14 cases (4%) involving stand-alone laundering. The competent authorities have made it clear that most of the cases took place within the framework of organized crime and that in most cases no persons were examined from outside the organizational structure of the criminal group, i.e. most of the apprehended persons are family members of the main suspects, or relatives, or close ones. In addition to the fact that the element of trust prevents resorting to the use of or assistance from third parties. The following table identifies ML convictions by type:

Table 3.23: Convictions by type of ML

Year	Self-laundering	Third-Party laundering	Self and Third-Party laundering	Stand-Alone laundering
2017	45	10	15	2
2018	58	14	15	2
2019	40	23	4	2
2020	49	30	20	4
2021	19	19	10	3
Total	211	96	64	13

262. Judicial judgments issued for conviction (384), according to the above table, included all forms of ML.
263. By examining a sample of convictions, prosecutions for ML offences typically start after the completion of the criminal investigations once sufficient evidence has been obtained on the underlying predicate offence to uphold an indictment. The most dominant pattern in Algeria is self-laundering followed by third-party laundering and a combination of self-laundering and third-party laundering (160) consistent with ML patterns related to drug trafficking and migrant smuggling that usually take place within the framework of criminal groups and transnational organized crime, in which third-parties of different nationalities usually overlap. Standalone ML convictions constitute a low percentage of the total convictions (approximately 3.3 %). This may be because Algerian authorities are more prone to pursue ML after having proven the predicate offence rather than as a standalone offence, even though Law No.05-01 does not require a previous conviction of the person who committed the predicate offense to prove that the funds are proceeds of crime.
264. The ML schemes pursued by Algerian authorities range from simple to complex. The cases that are considered complex involve multiple parties between natural and legal persons, whether at the local or international level. The ML patterns are characterized by transferring the illicit proceeds (especially those derived from corruption) through a series of accounts or by converting or exchanging them through the purchase of movable or immovable assets, especially real estate, and vehicles. What makes the cases even more complex is that they involve an international component. This makes it more challenging to pursue them at the international level. In contrast, most of the simple cases involve drug trafficking as a predicate offence for ML. The funds are usually kept in the possession of close family members because of the element of trust. The ease of tracing or pursuing the funds through related accounts, explains why these cases were considered simple.
265. Most of the standalone ML cases that were pursued in Algeria are characterized by the inability of the accused to prove the legitimate source of the funds or failure to justify the legitimate income of the used funds (for instance, in the acquisition of several real estates, owning several vehicles while the salary of the accused does not allow them to do so).

Effectiveness, proportionality, and dissuasiveness of sanctions

266. It is noted from the ML convictions (384³¹) during 2017 and 2021 that they resulted from migrant smuggling (115), followed to a lesser extent by corruption and bribery (77), drug trafficking (70) and smuggling goods and commodities (69), and the remaining crimes (47).
267. The Algerian authorities provided a sample of 96 ML convictions. It turns out that all the ML convictions stipulated the application of imprisonment, while most of the convictions ordered the confiscation of movable and immovable funds resulting from the predicate offence. The cases in which the confiscation of movable and immovable funds or assets has not been ordered is either due to the absence of funds or assets belonging to the accused, or that their source was considered legitimate. This conclusion is valid provided that no funds subject to confiscation were disposed of that may necessitate the confiscation of property of equivalent value (see IO 8) .

³¹ Those that arose from CTRF and for which convictions were issued were not counted among the categories of crimes
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Table (3.24) lists some Cases of ML Convictions

Reference	Crime	Suspects of		Sanction applied for ML
		Natural Persons	Legal Persons	
18/00076	Stand-Alone laundering	3		8 years of imprisonment (in effect); a fine of 2 million Dinar (in effect) against the first suspect. 5 years of imprisonment (in effect); a fine of 1 million Dinar (in effect) against the second and third suspects. Confiscation of the seized assets. The accused were acquitted of the underlying predicate offence but accused for stand-alone ML.
19/05717	Job Misuse: bribery, ML	2	22	15-20 years of imprisonment and confiscation of seized funds and properties in addition to financial fine against natural persons of about USD 13,720 and USD 6,860 against legal persons, for financing the electoral campaign of a PEP by means of a check of around USD 7.1 million
20/02045	Corruption, ML	5	44	8-20 years of imprisonment and confiscation of all funds in the banks' accounts, confiscation of properties, real rights and movables (vehicles, trucks and machineries), a financial fine against natural persons of about USD 54,800, a financial fine against each legal persons of about USD 220,000, obligating the suspects of paying out a compensation to the affected entity of about USD 1.9 billion, for having benefited from consensual public deals, totaling approximately USD 1.066 billion ³² .
20/1680	Misuse of power, ML	1		8 years of imprisonment (in effect), fine of 500,000 Dinar (in effect), confiscation of seizures (two cars, bank account, Villa, piece of land, store (market), commercial company and cancellation of privilege to utilizing piece of land (land-use)), for having sold state property at a low value, which resulted in a loss of approximately USD 3.75 million.
20/1083	Stand-Alone Laundering	2		5 years of imprisonment (in effect), fine of 2 million Dinar against the first suspect 2 years of imprisonment (in effect), fine of 1 million Dinar (in effect) against the second suspect. confiscating the seized house owned by the brothers, for failure to provide legitimate justifications for the suspicious funds (around USD 3.5 million) through which the outrageous wealth suddenly appeared on the defendants' family
20/214	Stand-Alone Laundering	3		2 years of imprisonment (in effect), fine of 500,000 Dinar against the two suspects for having transferred proceeds of crime totaling 3.5 million Dinar (around USD 26,500). Confiscation and acquittal for the third suspect,

³² The court decision is final, and the penalties imposed are still in effect. The obligation to pay out a compensation to the affected entity is considered a restitution order.

21/03242	ML, transfer of properties resulting from drug trafficking.	1		5 years of imprisonment (in effect) and fine of 1 million Dinar (in effect), for having used proceeds derived from drug trafficking to acquire a ship and hold 2 bank accounts with an accumulated balance of around USD 24,000.
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268. Although the penal code (Article 389 bis 7 of the Algerian Penal Code) allows the dissolution of a legal person in the event of a conviction for ML (see Rec 3), it has not been found that the provisions of this article have been activated, as no legal person has been dissolved at sentencing when convicted for ML.
269. By reviewing the sample of the 96 convictions submitted to the AT, it is clear that penalties have been issued in some of them against legal persons in connection with ML crimes, as it appears from the judgment issued in 2019 that legal persons (22) have been convicted of a money laundering misdemeanour and the transfer of property resulting from proceeds from crimes of corruption and the punishment of each thereof with one million DZD (equivalent to about USD 6,860), in addition to the confiscation of the seized funds and property, while in another case, the suspects, including legal persons, were obliged to pay a fine of USD 220,000 (4 times the penalty applied to a natural person). In addition to paying compensation to the affected party of USD 1.9 billion, it is clear considering this that the financial penalties applied to legal persons are considered proportionate and dissuasive in the cases reviewed by the AT.
270. With regard to the freedom-depriving penalties applied to natural persons, it is clear that Algeria resorts in some rare cases to the application of severe penalties of up to 20 years depending on the circumstances and merits of the case, but in other cases the prison sentence ranges between 5 and 8 years, and in some cases, a penalty less than the minimum penalty specified by law is applied when the conditions of the suspect (age, health status, or family conditions or the seriousness of the facts of the case) require so. The extenuating circumstances (age, health status, etc..) are provided for in Article 53 of the Criminal Code which provides for extenuating circumstances and determining the severity of the penalty is left to the discretion of the judge.
271. Economic crimes include a range of offences, including crimes against duty (bribery of public officials, embezzlement of property by a public official, abuse of power, abuse of office and illicit enrichment), theft and fraud. The penalty applicable to offences related to job duties ranges from two (2) to 10 years (Articles 25, 29, 32, 33 and 37 of Law No. 06-01 on the prevention of corruption), while the penalty applicable to theft crimes ranges between one and five years. (Article 350 of the penal code) With regard to fraud, the penalty ranges between one and five years (Article 372 of P.C.). It is clear, according to the statistical statement above, that in some cases, penalties applied for ML offense are less than the minimum statutory penalty of five years, but not less than the minimum penalty that the Penal Code permits to apply to economic crimes. Accordingly, the AT believes that when the applied prison term is less than the minimum penalty of five years, the applied penalties are still considered proportionate and dissuasive compared to those that can be applied to economic crimes.
272. Reconciliation takes place in cases related to the transportation of funds across the border, especially when persons transporting funds in hard currency that exceeds the legally permissible threshold (EUR 1,000), or when persons are caught in possession of funds in hard currency that they cannot justify their source by legitimate means. A request for reconciliation from the National Reconciliation Committee³³ and the payment of a fine representing 200% of the value of the transported funds are issued in exchange for relinquishing

³³ The committee is composed of the Minister of Finance or their representative as chairman and representatives from the General Directorate of Accountancy, the General Inspectorate of Finance, the General Directorate for Economic Control and Fraud Suppression, and the BOA. It considers cases of cross-border transportation of funds when it is equal to or less than twenty million Dinar, and more than 500,000 DZD.

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legal pursuit. If reconciliation is not achieved, the PP shall initiate a public lawsuit.

Table No. (3.25) Reconciliation cases related to cross-border transportation of funds submitted to the National Reconciliation Committee (amounts in DZD)

Year	2017	2018	2019	2020	2021	Total
Requests submitted for reconciliation	12	16	9	7	3	47
Reconciled cases	7	8	6	3	2	26
Fines applied	55.608.166	32.345.491	126280139	30.520.224	10.283.894	222.692.423

273. Recourse to reconciliation cases according to the above table is not done frequently (26 within 5 years), which would not affect the prosecution for ML, especially in cases where the money carrier fails to make a declaration in violation of law.
274. Below are the details of a case showing reconciliation in the case of cross-border transportation of funds due to insufficient evidence to secure an ML conviction.

Box 3.12: Case Study for Cross-Border transportation of funds

When a person traveling outside the country was found transporting an amount equivalent to 5,384 US dollars, which constitutes a violation of the legislation on exchange and capital movement, and given of the lack of sufficient evidence to convict the person of committing an ML offence, a seizure report was prepared with the facts. The concerned person was notified of the possibility of requesting reconciliation within the limits allowed by law within a maximum period of 30 days. After having paid the bail amount, which represents 200% of the value subject to the misdemeanor, the offender submitted a reconciliation request to the National Committee, which approved it. The case was finally settled, and the judicial follow-up was abandoned after the violator paid the conciliation settlement amount in September 2020.

Use of alternative measures

275. The authorities made it clear that in cases where it is not possible to reach an ML conviction, a measure is taken, such as deporting the foreign person from the country, but this measure cannot be applied if the perpetrator is an Algerian national.
276. Except for the above, it does not appear that Algerian authorities apply other alternative criminal justice measures where it is not possible to secure an ML prosecution and conviction.
277. **Overall Conclusion on IO 7:** In Algeria, there are various authorities responsible for identifying the ML offence, which are represented mainly by the investigative authorities and judicial police, and CTRF to a lesser extent. The judicial police are not sufficiently conducting parallel financial investigations, and this is because of the lack of awareness or training on the importance of tracing proceeds of crime through parallel financial investigation to identify the ML offence. This explains why the number of ML investigations is relatively low. Despite this, the ML investigations and prosecutions are consistent with Algeria’s risk profile, as it is related to organized criminal activity and the top four predicates. However, corruption is more strongly represented than drug trafficking among ML cases, even though drug trafficking generates the most proceeds. Cases with international links and corresponding cooperation are not pursued often except in the corruption context. ML investigations are converted into prosecutions very frequently and the conviction rate is considered acceptable. The convictions achieved include all forms of ML, but cases of self-laundering are discovered more than other forms of ML, including stand-alone ML as authorities are more prone to investigate and prosecute ML activity alongside the predicate offence. The penalties applied for ML convictions are considered dissuasive and proportionate.

278. The shortcoming represented in not conducting sufficiently parallel financial investigations into the four main offences that generate significant proceeds and take place within the framework of organized crime mainly affects the level of effectiveness of IO7.
279. **Algeria is rated as having a moderate level of effectiveness for IO7.**

Immediate Outcome 8 (Confiscation)

Confiscation of proceeds, instrumentalities, and property of equivalent value as a policy objective

280. The assessment team based their conclusions on the meetings they held with the competent authorities represented by the NG, the GDNS, the COCC, the MOJ, the PP and CTRF, on reviewing the statistical data related to funds, assets and instrumentalities of crime that were seized during the investigations and prosecutions and those that have been confiscated following a ML and associated predicate offences conviction.
281. Algeria considers confiscation one of its main objectives and identifies and traces criminal proceeds and instrumentalities, especially in predicate offences that take place within the framework of organized crime (see IO.7). Confiscation extends to all movable and immovable property belonging to the suspect and their family members and persons close thereto. In addition, Algeria implements precautionary measures such as seizure and freezing³⁴ to prevent dealing with property subject to confiscation, transfer, conversion, or disposition.
282. The precautionary measures implemented by Algeria minimize the potential risks of flight of assets before confiscation. Despite this, Algeria has not demonstrated that it has in practice seized and confiscated property of equivalent value. It is not expected that there will be no cases in which proceeds have been disposed of or dissipated before the opportunity to freeze or seize them arose before confiscation.
283. The penal system in Algeria does not allow the confiscation of things obtained from a misdemeanour unless it is stipulated to confiscate them by a ruling (see Rec. 4). This should not significantly affect the effectiveness of the confiscation regime, given that most of the serious crimes, according to the context of Algeria, fall within the crimes classified as a felony, not as a misdemeanour.
284. Although Algeria does not have any policies, instructions or guidelines related to the confiscation of movable or immovable property, the investigative authorities in Algeria, represented by the PP and investigative judges, are de facto taking measures that allow, after convictions, to confiscate proceeds and instrumentalities of crime or those intended for use in ML or related predicate offences, as well as confiscation of property laundered.
285. The investigative authorities (particularly investigative judges) in Algeria oversee the seizing of movable and immovable funds during investigations carried out by LEAs, mainly the MND, and the GDNS which fall within their jurisdiction to combat all ML-associated predicate offences, including terrorism and TF. Other LEAs include the COCC, in addition to other authorities such as the GDC.
286. Upon investigating ML and the associated predicate offences, investigative authorities take precautionary measures to seize the movable and immovable funds related to the suspects, including their families, which would limit their ability to dispose thereof before the issuance of a confiscation ruling or de-freeze them (in cases of acquittal), which would also ensure the implementation of rulings for confiscation at sentencing.
287. According to the statistics provided by Algeria regarding convictions for ML, it turns out that the convictions reviewed by the AT (96) mostly ended up with the confiscation of properties, while the convictions in TF ended up with some of them ordering the confiscation of seized

³⁴ The AT was provided with statistics on the total value of the seized funds, assets and criminal instrumentalities that were seized within the framework of all the predicate offences. Please see the statistics below where it appears that the confiscated amounts largely correspond to the total value of the seizures.

assets (see IO.9). However, this should not affect the effectiveness of the confiscation regime, as the nature of funding in terrorism cases is made with very small amounts, and there are often no funds subject to seizure and confiscation.

288. The AT was provided with samples of rulings proving that Algeria confiscated funds and property, including funds that were in the possession of a third party, whether laundered or derived from ML-associated predicate offences. There are rare cases in which the confiscation of movable and immovable funds or assets has not been ordered; the reason for this is either the absence of funds or assets belonging to the accused, or that their source was considered legitimate. However, there is an absence of cases in which funds or assets of equivalent value were seized and confiscated. This indicates that such cases are not pursued by Algerian authorities.

Box.3.13: Case Study on Confiscating property in Possession of a Third-Party

While pursuing a person in a drug-trafficking case, the NG was assigned by a judicial request to carry out all the necessary investigations to make an inventory of all real property, bank accounts and vehicles belonging to the person whether directly or indirectly, as it was proven by the investigations that the person purchased and registered a house in the name of his brother, who does not engage in any activity that would enable him to own the aforementioned house. After referring the file to the court, the latter issued a ruling in 2017, convicting the accused of an ML misdemeanor, and confiscating the house that had been acquired with money derived from the drug trafficking offence.

289. Algeria does not have a department for the disposal and management of the confiscated property. This includes the Judicial Agency for Treasury which does not have any legal or regulatory jurisdiction for managing property and assets at the level of investigation or confiscation. It includes the General Directorate of National Properties which is responsible for providing the judicial authorities with information related to the property that is subject to seizure or confiscation and declared at the level of real estate governorates (48), and the transfer of ownership to the state as the beneficiary of the seizure and/or confiscation process according to final judicial decisions. However, the MOJ monitors the status of properties seized or confiscated in corruption cases. There is an account in which the funds resulting from the sale of the confiscated property are credited. This account is titled “fund for confiscated or recovered funds and properties within the framework of the fight against corruption” and the main authority for the disbursement of this account is the Minister of Finance. It turns out that this account is limited to corruption cases, not including ML and all other associated predicate offences and TF.
290. Regarding property in the form of legal persons subject to seizure or freezing, a judicial administrator³⁵ (officer) is appointed by the MOJ to manage it and prevent its business from being disrupted pending judicial rulings by either returning it to its owners or confiscating it for the benefit of the state treasury. The administrator (officer) continues to manage it after the ruling of confiscation is issued up to the point where it is put up and sold at public auctions. Except for that, it was not found that there is a department or authority competent to manage the seized and/or frozen funds before the ruling for their confiscation in the context of all the predicate offences, especially since in cases of precautionary freezing; vehicles, machinery, trucks, ships and the like are seized in most cases, which requires their good management throughout the seizure period to preserve them before a ruling is issued either to confiscate them or return them to their owners.

Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

291. Algeria confiscates funds, assets, and instrumentalities of crime in significant amounts in most of the essential ML-associated predicate offences, including assets related to the crimes of smuggling goods and merchandise. The failure to seize assets related to smuggling crimes during the initial investigation stage does not seem to have affected the effectiveness of the confiscation system in Algeria considering the

³⁵ Orders were provided with regards to the appointment of judicial administrators to run the institutions whose owners were the subject of judicial pursuit.

total value of the money and assets that have been confiscated. As for the proceeds that were transferred abroad, Algeria was able to obtain the freezing, confiscation, and recovery of significant sums from abroad related to ML and corruption crimes, but no funds have been frozen, confiscated or recovered from abroad resulting from all crimes that took place in Algeria, which are characterized by a cross-border dimension. Algeria has not received any requests from abroad regarding the confiscation or recovery of assets abroad.

292. The money that is confiscated is transferred to the benefit of the public treasury, which determines its destination, including strengthening efforts of LEAs to combat crime.
293. The statistics below show the significant value of the funds, instrumentalities and criminal assets that were confiscated during 2017-2021 in cases of drug trafficking, corruption, bribery and smuggling of goods and commodities, followed by migrant smuggling offences, as one of the most prominent crimes that generate criminal proceeds in large amounts according to the state's vision of the risks facing it.

Table 3.26: Total confiscations in the most prominent proceeds-generating offences for 2017-2021 (in USD)³⁶

Type of offence	Number of cases	Confiscation			Total amount confiscated
		Funds	Assets	Instrumentalities	
Drug Trafficking	49,666	1,915,420,834	4,049,043	9,875,557	1,929,345,434
Corruption/Bribery	5,075	246,604,016	1,403,459	213,971	248,221,446
Smuggling of goods and commodities	50,215	26,611,419	89,402,284	168,274,693	284,288,396
Migrant Smuggling	1,586	32,479,108	-	50,085,347	82,564,455

294. It is noted from the above statistic the huge total value of the proceeds that have been confiscated in drug trafficking offence, amounting to about USD 1.9 billion. Followed in the second, third and fourth rank respectively are the funds, assets and instrumentalities that were confiscated in the smuggling of goods and commodities, corruption and bribery, and migrant smuggling offences.
295. Funds that were ordered to be confiscated include those that were seized in the possession of the suspects during raids and searches conducted by LEAs (most notably the NG and the GDNS). Confiscated assets include property sold (real estate, apartments, buildings, shops). Instrumentalities of crime include vehicles, machinery, trucks, and ships used in the transportation of drugs, smuggling goods and commodities or migrant smuggling. They also include the value of the commodities that were seized while attempting to smuggle them and which were also ordered to be confiscated. This indicates the effectiveness of the Algerian LEAs in combating these crimes, including smuggling.
296. The assets that have been confiscated according to the statistics above, do not include the total value of the bank and postal account balances and other assets (real estate and related properties, and movable properties such as vehicles, trucks and equipment) that have been confiscated, especially in corruption and bribery crimes, considering that they were not disposed of (i.e. sold at auction) and are still subject to evaluation according to the MOJ. This explains the simple total value of the assets that have been confiscated in corruption and bribery cases, which does not exceed a total of USD 1.4 million. The AT also reviewed some data provided by the MOJ, which proves the validity of such. For example, in one of the corruption and bribery related cases, a ruling was issued for the confiscation of bank account balances (totalling 159), real estate and related properties (totalling 57), and movable property (vehicles and trucks) totalling (54).
297. The statistics below show the total value of funds, assets and criminal instrumentalities that have been confiscated in various offences, including ML, and fraud. However, the table did not include confiscation proceeds in some other crimes, since it is still under evaluation, as reported by the MOJ.

³⁶ The table represents amounts taken into the possession of the state.

Table 3.27: Proceeds that were confiscated in relation to the following crimes (2017-2021) (in USD)

Type of offence	Confiscations			Total
	Funds	Assets	Instrumentalities	
ML	57,454,504	844,529	-	58,299,027
TF	865,220	-	-	865,220
Illicit Trade in Arms	7,736	68,442	-	76,178
Fraud	54,607,454	-	-	54,607,454
Counterfeiting Currency	5,886		Regular and thermal printing machines, electronic devices and shredders	5,886
Environmental Crime	5,257	-	-	5,257
Murder and Serious Bodily Injury.	12,868	-	-	12,868
Robbery or Theft	221,997	-	-	221,997
Participating in organized criminal groups and racketeering	5,974	-	-	5,974
Debauchery and prostitution	65,793		-	65,793

298. Funds confiscated in ML and fraud offences rank in the 1st and 2nd place. The table does not show the value of the instrumentalities of crime that were confiscated because the state did not provide the estimated value as it is still subject to evaluation. It will be evaluated when it is put up and sold at auction.

Table 3.28 statistics on seizures within the framework of some of the predicate offences between 2017-2021 (in USD)

Type of offence	Number of cases	Seized			Total amount seized
		Funds	Assets	Instrumentalities	
Drug Trafficking	49671	1,915,420,834	2,069,025	10,455,522	1,927,945,381
Corruption/Bribery	5173	274,827,790	1,485,880	238,460	276,552,130
Smuggling of goods and commodities	50265	29,657,090	-	181,465,087	211,122,177
Migrant Smuggling	1607	36,339,417	-	55,817,605	92,157,022
Fraud	3423	57,677,356	-	-	57,677,356
Tax crimes	616	5,496,445,558	-	-	5,496,445,558

299. The above table shows the value of seized funds, assets and instrumentalities of crime totalling around USD 8 billion. This inflated value is due to funds seized in the context of tax crimes for around USD 5.4 billion. This figure is an estimated value of seized funds and not an estimated value of seized criminal proceeds. To note that tax crimes are not seen as a major predicate offence in Algeria, despite their

seeming to comprise a very large chunk of the seizures in the table above.

Table 3.29: Total amounts confiscated for the state treasury compared to amounts returned to their owners (victims of different crimes) (in USD)

	2017	2018	2019	2020	2021	Total
Amounts confiscated	345,455,975	361,615,160	553,911,825	617,681,232	716,509,333	2,595,173,525
Amounts returned to their owners	13,874,695	20,580,460	15,208,690	14,590,125	6,783,929	71,037,899
Total	331,581,280	341,034,700	538,703,135	603,091,107	709,725,404	2,524,135,626

300. The above table shows the total value of the proceeds whose sources were judged to be transferred to the state treasury during 2017-2021 with a total of around USD 2.5 billion compared to the total value of the funds that were judged to be returned to the victims of fraudulent acts, whether individuals or institutions.

Table 3.30: On the estimated value³⁷ of Narcotics and Psychotropic Substances seized by the NG, the GDC and the GDNS between 2017 - 2021

Seized Quantities	Estimated value in USD
2.039 tons of cocaine; 5.21 kg of heroin; 12,175,295 tablets; 13,969 capsules; 13 tons and 294 kg of cannabis resin; 212 tons of processed kif; 1.5 kg of bango	1,869,605,230

301. It is clear from the above statistics that the huge total estimated value of types of drugs seized by the Algerian authorities (the NG, the GDNS, and the GDC) amounted approximately to USD 1.9 billion. The authorities' seizure of the quantities referred to in the above table is considered a precautionary measure in combating ML offence. Seizing drugs prevents those involved in drug trafficking from selling, disposing of, promoting, or transporting them across the borders; therefore, no proceeds are generated, which may result either in laundering them or using them, in whole or in part, to purchase other quantities of narcotics to continue their trafficking without interruption.

Table (3.31): Funds, assets and instrumentalities of crime seized and confiscated for all serious crimes within Algeria between 2017 – 2021 (in USD) (excluding assets seized and confiscated at the border)

Funds/Assets/instrumentalities of crime	Drug Trafficking	Corruption / Bribery	Smuggling of commodities and goods	Migrant Smuggling	Total
Seized	1,927,945,381	276,552,130	211,122,177	92,157,022	2,507,776,710
Confiscated	1,929,345,434	248,221,446	284,288,396	82,564,455	2,544,419,731
% Change	+ 0.07%	-10.24%	+34.65%	-10.40%	+1.4%

302. In general, the proportion of funds, assets, and instrumentalities of crime confiscated after their seizure in the initial investigation stage have increased by 1.4% which appears to be a reasonable level; however, it is noted that this increase is due to assets having a value of 89 405 453 USD (the equivalent of 12 919 177 490 DZD) that have been confiscated at sentencing for the offence of smuggling of goods

³⁷ The value in table 3.30 is different from the value in table 3.26 above. In this table it represents the estimated market value of seized drugs whereas in table 3.26 it represents the value of criminal proceeds that were confiscated.

and commodities, without being seized during the initial investigation stage. This increases the risk of flight of assets that were not seized at the initial investigation stage, which would ultimately minimize, albeit to a limited extent, the effectiveness of the penal system; unlike in corruption and migrant smuggling crimes where the proportion of assets confiscated at sentencing ranges between -10.24 % and - 10.40%, which concludes that authorities are seeking during the initial investigation to trace and seize assets to secure them for confiscation and deter any possible flight or disposal of assets.

Table 3.32: Seized Proceeds within the framework of fighting corruption and bribery, as carried out by the COCC (in USD)

Year	Funds	Assets
2019	-	4,222,739
2020	1,488,654	8,376,252
2021	1,068,145	10,383,784

303. The table above shows the effectiveness of the Central Office, which was able between 2019 and 2021 to seize proceeds (Funds and Assets) resulting from corruption and bribery crimes, amounting to about USD 25.5 million, despite the small number of ML investigations pursued by the said office (see IO 7). The seized assets include villas (12), apartments (14), cars (11), a shop, a piece of land and jewellery. Experts were hired in some cases to assess their value, especially real estate, which is often ordered to be seized under a court order.
304. Within the framework of combating drug trafficking and smuggling offences, various instrumentalities of crime are seized and captured either in the possession of the suspects of these crimes or in their places of presence, including weapons and ammunition. In the context of combating arms trafficking, weapons and ammunition are seized and captured according to joint operations (40 operations) carried out by units of the National People's Army and the Staff of the National People's Army. According to the statistics submitted by the Algerian authorities, the estimated value of the seized weapons and ammunition during 2017-2021 is considered simple given the seized quantities of weapons and so on. This concludes that the arms trade in Algeria is not among the common crimes committed on a large scale. This also explains the reason for not including them among the predicate (main) offences that generate large amounts of illegal proceeds, according to the state's initial view of serious crimes.
305. Algeria provided statistics of incoming legal assistance requests with regards to various predicate offences (see IO.2), and they were fully executed, including requests related to the temporary freezing of funds/assets (totaling 12 requests); however, no funds or assets are owned by the persons subject of the requests for foreign assistance which may require their freezing or seizure. On the other hand, it is noted that no requests have been received from abroad regarding the confiscation or returning assets abroad.
306. Algeria has a mechanism in place to repatriate the seized funds from foreign countries. It has established for this purpose a committee at the level of the Council of Ministers³⁸. This committee meets every time the court decisions for the confiscation of funds found abroad become final and the procedures for claiming their repatriation can be initiated. This committee has met 9 times and decided that some of its members would travel to the concerned countries to negotiate with the relevant authorities on the most effective ways that would allow Algeria to repatriate funds smuggled or hidden abroad. Based on this mechanism, Algeria was able to repatriate funds/assets from overseas. The committee continues to negotiate with other countries for the repatriation of funds, the details of which were not mentioned in this MER because they fall outside the assessment period.
307. As regards proceeds of crime generated in Algeria and moved abroad, Algeria issued (219) requests to several countries (See IO 2) to obtain the freezing and/or recovery of proceeds from abroad, where it appears that sums of funds have been frozen, confiscated, and recovered

³⁸ Chaired by the Prime Minister or their representative and with the membership of a representative of each of the Ministries of Justice and Finance, the COCC, and Security Services.

as shown in the following table:

Table (3.33): Total value of the amounts frozen, confiscated and recovered from abroad as a result of requests made by Algeria during 2017 - 2021 (in USD)

Type of offence	Amounts Frozen Abroad	Amounts Confiscated and Recovered from Abroad
ML	515,462,000	5,644,308
Corruption	66,920,184	18,000,000
Other Crimes	-	-
Total	582,382,184	23,644,308

308. This shows the effectiveness of international cooperation in the framework of AML and corruption³⁹ crimes, as it turns out that Algeria was able, owing to this cooperation, to obtain the freezing of sums abroad amounting to USD 582 million, confiscate and recover sums from abroad, totalling about USD 23.6 million; however, it is noted that no freezing, confiscation or recovery has taken place with regards to funds resulting from all the ML associated predicate offences, including drug trafficking, despite the nature of this crime, which is characterized by its cross-border nature.

Box 3.14: Case study in which assets from abroad resulting from corruption were recovered

Within the framework of an open investigation in a ML case linked to corruption, and to conceal the possession of a vessel by one of the defendants, the vessel was smuggled abroad and leased to a fictitious company. The latter filed a lawsuit before the foreign judicial authorities to pay off a debt owed in its favour. The purpose of the lawsuit is to avoid seizing the vessel for the benefit of the open judicial investigation in Algeria.

The Algerian judicial authorities received information on this vessel, in addition to the measures taken to disguise the source of the funds that contributed to its purchase. Considering this, it opened a judicial investigation against the two of the companies' managers on ML charges. It also provided evidence to the foreign judicial authorities that the civil lawsuit, for collecting the debt, is a sham lawsuit aimed at smuggling funds that were judicially seized in the framework of an ML case. Accordingly, the foreign authorities lifted the seizure placed on the vessel, which enabled the Algerian judicial authorities to repatriate it.

Confiscation of falsely or undeclared cross-border transaction of currency/BNI

309. Algeria seizes and confiscates funds transported across the borders in and out for failure to declare or non-declaration. The applicable fines, which are equivalent to twice the value of the seized funds, are proportionate and dissuasive.

310. Algeria applies the declaration system by requiring all travellers to declare to the GDC when importing or exporting banknotes and/or other BNIs in convertible foreign currencies if their amount equals or exceeds the equivalent of one thousand (1,000) euros. Travelers, residents, and non-residents, departing Algeria are permitted to export an amount equivalent to EUR 7,500 after obtaining prior approval from the BOA. Each resident traveller is also permitted to import or export Algerian banknotes within the amount of 10,000 Dinars. (Equivalent to about USD 680) (see R.32).

311. In 2017, Algeria issued Law No. 04-17, which requires all travellers to declare to the GDC when they transport, upon arrival or departure

³⁹ The amounts withheld abroad do not include funds/assets that the Central Office requested to be frozen after it had submitted several requests to European countries to freeze or seize funds or assets whose total value may reach about USD 204 million.

from the national territory, sums of hard currency equal to or exceeding the threshold specified in a decision issued by the Minister of Finance, when necessary. In the absence of any decision issued by the latter to date, it turns out that most of the funds seized, especially when trying to transport them outside the national territory, were made based on the system, in violation of the conditions of transportation of hard currency in implementation of the instructions issued by the BOA.

312. There is continuous cooperation between the GDC and CTRF, as it is clear, according to the statistics submitted by the GDC, that the latter received from CTRF during 2017-2021 a total of 643 requests for information on natural and legal persons, and all requests were answered. Accordingly, the GDC takes strict customs control measures against the persons who are the subject of inquiry requests received from CTRF. The scope of cooperation between the GDC and the BOA was not perceived, although the GDC monitors the operations of transporting hard currency from Algerian territory to monitor any cases involving the transportation of funds exceeding the threshold set by the BOA.
313. The GDNS is present at all border crossings and has inspection points separate from those belonging to the GDC. This also explains why GDNS was able to organize records of the seizure of funds moved across the border, especially in cases of failure to declare or false declaration. The GDNS has made it clear that coordination is carried out with customs services at various border points, especially when seizure records are organized by the latter. In the event of a suspected ML offence, GDNS undertake investigations under the supervision of the competent judiciary to detect and trace the criminal proceeds and seize them. The AT was not provided with case studies showing such.
314. It is evident from the foregoing that Algeria applies a double control system to cross-border money carriers, the first by the GDC and the second by the GDNS. The following are statistics submitted by the GDNS showing the amounts related to the funds and BNIs that were seized while being moved out of Algeria for failure to declare or false declaration, during 2017-2021.

Table (3.34): Statistics of the total amounts and bullions seized while being moved out of Algeria

Year	Number of seizure reports	Moved funds		Size of Gold bullions (Kgs.)
		USD	Euro	
2017	191	21,938,075	28,828,587	27.2
2018	147	37,935,779	28,676,895	54.9
2019	208	7,402,487	9,766,558	19.9
2020	78	3,893,100	19,558,962	1.4
2021	176	12,485,972	24,689,350	5.7
Total	800	83,658,413	111,520,352	109.1

315. It is noted from the statistics of the GDNS that all funds and bullion were seized while attempting to move them out of Algeria, and no case of funds seizure was recorded for moving funds into Algeria, which leads to the conclusion that the Directorate gives priority to preventing the smuggling of cash and bullion outside Algeria, while the GDC monitors the movement of funds in and out of Algeria and organizes seizure reports in cases of failure to declare the transported funds or due to a false declaration, followed by the application of fines equivalent to twice the value of the seized funds according to the following statistics.

Table: (3.35) Statistics of the fines applied due to failure to declare the movement of funds across borders or due to false declaration (in USD)

Year	Number of cases	Amounts of funds seized (arrivals and departures)	Fines
2017	88	2,125,308	4,250,616
2018	164	5,930,650	11,861,300
2019	184	10,450,461	20,900,922
2020	46	2,821,982	5,643,856
2021	75	1,168,975	2,337,950
Total	557	22,497,322	44,994,644

316. The assessment team was not provided with statistics of the value of funds seized on arrival separately from the funds seized on departure and the fines applied separately for non-declaration of funds on arrival or for false declaration and the fines applied separately as well for non-declaration of funds on departure or for false declaration.

317. The following are statistics submitted by the MOJ on the value of the funds moved across the borders in and out, which were ordered to be confiscated for failure to declare or due to false declaration during 2018-2021.

Table No. (3.36) Funds confiscated due to non-declaration or due to false declaration (In USD)

Year	Moved funds (in)	Moved funds (out)
2018	321,377	5,328,650
2019	2,844,162	9,760,687
2020	1,079,868	1,635,021
2021	421,693	2,599,036
Total	4,667,100	18,323,394

318. The above table shows the value of the funds moved out of Algeria that were confiscated with a total of USD 18.3 million for failure to declare or due to a false declaration, compared to funds moved into Algeria and confiscated for the same reasons, and their total value amounted to USD 4.6 million. It is noted the huge value of the funds that were attempted to be moved out of Algeria and confiscated during 2019 compared to other years, and the decrease in funds moved during 2020 and 2021 is due to the health situation related to the Coronavirus pandemic. Algeria has made it clear that it relies on some criteria in targeting cash couriers in and out (on departure and arrival), including any criminal precedents, age, the frequency of movements recorded during a certain period, profession, destination, and psychological state upon monitoring or questioning.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

319. Given the total value of the sums that have been confiscated, amounting to more than USD 2.5 billion, it is believed that there is consistency between the results of confiscation and Algeria's risk profile.

320. In general, the total value of the amounts confiscated during 2017-2021 in the context of drug trafficking amounted to about USD 1.9 billion, followed by smuggling of goods and commodities, corruption, and bribery, where the value of the confiscated funds amounted to

USD 284 and 248 million respectively. Whereby migrant smuggling comes in the fourth rank with about USD 82 million, while the other predicate offences (see table 3.27 above) that were considered not a source of threat in the context of Algeria, such as fraud, counterfeiting currency, illicit trade in arms, robbery or theft, the total value of confiscations did not exceed USD 55.8 million.

321. The estimated value of the instrumentalities of crime that were confiscated in the context of drug trafficking, smuggling of goods and commodities, corruption, bribery and migrant smuggling amounted to about USD 228 million, while the total value of funds and assets confiscated in those crimes reached USD 2.3 billion constituting 91% of the total value of confiscations, without calculating the confiscated total value of the bank and postal account balances and other assets (real estate and related properties, and movable properties such as vehicles, trucks and equipment), whose value was not included in the total confiscations, as being still under evaluation, according to what the MOJ stated.
322. Algeria presented statistics showing that drug trafficking crimes are predominantly regional, especially with one of the neighbouring countries, with a few cases of a local nature. It was also clear that a small percentage of cases are carried out within the framework of organized crime and the larger percentage of cases are carried out individually (see IO.7). It was noted as well that there are MLA and extradition requests sent from Algeria to the neighbouring country, from which most of the quantities of drugs seized at border crossings are received during their movement from the neighbouring country into Algeria; however, the outcome of the MLA and extradition requests was not perceived.
323. The value of the seized funds in the context of corruption and bribery offences during 2017-2021 amounted to a total of (USD 248.2 million). And the total amount of instrumentalities of these crimes confiscated reached around USD 213,000, while the number of confiscated funds and assets reached around USD 248 million, representing 99.9% of the total value of the proceeds. This is normal, as instrumentalities of crime are rarely resorted to as part of the corruption and bribery offences, unlike other crimes, including smuggling goods and commodities, where the total value of the instrumentalities of crime constitutes 59% of the total value of the proceeds that were confiscated.
324. According to table 3.33 above, it turns out that Algeria was able, owing to international cooperation, to obtain the freezing of criminal proceeds in several countries with a total value of about USD 582 million. It was also able to recover proceeds totalling USD 23.6 million; however, it is not possible to express an opinion in terms of the consistency of the measures of freezing and recovery taking into consideration the risks facing Algeria in the absence of any information on the main countries where proceeds generated by crimes in Algeria are laundered. The reason for this is that Algeria has not completed the NRA that supposedly should identify the destination of Algeria's main criminal proceeds.
325. The total value of the proceeds confiscated in the framework of migrant smuggling amounted to around (USD 82 million). However, there is no indication whether this was the result of efforts made at the local level in the framework of combating this crime or as a result of international or regional cooperation since Algeria did not provide any details in this regard.
326. According to the submitted statistics, it is noted that the most cases in which convictions were issued are in smuggling of goods and commodities offences (50,215 cases), drug trafficking (49,666 cases), corruption and bribery (5,075 cases), migrant smuggling (1,586 cases) and tax crimes (616), other crimes, including ML (384 cases) and TF (111 cases). These convictions ruled the confiscation of large sums, which is largely consistent with the risk profile in the context of Algeria.
327. Funds and assets were confiscated in standalone ML cases in which the suspect was unable to prove the legality of their funds, and the number of these cases reached 13 cases during 2017 and 2021. The value of the amounts that were confiscated in these cases amounted to around USD 345,000. However, this value is related to seized and confiscated funds only. As for real estates and movables, despite the issuance of judgments to confiscate them, their financial value is not determined except when sold at public auction. Accordingly, the said

amount does not include the value of confiscated movable and immovable assets. It is noted that the number of stand-alone ML is relatively low which explains that investigators and prosecutors in Algeria are more prone to pursue ML together with the predicate offence rather than as a standalone offence, even though Law No.05-01 does not require a previous conviction of the person who committed the predicate offense to prove that the funds are proceeds of crime.

328. Algeria has established a sectoral technical working-group to determine the risks associated with electronic transactions or the use of modern technologies and virtual assets and the risks of capital movement across borders; however, it did not start its work until the onsite visit. It can be noted that the Algerian authorities depended, in one of the cases, on the information emanating from abroad to determine one of the dealers of virtual currencies. The concerned person was engaged in financial transactions that may be linked to a website active in the sexual exploitation of children. The authorities completed their investigations in a normal way, whereby they did not have the modern technologies (capabilities) to trace, seize and confiscate virtual currencies. The judge, thus, concluded, in their decision, that they are unable to issue an indictment for dealing or exchanging virtual currencies, given the absence of legal provisions criminalizing or penalizing such activity, which is a shortcoming in the legal system that should be remedied (see Rec. 15).
329. Algeria has provided statistics of the instrumentalities of crime that have been confiscated, including cars (1094), trucks (163), tractors (3) and motorcycles (22), in addition to electronic devices (4) and telephones (87), some of which have been used in smuggling goods and commodities and drug trafficking offences.
330. **Overall Conclusion on IO 8:** Algeria pursues in practice confiscation as one of its main objectives as it confiscates funds, property and instrumentalities of crime excluding funds or assets of equivalent value. Algeria applies precautionary measures such as freezing or seizure to prevent the disposal, transfer, or conversion of property subject to confiscation, without seizing the assets related to the smuggling of goods and merchandise to prevent their disposal or transfer before ordering their confiscation at sentencing. Algeria has demonstrated its ability to seize, capture and confiscate proceeds and instrumentalities of crime in huge amounts in all predicate offences in line with the risks facing it, as well as confiscation of funds moved across borders for failure to declare or false declaration and the application of proportionate and dissuasive fines; it was also able to confiscate and recover funds from abroad in huge amounts in the context of ML and corruption offences, which does not include other crimes of a transnational nature. Algeria does not have a competent authority or body to manage seized and/or frozen funds, before or after the ruling of confiscation is issued within the framework of all predicate offences, while the property in the form of legal persons is managed by a judicial administrator before and after ordering their confiscation, without extending to include other seized property.
331. **Algeria is rated as having a substantial level of effectiveness for IO 8.**

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings:

TF investigation and prosecution – TF offense (Immediate Outcome 9)

- a) The various activities of TF in Algeria are pursued in a manner consistent with the risks of the state, including the collection of funds (from a legitimate or illegal source), their transfer and conversion, whether through the formal or informal sector or physical transportation across borders. The prosecution of the financing of terrorist groups that are generally active on the local level or the international level. The assessment team did not find evidence of misuse of legal persons for TF purposes. The number of convictions (111) is considered consistent with the TF risk profile of Algeria.
- b) LEAs identify TF cases on their initiative or by virtue of a mandate by the PP; they have sufficient resources and expertise to carry out their duties effectively and use special investigation techniques to identify TF cases and the special role played by the terrorist financier. However, CTRF plays a limited role in this respect, as it contributed to identifying 2 TF cases only in the last 5 years.
- c) Terrorist financing investigations are based mainly (71%) on investigations in terrorism cases, and the judicial police routinely conduct parallel financial investigations in all terrorism cases, and terrorist financing is pursued independently and without the need to initiate terrorism investigations (29%), which is consistent with Algeria's risk structure, and the investigative authorities provide appropriate evidence to rely on, both at prosecution and sentencing stages.
- d) Algeria relies on information obtained from investigations into TF cases to fuel efforts to combat terrorism throughout the national territory and has in place a national anti-terrorism strategy that relies on combating and eradicating terrorist activity by eliminating financial flows that would allow cells, networks, or individuals to commit attacks or recruit new individuals. The strategy includes a set of objectives, including investigating sources of TF. Based on this Strategy, the competent authorities are providing the operational units with real-time information about terrorist groups and their financial support networks.
- e) The penalties imposed by the authorities in relation to TF cases are commensurate with the circumstances and merits of the case and are generally deterrent and take into consideration the circumstances of TF cases and the facts of the case, which sometimes involve merely providing supplies or foodstuffs to terrorists, while the penalty is tightened in cases that require so.
- f) The authorities rely on several alternative measures when it is difficult to secure a TF conviction, including detention at the place of residence by security authorities and prosecuting persons on charges of praising terrorist groups, as 538 persons were prosecuted during 5 years for praising terrorist acts⁴⁰.

Implementation of targeted financial sanctions for TF without delay, and NPOs (IO.10)

- a) Algeria does not implement TFS according to UNSCR 1267 without delay, as the concerned authorities within the country are not obligated to implement seizure and/or freezing measures pursuant to the relevant UNSCRs until a written decision is issued by the Minister of Finance in this regard and published on the CTRF website. Many decisions issued by the Minister of Finance and the updated UN terrorism list have not been published on the CTRF website, while numerous other decisions were issued with a delay (an average of 4 days), which may affect the concerned entities' implementation of their obligations to freeze or de-freeze

⁴⁰ Acts of praise and support for terrorist groups are considered in Algeria as terrorist acts, which explains the high number of terrorist acts for which convictions were issued (the elements of praising terrorist groups are achieved by simply showing support or encouraging or promoting extremist ideas and terrorist groups through speech or spreading ideas or supporting them through social media without being involved in any material support). Whereas the reality of the situation does not reflect the actual number of terrorist acts that took place in Algeria during 2017-2021. To note that Algeria follows this strict approach against following the acts of terrorism that it suffered from during the nineties, which claimed the lives of so many innocent individuals. Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

without delay.

- b) Algeria is aware of its obligations to implement UNSCRs related to CT/CFT, and has previously submitted a proposal to designate, ex-parte, a single individual to the Sanctions Committee established pursuant to UNSCR 1267, and this is not sufficiently consistent with the terrorism and TF risk profile of Algeria. The seizure and/or freezing measures were not applied to the funds and assets of those listed on the UN terrorism list, as no positive matches were found for those listed thereon.
- c) Algeria recently established a committee to implement UNSCR 1373, and the decisions issued by the committee are legally binding when published in the Official Gazette. The committee issued the first national terrorist list for individuals and entities in 2022, but it was not published in the Official Gazette until three weeks after it was issued. Despite this delay, several accounts have been frozen, and many real estates owned by those listed have been frozen, albeit with a delay. Although the domestically-listed individuals reside abroad, Algeria has not requested the concerned countries to give effect to the actions initiated under the freezing mechanism pursuant to UNSCR 1373.
- d) The number of individuals designated on the domestic list is inconsistent with the high number of TF convictions and perpetrators of terrorist acts and is not in line with the terrorism and TF risks facing Algeria. Such inconsistency becomes more apparent when weighing in Algeria's risk-prone geographical location, and the presence of Al-Qaida militants and other UN-designated terrorist organizations within the country.
- e) Algeria has not identified the subset of organizations that fall within the FATF definition of NPOs nor the threats facing them. Supervisory measures are not applied on a risk-based approach, and no guidance or training courses were delivered to NPOs to enhance their awareness of the measures that they can take to protect themselves against any possible TF abuse. Private foundations are not subject to the supervision of any public authority; such omission is not risk-based.
- f) The Algerian authorities use the criminal and administrative instruments available thereto by the law to deprive terrorists and terrorist financiers of their assets and criminal instrumentalities. Security authorities seize funds and criminal instrumentalities in TF crimes, bank accounts and real estate owned by some of those listed on the national terrorist list were seized and frozen, while competent authorities issued administrative orders to freeze and seize funds and assets owned by individuals involved in terrorist acts, and all of which has contributed to the confiscation of funds in TF cases that reached (during the last 5 years) approximately USD 865,220.

PF financial sanctions (Immediate Outcome 11)

- a) Algeria does not implement proliferation financing TFS without delay, due to the lack of a legal basis to enforce their implementation, in addition to Algeria's failure to adopt any mechanisms or establish any committees responsible for their implementation. Despite that, Algeria did implement a limited number of the successor resolutions to UNSCR 1718, even though such resolutions do not have any legal effect in Algeria. On the other hand, CTRF circulated some relevant decisions to subject entities to implement freezing measures, even though such decisions are non-binding due to the lack of a legal basis.
- b) Algeria froze, without any legal grounds or adopted mechanism, the bank accounts of a company listed under a CPF-related UNSCR (North Korea). Freezing measures were only implemented four months after the company was listed, indicating that TFS is not implemented without delay. As a result of the absence of a legal framework, Algeria does not identify and seize all relevant assets. It was not evident if Algeria had applied freezing and/or seizure measures according to UNSCRs relating to Iran.
- c) The understanding of FIs and DNFBPs of the UN TFS requirements related to CPF ranges between poor and non-existent. It is considered weak among banks, financial departments of the post and insurance companies, while there is a complete lack of understanding of those requirements among other FIs and DNFBPs, which is attributed to the absence of a legal basis for subject

entities to implement TFS requirements related to CPF.

- d) Given the lack of a legal basis for the subject entities, the supervisory authorities do not take any measures to follow up on the implementation of subject entities' compliance with TFS requirements related to CPF.

Recommended Actions

Immediate Outcome 9

- a) LEAs and CTRF should strengthen official cooperation between them regarding patterns and forms of TF to allow its integration into strategic analysis and contribute to enhancing the awareness of reporting entities of the risks, patterns and forms of TF.
- b) The authorities should activate formal and informal international cooperation mechanisms more, which enhances the reliance on these mechanisms as one of the sources of identifying TF crimes.
- c) CTRF should enhance its efforts through training and capacity building, to effectively contribute to identifying TF cases.

Immediate Outcome 10

- a) Authorities should amend the mechanism to implement UNSCRs to make them enforceable without delay, by dispensing unnecessary details. Algeria should further consider automatic incorporation of UNSCR decisions.
- b) Algeria should develop mechanisms to ensure wide and prompt dissemination of UNSCR decisions to reporting entities (for example by automatic notification or e-mail).
- c) Identify a competent authority to implement relevant UNSCRs, identify individuals and entities that meet the designation criteria specified under the relevant UNSCRs and prioritize their designation to the relevant Sanctions Committees. Algeria should develop mechanisms or written procedures that clarify the roles of the concerned authorities, particularly the security agencies.
- d) Activate international cooperation mechanisms regarding terrorists designated on the domestic list that reside abroad, to deprive them of their funds and assets, in accordance with UNSCR 1373.
- e) Supervisory authorities should enhance the private sector's understanding of their obligations to implement TFS without delay.
- f) After assessing TF risks, consider whether risk-based amendments are needed to subject local private foundations to the supervision of a public authority to reduce the possibility of their abuse for TF purposes. Additionally, amendments to the NPOs Law should be considered to give the public authorities the necessary powers to supervise local associations.
- g) Conduct a comprehensive assessment of the NPO sector, to identify the subset of NPOs that may be at risk of TF abuse. Algeria should assess the nature of threats posed by terrorist entities or groups to the sector and how terrorist groups may exploit NPOs in Algeria. Subsequently, Algeria should ensure that it appropriately mitigates identified TF risks by applying targeted, risk-based measures. Such measures should be proportionate to the TF risks identified, and not disrupt or discourage legitimate charitable activities.
- h) The supervisory authorities of the NPOs sector should conduct outreach programs to raise awareness of NPOs and the donor community of the threats that terrorist entities may pose to the sector, and the measures that must be taken to mitigate those threats.

Immediate Outcome 11

- a) Introduce domestic legal requirements, in line with R7, to implement without delay CPF-related TFS.
- b) Establish mechanisms and take appropriate measures to notify entities, concerned with implementing seizure and/or freezing measures in accordance with the relevant UNSCRs, of the updates that occur to the sanctions list, to ensure that the measures are implemented without delay.
- c) Establish a supervisory regime for FIs and DNFBPs to monitor their implementation of TFS requirements related to CPF, based on

a legal requirement to implement TFS.

- d) Supervisory authorities should provide sufficient guidelines for all FIs and DNFBPs on how to implement TFS related to CPF, and enhance their understanding in this regard, including identifying how to evade sanctions, through training courses, specialized workshops, and other networking activities on an ongoing basis.

332. The relevant Immediate Outcomes considered and assessed in this chapter are IOs.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 4, 5–8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF Investigation and prosecution)

333. The conclusions reached by the AT in IO 9 are based on a review of a number of convictions, indictment chamber decisions, decisions to open an investigation, and practical cases that contain various forms of TF, in addition to statistics and interviews with the Algerian authorities, especially the NG and GDNS.
334. The context of Algeria and its geographical location in terms of its vast area, the length of its land and coastal borders and the activity of Al-Qaeda in parts thereof⁴¹, in addition to its proximity to border areas where terrorist groups are located, these facts would raise the risks of terrorism and TF facing Algeria. The country is exposed to risks associated with local terrorist organizations and organizations located in the region and neighbouring countries. Considering this, the authorities continue to take a set of precautionary and security measures aimed at addressing these threats. During the on-site visit, the AT found that LEAs (NG and GDNS) are aware of the TF risks and threats facing Algeria and have a good understanding of these risks and are constantly implementing a strategy and holistic approach to maintain low level of threats (see Chap 1 and IO.1).
335. The Algerian authorities are aware of the methods and techniques of collecting funds by terrorist groups that pose a threat to the country. These methods are represented using proceeds resulting from criminal activities such as theft, ransom, hostage-taking, drug and arms trade, and migrant smuggling, in addition to collecting funds through donations, which are sometimes done by individuals unaware of the destination of the funds, including fundraising through social media, in addition to the in-kind support provided to terrorist groups (supply). The methods of moving funds are represented in the physical cross-border transportation of currency, and using the informal sector “unofficial remittances”, and sometimes through postal transfers. The moved or transported funds are spent on supplies and sustaining operations and on the families of the terrorists who perished. It is noted that some terrorist groups abroad are exploiting modern techniques in collecting funds by exploiting Internet websites that allow making profits when attracting large percentages of viewers so that these activities are reflected in a material return used to finance terrorist groups in Algeria.
336. By reviewing the indictments and judgments provided to the AT, it was not found that charitable associations or the name of any charitable organization were misused or exploited in TF or terrorists’ acts. The assistance received by the associations, whether from outside or inside, is carefully monitored in terms of destination and use, and no TF case has ever been detected against any of the charitable associations (NPOs) (see IO.10).
337. It is evident from the table below that Algeria has been at a high risk of terrorism since 2017. It appears that terrorist acts are constantly decreasing, as their number decreased from 123 terrorist acts in 2017 to 30 terrorist acts in 2021, knowing that the table includes terrorist acts in addition to acts of praising and supporting terrorist groups and extremist ideology. It should be noted that the number of organized terrorist acts that were committed using weapons and explosives amounted to (11) acts between 2017 and 2021.

⁴¹ As stated in the scoping note based on credible reports, including the report issued by the Analytical Support and Sanctions Monitoring Team of the 1267 Sanctions Committee

Table (4.1) Number of terrorists acts and those involved therein from 2017-2021

Year	Overall number of terrorist acts in Algeria	Number of terrorists acts in Algeria (excluding acts of praising)	Number of praising of terrorist acts	Number of those involved or participating in terrorists' acts
2017	185	123	62	474
2018	130	71	59	543
2019	106	50	56	400
2020	114	43	71	433
2021	91	30	61	343
Total	626	317	309	2193

Prosecution/conviction of types of TF activity consistent with the country's risk-profile

338. Algeria pursues various terrorist financing activities, including the collection of funds (from legal or illegal sources), their movement and conversion, whether through the formal or informal sector or physical transportation across borders. Algeria has been prosecuting self-financing and stand-alone financing and the financing of terrorist groups operating at the local level or abroad, in a manner consistent with the risk structure facing it. The AT was briefed on a sample of case studies, convictions, decisions to open investigations, and decisions of the indictment chambers related to TF cases. Whereby the courts, confirmed, in their decisions that TF can be carried out in any form and regardless of the method used which might not constitute an element of the crime.
339. The Algerian authorities presented several practical cases (during 2017-2021). It was found through these cases that the authorities have been pursuing various forms of TF activities that are committed through various means. The perpetrators of these acts are being successfully prosecuted and convicted in accordance with the country's risk structure. By reviewing these cases, it was found that they are all related to pursuing terrorist groups present at the local and external levels.
340. Five practical cases were related to the financing of terrorist groups present abroad (such as ISIS and Al-Qaeda). One of these cases involved financing the travel of individuals to join ISIS. In another case, the funds received from abroad were linked to the financing of a terrorist group in Algeria. 18 cases were related to the financing of terrorist groups inside Algeria. As for the nature and source of the funds, 8 cases involved funds derived from illegal sources representing proceeds of theft and migrant smuggling. The nature of the funds varied in the remaining cases. They were derived from legal sources (collection of donations, cash and gold bullion, and the provision of supplies and foodstuffs). Regarding the exploited sectors and methods of transferring funds, most of the cases involved the direct delivery of cash and use of the informal sector (informal transfers), and to a lesser extent the physical transportation of cash across borders. In 2021 authorities intercepted funds while being transported across the borders, in and out, to be used for TF purposes. The total amount was respectively approximately USD 544,152 and USD 6838 (seized in various currencies). Algeria Post was exploited in two cases to transfer funds. It was also observed that terrorist financiers use social media in their fundraising activities. The funds are used by terrorist groups and terrorists to secure maintenance, operations and living expenses, and part of the collected funds is spent on the families of the terrorists who died. The following is a table summarizing the cases examined by the assessment team.

Table: (4.2): Summary of practical cases reviewed by the assessment team

# of Practical cases	The entity to which the funds are directed	Nature of funds	Methods of transporting funds and exploited sectors
1	Terrorist Group Overseas	Donations	Algeria post Transfer through the unofficial sector Social media
1	Terrorist Group Overseas	Proceeds of migrant smuggling	Unofficial sector Transportation of cash
1	Terrorist Group Overseas	Gold bullions	Transportation of cash
1	Financing the travel of a person to join a terrorist group overseas	Cash	Direct cash delivery
1	Funds received from abroad to finance a terrorist group in Algeria	Cash	Unofficial sector
1	Domestic terrorist group	Donations	Algeria post Social media
7	Domestic terrorist group	Proceeds of theft: Livestock Vehicles Weapons	Direct delivery
9	Domestic terrorist group Terrorist group active domestically and externally	Clothes Transportation and Provision of Foodstuff Financial aid Livestock Shoes	Direct delivery

341. Most of the cases examined by the assessment team are simple and related to providing terrorists and terrorist groups with supplies, small sums of money, or self-financing. In addition, the authorities have demonstrated their ability to prosecute complex financing cases that involve the collection of funds by networks or are related to the movement of funds across borders. To this end, the authorities use special investigative techniques in addition to financial and related information to trace proceeds of crime to determine financial links between individuals and discover potential terrorist financing networks, regardless of the existence of a connection to a specific terrorist act. The following are two practical cases, in which fund-raising networks were discovered.

Box (4.1): Case study on the use of proceeds of crime from migrant smuggling to finance a terrorist group abroad

One person of foreign nationality was arrested on suspicion of their behavior in the Djelfa region (writing the names of neighborhoods and mosques to visit these mosques and collect donations). Following up on their confessions, an activity of migrant smuggling was discovered by the so-called (H.A.F.), and following up on surveillance of the latter's phone, investigations led to the discovery of a migrant smuggling network.

Based on the investigations, two individuals of foreign nationalities were arrested and sums of funds in hard and national currency were estimated at USD 57,481, EU 13,890, DZD 3,555,551, SAR 5,000, AED 1,450, CAD 150, in addition to a device for the detection of precious metal, and a video recording device were seized, in addition to the seizure of two counterfeit money detectors, an electric pistol, 30 passports and 4 luxury vehicles.

Investigations and inquiries led to the arrest of (15) individuals of different nationalities in possession of sums of funds in hard currency. Through inspections of the mobile phones of the individuals, evidence and pictures proving their involvement with terrorist organizations were found. Also, the seized proceeds of crime found at the suspects' residences are directed to finance terrorist groups abroad.

The individuals of foreign nationalities were presented before the competent Public Prosecution and were placed under temporary detention by the investigative judge, for praising terrorist acts, financing a terrorist group operating abroad, ML, violating the legislation and regulation of exchange and capital movement to and from abroad, entry, migrant smuggling, and residing illegally in the country.

Box (4.2): Case Study on Collecting Donations to Finance a Local Terrorist Group

In 2020, CTRF received an STR from the Algiers Postal Office that includes suspicious indicators regarding TF and relates to the so-called (A) who is responsible for one of the offices of Algiers Post, which provides financial services. Through the analysis, it was found that over the period from 2018 to 2020, (A) received funds at a high rate (average of 15 transactions per day) in small amounts of about USD 30 and that the funds were sent by tens of persons from different regions of Algeria, without a clear connection with the so-called (A).

Analysis of the financial flows recorded on the account of (A) revealed the involvement of 4 other persons in receiving donations and charitable works for the benefit of a terrorist group operating in the west of the country. The case file was transferred to the PP, whereby CTRF carried out an administrative freeze on all the involved accounts for 72 hours and requested the extension of the freeze by the competent judicial authorities.

The security forces arrested the so-called (A) and it turned out that they were a member of a terrorist group located in the western region of the country. (A) revealed, during their interrogation, that the most important means of financing the activities of the terrorist group are donations and charitable works through social media, which are paid into their account.

342. The authorities have proven their effectiveness in pursuing terrorist groups that pose a threat to Algeria. It was found that 79 persons belonging to the Movement of Unification and Jihad, the Armed Islamic Group, the Hisba Group affiliated with Jund al-Khilafah, and the

Salafist Group for Preaching and Combat⁴² were convicted of TF; in addition, 107 individuals who do not belong to terrorist organizations were convicted during 2017 to 2021. It was also found that all persons convicted of TF are of Algerian nationality, except for one person of foreign nationality.

343. The authorities pursue terrorist groups that rely on illegal sources to finance their activities. According to the submitted cases, the authorities detected 5 cases of theft (livestock, vehicles, weapons for hunting) in 2017 and two cases in 2019 committed by members of terrorist groups to finance their activities.
344. The number of individuals indicted of stand-alone TF is consistent with Algeria's risk structure to a large extent. The statistics provided by the authorities indicate that this number constitutes 29% of the total number of persons convicted of TF, as the number of persons convicted of stand-alone TF was 54 out of 186. The AT examined several judgments issued by the country regarding stand-alone TF, the following is one of the case studies which was reviewed by the AT:

Box (4.3): Case Study on an order to send documents to the PP/stand-alone TF

Information was received by the Internal Security Services regarding the link of the phone number of a person residing in a European country (an activist for the terrorist organization ISIL), with the phone number of a person residing in Algeria.

The investigations conducted by the authorities led to the identification of the phone user residing in Algeria, and was found that he, along with another person (a car dealer who frequently visits the European country), is transferring money illegally through the shadow sector (or the unlicensed hawala system).

The method of transferring funds is represented by the persons residing abroad depositing the funds in a bank account belonging to a company specialized in selling cars, and in return the equivalent value of these funds in Algerian currency is delivered to the persons for whose benefit the transfer is required in Algeria, knowing that the deposited funds are used to buy cars and to be shipped to Algeria and sold in the national currency.

Through the use of the available means of investigation (electronic surveillance, seizing phones, addressing GDC regarding the declaration of funds, and searching for travel movements), it was found that the terrorist person residing in the European country used the method referred to above to transfer the amount of EU 3,000 to one of his relatives in Algeria who received the equivalent value of this amount in national currency, and the two persons involved in the transfer were accused of providing funds with the intent of using them for terrorist purposes.

345. Statistics show that around 74% of the cases referred to the Public Prosecution are referred to courts, and that around 93% of the referred cases ended in convictions, which infers the effectiveness of the authorities in prosecuting and providing appropriate evidence to rely on, both at prosecution and sentencing stages (see Table 4.4 below).
346. The authorities are actively tracing funds related to TF. The estimated total amounts seized by various authorities in relation to TF in (2017-2021) is equivalent to an amount of (USD 871,611) in various currencies. The number of convictions for TF was (111), in which the court ordered the confiscation of cash amounts equivalent to an amount of (USD 865,220) in various currencies, in line with Algeria's risk profile.
347. The authorities conduct comprehensive investigations in TF cases. However, they did not provide any information on the abuse of legal persons and their prosecution on TF charges, and the AT did not find any evidence of abuse of legal persons for TF (see IO 5).

⁴² All the aforementioned groups are designated on the Security Council lists or are associated with entities designated on these lists.

TF Identification and investigation

348. Through the statistics, case studies and convictions provided by the Algerian authorities, the AT found that the authorities identify and investigate TF cases by using special investigation techniques to identify the role played by terrorist financiers in a manner consistent with the state's risk structure. TF cases are identified and investigated mainly through the NG, and to a lesser extent through the GDNS. However, CTRF's contribution is limited in the field of identifying TF cases.
349. TF cases are identified by the judicial police represented mainly by the GDNS and the NG, in addition to CTRF. The NG and GDNS departments have sufficient resources and expertise to carry out their tasks and have specialized departments in combating terrorism and its financing. The number of financial investigators dedicated to TF cases at the NG is 74, with an average experience of (19) years, while the number of investigators specialized in TF investigations at the GDNS is 195, with an average experience of (7) years. As for CTRF, it does not have sufficient human resources to carry out its tasks (see IO.6).
350. The PP and the investigative judge exercise their powers regarding the prosecution of TF crimes. The judicial police identify the crime of TF either on their initiative, spontaneously based on intelligence and information received from citizens and collaborators, and to a lesser extent the source of the case is the PP themselves. Sometimes TF crimes are identified through undercover operations. The NG and GDNS Directorates cooperate on a daily and direct basis at the leadership and operational levels. They exchange financial and investigative information in their possession informally to coordinate efforts to identify TF crimes. CTRF is not considered an effective source for identifying TF cases (see IO.6).
351. The investigation of TF is mainly based (around 71% of the cases identified) on the investigations into terrorism cases. The judicial police routinely conduct parallel financial investigations in all terrorism cases. The investigators rely on the investigative manual that includes the minimum number of questions that must be addressed within the framework of the investigation of terrorism cases⁴³, allowing them to determine whether the detainee has received funds in-kind or cash for TF activities or whether they transferred or transported funds, and if such funds exist; then the investigators will seek to determine their nature, the method of receiving and tracing them, and the method of transferring and transporting them to terrorist groups.
352. The judicial police directly address the financial institutions, the post office, and the commercial registry (without obtaining special permission from the PP) to obtain financial intelligence. In limited cases, they resort to CTRF to know the information contained in the CTRF database, but they do not record the information received from CTRF in the investigation reports and rely on this information to address banks and financial institutions to bring it through official channels.
353. LEAs and judicial authorities use special investigation techniques in identifying TF cases and determining the special role played by terrorist financiers. In one case, the mobile phone of the accused was inspected, and what is called (electronic inspection) was carried out by the investigative judge. The GDC was addressed to indicate whether the accused had declared any funds when crossing the border. One of the cases included an electronic inspection process and the interception of messages through social media, and reference was made to the implementation of an electronic leak (undercover operations). In another case, the investigative method revealed the existence of technical investigations of the phone number of a suspect that revealed his relationship with one of the persons who run a smuggling network, and the phones of persons who were arrested were also exploited, and this enabled the authorities to determine their involvement in financing

⁴³ The AT was provided with a set of questions that investigators must ask when investigating terrorism cases, including (how the organization moves through roads and border crossings, sources of funding in terms of how to collect, transport and use funds, the relationship with organized crime such as drugs and smuggling of human beings, etc., The financial means used to support the families of terrorists who are alive or who have been eliminated, and other questions).

a terrorist group outside Algeria.

Box (4.4): Case Study on the use of special investigative techniques to detect TF activity

As part of the follow-ups carried out by the GDNS departments on the brother of a terrorist affiliated with ISIL outside Algeria, an e-mail was detected on social media received by the terrorist’s brother. The message (e-mail) showed that the terrorist’s wife needed financial assistance of around USD 15,000 and asked to be sent through the postal account of the so-called (A.A.N).

Through investigations, follow-ups and electronic surveillance, the authorities discovered the presence of fundraising activity by several sympathizers to provide financial assistance to the wife of that terrorist. The money flow shows that they are deposited in postal accounts and then withdrawn and sent abroad through informal hawala to persons of Arab nationalities. The funds are sent under the pretense of investment activities that turned out to be fictitious, since they were used to finance ISIL (a terrorist organization).

The so-called postal account holder (A.A.N.) was inspected, and a sum of funds of 380 million centimes was seized in their possession, as well as small amounts of hard currency. The inspection of their house led to the seizure of 50 million Centimes and two bank vouchers reflecting a withdrawal of EU 14,800 under the name of (H.A.N.) and (A.A.N.), and (8) scraps of other withdrawals and payments, under the pretext of dealing with a shipping office outside the country to supply goods and services over the Internet, which turned out to be fictitious.

The authorities were able to confirm the above information using special investigation techniques (electronic surveillance), and the parties to the case were presented to the PP, where the so-called (A.A.N.) was placed under temporary detention, and three postal employees were placed under judicial supervision. The remaining parties are on the run.

354. From 2017 to 2021, the number of TF convictions was 111, involving (186) individuals. The NG and GDNS were able to identify 76 and 33 cases, respectively. This indicates the effectiveness of these two agencies in identifying and investigating TF. CTRF was able to identify two cases. The following statistics show the number of TF cases processed between 2017 and 2021:

Table (4.3): Number of cases processed with regards to TF for the period from 2017-2021

	2017	2018	2019	2020	2021	Total
Number of investigations in Terrorists Acts (including acts of praising)	185	130	106	114	91	626
Number of investigations in Terrorists Acts (excluding acts of praising)	123	71	50	43	30	317
Number of persons investigated in TF cases	184	163	119	125	80	671
Number of cases referred to the prosecution regarding TF	44	31	39	28	19	161
Number of cases referred to the court regarding TF	33	24	28	22	12	119
Number of cases in which convictions for TF were issued	35	28	18	18	12	111
Number of convictions in TF (persons)	35	37	38	28	48	186
Number of convictions in stand-alone TF (persons)	12	20	12	5	5	54

355. It should be noted that a large proportion of the number of terrorist acts involves acts of praising and supporting terrorist groups and extremist ideology (see table 4.1 above), which explains the difference between the number of terrorist acts and TF convictions⁴⁴. Investigations reveal the absence of actual involvement in a terrorist act following the concept of the International Convention for the Suppression of Financing Terrorism and acts of praise do not include any acts that can be qualified as TF. However, these individuals are prosecuted on charges of terrorism. This approach was taken due to the terrorist acts that Algeria witnessed in the nineties, especially in 1992. These cases have increased in recent years because of the dramatic use of social media.
356. The TF cases referred to the PP represent 51% of the total terrorism cases (after excluding acts of praising). TF convictions account for 35% of investigations in terrorism and 69% of cases referred to the PP on charges of TF. These percentages are considered acceptable, which indicates that the investigations conducted by the authorities contain sufficient elements and evidence of the commission of TF that allows the judicial authorities to follow up and issue judgments of conviction.
357. CTRF identifies cases of TF through STRs and confidential reports received from various authorities. The statistics indicate that CTRF referred two files on TF suspicion to the competent authorities from 2017 to 2021. One of them was reviewed and was found that CTRF provided an added value in its analysis, as it was able to discover the involvement of individuals other than the main suspect (see box 4.2. above). It should be noted that CTRF confirmed the limited number of STRs received from the reporting entities, since TF activities depend largely on the informal sector and the use of cash. However, the AT believes that the referral of two files within five years, shows the limited role of CTRF in identifying TF cases. The reason is due to the lack of the necessary human capabilities at CTRF, as the Department of Financial Investigation and Analysis has only two employees, in addition to the poor understanding of TF risks in the financial and non-financial sectors, which resulted in a limited number of STRs (see IO.4 and IO 6). In light of this, the assessment team believes that CTRF issuance of typologies on TF patterns in cooperation with LEAs will increase the efficiency of the reporting entities in identifying suspicious transactions related to TF and will enhance CTRF's role in identifying TF cases.
358. The judicial police cooperate with their counterparts abroad through Interpol, the International Cooperation Office of the GDNS and the MOFA, and CTRF are used for this purpose. The number of outgoing and incoming TF related MLA requests in 5 years amounted to 7, while the number of incoming and outgoing informal cooperation requests (through Interpol and CTRF) during the same period amounted to 19 (see IO.2). The AT believes that international cooperation efforts regarding TF are insufficient and need to be improved given Algeria's geographical location and the country's risk profile.
359. The presented statistics show that 9 employees of CTRF benefited from 3 training courses during five years on topics related to terrorism and TF investigations, and 93 judges benefited from 10 training courses related to CFT, financial investigations and cash smuggling. As for the NG and GDNS, 316 officers and officials benefited from 168 training courses and workshops in the areas of terrorism investigations and TF, financial techniques related to TF, risk analysis in the field of CT, special investigation techniques in CT/CFT, and international cooperation in financial techniques related to terrorism. In this regard, it is noted that the NG and GDNS have sufficient resources and expertise to carry out their tasks effectively, except for CTRF which needs to enhance its efforts in training and capacity building, as it was unable to contribute effectively to identifying TF cases.

⁴⁴ This conclusion confirms that the number of operations referred to in the report of the Global Terrorism Index for 2022 is much less than the number provided by the authorities, available at the link: <https://www.visionofhumanity.org/wp-content/uploads/2022/03/GTI-2022-web-09062022.pdf>
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TF investigation integrated with and supportive of national strategies

360. Algeria relies on information drawn from investigations into TF cases to fuel counterterrorism efforts on the national territory. The AT was briefed on the national counter-terrorism strategy, and it was found that the Algerian experience in countering terrorism depends on a comprehensive multi-dimensional strategy (security, political, legal, cultural, religious, economic, and social dimensions). This strategy puts together elements of protection from extremism and eliminating radical ideology as well as.
361. The national counter-terrorism strategy depends on a set of objectives, such as preventing extremism, removing extremist ideas, combating, and eradicating terrorist activity, developing laws and regulations to keep pace with international developments and standards; in addition to strengthening human resources and allocating sufficient material resources to support the implementation of the strategy. This strategy contains objectives related to TF represented in eliminating the financial flows that would allow cells, networks, or individuals to carry out attacks or recruit new individuals, in addition to investigating the sources of TF and extremism and the patterns of terrorism and its financing. Based on the above strategy, the competent authorities have been assigned to provide operational units with immediate information on terrorist groups and their financial, material and media support networks.
362. Based on the above strategy, the authorities have worked to implement efforts and activities to eliminate terrorism in Algeria at all levels. These efforts include strengthening the security aspect by involving the national army, volunteers from citizens and the Municipal Guard in efforts to counter terrorism, taking precautionary and security measures to protect the borders by updating the border police databases to prevent the incursion and penetration of the borders by terrorist groups and prevent the movement of terrorists. They include also using special investigative techniques such as intercepting messages on social media as proactive steps to prevent the recruitment of individuals by terrorist groups. Other efforts include establishing province security committees that aim to coordinate the work of all security interests in the province, in addition to national reconciliation efforts and the integration of repentant fighters, combating extremist ideology and spreading moderate ideas and fatwas, and restructuring places of worship from the regulatory point of view and rehabilitation of those in charge of mosques, and the separation of extremist prisoners. Efforts related to legislative reforms, include amending the Penal Code in 2017 to criminalize financing the travel of FTF. These efforts and activities have contributed positively to a decrease in the number of terrorism and TF cases, as shown above (see Table 4.1).

Effectiveness, Proportionality and Dissuasiveness of Sanctions

363. The penalties imposed by authorities regarding TF are commensurate with the circumstances and merits of the cases and are generally dissuasive. According to the statistics provided by Algeria, the penalties applied in TF cases ranged from 6 months imprisonment up to a capital sentence, and fines from DZD 50,000 to 2 million. The reason for the tightening of penalties beyond the upper limit stipulated in the law (i.e. up to 10 years) is that TF crimes are mainly pursued with terrorism crimes, which results in the application of the most severe penalty, which is the penalty applied for terrorism crimes. The authorities did not provide any information regarding the exploitation of legal persons and their prosecution on charges of TF. The assessment team did not find evidence of misuse of legal persons for TF purposes.
364. The statistics related to stand-alone TF convictions indicate that 36% of these convictions resulted in imposing a prison sentence of 5 years or more, while 34% of them resulted in the imprisonment of 2 to 4 years and the remaining penalties were 2 years imprisonment or less. By reviewing samples of conviction sentences submitted to the AT, which include imposing penalties related to stand-alone TF offence, or linked to offenses that are less severe in terms of punishment, it was found that the penalties applied in these cases were as follows:

Table (4.4): Penalties applied as per TF convictions reviewed by the AT

Number	Charges	Imprisonment	Fine	Comments
1	TF	2 years	DZD 100,000	The imprisonment sentence was suspended
2	TF Violation of Exchange control	8 years	DZD 1 million	Confiscation of Seizures
3	TF	5 years	DZD 500,000	Deprivation of civil rights
4	TF	5 years	-	Deprivation of civil rights
5	TF	3 years	DZD 100,000	-
6	TF Violation of Exchange control	3 years	DZD 100,000	-
7	TF	One year	DZD 50,000	-
8	TF	First suspect 10 years Second suspect 5 years	-	The first suspect, committed repeated violation, both suspects were sentenced with legal detention and deprivation of practicing their civil and legal rights as well as confiscation of seizures
9	TF	2 and a half year	DZD 50,000	Legal detention and deprivation of legal and civil rights
10	TF	First suspect 2 years Second suspect 1 year	DZD 50,000 for both suspects	Half the period prescribed in the sentence was suspended for both suspects. Confiscation of Seizures
11	TF	One year	DZD 100,000	Confiscation of Seizures

365. The judiciaries vary in the use of penalties according to the circumstances and merits of the case. It was found that courts resorted by 50% to the use of their powers by imposing a penalty less than the minimum legally prescribed penalty. This was applied for many reasons, represented in the availability of mitigating circumstances stipulated in the penal code, which require taking into account the circumstances of the accused, age, marital status, family circumstances, and the merits of the case, which sometimes involve simply providing supplies or foodstuffs to terrorists, in addition to allowing the convict to correct themselves; therefore, the assessment team believes that the penalties applied in general are dissuasive, proportionate, and effective. The justification for reducing the penalty has been confirmed by reviewing the details of the court decisions by the assessment team.

Alternative measures used where TF conviction is not possible

366. Algeria relies on a set of alternative measures when it is difficult to secure a conviction for TF. This involves persons prosecuted on charges of praising terrorist groups and supporting them. Also showing their sympathy and ideological support for terrorist groups. The number of

cases related to the use of the Internet to praise terrorist acts during five years totalled (315) involving (538) persons.

367. These persons were restricted to staying at their place of residence as a precautionary administrative control measure by the security authorities, in addition to the withdrawal of their passports, and subjecting them to technical inspection by order of the PP. The names of suspects are placed on the borders' lists to prevent them from traveling through or bypassing border crossings. As for foreigners, they are deported after coordination with the security authorities of their countries.
368. **Overall Conclusion on IO 9:** LEAs in Algeria (GDNS and NG) pursue various forms of TF activities, including the collection, transfer, and use of funds in a manner consistent with Algeria's risk profile, and these authorities effectively identify TF cases, and use special investigative techniques and methods; however, the role of CTRF in this process is limited due to the lack of human capabilities. Algeria applies proportionate sanctions, some of which the circumstances of the accused in TF cases are considered, but they are generally considered dissuasive, and alternative measures are available in cases where it is not possible to secure TF convictions, such as pursuing prosecutions on charges of praising terrorist acts, withdrawing passports, and deporting foreigners.
369. **Algeria is rated as having a Substantial level of effectiveness for IO 9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

370. The AT based their conclusions on the meetings they conducted with the competent authorities represented by the MOFA, the MOJ, the MOI, the NG, and representatives of the Committee responsible for the designation of Terrorist Persons and Entities (MOI, MOFA, MOJ, CTRF, the NG and GDNS), as well as a representative of each of the provincial councils and municipal people's councils, in addition to a number of NPOs at the national, province, and municipal levels, and a number of banks, FIs, and DNFBNs. Also, by reviewing the statistical data and documents submitted by Algeria related to the application of TFS, seizure and confiscation of funds related to terrorist activities or TF, as well as the sanctions applied on NPOs, in addition to reviewing the CTRF website.

UNSCR 1267 (and subsequent resolutions)

371. Algeria does not implement TFS pursuant to UNSCR 1267 (and its subsequent resolutions) without delay. This is due to the delays stemming from the procedures followed in introducing the updates to the UN terrorist list within the country, as Security Council resolutions do not enter into force in Algeria as soon as they are issued by the UN sanctions committees. This rather requires that the Minister of Finance issues decisions in this regard in preparation for the publication of the updates on the CTRF website, especially since the parties concerned with implementing TFS are not required to directly access the United Nations website to review regularly the sanction lists and the updates thereto.
372. Algeria has drawn up the necessary legal texts within the AML/CFT law to legally enforce the implementation of UNSCRs related to CT/CFT within the country. The application of seizure and/or freezing measures is dependent on a decision issued by the Minister of Finance, according to the mechanism set out in Article Two of bylaws No. 15-113 of 2015 relating to "procedures for seizing and/or freezing funds in the context of AML/CFT" and the related texts in the decision issued by the Minister of Finance in 2015 related to "procedures for freezing and/or seizure of funds of individuals, groups and entities listed on the UNSCR consolidated list (see Rec.6).
373. Algeria has adopted a legally binding mechanism to implement UNSCR 1267 (and successor resolutions). Upon receiving any updates concerning the consolidated sanctions list of the UNSC from the Permanent Mission of Algeria to the United Nations, the Minister of Foreign Affairs shall send them to the Minister of Finance, who in turn issues a decision to seize and/or freeze the funds and assets of those

listed on the updated list. The decision and the updated list attached thereto are then published on the CTRF website. CTRF monitors the issuance of the decisions of the Minister of Finance and publishes them on the website. On the other hand, the legal texts specify that the obligation of the concerned entities to apply seizure and/or freezing measures come into effect once the decision and the list attached thereto are published on the CTRF website.

374. In practice, CTRF publishes the list as soon as issued by the UNSC (except on holidays). However, the legal obligation to implement TFS only comes into effect after publication of the decisions of the Minister of Finance on the CTRF website. CTRF did not provide the AT with the number of staff assigned to monitor the UNSC website, and it is not expected that it would be an adequate number considering the lack of human resources available to CTRF (see IO.6).
375. The fact that CTRF is publishing the consolidated sanctions list on its website without following the procedures stipulated by law, does not oblige the subject entities to implement their obligations to seize and/or freeze the funds and assets of those listed on the consolidated list, in the absence of any decision issued by the Minister of Finance. This may raise concerns about the possibility of having one of the subject entities refusing to implement its freezing obligations without delay, due to the lack of enforceable means, and under the pretext of the absence of a legal obligation thereon.
376. CTRF publishes the consolidated sanctions list issued by the UNSC on its website on two separate pages. The first is titled "List of the Security Council Committee pursuant to Resolutions 1267/1989/2253", and the second is titled "Consolidated List". The AT discovered during the onsite visit, upon the issuance of an update by the Security Council on the consolidated sanctions list, that CTRF had updated the list on the second page, without updating the first. This raises concerns about the possibility that the subject entities will not apply the seizure or freezing measures in the event of reviewing the non-updated list. Subject entities are not informed when updating the list, but they are relied upon to check the date of the consolidated list on the CTRF website. When the CTRF publishes an updated list, it does not specify the type of update made to the consolidated list (whether by listing, de-listing or amending the list). Such a method of publication may pose a challenge for the subject or concerned entities to discover the updates with ease, and thus implement their obligations to freeze without delay, especially since some of them, run manual checks between the new and the old list to discover the update, which may require some time that would affect the application of their obligations without delay.
377. CTRF publishes the decisions issued by the Minister of Finance⁴⁵, which give effect to UNSCRs domestically and makes them enforceable, on a separate page on its website. However, by reviewing the CTRF website, it was found that the published decisions of the Minister of Finance do not specify the updates to the consolidated list (listing, de-listing, amendment), but indicate that an update has occurred on the list on a certain date by the UNSC. It was also discovered that numerous decisions of the Minister of Finance, if they existed, were not published for many of the updates that occurred on the consolidated sanctions list (as no decisions were published regarding the updates to the list from 15 October 2018 until 23 February 2020). Moreover, a notable delay in the issuance of several decisions by the Minister of Finance for other updates was noticed (see Table No. 4.4). The last decision published on the CTRF website is related to the update that occurred on the list on 4 March 2020. The AT was not able to determine the dates of publication of the Minister of Finance's decisions on the CTRF website.

⁴⁵ A link to the page where the decisions of the Minister of Finance are published on CTRF website.

Table 4.4: Sample of the Minister of Finance’s Decisions in comparison with the dates of updating the UN terrorists list

UNSCR	Date of publishing updates to the UN terrorists lists on the UN website	Type of update	Date of the Minister of Finance’s Decision to seize and/or freeze	Number of days taken to issue the Decision
SC/12755	16 March 2017	De-listing	19 March 2017	3 days
SC/12786	8 April 2017		11 April 2017	3 days
SC/12904	6 July 2017	Listing	Not published	-
SC/12920	20 July 2017		23 July 2017	3 days
SC/13237	6 March 2018		11 March 2018	5 days
SC/13271	29 March 2018		1 April 2018	3 days
SC/13330	9 May 2018	Amendment	13 May 2018	4 days
SC/13384	18 June 2018	Listing	Not published	-
SC/13462	23 August 2018		27 August 2018	4 days
SC/13531	4 October 2018		7 October 2018	3 days
SC/13539	15 October 2018		Not published	-
SC/14136	4 March 2020		10 March 2020	6 days

378. It is clear from the table above that the decisions issued by the Minister of Finance are delayed by an average of 4 days from the date of issuance of the relevant Security Council resolutions. The failure to publish the decisions of the Minister of Finance on the CTRF website raises questions about the extent of the compliance of the concerned authorities with the provisions of bylaws No. 15-113 to immediately put UNSCRs into effect. It can be concluded that the actual application of the mechanism for publishing Security Council resolutions is ineffective and does not allow the subject entities to be aware of the latest updates on the sanctions lists to implement their obligations to freeze without delay.

379. Algeria did not put in place any other procedures or mechanisms to directly notify the subject entities of the updates to the consolidated list. The subject entities are required to access the CTRF website, and review the consolidated list and updates thereto; however, the subject entities were not instructed on how frequently they should review the consolidated list published on the CTRF website. Such lack of instructions may not warrant the implementation of TFS without delay by the subject entities or any other authority.

380. Other bodies that are likely to have funds or assets owned by listed individuals are not informed of the updates that occur to the consolidated list. Such bodies have a significant role in seizing and freezing the assets and companies of the designated individuals and entities, and include the General Directorate of State Properties which is responsible for the real estate registry and the NCCR which is responsible for the commercial registry.

381. The MOFA receives from the GDNS or the NG information regarding individuals or entities involved in terrorist acts. It is also notified by the MOJ on an irregular basis when convictions are issued against individuals in terrorism or TF cases. Subsequently, meetings are held between the MOFA, the security authorities and the MOJ to reach a unanimous decision regarding the proposal to designate individuals or entities to the relevant sanctions committees. In the event a unanimous decision is rendered, the MOFA collects as much information as possible regarding the individuals or entities in coordination with all concerned authorities, particularly the security authorities which often possess the required information. However, a written mechanism that ensures continuous implementation in this regard is still

lacking.

382. During the past five years, and specifically in 2018 Algeria proposed, *ex parte*, the designation of a single individual to the sanctions committee established pursuant to UNSCRs 1267/1989/2253, but the outcome of the proposal was not perceived⁴⁶.
383. The security authorities monitored numerous individuals who joined terrorist entities listed on the UN terrorist list, including ISIL, and convictions were issued in TF cases against many of those individuals (see IO 9). However, the competent authorities did not provide any convincing explanations for not proposing their designation to the relevant sanctions' committees. Accordingly, limiting the designation proposals submitted by Algeria during 2017-2021 to a single proposal is not sufficiently consistent with the terrorism and TF risk profile of Algeria, especially given its risky geographical environment, in addition to the presence of al-Qaeda personnel and other domestic entities designated on the UN terrorist list. Serious measures and efforts should be taken to identify individuals who have joined those terrorist groups and who meet the criteria for designation, especially those who oversee an armed organization or secure funding for the organization, in preparation for an *ex parte* designation proposal.
384. Algeria has not in the last 5 years joined any other country in proposing designations of any individual or entity to the relevant sanctions committee, nor has it previously submitted any request to designate any individual on the list of the committee established pursuant to UNSCR 1988.
385. The MOFA responds to the requests it receives from the UN regarding updating information related to individuals or entities listed on the UN terrorists list. It collects the required information through coordination with security agencies and the MOJ. It has prepared several memorandums on these requests and submitted them to the relevant sanctions committees.
386. There are (18) Algerian citizens whose names are listed on the UN terrorist list in addition to (5) entities or groups that are present in Algeria. The Algerian authorities have never frozen or seized any funds or assets of those listed. This is because of the absence of any funds, assets, or economic resources owned by them in Algeria as they have been residing abroad for a long time.
387. During the last five years, no funds or assets belonging to any other individual designated on the UN terrorist list were seized or frozen. This is because no positive matches were detected with any of the names on the relevant UNSC lists. The failure to inform other concerned public authorities of the updates to the UN list, specifically the General Directorate of State Properties (property registration authority) and the NCCR (business registration authority), could be the reason for not identifying any funds or assets belonging to those listed on the UN list.
388. Algeria does not have a department or authority to manage the seized and/or frozen assets in the implementation of UNSCR 1267 and successor resolutions. An article in bylaw 15-113 assigns the Judicial Agency of the Central Treasury to manage the seized and frozen funds; however, it did not adopt any mechanism or procedures to manage property or assets that are seized or frozen. Another article requires FIs and DNFBPs to transfer the seized and/or frozen funds to the Central Treasury secretary (custodian) for the sole purpose of registering them in its records.
389. CTRF published its guidelines⁴⁷ on its website, which include the options available to those listed in terms of submitting de-listing requests or a request to access frozen funds or assets to cover basic necessary expenses. However, the guidelines did not clarify the procedures to submit such requests but were rather in general terms with no details. None of those listed on the UN list submitted any de-listing request or a request to access frozen funds or assets during the last five years.

⁴⁶ The person was not on the UN terrorists list during the onsite visit, which indicates that the request was rejected.

⁴⁷ Guidance (in Arabic).

UNSCR 1373

390. Algeria did not implement TFS pursuant to Security Council Resolution 1373 without delay regarding those designated on the domestic list or at the request of another country. This is due to the delay of the concerned authorities in taking the necessary measures to put the designation decision on the domestic list into effect; in addition to taking measures contrary to what is stipulated by law and with a noticeable delay regarding applications submitted by another country. Furthermore, Algeria has not sought to apply TFS at the supranational level for those designated on its domestic list.
391. Algeria developed the legal framework to implement UNSCR 1373 domestically. The necessary legislative amendments to the Penal Code were made to establish the domestic terrorist list in the second half of 2021. In late 2021, it established the "Committee of Classifying Individuals and Terrorist Entities" (the "Committee"). The Committee is specifically concerned with deciding to designate individuals or entities on the domestic list.
392. The Committee receives requests for listing on the domestic list from the Ministries of Defense, Interior, Foreign Affairs and Justice (they have represented members in the Committee), in accordance with the requirements stipulated by law. Before deciding on the requests submitted to the Committee, the security authorities, if necessary, gather information regarding the individuals or entities that are the subject of the requests, and may use special investigative techniques available to them by law to monitor the movements of individuals and monitor their activities. Subsequently, a report is presented to the Committee on the suitability of listing an individual or entity on the domestic list. The Committee takes its decision on listing by a two-thirds majority of its members, and the conditions for designation are partially consistent with what is stipulated under UNSCR 1373 (see R.6). The individuals and entities are listed on the domestic list as a precautionary measure, upon valid suspicions of their involvement in terrorist acts, or as a means of depriving terrorists of their assets after it is proven that they have committed terrorist acts.
393. The Committee's decisions to list individuals and entities on the domestic list must be published in the Official Gazette. Such publication enters the Committee's decisions into force, and is considered as a notification to subject entities, administrative bodies and individuals present in the country of the obligation to implement their obligations to seize and/or freeze the funds and assets of those listed on the domestic list (see R.6). There is no followed mechanism or procedures to inform the subject entities and other concerned parties of the Committee's decisions other than publishing them in the Official Gazette. Therefore, it is left to all entities to follow up on the Official Gazette regularly to verify whether the Committee has published decisions related to the domestic list. CTRF publishes the domestic list on its website after it is published in the Official Gazette.
394. The domestic list includes a section for individuals and a section for entities. The first domestic list was recently issued in February 2022. It included (2) local entities and (16) citizens affiliated with them. They were listed after being sentenced in absentia for committing terrorist acts or following international arrest warrants issued against them. All the listed individuals are fugitives and are in hiding abroad. The two entities operate from abroad to commit terrorist acts against Algeria. Despite that, the Committee did not request the countries in which the listed individuals reside to designate them pursuant to UN1373 or to identify, seize and/or freeze any funds and assets belonging to them. Algeria satisfied itself by circulating a request to freeze the funds and assets of the listed individuals through the Egmont Group, without being notified until the onsite visit, of any information on whether any funds belonging to those listed had been seized or frozen. Algeria's contentment with resorting to the Egmont Group without activating the mechanisms available pursuant to UNSCR 1373 is not appropriate, as the FIUs of the countries in which the listed individuals reside may not have the legal authority to take seizure and/or freezing measures.
395. The total number of convictions issued in TF cases amounts to (111) convictions, issued against (186) individuals, including (79) individuals belonging to terrorist groups, and (317) detected terrorist acts that do not include acts of praising terrorist groups (see IO 9).
Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

By comparing those numbers with those designated on the national list, it is apparent that Algeria does not designate many of those involved in terrorism and TF acts on its national list, which is not in line with the high terrorism and TF risks in the country.

396. The Committee's decision to list the names of (16) individuals and (2) entities in the domestic list was not published in the Official Gazette until three weeks after the date of the decision was issued⁴⁸. The delay in publishing the list is attributed to the procedures followed in publishing the Official Gazette, as there should be enough legislations collected to be published in one issue of the Gazette. The AT found that one of the issues of the Official Gazette was published after the Committee's decision, without including the publication of the decision of the domestic list⁴⁹. This suggests a low level of urgency by the concerned authorities to expedite the implementation of the committee's decision and to ensure that the measures for seizure and/or freezing are implemented immediately, especially since no coordination was taken with the subject entities regarding the seizure or freezing of funds before publishing the decision in the Official Gazette. CTRF circulated the domestic list to financial institutions one day after it was published in the Official Gazette and published the list on its website. This procedure is not related to bringing the list into force, but rather to convey the element of knowledge to FIs of the issuance of the domestic list, as it was the first of its kind.
397. Algeria does not have a department or authority to manage the seized and/or frozen assets in the implementation of UNSCR 1373. An article in bylaw 15-113 assigns the Judicial Agency of the Central Treasury to manage the seized and frozen funds; however, it did not adopt any mechanism or procedures to manage property or assets that are seized or frozen. Another article requires FIs and DNFBPs to transfer the seized and/or frozen funds to the Central Treasury secretary (custodian) for the sole purpose of registering them in its records.
398. The MOI published Executive Decree No. 21-384 on its website, which specifies the listing and de-listing procedures on the domestic list. It also contains a clause that authorizes the committee to allow listed individuals and entities access to frozen funds or assets to cover basic necessary expenses. The MOI website does not contain any forms for submitting de-listing requests or requests to access frozen funds or assets to cover basic necessary expenses and does not clarify the procedures to submit such requests or specify direct means or channels of communication for this purpose. However, complaints or public petitions can be sent through the website of the MOI. None of the requests were submitted to the Committee.

Designation requests to/from other countries

399. Algeria has the mechanisms and legal framework to request the listing of individuals or entities on the domestic lists of foreign countries, in addition to listing individuals and entities on its domestic list based on requests submitted by foreign countries. Such incoming and outgoing requests are processed by the Committee by virtue of Executive Decree 21-384. Algeria has never requested any foreign country to list any individual or entity on its national list, nor has it received any similar request in this regard.
400. The legal structure in Algeria allows the Committee to request foreign countries to activate seizure and/or freezing measures to the funds and assets of those listed on the Algerian domestic list. The legal structure also allows Algeria to activate seizure and/or freezing measures upon receiving requests from foreign countries regarding individuals or entities listed on their domestic lists. Foreign requests are submitted to the Minister of Foreign Affairs, then referred to CTRF, which in turn sends them to the Attorney General at the Court of Algiers, so that a decision is issued by the President of the Court of Algiers to seize and/or freeze funds and assets. The decision is then published on the CTRF website, to make it legally enforceable.
401. In 2020, Algeria received one request from a foreign country to freeze funds and assets belonging to a designated individual on the foreign

⁴⁸ Official Gazette, issued on 27/2/2022The Decision is published in page 27.

⁴⁹ Official Gazette issued on 10/2/2022.

country's domestic list pursuant to UNSCR 1373. The Minister of Foreign Affairs referred the request to CTRF, and the latter did not refer the request to the Attorney General, which constitutes a violation of legal procedures. However, CTRF instead directly required banks and FIs to freeze funds and assets owned by the concerned individual, and It did not appear that the request was reviewed to ensure that it meets the threshold of UNSCR 1373. It was found that there was a delay by CTRF for (13) days from the date of receiving the correspondence from the Minister of Foreign Affairs until the date of sending the request to the subject entities to activate the freezing measures. There is no indication whether the banks or FIs had implemented the seizure and/or freezing measures. This raises concerns about the proper implementation of the domestic legal framework concerning TFS and the extent to which banks and FIs comply with the measures taken by the local authorities. Algeria has not submitted any request to any foreign country to activate seizure and/or freezing measures of the funds and assets owned by those listed on its domestic list.

402. Algeria's failure to utilize UNSCR 1373 beyond its national borders, by preferring to submit a request through Egmont rather than official channels to the foreign countries where the individuals listed on its domestic list reside, is not in line with the requirements of the UNSCR which calls on member states to intensify international efforts to mitigate terrorist acts.

Implementation of targeted financial sanctions by supervisors and subject entities

403. Algeria satisfies itself - according to the mechanism and in practice - by publishing the Minister of Finance's decision and the consolidated sanctions list on the CTRF website to legally enforce TFS. No authority (whether CTRF or some of the supervisory authorities) takes any other measure to inform the subject entities when any update is made on the UN terrorist list (e.g. by e-mail or circulars).

404. The absence of mechanisms or procedures to notify the subject entities of the latest updates on the CTRF website when they occur may prevent the entities from implementing their freezing obligations without delay. No mechanism has been identified for the subject entities regarding the frequency of following up on the CTRF website to review the published list and the latest updates thereto.

405. During the onsite inspection rounds, the BOA verifies the extent to which FIs subject to its supervision comply with the implementation of TFS (whether for those listed on the UN list or the domestic list). There is no indication how it verifies that the subject entities implement their obligations without delay, nor whether it uses inspection forms in this regard. No potential violations had been previously discovered for the failure of any subject entity to implement its obligations under the relevant UNSCRs. As for the ISC, it does not monitor the insurance companies' compliance with the AML/CFT requirements. Work is underway to grant its independence to carry out the supervisory work. The SERC, despite being a supervisory body, exercises limited supervision in practice due to the minimal trading in the financial markets. During the meeting with the latter, no information was provided on the extent to which it monitors institutions in the stock exchange sector's compliance with the implementation of UNSCRs related to CT/CFT. The supervisory authorities of DNFBPs do not monitor the compliance of the subject entities with the requirements of AML/CFT, including the implementation of TFS.

406. Failure of most of the supervisory authorities to monitor the compliance of the subject entities with the AML/CFT requirements, including the requirements of Security Council resolutions related to CT/CFT, as well as the failure of BOA to discover any potential violations regarding the implementation of UNSCRs, raises concerns on the extent to which the subject entities implement their obligations in relation to TFS effectively and without delay.

407. FIs that were interviewed during the onsite visit are aware of their obligations to implement seizure and/or freezing measures without delay, and to inform CTRF in the event of positive matches with the names of the individuals and entities designated on the UN list. None of the FIs had previously frozen any assets or funds belonging to any of the listed on the UN lists. During the last five years, only one notification was submitted to CTRF regarding a case of false positive. The scarcity of false positive notifications may indicate that FIs do not adequately screen their customers' databases and transactions taking place on their accounts (e.g. through wire transfers) against

sanction lists. As for the DNFBPs that were interviewed, they are not aware of their obligations regarding the implementation of seizure and/or freezing measures or refraining from providing financial services in accordance with the relevant UNSCRs. Additionally, they do not review the published list on the CTRF website and the latest updates thereto, except for lawyers and notaries who resort to the CTRF website when they suspect a client's behaviour.

408. Most of the banks that were interviewed do not review the CTRF website to verify the latest updates to the UN consolidated sanctions list. They rather rely entirely on commercial electronic systems that they acquired to follow up on updates and match the names of their customers with the names on the list. Other banks review the CTRF website to check if the published list is updated or to review the published decisions of the Minister of Finance on updating the list. As for the remaining FIs that were interviewed, they depend on the updates that are published on the CTRF website, except for one insurance company that uses a commercial electronic system.
409. FIs that rely on what is published on the CTRF website, access the site only once every working day. Should they discover that the list has been updated, they enter the names of those listed in their systems to match them with the list of their clients. Some of those FIs enter the data electronically while others do so manually. If any update occurs on the CTRF website after the morning period of the working day, the updates are not reviewed until the morning of the next working day. This raises serious questions especially if there is an update on the UN terrorist list before the official working hours of FIs (i.e. during the night period until the early hours of the morning according to local time in Algeria), and in parallel, in the event of a delay by CTRF in publishing the update until after the morning period. In such cases, the review of FIs of the CTRF website in the morning of the next working day will inevitably lead to a delay in applying the seizure or freezing measures (beyond 24 hours) from the time of publishing the update on the UN's website.
410. The AT was not informed of the percentage of FIs that rely on commercial electronic systems to follow up on the latest updates on the lists, and whether the institutions that own these systems make sure that their operators follow up on and reflect the updates without delay.
411. If there is any update on the UN terrorist list after the end of working hours on Thursdays, or during Fridays, or public holidays in Algeria (as this may coincide with normal working days in New York), FIs cannot verify any matches as per the updates against their list of clients or implement seizure or freezing measures without delay. They will only be able to implement such measures during the next official working day (except for one bank that was found to follow the latest updates on the list and act on Friday). Such delays occur because financial institutions cease their operations during public holidays in Algeria and during weekends. CTRF, also, does not publish updates during weekends and public holidays.
412. The domestic list was circulated by CTRF to FIs a day after the date of its publication in the Official Gazette. Most of the FIs relied on that circular (except for one bank) to implement seizure and/or freezing measures, as they were only aware of the domestic list through that circular and not by reviewing the Official Gazette. Therefore, the delay in circulating that list by CTRF, albeit with self-efforts as it is not obligated to do so according to the mechanism, has an inevitable effect in delaying the application of seizure or freezing measures by FIs.
413. Algeria Post Office has frozen (20) accounts owned by those listed on the domestic list (without specifying the total sum of funds frozen within the accounts). This was done without considering the obligation to freeze without delay, as the local list was published in the official gazette on 2 February 2022, while the concerned entity was not notified of the local list to apply the freezing obligation to postal accounts until March 3, 2022. None of the DNFBPs have taken any measures in this regard.
414. The MOF had seized several properties (without specifying the number of properties that have been seized) owned by those listed on the domestic list (self-proprietorships and joint ownership). However, based on the documents provided by Algeria, a delay in applying seizure measures compared to the date of publishing the domestic list in the Official Gazette was discovered. The delay exceeded three months, as the seizures were made from 6 June 2022 until 16 June 2022. The seizure of property on different dates indicates a weakness in identifying the assets of those listed on the domestic list.

Targeted approach, outreach, and oversight of at-risk non-profit organizations (NPOs)

415. Algeria has not applied proportionate and risk-based measures to NPOs at risk of TF abuse, due to the lack of accurate identification of these NPOs and the application of uniform measures by the concerned authorities to all NPOs subject to their supervision.
416. The NPO sector in Algeria consists of local associations, local private foundations, and foreign organizations. Local associations are divided according to the geographical scope of their activities into municipal associations, state associations, interstate associations and national associations. The People's Municipal Councils⁵⁰ supervise the municipal associations located within their jurisdictions, whereby State Councils⁵¹ supervise the state associations within their jurisdictions. Interstate and national associations are subject to the supervision and monitoring of the MOI. Local private foundations are not subject to the supervision of anybody and can be established by virtue of a notarized contract published in two daily newspapers distributed at the national level, without notifying the public authorities⁵². As for foreign organizations, they are subject to the supervision of the Ministry of the Interior.
417. The number of active local associations as of 31 December 2021 reached a total of 126,318 associations, divided between (93,412) municipal associations, (31,075) state associations and (1,831) interstate and national associations. Although the FATF definition of NPOs⁵³ applies to many private foundations, their total number has not been identified as they are not subject to the supervision of any public authority. Algeria did not specify the subset of NPOs that fall within the FATF definition, whether for local associations or private foundations. The active foreign organizations in Algeria do not fall within the subset of NPOs.
418. The security authorities (GDNS and the NG) are heavily relied upon to follow up and monitor NPOs and their activities, and to verify that those in charge are not associated with terrorist activities or groups. The security authorities intensively monitor the activities of NPOs and conduct investigations regarding their founders and members of their executive body, while utilizing the information stored in their databases and intelligence information. When a change occurs in an NPO's executive body, similar investigations are carried out to verify the integrity and reputation of the new members.
419. The supervisory authorities greatly rely on the account custodian⁵⁴ appointed in NPOs to monitor their accounts and approve their financial statement. This contributes to exposing any abuse of NPOs for TF activities. Local private foundations are not legally obligated to appoint an account custodian; this is left to their discretion. A great risk lies therein, as if private foundations do not appoint an account custodian, they become devoid of any supervision, whether by a public authority or an accountant, which may be a motive for terrorist groups to exploit this type of NPOs for TF purposes.

Understanding of risks and identification of the subset

420. Algeria has not conducted a risk assessment of the NPO sector. The MOI, the State Council and the People's Municipal Council (which were interviewed during the onsite visit) have a modest understanding of the TF risks that face the NPOs sector and the threats surrounding it. This might be due to the lack of the risk assessment, in addition to the fact that the latest assessment of the NPOs sector was carried out in 2004, without the participation of NPOs therein.

⁵⁰ They are elected councils in each town totaling 1,541 councils.

⁵¹ They are elected councils in each state totaling 58 councils.

⁵² The AT was briefed on the draft amendment to the NPOs Law, wherein it was proposed that private local foundations should be subject to the supervision of the Ministry of Interior.

⁵³ This means those that are mainly engaged in collecting or distributing funds for charitable purposes or to carry out any kind of "good deeds".

⁵⁴ The account custodian is a self-employed employee who is contracted for a period of three years. They specialize in auditing accounts, records and financial statements, comparing them with the activities of the NPOs, and preparing a report on their opinion thereon.

421. Each People's Municipal Council and State Council owns an electronic database system for all associations under their supervision. It contains the associations' administrative data that may help understand their risks, such as the associations' headquarters address, their basic law (memorandum of association) and activities, executive body members' data and security authorities' reports on members but does not contain financial data. Additionally, the electronic systems of each People's Municipal Council or State Council are not linked with each other. The MOI seeks to activate a similar electronic database system for the NPOs under its supervision.
422. In general, the authorities are aware that the associations that may be most vulnerable to TF abuse are charitable associations, religious associations, and neighbourhood associations, as they are the most funded NPOs via multiple sources of funding. The MOI, without State Councils or People's Municipal Councils, has solely identified the characteristics and types of NPOs exposed to TF abuse at the municipal, state, interstate, and national levels, based on security reports and account custodians' reports. The identified types are charitable, religious and neighbourhood associations, while their characteristics are that they are concentrated in areas where terrorist organizations are active, in addition to their reliance in their financing on donations and cash donations from resident citizens and expatriates. The Ministry did not identify the number of such associations at risk of TF abuse, nor did it classify their level of risk based on specific criteria.
423. The supervisory authorities, particularly the MOI, have not identified the threats facing the NPO sector or how it is being abused by terrorist actors. The MOI clarified that it had never previously received any security reports in this regard, which may contribute to identifying the threats facing the sector.
424. Determining the characteristics and types of associations that are vulnerable to TF abuse, even though it was not based on data, statistics, or a study of the NPOs sector, is regarded as a positive initial step by the MOI toward monitoring NPOs and subjecting them to supervision. However, the Ministry had not conducted an assessment and comprehensive study of the nature of threats posed by terrorist entities to the NPOs sector and how terrorist groups abuse the sector.
425. All concerned parties that were met during the onsite visit, including the security authorities, unanimously agreed that local associations have not been abused for TF during the past five years. They also agreed that local private foundations, even though they are not subject to any supervision, have not been abused as well. This understanding is based on the cases they have investigated in practice on the possible fundraising or abuse of the NPO given the risks and context of Algeria. But the investigations revealed the absence of any possible abuse. However, unauthorized donations collection was misused by individuals to commit TF offences (see IO.9).

Supervision and monitoring

426. Supervisory authorities in Algeria have no legal basis to monitor NPOs' and their obligations. However, supervisory authorities (also regulatory authorities) place great importance on supervision before establishing an association, so the establishment of an association is subject to strict procedures. This includes reviewing the necessary documents for establishment (see R.8) and conducting investigations regarding the founding members by security authorities and reviewing their records to verify that they are not connected with terrorist groups or criminal activities. Any founder that is discovered of being involved in such activities is banned from establishing an association. The supervisory authorities have never refused to establish an association because of the connection of one of the founders with terrorist activities or entities.
427. Each supervisory authority is concerned with granting approvals to associations subject to its supervision to receive foreign funding. The governor is concerned with granting such approvals for municipal and state associations, while this competence falls within the powers of the Minister of Interior concerning interstate and national associations.
428. No association has applied for a fundraising license during the past five years. This may be because associations can circumvent the licensing conditions for fundraising by accepting donations, which do not require any license. Associations can announce to the public

their will to undertake any project or activity and inform them about the possibility of providing donations to contribute and financially support such a project or activity. Associations can receive cash and in-kind donations. Cash donations are either presented in cash to the association and recorded in a designated register with a receipt for the donor, or the amount is deposited in the association's account, which requires providing the donor with a permit from the association that enables them to deposit the amount at the approved bank. In-kind donations are also recorded in a designated register.

429. During the past five years, (28) requests were submitted by national associations to obtain foreign funding. The MOI approved two applications and granted the necessary permit. The remaining (26) requests were rejected either because the associations did not follow the required legal procedures to obtain foreign funding permits, due to the vague source of funding identified by the association, or because the association's activities did not match the activity of the foreign granting body. It should be noted that the period taken by the Ministry to issue a foreign funding permit does not exceed a month.
430. The supervisory authorities rely on offsite supervision of associations, placing heavy reliance on the report prepared by the account custodian. The account custodian report and the financial and activity report of the association shall be referred to the competent supervisory authority, which in turn reviews them to validate their contents. The account custodian performs their auditing duties as per the period agreed upon contractually with the association (i.e. monthly, quarterly, or semi-annually, etc.), and at a minimum once a year.
431. The MOI does not conduct on-site inspections of interstate or national associations, due to the lack of sufficient staff to conduct on-site inspections of the large number of associations scattered throughout the country. Whether onsite inspections are carried out by State Councils and People's Municipal Councils seems to differ from one council to another. In all cases, the AT was not provided with information regarding the number of onsite inspections conducted by any of the State Councils or the People's Municipal Councils, as no statistics were kept in this regard.
432. The risk of relying solely on office supervision lies in the possibility of tampering with documents to hide the income and expenditure of associations from the supervisory authorities, or the possibility of collusion or extortion of account custodians, which may enable terrorist actors to resort to documentary fraud, temptation, or blackmail to hide their TF activities and abuse of NPOs.
433. All associations at the national, interstate, state, and municipal levels are subject to a similar level of supervision. The supervisory authorities do not conduct oversight based on the risk-based approach, and do not focus their efforts on associations that are more vulnerable to TF abuse.
434. The absence of supervision and control over private foundations constitutes a threat in itself, especially since they are lawfully able to collect and disburse funds. As a result, they may be misused for TF purposes without any public authority's knowledge of such misuse or the details of any other activities.
435. The inspection of associations resulted in the discovery of some violations that led to dissuasive sanctions. It was discovered that three associations had received foreign funding without a permit and were subsequently referred to the judiciary. One association was dissolved by a judicial judgement, while the other two associations had their activities suspended and bank accounts are frozen until a judicial judgment is rendered. The AT was not able to see all the violations and penalties issued by the supervisory authorities, as a comprehensive statistic is not kept in this regard. Rather, such information is kept separately at each authority. The AT was provided with statistics on some of the violations where warnings were issued. In one of those violations, an association launched a fundraising campaign without a permit, and the penalty is not considered proportionate nor dissuasive.
436. The concerned authorities do not communicate with the associations, nor do they provide them with awareness-raising publications or training courses regarding the threats surrounding the NPOs sector and the risks of TF abuse and preventive measures. However, the associations that were interviewed during the onsite visit displayed their keenness to take measures that would prevent them from being

abused for TF. Such measures included the direct interaction with the beneficiaries of financial aid and the accurate preservation of their records and registers. Additionally, they insured that they usually resort to secure banking channels when executing financial transactions. The concerned authorities, do however, provide training courses and publications on enhancing transparency in associations and instilling democratic principles in their management.

437. The relevant authorities instruct the associations under their supervision to review the UN and domestic lists of terrorists to verify the identity of donors and beneficiaries of financial aid. However, the interviewed associations do not review these lists unless they do not personally know the donor or beneficiary.

Deprivation of TF assets and instrumentalities

438. Algeria seeks to deprive terrorists, terrorist organizations, and terrorist financiers of TF assets and instrumentalities. It has, for this purpose, exploited the various legal tools available to it and has been able to stop the movement of funds that could have been used for TF in some cases.

439. The legal structure in Algeria provides the public authorities with several penal and administrative measures that enable them to deprive terrorists, terrorist entities and terrorist financiers of assets and instrumentalities related to TF. In addition to freezing and seizure measures applied to those listed on the UN and domestic terrorist lists, albeit implemented ineffectively to some extent, the authorities may seize funds when investigating TF offences and confiscate seized funds pursuant to court rulings. Administrative seizures are also provided to CTRF and the President of the Court of Algiers, as regulated in the law relating to AML/CFT.

440. The Algerian authorities have frozen the bank accounts of some of those listed on the domestic list (without specifying the number of individuals) and have frozen a total sum of funds in those accounts estimated at about (USD 1,150). They also seized property owned by some of those listed on the domestic list, either as self-proprietorship or joint ownership (without specifying the number of seized property). However, it was discovered that the frozen funds were not transferred to the Central Treasury in accordance with the law, but rather remained frozen in the bank account as per CTRF instructions.

441. GDNS seized funds with a total value equivalent to (USD 318,923) in different currencies, as well as two vehicles and (8) mobile phones during the past five-year, while the total amount of funds seized by various authorities during the same period is estimated to be equivalent to (USD 871,611) in different currencies.

442. In the past five years, CTRF issued one administrative order to freeze (5) accounts at Algiers Post for the involvement of one of its employees in contributing to the financing of a terrorist group. It requested an extension of the freezing order from the competent judicial authority, which in turn sustained the order.

443. In the past five years, the President of the Court of Algiers issued two administrative orders to seize funds and assets belonging to several individuals on suspicion of their involvement in TF. The orders included the freezing of (47) bank accounts and the seizure of (52) vehicles and (9) real estate, owned by either the suspects or by companies under their control. The convictions in TF cases ruled the confiscation of cash equivalent to (USD 865,220) in different currencies.

Consistency of measures with the overall TF risk profile

444. Given the high TF risks in Algeria, it can be said that the measures taken are not entirely consistent with the country's overall risk profile, especially with regard to the exploitation of the powers available pursuant to UNSCRs 1267 and 1373; this includes as well the measures taken in monitoring NPOs to ensure that they are not exploited as a conduit for TF.

445. The authorities in Algeria have a different understanding of the risks of terrorism and TF (see IO.1). Nonetheless, the various concerned

authorities in the country are making intensive and unremitting efforts to mitigate those risks. Among these efforts was the issuance of the first domestic terrorist list and the application of seizure and freezing measures on the funds and assets of those listed in the implementation of UNSCR 1373. Additionally, during 2021, funds that were meant to be moved across the borders, in and out, to be used for TF were intercepted. Moreover, penalties were applied and confiscation of seizures in TF cases in a proportional manner. Such measures reflect the efforts made by most authorities to mitigate TF risks.

446. On the other hand, Algeria satisfied itself by proposing the designation of just one individual to the Security Council Sanctions Committee 1267/1989/2253, and did not join any other country in proposing the designation of any individual or entity to the sanctions committees; therefore, the efforts made in this regard are very modest, as Algeria did not seek to sufficiently propose designations to the sanctions' committees in line with the wide presence of terrorist groups in the country that are linked to Al-Qaeda and ISIL. Additionally, it did not request the countries in which the individuals listed on its domestic list reside, to designate them pursuant to UNSCR 1373 or freeze or seize their funds and assets; in addition, to the noticeable delay in Algeria's implementation of TFS to the funds and assets of those designated on its national list.

447. Furthermore, Algeria did not conduct a comprehensive study and evaluation of the NPOs sector since 2004. As a result, it did not identify the subset of NPOs vulnerable to TF abuse, nor did it supervise NPOs on a risk-based approach. Most of the supervisory authorities of NPOs do not conduct onsite inspections, nor do they communicate with the NPOs on an ongoing basis and provide instructions and training courses on the threats facing NPOs and how they may be abused for TF activities. Additionally, not subjecting local private foundations to any supervision by a public authority, indicates the absence of any measures that should have been taken in light of the risk profile of Algeria, in particular, the risks of terrorism and TF.

448. **Overall Conclusion on IO 10:** Algeria does not implement TFS without delay even though the organizational structure for the implementation of UNSCRs 1267 and 1373 and relevant resolutions is present within the country. The mechanism adopted regarding UNSCR 1267 is ineffective and does not guarantee the immediate implementation of TFS. The publishing of the consolidated list and latest updates thereon on the CTRF website before the Minister of Finance decisions are published in the Official Gazette, does not obligate subject entities to implement TFS without delay. Algeria submitted an ex-parte proposal to designate only one individual to the Sanctions Committee established pursuant to UNSCR 1267 and relevant resolutions, which is not sufficiently consistent with the terrorism and TF risk profile of Algeria. It also issued the first domestic terrorists list of individuals and entities in the implementation of UNSCR 1373. However, the Committee's decision to designate individuals and entities in the domestic list was not published until 3 weeks following its decision date due to the publishing procedures followed at the level of the Official Gazette. Algeria did not seek to implement UNSCR 1373 at the supranational level, despite the presence of those listed on the domestic list outside the country. It did, however, freeze (with a delay) the postal accounts of some thereof, in addition to seizing property belonging thereto. Algeria did not apply risk-based measures on NPOs as it did not specify the subset of NPOs likely at risk of TF abuse, nor did it specify the threats facing NPOs or how they are abused by terrorists. Supervisory authorities of associations mainly rely on offsite inspection, and onsite inspection is conducted to a lesser extent. All associations are subjected to a similar level of supervision, without focusing, according to the risk-based approach, on associations that are more vulnerable to TF abuse.

449. **Algeria is rated as having a Low level of effectiveness for IO.10.**

Immediate Outcome 11 (PF financial sanctions)

450. The AT based their conclusions on the meetings they conducted with the competent authorities represented in the MOFA, the MOJ, the

MOI, the NG, CTRF, the GDC, a number of banks, FIs, and DNFBPs, and by reviewing documents submitted by the country.

Implementation of targeted financial sanctions related to proliferation financing without delay

451. Algeria does not implement UN TFS requirements related to CPF without delay, due to the absence of a legal regulation that puts those resolutions into effect in the country. Although some authorities have taken measures - without legal basis - to apply TFS according to the relevant decisions, it is noted that there is a delay in applying TFS.
452. There is no legal framework within Algeria⁵⁵ to implement or enforce CPF-related UNSCRs. Additionally, no mechanisms were adopted to implement such UNSCRs nor did Algeria establish a committee or authority responsible for the implementation of TFS related to CPF (see R.7). Despite that, Algeria implemented UNSCR 2375 (successor resolution to UNSCR 1718)⁵⁶. Algeria also decided in mid-2017 to stop issuing work visas to North Korean citizens. It stopped issuing work permits to North Korean citizens by the end of the same year and decided as well not to renew valid permits after their expiry date. Algeria also directed companies that employ North Korean workers to gradually replace them and avoid hiring them in the future. At the beginning of 2019, Algeria repatriated all North Korean workers with work permits and invalidated all work contracts signed with them. On the other hand, Algeria implemented UNSCR 2371, albeit with a delay as clarified below. It is not evident that Algeria has implemented UNSCR 2231 (and its successor resolutions) without delay.
453. Concerning CPF-related TFS, Algeria sometimes applies, in practice, the same mechanism adopted to implement CFT-related TFS. The Minister of Foreign Affairs refers the UN consolidated sanctions list to the Minister of Finance, who in turn, issues a decision to seize and/or freeze the funds and assets of those listed thereon. The latter's decision and the attached list are published on the CTRF website. This mechanism, in relation to CPF-related TFS, is not based on adopted measures or legal framework.
454. The AT reviewed a large sample of decisions issued by the Minister of Finance, which were published on the CTRF website. It became clear that the Minister of Finance only issued two decisions to implement CPF-related TFS. The first was issued in September 2018⁵⁷, and ordered the implementation of TFS pursuant to UNSCRs 1718, 2371, 2375 and 2397 and to those designated on the updated list when the decision was issued. The second was issued recently during the onsite visit⁵⁸, and ordered the implementation of TFS pursuant to the aforementioned UNSCRs in addition to UNSCR 2356 (2017). The two decisions have no legal basis to obligate subject entities to implement TFS, as the Minister of Finance, upon issuing those decisions, referred to laws that do not enforce CPF-related UNSCRs within the country. Therefore, it is concluded that these decisions (despite their inclusion, in the last decision, all the relevant names designated on the consolidated sanction list) are non-binding to subject entities and do not obligate them to implement CPF-related TFS.
455. CTRF publishes, without any legal basis, the UN consolidated sanctions list on its website which includes the information of those designated by virtue of CPF-related resolutions. The list is reviewed, as indicated in IO.10, by the subject entities, either through the use of

⁵⁵ The AT reviewed the text of Article (18 bis 2) of Law No. 05-01 on AML/CFT, which states: "With due regard to the rights of bona fide third parties, the funds of individuals, groups and entities designated on the sanctions committee's consolidated list shall be immediately frozen and/or seized as updated by UNSCR 1267 (1999)". This does not extend to include UNSCRs related to CPF, which are legally and substantively separate from and not related to UNSCRs related to CFT. They thus require stipulating them either expressly or refer to all UNSCRs under Chapter VII of the United Nations Charter to enter them into force within the country. The AT was also briefed on the draft amendment of Law No. 05-01 related to AML/CFT, to amend Article (18 bis 2) thereof, so that Security Council resolutions related to CPF are included to when implementing seizure and freezing measures. Additionally, the establishment of a competent committee to follow up on Security Council resolutions adopted under Chapter VII of the United Nations Charter was proposed in the amendment.

⁵⁶ Resolution 2375 (unscr.com)

⁵⁷ Decision of the Minister of Finance issued on 6 September 2018, published on the FIU's website

⁵⁸ Decision of the Minister of Finance issued on 7 August 2022, published on the FIU's website

commercial electronic systems or by accessing CTRF website daily, and the names of their clients are screened against the names listed thereon (without differentiating if designations were made pursuant to CTF or CPF-related UNSCRs), to check for any possible positive match. However, the absence of a legal obligation in that regard may lead to subject entities refusal to implement the freezing measures in case of a match with the names of persons and entities designated on the consolidated list by virtue of UNSCR related to CPF.

456. Algeria had previously applied freezing measures in the implementation of UNSCR 2371⁵⁹ regarding a designated North Korean company that was active and present in Algeria. The company's bank accounts were frozen pursuant to a decision issued by the Minister of Finance explicitly ordering the implementation of CPF-related TFS. CTRF was keen to address the banks to ensure that the freezing measures are implemented, which reflects the authorities' efforts to respect and implement CPF-related UNSCRs. However, and as per the documents reviewed by the AT, a delay was noticed in implementing freezing measures, as UNSCR 2371 (the resolution by which the company was designated) was issued on the 5th of August 2017, while the freezing measures were not applied except by virtue of the Minister of Finance's decision dated 13th December 2017 (a delay of more than 4 months).
457. The AT did not receive a copy of this decision nor any justifications for the delay. This raises questions regarding banks' failure to implement freezing measures on the company's accounts immediately after it was designated on the consolidated sanctions list on 5th August 2017, especially since several of the Minister of Finance's decisions were published on CTRF website (which presumably should have resulted in updating the consolidated list published on CTRF website) from the date the company was listed on the sanctions list until the date of freezing its bank accounts. This also raises other questions regarding the reasons CTRF addressed the banks (which took place more than a week following the Minister of Finance decision) to verify their implementation of freezing measures. This approach is not usually adopted by CTRF and does not fall within its mandate and powers; represented only (with regard to UNSCR 1267 and successor resolutions) in publishing the consolidated sanctions list on its website without following up on how the subject entities implement the seizure or freezing measures. It can be deduced that CPF-related seizure or freezing measures are not implemented immediately and spontaneously by all subject entities, but they rather require an intervention from the relevant authorities to compel them to do so.
458. Commercial relations are present between Algeria and Iran, but there were no commercial relations with North Korea in the last 5 years. The value of imports from Iran between 2017 and 2021 was around USD 72.8 million, most of which were (local vehicles, POLYSTERENE GPPS and POLYETHYLENE ROTOMOLDING GRANULES, gas water heaters, gas pipes, dried fruits, nuts and sweets). As for exports to Iran, they were in 2018 only and consisted of gas heater parts.

Identification of assets and funds held by designated individuals/entities and prohibitions

459. Algeria does not identify and prohibit, in a timely manner, funds and assets owned by entities designated pursuant to UN resolutions related to CPF. This conclusion was reached after it was noticed that the accounts (2) of one of the listed companies had not been frozen in a timely manner, which may have allowed the company to dispose of the funds that should have been frozen.
460. Algerian authorities were able to identify two bank accounts belonging to a North Korean company designated on the sanctions list pursuant to CPF-related resolutions (see above). The company's accounts were frozen (by virtue of the Minister of Finance decision that has no legal basis), in addition to the personal account of the North Korean partner in the company. However, freezing measures were not implemented immediately, which may have enabled the company to use its bank accounts to execute financial transactions until they were frozen. The AT did not obtain any information on the total value of the transactions that took place on the company's accounts from

⁵⁹ Resolution 2371 (unscr.com)

the date of its designation on the sanctions list until the date its accounts were frozen, and the number, nature, and destination of these transactions. Algeria did not identify or freeze any funds or assets belonging to those designated pursuant to UNSCR 2231 (or successor resolutions)

461. The shortcomings raised regarding the inability of most of the reporting entities to identify the BO (as clarified in IO 4 and IO 5), would affect the implementation of seizure and freezing measures. This is due to the possibility of the existence of entities whose ultimate controller is among those designated on the consolidated sanctions list by virtue of CPF resolutions.
462. GDC is concerned with inspecting all individuals and goods within the customs areas and ships in ports. It ensures that ships are inspected, especially those containing goods imported from or exported to Iran to verify that they do not contain any prohibited goods; GDC also analyses all information in the shipping manifest and attached invoices to verify whether any of the names contained therein match the names on the UN consolidated list, which it receives from the MOFA or by reviewing the CTRF website.
463. During 2019-2020, some officers of the GDC and inspectors (37) participated in (3) training courses to detect the dual use of chemical, biological, radiological, and nuclear materials, and explosives. The courses did not appear to include the application of proliferation related TFS without delay.

FIs and DNFBPs' understanding of and compliance with obligations

464. The understanding of FIs and DNFBPs of the UN TFS requirements related to CPF ranges from poor to non-existent, as it is considered poor by banks, financial departments of the post and insurance companies, while there is complete lack of understanding of these requirements at the level of other FIs (i.e. stock exchange sector and FIs subject to the supervision of the "Banking Committee") and DNFBPs. This is mainly due to the absence of a legal basis obligating FIs and DNFBPs to implement the relevant requirements (see R.7) and this section of the MER does not apply to VASPs, as there are no natural or legal persons providing these services under a license because of preventing dealing with virtual currencies (See IO.3).
465. There is no legal basis in Algeria for subject entities including banks to implement PF-related requirements immediately and without delay. In addition, there are no mechanisms to notify subject entities of the updates that occur on the related UNSCRs. In spite of this, most of the banks when executing transfers (via Swift) rely on commercial electronic systems that include lists related to CPF. The main motive behind having such systems is to maintain correspondent banking relationships, but banks do not realize the importance of this for the purposes of CPF; they also do not verify that these lists are updated in a timely manner and that they include all the names of the designated persons and entities.
466. Some banks rely on the consolidated UNSCR list which is published by CTRF on its website in (pdf) format, without knowing that this list includes the names of individuals and entities designated on the relevant UNSCR lists. These banks review daily the date of the published list, and if any update is noticed, they manually feed the entire list in their electronic systems without knowing the type of update that occurred (whether de-listing, listing or amendment), which constitutes an obstacle to implementing TFS without delay. On the other hand, it was noted that some banks do not continuously follow up on updates to the consolidated list.
467. It is not possible to transfer funds related to import and export activities except through banks and FIs subject to the supervision of the Banking Committee, provided that they are approved as an "accredited intermediary in foreign trade transactions" from BOA⁶⁰; any foreign

⁶⁰ Until the end of the field visit, no financial institution was approved by BOA as an intermediary in the implementation of foreign trade operations, and the accreditation was limited to some banks only.

trade dealer must open a domiciliation file⁶¹ (prior accreditation) with the bank before executing any transfer related to an import or export transaction.

468. In general, banks review and process the notifications generated by commercial electronic systems, while banks have not previously detected cases of the same or similar names as those of individuals or entities designated on UNSCR lists related to CPF. In the event of any match, the procedures followed at the level of banks do not warrant the treatment of positive matches during weekends and official holidays in Algeria (as this may coincide with normal working days in New York, where updates may be made to the relevant UNSCR lists), and this allows the withdrawal of funds through ATMs, point of sale machines (POS) or the execution of transactions through other electronic banking services during these periods.
469. The financial departments of Algeria's Post depend on the consolidated sanctions list published by CTRF on its website and monitor the website daily for any updates that might occur thereon. Names on the list are included and updated manually on the post's internally developed electronic system. The system matches names before opening accounts and before executing any financial transaction. It does not seem that this system warrants the effective and immediate implementation of TFS without delay, as it is not possible to feed updates that occur during weekends immediately and this allows the withdrawal of funds through the Post's ATMs, and it cannot recognize the listed name in the event of a slight difference between the name of its customer and any of the names listed under the consolidated sanctions list (the electronic system allows only 100% matches to be detected).
470. The understanding of the insurance companies of the TFS requirements related to CPF is considered generally poor. Companies that provide life insurance services review the consolidated sanctions list that CTRF publishes on its website every 48 hours and match it manually, which prevents the implementation of TFS without delay. In addition, they are not aware of whether the consolidated list contains the names of individuals and entities associated with TFS related to PF. Concerning the companies that provide marine and cargo insurance services, they do not provide insurance coverage for shipments emanating from or destined for North Korea or Iran. Although they use an electronic commercial system to screen the names of individuals and entities designated on the lists, they are unaware of the lists that their systems include and the mechanism of action.
471. The AT did not find that all FIs have implemented sufficient measures to ensure the detection of cases of sanctions avoidance or evasion. Some banks rely on the procedures for identifying the beneficial owner in the context of the normal business relationship to detect sanctions evasion, but the procedures for identifying the beneficial owner, in general in the banking sector, are not considered sufficient and may limit the effectiveness of the application of the relevant TFS (see IO.4). The AT did not find that the remaining FIs and DNFBPs are implementing UN TFS requirements related to CPF due to the absence of any legal basis to implement the relevant requirements.

Competent authorities ensuring and monitoring compliance

472. The AT did not find that the supervisory authorities⁶² of FIs and DNFBPs are taking any supervisory measures to ensure that the subject entities implement the relevant UN TFS requirement related to CPF effectively, immediately and without delay. The main reason for this is the absence of a legal basis obligating the subject entities to implement any obligations in this regard, as well as obligating the supervisory authorities to follow up on the implementation of any relevant requirements.
473. From a practical point of view, although the lists published on the CTRF website include the consolidated sanctions list comprising the

⁶¹ According to Articles (3, 11, 12, 37) of Regulation No. 07-01 of 2007, domiciliation is considered an administrative process that ensures opening a file at the bank (the approved intermediary) and obtaining a number called the "Domiciliation Number" for the commercial transaction before executing the related financial transaction(s).

⁶² This does not include monitoring VASPs, as there are no licensed providers of these services as a result of banning dealing in VAs (see IO.3) Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

names of individuals and entities associated with PF, there were no specific supervisory measures to ensure the extent to which the subject entities screen the names of their clients against these lists. In addition, the guide for assessing the AML/CFT system that the BOA uses during the onsite inspections of banks, FIs and postal financial services does not contain any items related to CPF.

474. The lack of a legal basis explains the absence of any sanctions, fines or administrative measures applied to the subject entities for failure to implement TFS related requirements. On a separate note, there is the absence of any guidance on how the subject entities implement the relevant TFS requirements related to CPF.

475. **Overall Conclusion on IO 11:** Algeria does not implement CPF-related TFS without delay. Even though Algeria has implemented some CPF-related UNSCRs, the legal basis that makes these resolutions legally enforceable within the country is non-existent. In the implementation of one of the UNSCRs, Algeria applied freezing measures to the accounts belonging to one of the companies designated on the relevant UN lists, albeit with a significant delay. Algeria does not have any mechanism to ensure the implementation of all relevant resolutions. Moreover, there is no legal basis obligating FIs and DNFBPs to apply TFS related to CPF and there is no legal basis obligating supervisory authorities to follow up on the implementation of subject entities' compliance with the relevant requirements.

476. **Algeria is rated as having a low level of effectiveness for IO11.**

CHAPTER 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 4

- a. Banks (high risk sector) have a non-unified understanding of ML risks that ranges between moderate and poor. Their understanding of TF risks is poor. The remaining FIs have a non-unified and non-comprehensive understanding of ML/TF risks and AML/CFT obligations, especially the post sector (high risk sector) which has a poor understanding of risks. DNFBPs have a poor and insufficient understanding of ML/TF risks and AML/CFT obligations, especially notaries (high risk sector), real estate agents and DPMS (both medium risk sectors).
- b. Most banks take satisfactory measures to mitigate risks, as they include some blanket measures and do not rely entirely on their understanding of risks; however, when for certain categories of clients, they apply de-risking measures instead of applying risk-mitigation measures. Algeria Post and FIs, subject to the supervision of the Banking Committee apply some measures to mitigate risks, but they are not considered sufficient; however, the remaining FIs do not take any measures in this regard. On the other hand, notaries take some measures to mitigate risks, but the remaining DNFBPs do not apply any measures, except for the legal requirement of not accepting cash payments when exceeding a certain threshold.
- c. Most banks implement CDD measures to a somewhat satisfactory degree, but these measures are not implemented based on risks. FIs (subject to the supervision of the Banking Committee) implement these measures in a non-unified manner, ranging between moderate and poor, while the implementation is considered poor for other FIs. In general, the concept of BO is poor among the vast majority of FIs. FIs fully implement their record keeping requirements. DNFBPs implement CDD measures to a low and incomplete extent and are unaware of the concept of the BO and the mechanisms for BO identification. Moreover, DNFBPs do not keep records of transactions in a way that enables them to reconstruct their customers' transactions to provide them upon request to competent authorities or to assist them in preparing an STR.
- d. FIs apply enhanced CDD measures in a good and satisfactory manner when it comes to new technologies, correspondent banking, and wire transfers, and in low and incomplete manner in relation to PEPs, higher-risk countries, and TFS. Also, the implementation of the obligations by DNFBPs is considered poor regarding PEPs and higher-risk countries, while the implementation of their obligations related to TFS is almost non-existent.
- e. Banks and Algerian Post Office are reporting STRs the most to CTRF on ML/TF suspicion, but the quality and accuracy of the financial information contained in the STRs remain limited and insufficient, adding that the reported STRs do not align with Algeria's risk profile, especially TF risks. STRs filed by DNFBPs are very limited and not in line with risks facing them, especially the risks facing notaries. STRs are almost non-existent in the remaining sectors.
- f. In general, banks, Algerian Post Office and other FIs (except stock exchange companies that provide services independently from banks) have AML/CFT internal controls and measures that include the implementation of CDD measures, maintaining record, appointment of a compliance officer, training employees, assigning an independent audit function to test compliance with internal controls and measures. However, such policies do not include procedures for group-wide information sharing for CDD measures or for sharing unusual or suspicious transactions. None of the DNFBPs has any satisfactory measures or controls in this regard.

Recommended Actions

- a) Algeria should:

1. Amend the AML/CFT Law to address the shortcomings identified in the TC annex, particularly regarding the concept of PEPs, higher-risk countries and CDD obligations and other preventive measures.
 2. Prepare and implement continuous awareness training programs for reporting entities (particularly banks, post offices, notaries, real estate agents, and DPMS) to raise their awareness of the risks they are exposed to (particularly with regard to TF risks), and require them to conduct an ongoing self-assessment of risks.
 3. Review and update guidelines issued by BOA on the due diligence measures towards customers regarding their implementation based on the risk level.
 4. Ask banks to apply EDD based on risks instead of applying de-risking measures.
 5. Issue instructions and guidelines to FIs and DNFBPs on how to apply mitigation measures consistent with all risks they are exposed to, especially risks facing Algeria post.
 6. Issue instructions and increase outreach and training to subject entities to enhance their compliance especially regarding BOs, PEPs, higher-risk countries, and TFS.
 7. Ensure that reporting entities have the logistic and human resources required to review and check unusual transactions and file STRs with CTRF in a timely manner.
- b) CTRF, in conjunction with the relevant supervisor(s), should:
1. Issue guidelines to all reporting entities, especially high-risk FIs/DNFBPs exposed to cash concerning reporting an STR, ML/TF patterns, and red flags, to enhance the quality of the reporting.
 2. Issue instructions and guidelines to FIs and DNFBPs to help them identify unusual transactions especially those related to higher-risk predicate offences according to Algeria's risk profile in addition to those related to TF.
 3. Provide feedback on the quality of STRs to reporting entities, notably for the high-risk sectors.

477. The related immediate outcomes which were studied and analysed in this chapter is Immediate Outcome 4. The Recommendations related to effectiveness assessment under these sections are R. 9-23 and elements of R. 1, 6 and 29.

IO.4 (Preventive measures)

478. Considering their materiality as well as Algeria's risk profile, implementation issues are most heavily weighted for banks followed by Algerian Post Office (Provides current account services to customers and international⁶³ and local non-bank transfers) and notaries (For concluding contracts related to the purchase and sale of real estates and contracts related to company formation) and moderately weighted for DPMS and real estate brokers, and less heavily weighted for less-significant sectors, especially FIs (subject to the supervision of the Banking Committee)⁶⁴, insurance sectors, stock exchange companies, and lawyers.

479. The effectiveness of the implementation of the requirements by banks, Algerian Post Office and notaries have a significant impact on assessing the level of effectiveness for IO.4.

480. The AT built their conclusions on the discussions with several FIs and DNFBPs of different sizes and categories on their understanding of risks and measures taken for management and mitigation of risks as well as on how they implement preventive measures. During their discussions, the team was keen to ask many questions to confirm the available information from more than one source and the responses

⁶³ Through an international money transfer company

⁶⁴ It covers FIs subject to the supervision of the Banking Committee in accordance with the amended and supplemented Order No. 03-11 relating to money and credit (these are financial leasing companies). This term does not mean FIs according to the FATF definition.

of the entities matched to confirm the AT conclusions. Also, the team relied on the statistics provided by BOA as the supervisory authority entrusted with implementing the Banking Committee's supervision (in practice) of banks, FIs and the Algeria Post Office.

481. The three accounting professions (bookkeepers, accountants, and CPAs) are regulated professions under the Algeria legislations and cannot prepare or carry out transactions for their clients concerning the activities⁶⁵ that fall under Criterion 22.1 of the FATF Recommendations. Moreover, Algeria does not have independent professions related to trust and company service providers, except for lawyers who can work as representatives for the creation of legal persons. As for exchange offices, although there are 3 licensed exchange offices, they have not been carrying out any activity since 2016, and they cannot legally provide any services on the ground. (See Chap 1 and IO 3).
482. Algeria passed a law prohibiting the purchase, use and possession of virtual currencies. However, this prohibition does not explicitly cover all VASP activities identified by the FATF (see Rec. 15). Therefore, practising VASP activities without a license remains a possibility in Algeria. FIs, especially banks and Algerian Post Office, are not sufficiently aware of ML/TF risks that may arise when a client(s) deal(s) with unregulated VASPs, and FIs have not taken any measures to detect any possible dealings with them.

Understanding of ML/TF risks and AML/CFT obligations

483. The level of understanding of ML/TF risks and AML/CFT obligations largely differ among reporting entities. In general, the lack of an assessment of national and sectoral ML/TF risks (except for the initial draft issued by the BOA) significantly affects the level of ML/TF risk understanding for all financial and non-financial sectors.

Financial Institutions (FIs)

484. Banks have a non-unified understanding of ML/TF risks that ranges between moderate and low. As for the remaining FIs they have a non-comprehensive and non-consistent understanding of ML/TF risks. The level of such understanding differs among sectors. FIs (subject to the supervision of the Banking Committee) and insurance companies have a moderate understanding of ML/TF risks, while stock exchange brokers have a very poor understanding of ML/TF risks. Moreover, the understanding of banks and insurance companies of their AML/CFT obligations is considered good. This understanding is moderate among FIs (subject to the supervision of the Banking Committee), and poor among stock exchange brokers.
485. All interviewed banks participated in the sectoral ML/TF risk assessment initiated by BOA, by providing information and statistics, without limitation, on STRs, unusual transactions (confidential reports), preventive measures taken in relation to STRs (accounts subject to judicial or administrative freeze/enhanced monitoring of accounts) and classification of banks' clients based on activity and nationality. Although the sectoral report was not approved and published until the end of the on-site visit, the required information helped draw the attention of some banks to the nature of the information and statistics used in assessing ML/TF risks and in identifying, albeit in a limited way, the risk level of some clients, excluding securities transactions (which are dominated by government securities) and gold and precious metals transactions.
486. Even though most interviewed banks conducted a self-assessment of ML/TF risks that is regularly updated (ranges between six months to one year), their understanding of the extent to which the banking sector is exposed to ML/TF risks remains very limited and most banks did not provide clear examples on how the sector is being misused for ML/TF purposes. This is basically because most banks' self-assessment of risks was limited to analysing the effectiveness of AML/CFT internal controls and measures and did not address the potential

⁶⁵ Pursuant to the provisions of Law No. 10-01 of June 29, 2010 relating to the accountant profession, bookkeeper, and certified accountant Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

threats or consequences of ML/TF risks. Moreover, the assessments conducted by banks (except for one) did not cover all risks elements such as risks of clients, countries and jurisdictions, products, operations, and delivery channels.

487. Despite the limited outputs of the self-assessments, some banks made lists of categories of clients and products that pose potential ML risks. Some of which for example in terms of clients, legal persons whose transactions are based on the extensive use of cash, such as hotels, restaurants, construction companies and trading companies, especially wholesale traders, PEPs and persons or companies that are active in the real estate sector, especially real estate development companies; and in terms of products or services, saving accounts, cash deposits and electronic transfers overseas.
488. Regarding TF risks, most banks consider all NPOs as posing high risks, without considering the actual risk that NPOs may face, depending on their various characteristics and the nature of activities. Other than the potential risks of misusing NPOs for TF purposes, not all banks provided examples of what might constitute a TF risk, which indicates that banks lack awareness of TF risks. Banks are unable to identify TF patterns and methods through the banking sector, which is confirmed by the limited number of TF related STRs filed by banks (see IO.6).
489. Most banks have started applying the risk-based approach since 2015. In 2017 and 2018, banks started using electronic systems to assess clients' risks based on the data provided in KYC files and official documents. However, banks' understanding of the RBA is uneven and inconsistent. Large banks or those that are part of foreign financial groups apply the RBA in a good manner and their clients are classified into three categories (low, moderate, and high risk). They also apply enhanced CDD measures toward high-risk clients such as construction companies. Most of the other banks, especially small local banks (not affiliated with a foreign financial group), do not classify customer risks, taking into consideration all risk factors, as they satisfy themselves with one element, which is the nature of the customer's activity.
490. Algeria Post Office has a low and limited understanding of ML/TF risks. Representatives of the Algeria Post Office did not provide any examples of how the post sector is misused for ML/TF purposes. They consider that the current account service provided by the Algeria post office does not pose any risk. They explained that this service is only provided to employees, retirees, and students. However, the AT consider that these accounts pose high risks as they provide the possibility to make cash deposits without any thresholds. Also, they consider domestic wire transfers and transfers through money transfer service providers (foreign) as low risk, especially TF risks. However, there is no indication that their conclusion is based on an actual assessment of these products' risks.
491. Algeria Post Office does not implement the risk-based approach. Although it adopted criteria for classifying customers and products according to the degree of risk, it does not apply CDD measures based on this classification of risks. The level of the Algeria Post Office's awareness of their AML/CFT obligations is also considered low and limited.
492. The insurance companies' understanding of ML risks and AML obligations is moderate. Although they did not conduct a self-assessment of risks or classify their client based on risks, representatives of the sector provided some examples of how they may be exposed to ML, such as the one-time payment of an insurance policy or through third parties, yet they did not provide any examples of how they could be misused for TF purposes.
493. FIs (subject to the supervision of the Banking Committee) have a moderate understanding of the ML/TF risks and AML/CFT obligations. This is because some of them conducted ML/TF risk self-assessment, where they classified clients into three categories and provided examples for each risk category. It was found that some are aware of their AML/CFT obligations, while others have not assessed their internal risks nor provided any examples of how the sector is misused for ML/TF purposes. Also, they are unaware of their AML/CFT obligations.
494. Stock exchange companies' understanding of ML/TF risks is considered poor and limited. They have not conducted a self-assessment of ML/TF risks and their awareness of how the sector is misused for ML/TF purposes is non-existent. Most of these companies rely on banks

in executing their obligations since all transactions are conducted through bank accounts.

Designated Non-Financial Businesses and Professions (DNFBPs)

495. Real estate agents' understanding of the ML/TF risks is considered weak and non-existent. The AT reached this conclusion because of their lack of awareness of the nature of ML/TF risks that their sector may be exposed to and how real estates are exploited for ML/TF. Also for not providing indicators that may indicate that the transaction is associated with ML/TF (for instance, the buyer's indifference to the price of the property or when the buyer resorts to selling the property shortly after having purchased it for no apparent reason).
496. Notaries' understanding of ML/TF risks is generally better than that of real estate agents but remains insufficient when it comes to company formation. They realize that inflating the price of real estates (real estates evaluated at prices that exceed their actual value) and exploiting cash for the purchase and sale of real estates as the main ML/TF methods. They consider that consultancy and import and export companies are the most vulnerable to ML/TF activities, but it is not clear how notaries came to this conclusion, especially since they have not provided any examples of how these companies can be exploited for ML/TF purposes.
497. DPMS did not assess their risks or classify their clients based on risks. They have a weak and limited understanding of their ML/TF risks and AML/CFT obligations, as most of them believe that they are not exposed to ML/TF risks, since they do not accept cash payments exceeding 100,000 Algerian Dinar, except through banking channels (bank transfer or certified checks). They did not provide any examples of how the sector is exploited for ML/TF.
498. Lawyers have not conducted a self-assessment of risks. They believe that they are not exposed to ML/TF risks as the notary is the one who concludes the transactions related to the purchase and sale of real estates and company formation. They believe that the main ML/TF risk indicator is when the client evades paying the lawyer's fees. Some of them consider an ML/TF risk indicator is when the client's source of income and nature of work (the client's activity) not being consistent with the size of the transaction. However, these indicators came in general, and it is not clear to what extent they are related to their work. This leads to the conclusion that their understanding of risks is weak.
499. DNFBPs' understanding of their AML/CFT obligations is generally weak. The AT reached this conclusion based on interviews concluded with the representatives of these sectors. Their understanding of their AML/CFT obligations is limited to "KYC measures" (as part of the CDD measures) and "record keeping". Whereas the understanding of lawyers goes beyond the foregoing to include, in addition to the application of "KYC measures" (as part of CDD measures)" and "record-keeping", the obligation to "report".

Application of risk mitigating measures

FIs

500. Most banks take a set of good measures to mitigate ML/TF risks, represented in:
- Tightening the procedures for entering into business relations with high-risk clients (hotels, restaurants, construction companies, wholesale trade companies, and persons or companies operating in the real estate sector).
 - Intensifying onsite visits to high-risk legal persons to verify their actual activity and avoid dealing with fictitious or shell companies.
 - Taking enhanced CDD measures towards cash deposits made by third parties for the benefit of the bank's client, such as verifying the source of funds and the nature of the relationship between the client and the depositor.
 - Taking extra care and caution when carrying out occasional transactions that are local transfers, such as verifying the source of funds (for transactions in excess of a certain monetary threshold) and the nature of the relationship between the ordering person and the beneficiary of the transfer.

- Conducting periodic review of the scenarios of the automated monitoring systems based on emerging risks.

501. On the other hand, the remaining banks did not provide any examples of their risk mitigating measures. Also, most banks adopt the de-risking approach by refusing to deal with categories of clients, especially NPOs, real estate development and construction companies, instead of taking risk mitigating measures. The AT considers that adopting the de-risking approach by most banks may increase the likelihood of stakeholders resorting to informal sector, that allow them to carry out their financial transactions.
502. In general, Algerian Post Office applies some risk mitigating measures, represented in providing local remittance services for only natural persons excluding legal persons as well as limiting the service for external remittances to incoming transfers, only, with no possibility of conducting outgoing transfers. However, no measures have been taken to reduce the risks of transfers between natural persons and risks of cash deposits in customers' current accounts, as Algeria post allows customers to make transfers and deposit cash in their accounts without thresholds.
503. FIs (subject to the supervision of the Banking Committee) apply non-unified ML/TF risk mitigating measures. Some of them apply these measures satisfactorily by refusing to accept cash transactions and payments from third parties; others do not take sufficient measures, whereas insurance companies and brokers do not take any measures to mitigate risks.

DNFBPs

504. Representatives of all DNFBPs explained that the legal measures implemented by them are sufficient to reduce ML/TF risks. These measures are mainly represented in the legal requirement to conduct payment transactions through official banking and financial channels (banking transfer or deed or other scriptural means of payment) for amounts exceeding DZD 1,000,000 (equalling USD 7,890). For higher amounts, DNFBPs did not provide any examples of the measures to mitigate ML/TF risks.
505. Notaries take a set of measures stipulated by law to mitigate ML/TF risks, which are represented in setting thresholds for cash transactions related to the purchase and sale of real estate (DZD 5 million, equivalent to USD 39,450), the legal obligation for foreigners (residents and non-residents) to use banking channels to process the sale or purchase of real estate or to establish or contribute to the capital of companies, in addition to the inability to make payments by third parties. These measures are considered acceptable as they may reduce the risks to which notaries are exposed.
506. The remaining sectors (lawyers, real estate agents and DPMS) do not apply any risk mitigating measures except for the legal requirement of not accepting any cash transactions exceeding DZD 1,000,000 (equalling USD 7,890), regarding lawyers and DPMS, and DZD 5,000,000 (equalling USD 39,450) regarding real estate agents.

Application of CDD and record-keeping requirements

FIs

507. Banks apply CDD requirements to a moderate extent. Reasonable measures are taken to identify the client whether a natural or legal person, the nature and purpose of the business relationship, and verify the client's identity by requesting supporting documents from a reliable and independent source. All clients must appear in person for opening accounts and establishing business relations. Also, all banks refuse to establish business relations if CDD measures are not completed, however without considering notifying CTRF.
508. National (local) banks, especially public banks, when dealing with a foreign natural or legal person, resort to the embassies of Algeria in the concerned countries to verify the documents submitted by the client such as passport, work certificate, and commercial register for legal persons. While the remaining banks, especially private banks or banks affiliated with foreign financial groups, resort to their network of foreign correspondent banks or foreign branches of the same group to verify the authenticity of the documents and information

provided by the foreign client.

509. Banks had an uneven and inconsistent understanding of the BO that ranges between poor and good.
510. Most banks have a limited and weak understanding of the concept of the BO. The reason for this is that their understanding is limited to the owner or the main shareholder of the legal person's capital without extending to include the natural person who exercises moral control through other means or to include anyone who holds a senior management position. These banks do not take sufficient measures to verify the identity of the BO of the legal person (searching through the ownership structure, reviewing the minutes of the board of directors, or monitoring the transactions of legal persons) nor do they take measures to verify whether the customer is acting on behalf of another person as the BO (for instance, in situations where the client resorts to organizing power of attorney for the benefit of another person or in the event of repeated deposits in the client's account by a third party...).
511. Some banks have a good understanding of the concept of the BO. The reason is that their understanding is not limited to anyone who has a "controlling ownership interest" but extends to include everyone who exercises effective moral control in the company or who holds a senior administrative position. These banks verify the BO of the legal person upon establishing a business relation through the documents provided by the client, especially the company's Article of Association, searching through the ownership or management structure of the legal person as well as the outcomes of the meeting between the legal person's representative and the branch manager. These banks verify the BO identity through informal cooperation with compliance officers at other local banks, especially in cases where the legal person deals with different banks. On the other hand, these banks provided some examples of situations where the customer is suspected of acting on behalf of another person as the BO, especially when the customer's account reflects frequent cash deposits by a third party or when the financial transactions of the customer do not align with the disclosed activity. When it is not possible to verify the BO, these banks refuse to enter into business relations or terminate the relation with the client and notify CTRF.
512. Banks keep the information and documents related to CDD measures for 5 years after the business relation has ended. Also, banks update such documents once any change occurs to the legal data provided by the client and at least annually for higher-risk clients.
513. Algeria Post Office applies CDD measures to a limited extent, as these measures are limited to verifying the client's identity by requesting identification documents without verifying the nature of the desired business relationship. CDD measures are also applied at the same level for all clients regardless of their level of risk. The understanding of Algeria Post Office of the concept of the BO remains poor, and no measures have been found to verify whether the client is acting on behalf of another person as the BO. If it is not possible to identify the BO, the Post Office will file an STR with CTF, without terminating the business relation with the client. The Algeria Post Office keeps CDD documents for life.
514. FIs (subject to the supervision of the Banking Committee) apply CDD and record keeping measures in a non-unified manner. Some of them apply these measures toward clients to an average extent. They explained what documents they request upon establishing business relations with a client, and do not complete the CDD measures after the establishment of the business relationship. They also update the documents annually and when the client requests another loan. The companies' understanding of the BO is insufficient, as it is limited to "the person who benefits from the finance". For the legal person, they identify the BO through documents and by searching open sources. For the natural person, the BO is identified through the information disclosed in the KYC form. On the other hand, the application of other institutions of CDD and record keeping obligations is limited to identifying and verifying the identity of the customer and keeping records and information related to the customer and their financial transactions for a period exceeding 5 years. These measures do not include all that is related to the BO.
515. BOA provided some statistics regarding the violations discovered during the inspections of banks in the period 2017-2021. There were 13 violations related to the application of CDD measures, including verifying the client's identity (8 violations), verifying the BO identity

(2 violations), and understanding the purpose and nature of client relations (3 violations). In addition, there were 16 violations related to keeping clients' data updated and continuously monitoring the transactions. Given the limited number of inspections conducted by BOA, which have not exceeded (25) inspections during the period 2017-2021 (See IO 3), the number of confirmed violations is rather high and indicates that the application of CDD measures by banks suffers from some shortcomings.

516. The AT could not verify whether the supervised entities notified CTRF on the failure to satisfactorily complete CDD measures or verify the BO identity, whether in legal persons or in situations where the customer is acting on behalf of another person as the BO.

DNFBPs

517. CDD measures applied by DNFBPs are limited to identifying and verifying the identity of the client using documents from a reliable and independent source and keeping records for a period exceeding 5 years. However, there is no indication that the proper application of maintaining records and information would enable them to reconstruct individual transactions of their clients for submission to authorities on demand or to help in the preparation of an STR. It is not found that any of them had taken measures to ensure continuous monitoring of transactions. Also, they do not take any measures to identify the BO and keep information and documents related to them.

518. None of the DNFBPs takes any measure in the event of failure to complete CDD measures satisfactorily. It has not been found that there were any STRs submitted to CTRF in this regard.

Application of EDD measures

519. In general, FIs satisfactorily apply EDD measures to new technologies, correspondent banking, and wire transfers, and poorly and incompletely regarding PEPs, higher-risk countries and TFS.

520. The implementation of EDD measures among DNFBPs is considered poor, as they lack sufficient knowledge of PEPs and higher-risk countries. Moreover, the implementation of their obligations related to TFS is almost non-existent.

FIs

Politically Exposed Person (PEP)

521. Most banks delivered a wrong or incomplete definition of the PEP concept. Practically speaking, some banks apply EDD measures for foreign PEPs. Domestic PEPs are not subject to EDD measures in Algerian law (see R.12); therefore, banks do not apply any measures to them. On the other hand, the remaining banks subject all transactions of PEPs (foreign and domestic) to enhanced monitoring and verify the source of income by requesting documents in support of the source of income and source of wealth. Banks rely on the customer's declaration to determine whether a customer or BO is a foreign or domestic PEP, except for a bank that relies on a commercial database and open sources. These banks do not obtain senior management approval before establishing a relationship with foreign and domestic PEPs.

522. Algerian Post Office has a very poor understanding of the concept of PEPs (domestic and foreign) as it considers that it includes every person who currently occupies a sensitive position and does not include former PEPs. Moreover, Algeria post does not apply EDD measures toward them or their family members or relatives or close associates. Stock exchange companies do not apply any measures to determine whether the client is a PEP and do not apply any EDD measures toward them.

523. Most Insurance companies have a weak and incomplete understanding of the concept of PEP. These companies do not take measures to determine whether any of their clients or BOs are PEPs, nor do they take any due diligence measures toward these persons including for example verifying the source of funds and source of wealth.

524. FIs (subject to the supervision of the Banking Committee) have a non-unified understanding of the concept of PEP (domestic and foreign).

The understanding of some of them is considered sufficient as they require approval from senior management before entering into a business relationship with them; however, they do not apply EDD measures adequately as they do not verify the source of income and wealth for foreign PEPs as well as for higher risk business relationship with domestic PEPs. Others do not take any measures to determine whether the client is a PEP and do not apply EDD measures toward them.

Correspondent Banking and wire transfers

525. Banks maintain correspondent relationships and somehow understand the potential risks of such relationships. It became clear to the AT that interviewed banks do not maintain accounts for correspondent banks nor do they act as an intermediary bank in executing transfers.
526. Before entering into a correspondent banking relationship with foreign banks, most interviewed banks (acting as correspondent banks) collect the necessary information and documents about correspondent banks to ensure that the bank is not located in a sanctioned country and that it has an acceptable AML/CFT internal system. The approval of the senior management is obtained before establishing or entering into such a business relationship. Correspondent banks' data are annually updated, and banks sometimes resort to visiting the headquarters of the correspondent bank to verify the submitted data. None of the bank had previously terminated a correspondent banking relationship for reasons related to ML/TF.
527. Banks rely on non-binding guidelines to implement their wire transfer obligations (see Rec 16). They apply acceptable CDD measures regarding wire transfers. These measures are mainly represented in verifying the purpose of the transfer and whether it is commensurate with the client's activity; this extends also to verifying the identity of the sender and the beneficiary and the nature of their relationship by requesting the supporting documents of the commercial transaction. Also, they verify that the sender or beneficiary of the transfer is not designated on the international and local sanction lists, whereas the BO is verified through documents submitted by the client. For foreigners, an investigation is launched with the correspondent bank on the BO of the wire transfer. Wire transfers are rejected if CDD measures are not completed.

New technologies

528. Most banks provide services and products related to new technologies, especially processing transfers through the banking application (through a smartphone or the internet), the issuance of electronic payment cards, the payment of bills and the follow-up of the operations taking place on the account. Despite the absence of any explicit requirements on banks for identifying and assessing ML/TF risks associated with new technologies, products, and business practices (see Rec. 15), some banks assess ML/TF risks before providing such services. Some measures have been also taken to reduce the potential risks of these products and/or services. These measures include, but are not limited to, transfers processed remotely, setting a threshold cap for transactions (not exceeding DZD 100,000), and providing this service only to natural persons. This service is also limited to local transfers only and does not include foreign transfers. For the e-payment cards, thresholds were set according to the customer's risk level. Products that can be purchased through the card have been identified. Moreover, specific scenarios were also developed to identify unusual transactions carried out through these cards. Some banks reviewed and updated the measures taken in the event of repeated alerts related to the use of these services. On the other hand, there is no indication Algeria Post takes appropriate measures to manage and reduce the risks associated with card service via ATMs.
529. For the remaining FIs, they do not provide any services or products in relation to new technologies.

Higher Risk Countries

530. In General, banks have a very poor and limited understanding of high-risk countries, and this is due to the absence of a legal obligation on

FIs to take measures for high-risk countries in accordance with Recommendation 19. Some banks use electronic systems that automatically update the international lists, including the FATF list and verify whether the client is located in a higher-risk country. In case the client is from/located in a higher risk country, banks apply EDD measures and ongoing monitoring of the transactions taking place on the client's accounts. Banks did not provide any clear procedures for transfers executed for the benefit of clients from/located in higher risk countries.

531. Algeria Post Office, insurance and stock exchange companies have no measures regarding higher risk countries. FIs (subject to the supervision of the Banking Committee) have a non-unified understanding of the concept of higher-risk countries. The understanding of some of them is considered good. The reason is that they check the list of higher-risk countries by reviewing the FATF website and manually feeding it into their IT system; however, they are unaware of their obligations in this regard. Others do not apply any measures toward higher risk countries.

Targeted Financial Sanctions

532. In general, the banks and remaining FIs are aware of their obligation to freeze without delay in addition not to make funds or other assets available when there is a match between the name of any of their clients and that of persons or entities designated on local and UN sanction lists. But on the practical side, not all banks are effectively implementing TFS.

533. Most of the banks depend completely and exclusively on the electronic systems to download the UN sanction lists and updates thereto and most banks do not take any measures to verify that the commercial lists are up to date. The banks' electronic systems also automatically scan clients' databases and issue alerts in the event of a suspicion or a possible match between the name of a client and any of the designated persons. The compliance units of banks work on verifying the match and are aware that they must freeze and notify CTRF in the event of a match. In case the update is issued during the weekend or national holidays, banks do not have a mechanism to verify and implement the freezing measure without delay.

534. Regarding the local list, most banks manually feed them into the electronic systems that they use and rely on a circular received from CTRF in this regard. For international bank transfers, most banks rely on monitoring programs connected to the SWIFT system, to monitor any match or similarity between the name of the transfer originator and beneficiary and any of the persons and entities designated on the UN sanction lists. In case of any similarity, the transfer is suspended until the similarity is verified. For this purpose, the documents related to the identity of the person ordering the transfer or the beneficiary are reviewed and compared with the data of the designated person or entity. In case of a match, the transfer is rejected, and CTRF is informed, without applying the freezing measure. For the internal (local) transfers it is not clear to the AT if banks verify if the originator or beneficiary of the transfer is a designated person or entity on local or UN sanction lists.

535. Algerian Post Office daily access the CTRF website to download the UN and local lists of terrorist persons and entities and manually feed them into the postal electronic system. The Post also verifies whether any of the originators or beneficiaries of the transfer is designated on the local and international sanction lists. This procedure is carried out before paying out the value of the transfers to the beneficiaries. In the event of a similarity, the Post abstains from making funds available or from executing the transfer and notifies CTRF. However, in case of a similarity or match between the name of any current account holder and any of the designated persons or entities, CTRF is informed without freezing the concerned account.

536. Insurance companies also rely on the CTRF website to manually check if the name of the existing or prospective client is designated on any of the sanction lists. However, the AT found that they are not aware of their obligations in this regard. Also, it has not been found that they verify the identity of the beneficiary at the time of pay-out of an insurance policy. On the other hand, stock exchange companies, do not take any measures to verify if the name of any existing or prospective client is designated on local or UN sanction lists related to countering

terrorism.

537. Some FIs (subject to the supervision of the Banking Committee) are aware of their obligations of freezing without delay and refraining from providing financial services and notifying CTRF in case of a match between a client's name and any of the designated persons or entities on the local or UN sanction lists. However, they do not apply appropriate measures to ensure that the lists are up to date. When there is any update on the list published on the CTRF website, they manually feed all the names on the list due to their inability to distinguish the updates made by reviewing the consolidated list. Others, however, do not take any particular measures in this regard (see IO. 10).
538. Not all FIs screen the names of the BO (whether for natural or legal person) against the names of persons designated on the international and local sanction lists.

DNFBPs

539. The application of EDD measures is considered poor among DNFBPs, as they are all unaware of PEPs or higher-risk countries, and they do not take any measures regarding them. Also, their application of TFS is almost non-existent.
540. Notaries, DPMS, lawyers and real estate agents consider PEPs as persons currently entrusted with prominent public functions. They do not verify the source of income and wealth when dealing with them. They also lack information of higher-risk countries. Noting that lawyers only request supporting documents for the source of income in case of doubt irrespective of the client's nature or activity.
541. For the application of TFS, interviewed notaries, lawyers and real estate agents access CTRF website and check the names designated on the UN list. However, such check is conducted only when they suspect clients' behaviour. For DPMS, they do not check local or UN terrorist lists, but use other irrelevant lists (corruption, fraud). In general, none of the DNFBPs has appropriate systems that would allow them to effectively implement their TFS obligations.

Reporting obligations and tipping off

FIs and DNFBPs

542. In general, banks have a good understanding of their reporting obligations, but practically, their application of such obligations remains insufficient for ML and almost non-existent for TF. Most of the ML related STRs filed by banks are defensive and do not contain sufficient and accurate information. On the other hand, banks apply sufficient measures to ensure the confidentiality of the STR and prevent tipping off the customer. This is achieved by limiting access to the STR system to the employees of the compliance unit only.
543. Banks have electronic systems to detect unusual transactions and use indicative lists of indicators or scenarios, 25% of which relate to foreign trade on one hand, while on the other hand, a significant part thereof relates to cash deposits and withdrawals exceeding the specified thresholds set by banks. Upon reviewing a number of STRs received by CTRF and case studies provided by Algeria, it is evident that banks focus on currency smuggling abroad (either by bank transfers or cross-border cash) regardless of the source or destination of funds or on significant cash transactions without assessing the extent to which they may be connected to ML/TF. This resulted in a significant percentage of archived STRs by CTRF (92%) before conducting any analysis (IO.6) or requesting additional information from the reporting bank to complete the analysis.
544. Given the high number of alerts generated by the banks' systems (200 to 800 alerts per day), due to the ineffectiveness of the scenarios, most banks end up not processing all alerts and some banks postpone their analysis. This is because of the limited human resources dedicated to analysing these alerts (2 to 10 employees maximum). These issues led most banks to adopt a defensive approach when filing STRs with CTRF. These STRs do not contain sufficient or accurate information, nor do they reflect serious indicators. STRs filed by one of

the banks exceeded 1,000 STR annually (1201 STRs in 2021), while STRs filed by the remaining banks ranged between 35 and 300 STRs each. Upon inquiring banks on the timeframe from the date of the suspicion and the date CTRF is notified, it was revealed that it does not exceed 2 days depending on the severity or sensitivity of the file.

545. Only one of the banks analyses each of the alerts generated from its electronic system to a sufficient extent. This bank has developed a list of scenarios (30 scenarios) based on its self-assessment of risks and a set of criteria such as the client's risk level, nature of the activity, amount of transaction and how consistent the transaction is with the information obtained through CDD.
546. In general, banks do not attach sufficient importance to identifying suspected TF activities, as the indicative lists of indicators developed by all banks do not include any TF-related scenarios. Banks justified that by saying that the level of TF risk in the banking sector is almost non-existent, where, from their point of view, terrorist entities do not resort to the banking sector to deposit, transfer or disburse funds. In their opinion, the parallel market is used for TF purposes. Despite this, the risks of exploiting the banking sector still exist, given Algeria's geographical location that makes it vulnerable to the risks of foreign and domestic TF.
547. The number of violations discovered during BOA's inspections of banks regarding monitoring unusual transactions and immediately notifying CTRF was 19 violations between 2017 and 2021.
548. Algeria Post has an electronic system to trace and monitor unusual transactions with a set of scenarios. The system generates 35,000 alerts related to unusual transactions per year, i.e., 95 alerts per day, which are analysed by the reporting officer at the level of post offices. The compliance officer is responsible for studying the alert and notifying CTRF. The Post Office is sufficiently aware of its obligations regarding the confidentiality of the STR and prevents from tipping off the client.
549. FIs (subject to the supervision of the Banking Committee) do not have information systems in place to monitor unusual transactions; some of them depend on the expertise of their employees to identify suspicious transactions and file an STR with CTRF. Management is required to approve the names before they can be reported. This may hinder the effectiveness of the compliance function in terms of notifying CTRF in a timely manner. As for others, they do not take any measures to monitor unusual transactions and notify CTRF.
550. In general, DNFBPs are not aware (except lawyers) that they are required to notify CTRF in case of ML/TF suspicion. They do not have clear procedures to maintain the confidentiality of STRs in case of reporting.
551. In general, notaries, real estate agents, DPMS, accountants and lawyers do not take any measures to detect suspicious transactions/activities. They rather depend on personal intuition to judge the unusual personal behaviour of the client (such as speaking with another person over the phone, nervousness, etc...). In case of suspicion, DNFBPs (except lawyers) notify the police and not CTRF. Lawyers notify the head of the bar association who in turn forwards the reported STR to CTRF. However, there is no indication whether measures are taken to keep the confidentiality of the STR if filed.
552. During the period 2017-2021, STRs received by CTRF were 12,049 from FIs and DNFBPs. STRs witnessed a remarkable increase over the years, mainly because, as already mentioned, some banks have defensive reporting of STRs to CTRF. Most of the STRs were related to ML suspicion and associated predicate offences by 99.9%, where TF related STRs were only 4, which does not align with the level of TF risks in Algeria. On the other hand, during AT's interviews with the private sector, it was found that the understanding of financial and non-financial institutions of TF risks facing them is poor and almost non-existent in some sectors. Moreover, not all financial and non-financial sectors give the necessary priority to identify suspicious TF-related transactions.

Table (5.1): Classification of STRs by sectors and by nature of the suspicion

Sector	2017		2018		2019		2020		2021		Total	
	ML/P. Offences	TF										
Banks	1247	00	1353	0	1753	01	1578	01	1931	01	7862	03
Post Office	387	00	753	0	552	00	1185	01	1307	00	4184	01
Stock exchange	00	00	00	0	00	00	00	00	00	00	00	00
Insurances	00	00	00	0	00	00	00	00	00	00	00	00
Bookkeepers	00	00	00	00	00	00	00	00	01	00	01	00
Notaries ⁶⁶	01	00	04	00	20	00	03	00	00	00	28	00
Total	1635	00	2106	00	2305	01	2760	02	3239	01	12045	04

553. Banks and Algerian Post Office are the most reporting entities to CTRF during the entire period (2017-2021). STRs filed by banks were 7,865 STR whereas those filed by the Post Office were 4,185 STR. The percentage of STRs filed by banks and the Post of the total number of filed STRs were 65% and 34% respectively. DNFBPs, especially notaries and bookkeepers, filed 29 STRs. CTRF has not received any STRs from the remaining DNFBPs, such as DPMS and real estate agents, although they are considered by the AT as medium risk⁶⁷. CTRF attributed the dominance of banks to the materiality of the banking sectors, in terms of the total assets of the Algerian financial system as well as the size of the client base of banks and the Post Office due to their geographic outreach to the entire Algerian land. The representatives of the private sector attributed the absence of STRs from some sectors to the limited services and products provided by them as well as the low number of their clients. However, the AT found out that most of the FIs and DNFBPs, except banks and Algerian Post Office, are not sufficiently aware of their obligations related to identifying, tracing unusual transactions, and reporting them to CTRF when doubts persist in addition to the lack of the necessary human and logistical resources to do so.

554. In general, most STRs were related to suspected ML and violations of foreign trade at a rate exceeding 85%. This is because the efforts of banks and Algerian Post Office are focused on combating the smuggling of hard currency abroad (mostly using over invoicing), in implementation of the exchange law and the movement of capital to/from abroad. STRs related to suspected fraud were (5%), whereas those related to corruption and drug trafficking were (5%) and (1%) respectively, which is not consistent with Algeria's risk profile (see IO.1 and IO.6).

555. During the period 2017-2021, the percentage of archived STRs received by CTRF before collecting information thereof exceeded approximately 92%. This percentage exceeded 93% following the collection of information. CTRF disseminated no more than 2% of the total number of the received STRs, which indicates the poor quality of STRs filed by banks, Algeria Post Office, notaries, and bookkeepers. These entities adopt defensive reporting in filing STRs with CTRF, due to a number of reasons, including the insufficiency of scenarios

⁶⁶ The notaries sector in Algeria includes (3098) notaries, a limited number of them filed STRs with CTRF, excluding the notaries with whom meetings were held. This explains why the AT considered that they are not aware of their obligations to notify CTRF in case of ML/TF suspicion.

⁶⁷ According to what was mentioned in Chapter One, based on the scoping note.

adopted by banks and Algeria Post Office for identifying unusual transactions, the absence of control systems by remaining FIs and DNFBPs, limited understanding of risks, especially TF risks in most financial and non-financial sectors, absence of guiding indicators and strategic studies that would assist supervised entities in reviewing the appropriateness of the indicators they use (the strategic analysis of CTRF remains limited and its output has not been circulated to the supervised entities), absence of feedback from CTRF on the quality of STRs (IO.6), and absence of guidance from the regulatory authorities on how to identify unusual transactions and file STRs with CTRF.

556. Feedback received by supervised entities from CTRF is limited and of very little added value to them, as most of the cases are limited to applying EDD measures toward the client and/or requesting additional information to complete the data related to the STR. Moreover, the interviewed representatives of the private sector stated that the feedback provided by CTRF leads to an excessive resource burden. When an STR is filed, CTRF requests them to place the client's account under enhanced and continuous follow-up, even in cases where CTRF decides to temporarily archive the STR or classify it as "low risk" before being analysed in a comprehensive and / or in-depth manner.

Internal controls and legal/regulatory requirements impending implementation

FIs

557. All banks have written AML/CFT policies and procedures. Most banks review and update their internal procedures periodically (yearly or every 2 years) and when legal changes occur. Other banks do not periodically update their policies and procedures in particular, but rather they do so in the event of new legal amendments or the introduction of new products; however, they do not review their procedures in light of the risks they are exposed to. Internal policies and procedures are adopted by the board of directors of banks. All interviewed banks have a compliance unit affiliated with senior management.

558. The monitoring and auditing departments of banks (independent departments) monitor the implementation of their policies. Internal controls are performed by external independent third parties. Most banks have sufficient and good measures when hiring employees such as reviewing criminal records and qualifications. One bank does not apply any procedures when appointing employees. Employees of banks undertake continuous trainings through the National Training Institute of BOA. Of the interviewed banks, 3 banks conduct internal training for their employees and two of them have electronic platforms for this regard.

559. One of the major domestic banks in Algeria has a foreign branch. However, it does not have any measures to ensure that its foreign branch applies the minimum requirements of BOA. Information on the application of the CDD measures or clients' suspicion is not shared with the foreign branch. Another bank, part of a financial group (although registered as a domestic bank) applies the strictest instructions whether imposed by the parent bank or BOA, and shares with the parent bank statistics of suspicious transactions and description of the reported STR but does not share any other information that might benefit the parent bank in the application of CDD measures or certain suspicious scenarios, including activities which appear unusual and to which they were alerted through the STRs submitted to CTRF.

560. The Algerian Post Office has AML/CFT policies and procedures that are annually reviewed and approved by the board of directors. However, there is no indication whether the procedures are reviewed on regular basis. On the other hand, the Audit Department monitors the extent of compliance with the procedures. They do not have sufficient measures to verify the competency of the employees upon hiring, as they only review the criminal records of the hired employees. The AML Department continuously trains employees.

561. Insurance companies have AML/CFT policies and procedures. Even though they have AML/CFT compliance unit, there is no indication that they have any independent audit function to monitor the implementation of internal controls. One insurance company conducts internal training courses for its employees but does not apply any measures upon hiring employees. Another company does not share information on reports or activities that seem unusual at the group level. The stock exchange companies do not apply any sufficient internal controls or auditing or measures upon hiring. Some of them have AML/CFT procedures and controls, and their control department

continuously conducts auditing, but they do not have sufficient procedures for hiring as they depend only on the person's professional competence, and criminal records are not considered. As for others, they do not apply any adequate internal controls or auditing or measures upon hiring.

562. In general, the assessment team did not come across information indicating that any of the legal or regulatory requirements impede the effective implementation of FIs of their obligations to combat ML/TF.

DNFBPs

563. None of the DNFBPs have any AML/CFT policies, controls, and procedures. They do not apply any appropriate measures upon the appointment of employees and their security status is not checked, except that public gold shops subject employees before exercising their duties to a security check to ensure that their files are free of any misdemeanours or crimes. None of the interviewed DNFBPs undertook any internal training in the AML/CFT field.

564. **Overall conclusion on IO.4:** Banks have a non-unified understanding of ML risks that ranges between moderate and poor. Their understanding of TF risks is considered poor. The remaining FIs have a non-comprehensive and non-unified understanding of risks, especially the post sector considered high risk. Most banks apply satisfactory measures to mitigate risks, despite the de-risking issues raised instead of applying mitigating measures. Algeria Post and FIs subject to the supervision of the Banking Committee apply some measures to mitigate risks, but they are not considered sufficient; however, the remaining FIs do not take any measures in this regard. Banks apply CDD measures to varying degrees, especially when it comes to the identification of the BO, as most of them do not apply satisfactory measures in this regard. EDD measures applied by banks are generally considered unsatisfactory regarding TFS, higher risk countries and PEPs. The implementation of CDD and EDD measures by the remaining FIs is non-unified and is generally considered unsatisfactory, especially when it comes to the implementation of TFS. Banks and Algeria Post are the most reporting entities to CTRF. However, the quality of the STRs is poor and inconsistent with Algeria's risk profile. Banks, Algeria Post and other FIs (except stock exchange companies) have good internal controls and procedures. However, they do not include sharing information at the level of financial group. In general, banks and the post do not implement their obligations in line with the high risks they are exposed to in the context of Algeria.

565. DNFBPs' understanding of risks and obligations and application of AML/CFT measures especially in relation to (BO requirement, record-keeping, EDD, reporting, internal controls to ensure compliance, and TFS) are considered poor and insufficient. This is not consistent with the ML/TF risks facing DNFBPs, especially notaries, which are considered high-risk according to Algeria's context.

566. **Algeria is rated as having a low level of effectiveness for IO.4**

CHAPTER 6. SUPERVISION

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 3:

- a) BOA (for banks and FIs subject to the license of the Monetary and Loan Council) verifies the criminal status of administrators through criminal records whether upon establishment or regularly when new persons take administrative positions. However, it is not clear how possible these procedures are for shareholders, because of the absence of clear practical processes or any establishment or share assignment requests within the last five years. Also, no additional security checks were conducted for shareholders and administrators about their reputation or association with criminals. The checks conducted by the Stock Exchange Commission (for Stock exchange companies) are applied to administrators only. The commission's prior approval is not required when changing the person responsible for the administration if the broker is a bank or a FI. The ISC (for insurance companies and brokers) applies its procedures to founders and administrators but not to shareholders and foreign insurance brokers. For all regulators of FIs, insufficient measures are taken to determine the association with criminals.
- b) Fit and proper tests applied by the Lawyers Association and MOJ (for notaries) are somewhat satisfactory, while the tests applied by the Ministry of Housing, Urban Planning and the city (for real estate agencies) do not include the shareholders. However, the licensing procedures applied by the GDT (for DPMS) are insufficient and lack fundamental steps such as not obtaining the criminal records for some dealers' categories. For all regulators of DNFBPs, insufficient measures are taken to determine association with criminals.
- c) The mechanisms for verifying the shareholders, administrators, and beneficial owners of controlling shares against the UN and local lists are limited and ineffective for all licensing authorities of DNFBPs. Also, the procedures for identifying the beneficial owners of the controlling shares that are applied by BOA (for banks and FIs subject to the license of the Monetary and Loan Council), SERC (for stock exchange companies), ISC (for insurance companies and brokers) and GDT (for DPMS) are insufficient. These authorities do not apply fit and proper tests for BO of controlling shares.
- d) There are no mechanisms for identifying informal activities, including unregistered or licensed MVTs, currency exchangers, and virtual assets service providers. Also, cooperation is insufficient between the supervisors and the remaining competent authorities to identify the providers of such activities, as well as countering non-official activities in general. This increases the ML/TF risks.
- e) The BOA prepared a sectoral assessment draft within the NRA project, which categorized the supervised entities as per their risks. However, such measures are still insufficient and lack fundamental elements, such as the limitation of information that can be relied on in the assessment and not considering all risk factors when assessing entities individually. Therefore, the understanding of risks remains limited and limits the ability to apply effective risk mitigation measures. Moreover, there is no indication that the SERC, ISC or the DNFBPs supervisors fully understand the ML/TF risks faced by the regulated entities, considering some DNFBPs are high risk.
- f) The risk-based supervision of FIs varies between supervisors and regulators, as the Banking Committee (through BOA) takes some processes to develop a risk-based approach on banks, and to a less degree when it comes to FIs and Algeria Financial Post Office. The Banking Committee developed a draft matrix and manual for off-site desk monitoring to support the RBA; however, the implementation of such an approach remains limited since the risk understanding is incomplete and since the matrix was not tested. In contrast, SERC conducts comprehensive inspections only during 2021 and does not follow a risk-based approach. No authority conducts supervision for AML/CFT requirements imposed on insurance companies and brokers, and DNFBPs..

- g) None of the supervisors applied effective, proportionate, and dissuasive sanctions against the supervised entities for their failure to implement AML/CFT requirements, except for one sanction applied by the Banking Committee against a bank. The BOA identifies the shortcomings of Banks and FIs and follows up on addressing the remedial actions, which have a positive but slight effect in terms of their compliance. However, the absence of any sanctions or remedial actions by other supervisors impedes analyzing the effects of supervisory actions on compliance.
- h) The efforts and processes taken by the supervisors are insufficient to enhance the understanding by FIs and DNFBPs of their AML/CFT obligations. However, the efforts exerted by BOA (issued some guidelines and conducted some outreach activities for banks and FIs), the SERC (issued guidelines and conducted some workshops) and the National Chamber of Notaries (conducted some workshops), while limited, are better than those of other supervisors.

Recommended Actions

- a) The licensing authorities should consider adopting and activating clear procedures that ensure the regular implementation of fit and proper tests for all administrators, shareholders, and beneficial owners of controlling shares before market entry/appointment, especially when any change occurred to their management or ownership structure, as well as conducting additional security checks to verify their reputation and that they are not associated with criminals, and to regularly review the UN and local lists. Also, to enhance the authorities understanding of how to identify the beneficial owners of the controlling shares, including control through other means.
- b) The supervisory authorities should monitor compliance by insurance companies and brokers, lawyers, notaries, and real estate agencies with AML/CFT requirements; Algeria should ensure that a competent authority is appointed / assigned to supervise DPMS.
- c) Algeria should introduce a legislation to address VA/VASPs and to fully ban (or regulate) all kinds of VA/VASPs as defined by the FATF. All competent authorities and supervisors should consider implementing mutual mechanisms to identify the unregistered and unlicensed MVTS or currency exchange activities, or virtual assets service providers, as well as all other unofficial activities, and to provide the legal basis required to sanction such providers.
- d) All supervisors should consider enhancing their understanding of the ML/TF risks faced by each respective sector through participating in the NRA, as well as regularly preparing sectoral assessments and categorizing the supervised entities as per their risks considering all risks factors and obligating the supervised entities to conduct a self-risk assessment and review their compliance to the same.
- e) The Banking Committee is encouraged to continue to follow risk-based supervision, and all supervisors should consider developing a risk-based approach and enhancing the supervision resources as appropriate to the sectoral risks. They should, also, consider activating the gradation principle of sanctions to ensure the implementation of effective, proportionate, and dissuasive sanctions that positively reflect on the supervised entities' compliance. Moreover, grant clear powers to the supervisors enabling them to impose sanctions against exchange offices, Algeria Post Office, and DPMS.
- f) All supervisors should consider providing sufficient guidelines, training, workshops, and other communication activities to enhance the understanding by supervised entities of the AML/CFT obligations, especially in terms of understanding risks and CDD measures including beneficial owners and implementing TFS without delay.

567. The relevant Immediate Outcome considered and assessed under this chapter is IO.3. The recommendations relevant for the assessment of effectiveness under this Section are Recommendations 14, 15, 26 - 28, 34, 35, and elements of Recommendations 1 and 40.

IO.3 (Supervision)

568. The Monetary and Loan Council⁶⁸ is responsible for licensing the establishment of banks and FIs⁶⁹ in Algeria, while the BOA licenses exchange offices, and the Post Office, which is a public entity that provides financial services under the law⁷⁰. The Banking Committee⁷¹, through the BOA, supervises banks, FIs, exchange offices, and Algeria Post Office in AML/CFT. The brokers in the stock exchange are supervised and licensed by the SERC, while the Minister of Finance is responsible for approving the insurance companies and brokers. The ISC generally supervises them.
569. The Association of Lawyers undertakes the accreditation of lawyers, while the public notaries' offices are established and cancelled by a resolution of the Minister of Justice. The GDT licenses and accredits the DPMS. The real-estate agent consists of three professions (real-estate companies, brokers, and real-estate managers) which are approved by the Governor of each state. The real-estate agents can conduct activities for customers that include selling, leasing, or trading real estates, and they can perform the pre-processes to sign contracts for and in the name of clients, but their role remains limited because they do not attest to contracts or verify the payment, as such activities are the responsibility of the notary. The real-estate brokers⁷² and managers⁷³ cannot execute deals that relate to real estate selling and purchasing on behalf of their clients.
570. DNFBPs are not subject to supervision for their AML/CFT obligations. Moreover, Algeria does not have licensed entities to provide virtual assets services as virtual assets are partly forbidden (see R. 15).
571. The three accounting professions (bookkeepers, accountants, and CPAs) are considered regulated professions under Algeria legislations and cannot prepare or carry out transactions for their clients concerning the activities specified in Criterion 22.1 of FATF Recommendations. Moreover, Algeria does not have an independent profession for trust and company service providers, except for lawyers who can work as representatives for legal persons in the creation of companies. As for exchange offices, despite the existence of 3 licensed exchange offices, they do not and cannot provide any services on the ground since the issuance of Regulation No.01-16 of 2016. The regulation linked the conditions for the establishment and operation of exchange offices to a directive issued by the BOA⁷⁴. The latter did not issue this directive until the end of the on-site visit (See Chap. 1).
572. The findings of this Section are based on the interviews conducted with all licensing and supervising authorities of the FIs and DNFBPs, as well as the documents and evidence provided by the authorities, and the interviews with the private sector.
573. Algeria has not finalized the NRA of ML/TF risks up to the end of the on-site visit (see IO.1). However, the materiality and risk of FIs and DNFBPs in Algeria are varied. Therefore, the focus was given to assessing the positive and negative sides of the license and supervision

⁶⁸ An independent council headed by the Governor of the BOA and consisted of the members of the BOA Board, and two persons chose based on their experience in the economic and monetary field. Such council may establish consultancy committees.

⁶⁹ The term covers FIs regulated by the Banking Committee pursuant to the Order No. 03-11 on money and credit as amended and supplemented (these are financial leasing companies) and does not cover FIs as defined by the FATF.

⁷⁰ Law No. 04-18 of 2018 about the general rules of post and electronic communications.

⁷¹ The Banking Committee consists of the BOA Governor (chairman), three members chose for their skills in banking, financial and accounting services, two appointed judges, one of the higher court to be chosen by the Senior judge and the other from the State Council to be chosen by the State Council's Chairman after consulting the Superior Magistrate Counsel, a representative of the Court of Audit to be chosen by the Chairman of such Counsel among the senior counsellors, and a representative of the acting Minister of Finance.

⁷² Their role is to mediate between two parties for real estate buying, selling, leasing or trading.

⁷³ Their role is limited to leasing and maintaining shops and collecting rents.

⁷⁴ Pursuant to Article (3) of Regulation No. (01-16) of 2016, which amends and supplements Regulation No. (01-07) of 2007.

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controls over the preventive measures applied to a larger extent in the banking sector, the notaries, and the Financial Post Offices, to a moderate extent for DPMS and real estate companies, and a lesser extent for FIs supervised by the Banking Committee, as well as brokers in the stock exchange, insurance companies, and lawyers (see Chap.1).

Licensing, registration, and controls preventing criminals and associates from entering the market

574. The effectiveness of licensing controls applicable to FIs varies from one authority to another. The conditions applied to the shareholders and administrators of banks and FIs supervised by the Banking Committee are somehow satisfactory (see Rec. 26), but it is not clear the extent to which these conditions are applied in practice, especially regarding shareholders. The criminal status of the main administrators is checked through the criminal record, whether upon establishment or when new persons take administrative roles, but this is not periodically checked after their appointment; no additional administrative measures are taken in practice regarding the reputation or association with criminals. It did not come to the attention of the AT if these procedures can be applied against shareholders because of the absence of clear practical processes or any establishment or share assignment requests within the last five years. The checks conducted by the SERC (for stock exchange companies) are applied to administrators only and do not include shareholders. If the broker is a bank or FI, the commission's prior approval is not required when changing the person in charge of the brokerage department. The ISC obtains criminal records for founders and administrators, without any additional security checks. There is no indication if the fit and proper tests are applied to new shareholders or foreign reinsurance brokers. Also, BOA did not issue a circular identifying the licensing controls for exchange offices. However, the measures of all regulatory authorities to verify the criminal or security status of the beneficial owner of controlling shares (whether the control is through ownership interests or by other means or through management) and conduct screening against the UN and local sanction lists remain insufficient.
575. In contrast, the Post Office takes important hiring measures that include checking criminal records, reviewing the UN and local lists, and conducting additional security checks, especially regarding internal promotions to high-level positions. Sometimes some (additional) security checks may be completed after the appointment, in the case of external employment (which is done in urgent cases only).
576. Acceptance and approval procedures applied by the Lawyers Association and MOJ (for notaries) are somewhat satisfactory. The licensing procedures for DPMS and real estate agencies are insufficient as a result of not obtaining the criminal records for some trader categories and inadequate procedures to ensure that there are no criminals among the shareholders and beneficial owners of controlling shares of real estate agencies. Fit and proper checks for all DNFBPs do not include screening against international and local sanction lists. It does not adequately include verification of non-association with criminals.

FIs

577. The BOA's General Directorate of Loans and Banking Regulation reviews the licensing requests to establish banks and FIs submitted to the Monetary and Loan Council. The BOA has adequate human resources and experience to process the requests⁷⁵.
578. According to the Monetary and Loan Council procedures, the criminal records of all shareholders of banks and FIs is done by relying on the declarations⁷⁶ submitted by anyone who owns 5% of the voting rights. This applies upon any amendment to the memorandum of

⁷⁵ It is supported by the General Directorate of Inspection (responsible for supervision at the BOA) which may support the request with the information previously available about the administrators when available with the Departments of Ongoing Monitoring and Onsite inspections. The people involved in reviewing the requests are 18 employees, 11 of which are from the General Directorate of Loans and Banking Regulation, and 7 legal specialists from the General Administration of Inspection. The average years of experience for employees working in licensing is 10 years.

⁷⁶ To declare whether in the last ten years they were subject to any professional, administrative or judicial investigation, and whether they were punished for the same, or if they are or expect to be under any administrative, judicial or amicable procedure that can affect their financial position, or if any of the companies in their group are under such procedures.

Association of the bank or FI, and upon the assignment of shares that would modify the structure of all shareholders. Licensing requests include information related to financial solvency and its source, so that the source of funds must be justified. The procedures do not include any obligation to obtain a record of judicial precedents to verify the application of criminal conditions to shareholders and beneficial owners of the controlling shares, whether upon establishment or upon a change in ownership shares or upon their assignment or periodically following market entry.

579. Contrary to the above, and based on the interviews with the BOA, the criminal conditions are applied (to shareholders and administrators⁷⁷) through an extract of criminal record No. (3)⁷⁸ or its equivalent for foreign nationals, and the public-available data, whether in newspapers or websites, is followed up to verify reputation. Moreover, in case of any doubts, the MOJ is contacted to obtain additional data related to criminal record No. (2)⁷⁹, and the information provided by the bank or FI about foreign owners is also used, whether through a resume or administrative inquiry conducted by the bank or FI, and this is confirmed through the first supervisory task carried out by the BOA. Also, the names of shareholders are screened against the UN and local lists published on the CTRF website in the event of any new requests (and this is not conducted when updating the lists). However, it was not possible to determine the extent to which these procedures were implemented in practice towards shareholders, as the Monetary and Loan Council did not receive any requests during the period 2017-2021 regarding licensing banks or FIs, or regarding owning or assigning shares in existing banks and FIs.
580. On the other hand, the Monetary and Loan Council received 131 requests to approve administrators of banks and 63 requests to approve administrators of FIs, all of which were approved for meeting all conditions. The files that the AT examined, among other files, included criminal status record No. 3 or its equivalent for foreign nationals, C/V, qualifications, and professional experience. However, they did not contain any additional security checks to verify the reputation of the administrator and their non-association with criminals, or if such names were screened against UN and local lists.

Table 6.1: No. of requests of approving administrators in banks and FIs (received and approved)

Year/Type of Person	Banks		FIs supervised by the banking Committee	
	Algerians	Foreigners	Algerians	Foreigners
2017	9	9	14	4
2018	14	17	9	2
2019	5	10	9	3
2020	16	6	7	1
2021	25	20	8	6
Total	69	62	47	16
	131		63	

581. The requests for appointing foreign administrators (as per Table 6.1 above) constitute around 40% of the total administrators' appointment requests in banks and FIs, which was not reflected in any outgoing international cooperation requests to verify the reputation of

⁷⁷ The administrators to be approved by the Governors are: a) Members of consultancy body, board or supervision council; b) chairman, and at least a person of the c-suite of the bank or FI. C) Members of managers' council including the president; d) The general manager and at least a person of the c-suite who is appointed by the headquarters for the branches of foreign banks and FIs; e) The person responsible for administrating the representative office. For appointing managers of main departments in banks and FIs (such as compliance and risks, internal audit, and operation), the approval of the BOA is not sought since such matters are referred to the management of banks and FIs, which inform BOA following their appointment.

⁷⁸ Clarify the guilty verdicts relating to the person.

⁷⁹ Clarify all judicial follow-ups, regardless of whether they are kept, or a conviction has been issued therein, or are still being pursued.

administrators. The reason for this may be the absence of any bilateral agreements between BOA or the Banking Committee or the Monetary and Loan Council with any major foreign counterparts.

582. It was not possible to determine the extent to which BOA has taken the necessary measures to identify the beneficial owner of the controlling shares in banks or financial institutions and verify that they are not criminals or associated with criminals. The reason for this is that the Monetary and Credit Council did not receive any requests during the period 2017-2021 regarding licensing of banks or FIs, or cases of assignment of controlling shares for the benefit of other individuals. This is even though BOA collects information that enables it to a large extent to identify the beneficial owner. This includes collecting information about any person (whether a natural⁸⁰ or legal⁸¹ person) who owns 5% of voting rights in the bank or FI and all similar rights⁸², such as the shareholding percentage and their corresponding voting rights. If the latter belongs to a group (financial or otherwise), the descriptions of such group, the geographical distribution of capital, the capital shareholding percentages, and voting rights should be provided, as well as identifying the partners, share capital, and voting rights in the parent company of the group. The ownership structure is reviewed, and the main administrators are also identified. This does not include taking reasonable measures to identify the person exercising control through other means other than ownership and voting rights (such as through connected persons or straw men).
583. Almost 20% of total shareholders of banks and FIs who own major or controlling shares (5% or more)⁸³ are legal persons (14 foreign banks and financial groups, and 14 Algerian public banks). All such shareholding date back before 2017. However, the Monetary and Loan Council (through the BOA) did not take any steps to identify the beneficial owners of such shares (especially private banks and foreign financial groups) to apply the fit and proper against them or check their integrity. The same was justified by indicating that the beneficial owner of the controlling shares are known considering that most of the shares' holder are reputable international banks. This is indicative of the failure to follow a proper approach to identify the beneficial owner of the controlling shares and verify their criminal status.
584. The BOA has an electronic database that includes all yearly updated data related to banks⁸⁴. It is not used to continuously apply the fit and proper tests against shareholders and administrators in existing banks and FIs and their beneficial owners of controlling shares, noting that the last licensed bank was in 2008. Updates of the fit and proper tests are limited to data obtained in line with the onsite supervision, and when reviewing the governance principles for the supervised entity and reviewing the shareholders' files because of a specific event.
585. The mechanism and conditions of approval, as well as licensing preconditions, warrant that no shell banks can be established or continue business in Algeria. After completing the licensing process, the company can be incorporated and then request to be approved as a bank or financial institution within a maximum period of 12 months from the date of notification of licensing. The General Administration of Inspection of the BOA visits the offices and verifies all the requested conditions including the bank organizational structure and the

⁸⁰ Name, surname, birth date, nationality, residence, and debts status as well as if their appointment as an administrator is expected.

⁸¹ Commercial name, legal form, address, permanent representative if a member of deliberation body and main administrators.

⁸² similar to voting rights owned by other persons for the capital owners and those owned by the companies under their actual supervision, as well as those owned by another person they deal with and those possible to be held by the capital owners or voting rights holders based on their initiative under an agreement.

⁸³ According to Article 83 of Order No. 03-11 on cash and credit amended and supplemented by Order 04-10, the foreign shareholdings in banks and FIs cannot be approved only within a national partnership of at least 51% of the capital.

⁸⁴ Most importantly, the data on the distribution of shares, and voting rights for each shareholder in the supervised entity, distribution of capital per shareholder of the supervised entity, data of the board of directors or the supervisory board, data of shareholders in branches, shares, subsidiaries and companies under significant influence from the bank or financial institution, and data of shares in other companies owned by shareholders of the bank or FI, as well as data of administrators (director, general manager, chairman of the board of directors, members of the board of directors), data of executives according to the general organizational structure, and labor force statistics by job level and residence.

existence of the main administrators responsible before the BOA, then submits a report to the Governor of the BOA, who decides to approve, or grant partial approval to carry out some banking operations. There have never been any violations by banks and FIs related to the obligations of licenses or approval granted to them.

586. The BOA is responsible for licensing the exchange offices, and the General Directorate of Exchange⁸⁵ studies the requests. During the period (2017-2021), the BOA received 40 licensing requests for domestic exchange offices, all of which were still under process at the end of the onsite, because the BOA did not issue the circular stipulating the conditions of establishing such companies according to the Law No. 01-16 of 2016.
587. There are three licensed exchange offices in Algeria during the years (1999 - 2001) based on the procedures in force at the time⁸⁶. The implementation of fit and proper tests has not been updated since the establishment of these exchange offices. However, these offices have not been carrying out their activities on the ground since 2016, and they cannot do so legally. The continued non-issuance of a directive regulating the exchange sector may lead to increased reliance on the informal financial sector to obtain exchange-related services. This may increase the ML/TF risks.
588. The SERC is responsible for licensing and approving the establishment of brokerage commercial companies in stock exchange operation, as well as approving banks and FIs as brokers in the stock exchange operation. The Directorate of Development and Market Control⁸⁷ is responsible for studying applications submitted to the Commission.
589. The fit and proper tests applied to the brokers in the stock exchange operations are insufficient because they are limited to administrators⁸⁸ of stock exchange companies only. These tests do not cover shareholders and beneficial owners of controlling shares and their association with criminals. These tests include verification of the criminal status record No. (3) and a statement of good reputation of the administrator as well as any document requested by the commission to verify whether the administrators meet the good reputation conditions. The Commission may verify the accuracy of the information provided about local administrators through competent public authorities. However, it was not possible to review the implementation of these requirements, as the SERC did not receive any applications for licensing commercial companies during the period (2017-2021) or any requests to appoint new administrators in the approved trading company for stock exchange operations during that period. On the other hand, fit and proper tests are not periodically applied to managers following their appointment.
590. When a bank or a financial institution is approved as a broker in the stock exchange operations, the approval of the Commission is conditional on providing a copy of the criminal status record No. (3) to the person responsible for the brokerage structure in the stock exchange operations at the bank or financial institution (compliance officer). During the period (2017-2021), the Commission received only two requests for approving banks as brokerage companies in the stock exchange operations, which were approved as meeting the conditions. When there is a change in the officials responsible for the brokerage structure in banks and FIs, prior approval is not required by the Commission, but rather, it is sufficient to be informed by the bank after appointing the new officials and attaching thereto the

⁸⁵ The Directorate contains 30 employees who have different duties including studying requests.

⁸⁶ In accordance with the previous Circular No. (08-96) of 1996, which clarifies the obligations imposed under Regulation No. 07-95 of December 23, 1995, expressly repealed under Article (86) of Regulation 01-07 of 2007, and the regulation No. (01-16) of 2016.

⁸⁷ The Directorate consists of three persons (manager, assistant manager and study in-charge) with an average experience of 14 years in licensing and control. The Directorate is responsible for other tasks other than licensing such as monitoring trading and operations in stock exchange and can be assisted, if needed, by employees of other divisions such as the e-media manager and legal manager.

⁸⁸ The administrator of any company is a natural person who has a role in managing a brokerage company in stock exchange operations and has the powers to take decisions, accept exchange obligations or being exposed to risks in the name of the company.

criminal status record, and the Commission may object to such appointment. During the period (2017-2021), 24 compliance officers were replaced in the departments responsible for the brokerage structure in the stock exchange, and the Commission did not object to any of those appointments because they fulfilled the conditions.

591. The names of the administrators are screened against the UN and local sanction lists published on the CTRF website when the file is submitted or when any change occurs at the level of administrators, while this is not done when there are any updates on those lists. However, necessary measures are not taken to ensure that none of the criminals or their associates have controlling ownership shares in brokerage companies in stock exchange operations or that they are the beneficial owners of such shares, whether when granting a license or when purchasing new ownership shares, except if the owner of the shares is one of the main administrators during the licensing process. No new shares were acquired during the period (2017-2021), and there were only 4 requests for capital increase by some shareholders, all of which were approved.
592. The Minister of Finance undertakes the approval of insurance companies and brokers. The Department of Insurance⁸⁹ at the ISC studies the approval files and forwards them to the Approval Committee⁹⁰, which issues a report on the fulfilment of the legal requirements before the final decision is taken by the Minister of Finance. The ISC also licenses foreign reinsurance brokers⁹¹.
593. The background check for founders and main administrators is verified⁹² through criminal status record No. 3 and this does not include any additional security check about reputation or non-association with criminals. The appointment of board members, main administrators and administrative managers of the approved insurance companies and foreign insurance companies' branches is subject to the explicit consent of the ISC.
594. Every contribution that equals or exceeds 20% of the capital of insurance and/or reinsurance companies is subject to the prior approval of the ISC. However, there is no indication that there were adequate measures in place to prohibit criminals or their associates to own controlling shares in insurance companies. This is because there is no obligation to apply fit and proper tests to new shareholders, and the matter is subject to the discretion of the ISC. The latter did not receive any request for shares ownership in life insurance companies during the period (2017-2021).
595. The fit and proper do not cover administrators or owners of foreign insurance branches (offices or companies), or beneficial owners of their controlling shares. The licensing conditions for this category are limited to providing the ISC with a set of documents including a copy of the broker accreditation or an extract of their commercial registry in their home country, the memorandum of Association, a certificate by the supervisor in their home country stating that they are not subject to sanctions or activity restrictions, and a document containing the information about the main administrators and partners.
596. The Commission screens the names of shareholders, administrators and founders against the UN and local sanction lists published on the CTRF website when any licensing request is received or approval thereof. However, the mechanism or frequency of this screening is unclear, especially in the absence of a mechanism to inform the authorities of any updates to such lists, and reliance on the consolidated

⁸⁹ It includes two departments, namely, the Legalization Department, which studies files from an administrative point of view, including fit and proper. The number of its employees is (5) with 11 years of professional experience; And the Analysis Department, which studies the technical part including the working plan. It contains 5 employees with 11 years of professional experience as well.

⁹⁰ The Approval committee is chaired by the Insurance Department Manager at the Ministry of Finance, and it consists of a representative of the Ministry of Justice, a representative of the Tax Department, a representative of the BOA, a representative of the Association of Insurance and Reinsurance Companies, two representatives of the National Insurance Council, and a representative of the Association of Insurance Brokers.

⁹¹ They are the brokerage offices and foreign brokerage companies.

⁹² The main administrators are the general manager and at least two persons from among the highest rank in the insurance and/or reinsurance companies as well as the key administrator of the foreign insurance companies' branch and his assistant.

Sanctions List, where it would be difficult to distinguish the updates made thereto.

597. The ISC's understanding of the beneficial owner is limited, and there is no evidence that the beneficial owners of the controlling shares whether in insurance/reinsurance companies, local brokers, or foreign insurance brokers are identified. Therefore, no measures to ensure that they are no criminals, or accomplices of criminals within these entities.
598. The licensing and registration procedures do not apply to Algerian Post Office as it is a public body, knowing that its employees (including general manager and senior management positions) are subject to fit and proper tests that apply to government agencies. The appointments in the high-level administrative positions in the Post Office are limited to the internal appointment, through promoting employees. In this case, an additional security check is done through the competent security authority. During the period 2017-2021, 2273 correspondences were addressed to the security authorities to check the security status of the employees nominated for promotion. In general, the rejected or cancelled promotions were almost absent, while the AT reviewed a sample of cases that prove conducting this examination, including a rejection of a promotion to take the position of office head because of an adverse administrative investigation (security check).
599. In emergency cases, external hiring can be announced. In this case, verification of the criminal status is done through the extract of the criminal status record No. 3. Additional data (before or after the appointment) is obtained at the discretion of the management by addressing the court to obtain data on the criminal status record No. 2 concerning the vital positions such as the compliance manager, heads of postal offices, and those in charge of customers. Moreover, an additional administrative investigation (security check) is conducted on the candidate for appointment. This investigation includes the ethical aspect and involves examining family members; However, this additional check (involving the candidate and their family members) may be completed after the appointment as it may take a maximum period of 3 months. If adverse information is received after the appointment, the person is suspended or transferred to another department that is not concerned with financial services. Additionally, the names are screened against the UN and local lists published on the CTRF website before the appointment as well as on the blacklist⁹³ of the Post Office.
600. During the period (2017-2021) 2313 employees⁹⁴ were appointed at the Algeria Financial Post Office as external appointments, none of which were rejected due to criminal records⁹⁵. However, the percentage of requests that underwent additional security checks is unclear, as the AT could not review a sample of correspondence with the mayor or feedback from the security bodies.

DNFBPs

601. The Lawyers' Association accredits lawyers⁹⁶. The council of the regional Association studies the submitted file and verifies the criminal conditions through the criminal status record No. 3. In case of suspicion, the court (attorney general) is addressed for the criminal status record No. 2, which contains all the judicial investigations, whether reserved, convicted or under follow-up. A courtesy visit is also carried out by the candidate for the Chairman of the Association, and a list of all members is given to him to interview them all. This interview provides an additional opportunity for the Association to get to know the lawyer closely and to suspect any suspicious activity. On the other hand, there is no indication that there are specific procedures to ensure that none of the lawyers is associated with criminals.

⁹³ A list extracted from the Post Office notification system, which includes all the suspicious persons who were reported by the post offices even for once.

⁹⁴ This number represents all the employees in the Algeria Post Office and not only the vital positions.

⁹⁵ All external employees are hired through the National Agency for Employment which conducts a pre-check for criminal status. Therefore, all individuals on their list and nominated employees have no criminal records.

⁹⁶ It is not possible to establish joint stock law firms, and the matter is limited to establishing civil companies, which can be only established or managed by practicing and certified lawyers.

602. During the period 2017-2021, 70 requests (out of 8,500) were rejected for not meeting the conditions. The assessment team was unable to review the nature of such conditions and whether they are related to the criminal record.
603. The attorney general is responsible to inform the head of the Association about any criminal investigation against lawyers, and the head has the authority to suspend any lawyer who is under investigation for a felony or misdemeanour, or when committing a material professional mistake. The same can be done immediately or by a request of the Minister of Justice. In all cases, the resolution is submitted to the Council of the Association to approve or cancel the suspension within a month of its issuance.

Box (6.1): Case study - suspending a lawyer for criminal investigation

On 30/12/2020, the trainee lawyer (S) took an oath before a state court after providing a full nomination file to practice the profession including a criminal status record. After the training began, the Attorney General addressed the Head of the state Association about the criminal record of the trainee that contradicts the approval conditions, as being subject to criminal investigation for the offence of prejudice to country safety, deliberately promoting false news, position abuse, disclosing professional secrets and the offence of receiving a document issued by a public entity with no right to receive the same.

Therefore, the head of the Association issued a decision to suspend the trainee lawyer (S) on 30/06/2022 until the case against him is concluded. The suspension decision was approved by the Council of the state Association on 28/07/2022 and published by all legal means and sent to all competent judicial bodies.

604. Public Offices of Notaries⁹⁷ are created and terminated by a decision of the Minister of Justice⁹⁸. The notary is considered a self-employed public officer. The criminal status is verified through criminal status record No. 3 when applying for the job. If the candidate passed the written exam and face-to-face interview, the Civil Affairs Department requests criminal status record No. 2 to review all the criminal follow-ups before the appointment. In general, no additional information about good conduct is requested. In case of suspicion, the Department may request additional information from the security authorities through public prosecution.
605. During the period 2017-2021, one national recruitment was organized in 2018 for the position of a notary. 44,500 candidates applied, 1500 of which passed the written exam and face-to-face interview, 3 of which were rejected due to criminal investigations and convictions as per the criminal status record.
606. In the event of any criminal follow-ups against any of the notaries or if they are associated with a criminal file, the Public Prosecution shall inform the National Chamber of Notaries and the MOJ, and if the notary commits a serious mistake (whether it is a breach of professional obligations or a crime of common law) or that does not allow them to continue the practice, the Minister of Justice can suspend him immediately after conducting a preliminary investigation that includes the statements of the concerned notary. The National Chamber of Notaries shall be informed of the same so that the disciplinary case is decided upon within a maximum period of six months from the date of suspension, otherwise, the notary returns to exercising his duties under the law unless being a subject to criminal prosecution.
607. The GDT licenses and accredits the DPMS, through its competent bodies based on the activity. The head of the "Guarantee Inspectorate -

⁹⁷ It is not possible to establish joint stock notary companies, and the matter is limited to establishing civil companies that can be only established or managed by accredited notaries.

⁹⁸ The Civil Affairs Department-Division of Judicial Agents studies the requests of notaries appointment. The individuals involved in studying such requests are approximately 10.

Wiaa” grants licenses to jewellery sellers and traders⁹⁹, craftsmen and artisans¹⁰⁰, independent representatives¹⁰¹, importers¹⁰², and developers of precious metals¹⁰³, while the license (for legal persons only) is granted by the tax state manager, to importers and developers of precious metals.

608. The fit and proper tests are considered insufficient since the condition of obtaining criminal status record is limited to the category of traders who are obligated to get the stamp mark (artisans, craftsmen, importers of fine gold, silver, and platinum articles) and does not include the jewellery sellers, independent representatives, developers of precious metals or other importers. The fit and proper tests are not applied to the administrators and owners of controlling shares in the companies and beneficial owners of such shares.
609. During the period 2017-2021, the GDT received 3621 requests for licensing jewellery sellers, artisans, and craftsmen, and independent representatives, 41 out of which were rejected for administrative reasons related to incomplete documents.
610. The procedure for identifying the beneficial owner consists of reviewing the tax statement and comparing the balance sheet in terms of the partners who receive profits to the partners’ names in the Memorandum of Association, as well as monitoring the bank balances of the partners and providing continuous supervision based on appearances of wealth. This identification aims to subject the beneficial owners to taxes, not to fit and proper tests.
611. The real estate agents’ applications are approved by the Real Estate Brokers’ Committee. Before 2019, the acting Minister of Housing was responsible for their approval, and the criminal background check was through criminal status record No. 3. In case all conditions are met¹⁰⁴, a security check is conducted through competent security bodies. Since September 2019¹⁰⁵, the approval of real estate agents became through the governor (the mayor) and the verification of the criminal background check depends on the electronic criminal record form, in addition to the security check conducted by competent security bodies which must provide the result of such check within a month of receiving the respective application. During the period 2017-2021, the Committee received 790 applications, 58 of which were declined mostly for adverse information in the security check.
612. If the real estate agent is a legal person¹⁰⁶, it is conditional that such agent is not subject to liquidation and the persons suggested for managing the activity are under the same conditions as natural persons (see R. 28). Otherwise, pre-approval is not obtained when appointing managers for real estate agent companies. And as per the interview with the Ministry of Housing, the ministry is informed after the appointment, and it is not practically possible to practice their duties without the security check first. However, it was not possible to assess to what extent this is applied in practice since there were no changes in the management of real estate companies in the last 5 years. This is due to the limited number of companies.
613. It is unclear if there were measures to guarantee the non-existence of criminals among the legal persons, whether upon granting the approval or when requesting new shares ownership or assignment. Moreover, there is no indication that the approval of the mayor is

⁹⁹ They can sell for retail and wholesale.

¹⁰⁰ Specialized in wholesale only.

¹⁰¹ Represent the craftsmen and artisans in selling their goods (as agents or promoters), but they are independent, have separate commercial record and can represent one or more craftsmen and artisans.

¹⁰² The importers mean: Importers of raw and semi-processed gold and platinum, importers of fine gold, silver and platinum articles, developers of precious metals, and importers of raw and semi-processed silver. The importers can only sell to craftsmen and artisans.

¹⁰³ Specialized in fixing and rehabilitating old and broken metals, then reselling them.

¹⁰⁴ In case the conditions are not met including the criminal status record, the application is rejected immediately, and it’s not considered among the rejected applications as being incomplete.

¹⁰⁵ After amending the Executive Decree No. 18-09 by the Executive Decree No. 242-19 of 2019.

¹⁰⁶ Upon establishing real estate agent, it is conditional that the shareholders must be Algerian natural persons.

required before sharing ownership or assignment. According to the interview with the Ministry of Housing, it can, practically, cancel the ownership of the shares in case of adverse information against any of the shareholders based on the security check conducted after owning the shares. However, it was not possible to verify the practical application of this since there was no amendment to shares in real estate companies in the last 5 years.

614. It is unclear whether there is a mechanism to screen the names of lawyers, notaries, DPMS and real estate agents and the shareholders of real estate companies against the UN and local lists related to targeted financial sanctions.

Unofficial activities

615. In general, it is unclear whether there are sufficient mechanisms available to the supervisors of FIs and DNFBPs to pursue unlicensed activities, despite the fact of the relatively large unofficial sector. It was not possible to verify if there is sufficient cooperation between the competent authorities to report and limit such activities, since Algeria did not provide any statistics in this respect.

616. The Banking Committee (through the BOA) mainly focuses on FIs subject to its supervision. It does not take specific measures to pursue the unofficial activities providing financial services that fall within the scope of activities of banks and FIs (including currency exchange activities). However, BOA takes some measures to enhance financial inclusion in Algeria (see IO.1). Sometimes, BOA, within the framework of complaints or information received from LEAs, may refer to the attorney general cases related to the practice of unlicensed banking activities. BOA provided two examples. The first is related to an institution specialized in leasing credit operations and is active via the internet platform and the second is related to creating a website specialized in black market exchange.

617. It is unclear if there are mechanisms to identify the unlicensed MVTs. The assessment team could not see adequate cooperation or coordination between all competent authorities to identify the unlicensed MVTs, since Algeria did not provide statistics or case studies about their identification (see Rec 14).

618. The selling, purchasing, using, and possessing of any virtual currencies are banned in Algeria, but this ban is insufficient (see R. 15). The assessment team considers that there is no specific mechanism in place to ensure that natural or legal persons practising unregistered or unlicensed VASPs are identified. The ambiguity of sanctions in the event of non-compliance with the provisions banning virtual currencies (the sanctions that could be imposed were not perceived) eliminates the impact of any efforts exerted to identify VASPs. This is because it is not possible to apply sanctions to those who have been identified, and thus the absence of a deterrent effect.

Box (6.2): Case study - identifying the unregistered VASPs - without sanctions

CTRF received information from a foreign counterpart about suspicious financial transactions conducted by the individual (x) using an account opened with a digital trading platform. Such transactions are suspected to be related to a website of child sexual abuse, where virtual currency is used to pay for access to such websites.

Based on a request of the attorney general and after taking legal measures, the case was referred to the investigation unit at the NG to initiate investigations. It turned out that (x) has bank accounts, but no commercial register as confirmed by the Commercial Register Manager upon communicating with him.

However, this person had a post account, so additional investigations were conducted based on the request for information. There was no stable income for that person, while he received 6 transfers between 29/08/2017 and 07/04/2020 of DZD 29,000 to 77,000 (equalling USD 204 to 544).

The investigation and interrogation of (x) showed that he traded in digital currencies for profit. While in Algeria, he sold a virtual currency (USDT) to many Algerians he knew on the internet and got cash amounts (by hand) or through using the current post accounts (i.e., That person was performing one of the MVTs without a license). Therefore, the court summoned an expert from the BOA, who indicated that dealing with virtual currencies is prohibited, "but no legal rulings were issued to criminalize or punish such

act, although the law prevented its circulation and referred the punishment on the laws in force, no legal rulings were issued to determine the criminal acts and their penalties in this regard, which is a legal gap that must be filled. The expert stressed that the provisions of Order 96/22, as amended and supplemented, about the suppression of violations of legislation and regulation related to exchange and the movement of capital from/to abroad cannot be applied to dealing in the field of virtual currencies.

The Public Prosecution charged him with a misdemeanour of money laundering and violating the legislation and regulation of exchange and the movement of capital to/from abroad. The court issued an order partially dismissing the case against the accused from the charge of money laundering, and referred him to the Misdemeanour Court for violating the legislation and regulation of exchange and capital movement to/from Abroad, because of buying and importing a payment instrument denominated in a foreign currency (foreign electronic cards) and not because of trading in virtual currencies or providing any of the services and activities of virtual assets without a license because there is no legal basis for this punishment.

Supervisors' understanding and identification of ML/TF risks

FIs

619. Algeria has not finalized the NRA process of ML/TF risks (see IO.1). The Banking Committee, through BOA, takes some important measures to enhance their understanding of ML/TF risks faced by banks, FIs, and Algeria Post Office; it prepared in this respect a draft sectoral assessment of these risks within the national assessment project in which BOA participates; however, such measures are still insufficient and lack many main factors, the most important of which (as shown in the analysis below): the limited information that is relied upon in the sectoral assessment (as information was gathered from 40 % of the obliged entities. The assessment did not cover the crimes that pose a threat to the sectors and the overall weaknesses in each sector), likewise the failure to separate the risks of each sector, in addition to the failure to conduct a separate assessment of the ML/TF risks at the individual level for each obliged entity. In contrast, some elements related to AML/CFT controls are considered when classifying these entities. Therefore, the understanding of risks is still limited and limits the ability to apply effective risk mitigation measures. Moreover, it is unclear whether the ISC and SERC have an adequate understanding of the ML/TF in the insurance or stock exchange brokerage sectors.
620. The BOA finalized the first draft for the sectoral assessment of banks, FIs, and Algeria Post Office during the onsite visit¹⁰⁷. The draft was sent to the ML/TF Risks Sub-Committee to be discussed by the sectoral units established by such Sub-Committee.
621. This assessment is the first sectoral assessment conducted by BOA, using a methodology based on the experience of another country¹⁰⁸, considering the banking classification system (CAMELS). However, the methodology used still needs to be developed to ensure obtaining proportional and more accurate results that can be relied upon appropriately, especially since the assessment draft did not identify the degree of ML/TF total risks in each sector, where the risks of banks, FIs (subject to the supervision of the Banking Committee), and Algeria Post Office were collectively identified. Also, the assessment was limited only to 11 FIs out of 28 FI (less than 40 %) representing 9 banks out of 19 banks (two public banks, five major private banks, two branches of foreign banks) and one FI out of 8 as well as the Algeria Post

¹⁰⁷ This assessment did not include the ML/FT risks in exchange sector, since the three registered offices in Algeria have been inactive since 2016.

¹⁰⁸ The assessment methodology was prepared in January 2022 and collecting and analyzing statistics started in March 2020 and the first draft was concluded during the onsite visit. The report covered the period (2019 to 2021) and contained data from supervised entities such as the statistics of banking transactions conducted by regular clients, transactions with foreign correspondent banks working as intermediary in terms of capital movement from/to abroad, transactions of occasional clients and the transactions detected through the alarm system in the supervised entity.

Office.

622. The assessment dealt with 6 main topics, namely the receipt of funds and other deposits due for payment (the risks associated with regular clients related to cash and fund bonds, and the risks of occasional clients), the risks associated with credit transactions, rental loans and guarantees received from clients, and the risks associated with the issuance and management of all payment methods (checks, national electronic transfers, deductions), transfers of money or value (risks associated with the movement of capital to/from abroad, risks associated with geographical areas including country risks and associated with transactions with foreign correspondents), client profiles (risks associated with clients identities, risks associated with non-resident clients, risks associated with PEPs, risks associated with terrorist financing); however, some transactions have not been evaluated, such as securities transactions (which are dominated by government securities), gold and precious metals transactions, safe fund rentals, as well as wealth management, due to their small size.
623. The results of the assessment show that the cash transactions pose high ML/TF risks, while cash withdrawals, inward transfers, and some deductions (sent and received transfers, checks clearance), documentary collections, involved parties' identities, and PEPs pose moderate risks. The remaining assessment factors (including financing terrorism risks) pose low risks. The failure to assess each sector separately makes it difficult to judge the reasonableness of the results of the sectoral assessment.
624. The sectoral assessment did not include the offences that could threaten the three sectors (banks, FIs, and Algeria Financial Post Office) or the total vulnerabilities including, without limitation, the comprehensiveness of the legislative framework, the effectiveness, and practices of supervision and enforcement of sanctions, market entry controls or licensing, and the extent to which independent sources of information are provided to supervised entities and sources of beneficial owners information (concerning the onsite inspection addressing some vulnerabilities at the level of each supervised entity). Moreover, the assessment did not address the ML/TF risks related to virtual assets.
625. It is unclear whether BOA understands to what extent its supervised sectors are misused in ML/TF offences, as BOA did not provide any statistics or case studies on the extent of exploitation of these sectors due to the lack of access to any of such information. On the practical side, and contrary to the assessment draft results, which do not distinguish between the risks of banks, FIs and Algeria Post Office, it is evident that BOA can, to some extent, evaluate the risks faced by each sector separately (as clarified below), and its dependence regarding this is on the information collected through the onsite inspections of banks and Algeria Post Office, including the STRs submitted by sectors to the CTRF, where some of them are reviewed to check that the data is complete and correct. In addition to the nature and size of the services provided in the FIs sector.
626. The BOA¹⁰⁹ considers the ML risks in public banks as moderate, while the risks of private banks are low (major or small banks). In general, the ML risks in the banking sector are considered moderate and the most common risks include the extensive use of cash, while the most prominent threats in the banking sector are drug crimes, corruption, tax evasion, foreign trade transactions misuse (the funds' movement to/from abroad). For the FIs sector, it is considered low risks, since the FIs do not receive deposits and depend basically on one product i.e., the leasing loan, and they have never been misused (from the point of view of the BOA) for ML transactions. Also, the Algeria Post Office is considered a moderate ML risk, as the number of financial transactions conducted through them is large because their clients are more than that of banks. However, the provided services are limited and somehow controlled through maximum thresholds. The most threats facing the Post Office are fraud, whether by the employees or clients, or embezzlement by the employees. For vulnerabilities, it is possible to misuse the Post Office through post transfers as the due diligence measures are less than those applied by banks, as well as the possibility

¹⁰⁹ Based on the discussion during the onsite visit and not the written sectoral assessment, whereas this assessment did not determine the total risks in each sector individually, and analyzed only the risks of banks, FIs and Algeria Post Office in a collective manner.

of misusing the Post Offices in remote locations.

627. Regarding the TF risks, the BOA considers them as low in banks, FIs, and Algeria Post Office, since the major risk relates to the misuse of the unofficial system and black market, as being easier for terrorist financiers to enter the unlicensed entities, which makes the TF cases in such sectors an exception. The risk of misusing the Algeria Post Office is not excluded as the small amounts can be used in financing terrorism.
628. BOA at the end of each year classifies banks, FIs (subject to the supervision of the Banking Committee), and Algeria Financial Post Office at the individual level of each entity (see Table 6.2). However, the classification criteria are not based primarily on ML/TF risk, as the results of the sectoral assessment have not yet been integrated into the classification of those institutions due to the recentness of the sectoral assessment. Some elements related to AML/CFT controls are considered when classifying these institutions; however, the classification criteria do not adequately include risk factors related to customers, geographic areas, services, products, and delivery channels¹¹⁰, and do not consider the extent to which sectors are exposed to ML/TF risks. The same can be seen, for example, by assessing the risks of the Algeria Financial Post Office, the BOA considers it a moderate risk, while it is classified according to the table below as a high risk. This limits the possibility of preparing a proper risk-based inspection plan, and thus not applying a risk-based approach according to the actual risks facing these institutions.

Table 6.2: the number of banks, FIs supervised by the banking Committee and Algeria post office as per the risk's levels

Type of FI	Year	High risk	Moderate risk	Low risk
Bank	2017-2019	2	10	8
	2020	2	11	7
	2021	2	11	6
FIs (subject to the supervision of the Banking Committee)	2017-2021	-	-	8
Algeria Post Office ¹¹¹	2017-2021	1	-	-

629. This classification is based on the CAMELS banking classification system, which includes in its component a sub-component relating to the assessment of the AML/CFT system. This sub-component is assessed based on the onsite visits conducted according to AML/CFT system manual¹¹², which deals with two main factors, the first is the organization and internal controls, which begin with discussing the compliance officer and sending them a questionnaire related to evaluating the AML/CFT system, and evaluating the role and tasks of reporting to the CTRF, the quality of the internal regulatory provisions, and the internal control system. The second factors relate to the evaluation of the efficiency of the system by taking and examining a sample of files, addressing aspects of customer identification (including PEPs, transaction, and funds freezing and confiscation measures), document retention, dealing with correspondent banks, alert system effectiveness, and STRs reporting system, e-transfer transactions, employees training, branches and subsidiaries, and the role of external supervisory bodies (bookkeepers). However, the limited onsite inspections conducted by the BOA may affect the accuracy of this classification, since it does not include all banks and FIs (subject to the supervision of the Banking Committee) or cover the Algeria Post

¹¹⁰This is because the sectoral assessment draft dealing with risk factors was newly finalized and not yet officially approved. Therefore, its results are not reflected on entities' classification.

¹¹¹The Algeria Post Office is assessed as one financial institution, while the Post Office takes some procedures to classify the offices as per their risk level and in accordance with its internal controls (See IO.4).

¹¹²This manual was prepared because the part of assessing AML/CFT system in CAMELS does not include detailed assessment criteria.

Office (see the third Core Issue on ensuring compliance with AML/CFT requirements based on risks).

630. A sectoral assessment of the ML/TF risks in the exchange sector has not been prepared. This is because the exchange offices have not been carrying out their activities on the ground since 2016, and they cannot do so legally.
631. There is a lack of understanding of ML/TF risks by the ISC and the SERC. The ISC participated in one of the meetings of the AML/CFT Subcommittee to start assessing the sectoral risks. The committee called on the insurance companies to prepare a risk map at the level of each company (self-assessment) so that the ISC will prepare the assessment based on those self-assessments. However, this assessment has not yet been completed. Moreover, the SERC did not participate in the NRA process. It did neither perform any sectoral assessment of risks, nor classified the supervised entities according to their degree of risk.

DNFBPs

632. The ML/TF risks understanding among the regulators and supervisors of the DNFBPs represented by the National Chamber of Notaries (for notaries), National Union of Bar Associations (for lawyers), the Ministry of Housing, Urban Planning and the City (for real estate agents), the GDT and the MOC (for DPMS) is non-existent, especially since these authorities do not supervise subject entities for compliance with AML/CFT requirements (see core issue 6.3 below, which is related to the supervision of compliance with AML/CFT requirements).
633. The National Chamber of Notaries did not directly participate in the NRA process currently underway in its capacity as a supervisor of notaries, but it contributed to providing limited information about notaries through questionnaires and did not conduct an assessment of the ML/TF risks in the notaries sector, nor did it classify notaries according to their degree of risk.
634. Practically, the Chamber considers the ML/TF risks in the notaries sector as very low and almost non-existent because the notaries are subject to clear and accurate obligations and cannot be misused since they do not deal in cash for amounts exceeding DZD 5 million (USD 35,330) when notarizing transactions of selling and purchasing real estates¹¹³. However, this cannot be considered conclusive in determining the sectoral risks without an actual assessment of them, since the notaries can execute named contracts (such as selling real estate or establishing companies) or explicit contracts (such as debt acknowledgment) which are hard to supervise.
635. Moreover, the Council of the Bar Association, GDT, Ministry of Housing, Urban Planning and the City, and the MOC (regarding DPMS), did not conduct any sectoral risks assessment or classify lawyers, real estate agents, DPMS according to their risks level to which they are exposed. The non-participation of the said entities in the NRA is because the sectoral technical work units did not officially start their work until the end of the on-site visit (see IO 1).

Risk-based supervision of compliance with AML/CFT requirements

FIs

636. The Banking Committee (through BOA) takes some measures to develop risk-based supervision for banks, and to a lesser extent concerning FIs and Algeria Post Office. This is done by developing a matrix and a manual for off-site inspection within the framework of a technical assistance provided by an international organization. However, the implementation of such supervision is limited due to the incompleteness of ML/TF risk understanding by the Banking Committee and BOA. The SERC conducted comprehensive inspections but only during 2021, and not according to a risk-based approach. Moreover, ISC does not monitor the extent to which insurance companies and brokers implement their AML/CFT obligations.
637. The Banking Committee supervises banks, FIs (subject to its supervision), Algeria Post Office, and exchange offices¹¹⁴ through the General

¹¹³ According to the Article 2 of the Executive Decree No. 153-14 of 2015.

¹¹⁴ The supervision measures did not include exchange offices as they have not been carrying out any activity since 2016.

Administration of Inspection of the BOA¹¹⁵, which includes 56 inspectors with an average experience of 14 years in supervision (27 onsite inspectors that can be supported by 29 office inspectors), 20 out of which are AML/CFT well-trained. Moreover, all inspectors (totalling 56) benefit from AML/CFT workshops and seminars conducted by several international organizations.

638. The onsite inspections focus on the headquarters of banks, FIs (subject to the supervision of the Banking Committee), and Algeria Post Office in the capital city, and do not include their branches, unless the situation requires discussion with branches staff, due to the geographical expansion of Algeria (58 provinces)¹¹⁶. However, this is not considered a core constraint for inspections as the inspected entities have central IT systems that allow the integration of information, data and documents from all branches.
639. The onsite supervision carried out by the BOA includes a comprehensive inspection that includes the bank's general assessment according to the CAMELS model (and not based on risks), noting that within one of the components of this model is a part related to the AML/CFT system. The thematic inspection includes monitoring the implementation of AML/CFT obligations, such as systems for scanning lists. A special inspection is carried out within the framework of investigations of confidential nature related to AML/CFT, as it aims to determine specific facts (such as those related to suspicion) and not to monitor the implementation of the AML/CFT requirements. Table 6.5 below shows the limitation of inspections as they do not cover all banks and FIs (subject to the supervision of the Banking Committee). During the period (2017-2019), the comprehensive inspection covered only 3 banks with the participation of 2-3 inspectors for a period of 4-5 months, while the thematic inspection covered only 10 banks out of 20 during that time, with the participation of 2-6 inspectors for 2-3 months. Banks were not subject to any comprehensive or thematic inspections during 2020 and 2021. Moreover, 10 special inspections covered 12 banks during the period 2017-2021 related to examining specific files¹¹⁷ related to AML/CFT procedures. Each inspection included two inspectors and lasted from 1 day to 2 months on a case-by-case basis.
640. As for the FIs and Algeria Post Office, they were not subject to any thematic or special inspections during the period 2017-2021, while the comprehensive inspection dealt with 6 FIs during 2017 and 2018, with the participation of 2-5 inspectors and for 2-3 months for each inspection. The BOA justified the limited onsite inspections during 2017 given that it carried out in 2016 comprehensive assessment missions to identify the vulnerabilities in all banks (20 at the time) and the Algeria Post Office, in addition to 3 comprehensive missions for FIs, where most of the remarks were addressed back then. For the period 2018-2021, the limited number of inspections is due to the incomplete membership of and the inability to establish the Banking Committee at the end of 2018 because of the extraordinary circumstances that occurred in Algeria in 2019, as well as the effects of the pandemic to the onsite inspections during that time.

Table 6.3: the number of entities subjected to onsite inspection regarding AML/CFT requirements

Institution type	Inspection Type/year	2017	2018	2019	2020	2021
Banks	Comprehensive inspection	1	1	1	0	0
	Thematic inspection	0	1	9	0	0
	Special inspection	1	0	1	5	3
FIs (subject to the supervision of the Banking Committee)	Comprehensive inspection	5	1	0	0	0

¹¹⁵ There is no department specialized in supervising AML/CFT requirements, as this department conducts supervision in all areas.

¹¹⁶ BOA has 49 branches distributed to the provinces, and the Bank is working to expand its branches to cover the entire 58 provinces. However, the purpose of such branches is to finance banks with liquidity and cash not to conduct supervisory tasks. Moreover, the three branches of Oran, Blida and Constantine are supervising the activities of other branches of the BOA, and the inspectors of such branches can be delegated, in emergency cases, to inspect the branches of banks and FIs in those provinces.

¹¹⁷ Mainly relate to corruption cases during the extraordinary circumstances in Algeria in 2019.

641. Such inspections dealt with internal control systems, including automated systems for scanning lists, and the efficiency of the AML/CFT system by taking a sample of files to examine several aspects such as the extent to which the customer identities are determined, documents are kept, dealing with correspondent banks, and the effectiveness of the alert system, as well as the quality of STRs reporting system, electronic transfers, and staff training.
642. Offsite supervision of banks and FIs (subject to the supervision of the Banking Committee) depends mainly on the annual reports of bookkeepers and AML/CFT institutions' reports, in addition to onsite inspection reports and remedial actions received from onsite inspectors (refer to Table 6.4 below). However, Algeria did not provide any statistics on the reports sent by the Algeria Post Office. Until the end of the onsite visit, the off-site department of banks and FIs (subject to the supervision of the Banking Committee) did not maintain a matrix of risks, but a set of questions that the desk inspector must answer through these reports. These questions are generally related to banks' internal controls and do not include the risk factors of clients, geographical areas, services, products, and delivery channels. Alternatively, the Banking Committee prepared a draft matrix and special manual for offsite supervision within the framework of the technical assistance provided by an international organization, and the matrix is still being tested.

Table 6.4: the reports reviewed by the off-site department during the period 2017 to 2021

Institution type	Report Type / Year	2017	2018	2019	2020	2021
Banks	Bookkeepers' reports (external authorized party)	20	20	20	20	19
	Onsite inspections report	1	2	8	0	0
	Remedial actions report	5	3	3	5	0
	Bank annual AML/CFT report	20	20	20	20	19
FIs (supervised by the banking Committee)	Bookkeepers' reports (external authorized party)	9	9	8	8	8
	Onsite inspections report	5	1	0	0	0
	Remedial actions report	10	3	4	4	6
	FI annual AML/CFT report	9	9	8	8	8

643. The onsite and offsite supervision departments benefit from the results of their respective work, as the offsite supervision department reviews the comprehensive and thematic onsite inspection reports in most cases (except for the year 2019 concerning banks, when 8 out of 10 reports were reviewed), while the onsite supervision department reviews the reports of offsite supervision before the onsite inspections are carried out, and the onsite supervision program is prepared or developed, taking into account the results of previous inspections and the importance of the bank or FI. However, this cooperation did not result in ML/TF risk-based supervision.
644. There are no financial groups in Algeria, while one of the public banks in Algeria owns 50% of an external bank. There is no indication that the Banking Committee had taken any supervision measures to ensure that the parent bank in Algeria ensures that the subsidiary bank abroad complies with the minimum AML/CFT measures imposed in Algeria.
645. The SERC does not apply the RBA, justifying the stagnation of the stock market in Algeria, where the volume of executed operations is considered low (equivalent to USD 557,754 during the year 2020, and USD 909,907 during the year 2021), and the financial market in Algeria is considered tight (There are only 5 listed stocks). Despite this, the failure to assess the ML/TF risks in the sector hinders the application of the risk-based supervisory approach. On the other hand, the Commission monitors brokers in the stock exchange operations (banks and Commercial companies) to verify their compliance with the regulatory and legal frameworks in general through the Market Development and Monitoring Department, which consists of only 3 employees (the director of the department, their deputy, and an employee in charge of analysis). The human resources available for the Commission to carry out inspections are insufficient.
646. During the period 2017-2021, the SERC conducted one onsite inspection during the year 2021, which included all brokers in stock
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exchange operations (10 banks and one commercial company). The inspection was carried out by 4 employees¹¹⁸, for an average limited only to 8 hours per inspection, despite having touched on a range of topics based on the inspection manual. They included the organization of the broker and the independence of its management, human resources, assets and technological resources, the security system and the integrity of information systems, internal control, brokerage commissions, the existence of work procedures covering some AML/CFT requirements (identifying customers and detecting suspicious transactions). The offsite inspection relies on the bi-annual and annual bookkeeper reports for commercial companies excluding banks, as well as the annual reports of the compliance officers of all brokers (banks and commercial companies). Accordingly, the inspections are limited and do not cover all AML/CFT requirements.

647. The responsibility for monitoring the stock exchange operations carried out through banks rests with the SERC. For this purpose, the Commission signed a bilateral agreement with the Banking Committee in 2018 to facilitate the exchange of regulatory and intelligence information, including the implementation of incoming international cooperation requests. This agreement did not result in any exchange of information or joint inspections of intermediary banks involved in stock exchange operations since the stock exchange market in Algeria is in recession.
648. The ISC of the MOF does not monitor the AML/CFT obligations of insurance companies and brokers. However, it is intended to grant it the independence required to implement its supervisory powers.

DNFBPs

649. DNFBPs are not supervised for their AML/CFT compliance¹¹⁹. Therefore, DNFBPs' supervisors did not develop risk-based supervision.
650. The total number of notaries is 3041 and 57 professional civil companies for notaries, all of which are supervised by the three National Chambers of Notaries as per their geographical area (east, middle, west) and they are affiliated with the MOJ. Each Chamber has a national list of inspectors that changes every three years. The number of inspectors on that list is 50 to 160 based on the number of notaries in each area.
651. The National Chamber of Notaries carries out two onsite inspections every year by two inspectors, including all notaries in Algeria. Such inspections involve accounting aspects and examine a sample of files to verify the legality, registration, and completeness of contracts, and whether the contracting parties are designated persons on UN and local lists published on the CTRF website (noting that there is no specific mechanism for screening against these lists), and it does not include the supervision of the AML/CFT obligations. Also, the Chamber receives several regular reports from the notaries as part of the offsite inspections such as monthly and quarterly reports for executed transactions, statistics and types of executed contracts and a list of the contracting parties. However, the Chamber did not provide any statistics on the carried out onsite inspections or reports received during the period 2017 to 2021.
652. There are 24,028 DPMS in Algeria, most of which are jewellery sellers and traders, and to lesser extent jewellery craftsmen and artisans. They also include 7 importing companies, and two developers of precious metals, and there are no independent representatives. Such categories are subject to the supervision of the GDT, in terms of tax collection, and granting license and accreditation. The MOC may verify the registration in the commercial register and permitted activities and the actual existence of the office. No authority is supervising such entities in terms of AML/CFT compliance.
653. The number of lawyers in Algeria is 61,800 lawyers and 120 local civil law firms. The Council of the state Association supervises the same through 24 affiliated associations distributed to 24 provinces. Such associations do not supervise AML/CFT compliance by lawyers.
654. The real estate agents are supervised by the Ministry of Housing, Urban Planning, and the City in general. Moreover, the Ministry does not

¹¹⁸ Two employees from Market Development and Monitoring Department, and two from Operation and E-Communication Department (IT).

¹¹⁹ An exception is made for the National Chamber of Notaries which examines a sample of contracts concluded by the notary and verify whether any of the parties thereto is on the international and local sanction lists published on CTRF website.

supervise the real estate agents' AML/CFT compliance.

Remedial actions and effective, proportionate, and dissuasive sanctions

FIs

655. The Banking Committee, the SERC, and the ISC have the power to impose a set of administrative penalties and disciplinary measures against the supervised entities. However, there are no clear powers for the Ministry of Post and Telecommunications, and BOA to impose sanctions against the Algeria Post Office and exchange offices respectively in case of violating their AML/CFT obligations.
656. The Banking Committee has the power to impose a set of administrative penalties on supervised banks and FIs, such as warnings, preventing the practice of some operations as well as measures to limit the practice of activity, temporarily suspending managers and terminating their duties, withdrawing and liquidating the bank or financial institution's accreditation. Moreover, financial penalties equal to or less than the minimum capital of the bank or financial institution are also possible. The presence of two judges as members of the Commission enables it to use its discretion for the materiality of the breach. It can file a complaint to the judicial authorities if the breach is serious, deliberate, and considered to constitute a penal offence.
657. However, there is no indication that the Banking Committee uses its powers to impose effective, proportionate, and dissuasive sanctions against supervised banks and FIs. During the period 2017 to 2021, the BOA identified one material violation at the end of 2021 related to non-compliance with due diligence procedures and violation of foreign trade regulations. Accordingly, two penalties were imposed on the bank during the year 2022, i.e., a warning and withdrawal of the license for the domiciliation of foreign trade operations from one of the branches (see the case study below). However, the BOA only identified some observations during the inspections within that period to follow up on the corrective measures. This is due to the incomplete membership of the Banking Committee from the end of 2018 to 2021 because of the inability to renew its mandate under the exceptional circumstances that occurred in Algeria during that period. Therefore, the powers to impose sanctions were disrupted, in addition, the supervisory controls were affected during the pandemic. However, the period before such circumstances did not include any sanctions (2017-2018).

Box (6.3): Case Study - Imposing a sanction against a bank for non-compliance with due diligence and violation of foreign trade regulations

Under its mandate, the General Directorate of Inspection at the BOA conducted an onsite inspection of a bank, at the end of 2021 for monitoring the transactions of a legal person working in assembling smartphones. The bank carried out 4 domiciliation transactions from November to December 2020 for a total amount of USD 29,732, 844.66 and transferred them in November 2021 through deferred payment.

The Bank failed to adhere to the provisions of Regulation No. 01-07 of 2007 regarding the rules applied to transactions conducted abroad and accounts in hard currency, and the provisions of the BOA's Memo No. 03/2015 of 2015 which obligates the banks, before the domiciliation of any foreign commercial transaction, to observe the financial abilities of the importer (i.e. studying its financial statements to ensure that the value of transactions aligns with its financial abilities and income), in addition to explicit violation of the guidelines issued on 08 February 2015 on the due diligence procedures for clients.

The banks executed the transactions although the client has provided financial statements that show negative results that led the company to lose 3/4 of its capital, which did not align with the object of the financial transactions. This meant that the bank did not conduct due diligence or observe the financial abilities of the importer.

As a result, the BOA submitted a confidential report to CTRF and decided to withdraw the license for the domiciliation of foreign trade operations granted to the branch responsible for shortcomings that were detected, noting that the bank has only two branches licensed

for domiciliation of foreign trade operations. The Banking Committee warned the bank for violating the rules of good conduct of the profession.

After such decisions, the Bank responded and took internal remedial actions represented in dismissing the general manager and compliance officer from their posts and reorganizing the bank and strengthening the bank's internal controls.

658. After the completion of the onsite inspection, the supervised entity is directly notified of the main results. Thereafter, the BOA writes a report on the entire inspection results and submits it to the Banking Committee, which in turn sends it to the bank or financial institution within a week with a request to take corrective measures in light of the observations addressed in the report. Then the supervised entity sends the corrective action plan according to the timeframe it sets for itself, taking into consideration the reasonableness of the specified period. This procedure helps in implementing the remedial actions in a timely manner and enhances the commitment of the supervised entity to address the observations.

659. Table 6.5 below shows the number of observations followed up upon by the BOA based on the comprehensive and thematic onsite inspections. The years 2020-2021 did not include any observations since the inspections were only special ones and not comprehensive and thematic, noting that such observations are not exclusively related to AML/CFT compliance.

Table 6.5: observations followed up with banks and FIs

Year	Banks	FIs (subject to the supervision of the Banking Committee)
2017	3	62
2018	34	20
2019	282	-
Total	319	82

660. The disciplinary actions available for the Ministry of Post and Telecommunications and BOA to impose against the Algeria Post Office and exchange offices respectively in case of violating their AML/CFT obligations are not clear. The Banking Committee sends onsite inspections reports to the Ministry of Post and Telecommunications, in its capacity as the body responsible for post services, and since there is no obligation on the Ministry to provide the Banking Committee with feedback, the Commission directly addresses the Post office for the results, and requests a corrective action plan the same way with banks and FIs (subject to the supervision of the Banking Committee). However, Algeria did not provide any statistics related to the observations and follow-ups of the BOA with the Algeria Post Office. Moreover, there are no comprehensive or thematic inspections of the Algeria Post Office during the period (2017-2021). On the other hand, there were no violations by exchange offices of their AML/CFT obligations since these offices do not carry out any activity.

661. The SERC and the ISC have the power to impose a set of sanctions (see R. 27), but they did not use such powers to impose any sanctions related to AML/CFT non-compliance, since the SERC conducted inspections in 2021 only, and therefore no serious violations were detected. On the other hand, Insurance Supervision Commission does not supervise the insurance companies and brokers for their compliance with AML/CFT requirements. For this reason, no violations were discovered, and thus no sanctions were imposed.

DNFBPs

662. The disciplinary committees of notaries' chambers and the Bar Association have the power to impose disciplinary actions against notaries and lawyers, ranging from warning, censure, dismissal or final cancellation and temporary suspension for a maximum of one year for lawyers and six months for notaries. The Minister of Housing, Urban Planning and the City may temporarily withdraw the license of the real estate agent (for a maximum 6 months) or permanently. However, there is no indication to the extent of the disciplinary measures can be imposed by the supervisors of DPMS, as no sanctions or remedial actions have been imposed. This is because of the absence of Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

dedicated supervision of supervised entities' compliance with their AML/CFT obligations.

Impact of supervisory actions on compliance

FIs

663. In general, the supervisory and follow-up actions by BOA of banks and FIs (subject to the supervision of the Banking Committee) had some positive impacts, especially during 2017 and 2018 for banks and 2017 for FIs as per Table 6.6 below. During the period (2017-2019), the average number of observations was 24.5 observations for each comprehensive or thematic inspection (for banks) and 13.6 observations (for FIs). The percentage of closed observations was approximately 75% (for banks) and 70% for FIs. The delay in addressing part of the remaining observations is because some of them require additional human and financial resources, which was affected by the pandemic. For example, a bank responded to 16 observations out of 24 based on an inspection in 2019 and provided a plan to address some observations on enhancing human resources, where 10 new employees are to be hired in the compliance department until the end of December 2022. The inspection results during 2020 and 2021 did not include any observations since they were specific inspections, which were not comprehensive or thematic inspections, since the special inspections, as mentioned previously, relate to investigations of a confidential nature and do not include obligations to combat ML/TF.

Table 6.6: the progress achieved by banks and FIs (subject to the supervision of the Banking Committee) in addressing supervisory observations

Organization	Year	# of comprehensive/ thematic inspections	average number of observations for each inspection	No. of observations	No. of remaining observations	No. of closed observations	Proportion closed
Banks	2017	1	13	3	0	3	100%
	2018	2	17	34	3	31	91%
	2019	10	28.2	282	76	206	73%
Total		13	24.5	319	79	240	75%
FIs (subject to the supervision of the Banking Committee)	2017	5	12.4	62	24	38	61%
	2018	1	20	20	1	19	95%
Total		6	13.6	82	25	57	70%

664. Based on the inspections, an improvement is noted in the banking system in general over time. However, such improvement is somehow slow and falls within the scope of the general framework of enhancing the banking systems and has not yet reached the effective implementation of the AML/CFT requirements. This requires enhancing the supervisory systems and ensuring the implementation of effective, proportionate, and dissuasive sanctions that affect the compliance of supervised entities.

665. There is no indication of any follow-ups from Algeria Post Office during 2017-2021, since no on-site inspections were conducted during that period. Nevertheless, the BOA provided examples of follow-ups conducted in 2016 based on an onsite visit in the same period. The Post Office addressed 67 out of 83 observations and the remaining are still unattended, including the absence of the profession's ethics regarding the reporting suspicion. On the other hand, no violations related to exchange offices were followed up, since in practice no actual activities are carried out by the sector since 2016.

666. The impact of supervisory actions on the compliance of insurance companies and brokers in stock exchange operations cannot be measured, due to the absence of effective supervisory actions regarding the AML/CFT requirements.

DNFBPs

667. There is no impact of supervisory actions on the compliance of lawyers, notaries, real estate agents and DPMS, due to the absence of effective supervisory actions regarding the AML/CFT requirements.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

668. The efforts and measures taken by the supervisors are insufficient to enhance the understanding of reporting entities, particularly non-bank FIs and DNFBPs, of their AML/CFT compliance. This is reflected in the private sector's lack of understanding of these obligations (see IO.4). However, the efforts exerted by BOA, SERC, and the National Chamber of Notaries, while limited, are better than those of other supervisors.

FIs

669. The BOA and SERC exerted some efforts to communicate with supervised entities, but such efforts are still insufficient to enhance the understanding of banks, FIs (subject to the supervision of the Banking Committee), the Algeria Post Office and brokers of stock exchange of their AML/CFT obligations. The actions taken by the BOA are limited to issuing three guidelines during 2015 on the due diligence measures, the procedures of seizing and /or freezing funds under the framework of countering terrorist financing and electronic transfers. However, the BOA did not conduct any training or workshops for explaining the requirements of the supervised entities according to the laws, regulations, and guidelines¹²⁰.

670. The BOA undertakes some communication activities to explain the requirements upon a request of the supervised entities (except for exchange offices that do not carry out any activity), whether by phone calls or emails. Most inquiries of supervised entities are about the guidelines and procedures to identify the beneficial owners. The requirements are explained after each onsite inspection according to its results, through a meeting with the responsible persons in the supervised entity to elaborate on the shortcoming and how to address them.

671. The SERC issued guidelines for subject entities related to AML/CFT and conducted during 2018-2019 three workshops for brokers in stock exchange operations on ML/TF risks and professional brokers' obligations. Moreover, the ISC did not take any measures to enhance the understanding of insurance companies and brokers of their AML/CFT compliance requirements.

DNFBPs

672. The National Chamber of Notaries conducted nearly 5 workshops for notaries related to the AML/CFT requirements. Such workshops were conducted by notaries who participated in international AML/CFT forums. However, the Council of the state Association, the Ministry of Housing, Urban Planning and City, the GDT and the MOC have taken no measures to enhance the understanding of lawyers, real estate agents, and DPMS of their AML/CFT obligations.

673. **Overall conclusion on IO.3:** The country did not provide comprehensive information to help include a direct and more detailed analysis, which affected the possibility of presenting clearer opinions in most aspects of IO 3.

674. The licensing authorities unequally implement fit and proper tests. Most of the authorities check the background through the criminal status record, and some carry out additional security checks; however, these tests do not apply to the beneficial owners of the controlling shares, and do not adequately cover the association with criminals. Moreover, the mechanism of screening the names of shareholders, administrators, and beneficial owners against the UN and local sanction lists is limited and ineffective. The mechanisms for identifying the

¹²⁰ BOA justified this by stating that training is the responsibility of the subject entities, and that BOA and the Banking Committee are monitoring the efficiency of the training program.

beneficial owners of controlling shares are insufficient. Also, there are no mechanisms for identifying the unregistered or licensed MVTs or currency exchangers or virtual assets service providers. Also, cooperation is insufficient between the supervisors and the remaining competent authorities to identify the providers of such activities as well as countering the non-official activities in general. This increases ML/TF risks.

675. The understanding of the Banking Committee and BOA of the ML/TF risks is better than that of other supervisors, especially since BOA carried out a sectoral risk assessment, although recent and not comprehensive. However, the BOA's understanding of risks remains limited and insufficient, which largely affects the risk-based supervision, which is applied to a limited extent by the Banking Committee and BOA on banks, FIs (subject to the supervision of the Banking Committee) and the Algeria Post Office, even though some measures are taken to develop such approach. The risk-based approach is not implemented in other sectors and none of the DNFBPs is supervised for AML/CFT compliance. Moreover, no effective, proportionate, and dissuasive sanctions are imposed by the supervisors for the failure of supervised entities to comply with AML/CFT requirements. In general, the Banking Committee, the SERC and the National Chamber of Notaries exert some efforts to enhance the understanding of supervised entities of their AML/CFT obligations. However, such efforts are not considered sufficient.
676. The deficiencies in various sectors (especially the banking sector, the post, and notaries), especially those related to licensing requirements, understanding risks, conducting risk-based supervision, and applying dissuasive penalties in the event of non-compliance, fundamentally affect the level of effectiveness of IO 3.
677. **Algeria is rated as having a low level of effectiveness for IO.3.**

CHAPTER 7. LEGAL PERSONS AND LEGAL ARRANGEMENTS

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 5

- a) Information related to the establishment of different types of legal persons and arrangements is available to the public through the website of the National Center for the Commercial Register (“NCCR”) (for legal persons), the MOI (for NPOs), and the Official Gazette (for endowments – Waqf).
- b) Algerian authorities did not identify, assess, and understand the vulnerabilities of legal persons and the extent to which legal persons created in the country can be or are being misused for ML/TF, except for some LEAs which are able, in general, to identify how legal persons are being misused for ML.
- c) The measures implemented by Algeria to mitigate the risks of abusing legal persons are considered limited and non-sufficient. Furthermore, the fact that some serious crimes are not included in the list of prior convictions upon registration in the NCCR constitutes a legislative hurdle that may increase the risk of abuse of legal persons.
- d) Notaries are primarily responsible to draft contracts for the establishment of legal persons. The measures applied in practice by notaries when preparing the contracts for the establishment of legal persons are not unified and vary among notaries. The beneficial ownership information is not verified when establishing a legal person, given that there are no obligations on notaries to verify this information and ensure that it is accurate and up to date. Furthermore, the registration of a legal person does not require the submission of BO information to the NCCR.
- e) Basic information related to legal persons can be accessed in a timely manner through the database of the National Center for Commercial Register, which is available to all concerned parties, whether from the public or private sectors. However, this information may not be always accurate and up-to-date due to the lengthy period to notify the National Center of any amendments. As for the beneficial ownership information, it is available only through some banks, given that the concept of beneficial ownership is not applied in Algeria according to the requirements of the Methodology.
- f) Algeria has decided to rely on other sources for BO information, based on information held by FIs. Only some banks collect and hold accurate and up-to-date BO information. The deficiencies related to CDD requirements significantly impact the ability of the majority of FIs and DNFBPs to hold accurate and up-to-date BO information.
- g) LEAs are accessing BO information held by FIs. They rely on their experience to determine BO information regardless of the information contained in the documents provided by FIs, which may not be accurate and up-to-date due to the deficiencies identified in the CDD requirements. Competent authorities have the authority to use compulsory powers to enter the companies’ premises in search of records that may assist them in the identification of the BO, but no information or case studies or typologies were provided to verify that they are doing so effectively and systematically.
- h) Fines applied to legal persons of all kinds for failure to notify the NCCR of changes to basic information are not considered effective, dissuasive, and proportionate.

Recommended Actions

- a) Algeria should assess the risks of abusing legal persons for ML/TF to determine how legal persons are abused and identify the level of risks facing them, as well as the type of legal person and activity that is being misused or mostly misused for ML/TF.
- b) Algeria should improve the current system to ensure that authorities can access accurate and up to date BO information. This necessitates taking the following steps:

1. Tighten the requirements for notaries to collect and hold accurate and up to date BO information.
 2. Conduct outreach and training for FIs/ DNFBPs and legal persons to form a common understanding of the concept of “Beneficial Ownership” . .
 3. Require legal persons to hold BO information and keep it regularly up to date and ensure that they are providing the NCCR with the required BO information.
 4. Take reasonable measures to verify BO information provided by legal persons before deciding to feed such information into the database of the NCCR. .
 5. Consider amending the time allocated to make the modifications to the data of legal persons available to the NCCR, as the deadlines currently set of up to 3 months are considered long and inappropriate.
 6. Amend the provisions of the Commercial Law to enable the supervisory authorities to apply effective financial sanctions to legal persons in the event of failure to keep basic and BO information and update such information in a timely manner and make it available to the NCCR in a timely manner.
- c) Once the legislative framework is in place, and once all stakeholders have a better understanding of the concepts of basic and BO information, the competent authorities should conduct risk-based inspections of legal persons to monitor their compliance with the obligations placed upon them and apply effective and dissuasive sanctions upon the violating parties.
 - d) Algeria should widen the scope of crimes that are not included in the list of prior convictions upon registration in the NCCR to include all serious crimes.

678. The Immediate Outcome considered and assessed in this chapter is Immediate Outcome 5. The Recommendations relevant for the assessment of effectiveness under this section are R. 24 -25, and elements of R.1, 10, 37 and 40.

Immediate Outcome 5 (Legal Persons and Arrangements)

679. The AT based their conclusions on the meetings with the competent authorities, represented mainly by the NCCR, the GDT, the Department of Commerce at the MOC, the Central Listing Company for Bonds, and the NG, and on reviewing some judicial rulings submitted by the Country, and on statistics related to legal persons established in Algeria and those related to inspections and sanctions applied, and the information obtained by the AT during interviews with the private sector, especially banks and notaries.

Public availability of information on the creation and types of legal persons and arrangements

680. Information related to the establishment of all types of legal persons is publicly available through the website of the National Centre for Commercial Register¹²¹. The website provides comprehensive and clear information for the public on the process for the creation of any type of legal person that can be established in Algeria.

681. Various types of legal persons are established following the legislative frameworks in Algeria, which are represented in joint stock companies, limited liability companies, sole proprietorships and limited liability, joint-liability institutions, simple partnership companies, and private companies limited by shares and clusters (groups). In contrast, legal arrangements cannot be established, except for two types of endowments: public and private.

682. Various forms of NPOs are established in Algeria whether at the national, interstate, or municipal levels (see IO 10). Information on the

¹²¹ <https://sidjilcom.cnrc.dz/services-offerts>.

processes for the creation of NPOs is publicly available through the MOI website¹²². The website provides comprehensive and clear information for the public on the process for the creation of all forms of NPOs in Algeria

683. The process of establishing legal persons takes place through several stages, the most prominent of which is choosing the trade name of the legal person after obtaining the approval of the NCCR, followed by resorting to the notary to draft the memorandum of association, and going again to the NCCR to complete the registration procedures.
684. Legal persons do not acquire commercial status except on the date of their registration in the Commercial Register, and they must deposit the memorandum of association and amended contracts with the NCCR.
685. The documents submitted to the NCCR for the registration of a legal person include 1) memorandum of association, 2) Headquarters lease agreement or commercial premises ownership, 3) trade name form, 4) Legal form, 5) Business address and place of business, 6) Capital, 7) Date of commencement of the activity, 8) Number of branches or secondary branches, 9) and names of the representatives, and this is done after completing the incorporation procedures and drafting the memorandum of association of the legal person by the notary. The registration of a legal person does not require the submission of BO information to the NCCR.
686. The creation of NPOs in Algeria requires the submission of a set of documents to the concerned authorities¹²³. They include: 1) the application for registration signed by the president of the NPO or their legally qualified representative, 2) a list of the founding members and members of the executive body, showing their civil status, jobs, residence addresses and signatures, 3) criminal record certificate for all founding members, 4) copies of the NPO bylaws, 5) minutes of the general assembly, which specifies the date and place of the meeting, the meeting agenda (i.e. election of members of the executive body), 6) supporting documents of the NPO address.
687. In Algeria there is a kind of legal arrangement similar to trust funds, which is "endowments". There are two types of endowments in Algeria: the public endowment under the supervision of the Ministry of Religious Affairs and Endowments, and the private endowment¹²⁴. 1436 endowments (mostly public endowments) were established in Algeria during 2017-2021. Information regarding the establishment of the endowment is available to the public through the website of the Official Gazette¹²⁵. The information related to the process for the creation of endowments requires a thorough search on the website of the Official Gazette, unlike the information related to the creation of legal persons and NPOs as stated above.

¹²² <https://www.interieur.gov.dz/index.php/ar/>

¹²³ the People's Municipal Council (for municipal associations), the state (for state associations) and the Ministry of Interior (for national or interstate associations)

¹²⁴ Public Endowment (Charity Endowment): It is limited to charitable organizations at the time of its establishment, and its proceeds are allocated to contribute to the acts of goodness, and it is of two types: A section in which a specific threshold of proceeds is specified, so it should only be spent on other charitable causes unless it is exhausted, and a section thereof in which is not meant for acts of goodness as the endower wanted it to be, so it is called a general endowment with an unspecified threshold for goodness, and its proceeds are spent in spreading knowledge and encouraging research and in parts thereof to be spent in acts of goodness. Private Endowment (Family Endowment): It is limited to be spent on the descendants of persons (males and females) or limited to be spent on certain persons, and then it is transferred to the authority appointed by the endower after the descendants have perished.

¹²⁵ <https://www.joradp.dz/HAR/Index.htm> work is underway to upload information on the establishment of endowments on the Ministry's website. Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

Table (7.1) total number of legal persons established in Algeria during 2017 - 2021

Type of Legal Person	Registered Companies ¹²⁶	Foreigners ¹²⁷	Algerians ¹²⁸
Joint stock companies	4,344	986	3,358
Limited Liability Companies	41,432	3,126	38,306
Sole proprietorships and limited liability	24,408	116	24,292
Joint liability institutions	1,265	8	1,257
Simple partnership Companies	4	0	4
Private company limited by shares	0	0	1
Branches of foreign companies	13	13	0
Groups (clusters)	23	2	21

Source: NCCR

688. The statistics above indicate that the most prevailing companies in Algeria are limited liability companies, which represent 58% of the total number of established companies, followed by sole proprietorships and limited liability and joint liability institutions which represent 34% and 6% respectively. As for the remaining companies, they represent a low percentage that does not exceed 2%.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal persons

689. Algeria has not yet assessed the extent of the abuse of legal persons for ML/TF purposes. This resulted in the lack of a coherent understanding of the risks of exploiting legal persons for ML/TF purposes. The NG has a good understanding of how legal persons can be misused for ML purposes, but this understanding is not comprehensive. This is because the understanding is merely based on the cases they have investigated that appear to be limited in scope and do not provide a comprehensive picture of how legal persons are being misused for ML/TF purposes. Other competent authorities including the NCCR lack a comprehensive understanding of how legal persons are being misused for ML/TF purposes. No evidence suggests that legal persons are being misused for TF purposes. The AT did not come across information, cases or typologies indicating the contrary.

690. Based on the cases considered by the security authorities, legal persons are created with funds from illegal sources. In other cases, they are abused as a front for laundering proceeds of crime. It is evident from the information provided during the meetings with some security services that legal persons are abused by individuals who are leasing commercial registries in exchange for a sum of money. In addition, legal persons engaged in the field of import and export are exploited through the creation of companies with the names of the BOs' families or third parties. However, there is no information on the legal form and other types of activities exploited in ML cases, and the number of legal persons, the nationalities of the persons in charge thereof, including managers and shareholders.

691. Upon reviewing table 7.1 above, it appears that the total number of foreign individuals who are shareholders in legal persons established in Algeria is 4,251 individuals, which constitutes around 6%. However, there is no risk identification related to the legal persons in which these individuals own a controlling shareholding interest.

692. With regards to endowments, the inability of transferring the endowment ownership (both public and private) except in accordance with

¹²⁶ All companies in which foreigners and Algerians are shareholders.

¹²⁷ Includes companies in which foreign and legal persons established abroad are shareholders.

¹²⁸ Includes companies in which Algerian nationals and legal persons owned by Algerians are shareholders.

the conditions specified by the endower, makes it unlikely to be misused for ML purposes. Also, the TF risks to which endowments are exposed are considered low because endowments are managed and controlled by the Ministry of Religious Affairs and Endowments. Their revenues can be only disbursed to Islamic schools and mosques via banking channels. They are also not allowed to deal in cash and to disburse subsidies to natural persons. The accounts of Islamic schools and mosques are subject to the due diligence measures applied by banks, and the AT did not come across any cases indicating that the accounts were misused for ML and TF purposes. Therefore, the restrictions imposed on endowments make them unattractive for ML/TF purposes, which explains why the AT considered that the risks facing them are low.

Mitigating measures to prevent the misuse of legal persons and arrangements

693. Given that Algeria does not have a comprehensive understanding of the threats it is exposed to as stated above; therefore, it has an insufficient vision of the measures required for preventing the abuse of legal persons for ML/TF purposes.
694. The measures taken to prevent the exploitation of legal persons are considered limited and insufficient because the measures applied in practice by notaries when drafting the memorandum of association of legal persons are not unified and differ from one notary to another. Beneficial ownership information is not verified when a legal person is created, due to the lack of directives or instructions that clarify the measures to be taken to identify the beneficial owner of the legal persons. Also, there is no clear requirement to ensure that the information is accurate or up to date. The measures taken vis-à-vis the endowment (the inability to dispose of the endowment and the inability to disburse subsidies except through bank accounts and deposit them exclusively in the accounts of the beneficiaries of Islamic schools or mosques) would prevent the abuse of the endowment in ML/TF activities.
695. All legal persons in Algeria must be registered with the NCCR to be able to carry out their activity. Various bodies are directly or indirectly involved in licensing procedures and the establishment of legal persons, such as the notary, the NCCR, and banks. The notary shall initially prepare the company's memorandum of association and verify that the data attached to the license application includes the supporting documents related to the founders and managers, including a certificate of their criminal records.
696. NPOs must be registered with the concerned authorities¹²⁹ to be able to carry out their activities. The creation of NPOs necessitates obtaining, as part of the licensing procedures, clearance from the security authorities before licensing is granted (see IO 10).
697. The notary's measures may not contribute to the prevention of the misuse of legal persons, as they are not systematically implemented due to the absence of legislation or controls detailing the measures to be taken during the creation of the legal person and upon any change in the ownership or management structure. This is exacerbated by the absence of any supervisory authority to verify the notary's compliance with these obligations.
698. The verification measures applied by the notaries when drafting the memorandum of association of legal persons are not risk-based, as they are common for all types of legal persons; the AT arrived at this conclusion since there are no measures in place to classify companies based on risks and apply in light of that verification measures based on risks, which explains why the verification measures are common for all companies and are not risk-based. The notary prepares the company's memorandum of association, which includes all the information related to the company's form, subject, name, domicile, and term. It also includes the company's capital, its shares, and the composition of the board of directors, managers, and directors. In parallel, the notary verifies the identity of the shareholders, managers, and authorized signatories, in addition to screening their names against the local and UN sanctions lists upon incorporation or any

¹²⁹ the People's Municipal Council (for municipal associations), the state (for state associations) and the Ministry of Interior (for national or interstate associations)

amendment to the company's memorandum of association. By reviewing documents related to the criminal status through the criminal record certificate to ensure that there are no previous prosecutions, verifying qualifications and CVs, and considering their consistency with the company's activity, especially regarding managers. The application of these measures varies from one notary to another; however, these measures do not differ according to the legal form or business activity of the company, as no additional measures are taken by applying the RBA.

699. In the event of a foreign partner, their documents, including a criminal record document certified by the MOFA or any of the relevant authorities in the country of residence, are reviewed. Neither the security authorities nor the counterparts are contacted to verify the validity of this data or conduct any kind of security inquiries in this regard.
700. Regarding the source of funds allocated to the capital, when the capital value exceeds one million DZD (equivalent to USD 7,890) the amount is paid through the banking channels via a bank cheque or bank transfer for Algerians. For foreigners, payment is made through a bank transfer from the foreign bank to the approved banks in Algeria; 20% of the value of the capital is deposited with the notary to review the tax directorate and release the amount after obtaining its approval.
701. Banks do not have mechanisms in place to ensure the legitimacy of the source of the funds allocated to the start-up capital (i.e by verifying, to the extent possible, the financial gains and the reputation of the initial shareholders (or subscribers) and that they are not associated with criminals). The AT reached this conclusion given that banks appear to rely on the CDD measures undertaken by other reporting entities (domestically or internationally) to verify the source of the funds that would contribute to the start-up capital. This measure does not warrant the safety of the start-up capital. This responsibility should remain with the bank where the start-up capital is deposited.
702. The measures adopted in this regard may not prevent the possibility to create legal persons using start-up capital derived from criminal activity. Authorities are aware, even to a limited degree, of the existence of cases of legal persons exploited in ML activities after being created using funds derived from illegal sources.
703. The verification of the source of funds does not differ even if the start-up capital does not exceed one million DZD (equivalent to USD 7,890).
704. The measures taken by the NCCR do not contribute to the prevention of the misuse of legal persons for ML/TF purposes. These measures are limited to reviewing the memorandum of association and documents attached thereto, without obtaining any beneficial ownership information. After preparing the memorandum of association of the legal person by a notary, the NCCR feeds the information and data related to the companies into its database. The verification measures applied at the NCCR are unified for all companies and not based on risks. There are also no laws or instructions requiring the verification of BO information upon the creation of legal persons and continuously thereafter especially upon any change in the ownership or management structure (see Rec 24).
705. Amendments in the ownership structure or management do not take effect until after resorting to the notary to prepare the contracts with the amendments and include them in the company's commercial registry at the level of the NCCR. The time taken to notify the NCCR of any amendments in the ownership or management structure should not exceed 90 days, otherwise, the company would be considered in violation of the provisions of the commercial law. There is a lack of information, in practice, on the time taken to notify the NCCR of any amendments. Even if the NCCR is notified within a period not exceeding 3 month, the lengthy period is considered too long and inappropriate. This does not warrant that the information accessible by competent authorities is accurate and updated on a timely basis.
706. Registration in the NCCR or the practice of any commercial activity for persons convicted of a misdemeanour or felony shall not be allowed,

which includes a list consisting of a number of crimes¹³⁰, not including terrorism and its financing, kidnapping and hostage-taking, illegal arms trade, and other serious crimes. The fact that these serious crimes are not included in the list of prior convictions upon registration in the NCCR is a major deficiency.

707. The memorandum of association and the attached data are deposited at the NCCR, which is responsible for verifying and reviewing all data, including the premises lease contract in the name of the legal entity or the headquarters ownership contract. The information received by the NCCR does not contain beneficial ownership information; therefore, NCCR cannot provide such information to any authority, which may hinder the ability of any competent authority to access beneficial ownership information in a timely manner. This is compounded by the fact that this information is not directly available through companies (absence of any directives issued to them in this regard) and given the observations on the extent of FIs ability to identify the BO. After the registration procedures are completed, an electronic commercial registry is issued, including an encrypted code, to mitigate any case of fraud. Legal persons with issued electronic records exceed 70% of the registered entities, provided that the remaining legal persons complete the issuance of electronic records when making amendments to their basic data, because of the importance of this procedure in mitigating forged commercial registries.
708. Algerian legislation allows joint stock companies to issue securities that take different forms, including nominal or bearer shares, which are convertible into nominal shares. These shares are kept with custodians, specifically banks, and information related to bearer shares is also kept at the level of the Central Listing Company for Bonds. However, it became clear during the meeting with the General Tax Directorate and the Central Listing Company for Bonds that all shares issued in Algeria are nominal shares and there are no bearer shares in Algeria. Holders of nominal shares are subject to CDD measures undertaken by 11 FIs, including 10 banks. These institutions are subject to dual supervision (BOA and SERA). The trading volume in the stock market is very modest (see Chap 1). Based on these factors, the AT believes that the ML/TF risks in the financial market are low, including the risks of abuse of nominal shares.
709. The measures in force in Algeria, represented in the inability to dispose of the public endowment except in accordance with the conditions specified by the endower, and the inability to disburse subsidies or endowment proceeds (if it generates profits) except through bank accounts and deposit them in the accounts of beneficiaries of Islamic schools or mosques, to the exclusion of natural persons, which would prevent the abuse of endowments in ML/TF activities. Regarding the private endowment (the family endowment), it remains within the family or beneficiaries and cannot be disposed of in terms of selling or mortgaging it. After the death of heirs, the endowment returns to the Ministry of Religious Affairs and Endowments, which either manages the endowment or assigns a principal to manage it, and thus becomes a public endowment. It becomes subject to the said measures.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

710. Basic information related to legal persons can be timely accessed through the database of the NCCR, which is available to all concerned parties, whether from the public or private sector. In the event of any change to basic information, the legal person must notify the NCCR of this change within 3 months. Failure to amend the data within the specified deadline entails progressive penalties that may amount to a temporary withdrawal of the commercial register until the company settles its status. However, there is a lack of information to deduce whether all companies are in practice notifying the NCCR of the changes within the specified deadline and not exceeding the 3 month limit. The information available through the NCCR may not always be accurate and up-to-date due to the lengthy time taken to notify NCCR of any amendments, without considering whether all companies notify NCCR of any potential amendments within the set deadlines.

¹³⁰ Misappropriation of funds, perfidy, bribery, theft and fraud, concealment of things, breach of trust, bankruptcy, forgery and use of forged things, issuance of a cheques without balance, making a false statement in order to register in the commercial registry, ML, tax fraud, drug trafficking, trafficking in goods and commodities, serious bodily harm to consumer health.

711. Legal persons in Algeria are not required to maintain BO information. This is one of the mechanisms that Algeria has not decided to implement. Algeria has instead decided to rely on other sources for BO information based on information held by FIs, which is another mechanism that countries may decide to implement. The fact that only some FIs (essentially few banks) collect and hold accurate and up-to-date BO information is a major deficiency. The AT arrived at this conclusion given that the deficiencies related to CDD requirements significantly impact the ability of the majority of FIs and DNFBPs to collect and hold accurate and up-to-date BO information (See IO 4).
712. The understanding of the BO concept varies among competent authorities. LEAs and CTRF possess a clear understanding of the BO concept. In practice, LEAs and CTRF determine the identity of the BO in the framework of their investigations, through the data they receive, which allows them to search the ownership structure and determine, from their point of view, the identity of the person who has a controlling ownership interest in a legal person. Data received show that they have been exchanging BO information with international counterparts, even though to a limited extent (see IO 2).
713. LEAs are accessing BO information held by FIs. They rely on their experience in identifying BO information regardless of information reflected in the documents submitted by FIs that may not be accurate and up-to-date due to the identified deficiencies in the CDD measures (see IO4). Competent authorities have the authority to use compulsory powers to enter the companies' premises in search for records that may assist them in the identification of the BO (see R. 31), but no information or case studies or typologies were provided to verify that they are doing so effectively and systematically.
714. Other competent authorities and namely the NCCR do not have a clear concept of what is meant by the BO. The AT reached this conclusion based on: (1) the identity of the BOs from the NCCR perspective is available to all competent authorities through the basic information that is disclosed at the time of the creation of the legal person and its approval by the notary; (2) the concept of BO is limited only to companies' managers and directors and the persons mentioned in the legal person's memorandum of association; (3) NCCR does not consider that the BO can be identified through the person who has a controlling ownership interest or who exerts control through other means.
715. Judicial authorities, LEAs, CTRF, regulators and supervisors, as well as FIs and DNFBPs can directly access basic information through the restricted access portal within the NCCR's website or by submitting written requests to the NCCR and its local branches, to obtain basic information maintained by NCCR. The time from the date of sending the request until the date of receiving the response does not exceed a maximum of (7 days). This period is considered reasonable to obtain the required information. A set of information can be obtained free of charge, including determining the location of the trader or company, or verifying the company's financial position, in addition to the services provided for a fee for the public (subscription value), which includes requesting copies of data related to companies. The value of the fee does not have an impact on the accessibility of the information (see R.24).
716. The NCCR website allows the search for information related to legal persons by simply entering the company's name or its commercial registration number. There is additional information available, free of charge, to the competent authorities, allowing them to search for additional information, including identifying the natural persons who are shareholders in more than one company, regardless of the percentage of the shareholding in the ownership structure, and identifying those responsible thereof, including chairmen or members of the board of directors, executives, and authorized signatories.
717. If any of the legal persons make any amendment to the address of the trader who is a natural person, the place of business, the address or the address of the subsidiary company, or the amendment of the memorandum of association, it must inform the NCCR of the amendments in a maximum limit of 3 months. Failure to amend the data within the specified deadlines entails progressive penalties that may amount to a temporary withdrawal of the commercial register until the trader settles their status. However, the NCCR did not provide evidence that companies notify them of the amendments within the specified deadlines and by not exceeding the 3-month limit.

718. Non-compliance by companies with the legally set deadlines may not warrant the availability of basic information in a timely manner to all concerned parties, especially through the NCCR's database, whether electronically or in writing. Access by competent authorities and the concerned authorities to updated information is conditional on the commitment of legal persons to provide basic information in a timely manner, especially when any amendment to the company's data occurs, bearing in mind that the 3-month period to notify NCCR of the amendments is considered long. The AT did not receive any data or statistics showing the total number of companies that provided updates regarding basic information and the time taken to do so, to determine companies' compliance with the requirement to provide in practice updated basic information in a timely manner.
719. The other measures taken by the departments of the GDT while carrying out the supervisory work and tax investigations are related to tax purposes. The information which is collected through the onsite visits is not related to the BO information. As a result of the onsite visits, complaints were filed against 1,626 companies between 2010 and 2019, among these complaints, 754 cases were decided and 326 convictions were issued, all of which were for tax purposes. The AT considers that the tax authority does not play a role in ensuring that basic information on legal persons in the NCCR is accurate.
720. There are limited channels in Algeria to obtain beneficial ownership information, given that companies in Algeria are not required to obtain and hold BO information and make it available to competent authorities upon request. As such, authorities in Algeria use their powers to obtain BO information held by banks as part of the CDD requirements. However, the BO information accessible by authorities may not be accurate and up to date given the deficiencies related to CDD requirements that significantly impact FIs ability to collect and hold accurate and up to date BO information.
721. There are several mechanisms that countries may decide to implement to ensure that BO information is obtained and available at a specified location in their country (See Rec 24 and FATF guidance on transparency and beneficial ownership). Algeria has decided to implement one of the mechanisms, based on information collected and held by FIs. This mechanism does not ensure that BO information is accurate and up to date (see analysis above).
722. All companies are required to open bank accounts; however, this does not warrant access in all cases to accurate and updated BO information. The AT reached this conclusion considering that some banks determine the identity of the BOs of legal persons, both when establishing a business relationship and continuously after entering into the business relationship. Yet, there is a varying understanding among banks regarding understanding and determining the identity of the BO (see IO.4).
723. From the point of view of some banks, the identity of the BO of the legal person can be determined by tracing the ownership structure of the legal person to identify the natural person who has a controlling ownership interest. Regarding complex ownership structures, a percentage of (10%) of ownership of shares is reached. Other banks merely depend on the information in the memorandum of association, or the information provided for the company's structure. These efforts are not considered to be sufficient, taking into consideration that the available information for the banks, directly or indirectly, or through the NCCR does not include any information regarding the beneficial owner, as the companies (as explained above) are not required to obtain or provide the beneficial ownership information to the NCCR or include it in the memorandum of association.
724. The number of companies in which foreign persons are shareholders and established between 2017-2021 was 1,331 companies. While the number of legal persons established in Algeria between 2020 and 2021, in which Algerian or foreign persons (natural or legal persons) are shareholders, reached 1,302 companies. Notaries verify that the documents of foreign investors are approved by the MOFA. They also screen UN and local lists at the time of establishment and upon any change or modification in the ownership structure or the management of the legal entity; however, they do not resort whether directly or indirectly to any foreign party to inquire about the beneficial owner within the foreign entity that seeks to hold ownership interest in the legal person in Algeria.

725. There are no directives or legal texts related to the definition of the BOs of companies or entities concerned with the establishment and licensing of legal persons. This includes the measures to be taken to identify the BOs, especially when entities are owned by other companies through a chain of ownership.
726. It is clear from the foregoing that there are several channels in Algeria for accessing basic information, and this information is available through the NCCR. There is no guidance, or any laws issued that require legal persons or their founders to hold and update BO information, or to disclose the same to NCCR. This hinders the ability of the concerned authorities to access such information in a timely manner. There is a varying understanding regarding the identification of the BOs among FIs and banks, which affects the quality of the information obtained by competent authorities if they decide to rely on this information, without verifying its accuracy in collaboration with the concerned company.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

727. The Ministry of Endowments maintains information about the public endowment grantor (the settlor). This information is available to all the competent authorities in the country and is obtained pursuant to a request addressed to the Ministry of Religious Affairs and Endowments. Regarding the beneficiaries of the endowment, if any, they are identified in the contract of the endowment, and if the endowment originator (the settlor) does not choose them, the selection process goes to the Ministry of Endowments and Religious Affairs, which in turn determines the beneficiaries, and it is customary that they are chosen either from amongst Islamic schools or mosques.
728. Algerian legislation does not allow the creation of other legal arrangements (such as trust funds or other similar types). However, this does not prevent the trustees located in Algeria from providing services to trust funds established abroad, and the AT has not received any information in this regard.
729. As for foreign trusts, they cannot perform any activity in Algeria unless they are established as a legal entity and registered with the NCCR. As such, when a foreign trust enters into a business relationship with a reporting entity, the CDD measures applicable to legal entities shall apply to foreign trusts. The accuracy and current-ness of the trustee and beneficiary information of the foreign trust depend on the measures applied by reporting entities and particularly banks which do not differ from those applied to BO of legal persons and may not be considered sufficient for the reasons explained above.

Effectiveness, Proportionality and Dissuasiveness of Sanctions

730. 1,684 penalties were applied during 2017-2021 for the failure of legal persons to modify the commercial registration data. The penalties that were applied in practice are not effective, dissuasive and proportionate as they did not exceed DZD 100,000 (equivalent to USD 695), and there is no evidence that other penalties were applied (i.e. withdrawal from the commercial register).
731. Regarding endowments, no violation of non-retention of information requirements was observed due to the Ministry of Endowments and Religious Affairs managing the endowment based on a specific mechanism as mentioned previously in this regard.
732. **Overall Conclusion on IO 5:** Information regarding the establishment of legal persons, NPOs, and legal arrangements (endowments) is publicly available. The Algerian authorities have not assessed how legal persons are misused for ML/TF purposes, although it has been found that some of them have been exploited for ML. Some measures are in place to mitigate the risks of abuse of legal persons for ML/TF, including verification of the criminal status of the shareholders, managers and authorized signatories and screening their names against UN and local sanctions lists upon creation and regularly upon any change in the ownership and management structure. However, the fact

that some serious crimes are not included in the list of prior convictions upon registration in the NCCR is a major deficiency. There are no mechanisms to ensure that the basic information registered in the NCCR is accurate and up-to-date. BO information is not verified upon establishing a legal person. The notary profession, which is central to registering basic information to the NCCR, is not subject to any supervision. Only some banks collect and hold BO information, but deficiencies related to CDD requirements significantly impact FIs ability to hold accurate and up-to-date information. Sanctions applied are not considered effective, proportionate, and dissuasive.

733. **Algeria is rated as having a low level of Effectiveness for IO5.**

Chapter 8. International Cooperation

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 2

- a) The Algerian authorities provide timely legal assistance, and most of the responses are of the required quality, despite the delay in responding to some incoming requests. Algeria received extradition requests, most of them for non-Algerians, and extradited some of them within reasonable timelines (302 days). As for extradition requests relating to Algerian nationals whom Algeria refuses to extradite under its legislation, they were limited to one request, which was executed by the Algerian judicial authorities without delay and in a very suitable time (5 months).
- b) The Algerian authorities often communicate in advance with counterparts to bypass potential obstacles before issuing letters of rogatory. They have drawn up a good number of legal assistance requests, most of which are of high quality with issues of lack of clarity related to one request. Overall, these requests resulted in tracing and freezing funds abroad, in significant amounts, as well as the confiscation and recovery of funds within the context of combating corruption, bribery and ML, not including all other serious crimes in the context of Algeria that are characterized by the cross-border dimension, including drug trafficking and migrant smuggling, given the limited requests sent in this regard.
- c) Algeria uses a wide range of international cooperation mechanisms with its foreign counterparts to exchange different types of financial and intelligence information for AML/CFT purposes. Most types of offences underlying the outgoing requests were limited to corruption and bribery and a lesser extent to drug trafficking, smuggling of goods and migrant smuggling, while cooperation in terrorism and TF remains very limited, and in some cases there is low and near absent information exchange with neighboring countries, which is inconsistent with Algeria's risk profile.
- d) Except for information requests sent on behalf of competent authorities to foreign counterpart FIUs, CTRF does not sufficiently resort to international cooperation with its counterparts given the limited number of requests sent (27) compared to the number of STRs (12,000) received, which could be attributed to the lack of its human resources.
- e) The role of the GDC is mainly limited to the exchange of information related to the validity of customs invoices and certificates of origin, whereas cooperation with its counterparts in the context of cases of false declaration or non-declaration remains limited and is not consistent with the number of cases related to funds seized across borders.
- f) There is no international cooperation between supervisory authorities and counterparts regarding the application of fit and proper tests, especially regarding foreign persons seeking to hold management functions in FIs operating in Algeria. The extent to which there is a possibility to implement those tests towards foreign shareholders who seek to own controlling shares in FIs operating in Algeria was not perceived, as the Algerian authorities have not received any requests in this regard in the last 5 years.
- g) There is a noticeable discrepancy in the efforts made by the competent authorities regarding the international cooperation framework for the exchange of basic and beneficial ownership information of legal persons. CTRF, though, in light of the absence of legal and regulatory frameworks, relies on its experience in collecting and analyzing information exchanged with counterparts with regards to BOs. None of the other bodies, during the stage of establishing the legal person, and after that, resort to the counterparts to inquire about the BO of foreign legal persons who seek to own shares in legal persons in Algeria.

Recommended Actions

- a) Investigative authorities and LEAs should make more use of formal and informal international cooperation mechanisms in line with Algeria's risk profile, especially in crimes characterized by a transnational dimension, such as drug crimes, smuggling of goods, and migrant smuggling, and resort more to international cooperation for the exchange of information in CT/CFT.
- b) The investigative authorities and the Public Prosecution should increase their efforts to benefit from the official international cooperation mechanisms to trace, freeze, confiscate and recover the proceeds of corruption crimes transferred abroad, and resort more to cooperation in other crimes of a transnational dimension to trace, freeze, confiscate and recover the proceeds generated therefrom (Please See IO 8).
- c) CTRF should proactively seek international cooperation with its foreign counterparts, especially when processing STRs received from reporting entities that could be linked to foreign predicates or proceeds of crime transferred or laundered abroad.
- d) Bodies concerned with licensing and registration of legal persons should resort to international cooperation to inquire about the BO of foreign legal persons who seek to own controlling shares in legal persons in Algeria.
- e) The GDC should enhance the exchange of information with counterparts in the context of cases of false declaration or non-declaration.
- f) The supervisory authorities should resort to mechanisms of international cooperation and exchange of information with counterparts, especially with regard to the application of fit and proper tests towards foreign persons who seek to assume management positions in financial and non-financial institutions operating in Algeria, and also resort to this cooperation when receiving requests from foreign persons to participate in the establishment of financial or non-financial institutions in Algeria, or when controlling ownership shares are relinquished or transferred for their benefit.

734. The IO considered and assessed under this chapter is Immediate Outcome 2. The Recommendations relevant for the assessment of effectiveness under this chapter are R.36-40 and elements of R. 9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation)

735. Algeria is not considered a financial center¹³¹, but international cooperation is important in the context of Algeria due to its geographical location, the length of its land borders, the instability in some countries that have common borders with Algeria, and regional instability, in general. Moreover, the fact that most of the crimes that generate proceeds in significant amounts are characterized by cross-border dimensions and take place within the framework of organized crime such as drug trafficking, migrant smuggling and the smuggling of goods and commodities, implies regular recourse to international cooperation (see Chap. 1).

736. The conclusions reached by the AT were made through studying cases and statistics provided by the Algerian authorities, the responses received from some FATF countries and MENAFATF countries, and the discussions that took place with the international cooperation sector at the MOJ, security services and CTRF and other competent authorities.

Providing constructive and timely MLA and extradition

737. The Algerian authorities execute incoming MLA requests within acceptable deadlines, and most of the responses are of the required quality. However, an unjustified delay in responding to some requests was noted. Regarding received extradition requests, Algeria can

¹³¹ The "Global Financial Centers" report included several countries as financial centers, not including Algeria. We note that this report is available via the link https://www.longfinance.net/documents/2757/GFCI_30_Report_2021.09.24_v1.0.pdf

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implement them within reasonable deadlines.

738. Algeria has procedures for responding to MLA requests, where MLA requests are received directly through the Office of International Judicial Cooperation at the MOJ or through the MOFA, and this depends mainly on the agreements that Algeria has previously concluded with countries abroad. Requests are received and categorized according to a number of criteria, the most important of which are the seriousness of the committed acts and the need to give an appropriate penal response to these acts, such as ML/TF crimes, human trafficking, organized crimes and other crimes, in addition to the presence of the persons, subject of the request, under temporary arrest in Algeria, as well as the urgency of the request.
739. Since 2007, the office of international cooperation at the MOJ has been relying on an electronic system in which legal assistance requests are kept, allowing for easy monitoring and follow-up. Once the requests are received, they are distributed to the assigned judges within the office according to the geographical location from which the request was received, as well as according to the type of crime. After that, the requests are reviewed and ensured that they are complete and meet the required conditions. Once the request is approved, it is immediately sent through a sealed envelope or secure e-mail to the competent authorities, such as the investigative judge, or the Public Prosecution, according to the foreign authority from which the request is received. If the request is incomplete or some data must be provided in the request, some other channels are resorted to, such as Interpol, or the liaison officers of the countries, or through consultation with counterpart bodies through online communication, to meet the required conditions or complete the necessary data. Algeria has previously adopted this mechanism with several countries such as France, Turkey, and Spain.
740. There are adequate systems for managing cases and arranging them according to priority, at the level of the MOJ (the Office of International Cooperation) and public prosecutions, in accordance with the standards approved by the MOJ and investigative bodies, as well as according to the priority of the requesting country, the nature of the offence, and type of assistance sought. Regarding the working mechanism of the concerned investigative bodies, there are 48 PPs at the level of the judicial councils who receive in practice requests for international cooperation from the MOJ, and then transfer them to the competent courts. There is an assistant republican prosecutor at the level of each court, and an investigative judge specialized in investigations related to international cooperation, following up on requests and supervising how they are executed.
741. Although legal assistance requests are received through official channels, informal consultation, nonetheless, is often held with the requesting country to ensure the conditions are met in the request before it is officially sent. Algeria is also a member of the Mediterranean Justice Program, which, through Crimex, aims at facilitating international cooperation between countries bordering the Mediterranean. Several times, the focal points of the participating countries were resorted to, to obtain information, facilitate or expedite the implementation of international judicial assistance requests. Several countries have previously communicated informally with Algeria before sending requests officially, and this is done either through Interpol, liaison judges, or focal points appointed by Algeria in several countries. Regarding focal points, there are points of contact with France, Belgium, and America. As for liaison judges, there are judges to facilitate cooperation with France. Communication has also been carried out through video conferences since 2015 to facilitate rapid and effective communication, and this procedure is in place with several other countries, including Turkey, Spain, and England.
742. During the period from 2017-2021, Algeria received 458 MLA requests from several countries, and all requests received in 2017 and 2019 were responded to. The response period ranged from 2 to 19 months, while the average period for responding to MLA requests was 10 months, but it is noted that there are a number of requests that are still under process (26), including 7 requests received during 2020, as shown in the table below. The Algerian authorities did not explain the reasons behind the delay in not responding to the requesting countries, noting that none of the requests received were rejected.

Table No.(8.1): Incoming MLA Requests

Year	2017	2018	2019	2020	2021
Number of Incoming Requests	86	94	126	77	75
Requests partially responded to	0	0	0	0	0
Requests completely responded to	86	94	126	70	56
Number of requests under process	0	0	0	7	19

Table (8.2): MLA requests received by type of crime during 2017-2021

Crime	2017	2018	2019	2020	2021
Drugs	4	1	4	3	3
Terrorism	6	12	14	9	8
TF	0	1	1	2	0
ML	2	2	9	4	2
Smuggling of Goods	3	4	9	2	5
Corruption/Bribery	4	5	11	10	2
Migrant Smuggling	0	2	3	0	0
Other crimes (no further details)	67	67	77	12	55

743. The crimes subject of the incoming MLA requests varied, the most prominent of which were requests related to terrorism (49), corruption and bribery (32), ML (19), smuggling of goods (22) and Drug trafficking (15). The types of offences underlying these requests are consistent with Algeria's risk profile, except for migrant smuggling where only 5 requests were received during 2017 – 2021.

744. MLA requests received by Algeria during 2017-2021 varied, with the highest percentage requesting investigations (92), followed by interrogation (questioning) of persons (90), hearing testimonies (80), and to a lesser extent other requests in which the Algerian authorities were requested to provide information data, or taking measures (actions). Below is a table of the type of cooperation required and the number of cases regarding incoming legal assistance requests.

Table No. (8.3) the type of cooperation required from Algeria

Type of Cooperation required	Number of cases
Tracing Funds	3
Temporary seizure of Funds/Assets	9
Request of copies of judicial judgments	22
Taking testimonies	48
Request of copies of investigations' files	50
Request for information	64
Hearing witnesses	80
Interrogation of persons	90
Request for conducting investigation	92

745. It is noted, according to the above table, that Algeria received 12 requests to execute tracing orders and temporary seizure of funds and assets Algeria has in place a special mechanism for processing these requests. First, they are distributed among the assigned judges at the

level of the International Cooperation Office in the Ministry of Justice, according to their geographical distribution. After verifying the conditions that must be met in the request, they send it via secure e-mail to the authorities concerned with implementation, such as the PP. The PP assigns LEAs to collect the requested information. After receiving the PP's instructions, LEA's initiate their investigations by communicating with the GDT to identify bank accounts (see Rec. 31), searching a number of databases, by resorting to the General Directorate of National Properties that maintains a database of real estate properties, the NCCR to inquire about companies owned (wholly or partly) by the persons subject of the requests, and GDC that maintains a database on customs disclosures (such as import and export transactions), in addition to a number of other databases. Investigations conducted by LEAs showed the absence of any accounts, properties or private assets belonging to the persons subject of the requests (12) received by the Algerian authorities. The requesting countries were informed of the outcome of the investigations in Algeria during a period ranging from 2 months to 14 months, which is considered very reasonable.

746. Algeria did not receive any MLA requests (see table above) to execute confiscation orders or repatriate funds during the period between 2017-2021 (See IO 8). Algerian legislation allows the sharing of assets with foreign countries (See Rec. 38). Algeria resorts to the mechanism referred to above to identify assets and properties subject to confiscation.
747. The AT did not receive statistics of countries from which the MLA requests were received during 2017-2021. Even if the AT were provided with the names of these countries, it would not be possible to express an opinion on whether the MLA requests received are consistent or not with the foreign risks facing Algeria. This is because Algeria has not identified its ML/TF risks that should supposedly provide information on the main countries from which criminal proceeds laundered in Algeria are generated (See IO1).
748. At the request of the AT, Algeria provided a table containing a sample of 10 incoming requests, showing the time frame from the date the request was received until the date a response was sent to the requesting country. The assistance required consisted of interrogating the suspects, requesting information, conducting investigations, taking witness statements, investigating the extent to which company workers were involved in the incidents of bribery of a public officer, and identifying and freezing real estate. The Algerian authorities provided the requesting countries with final responses to 9 out of the 10 requests. As for the 10th request, the requesting country was provided with a partial response, which was followed by a final one. It was found that the response period ranged from 2 to 19 months, while the average response period for MLA requests was 10 months, which is considered reasonable to some extent, as requiring a witness statement, requesting information, or requiring the identification of real estates should not in practice take too long (6 months) or 10 months on average.

The following are two case studies submitted by the Algerian authorities showing the time taken from the date of receiving the request until the date of sending a response to the requesting country

Box (8.1): - Requests from two countries

On 30/11/2020, an MLA request was received from a European country requesting to identify the whereabouts of a person, to hear his statements, as well as to initiate a joint investigation. The MOJ sent the request for execution on the same day to the Public Prosecution. The location of the suspect was identified, and their statement was taken. Then, the response was sent through the MOFA on 9/12/2020.

On 9/12/2021, an MLA request was received from a foreign country requesting tracing, identifying, and taking precautionary measures on a real estate property belonging to Algerian suspects pursued in ML due to their collusion with an organized criminal group operating in the requesting country. This was followed by an investigation in Algeria, where no real estate properties belonging to the suspects were found. The response was sent to the requesting country on 25/6/2022.

749. By reviewing the responses of the global network on the experience of cooperation with the Algerian authorities, it was found that a number of countries have designated (3) points of contact with Algeria, and some countries indicated that bilateral agreements were signed with Algeria in the field of international cooperation. Most countries have expressed that cooperation with Algeria is of good quality, except for one country that indicated that there are still (3) pending requests for international cooperation for which it has not received any information. Algeria clarified that, for the first request, it partially executed it by providing the judicial authorities in the requesting country with the procedures followed in the case. As for the second request, it clarified that the request was executed and sent through the MOFA on 10/07/2021. As for the third request, it clarified that the submitted request relates to the extradition of a minor and that his guardian filed a complaint before a competent court, and the complaint is still under consideration, given that the judicial ruling issued abroad was non-executable, since it is not final in the country where it was issued.

Extradition

750. Extradition requests are submitted to the MOJ (Office of International Judicial Cooperation) through the MOFA. Then it is studied in terms of whether they meet the conditions stipulated under the extradition agreements to which Algeria is a party¹³². Then, the file is presented to the PP of the Supreme Court, who in turn refers the file to the Criminal Chamber of the Supreme Court. The latter shall decide on the execution within 8 days from the date on which they are provided with the documents. After the Supreme Court's issuance of a decision accepting extradition, the request is submitted to the Prime Ministry (i.e., the Cabinet), then the Prime Minister (i.e., the head of government) issues a decree to hand over the suspect(s) to the requesting country.
751. Algeria does not extradite Algerian nationals; if the felony has a political nature; the felony or misdemeanour is committed in Algerian territory; the public motion has dropped by virtue of the statute of limitation, or if an amnesty is issued in the requesting country (see R.39 of the TC Annex). Algerian nationals are prosecuted by the competent Algerian judicial authorities, if they are provided with an official notification issued by the judicial authorities requesting extradition. In this case, follow-up is carried out and the requesting country is informed of the procedural outcome of the case. Among the requests for extradition received, a request was received for the extradition of an Algerian national for a felony. Given that Algeria does not extradite its nationals, the Algerian authorities pursued the person through a judicial investigation and issued a letter of rogatory to provide them with a copy of the case file abroad. After receiving the case file from the foreign judicial authorities in January 2019, the file was referred to the investigative judge in March 2019, and a decision was issued in June 2019 by the Indictment Chamber that ruled the final accusation of the individual subject of the extradition request. This concludes that the judicial authorities have followed up the request without delay and in a very suitable time (5 months).
752. The requests for extradition received by Algeria between 2017-2021 were 21 requests, in which 20 foreigners and one Algerian person were requested, based on various charges, including drug trafficking (which is the highest percentage at an average of 7 requests during the period), followed by ML and human trafficking. 13 persons were extradited. As for the persons who were not extradited, the reasons varied. One of the concerned countries did not pursue the extradition request further (in one case for the suicide of the person, in another case because the person became mentally ill). In other cases, 3 persons were released because the requests for extradition were not submitted within the deadlines of the agreement (i.e. within 45 days); in the case of two other persons their search warrants were cancelled.
753. The most prominent countries from which extradition requests were received are Italy (4 requests), followed by Qatar (2) Tunisia (2) UAE (1). As for persons extradited during 2017 and 2021, the extradition period ranged between 95 and 199 days. Different circumstances influence the time taken to extradite the persons subject of the extradition requests. These include, the completeness of the extradition

¹³² Algeria is a member of 71 bilateral agreements and international and regional treaties.

file, the time taken to apprehend the person, the accuracy of the person's identification details and their residing address.

Table No. (8.4) The most prominent countries from which extradition requests are received

Requesting Country	Number of Incoming Requests				
	2017	2018	2019	2020	2021
Italy	2	1	1	0	0
France	0	1	0	0	0
USA	0	1	0	0	0
Czech	0	0	1	0	0
Azerbaijan	0	0	1	0	0
Tunisia	0	1	0	1	0
Qatar	0	0	2	0	0
China	0	0	0	1	0
UAE	0	1	0	0	0
Germany	0	0	0	1	0
Turkey	0	0	1	0	0
Romania	0	0	1	0	0
Others	0	0	3	1	0
Total	2	5	10	4	0

Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

754. Most serious crimes in the context of Algeria (i.e. drug trafficking, corruption and bribery, smuggling of goods and commodities and migrant smuggling) feature a cross border element. This explains the importance of activating, regularly, international cooperation mechanisms.

755. The Algerian authorities have issued a good number of MLA requests, most of which are of high quality. The most prominent criminal offenses for which cooperation was requested were corruption, bribery, ML and to a lesser degree drug trafficking. The AT believes that MLA sought for the main underlying offences is partially in line with Algeria's risk profile.

756. The number of requests issued by Algeria during 2017-2021 related to bribery and corruption (189) and ML (90) appears consistent with Algeria's risk profile and authorities' understanding of the ML risk (IO1). However, the number of requests related to smuggling (4) and migrant smuggling (4) is very low considering that these two crimes have a cross-border nature and were a source of threat to Algeria, as they generate huge proceeds. The same is true regarding the number of requests related to terrorism (8) and TF (3), given the relevant threats facing Algeria due to its geographical location, its vast areas, the length of its land and coastal borders, and the activity of Al-Qaeda in parts thereof, in addition to its proximity to border areas where terrorist groups are located (IO.1).

757. The central authority (the Office of International Judicial Cooperation at the MOJ) prepares outgoing MLA requests and communicates with foreign counterparts. If the investigation body deems it necessary to prepare an international MLA request, it directs it to the MOJ which sends it to the counterpart to execute it. This is done either through informal channels (such as e-mail), official channels, or the MOFA, based on the agreements that govern international cooperation in this regard. It is customary to consult informally before requests

are sent formally to avoid any potential obstacles or to meet the requirements of other countries, and to reduce the periods to execute the request after sending it to the requested country. The consultation takes place on some issues related to the drafting of the requests, as well as the search for the scope of the jurisdiction of the courts to which the requests are to be sent, to facilitate cooperation required by Algeria.

758. By looking at a sample of the requests that were sent by the Office of International Cooperation at the MOJ to foreign counterparts, it turns out that the processing period for the request from the date of its receipt to the date of being sent to the country from which assistance is requested ranges from 2 to 14 days. The time taken to review the request and confirm that it meets all legal requirements and conditions seems reasonable.

Outgoing MLA requests

759. Requests for outgoing legal assistance during 2017-2021 were 652 requests. Of these requests, 318 requests have been completed definitively, and 16 requests partially, while the number of requests that are still under process was 293 requests. On the other hand, 25 requests were rejected, and the reasons for the rejection, and the countries that refused to execute the requests were not clear. Regarding the requests that are still under process, Algeria explained that they are related to corruption crimes, and negotiations are still underway due to the content of the requests and their complexities. Mainly, because they are related to tracing funds and identifying assets, and this justifies the reason for not executing them, as some of them date back to 2018 and 2019 with a total of 57 requests, whilst under process requests since 2020 and 2021 are 92 and 144 requests, respectively. As for the countries receiving the most requests, namely, France (270), Spain (75), Tunisia (36), America (29), Morocco (19), Italy (19), Belgium (18), and China (10), as shown in the table below.

Table No. (8.5) Countries to which requests for MLA are sent

Requested Country:	Number of Outgoing Requests				
	2017	2018	2019	2020	2021
France	26	45	54	61	84
USA	1	6	1	7	14
Tunisia	6	10	8	9	3
Belgium	4	2	3	5	4
Turkey	2	2	2	7	6
Italy	4	0	3	6	6
Morocco	5	8	4	6	5
Spain	7	17	18	18	15
China	2	1	0	5	2

760. Considering that Algeria has not assessed its ML/TF risks, it cannot be concluded whether the countries to which requests are sent are the main destinations of proceeds of crime considering Algeria's risk profile. Even though there is an increasing trend in the number of outgoing MLA requests¹³³, it is of concern the low number of requests to a neighbouring country particularly concerning drug trafficking and the near absent cooperation with other neighbouring countries (e.g. Mali, Niger) particularly concerning smuggling of goods, migrant smuggling, terrorism and TF.

761. By reviewing the responses of the International Cooperation Network regarding the quality of the MLA requests sent by Algeria during

¹³³ The state verbally explained during the onsite visit that the political orientation in 2019 led to strengthening efforts at the executive level in general. Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

2017-2021, the concerned countries agreed that the requests issued, are of the required quality, but one country indicated that the information provided in the MLA request was not sufficient as it was difficult to understand the facts and criminal conducts from the information contained in the MLA request, and requested additional information from the Algerian authorities. This request is still pending to date. Algeria is currently working on collecting data and information related to the request in preparation for providing the concerned country with the additional information requested thereby. Another country noted that requests for terrorism received from Algeria remain limited compared to existing flows with other countries neighbouring Algeria.

762. Algeria sent a number of requests, as it was found that they involved a group of crimes, and it was found that the highest percentage of requests related to corruption and bribery (189), ML (90) and drug trafficking (56), followed to a lesser extent by terrorism (8), smuggling of goods (4), smuggling of migrants (4), and TF (3).

Table (8.6) MLA requests issued, by type of crime

Crime	2017	2018	2019	2020	2021
Drugs	8	17	10	10	11
Terrorism	0	1	6	1	0
ML	2	6	5	56	21
TF	1	1	0	1	0
Corruption/Bribery	6	22	10	81	70
Smuggling of Goods	1	1	1	1	0
Migrant Smuggling	1	1	1	1	0
Other Crimes	30	43	54	26	54

Table No. (8.7) the type of cooperation required by Algeria in the cases mentioned in the table above during 2017-2021

Type of Cooperation Required	Number of cases
Confiscation of funds/assets	0
Recovery of funds	2
Hearing witnesses	5
Interrogation of persons	6
Request of copies of judicial judgments	7
Request for conducting investigation	58
Tracing Funds	79
Request for information ¹³⁴	90
Request of copies of investigations' files	188
Temporary seizure of Funds/Assets	217
Total	652

763. The judicial police are in some cases making requests for MLA, especially when concerned foreign entities refuse to share information

¹³⁴ Some of the requests relate to BO information of legal persons abroad after criminal proceeds were transferred to their accounts overseas with the aim of freezing them (see core issue 2.5 below).

except through MLA requests. Requests prepared by the COCC are sent through judicial authorities to their foreign counterparts. Between 2017-2021, three MLA requests were forwarded to three European countries through the competent prosecution (the economic and financial penal departments) according to the requirements of the investigation file. This has led to the retrieval of documents proving the crimes under investigation while obtaining additional information that led to the expansion of the investigations led by the COCC.

MLA Requests issued in connection with the execution of confiscation orders

764. Issued MLA requests resulted in tracing and freezing funds overseas in significant amounts, as well as the confiscation and recovery of funds from abroad in the context of combating corruption and bribery, and ML offences, excluding all other important crimes characterized by a cross-border nature, due to the limited requests sent in this regard (see IO 8).

765. During 2017-2021, the Algerian authorities sent several requests to trace funds abroad (79), to place temporary seizure of assets (217), and to recover funds (2) from foreign countries (refer to the table above). Requests have been sent to Switzerland, Spain, France, the UAE, and Luxembourg. This cooperation has led to the freezing of funds abroad, as well as the confiscation and recovery of funds from abroad, as shown in the following table:

Table No. (8.8) Funds Frozen, confiscated and recovered

Crime	Amounts Frozen Abroad	Amounts Confiscated Abroad	Amounts Confiscated and Recovered from Abroad
Money Laundering	CHF 500,000,000		CHF 5,475,000
Corruption/Bribe	EU 48,823,150 USD 17,120,571	USD 17,800,088	USD 18,000,000

766. According to the above table, Algeria was able to obtain the freezing confiscation and recovery of significant amounts of proceeds of corruption and bribery, and ML crimes. However, it can also be noted that within the context of other cross-border crimes, namely, smuggling of goods and commodities, and migrant smuggling funds were not frozen abroad, although Algeria considers that these crimes generate significant amounts of criminal proceeds. Algeria has a committee concerned with following up the funds and assets frozen overseas to recover them. The committee was able, owing to the travel of some of its members to the concerned countries abroad, to freeze and recover assets. The committee continues to follow up on the funds and assets frozen in the concerned countries to recover them (see IO 8).

Outgoing extradition requests

767. Algeria has sent a significant number of requests to repatriate criminals from abroad; however, it has managed to repatriate a relatively small number of criminals. The percentage of requests that have not been processed or are still pending is considered high. This is due to various reasons, including the lack of clarity of extradition requests or some countries' concerns that Algeria shall, in the event of repatriation, carry out the death penalty.

768. The investigative authorities prepare extradition requests, and then send them to the Office of International Judicial Cooperation at the MOJ for examination and to ensure that they meet all legal conditions and requirements, considering the bilateral, regional and international agreements ratified by Algeria and which specify the conditions to be met in requests for extradition. After studying the requests by the International Cooperation Office and verifying that they meet the required conditions, they are sent through the official channels represented by the MOFA, in preparation for their delivery to the concerned countries abroad for execution.

769. The number of requests issued by Algeria to repatriate criminals during 2017-2021 reached a total of 175 requests, under which 167 Algerian citizens and 8 foreigners were requested. The number of executed requests reached 42 (constituting 17.5% of the total number of issued requests), while the requests that are still pending or under execution amounted to 124 requests (constituting about 51.6% of Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

the total issued requests). It is noted that there are still pending requests dating back to 2017, 2018 and 2019, with a total of 42 requests, while the pending requests, which date back to 2020 and 2021, have reached 36 and 46 requests, respectively, and Algeria did not explain the reasons behind the delay in executing the requests by the concerned countries abroad. But this could be attributed to the lack of clarity of requests, as explained by some FATF member countries.

770. It was also found that the concerned countries abroad rejected several requests for extradition, totalling 63 requests. The reasons for the refusal varied, and the majority of them refused to extradite fearing that the courts in Algeria, in the event of extradition, would pronounce the death penalty, and some of them requested guarantees that death sentence pronouncement would not take place. Others requested guarantees regarding the proper treatment of prisoners and abstaining from resorting to torture methods. Although Algeria has provided guarantees represented by the PP pledging not to request the execution of the death penalty, which has not been carried out in Algeria since 1993, some of the concerned countries still refuse to extradite or do not respond to requests for extradition. On the other hand, Algeria has repatriated from abroad 33 persons pursuant to extradition requests without specifying whether any of the 8 foreigners had been repatriated in addition to not specifying their nationalities. The persons were repatriated from abroad (33) within periods ranging between 198 days (about 6 months) and 358 days (about a year), with an average of 9 months. The most prominent countries to which extradition requests were sent were Morocco (77), followed by France (54), Spain (25), Britain (8), Italy (6), Switzerland (4), and Greece (2).
771. In terms of crimes attributed to persons required to be repatriated, drug trafficking crime ranks first as the number of extradition requests related to this crime reached 69 requests, followed by those related to terrorism (30), corruption and bribery (15), ML (14), smuggling of goods (4), and TF (1).

Seeking and providing other forms of international cooperation for AML/CFT purposes and the associated predicate offences (2.3 and 2.4)

772. Algeria uses several international cooperation mechanisms with its foreign counterparts to exchange a wide range of financial and intelligence information for AML/CFT purposes and the associated predicate offenses. LEAs benefit from cooperation with counterparts in corruption and bribery crimes, and to a lesser extent in all other crimes according to Algeria's risk profile, including drug trafficking, smuggling of goods and migrant smuggling. The supervisory authorities do not exchange information at the international level, especially the application of supervision work at the level of the financial group and concerning the application of fit and proper tests towards managers when appointing new foreign persons to take over administrative positions in financial institutions operating in Algeria.
773. The cooperation on CT/CFT between the competent authorities in Algeria and their foreign counterparts is not sufficient, and the AT believes that the weakness of formal cooperation (according to the above analysis) and informal cooperation on terrorist crimes and TF would affect the level of effectiveness in IO.2, given the context of Algeria and its geographical location close to border areas where terrorist groups are located (see IO.1) The AT arrived at this conclusion after having formally requested information from Algeria on the scope of cooperation with counterparts, especially with neighbouring countries. No statistics or cases were provided, except one case that demonstrates the role of LEAs in international cooperation to combating terrorism.
774. In the context of combating corruption that generates significant proceeds, LEAs cooperate effectively at the international level with their counterparts or with non-counterparts to request information that may be available abroad, before referring the file to the competent judicial bodies to consider the need to issue MLA requests to trace the proceeds of crime transferred or transported abroad and request freezing, confiscation and recovery.

Outgoing requests

775. Within the framework of investigations into corruption crimes and crimes related thereto, the Central Office for Combatting Corruption (the "Office") requests internationally available information from foreign counterparts directly and indirectly.
776. Regarding indirect administrative cooperation with foreign counterparts, the Office has sought the assistance of the competent national bodies (CTRF, the GDC, the GDT, and the SERC). The responses from counterparts abroad have varied taking into account their powers and national laws. And the responses from some of them were limited to the obligation to provide the relevant bank account numbers and evidence of the connection of the suspects in Algeria with the nationals of their countries. As for the other responses, they indicated the absence of suspicious indicators in their databases, with sometimes reference to the statute of limitations rules (4 years). While other counterparts have submitted legal documents concerning suspected legal persons, whereby the findings of the Office helped in practice the competent judicial authorities in preparing more accurate MLA requests.
777. Regarding police cooperation with foreign counterparts, the Office has sought the assistance of the International Police Cooperation Mechanism (Interpol) to identify the destination of bank money transfers and their beneficiaries. However, the result was negative, as the authorities that were requested to cooperate (in one of the European countries) stipulated that international MLA requests must be issued to obtain the required information. The case file, including the response of the Interpol, has been referred to the regionally competent judicial authority to do the necessary.
778. During the last five years, the Office sent 30 requests for international cooperation through various local authorities, 3 requests were sent through the Public Prosecution, 5 through CTRF, a request through Interpol, and 12 requests through different entities (one of which is the SERC). The requests sent are aimed at following up on the available information and verifying whether it is related to corruption cases, which falls within the powers and jurisdiction of the Office.
779. Several different cases have been reviewed that show how the Office has benefited from the various mechanisms of international cooperation. The following is a summary of the case study in this regard.

Box (8.2): Case Study showing how the Office uses International Cooperation

Based on articles published in the electronic press and financial control reports provided to the Office from the General Inspectorate of Finance regarding suspicion of corruption related to a large project, (the completion of a facility specialized in hosting conferences) the Office began its investigations in mid-2019, which revealed the existence of a criminal agreement between a public office employee charged with overseeing the completion of the project and the officials of the foreign companies that conducted the engineering study, completions and management deals. The Office conducted its investigations and concluded that the deal was awarded through favoritism and that the value of the project was exaggerated, whether in connection with technical studies or during the completion of the work and the import of equipment to transfer huge sums of funds abroad to be paid later in the form of kickbacks and commissions. Based on these data, the competent prosecution was informed, and through the public prosecution, requests for cooperation were sent to three European countries to identify, trace and seize the criminal proceeds that have been transferred to those countries (with an estimated total value of approximately USD 203,373,705). In response to requests for judicial assistance, the Office received partial responses from two European countries, which included administrative and financial information on the natural and legal persons subject to the request.

¹³⁵ The authority has not received any incoming requests from foreign counterparts which explains why there is no section for Incoming Requests.
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One of the foreign counterparts has expressed its willingness to continue cooperation before taking the required search and seizure measures.

CTRF

780. CTRF cooperates with counterpart FIUs through the Egmont secure web; it has signed 22 MOUs with counterpart FIUs and seeks to conclude agreements with counterpart FIUs based on some determinants, such as the extent of the presence of dense commercial relations between the two countries or the extent of the size of the Algerian or foreign community located in the two countries.

Outgoing requests

781. CTRF requests information to either complete the operational analysis it is carrying out, or to request information to complete the investigations carried out by the competent authorities. In some cases, CTRF requests information from counterpart FIUs about the extent of investigations abroad or investigations dealing with persons or entities, whether they are Algerians or foreigners, and seeks to obtain available information on them.

782. The requests issued by CTRF during 2017-2021 amounted to 517 requests, of which 490 requests (equivalent to 94% of the total requests issued) were sent on behalf of local competent authorities. Most requests were issued to France (63), the UAE (62), Spain (59), Switzerland (45), the UK (42), and other countries.

Table (8.9): CTRF outgoing requests to foreign counterparts based on cases under process and requests received from local authorities.

Year	Outgoing requests									
	Based on cases under process by CTRF	Based on requests received from national authorities								Grand total
		Investigative Judges	COCC	MOJ	Military Court	NG	GDNS	MOFA	Total	
2017	1	-	-	-	-	31	6	-	37	38
2018	-	-	-	-	-	63	8	-	71	71
2019	5	48	5	-	-	216	3	-	272	277
2020	-	35	-	-	-	33	6	-	74	74
2021	21	31	-	3	1	-	-	1	36	57
Total	27	114	5	3	1	343	3	1	490	517

783. Requests issued by CTRF on behalf of the local authorities varied in terms of their connection to ML and other crimes and violations. Corruption-related requests are consistent with Algeria's risk profile, except for requests issued for drug trafficking, TF and smuggling crimes, while there are no requests for terrorism, and migrant smuggling which is not consistent with Algeria's risk profile.

Table (8.10): the type of crimes subject of the requests sent by CTRF and related to the table above during 2017-2021

Crime	Number of Outgoing Requests					Total
	2017	2018	2019	2020	2021	
Corruption	-	57	260	64	26	407
Violation of Exchange Law	23	9	15	4	27	78
ML	11	-	1	6	3	21
Drug Trafficking	-	5	-	-	-	5

Organized Crime	3	-	-	-	-	3
TF	-	-	1	-	1	2
Smuggling	1	-	-	-	-	1

Table (8.11): the type of cooperation required by CTRF in the cases mentioned in the table above during 2017-2021

Type of Cooperation Required	Number of Outgoing requests					Total
	2017	2018	2019	2020	2021	
Tracing Funds	9	57	270	64	34	434
Inquiring about the BOs	20	12	4	2	10	48
Inquiring about assets	4	-	-	-	9	13
Inquiring about the source and destination of funds	-	-	3	6	-	9
Inquiring about a specific financial transaction	4	1	-	-	2	7
Inquiring whether the person is known to the counterparts or the counterpart LEAs	1	1	-	2	2	6
Total	37	71	277	74	57	517

784. Looking at the statistics submitted by Algeria, it became clear that there is a noticeable increase in requests for cooperation issued by CTRF during 2019. This year witnessed an increase of (74.3%) compared to 2018, where the number of requests sent during 2018 reached a total of 71 requests compared to 272 requests sent during 2019. This increase is mainly due to the high requests received from local authorities (investigative judges and the NG) related to corruption cases to trace funds that may have been smuggled abroad. By analysing the information and statistics provided by the country, it turns out that CTRF is mainly relied upon to access information that counterparts abroad may have. By clarifying the extent to which the responses of counterpart FIUs are benefited, CTRF reported that the information is not currently available thereto.
785. Requests sent spontaneously from CTRF to counterpart FIUs during 2017-2021 amounted to 7 requests; however, there is a lack of information on whether CTRF received feedback from counterparts regarding the use and usefulness of the information it obtained spontaneously.
786. Regarding the requests issued by CTRF based on the STRs under process thereby, their total reached 27 requests during 2017-2021, and it is noted that the number of requests is very limited compared to the number of STRs received by CTRF during the same period, totalling about 12,000 STRs. This leads to the conclusions that CTRF does not sufficiently resort to international cooperation with its counterpart FIUs, and this is due to the lack of human resources of CTRF (see IO.6).
787. By looking at the Case Studies submitted by CTRF, it was found that some counterpart FIUs (the number was not provided) benefit from the information provided by CTRF, as it was found that some of them shared the data sent by CTRF with local LEAs for investigative purposes, and in other cases, approval from CTRF was requested to share information with one of the investigative judges in the counterpart country.
788. By reviewing the responses of international cooperation regarding the quality of the information issued by CTRF, it was found that they are generally of good quality. However, one of the counterparts indicated that the submitted request does not include a full description of the possible link to a crime. Accordingly, CTRF provided the required clarifications to the counterpart, whereby the latter reported that there was no information related to the suspect.

Incoming requests

789. The requests received by CTRF from counterpart FIUs during 2017-2021 amounted to 56 requests. All requests were responded to, except for two requests received in 2021, whereby CTRF did not explain the reasons behind the failure to respond to these two requests. As for the deadlines for responding to requests received from counterpart FIUs, it turns out that the average response time is approximately 62 days and is considered reasonable if the requested information is not directly available to CTRF. However, when the requested information is directly available to CTRF, 62 days for providing it seems excessively too long.
790. CTRF follows criteria for classifying incoming requests, based on the extent of the urgency determined by the counterpart FIU, and in most cases, on the extent to which the request is related to serious crimes, where terrorist crimes and their financing are classified as a priority. CTRF searches its database and the databases available thereto (refer to R.29), sends partial responses, and continues the search if so required, so that the counterpart FIU is provided with all the data and information required. During the same period, CTRF received 24 spontaneous requests, without specifying how the information received was used and its usefulness.
791. The most requests came from the UK's FIU with a total of 10 requests (18%), followed by 9 requests from the FIU of France (16%), and 4 requests each from the FIUs of Germany and Belgium (7%).
792. In terms of the extent to which the requests are related to ML/TF and the associated predicate offences, it was found that out of the 56 requests received by CTRF, 29 requests related to ML, 11 requests related to corruption, and 7 requests related to TF. As for the type of assistance required by the counterpart FIUs, it turns out that most of them are to inquire about whether the person is known to CTRF or LEAs, with a total of 42 requests, 7 requests to inquire about specific financial transactions, 5 requests to inquire about the source of funds and one request to inquire about the BOs.
793. The following is a case study that highlights CTRF efforts to use the information and data received from one of the counterpart FIUs at the local level

Box (8.3): Case study showing how CTRF makes use of the information received from counterpart FIUs

Within the framework of international cooperation, the judicial police for the security of the State of Algiers, dealt with the issue of laundering criminal proceeds, generated from a predicate offence related to the embezzlement of public funds, granting unjustified privileges in public transactions and the taking of undeserved interests, in which a public official (employee) with the rank of inspector general and a former advisor to the general manager of the Office Algerien Interprofessionnel des Cereales ("OAIC") was involved.

The investigation was carried out following a disclosure of financial intelligence disseminated by CTRF, initially based on information received from a counterpart FIU in 2020 on the suspicion of illegal transfer of financial assets.

The information received from the foreign counterpart included that the concerned person has a bank account with one of the banks located in a European country, which was opened in December 2017, after funds were transferred from an account with another bank in the same European country, as the latter bank decided to end dealing with its client after it was confirmed that the transfers credited to the client's account with a total value of about EU 1.9 million, took place without the approval of the Algerian authorities.

The investigations conducted in Algeria revealed suspicious relations that linked the concerned person to foreign companies charged with exporting wheat to Algeria, and the formation of financial assets outside the national territory valued at EUR 3.7 million and USD 313,000 without the approval of the BOA, as well as the possession of the real estate and movable property (6) in Algeria). However, what has been achieved because of this international cooperation was not perceived, in terms of freezing or confiscating proceeds of crime in Algeria or abroad.

Box (8.4): Case study: information received from a counterpart FIU on the possible misuse of virtual assets.

CTRF received a request from a foreign counterpart FIU involving a suspect using an existing account for trading virtual currencies and conducting financial operations that may be linked to a website active in the sexual exploitation of children. After referring the information contained in the request to the PP, to follow up the investigations by the security services and to collect information from all concerned parties at the level of the public and private sectors, the file was referred to the investigative judge. The latter ordered based on the information available in the case (the absence of any content on the electronic devices used by the accused related to the sexual exploitation of children, and the absence of any legal provisions criminalizing dealing with virtual currencies) not to accuse the concerned person for ML by referring them and others to the misdemeanor court to be tried for a misdemeanor of violating the legislation and regulation of exchange and capital movement to and from abroad due to the presence of accounts belonging to them abroad. There is a lack of information on what was shared with the foreign counterpart by CTRF after the lawsuit was partially dismissed in Algeria.

794. Looking at the responses of the international network on the effectiveness of information exchange between CTRF and its counterpart FIUs, it became clear that there are different views on the effectiveness of CTRF cooperation, as a number of counterpart FIUs expressed that the international cooperation provided by CTRF is described as good, except that 6 counterpart FIUs indicated they did not receive any response regarding requests for assistance sent to CTRF to date, and the reason for this, according to what CTRF clarified, is due to the delay in the response due to the complexities of the case and the connection of information with one of the other counterpart FIUs, and due to some technical obstacles faced during the transitional period before the appointment of a new director of CTRF, which caused an inability to process those requests.

Interpol

Outgoing requests

795. The police services (GDNS and the NG) carry out international cooperation through the Interpol office. The Interpol Office at the GDNS communicates with Interpol offices around the world on behalf of the judicial police in Algeria.

796. The number of requests issued related to ML/TF during 2017-2021 reached a total of 125 requests, and they were sent at the request of the judicial police. The total number of requests sent through the Interpol office during the mentioned period was not perceived. It is noted that most requests (118) are related to ML cases (equivalent to 94.4%), while the number of requests related to TF amounted to (7), equivalent to 5.6% of the total requests issued. Accordingly, resorting to international cooperation in terrorist crimes and terrorist financing is not a usual practice by the judicial police, especially the NG and GDNS. The most prominent countries to which cooperation requests were sent are France with a total of 22 requests, followed by the UAE and Turkey (11 requests each), followed by 6 requests to Tunisia, 5 requests to China, and 4 requests to Belgium. These requests were responded to and executed in a period ranging from a week to a month; the time taken to respond to requests is considered very reasonable, except for the request sent to one of the European countries in 2020 in ML offence, where it appears from the statistics provided by the Algerian authorities that the request was responded to in 3 months, and this period is considered also acceptable. The European country has requested that an MLA request be sent to obtain the required information.

Incoming requests

797. The Interpol office receives requests from abroad. It resorts to all LEAs in Algeria, based on the type of requests received and the jurisdiction of those concerned with the implementation thereof.

798. As soon as the Interpol office in Algeria receives any request from one of the Interpol offices from around the world, as a preliminary procedure, it responds directly thereto if the information is available at the level of the office. In parallel, a request for information is directed to the competent authority for consideration, and as soon as a response is received from the concerned authority, the requesting authority is responded to. The Interpol Office relies on a clear mechanism for arranging incoming requests, as it follows the standards in force within the framework of information exchange between the National Central Bureaus of Interpol member states, so that requests are classified according to the level of urgency. The head of the department also reviews the requests to determine the priority of processing thereof.
799. During 2017-2021, the Interpol office received 20 requests related to ML cases from 15 Interpol member states. It also received 5 requests related to TF cases. The total number of requests received by Interpol for all crimes was not disclosed. The response period to incoming requests (20) ranged from one week to three weeks. As soon as the requests are received, they are transferred to the judicial police to start working on them in accordance with their terms of reference. The most prominent countries from which requests were received were France, Tunisia, Austria, and Germany. The following are two practical cases of the role of Interpol in the arrest of an internationally wanted person for belonging to a terrorist organization and in the context of planning to carry out a terrorist act in Algeria.

Box (8.5): Case Study with regards to cooperation with one Interpol Counterpart Office

On 06/11/2018, the Interpol office in Algeria received from its counterpart in one of the European countries a file requesting the extradition of a person belonging to a European country, who is being pursued in the country according to an arrest warrant issued on 26/04/2018, on the charge of belonging to a terrorist organization operating in that country. In parallel, the request was sent to the Directorate of Criminal Affairs and Amnesty Procedures at the MOJ. On 20/10/2020, the person in question was arrested, and placed in a penitentiary according to the extradition request sent by the judicial authorities in that country. On 26 October 2020, an executive decree was issued by the Prime Minister, which included the approval of handing over the concerned person to the authorities in the European country, which was then delivered to the judicial authorities on 23 November 2020.

Box (8.6): Case Study on the exchange of information in a case that led to the arrest of 2 individuals planning to carry out a terrorist act in Algeria.

A foreign security authority contacted the Interpol office in Algeria after having monitored conversations via an electronic platform by one of the participants, who intends to carry out a terrorist act in Algeria in June 2020. This was followed by the Algerian security authorities opening an investigation to determine the identity of the concerned individual, which led to their arrest along with their brother on 6/6/2020. By searching their house, some of the items were seized, including inciting leaflets. By interrogating them, it was found that they had the intention to carry out a terrorist act targeting the security forces in Algeria. During the individual's presence in Algeria, he used to communicate with individuals of foreign nationalities, asking him to join the terrorist organization "ISIS"; this made him declare his allegiance to this terrorist organization. On 01/07/2020, the accused were brought before the competent judicial authorities, and were placed in temporary detention, on charges of planning to carry out a terrorist act using explosives and for joining a terrorist group operating abroad.

800. There is a lack of information on the number of applications that were rejected, and whether they are related to requests issued by the Interpol office in Algeria or received from Interpol offices around the world. Requests for cooperation are rejected by authorities if they relate to some information on individuals that is protected by law. In this case, the Interpol office that issued the request is notified of the need to send an MLA request to provide it with the requested information. The following is a practical case illustrating the efforts of the

judicial police in executing requests received from abroad and transmitted through the Interpol office in Algeria.

Box (8.7): Case study on the arrest of one of the accused in Algeria at the request of an Interpol office abroad

On April 13, 2018, the security authorities in a foreign country overthrew a criminal network specialized in drug trafficking and part of an organized criminal group operating between Algeria and several countries. The volume of seized drugs was about 10 tons, with a total value of about 15 million euros. The individual subject of the extradition order is part of the criminal network and is one of the owners of the seized narcotics. On August 29, 2018, an international arrest warrant was issued against one of the criminals whose whereabouts are unknown. On December 17, 2018, the concerned person was arrested in Algeria by the Algerian police services and placed under mandatory detention in the penal institution; the Interpol office in the requesting country was notified, to send the extradition file for the concerned individual according to the conditions specified in the judicial agreement concluded between Algeria and the requesting country. On 04/02/2019, the Supreme Court issued a decision approving the extradition of the concerned individual, to be handed over to foreign judicial authorities on 03/01/2019.

Customs

801. Declaration related to the movement of funds across borders, in and out, shall be submitted to the GDC. The latter shall organize seizure reports in cases of non-declaration of the moved funds or due to a false declaration. The extent of the ability of the GDC to seize funds was not perceived when there are serious indications that they are linked to ML/TF (refer to R.32).
802. Within the framework of its terms of reference, the GDC exchanges information, and documents with several countries (4), particularly to prevent, research, and suppress violations of customs laws and regulations. There is cooperation within a bilateral framework, based on bilateral agreements or through regional and international cooperation. There are 18 bilateral agreements between the GDC and its counterparts, in addition to the involvement of the GDC in 3 multilateral agreements.

Outgoing requests

803. Of the 507 requests sent during 2019-2021 to verify the validity of commercial invoices and certificates of origin, the GDC has received responses to 240 requests (equivalent to 52.6%).
804. Regarding the effectiveness of cooperation with counterparts in cases of false declaration or non-declaration, the GDC explained that cooperation requests were sent to 4 countries, from which they did not receive any response. The AT was not provided with statistics and correspondence related to this matter, to determine the level of effectiveness and the cases where cooperation with counterparts was resorted to, considering the total number of cases (557) related to the funds seized across the border, in and out, for non- declaration or due to false declaration (see IO.8).

Incoming requests

805. By reviewing the responses of the International Cooperation Network on the effectiveness of cooperation with the GDC, it was pointed out by one of the countries that there is continuous cooperation between the two sides. On the other hand, another country indicated that the level of cooperation may be described as medium, due to the continuous lack of response, as well as the long response time, which would negatively affect the effectiveness of cooperation between the GDC and their counterparts abroad. The GDC indicated that the length of the response time is related to the complexity of the case, as well as the presence of requests that require coordination with other departments such as banks and the Chamber of Commerce and Industry, which results in a delay in responding within reasonable deadlines.

806. By examining a sample of case studies regarding the extent of the cooperation of the GDC at the international level, as well as the statistics submitted by Algeria, it was found that the exchange of information is to verify the validity of commercial invoices and certificates of origin. Of the 329 requests received during 2019-2021, the GDC responded to only 130 requests (equivalent to 39%). The average time from the date of receiving requests until the date of sending the response to the requesting parties was not perceived.

National Gendarmerie

807. The NG is specialized in investigating all predicate offences, especially terrorism and terrorist financing crimes (see IO.9), and cooperates internationally either through CTRF, or through the Interpol office in Algeria or the MOFA. Looking at the provided statistics, it became clear that during 2017-2021, it sent 343 requests to foreign FIUs through CTRF to obtain information. It was found that the majority of the requests related to corruption (292 requests), while the remaining requests were distributed between violating the exchange law (34 requests), ML (10 requests), drug trafficking (5 requests) and organized crime (two requests). It also sent 125 requests through the National Office of Interpol, to obtain information and data related to persons and vehicles. Looking at the statistics, it becomes clear that most requests are related to ML (118), while requests related to TF totalled 7 requests. The number of requests that were sent abroad through the MOFA during the above-mentioned period was not perceived. By analysing the data, the requests issued related to corruption are consistent with the risks facing Algeria, unlike those related to drug trafficking, TF and other crimes, which accounted for 2.5% of the total requests sent through CTRF and Interpol. In addition, there is a lack of information on how the NG benefited from the information gathered through the two aforementioned bodies (i.e. CTRF and Interpol).

Banking Committee/Bank of Algeria

808. Law No. 05-01 on AML/CFT allows the BOA/the Banking Committee to conclude memoranda of understanding and exchange information at the international level, but the BOA/the Banking Committee has not used these powers to date (see IO.3), noting that during 2017-2021 the Commission received 62 requests to approve the appointment of foreign persons to assume management positions in FIs operating in Algeria. It did not issue in return, any requests to counterpart agencies to apply fit and proper tests towards these persons. The Commission relied on submitted documents to approve the appointment of persons; it also relied on open data sources to collect information on them; the number of requests that were approved and rejected was not perceived, this includes the reasons for rejection, if any. It was also not perceived to what extent these tests can be applied to foreign shareholders who seek to acquire controlling interest in FIs operating in Algeria, as no requests have been received in this regard during the last five years. On the other hand, neither the Banking Committee nor the BOA received any requests from counterparties, perhaps due to the absence of any bilateral agreements concluded with central banks or supervisory bodies operating abroad.

The Stock Exchange Regulatory Committee

809. The Committee sent 4 requests during 2017-2021 to obtain information held by foreign FIs, according to the IOSCO signed agreement (see R.40). In this context, the Committee has sought the assistance of some of its counterparts in Europe and Arab countries to request information within the context of the MMoU with IOSCO on individuals who were under investigation on ML suspicion. The requests were sent in 2019 on behalf of the COCC, but their implementation was rejected as they fall outside the conditions stipulated in the memorandum.

Municipal People's Council (the supervisory body of NPOs)

810. The Ministry of the Interior, in its capacity as the supervising authority of the NPOs sector, has not sent any requests at the international level to inquire about the parties that seek to finance certain projects in Algeria through charitable associations, even though the ministry has received during the last five years 28 requests to obtain external funding. This may be attributed to the fact that it rejected 26 requests, while it approved only two (see IO.10), and the Ministry did not send any requests to inquire about the integrity and suitability of foreign persons before approving their candidacy to work for charities operating in Algeria.

International exchange of basic and Beneficial Ownership information of legal persons and arrangements

811. There is a noticeable discrepancy regarding the efforts made by the competent authorities in Algeria regarding the international cooperation framework for the exchange of basic and beneficial ownership information of legal persons. While judicial authorities (public prosecution office, investigative judges), CTRF and some judicial police departments exchange information on BOs with counterparts, other competent authorities do not; moreover, the quality and accuracy of the exchanged information are not verified, considering the deficiencies related to the mechanism used in Algeria to determine the BO of the legal person (see IO 5).

812. The Algerian judicial authorities resort to their foreign judicial counterparts to obtain BO information of legal persons abroad after funds were transferred to foreign accounts resulting from the abuse of public officials of their functions in Algeria. Of the 101 outgoing requests for legal assistance, 39 requests were responded to. The pending requests are still being followed up by the judicial authorities with their foreign counterparts regularly. This cooperation related to the exchange of BO information has led to freezing of accounts, seizure of assets, and the repatriation of part of the assets to Algeria (see core issue 2.2 above).

813. CTRF exchanges basic and BO information with its counterparts abroad. During 2017-2021, CTRF received one request from a counterpart in which information was requested on the BOs of a legal entity established in Algeria, and the request was responded to within 90 days. CTRF depended on determining the identity of the BOs on the information that it collected and analysed by searching the ownership structure, given that the information related to the BOs of legal persons is not available through the National Center for the Commercial Registry due to the absence of any obligation in this regard. On the other hand, during the same period, CTRF sent 46 requests to counterparts to obtain basic and beneficial ownership information of legal persons established abroad. It was found that the requests related to basic and BO information totalled 20 and 26 requests, respectively, and all the requests issued have been responded to. Except for the judicial authorities, CTRF and some judicial police departments (which sent requests to CTRF to obtain basic and BO information according to the above analysis), there is no other party in Algeria that exchanges basic or BO information with any foreign party.

814. As for the supervisory/ regulatory authorities, they do not cooperate internationally with counterparts regarding the implementation of supervision work at the level of the financial group and regarding basic and beneficial ownership information, especially in terms of verifying the ownership structure, members of the board of directors, executives and BOs of the foreign entities that seek to own ownership shares in a financial institution operating in Algeria.

815. No competent authority in Algeria has sent or received any requests at the international level involving legal arrangements, because they cannot be established in Algeria (except for a waqf which is a form of legal arrangement).

816. The NCCR or any other party in Algeria does not resort to counterpart authorities to inquire about the beneficial ownership of legal persons in cases of ownership or participation in legal persons in Algeria, both during the creation stage and thereafter when ownership shares are relinquished or transferred to the benefit of legal persons established abroad.

817. **Overall Conclusion on IO 2:** Algeria provides MLA effectively and with the required speed in most cases and the responses are of the required quality, despite the delay in responding to some requests. The Judicial authorities and LEAs resort to cooperation mainly in corruption crimes and to a lesser extent in other crimes, especially in terrorism and TF, and in some cases, there is low and near absent formal and informal

information exchange with neighbouring countries, which is inconsistent with Algeria's risk profile. Cooperation with counterparts led to the tracing and freezing of significant sums abroad, as well as the confiscation and recovery of proceeds from corruption crimes, which do not include other crimes according to the context of Algeria, such as drug crimes, smuggling and migrant smuggling. Most LEAs depend either on the Interpol office or CTRF to access information in the possession of foreign parties, but it has not been shown to what extent they have benefited from this cooperation in tracing or identifying criminal proceeds at the local and international levels, as well as initiating cases and pursuing them in court. There is still a lack of international cooperation between supervisory and non-supervisory bodies and foreign counterparts.

818. Algeria is rated as having a Moderate Level of Effectiveness for IO2.

TECHNICAL COMPLIANCE ANNEX

This annex provides a detailed analysis of the People's Democratic Republic of Algeria's level of compliance with the forty Recommendations of the Financial Action Task Force (FATF). It does not include a descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

Recommendation 1: Assessing risks and applying a risk-based approach

1. In the first round of the mutual evaluation process conducted in 2010, Algeria was not assessed with respect to the requirements of this Recommendation, because these requirements were added upon the update of the FATF Recommendations in 2012.

Obligations and decisions for countries

Risk Assessment

2. **Criterion 1.1 (Not Met):** Algeria took initial steps aiming at identifying and assessing the national money laundering and terrorist financing (ML/TF) risks, by forming a national committee (NCFAR) for the evaluation of the risks of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction, by virtue of executive decree No.20-398 dated 26 December 2020. Under article 4 thereof, the NCFAR chaired by the Minister of Finance is formed of high-level members and is provided with two sub-committees to perform its functions, one of them is the anti-money laundering and countering terrorist financing (AML/CFT) sub-committee (article 5 of the executive decree).
3. Under article 2 of this decree, the committee was entrusted with the task of studying the national report on ML/TF risk assessment and presenting it to the Prime Minister for approval. According to article (16), the report consists of a consolidation of the reports made by the AML/CFT sub-committee. Five sectoral technical work units¹³⁶ were formed to support the subcommittee in conducting the national assessment. These cells will propose mechanisms to identify threats and weaknesses, conduct the intersection between weaknesses and threats to determine the degree of risks and coordinate and analyze information. According to the subcommittee, the data used in the assessment process will cover 5 years.
4. Despite the efforts as mentioned above and although the collection of statistics and data for the period of 2017-2021 was initiated in order to proceed with the NRA process, the assessment team was not provided with any outputs in relation to the process of risk identification and assessment at the national level, since the NRA process is still at its initial stages.
5. **Criterion 1.2 (Largely Met):** The national risk assessment committee is competent to ensure a better coordination of the AML/CFT policies (article 2 of executive decree No.20-398) and to prepare the national strategy to combat money laundering and terrorist financing and to monitor its implementation (article 3 of the afore-mentioned decree); however, it is not concerned with coordinating procedures for risk assessment. It is noted that the national risk assessment process is conducted as set out in criterion 1, through a sub-committee and sectorial technical working units.
6. **Criterion 1.3 (Not Met):** Article 16 of executive decree No.20-398 stipulates that the national risk report should be updated at least once every two years and whenever the circumstances require so. However, the NRA was not completed.
7. **Criterion 1.4 (Not Met):** Algeria did not complete the national risk assessment process and there are no enforceable texts

¹³⁶ According to the joint ministerial decision published in the Official Gazette on August 10, 2022 (the last day of the on-site visit).

or means that provide for mechanisms permitting to provide appropriate information on the results of the risk assessments to all relevant competent authorities, self-regulatory bodies (SRBs), financial institutions and DNFBPs.

Risk Mitigation

8. **Criterion 1.5 (Not Met):** Under article (17) of executive decree No.20-398, the NCFAR is required, according to the national risk report, to identify sectors or areas which involve high or low ML/TF risks, to propose legislative and regulatory measures to improve the national system and to make appropriate recommendations to optimize the distribution of resources which should be allocated to various programs on preventing and combating money laundering and terrorist financing. Since Algeria has not completed the national risk assessment process yet, none of the texts mentioned above were given effect in practice, a risk-based approach was not applied to allocating resources and implementing measures to mitigate or reduce risks.
9. **Criterion 1.6 (Not applicable):** Law 05-01 does not make any exceptions to the non-application of some of the FATF Recommendations.
10. **Criterion 1.7 (Not Met):** Given that there is a lack of assessment of risks, Algeria did not identify higher risks, nor did it ensure that the AML/CFT regime addresses such risks, including through requiring FIs and DNFBPs to take enhanced measures to manage and mitigate the risks or requiring FIs and DNFBPs to ensure that this information is incorporated into the on-going risk assessments process.
11. Authorities referred to some measures that DNFBPs should apply with respect to cash dealing when entering into contracts, according to executive decree No.15-153 which stipulates in article 2 that all transactions (such as the purchase of real estate and high-value items such as precious stones and metals, and the purchase of yachts, ships and vehicles, etc...) which are equal to or exceed the amounts fixed under this decree should be paid through scriptural means of payment (such as transfers and promissory notes) through the banking and financial channels. Article 3 of this decree also stipulates that any payment equals or exceeds one million DZD (equivalent of USD 7890) and made in exchange of the services provided by non-financial institutions and professions should be made through scriptural means of payment. It is noted that these measures cover the risks of cash dealing only in the DNFBP sector but do not cover all the higher risks that Algeria is supposed to identify.
12. There are some texts that require FIs and DNFBPs to take enhanced due diligence measures (strict diligence) toward customers, transactions and accounts when higher risks are identified (article 2 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism; guidelines issued by the Financial Intelligence Processing Unit/Cellule du Traitement du Renseignement Financier (CTRF) regarding the due diligence measures toward customers of companies, non-financial professions and some FIs which are not subject to the authority of Algeria Bank/movement and transaction follow-up division; and guidelines issued by the Commission for the Organization and Surveillance of Stock Market Transactions (COSOB) / clause 2). However, these measures are not based on risks specifically identified by the country. In addition, FIs and DNFBPs are not required to ensure that this information on higher risks is incorporated into their risk assessments.
13. **Criterion 1.8 (Not Met):** There are some texts that allow some financial institutions or DNFBPs (excluding the institutions supervised by the Banking Committee) to take simplified due diligence measures with respect to customers, transactions and accounts, where lower risk customers are concerned (guidelines issued by the CTRF regarding due diligence measures; guidelines issued by the COSOB / clause 2). However, these simplified due diligence provisions are not based on identified

lower risks and they do not require the simplified measures to be consistent with the national ML/TF risk assessment.

14. **Criterion 1.9 (Not Met):** By virtue of paragraph (b), article (10/2 bis) of law No.05-01, supervisory and monitoring authorities monitor the extent to which subject entities are observing the duties set out in this law. Besides, banks, other financial institutions, and the financial agencies of “Algeria Post” are supervised by the BOA’s inspectors authorized by the Banking Committee (article 11 of law No.05-01). As to institutions in charge of the stock exchange and insurance sector, the measures for preventing money laundering and terrorist financing, respectively, come within the powers of the Commission for the Organization Stock Market Transactions and the ISC (article 10/2 bis of law No.05-01). Although FIs are subject to supervision for monitoring their compliance with the AML/CFT requirements; however, there is no indication that this supervision is based on risks (see Rec 26 and 27). It did not appear that there is a supervisory authority for DNFbps (see the deficiencies in R.28).
15. Considering that the NRA process is not completed and that no obligations are imposed on FIs and DNFbps according to Recommendation 1, supervisors and SRBs cannot ensure that financial institutions and DNFbps are implementing their obligations under Recommendation 1.

Obligations and decisions for financial institutions and DNFbps

Risk Assessment

16. **Criterion 1.10 (Not Met):** FIs and DNFbps are not required to take appropriate steps to identify, assess, and understand their ML/TF risks (for customers, countries or geographic areas; and products, services, transactions and delivery channels) including being required to document the risk assessments, consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation measures to be applied, keep these assessments up-to-date and have appropriate mechanisms to provide risk assessment information to competent authorities and SRBs.

Risk Mitigation

17. **Criterion 1.11 (Not Met):** FIs and DNFbps are not required to have policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified (either by the country or by the financial institution or DNFbp), to monitor the implementation of those controls and to enhance them if necessary and to take enhanced measures to manage and mitigate the risks where higher risks are identified.
18. **Criterion 1.12 (Not Met):** As mentioned in criterion 1.8, there are some texts that allow some financial institutions and DNFbps to take simplified due diligence measures with respect to customers, transactions, and accounts, where lower risk customers are concerned. According to these texts in case there is a suspicion of ML/TF or whenever there are doubts about the veracity of obtained information, enhanced due diligence measures should be taken. However, the deficiencies in criteria 1.9 to 1.11 hinder the achievement of the requirements of this criterion.
19. **Weighting and Conclusion:** Algerian authorities took initial steps to assess the national ML/TF risks, but this process has not been completed yet. Accordingly, they did not apply the risk-based approach to allocate resources in accordance with the identified risks in an effective manner and no measures were adopted to mitigate and reduce risks. In addition, FIs and DNFbps are not required to take appropriate steps to assess their ML/TF risks and to have policies, controls, and procedures to enable them to manage the risks and it did not appear that there is a supervisory authority for DNFbps. This indicates that the deficiencies in this Recommendation are major and substantial.
20. **For these reasons, Algeria is “Non-Compliant” with Recommendation 1.**

Recommendation 2: National cooperation and co-ordination

21. The Republic of Algeria was rated “Partially Compliant” with Recommendation 31 in the first round of the mutual evaluation, due to the absence of mechanisms for domestic cooperation or coordination at policymaking level, and the inability to measure effectiveness with respect to national cooperation.
22. **Criterion 2.1 (Not Met):** Algeria took initial steps aiming at identifying and assessing the national ML/TF risks. Since it has not completed the assessment process yet, it did not establish national policies informed by ML/TF risks, or regularly review the policies and measures in order to respond to the emerging risks.
23. **Criterion 2.2 (Met):** By virtue of executive decree No. 20-398 of 2020, a national committee for the assessment of money laundering and terrorist financing risks was formed, under the chairmanship of the Minister of Finance and with the membership of key representatives of competent national authorities (Secretary General of the MOI, Secretary General of the Ministry of Defense, Director General of the National Committee on Preventing and Combating Corruption and the head of the CTRF, etc...) According to the provisions of articles 2 and 3 of this decree, its competences include coordination of best AML/CFT policies and preparation of the national AML/CFT strategy.
24. **Criterion 2.3 (Largely Met):** Law No.05-01 relating to the prevention and fight against money laundering and the financing of terrorism includes several provisions that enable concerned stakeholders, such as the CTRF, judicial authorities, LEAs and supervisors to cooperate, and coordinate with each other, namely under articles Nos (10/2/d bis, 11, 15, 15 bis, 15/1 bis and 21). The NCFAR formed under executive decree No.20-398 can seek the assistance of other bodies and institutions or engage them into its works (article 4 of the said executive decree). It holds regular and extraordinary meetings, upon invitation by its chair (article 13), which helps enhance domestic cooperation and coordination at the level of key representatives of entities concerned with combating money laundering and terrorist financing. At the operational level, the NCFAR includes a sub-committee specialized in monitoring the AML/CFT affairs. This sub-committee is chaired by a representative of the MOI and brings together representatives of national AML/CFT entities, with the possibility to create several sectorial technical working cells derived from it to monitor specific business sectors (articles 6 and 9 of the said decree). The absence of any policies as referred to in criterion 2.1 above affects compliance with the requirements of this criterion.
25. **Criterion 2.4 (Partly Met):** The NCFAR formed by virtue of article (2) of executive decree No.20-398 is competent to ensure coordination of best policies on combating the financing of proliferation of weapons of mass destruction. It is formed with the membership of key representatives of entities competent to combat the financing of proliferation of weapons of mass destruction, such as the head of the CTRF and the director general of the GDC (article 4). It also includes a sub-committee specialized in combating proliferation financing, under the chairmanship of the representative of the MND, with the membership of several national entities, excluding the GDC (article 7). The sub-committee holds meetings whenever it is necessary and submits a report on the results of its works to the chair of the NCFAR (article 9). The absence of any policies as referred to in criterion 2.1 above affects compliance with the requirements of this criterion.
26. **Criterion 2.5 (Partly Met):** In 2018, Algeria issued law No.18-07 on the protection of personal data. Article (6) thereof excludes personal data collected for the purposes of protection against crimes, prosecution of perpetrators and suppression of these crimes. In addition, article 10 of the law states that personal data relating to offenses, sentences, and precautionary measures, may only be processed by the judicial authority, public authorities, legal persons who manage a public service, and judicial officers within the scope of their legal powers, which enables the said entities to perform their functions in consistency with the AML/CFT requirements.

27. Article 21 of law No.05-01 enables some national entities (Inspectorate General of Finance, tax agencies, the GDC, the State Property, and the Public Treasury) to send a confidential report immediately to the CTRF, as soon as they detect that there are funds which are the proceeds of a crime or intended for money laundering and/or terrorist financing. The data and secrecy protection rules that FIs and DNFBPs are subject to may not be taken into account before the CTRF (article 22 of the said law), which enables it to perform its functions in consistency with the AML/CFT requirements. However, it did not appear whether the institutions may share information with other entities without the approval of the concerned person and the assessment team did not find any text allowing cooperation and coordination among other competent entities to ensure that the AML/CFT requirements are consistent with the data and privacy protection rules, except as mentioned in article (14) of Presidential Decree No.11-426 specifying the composition of the COCC, its organization and modalities for its functioning. In addition to the foregoing, there is no indication whether there is cooperation or coordination among all stakeholders, either formally or informally, according to the requirements of this criterion.
28. **Weighting and Conclusion:** Algeria took the necessary initial steps to ensure coordination and cooperation among the entities responsible for establishing national policies to combat money laundering, terrorist financing and proliferation financing, but it did not establish and review the national policies and operational measures to respond to its ML/TF risks. The absence of a representative of the GDC in the sub-committee for combating the financing of proliferation of weapons of mass destruction would affect its work. Although the information that the subject entities hold is available to the CTRF, it is not available to other competent entities. Moreover, there is no indication whether there is cooperation or coordination between these national authorities.
29. **For these reasons, Algeria is “Partially Compliant” with Recommendation 2.**

Recommendation 3: Money laundering offense

30. In the first round of the mutual evaluation in 2010, Algeria was rated “Largely Compliant” with Recommendation 1 relating to the money laundering offense, given the absence of texts indicating that the property directly or indirectly represents the proceeds of crime, and the inadequate scope of the predicate offenses. Recommendation 2 was rated “Largely Compliant” because the implementation and effectiveness of the system was not adequately demonstrated.
31. **Criterion 3.1 (Mostly Met):** Money laundering in Algeria is criminalized on the basis of the Vienna Convention and the Palermo Convention, according to article (2) of law No.05-01 relating to the prevention and fight against money laundering and the financing of terrorism, amended by virtue of order No.12-02 of 2012, which covers most forms of ML: 1) the possession, acquisition or use of funds with the knowledge of the perpetrator that they are proceeds of crime; 2) transfer or transportation of funds with the knowledge of the perpetrator that they are directly or indirectly proceeds of crime, for the purpose of disguising or concealing their illicit origin, or helping someone involved in the underlying predicate offence from which the funds were derived to evade the consequences of their acts; 3) disguise or conceal the true nature, source, location, disposition, movement of or rights with respect to the funds, with the knowledge of the perpetrator that they are proceeds of crime, excluding the conversion of property.
32. **Criterion 3.2 (Mostly Met):** Algeria adopts a holistic approach regarding the ML predicate offenses, according to the provisions of article (4) of law No.05-01 which considers the predicate offense as a crime, even if committed abroad, that allows its perpetrators to obtain funds, as provided for by this law. It is worth noting that the crime of illicit trafficking in stolen goods does not fall within the scope of the ML predicate offense, given that it is not an act criminalized in the Algerian

Penal Code or any other laws in the country.

33. **Criterion 3.3 (a, b, c) (Not Applicable):** Algeria does not apply the threshold approach, but rather adopts the all crimes approach.
34. **Criterion 3.4 (Mostly Met):** The ML offense extends to most assets, except for virtual assets, given that the definition of property does not include tangible and intangible property, as the ML offense applies to funds which were defined under article (4) of law No.05-01 amended by virtue of order No.12-02 of 2012, as being any type of property or funds, corporal or incorporeal, movable or immovable, obtained in any means, whether directly or indirectly, or the legal documents or instruments of any form, including electronic or digital, evidencing title to, or interest in such funds, including, in particular, bank credits, cheques, travelers cheques, remittances, shares, securities, bonds, drafts, and letters of credit.
35. **Criterion 3.5 (Met):** Law No.05-01 does not require a previous conviction of the person who committed the predicate offense to prove that the funds are proceeds of crime. The assessment team was provided with copies of 2 judgments ordering the conviction of the accused person of the stand-alone money laundering crime, i.e. without requiring a conviction for the predicate offense to prove that the funds or property are proceeds of crime
36. **Criterion 3.6 (Met):** The predicate offense for money laundering extends to any crime even if committed abroad, as set out in article 4 of law No.05-01. According to article 5 of this law, criminal prosecution for money laundering cannot be initiated unless the underlying acts committed abroad are of a criminal character in the law of the country where they were committed and in the Algerian law.
37. **Criterion 3.7 (Met):** The legislation on the prevention against money laundering which is currently applicable in Algeria did not explicitly address the criminalization of self-laundering, which means that there are no preclusion to apply the ML offence also to the perpetrator of the predicate offence. Most ML convictions issued in Algeria were applied to the perpetrator of the predicate offense - i.e. the self-laundering.
38. **Criterion 3.8 (Met):** The law on the prevention against money laundering and the financing of terrorism does not include any explicit text enabling the prosecution and judicial authorities to infer the elements of intent and knowledge from objective factual circumstances. However, the requirements of this criterion can be concluded from the discretionary power of the judge which is set out in article (212) of the Criminal Procedures Law, which permitted to establish the crimes through all forms of evidence, and the Judge shall rule at their sole discretion. As a result, the mental element of the crime which consists of the elements of intent and will are subject to the discretionary power of the judge who is looking into the case.
39. **Criterion 3.9 (Met):** The Algerian law imposed proportionate and dissuasive criminal sanctions on natural persons convicted of ML, according to article 389/1 bis of the Penal Code which allows to punish any person who launders money by imprisonment for a period of (5) to (10) years and a fine from DZD 1000,000 to DZD 3000,000 (equivalent to USD 7000 up to USD 21000 approximately); and according to article 389/2 bis which allows to punish any person who commits a money laundering crime in case of recurrence or the use of facilitations provided by a business activity or in the framework of a criminal group by imprisonment for a period of (10) to (20) years and a fine from DZD 4,000,000 to DZD 8,000,000 (equivalent to USD 28000 up to USD 56000 approximately).
40. **Criterion 3.10 (Met):** Legal persons are subject to more than one form of liability under the Algerian law. On this note, article 3 of the Criminal Procedures Law allows to initiate a civil and public action before the judicial entity and it shall be accepted whatever the civil or legal person who is considered civilly liable for the damage. The criminal liability of the legal person does not prevent the application of proportionate and dissuasive administrative and financial sanctions on the legal

person, according to article 389/7 bis which stipulates that the legal person who commits the crime provided for in Articles 389/1 bis and 389/2 bis (both articles criminalize ML) shall be punishable by designated sanctions. Article 389/7 includes a range of sanctions, consisting of a fine no less than four times the maximum limit of the fine prescribed for the natural person (up to DZD 32 million equivalent to USD 224500 approximately), the confiscation of the laundered properties and proceeds and the confiscation of means and equipment used in committing the crime. In case it is impossible to seize the property subject of confiscation, a monetary penalty equivalent to the value of such property shall be ordered. The sanction may order the suspension of the legal person from practicing the business or social activity for a period not exceeding 5 years or the dissolution of the legal person. Besides, article 51 bis of the Penal Code stipulates that the criminal liability of the legal person does not preclude accountability of the natural person as an original perpetrator or an accomplice in the same acts.

41. **Criterion 3.11 (Met):** Article 389/d bis of the Penal Code provides for ancillary crimes of ML, which include participation in committing the ML crime, and conspiracy to commit, attempt, aiding and abetting, facilitating and counseling the commission of such a crime.
42. **Weighting and Conclusion:** Algeria meets most of the criteria in the Recommendation but there are some minor deficiencies given that the crime of illicit trafficking in stolen goods does not fall within the scope of the ML predicate offenses, as it is not an act criminalized in the Algerian laws and that the ML offense does not extend to virtual assets, as the definition of property does not include tangible and intangible assets.
43. **For these reasons, Algeria is “Largely Compliant” with Recommendation 3.**

Recommendation 4: Confiscation and provisional measures

44. In the first round of the mutual evaluation in 2010, Algeria was rated “Partially Compliant” with Recommendation 3 formerly, relating to confiscation, freezing and seizure of proceeds of crime. The deficiencies were represented in the absence of information indicating that competent authorities are given sufficient powers to identify and trace property, the inability to void actions in the field of TF and the ineffectiveness in confiscating proceeds of crime.

Criterion 4.1 (Mostly Met): Algeria is taking legislative measures that enable the confiscation of some property as follows:

45. **Criterion 4.1 (a) (Mostly Met):** Article 389/4 bis of the Penal Code allows the confiscation of properties subject of a ML crime, whoever possesses them, unless their owner proves that they are legitimate possessions and that they are not aware of their illicit source. The judgment of conviction should identify and define the property in question and determine their location, from which it can be concluded that the law permits the confiscation of property, whether it is in the possession of the accused or a third party; however, the law does not allow the confiscation of virtual assets, because the definition of “property” does not include tangible and intangible assets.
46. **Criterion 4.1 (b) (Mostly Met):** Article 389/4 bis (Penal Code) allows the confiscation of the properties subject to the ML crime, including the proceeds and other resulting interests, whoever possesses them, as well as the confiscation of means and equipment used in committing the ML crime. The AT believes that the term “other resulting interests” is broad enough to cover income and other benefits. The general confiscation powers are determined in article 15/1 bis (Penal Code), which stipulated that when a conviction is made for committing a felony, it is allowed to confiscate items that have been used or planned to be used to commit the crime or the proceeds thereof, as well as the other grants and benefits. In the event of a conviction for a misdemeanor, it is allowed to confiscate items (according to article 15 bis 1) if the law expressly provides for this penalty; however, this should not significantly affect compliance with this sub-criterion, especially since most serious

crimes (according to the Algerian context) fall under the offenses punishable by a felony, not misdemeanor.

47. **Criterion 4.1 (c) (Met):** The TF crime in the Algerian law is considered a felony. Therefore, the provisions of article 15/1 bis (Penal Code) apply to the TF crime, which enables the confiscation of items or objects which were used or intended for use in committing the crime or which resulted from the crime, as well as the other grants and benefits used to award the perpetrator. Given the absence of a definition of what is meant by items or objects, the AT reviewed convictions where the property that is proceeds of crime, or used in, or intended or allocated for use in the financing of terrorist acts or terrorist organizations was confiscated, which satisfies the requirement of this criterion (see IO 9).

48. **Criterion 4.1 (d) (Met):** Paragraph 5 of article 389/4 bis (Penal Code) stipulates that in case it is impossible to provide or seize the property subject to confiscation, the competent judicial entity may order a penalty equivalent to the value of such property.

Criterion 4.2 (Mostly Met):

49. **Criterion 4.2 (a) (Met):** The investigative judge and prosecutors may use provisional measures against funds being proceeds of crime (article 40/5 of the criminal Procedures Law). This cannot take place unless some level of identification and tracing is done. This is also in line with clause 6, article 389/4 bis of the Penal Code that stipulates that the judgment or the decision ordering confiscation should include identifying and defining the property in question and determining its location. Identifying and tracing proceeds or funds derived from a crime fall within the investigative mandate of LEAs (See criterion 30.3).

50. **Criterion 4.2 (b) (Met):** Article 18 bis of law No.05-01 allows the Republic attorney general of the Court of Algeria to freeze and/or seize the funds and their proceeds which are owned or directed to a terrorist or a terrorist organization and which are related to the crimes prescribed according to this law. Article 40/5 bis of the Criminal Procedures Law allows the investigation judge, either automatically or pursuant to a request from the Public Prosecution and throughout the duration of the proceedings, to order taking every precautionary procedure or security measure, in addition to the seizure of funds being the proceeds of a crime or used in committing such crime.

51. The legislative measures in place prevent competent authorities from notifying the suspect when taking provisional measures. Article 11 of the criminal Procedures law stipulates that the investigation and examination procedures are confidential, and any person participating in such procedures is obliged to keep the professional secrecy. This includes competent authorities who must keep any information confidential while performing their duties, especially when taking provisional measures.

52. **Criterion 4.2 (c) (Met):** The laws in place do not prevent the competent authorities from taking any actions that would prejudice their ability to recover proceeds subject to restraints or seizures. The AT is of the opinion that competent authorities are for instance able to void a contract for the sale of an apartment sought for confiscation or prevent a vessel to set sail and leave the territory which would endanger recovery.

53. **Criterion 4.2 (d) (Mostly Met):** The Criminal Procedures Law allows investigative authorities to take all the measures provided for in R.30 and R.31, except for requesting relevant information from the CTRF.

54. **Criterion 4.3 (Met):** The Algerian Lawmaker ensures through article 15/1 bis and article 389/4 bis of the Penal Code that the rights of bona fide third parties are protected, in case it is established that the funds are the legitimate possession of their owner and that he did not know of their illicit source.

55. **Criterion 4.4 (Partly Met):** The Judicial Agency of the Treasury is concerned with the administration of the seized and/or

frozen property. (Article 4 of executive decree No.15-113 of 2015). There is no agency in Algeria that is authorized to deal with assets post-confiscation judgement.

56. **Weighting and Conclusion:** The Algerian legislation allows the confiscation of property, which is laundered, including income or other benefits derived from such property, as well as the instrumentalities and equipment used in committing the crime, whether they were in the possession of the accused or a third party. However, the law does not allow the confiscation of virtual assets, given that the definition of “property” does not cover tangible and intangible assets. The country is still considering putting in place a mechanism for managing property post confiscation judgement.
57. **For these reasons, Algeria is “Largely Compliant” with Recommendation 4.**

Recommendation 5: Terrorist financing offence

58. Special Recommendation II (SR. II) was rated “Partially Compliant” in the mutual evaluation process for Algeria in 2010. The Mutual Evaluation Report (MER) revealed several deficiencies which were represented in the fact that TF criminalization does not include the financing carried out by a terrorist organization or a terrorist person, the TF criminalization is limited to acts of terrorism or vandalism, the TF crime is not applicable, regardless of the place of the perpetrator or the place in which the terrorist act occurred or will occur, and the inability to assess the effectiveness. Since then, Algeria adopted several legislative reforms that included law No.05-01 relating to the prevention and fight against ML/TF, in order to develop the TF criminalization.
59. **Criterion 5.1 (Met):** TF is criminalized by virtue of article (87/4 bis) of the Penal Code and article (3) of law No.05-01, where any person shall be considered a perpetrator of a terrorist financing offense, if that person, by any means, directly or indirectly, lawfully and unlawfully and willfully, provides or collects or manages funds with the intention that they should be used, in full or in part, in order to commit or attempt to commit the crimes described as acts of terrorism or in the knowledge that they are to be used by an individual terrorist or a terrorist organization to commit or attempt to commit the crimes described as acts of terrorism, or by or in favor of a terrorist or a terrorist organization. The TF crime is established, regardless of whether the financing is linked to a specific terrorist act and the crime is considered committed whether the act of terrorism has occurred or not and whether such funds were used or not to commit the act. Besides, article (4) of law No.05-01 defined “the individual terrorist” and “the terrorist organization’ in consistency with the FATF definition set out in the Methodology. The term “terrorist act” was also defined in the same article, as being the crimes described as act of terrorism according to article 87 bis of the Penal Code, the applicable legislation and the relevant international agreements ratified by Algeria, including the International Convention for the Suppression of the Financing of Terrorism¹³⁷.
60. The definition of terrorist act, according to the international conventions ratified by Algeria meets the requirements to comply with paragraph (1/a) of article 2 of the International Convention for the Suppression of the Financing of Terrorism, because the provisions of Article 87 bis of the penal code cover the acts mentioned in the annex to the Convention for the Suppression of TF, whether committed for a terrorist purpose or not. Noting that the authorities did not provide any information on the agreements ratified by the country, more specifically those mentioned in the annex to the Convention

¹³⁷Algeria has, reservedly, ratified the International Convention for the Suppression of the Financing of Terrorism pursuant to the Presidential Decree No. 2000_445 dated Ramadan 27, 1421 hijri, corresponding to December 23, 2000. By consulting the reservation made with respect to the said Convention, it appears that it does not affect the legal articles related to R.5.

for the Suppression of the Financing of Terrorism.

61. As to paragraph (1/b) of article 2 of the Convention, and with reference to article (87 bis) of the Penal Code, it appears that the acts of terrorism or vandalism include any act that targets the security of a country, national unity, territorial safety, stability of institutions and the normal course of their work through any act that aims at (spreading terror and creating an atmosphere of insecurity among the population, by attacking people, endangering their lives or security, or harming their property, blocking traffic or the freedom of movement on the roads, congregate or sit-in in public squares, attacking the icons of the nation and the Republic, exhuming or desecrating graves, carrying assault against the transportation means, public or private properties, and assuming possession or occupation without legal justification, carrying assault against the ocean, introducing substances or leaking them through the air or soil or dumping such in the water, including territorial waters to the detriment of the people's health, animals or natural environment, impeding the work of the public authorities, the freedom of worship, public liberties and the operations of the supporting institutions of the public utility, impeding the work of the public institutions, carrying assault on the lives of employees or their properties or impeding the enforcement of laws and regulations). It appears from this definition that all the acts referred to in paragraph (1/b) of article 2 of the TF Convention are covered in the definition of acts of terrorism and vandalism in the Algerian law. Even though there is no explicit text that covers the act of "compelling an international organization to do or to abstain from doing any act", it can be noted from the definition above that the Algerian legislation adopts a broad definition for the acts of terrorism, which covers this act and activities that go beyond what is provided for in article 2 of the TF Convention, such as targeting the national unity, the territorial safety, the stability of institutions, hindering their work and impeding the enforcement of laws and regulations.
62. **Criterion 5.2 (Met):** According to paragraph 3 of law No.05-01, any person shall be considered a perpetrator of a terrorist financing offense, if that person, by any means, directly or indirectly, lawfully and unlawfully and willfully, provides or collects or manages funds with the intention that they should be used, in full or in part, in order to commit or attempt to commit the crimes described as acts of terrorism or in the knowledge that they are to be used by an individual terrorist or a terrorist organization to commit or attempt to commit the crimes described as acts of terrorism, or by or in favor of a terrorist or a terrorist organization. The crime is established, regardless of whether the financing is linked to a specific terrorist act and the crime is considered committed whether the act of terrorism has occurred or not and whether such funds were used or not to commit the act. The same article considered terrorist financing as an act of terrorism.
63. The foregoing reveals that the Algerian legislation covers the element of criminal intent according to the International Convention for the Suppression of the Financing of Terrorism and the International Standards by requiring the existence of the elements of intent and knowledge of the perpetrator of this crime. The legislation also covers all forms of material element relating to the collection or provision of funds, by any means, whether directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out a terrorist act (s) or through a terrorist organization or a terrorist person, even if there is no link to a specific terrorist act (s).
64. It is also noted that although terrorist financing is considered a terrorist act according to the Algerian legislation, this has no effect on considering it as a separate offense, given that the texts which were dedicated regulate the material and mental elements of the TF crime as a separate crime and do not consider it among the secondary or ancillary crimes.
65. **Criterion 5.2 bis (Met):** According to article (87/11 bis) of the Penal Code, the TF criminalization extends to anyone who provides or collects funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in order to finance the travel of persons to another country for the purpose of the

perpetration, planning, or preparation of, or participation in, terrorist acts or providing or receiving of terrorist training.

66. **Criterion 5.3 (Met):** According to article 4 of law No.05-01, funds mean “property or funds of every kind, whether tangible or intangible, movable or immovable, acquired by any means, directly or indirectly, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds, including bank credits, cheques, travelers cheques, transfers, shares, securities, bonds, drafts, letters of credits..
67. Article 3 of law No.05-01 meets the requirements of the criterion which state that TF offenses should extend to any funds or other assets whether from a legitimate or illegitimate source.
68. **Criterion 5.4 (Met):** Article 3 of law No.05-01 explicitly stipulated that the TF crime is established, regardless of whether the financing is linked to a specific terrorist act and the crime is considered committed whether the act of terrorism has occurred or not and whether such funds were used or not to commit the act; knowing that this article provides for the commission and the attempt to commit the act of terrorism.
69. **Criterion 5.5 (Met):** The law relating to the prevention against money laundering and the financing of terrorism does not include any explicit text enabling the prosecution and judicial authorities to infer the elements of intent and knowledge from objective factual circumstances. However, the requirements of this criterion can be concluded from the discretionary power of the judge which is set out in article (212) of the Criminal Procedures Law, which permitted to establish the crimes through all forms of evidence, and the Judge shall rule at their sole discretion. As a result, the mental element of the crime which consists of the elements of intent and will are subject to the discretionary power of the judge who is looking into the case. The assessment team examined judgments rendered by the Supreme Court which confirm the foregoing.
70. **Criterion 5.6 (Met):** Article 3 bis of law No.05-01 stipulates that anyone who commits the terrorist financing crime provided for in article 3 shall be punishable by the sanction prescribed in article (87/4 bis) of the Penal Code. Article (87/4 bis) provides for the application of the penalty of temporary imprisonment from five to ten years and a fine ranging from (DZD 100,000 to DZD 500,000 / USD 789-USD 3945). In case of a TF conviction, the provisions of article 15/1 bis of the Penal Code which provides for the confiscation of items used or intended for use in committing the crime or which resulted from the crime, as well as the other grants and benefits used to award the perpetrator, shall be applied. These sanctions are considered dissuasive and proportionate.
71. **Criterion 5.7 (Met):** Article (51) bis of the Penal Code provides for the criminal liability of the legal person for the crimes it commits, by its legal bodies or representatives when the law stipulates that. The article added that this liability does not preclude accountability of the natural person as an original perpetrator or an accomplice in the same acts. Besides, article (3/1 bis) of law No.05-01 provides for the punishment of the legal person that commits the terrorist financing crime by the sanctions provided for in article (18 bis) of the Penal Code, being (a fine from one to five times the maximum limit of the penalty prescribed for the natural person), in addition to the application of one or more of the complementary sanctions, such as the dissolution of the legal person. It is noted that the sanctions in general are dissuasive and proportionate. Moreover, article 3 of the Criminal Procedures Law allowed to initiate a civil action against the legal person that is civilly liable for the damage.
72. **Criterion 5.8 (Met):**
- (a). The Algerian law criminalizes the attempt to commit the TF offenses by virtue of article (3 bis) of law No. 05-01.
 - (b). The Algerian law criminalizes participating as an accomplice in a TF offense or attempted offense, by criminalizing participating, aiding, and attempting, by virtue of article (3 bis) of law No. 05-01.

(c). The Algerian law criminalizes organizing or directing others to commit a TF offense or attempted offense, by criminalizing conspiracy, abetting, connivance and attempting by virtue of article (3 bis) of law No.05-01 and through the definition of individual terrorist and terrorist organization mentioned in article 4 of the same law.

(d). The Algerian law criminalizes contributing to the commission of a TF offense or attempted offense, by a group of persons acting with a common purpose, by criminalizing conspiracy, participation and attempt by virtue of article (3 bis) of law No. 05-01 and through the definition of individual terrorist and terrorist organization mentioned in article 4 of the same law.

73. **Criterion 5.9 (Met):** According to the provisions of article 4 of law No.05-01, the predicate offense means any crime, even if committed abroad, that allowed its perpetrators to obtain funds. Based on this definition, the TF crime is considered a predicate offense of the ML crime.
74. **Criterion 5.10 (Met):** Article 3 of law No. 05-01 stipulated that the TF crime is established, regardless of whether the financing is linked to a specific terrorist act. Article (3/2 bis) of the same law also stipulated that the Algerian courts have the jurisdiction over the TF acts committed in Algeria, even if the terrorist act is committed abroad or the individual terrorist or the terrorist organization is abroad; in addition to the crimes committed abroad by an Algerian or a foreigner or the terrorist act to which the funding is directed is committed in Algeria or if the terrorist or terrorist organization receiving the funds were present in Algeria, or when the terrorist act to which the funding is directed is against the interests of Algeria abroad or the victim is Algerian.
75. **Weighting and Conclusion:** There are no shortcomings in this recommendation. The Algerian legislation has fulfilled all the requirements of R. 5 through the provisions of Law 05-01 and the provisions of the Penal Code.
76. **For these reasons, Algeria is “Compliant” with R. 5.**

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

77. Algeria was rated “Non-Compliant” with SR.III in the first round of the mutual evaluation, due to the absence of a legal basis and procedures for freezing assets and funds pursuant to UNSCRs 1267 and 1373, not designating suspected persons or entities pursuant to UNSCR 1373, absence of a mechanism to de-list the names and release the funds of persons whose names were mentioned by mistake on the list, not circulating the UN Security Council lists to all FIs, including banks and absence of statistics on the application of UNSCRs 1267 and 1373.

Identifying and designating:

Criterion 6.1 (Not Met)

78. **Criterion 6.1 (a) (Not Met):** Algeria has not identified a competent authority or a court as having responsibility for proposing persons or entities to the 1267/1989 Committee for designation; and for proposing persons or entities to the 1988 Committee for designation.
79. **Criterion 6.1 (b) (Not Met):** Algeria has not established a mechanism(s) for identifying targets for designation, based on the designation criteria set out in the relevant UNSCRs.
80. **Criterion 6.1 (c) (Not Met):** Algeria has not applied the evidentiary standard of proof of “sufficient grounds” or “reasonable basis” when deciding whether to make a designation.
81. **Criterion 6.1 (d) (Not Met):** Algerian authorities are not obliged to follow the procedures and (in the case of UN Sanctions Regimes) standard forms for listing, as adopted by the relevant Committee (the 1267/1989 Committee or 1988 Committee);
82. **Criterion 6.1 (e) (Not Met):** During the last five years, Algeria proposed the designation of one individual to the sanctions

committee established pursuant to UNSCRs 1267/1989/2253 by using the UN standard form and following the applicable UN-approved guidelines. The obligation to follow these procedures is not explicitly stated in any internal document. There is a lack of information on whether Algeria provided as much relevant information as possible on the designation, as the outcome of the proposal was not perceived; there is also lack of information whether the committee, in the case of proposing names to the 1267/1989 Committee, can specify whether the status of Algeria as a designating State may be made known.

Criterion 6.2 (Partly Met)

83. **Criterion 6.2 (a) (Partly Met):** According to article 87/13 bis of the Penal Code, as amended and supplemented, “the committee for the classification of terrorist persons and entities” (i.e. the committee) designates persons and organizations on the national list of terrorist persons and entities (i.e. the national list). The person or organization which commits any of the acts set out in article (87 bis) of the Penal Code shall be designated. However, these acts do not include all the specific acts for designation, as provided for in UNSCR 1373, because they do not include the obligation to designate each person or entity that commits or initiates terrorist acts, or participates in or facilitates the commission of terrorist operations, in addition to the designation of any entity owned or controlled, directly or indirectly, and any person or entity acting for or at the direction of any person or entity that commits or initiates terrorist acts, or participates in or facilitates the commission of terrorist operations. According to articles (3 and 41) of executive decree No. 21-384, the said committee is competent to designate persons and entities on the national list, either on its own motion or at the request of a foreign country.
84. **Criterion 6.2 (b) (Partly Met):** According to article (18) of executive decree No.21-384, the powers of the MND, the MOI, the local groups and Urban Development, the MOFA, the National Diaspora abroad, and the MOJ include the communication of the requests for designation on the national list to the committee. The request should include, as per article (19) of the same decree, a presentation of the acts attributed to the person or the entity proposed for designation, which are set out in article (87 bis) of the Penal Code - which do not meet all the criteria for designation set out in UNSCR 1373, as mentioned in c.6.2 (a) – and a report on how appropriate it is to include them on the list, in addition to information indicating that they are subject of preliminary inquiries or judicial prosecution or conviction under a court judgment or decision . On the other hand, the competence and powers of the President of the Court of Algeria include studying the countries requests referred to them by the MOFA through the CTRF (hereinafter referred to as the “Unit”) and taking appropriate decisions with respect to these requests and publishing the seizure and/or freezing order issued by the President of the Court on the “Unit’s” website in order to give effect to the freezing actions pursuant to UNSCR 1373, according to article 3 of executive decree No.15-113 regarding the procedures of fund seizure and/or freezing within the framework of prevention and fight against terrorism financing.
85. **Criterion 6.2 (c) (Met):** According to article (13) of executive decree No.21-384, the committee should issue its decision within one month at the latest from the date of being notified of the request.
86. **Criterion 6.2 (d) (Partly Met):** According to the provisions of article (87/13 bis) of the Penal Code, as amended and supplemented, a person or an entity is registered in “the national list of terrorist persons and entities” only if they are subject of preliminary inquiries or a criminal prosecution or a judgment or decision of conviction is rendered against them; which implies that the proposals for designation are not always conditional upon the existence of a criminal proceeding, and that the person or the entity only has to be subject of preliminary inquiries. However, it did not appear what are the evidentiary standard of proof that Algeria relies on when deciding whether to make a designation on the national list, whether the proposed designation is made based on a request made by Algeria or a request made by a foreign country. Moreover, it does

not appear whether the designation is made when there is evidence based on “reasonable grounds”, according to the requirements of this sub-criterion.

87. **Criterion 6.2 (e) (Not Met)** - Nothing indicates that Algeria is required to provide as much identifying information, and specific information supporting the designation, as possible, namely when requesting another country to give effect to the actions initiated under the freezing mechanisms.

Criterion 6.3 (Partly Met)

88. **Criterion 6.3 (a) (Partly Met)**: Regarding designations pursuant to UNSCR 1373 and according to article (12) of executive decree No.21-384, the committee may solicit any additional information it deems necessary to perform its functions, either from the requesting entity or any of its members or any other relevant entity. It is worth noting that no competent authority to propose names for designation to the 1267/1989 Committee and the 1988 Committee was identified.
89. **Criterion 6.3 (b) (Partly Met)**: The committee for the classification of terrorist persons and entities is responsible for identifying persons and entities proposed for designation on the national list. In this context, it may operate ex-parte against a person or entity (article 3 of executive decree No.21-384). As mentioned in c.6.3 (a) above, there is no competent authority to propose designations, according to the requirements of c.6.1 (a), which partly affects Algeria’s achievement of the requirements of this sub-criterion.

Freezing

90. **Criterion 6.4 (Partly Met)**: Article (18 bis 2) of Law No. 05-01 related to AML/CFT, as amended and supplemented, stipulates that the funds of persons, groups and entities registered in the Consolidated List of the Sanctions Committee updated by Security Council Resolution No. 1276 shall be immediately seized and/or frozen. It also provided that the procedures for seizure and/or freezing are carried out by a decision by the Minister of Finance. By virtue of article (2) of executive decree No. 15-113 regarding the procedures of fund seizure and/or freezing within the framework of prevention and fight against terrorism financing, the Minister of Finance decisions shall be published on the official website of CTRF, which shall be considered a notification to subject entities of the order of immediate freezing or seizure of funds and property belonging to persons and groups mentioned in the sanctions list issued by the sanctions committees.
91. By virtue of article (2) of the Minister of Finance decision dated 31 May 2015 regarding the procedures of freezing and/or seizure of funds belonging to persons, groups and entities registered in the consolidated United Nations Security Council Sanctions List, subject entities should verify if the persons, groups and entities registered in the consolidated list which is published on the Unit’s website are among their customers. If they find that this is the case, they should immediately apply the seizure and/or freezing measures. Besides, the period that should be observed when applying the seizure and/or freezing measures was not determined, as the meaning of the term “immediately” was not defined either (article 5 of executive decree No.15-113), namely that the application of these measures depends on subject entities checking the Unit’s website, which is not undertaken forthwith upon the update of the list that is published on this website, particularly that it appeared that there are no mechanisms or procedures followed to inform the subject entities of the update made to the published list; therefore, the freezing obligations may not carried out without delay (see IO 10) .
92. Regarding the implementation of the targeted financial sanctions under UNSCR 1373, article (87/14 bis) of order No. 21-08 amending and supplementing the Penal Code stipulates that designation on the national list of terrorist persons and entities entails the prohibition of the concerned person or entity from exercising their activity and seizure and/or freezing of their funds and the funds derived from their property. Article (87/13 bis) of the same order stipulates that the decision to designate

names on the national list shall be published in the Republic's official Gazette. Article (22) of executive decree No.21-384 stipulates that the same decree also stipulates that the publication of the decision of designation on the national list in the official Gazette shall be considered as a notification regarding the implementation to financial institutions and DNFBPs in order to take the seizure and/or freezing measures with respect to the funds of the designated person or entity. The obligatory period to implement TFS was not identified, as the meaning of the term "immediately" was not defined either. As a result, TFS may not be implemented without delay, especially since the application of these measures depends on the subject entities reviewing the official Gazette, which may not be undertaken once the published list is updated or the decision of designation is published in the official Gazette. The lack of mechanisms or procedures to inform the subject entities of the updates to the domestic, further implies that TFS may not be applied without delay.

Criterion 6.5 (Partly Met)

93. **Criterion 6.5 (a) (Partly Met):** By virtue of article (5) of executive decree No.15-113, subject entities (financial institutions and non-financial institutions and professions) are compelled to apply the seizure and/or freezing actions immediately, to the funds and assets of their customers, if they were among the persons or entities whose names are published on the website of the "Unit", with respect to the persons and entities designated pursuant to UNSCR 1267 and successor resolutions. Regarding designations made pursuant to UNSCR 1373, those in charge of the implementation (all the natural and legal persons) are compelled to apply the freezing and/or seizure measures immediately, once they verify that the person or the entity is among those who are designated on the national list (article (28) of executive decree No.21-384). According to these two decrees, it appears that the freezing obligations pursuant to executive decree No.15-113 are only applicable to subject entities and do not extend to all natural and legal persons, unlike the freezing obligations pursuant to executive decree No.21-384, as referred to above.
94. **Criterion 6.5 (b) (Mostly Met):** By virtue of article (18/2 bis) of law No.05-01 and article (2) of executive decree No.15-113 – both regulating the designations made pursuant to UNSCR 1267 and successor resolutions – and by virtue of article (87/14 bis) of the Penal Code – regulating the designations made pursuant to UNSCR 1373, the freezing obligation extends to all funds derived from the property of persons and entities, which are in their possession or which are directly or indirectly, subject to their supervision or the supervision of persons acting for their benefit or receiving their orders; which encompasses all the funds and assets set out in the sub-criterion, except for those funds and assets which are jointly owned by designated persons or entities, as this was not explicitly provided for, except in the guidelines issued by BOA that apply to FIs only and not to DNFBPs
95. **Criterion 6.5 (c) (Partly Met):** According to article (27) of executive decree No.21-384, it is prohibited to make any funds or financial or other related services, available, directly or indirectly, for the benefit of persons or entities designated on the national list, or for the benefit of entities owned or controlled, directly or indirectly, by designated persons or entities, or for the benefit of any person or entity acting on behalf of, or at the direction of, designated persons or entities. This prohibition does not cover making economic resources available for them. The wording of article 27 did not appear to include the nationals of Algeria or any person or entity within its jurisdiction and it is unclear whether there are penalties for violating the provisions of this article.
96. According to the guidelines issued by CTRF, any citizen or any person or entity is prohibited from making funds and other assets, economic resources, financial services or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities, or entities owned or controlled, directly or indirectly, acting on behalf or on

instructions of designated persons and entities, except with a license, authorization or notification otherwise notified, in accordance with relevant Security Council Resolutions. Nonetheless, it does not appear what is the penalty resulting from violating this directive, in addition to the fact that the “Unit” guidelines are not considered as legally enforceable means, since the legal qualification under article 10/5 bis of law No.05-01 in conjunction with article (3) of the Minister of Finance decision mentioned above limited the institutions to which the Unit’s instructions apply to the “Unit”, and these institutions do not extend to the State nationals, or to any other person, citizen or entity.

97. **Criterion 6.5 (d) (Partly Met):** The mechanism for communicating the list of terrorist persons and entities pursuant to UNSCR 1267 to financial institutions and DNFBPs is represented in the publication of the decisions of the Minister of Finance on seizure and/or freezing and the consolidated sanctions list attached to his decisions on CTRF website. In addition, by virtue of the provisions of article (5) of executive decree No.15-113, subject entities should check the website to verify if any of their customers are among the persons, groups or entities whose names are designated on the sanctions list pursuant to UNSCR 1267, and successor resolutions.
98. Regarding the persons and entities whose names are designated on the national list pursuant to UNSCR 1373, article (3) of executive decree No. 21-384 requires that the national list be published on the Unit’s website. Article (28) of the same decree requires all financial institutions and non-financial institutions and professions to verify if the persons or entities registered in the consolidated list are among their customers, without explicitly stipulating that they are required to check the Unit’s website to verify this fact. In addition, article (87/13 bis) of the Penal Code requires that the decision of designation on the national list be published in the Republic of Algeria’s official Gazette. Article (22) of executive decree No.21-384 stipulates that the publication of the decision of designation on the national list in the official Gazette shall be considered as a notification to the said entities in order to take the seizure and/or freezing measures. Regarding the seizure or freezing requests made by other countries pursuant to UNSCR 1373, the decision of the President of the Court ordering the seizure and/or the freezing shall be published on the website of the “Unit” in implementation of the provisions of article (3) of executive decree No.15-113.
99. A weakness is noted in the mechanism adopted to communicate the UN or national lists of terrorism to the financial sector and the non-financial institutions and professions, given that there is no direct means of communication for these entities and it is rather up to the entities to check the Unit’s website or the official Gazette to take knowledge of the designations. .
100. Besides, the guidelines issued by BOA and CTRF included the procedures and directives that subject entities should follow to seize the targeted funds and assets they hold. It is worth noting that the time difference between New York and Algiers (the Capital of Algeria) may be an obstacle for subject entities to carry out their freezing obligations without delay, regardless of the actions taken which require subject entities to access the website of the “Unit” to carry out their freezing obligations, due to the absence of any measures that prevent from making funds available to persons and entities designated during weekends or official holidays due to the time difference between New York and Algiers, as such funds may be available either through the e-banking or the ATM services.
101. **Criterion 6.5 (e) (Met):** In implementation of article (5) of executive decree No.15-113, subject entities are compelled to report to the “Unit” any seizure and/or freezing actions applied to persons and entities designated pursuant to UNSCR 1267 and successor resolutions, including situations where the verification of their customer’s files is negative. In addition, when subject entities engage in any business relationship or conduct financial transactions with new customers, they are required to refrain from conducting any such transaction if it appears that their names are included on the list posted on the website

of the “Unit” and to report this fact to the “Unit” immediately. Financial institutions and non-financial institutions and professions shall comply with the same obligations with respect to the persons and entities designated on the national list, according to article (28) of executive decree No.21-384. On this note, they should inform the committee for the classification of terrorist persons and entities, in implementation of UNSCR 1373.

102. **Criterion 6.5 (f) (Met):** By virtue of the provisions of article (87/14 bis) of the Penal Code, as amended and supplemented, designation on the national list of terrorist persons and entities entails the prohibition of the concerned person or entity from exercising their activity and seizure and/or freezing of their funds and the funds derived from their property, which are in their possession or which are directly or indirectly, subject to their supervision or the supervision of persons acting for their benefit or receiving their orders, without prejudice to the rights of bona fide third parties. Article 2 bis of law No.05-01 relating to the prevention and fight against money laundering and the financing of terrorism requires that the rights of bona fide third parties be observed when implementing the freezing actions pursuant to UNSCR 1267 and successor resolutions.

De-listing, unfreezing and providing access to frozen funds or other assets.

Criterion 6.6 (Largely Met)

103. **Criterion 6.6 (a) (Largely Met):** Article (6) of executive decree No.15-113 stipulates that the “Unit” communicates to the persons, groups and entities concerned with the freezing decision, the procedures for de-listing that they may take pursuant to UNSCRs. The guidelines issued by the “Unit” stated that the procedures adopted by the 1267 Committee and the 1988 Committee in the context of implementing UNSCRs 1730, 1735, 1822, 1904, 1988, 1989 and their successor resolutions should be complied with, when submitting de-listing requests. Moreover, any person or entity which intends to remove its name from the sanctions list should submit a request to the United Nations Mediator. When the de-listing decision is issued, the unfreezing is immediately ordered, and such decision is communicated to FIs and non-financial institutions and professions. Nonetheless, it does not appear that there are publicly known procedures, in case the “Unit” is unable to communicate to the designated persons or entities the procedures that they may take to submit de-listing and unfreezing requests when they no longer meet the criteria for designation.
104. **Criterion 6.6 (b) (Met):** Article (87/13 bis) of the Penal Code, as amended and supplemented, stipulates that the committee (the committee for the classification of terrorist persons and entities) may remove the name of any person or entity from the national list, either spontaneously or at the request of the concerned person or entity, if the reasons for his designation are no longer justified. By virtue of article (8) of executive decree No.21-384, the committee should meet, obligatorily, at least once every six months to check the national list and consider whether the reasons for the designation on the list are still valid. Article (20) of the same decree permits any designated person or entity to request the committee to remove their name, within thirty days from the publication of the decision of designation in the official Gazette for any justified reason or at any time after the elapse of this period, if the reasons for their designation become unjustified. The request shall be accompanied with a justification for the de-listing request or for the ceasing of the reasons for designation. According to article (39) of the same decree, seizure and/or freezing is removed, automatically, once the decision to remove the concerned person or entity from the list is published in the official Gazette.
105. **Criterion 6.6 (c) (Met):** Article (87/13 bis) of the Penal Code provides for the eligibility of the concerned persons or entities to submit requests to have their names removed from the national list to the committee for the classification of terrorist persons and entities.
106. **Criterion 6.6 (d) (Largely Met):** By virtue of article (6) of executive decree No.15-113, the “Unit” communicates to the

persons, groups and entities concerned with the freezing decision, the procedures for de-listing that they may take pursuant to UNSCRs relating to the de-listing requests. The guidelines issued by the “Unit” stated that the procedures adopted by the 1988 Committee in the context of implementing UNSCRs 1730 should be complied with, when submitting a de-listing request. Nonetheless, it does not appear that there are publicly known procedures, in case CTRF is unable to communicate to the designated persons or entities the procedures that they may take to submit de-listing requests.

107. **Criterion 6.6 (e) (Largely Met):** By virtue of article (6) of executive decree No.15-113, CTRF communicates to the persons, groups and entities concerned with the freezing decision, the procedures for de-listing that they may take pursuant to UNSCRs relating to the de-listing requests. The guidelines issued by the “Unit” stated that the procedures adopted by the 1267 Committee in the context of implementing UNSCRs 1904 and 1989 and their successor resolutions should be complied with, when submitting a de-listing request. Nonetheless, it does not appear that there are publicly known procedures, in case the “Unit” is unable to communicate to the designated persons or entities the procedures that they may take to submit de-listing requests.
108. **Criterion 6.6 (f) (Met):** According to the provisions of article 18/4 bis of law No.05-01 relating to the prevention and fight against money laundering and the financing of terrorism, all persons affected by the administrative seizure and/or freezing order and any person of interest have the right to file a grievance to the Minister of Finance, within ten (10) days from their date of notification or knowledge of the freezing and/or seizure decision. Non-response by the entity with which the grievance is filed, for a period of one (1) month, is considered a decision of rejection which is appealable before the competent administrative judicial entity. Besides, the guidelines issued by CTRF provide for the procedures followed to unfreeze the funds and other assets of persons and entities with the same or similar name as designated persons or entities.
109. **Criterion 6.6 (g) (Partly Met):** The guidelines issued by the “Unit” state that the de-listing and unfreezing decisions should be communicated to the financial sector and non-financial institutions and professions and that they should comply with the content of such decisions. However, the decisions issued by the Unit in this regard are not considered binding upon the entities which are supervised by the BOA. In addition, the mechanism for communicating the decisions issued to these entities could not be perceived, in addition to the fact that the instructions and guidance issued to them on their obligations to respect a de-listing or unfreezing action remain unclear.
110. **Criterion 6.7 (Met):** According to the provisions of article (18/2 bis) of law No. 05-01 relating to the prevention and fight against money laundering and the financing of terrorism, and article (7) of executive decree No.15-113 regarding the procedures of fund seizure and/or freezing within the framework of prevention and fight against terrorism financing, persons, entities and groups are allowed to use part of the frozen and/or seized funds to cover their essential needs and the needs of their family members by allocating amounts of money to pay burdens, costs, and compensations which are paid for services especially those related to food, clothing and rent, or pay mortgage premiums of family house and medicine and expenses related to treatment, health, taxes, compulsory insurance premiums, gas, electricity, communication expenses, and some unexpected expenses. The last paragraph of the same article stated that in all events, the relevant procedures set out in the UNSCRs shall be applied when authorizing the use of funds.
111. Regarding the designees pursuant to UNSCR 1373 and in implementation of article (33) of executive decree No.21-384, the committee for the classification of terrorist persons and entities may permit the concerned persons and entities, their family members and their dependents to use a part of their seized and/or frozen funds to cover their urgent needs, either spontaneously or at their request, by allocating amounts of money to pay burdens, costs, and compensations which are paid

for services especially those related to food, clothing and rent, or pay mortgage premiums of family house and expenses related to medicines, treatment, health, taxes, compulsory insurance premiums, gas, electricity, water, communication expenses, and some unexpected expenses which are subject to the discretion of the committee.

112. **Weighting and Conclusion:** Algeria demonstrated that it has established the necessary legal basis and determined the procedures for freezing the funds and assets according to UNSCR 1267 and successor resolutions and UNSCR 1373. However, Algeria does not implement TFS without delay. the regulation and the procedures which were put in place had many of the deficiencies mentioned above, namely with respect to the application of targeted financial sanctions,; not ensuring their application without delay and in a proper manner due to the weak procedures followed in communicating the UN lists and the national list to stakeholders, and the failure to disseminate these lists to the entities concerned with the implementation of the sanctions. Moreover, there is no competent authority in charge of proposing persons or entities to the concerned Security Council Committee for designation, in addition to the absence of mechanism(s) for identifying targets for designation as required under UNSCR 1267 and the absence of a text sanctioning the provision of funds or other assets to persons and entities designated on the UN lists or the national list, in addition to the weakness of the regulating procedures to notify the subject entities of the removal of names from the existing lists in preparation for the release of frozen funds.

113. **For these reasons, Algeria is “Partially Compliant” with Recommendation 6.**

Recommendation 7: Targeted financial sanctions related to proliferation

114. This Recommendation was added to the Forty Recommendations in 2012, because Algeria’s compliance with this Recommendation has not previously been assessed.

115. **Criterion 7.1 (Not Met):** The legal framework to implement PF related TFS is nonexistent in Algeria, albeit Algeria did implement some PF related UNSCRs, with a noticeable delay (see IO 11).

Criterion 7.2 (Not Met)

116. **Criterion 7.2 (a) (Not Met):** Natural and legal persons within the country are not required to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities.

117. **Criterion 7.2 (b) (Not Met):** There is no obligation to freeze any funds or other assets owned or controlled by designated individuals or entities, whether directly or indirectly.

118. **Criterion 7.2 (c) (Not Met):** Algerian nationals or any persons or entities within its territories are not required to abstain from making any funds or other assets available to or for the benefit of designated persons or entities.

119. **Criterion 7.2 (d) (Not Met):** There are no mechanisms in place in Algeria for communicating designations to financial sector and DNFBPs immediately upon taking such action, nor is there guidance issued to FIs and persons or other entities, including DNFBPs that may be holding targeted funds or other assets, on their obligations in taking action under freezing mechanisms.

120. **Criterion 7.2 (e) (Not Met):** FIs and DNFBPs are not required to report to competent authorities any assets frozen or actions taken in compliance with the prohibition requirements of the relevant Security Council resolutions, including attempted transactions.

121. **Criterion 7.2 (f) (Not Met):** Algeria did not adopt measures to protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 7.

122. **Criterion 7.3 (Not Met):** Algeria did not adopt any measures for monitoring and ensuring compliance by financial institutions and DNFBPs with the relevant laws or enforceable means governing the obligations under Recommendation 7

due to the lack of a legal framework.

Criterion 7.4 (Not Met)

123. **Criterion 7.4 (a) (Not Met):** Algeria did not develop any publicly known procedures to submit de-listing requests to the Security Council in the case of designated persons and entities that, in the view of Algeria, do not or no longer meet the criteria for designation. It did not appear either whether the country is enabling listed persons and entities to petition a request for de-listing at the Focal Point for de-listing designated pursuant to UNSCR 1730 or informing designated persons or entities to petition the Focal Point directly.
124. **Criterion 7.4 (b) (Not Met):** Algeria does not have publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (i.e. a false positives), upon verification that the person or entity involved is not a designated person or entity.
125. **Criterion 7.4 (c) (Not Met):** There is a lack of information to determine whether Algeria can authorize access to funds or other assets, where it determines that the exemption conditions set out in UNSCRs 1718 and 2231 are met by the person or entity, in accordance with the procedures set out in those resolutions.
126. **Criterion 7.4 (d) (Not Met):** Algeria does not have any mechanisms in place for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action, nor any guidance was issued to FIs and persons or other entities, including DNFBPs that may be holding targeted funds or other assets, on their obligations to respect a de-listing or unfreezing action.

Criterion 7.5 (Not Met)

127. **Criterion 7.5 (a) (Not Met):** There is a lack of information to determine whether Algeria can permit the addition to the accounts frozen pursuant to resolution 1718 or resolution 2231 of interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that were agreed upon prior to the date on which those accounts became subject to the provisions of this resolution.
128. **Criterion 7.5 (b) (Not Met):** There is a lack of information to determine whether the freezing action taken pursuant to UNSCR 1737 which continues by virtue of UNSCR 2231 or pursuant to the UNSCR 2231 does not prevent a designated person or entity from making any payment due under a contract entered into by such person or entity prior to their listing.
129. **Weighting and Conclusion:** Algeria is not compliant with any of the criteria of R.7 relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction, due to the absence of the legal and regulatory framework for implementing these sanctions, failure to monitor the concerned persons and entities' compliance with the required measures, in terms of freezing the assets of designated persons or entities, and failure to issue the appropriate guidance on how to implement the measures under the freezing mechanisms.
130. **For these reasons, Algeria is "Non-Compliant" with Recommendation 7.**

Recommendation 8: Non-profit organizations

131. Algeria was rated "Non-Compliant" with SR.VIII in the first round of the mutual evaluation, due to the lack of regular evaluation of the local legislation pertaining to associations while taking into consideration the updates about the vulnerabilities in this sector; failure to take tangible measures to communicate with associations about the risk of their misuse in terrorist financing; absence of any cooperation mechanism among the different competent authorities, in particular, in the

field of exchange of information.

Adopting a risk-based approach

Criterion 8.1 (Not Met)

132. **Criterion 8.1 (a) (Not Met):** Algeria does not identify which subset of NPOs falls within the FATF definition of NPO, and the features and types of these NPOs which are likely to be at risk of terrorist financing abuse. Besides, Algeria stated that it has identified the types of NPOs which are likely to be at risk of terrorist financing abuse, as being the NPOs which receive funding from foreign entities, NPOs which receive grants, and NPOs which receive subsidies from the country or local groups. Nonetheless, it does not appear how Algeria is identifying these types of NPOs and what are the nature and sources of information and data it has relied on in this regard.
133. **Criterion 8.1 (b) (Not Met):** Algeria clarified that the risks inherent to the types of NPOs which are likely to be at risk of terrorist financing abuse are represented in NPOs receiving foreign funding without a license or from sources which are not identified in a precise way or using grants and funding for other than the purposes they are intended for. The country also added that it has identified these facts through the security reports and financial reports of NPOs and accountants and reports made by various public authorities. However, it did not indicate how it was able to identify, through these reports, the nature of the threats faced by NPOs, namely that it indicated that NPOs have not been previously misused for TF purposes except for some isolated cases recorded many decades ago. Therefore, these reports' connotation to the risks identified by the country could not be perceived and it did not appear how terrorist actors are using NPOs in Algeria, bearing in mind that the country has not previously conducted a national risk assessment in this regard.
134. **Criterion 8.1 (c) (Not Met):** It does not appear that Algeria has reviewed the adequacy of measures, including domestic laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified. Besides, the country stated that some legislative amendments were made to the provisions of the preliminary draft of the NPO law, including amendments providing for supervision over grants, subsidies, and funding that NPOs receive. Nonetheless, it does not provide information evidencing this statement.
135. **Criterion 8.1 (d) (Not Met):** Nothing indicated that Algeria has periodically reviewed the NPO sector.

Sustained outreach concerning terrorist financing issues

Criterion 8.2 (Partly Met)

136. **Criterion 8.2 (a) (Partly Met):** Article 4 of law No.12-06 on NPOs requires each natural person seeking to establish, manage and operate an association should not be convicted of a felony and/or a misdemeanor which is not in conformity with the field of the NPO activity¹³⁸. According to article 7, the association is established by virtue of an authorization of incorporation filed with the People's Municipal Assembly for communal associations, with the province for provincial associations, and with the MOI for national or inter-province associations. According to article 12, the authorization of incorporation consists of an application for the registration of the association signed by the president of the association or their legally qualified representative, a list of names of the founding members and the executive bodies, their civil status, positions, places of residence and signatures, an extract of the police record for each of the founding members, copies of the bylaw, the minutes of meeting of the founding general assembly made by a judicial rapporteur and evidentiary documents proving the

¹³⁸ Crimes where a person loses their civil and national rights are excluded. In such case, this person cannot establish or operate any association.

headquarter address.

137. According to articles 18 and 19, associations should report to the competent public authorities, when they hold their general assembly meetings, the amendments made to their bylaw and the changes made to their executive bodies and provide copies of their minutes of meetings, their annual disciplinary and financial reports to the competent public authority, following the ordinary or extraordinary general assembly, within 30 days after the ratification of the decisions taken. Failure to provide these documents is liable to a fine ranging between DZD 2000 and DZD 5000, according to article 20. According to article 40, the violation of articles 18 and 19 will result in suspending the activity of the association for a period not exceeding 6 months.
138. According to articles 37 and 38, the use by the association of advertisements, subsidies, and contributions for purposes other than those provided for in its program results in its final suspension or revocation, unless licensed to do so by the public authority. The association should have a double entry accounting approved by an accountant. It should have a single account opened with a bank or a public financial institution.
139. The foregoing indicates that Algeria has a clear policy to promote integrity and accountability of associations for the violation of some provisions of articles of law No.12-06 of 2012;The country stated that some information on associations is provided through the website of the MOI, which is information on the legal framework regulating the associations, the terms and conditions governing the establishment of associations and the classifications of the approved associations, as well as statistics on the registered associations, the available information does not aim at promoting integrity and public confidence in the management of associations.
140. **Criterion 8.2 (b) (Not Met):** Several training sessions were held for associations to promote the capacities of local actors in local development and in the field of financial and administrative management of associations, without raising and deepening awareness among associations as well as the donor associations and groups about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse.
141. **Criterion 8.2 (c) (Not Met):** Algeria has not previously worked with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities.
142. **Criterion 8.2 (d) (Partly Met):** According to the provisions of article (38) of law No.12-06 of 2012, associations should have a single account opened with a bank or a public financial institution. Nonetheless, it did not appear that there are other texts that require or encourage NPOs to conduct their financial transactions through their bank accounts, as being secure financial channels, keeping in mind the diverse capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns. With reference to the provisions of article 33 of the law on associations, it appears that they are required to register their resources and incomes in their budget (the financial report) and the law does not state that they should deposit the resources and incomes in their bank account.

Targeted risk-based supervision or monitoring of NPOs.

143. **Criterion 8.3 (Not Met):** According to the provisions of article (19) of law No.12-06 of 2012, associations are required to submit copies of their minutes of meetings and their annual disciplinary and financial reports to the concerned department,

following the ordinary or extraordinary general assembly, which enables the competent public authority¹³⁹ to review and examine them periodically. Moreover, article 30 of this law requires the association to obtain a prior approval upon the funds it receives from government and non-government foreign organizations, while article 36 requires that public and non-public local subsidies and aids be subject to the applicable control provisions. Nonetheless, it did not appear how the information received by the competent authority is being used in applying the risk based supervisory approach to associations at risk of terrorist financing abuse. Given that the subset of associations was not identified, and its related risks were not classified according to specific criteria, it is not possible to apply the risk-based approach to supervision according to the requirements of this criterion.

Criterion 8.4 (Partly Met)

144. **Criterion 8.4 (a) (Not Met):** It does not appear whether any of the authorities set out in article (7) of the law on associations monitor NPOs and their compliance with the provisions of the law, including their compliance with the requirements of Recommendation (8). It does not appear either that this is undertaken according to risk-based measures for the reasons indicated in the analysis of criterion 8.3 above.

145. **Criterion 8.4 (b) (Partly Met):** The law on associations provided for several sanctions for the violations committed by the associations or their members. According to articles (40 and 41), these sanctions include a notice addressed to the organization for committing some violations, which is a measure that precedes the suspension of the association's activity, for a period not exceeding six months in case it does not comply with the notice. Failure to submit the documents mentioned in articles 18 and 19 of this law (see sub-criterion 8.2 (a) above) is liable to a fine ranging between DZD 2000 and DZD 5000 (equivalent to USD 35 approximately). However, it did not appear if there is a sanction applied if an association fails to provide the basic information upon registration, such as a list of the names of the founding members and the executive bodies, their civil status, positions, places of residence and an extract of the police record for each of the founding members. Besides, article (31) of the law stipulates that the use of the association's resources and property for purposes other than those set out in its bylaw is considered a misuse of its property and is punished according to the applicable legislation. However, the punishment prescribed for this violation could not be perceived and it did not appear whether the sanctions extend to persons acting for the benefit of associations and whether they are proportionate and dissuasive, because the country did not provide any information in this regard.

Effective information gathering and investigation.

Criterion 8.5 (Not Met)

146. **Criterion 8.5 (a) (Not Met):** Algeria stated that the entities that maintain information on associations are the municipality, the province, the MOI, as well as the ministerial sectors concerned with the activity of the associations. However, it did not appear whether there are cooperation and coordination channels among them and the forms of this cooperation and coordination could not be perceived. Algeria clarified that it has an integrated automated system which is being prepared by the MOI and will link all the competent agencies at the central level, the provinces and municipalities, which permits access to all the information on associations, at the regulatory level, and the financial information on the association's activities, namely foreign and public funding, subsidies and grants it receives. It did not appear what are the competent agencies which

¹³⁹Competent authorities include 1) the municipality, for communal associations, 2) the province, for provincial associations and 3) the Ministry of Interior, for national and inter-province associations.

will have access to this information through the automated link and whether the information they will obtain will be comprehensive.

147. **Criterion 8.5 (b) (Met):** The investigative authorities have sufficient expertise and capability to effectively investigate suspected TF activities. They initiate investigations with all NPO's managers upon establishment to verify that they are not associated with any terrorist organizations or activities. They also review information on NPOs that is kept by the competent supervisory authorities. The investigative authorities did not come across cases indicating that NPOs were exploited by or are supporting terrorist activity or terrorist organizations, during the assessment period.
148. **Criterion 8.5 (c) (Partly Met):** Every municipality and state in Algeria has an automated system for the municipal and state NPOs subject to its control. The system contains administrative information pertaining to these associations (see IO 10). Investigative authorities can obtain this information by virtue of the powers assigned to them by law. However, the system does not include financial information pertaining to NPOs (such as the amount of aid and donations they receive, the names of donors, in addition to information on the volume of money they collect, the destination of aid, donations and funds, and the identities of the beneficiaries). The MOI, as the supervisor of interstate and national NPOs, does not have a similar automated system that contains information on NPOs subject to its control.
149. **Criterion 8.5 (d) (Not Met):** Algeria does not indicate what are the mechanisms in place for the prompt sharing of information with competent authorities, in order to take preventive actions or initiate investigation, when there is a suspicion that the association: 1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organization, 2) is being exploited as a conduit for terrorist financing, or 3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organizations.

Effective capacity to respond to international requests for information about an NPO of concern.

150. **Criterion 8.6 (Partly Met):** Algeria mentioned that it receives international requests through the MOFA which in turn refers them to the department concerned with responding to the international inquiries, based on the international agreements, specifically bilateral agreements. Each public authority responds to these requests, according to its competences. In addition, the procedures adopted for responding to these requests could not be perceived.
151. **Weighting and Conclusion:** The deficiencies in this Recommendation are evident, given that Algeria does not identify the subset of NPOs which are at risk of terrorist financing abuse and the nature of threats they are facing, based on accurate studies, information, and data, which makes Algeria unable to take risk-based supervision and monitoring actions regarding such associations. It did not appear that Algeria has reviewed the adequacy of measures that relate to the subset of these associations, in order to be able to take proportionate and effective actions to address the risks identified; nor did it appear that it has periodically reassessed the sector, in addition to weak measures taken to ensure transparency in dealing with associations, the absence of programs to raise awareness among NPOs as well as the donor groups about the risks of this sector, failure to develop best practices to address these risks and failure to encourage associations to conduct their transactions via secure financial channels. This is in addition to the absence of cooperation and coordination among the entities that maintain information on NPOs and the competent investigative authorities, thereby limiting the ability to take the necessary actions in terms of seizing or freezing the suspicious funds, effectively and urgently. In addition to the shortcomings in the country's ability to respond to international requests for failure to clarify the procedures for responding to requests.

152. **For these reasons, Algeria is "Non-Compliant" with Recommendation 8.**

Recommendation 9: Financial institution secrecy laws

153. The Republic of Algeria was rated “Largely compliant” with Recommendation 4, in the first round of the mutual evaluation, due to the absence of an obligation that requires bank transfers to be accompanied with all data of the transferor and the transferee under a primary or delegated legislation or by an enforceable means.

Criterion 9.1 (Partly Met):

154. **Access to information by competent authorities:** Article 117 of Order No. 03-11 of 2003 on cash and credit stipulates that each member in the Board of Directors, accountant and every person who participates or has participated in any way in the operation of a bank or a financial institution or is one of its users, or every person who participates or has participated in the supervision of banks or financial institutions is subject to professional secrecy. According to the same article, the public authorities authorized to appoint the persons responsible for the management of banks and financial institutions, the judicial authorities operating within a criminal procedure framework, the public authorities compelled to report information to authorized international institutions, especially within the framework of combating bribery, money laundering and terrorist financing, the Banking Committee or the BOA which operates for the account of the latter were all excluded. Article 12 of law No.04-03 of 2003 on the stock market required brokers in the stock operations and the operators, managers, directors of these operations and their registered employees and accountants to observe the professional secrecy. Except for the CTRF, against which the professional secrecy does not apply (Article 22 of Law 05-01), nothing indicated that the professional secrecy can be lifted to the benefit of other competent authorities namely with respect to insurance companies.

155. According to article 22 of law No.05-01 of 2005 and its amendments, relating to the prevention and fight against money laundering and the financing of terrorism, the professional or banking secrecy may be disregarded before the CTRF. The requisites of article 15 of law No.05-01 and its amendments enable the CTRF to request any additional information it deems necessary to perform its functions from FIs and DNFBPs, in the context of each suspicious report or secret report it receives. According to article 15 bis, the CTRF communicates the financial intelligence to security and judicial authorities when there are grounds to suspect ML/TF operations.

156. Article 14 of Law 01-05 of 2005 and its subsequent amendments requires reporting entities to keep documents related to the customer identity, their addresses, and transaction records for 5 years, and make them available to the competent authorities.

157. **Exchange of information with competent authorities:** According to article 7 of executive decree No.3-22 of 2022 determining the functions, organization and operation of the CTRF, the Unit may sign, in the context of prevention and fight against money laundering and terrorist financing, protocols to exchange information with the administrative authorities and AML/CFT authorities, including supervisors, which would enable the authorities to access the information held by the CTRF, including the information it obtained from FIs, under the provisions of article 15 and article 20 (on the reporting obligation) of law No.05-01.

158. The requisites of articles 25 and 26 of law No.05-01 of 2005 and its amendments gave the CTRF the right to exchange information with the entities that exercise similar functions, subject to the principle of reciprocity, provided that these entities are subject to the professional secrecy under the same guarantees prescribed in Algeria. On the other hand, article 28 of the same law stipulated that this exchange of information is not possible, if criminal proceedings have been initiated in Algeria based on the same facts or if this reporting might compromise the national sovereignty and security or the public order and the main interests of Algeria, which would limit the scope of the exchange of information in the AML/CFT field at the

international level.

159. **Exchange of information between financial institutions:** There is no specific text on the exchange of information between financial institutions, whenever required, in implementation of R.13 and R.16. Furthermore, secrecy laws or any other laws did not include any text indicating that accounts secrecy does not preclude the enforcement of AML/CFT laws and instructions issued by regulatory authorities and which include provisions on correspondent banking relationships and wire transfers¹⁴⁰.
160. **Weighting and Conclusion:** The professional secrecy or the banking secrecy does not hinder the CTRF's access to the information held by FIs, nor does it hinder the exchange of information between financial institutions whenever required, by virtue of R.13 and R.16, to the exclusion of R.17. Direct access to information held by FIs was only limited to the CTRF, while the banking secrecy can be lifted to the benefit of the judicial authorities only when operating in a criminal procedure. Although CTRF has the right to exchange information with entities that exercise the same functions, subject to the principle of reciprocity, such exchange is not possible, if criminal proceedings are initiated in Algeria based on the same facts, which would limit the scope of the exchange of information in the AML/CFT field at the international level.
161. **For these reasons, Algeria is "Partially Compliant" with Recommendation 9.**

Recommendation 10: Customer due diligence

162. Algeria was rated "Non-Compliant" with Recommendation 5, in the first round of the mutual evaluation, because the legal texts and regulations of FIs did not meet the obligations related to the customer due diligence measures, and 11 points were identified as deficiencies.
163. The definition of financial institutions in Algeria, as per article 4 of law No.05-01 of 2005 and its amendments, relating to the prevention and fight against money laundering and the financing of terrorism (hereinafter referred to as law No.05-01 of 2005 and its amendments) covers all types of FIs cited in the glossary of the FATF Methodology.
164. Pursuant to the provisions of article 10 bis of law No.05-01 of 2005 and its amendments which permit FI supervisory and monitoring authorities to enact AML/CFT regulations, the BOA issued a regulation¹⁴¹ No.12-03, in 2012, relating to the prevention and fight against money laundering and the financing of terrorism.
165. According to the provisions of article 10/3 bis of law No.05-01 of 2005 and its amendments, the guidelines of the BOA relating to the prevention and fight against money laundering and the financing of terrorism are applied to banks, FIs, financial agencies of "Algeria Post" and the Exchange Offices which are supervised by the banking committee. On 08 February 2015, the BOA drafted guidelines on due diligence measures with respect to customers which recalled and clarified some concepts relating to due diligence measures and the risk-based approach. By reviewing the structure and the text of these guidelines, it appeared that they came as a correspondence or a note that explains the due diligence measures which should be taken by FIs subjected to the BOA. However, the assessment team notes that the conditions required to consider these guidelines among the other enforceable means are not fulfilled¹⁴², according to the Methodology for assessing

¹⁴⁰ Rec. 17 is not mentioned in Rec. 9 as it does not apply (see Rec. 17)

¹⁴¹ This regulation is deemed to be other enforceable means (OEM)

¹⁴² The language used therein is not mandatory and scope of sanctions that can be imposed for failure to apply the provisions of these guidelines were not perceived.

technical compliance with the FATF Recommendations (paragraph 1 of page 163).

166. In parallel, according to the provisions of article 10/5 bis of law No.05-01 of 2005 and its amendments, the guidelines issued by CTRF apply to institutions in charge of the stock exchange and insurance sector¹⁴³. -

167. **Criterion 10.1 (Partly Met):** According to article 05 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism, banks, the financial agencies of "Algeria Post" and financial institutions shall, by no mean, open anonymous and numbered accounts. However, the obligation of FIs not to keep accounts in obviously fictitious names was not provided for under a legally enforceable means. Also regarding FIs which are supervised by the Commission for the Organization of Stock Market Transactions, prohibiting these institutions from keeping anonymous accounts or accounts in obviously fictitious names was not provided for under enforceable means.

When CDD is required

Criterion 10.2 (Partly Met)

168. **Sub-criterion 10.2 a (Met):** Article 7 of law No.05-01 of 2005 and its amendments, relating to the prevention and fight against money laundering and the financing of terrorism stipulates that subject entities (i.e. FIs) should verify the object and nature of the activity and the identity and address of their customers, each within its competences, before opening an account or book, keeping bonds, values or receipts, renting a safe deposit box, conducting any transaction or establishing any other business relationship. Article 4 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism stipulated that customers should be identified when establishing a business relationship and it is permitted to verify the object and nature of the activity, as well as the identity and address of the customer and/or the beneficial owner or owners.

169. Regarding FIs which are supervised by the ISC and the Commission for the Organization of Stock Market Transactions, the guidelines issued by CTRF stipulated that the measures for verifying the identity of a customer are applied when a business relationship is established.

170. **Sub-criterion 10.2 b (Not Met):** No legal text requiring FIs to undertake CDD measures when carrying out occasional transactions above the applicable designated threshold was found. This includes situations, where the transaction is carried out in a single operation or in several operations that appear to be linked.

171. **Sub-criterion 10.2 c (Partly Met):** According to article 17 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism, in the context of electronic transfers, regardless of the means used and /or the provision of funds, banks, financial institutions and financial agencies of "Algeria Post", shall ensure the accurate identification of the ordering party and the beneficiary, as well as that of their address. On the other hand, there is no definition for occasional transactions, to verify whether they are subject to the same requirements or not.

172. **Sub-criterion 10.2 d (Not Met):** According to the guidelines issued by CTRF, FIs, namely those in charge of the stock exchange and insurance sector, should undertake CDD measures, when there is a suspicion of ML/TF, or when they have doubts about the veracity or adequacy of previously obtained customer identification data. Regarding banks, financial agencies of "Algeria Post" and FIs subject to the BOA, no enforceable legal text was found to meet the requirements of this sub-criterion.

173. **Sub-criterion 10.2 e (Not Met):** There is no text which stipulates, under enforceable means, that banks, financial agencies

¹⁴³ These guidelines are deemed to be other enforceable means (OEM)

of “Algeria Post” and FIs subject to the BOA are required to implement due diligence measures when they have doubts about the veracity or adequacy of previously obtained customer identification data. Regarding the other FIs which are supervised by the ISC and the Commission for the Organization of Stock Market Transactions, they are required, by virtue of the guidelines issued by CTRF, to implement due diligence measures when they have doubts about the veracity or adequacy of previously obtained customer identification data.

Required CDD measures for all customers.

174. **Criterion 10.3 (Met):** According to the provisions of article 7 of law No.05-01 of 2005 and its amendments, subject entities should verify the object and nature of the activity and the identity and address of their customers, each within its competences, before opening an account or book, keeping bonds, values, or receipts, renting a safe deposit box, conducting any transaction or establishing any other business relationship. The identity of a natural person is verified by submitting valid original official documents including a photograph of the person, and their address is also verified through an official paper proving this address. The identity of a legal person is verified by submitting their bylaw and any document that proves its registration or accreditation and that it has an actual presence when proving its personality. Article 8 of the same law stipulates that the identity of unusual (i.e. occasional) customers is established according to the conditions set out in the afore-mentioned article 7.
175. **Criterion 10.4 (Mostly Met):** Article 7 of law No.05-01 of 2005 and its amendments stipulates that, in addition to the customer identification documents, agents and employees acting on behalf of third parties should submit, in addition to the documents mentioned above (criterion 10.3), an authorization of the powers delegated to them and the documents that prove the identity and address of the real owners of the funds, but they are not required to identify the person who is purporting to act on behalf of the customer and identify and verify the identity of that person.
176. **Criterion 10.5 (Partly Met):** According to article 9 of law No.05-01 of 2005 and its amendments, subject entities should by all legal means, verify the identity of the beneficial owner or the real person who ordered the transaction, in case they did not verify if the customer is acting on their own account. This requirement covers the BO of the business relationship. The term “beneficial owner” means according to this law any natural person or persons who own or who ultimately have effective control over the customer and/or the person on whose behalf a transaction is being conducted. It also includes persons who exercise ultimate effective control over a legal person. However, the concept of ultimate effective control, in this context, was not determined, nor whether this concept covers situations in which ownership or control is exercised through means other than those which are direct means of control, according to the definition set out in the Methodology.
177. According to the guidelines issued by CTRF, the internal procedures applied by the institutions in charge of the stock exchange and insurance sector should allow the identification of the beneficial owner and the implementation of reasonable measures to verify by all legal means their identity, so that these institutions are sure that they know who the beneficial owner is. This verification can be done by consulting public databases and over the Internet; however, CTRF guidelines are not considered among the other enforceable means.
178. **Criterion 10.6 (Met):** Article 7 of law No.05-01 of 2005 and its amendments, relating to the prevention and fight against ML/TF stipulates that subject entities (i.e. FIs) should verify the object and nature of the activity.,

Criterion 10.7 (Partly Met)

179. **Sub-criterion 10.7 a (Partly Met):** According to article 10/4 bis of law No.05-01 of 2005 and its amendments, subject entities shall comply with the due diligence obligation throughout the course of the business relationship and should

accurately monitor the conducted transactions in order to ensure that they are consistent with the information they have on their customers. On the one hand, the law did not provide for the definition of the term “due diligence obligation” to cover all the CDD measures set out in R.10 namely those extending from criterion 10.3 to 10.6, and on the other hand, nothing indicated that FIs are required to scrutinize transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the customer’s business and risk profile, including where necessary, the source of funds.

180. Article 3 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism stipulates that banks, financial institutions, and financial agencies of “Algeria Post” should monitor the account movements to detect the types of transactions and the atypical and/or unusual transaction and their economic justification for a specific client or a category of accounts. However, these obligations do not include the obligation to scrutinize the transactions continuously, to ensure that they are consistent with the pattern of the customer’s activity and the risks he represents, including where necessary, the source of funds. As to the institutions in charge of the stock exchange and insurance sectors, no information indicating that the requirements of this criterion are met was provided.

181. **Sub-criterion 10.7 b (Partly Met):** According to article 7 of law No.05-01 of 2005 and its amendments, the customer identification data, and the information on the nature of their activity should be updated annually and upon any change made thereto, without specifying that this should be done particularly for higher risk customers. These obligations do not include the on-going update of all the information and data collected under the CDD process provided for in R.10.

182. Article 6 of regulation No. 12-03 relating to the prevention and fight against ML/TF stipulated that to ensure that “the data held on clients is complete”, banks, financial institutions, and financial agencies of “Algeria Post” must annually update this data and at least on the occasion of a major transaction, a substantial modification of criteria for providing customers documents or a significant change in the account management process. This provision for the annual update (once a year) of “the customers data” does not meet the requirements of the sub-criterion, because the type of this data was not determined and whether it includes all the documents, data or information collected under the CDD process. In addition, this requirement was not confirmed with respect to higher risk categories of customers.

183. Guidelines issued by CTRF stipulated that the institutions in charge of the stock exchange and insurance sectors should “keep and update the information collected”, without determining this information and whether it includes all the documents, data or information collected under the CDD process, thereby indicating that the requirements of this criterion are met.

Due diligence measures for legal persons and arrangements

184. **Criterion 10.8 (Not Met):** According to article 7 of law No.05-01 of 2005 and its amendments, the identity of a legal person is verified by subject entities by submitting its bylaw and any document that proves its registration or accreditation and by verifying that it has an actual presence when proving its legal personality. However, this law did not require financial institutions to understand the nature of the customer’s business and its ownership and control structure. The said law did not include neither a definition of legal arrangements, nor did it stipulate the procedures to be taken according to the requirements of this criterion, in the event where a customer is a legal person.

Criterion 10.9 (Partly Met)

185. **Sub-criterion 10.9 a (Partly Met):** According to article 7 of law No.05-01 of 2005 and its amendments, the verification of the identity of a legal person by subject entities is made by submitting its bylaw and any document that proves its registration or accreditation and by verifying that it has an actual presence when proving its legal personality. As to legal arrangements,

the information through which the customer is identified, and their identity verified was not provided for.

186. **Sub-criterion 10.9 b (Partly Met):** According to CTRF guidelines, institutions in charge of the stock exchange and insurance sectors should obtain, with respect to legal persons, information on the identity of managers and other officers, or shareholders in the legal entity. These institutions were not required to collect information on the regulations that regulate and bind the legal person. Nothing indicated that the requirements of this sub-criterion are met, with respect to the financial institutions which are subject to the BOA and with respect to the legal arrangements.
187. **Sub-criterion 10.9 c (Met):** Article 5 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism stipulated that the real presence and address of the legal person should be verified when establishing its identity and its address should be also verified by submitting an official document proving it. As to non-financial institutions subject to the BOA the verification of the identity of a legal person by these institutions is made by submitting its bylaw and any document that proves its registration or accreditation and by verifying that it has an actual presence when proving its legal personality, as per article 7 of Law 05-01 of 2005 and its amendments.
188. **Criterion 10.10 (Not Met):** We were not provided with any information indicating that the country met the criterion.
189. **Criterion 10.11 (Not Met):** Law No.05-01 of 2005 and its amendments did not include a definition of legal arrangements or measures to verify the identity of beneficial owners of these arrangements through the information set out in sub-criteria (a) and (b).

CDD for beneficiaries of life insurance policies

190. **Criterion 10.12 (Met):** According to CTRF guidelines, institutions in charge of the insurance sector should conduct, in addition to the due diligence measures toward the customer and the beneficial owner, due diligence measures on the beneficiary (ies) of life insurance and other investment related insurance policies, as soon as the beneficiary is identified or designated:
- a. for a beneficiary (ies) that is identified as specifically named natural or legal persons or legal arrangements, by taking the identity of the person.
 - b. for a beneficiary (ies) that is designated by characteristics or by class (such as, a spouse or children, where the insured event takes place) or by other means (inheritance), by obtaining sufficient information concerning the beneficiary to satisfy the institution in charge of the insurance sector that it will be able to establish the identity of the beneficiary at the time of the payout.

According to the provisions of the same guidelines, the identity of the beneficiary (ies) should be also verified at the time of the payout.

191. **Criterion 10.13 (Met):** According to CTRF guidelines, the institution in charge of the insurance sector should consider the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable. If the concerned institution determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, the enhanced due diligence measures should include reasonable measures to identify and verify the identity of the beneficial owner at the time of payout.

Timing of verification

192. **Criterion 10.14 (Partly Met):** According to article 7 of law No.05-01 of 2005 and its amendments, FIs should verify the object, nature of the activity, and the identity and address of their customers before opening an account or book, keeping bonds, values, or receipts, renting a safe deposit box, conducting any transaction or establishing any other business

relationship; they should verify as well that authorization documents are submitted in the event of dealing on behalf of others. It is clear from this that FIs are required to verify the identity of the customer (without verifying the identity of the BO) before or during the course of establishing a business relationship, whether for the purpose of conducting transactions for occasional customers or not. The law does not stipulate that FIs may be permitted to complete verification after the establishment of the business relationship.

193. **Criterion 10.15 (Not applicable):** Article 7 of the AML law requires verifying the customer identity prior to and during the course of the business relationship or conducting a transaction. The law does not explicitly stipulate that it is forbidden to utilize the business relationship prior to the verification process, provided that in this case risk management procedures are adopted.

Existing customers

194. **Criterion 10.16 (Not Met):** The Algerian legislation does not include any text indicating that FIs are required to apply CDD measures to existing customers, based on materiality and risk, and to conduct due diligence on existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

Risk-based approach

195. **Criterion 10.17 (Partly Met):** Law No.05-01 of 2005 and its amendments did not include any text indicating that enhanced due diligence should be conducted when risks are higher, except where a customer or the beneficial owner is a Politically Exposed Person (PEP) (article 7 bis). Article 2 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism requires banks, financial institutions, and financial agencies of "Algeria Post" to implement strict diligence with respect to accounts and transactions that may be risky as well as a vigilant monitoring of activities and transactions that might be suspicious. CTRF guidelines also stipulated that the nature of the monitoring to be observed must be consistent with the level of risk associated with each category of customers, by adopting a risk-based approach and that enhanced supervision over higher-risk customers is necessary. However, there was no clear and explicit text indicating that enhanced due diligence should be conducted, where the ML/TF risks are higher.
196. **Criterion 10.18 (Partly Met):** CTRF guidelines permitted FIs engaged in the stock exchange and insurance sector to adopt simplified due diligence measures toward lower-risk customers, but without stipulating whether the risks are to be identified through an adequate analysis of risks. These guidelines also stipulated that in case of a suspicion of money laundering and terrorist financing, financial institutions should conduct enhanced due diligence measures. Banks, financial agencies of "Algeria Post" and FIs subject to the BOA are not allowed to conduct simplified measures, which does not contradict the requirements of this criterion.

Failure to satisfactorily complete CDD measures

197. **Criterion 10.19 (Partly Met):** According to article 5 of regulation No.12-03 relating to the prevention and fight against ML/TF stipulated that, if after opening an account, problems pertaining to verifying and updating the elements of the information provided for in this article appeared, banks, financial institutions, and financial agencies of "Algeria Post" should close the account and notify CTRF. There is no similar requirement if CDD is insufficient prior to opening the account. Noting that the information provided for in this article does not include all the due diligence measures according to the Recommendation and the criterion, namely as set out in criterion 10.4 to 10.6.

198. CTRF guidelines stipulated that when the institutions in charge of the stock exchange and insurance sector are unable to

comply with the requirements for the verification of the customer's identity or in case the transactions conducted throughout the course of the relationship are not consistent with their knowledge of the customer, their business activity, identity and risk profile, they should be required not to open the account, commence business relationships or perform a transaction; and they should be required to terminate the business relationship; and consider making a suspicious transaction report (STR) in relation to the customer. But also, the requirements provided for in this article do not cover all the obligations regarding the due diligence measures, according to the Recommendation and the criterion, namely as set out in criterion 10.4 to 10.6.

Customer due diligence and tipping-off

199. **Criterion 10.20 (Not Met):** There is no text indicating that FIs are permitted not to pursue the CDD process if they reasonably believe that this process will tip off the customer in case of suspicion of money laundering or terrorist financing.
200. **Weighting and Conclusion:** The regulatory texts meet some requirements of the Recommendation, with deficiencies recorded at the level of most of the criteria. But the major deficiencies are represented in the absence of any definition of the due diligence measures, which affected the requirements of some criteria, such as criterion (10-7) (regarding on-going due diligence) and criterion (10-19) (regarding failure to satisfactorily complete the CDD measures. The deficiencies also extend to most of the criteria of this recommendation for: 1) not prohibiting FIs to keep accounts in obviously fictitious names; 2) not requiring FIs to understand the nature of the legal person's business and its ownership and control structure, in view of the absence of any measures required for legal arrangements; 3) not requiring FIs to take reasonable measures to verify the identity of beneficial owners for legal persons and legal arrangements; 4) not requiring FIs to adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification; 5) not requiring FIs to verify the identity of the BO before or during the course of the business relationship; 6) not requiring FIs not to utilize the business relationship prior to verification; 7) not requiring FIs to apply CDD measures and other measures to existing customers on the basis of materiality and risk, or to perform EDD where ML/TF risks are higher.
201. The deficiencies are also represented in the presence of a legal text permitting institutions in charge of the stock exchange sector to adopt simplified due diligence measures, without stipulating whether the risks are to be identified through an adequate analysis of risks, and the absence of a text permitting FIs not to pursue the CDD process if they reasonably believe that this process will tip off the customer in case of suspected ML/TF.
202. **For these reasons, Algeria is "Partially Compliant" with Recommendation 10.**

Recommendation 11: Record keeping

203. Algeria was rated "Partially Compliant" with R.10 in the first round of the mutual evaluation. The deficiencies were represented in the fact that the obligation to maintain all the documents pertaining to the transactions and identity of customers and to provide the records to competent authorities does not cover all the financial institutions, given that this obligation does not apply to the other financial institutions, such as insurance companies, financial brokerage companies and other institutions.
204. Since 2010, Algeria has made important amendments to law No.05-01, as revised and supplemented, on the prevention and fight against money laundering and the financing of terrorism, as the definition of "subject entities" now includes the financial institutions according to the FATF Recommendations (see R.10).
205. **Criterion 11.1 (Met):** Article 14 of law No.05-01 of 2005 and its amendments required FIs to maintain the documents on transactions conducted by customers for at least five years following completion of the transaction. These requirements were

also provided for in article 8 of regulation No.12-03 relating to the prevention and fight against money laundering and terrorist financing, as banks, financial institutions, and financial agencies of “Algeria Post” should maintain the documents on transactions conducted, including the confidential reports for at least five years following completion of the transaction.

206. **Criterion 11.2 (Partly Met):** Article 14 of law No.05-01 of 2005 and its amendments required FIs to maintain the documents on customers identity and addresses for at least five years following closure of the account or discontinuance of the relationship. Article 8 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism confirmed this obligation with respect to banks, financial institutions, and the financial services of the Post. However, it did not appear that there is a legal obligation for all the financial institutions to maintain, according to the requirements of the criterion, all the records obtained through CDD measures, particularly that the legal obligations of FIs do not include the implementation of all the CDD measures which are set out in R.10 as set out in criterion 10.4, 10.5 and 10.7 (see R.10).

207. **Criterion 11.3 (Not Met):** It does not explicitly appear that transaction records should be sufficient to permit reconstruction of individual transactions to provide, if necessary, evidence for prosecution of criminal activity.

208. **Criterion 11.4 (Partly Met):** Article 14 of law No.05-01 of 2005 and its amendments required FIs to make the documents maintained under this article, which were only limited to the documents on the customers identity and addresses, available to domestic competent authorities, without providing for the principle of “swiftness”. The deficiencies referred to in R.10 on the absence of a legal obligation for FIs to take all the required CDD measures (as set out in criterion 10.4, 10.5 and 10.7) and the deficiencies set forth in the analysis of criterion 11-2 above, affect the achievement of the requirements of this criterion.

209. **Weighting and Conclusion:** Law No.05-01 of 2005 and its amendments meet some requirements of this Recommendation. The deficiencies are represented in the absence of a text explicitly stipulating that FIs are required to maintain all the records obtained through CDD measures, particularly that the legal obligations of FIs do not include the implementation of all the due diligence measures set out in R.10 (see R.10). In addition, it does not explicitly appear that transaction records should be sufficient to permit reconstruction of individual transactions and no text provided for the principle of swiftness with respect to FIs being required to make the documents kept and which were only limited to documents on the customers identity and addresses available to competent authorities.

210. **For these reasons, Algeria is “Partially Compliant” with Recommendation 11.**

Recommendation 12: Politically exposed persons

211. Algeria was rated “Non-Compliant” with Recommendation 6 in the first round of the mutual evaluation, due to the absence of an obligation to put in place appropriate risk management systems to determine whether a potential customer, a customer or the beneficial owner is a PEP.

212. The politically exposed person was defined in law No.05-01 of 2005 and its amendments as being any recruited or elected foreigner who holds or used to hold important legislative, executive, administrative, or judicial positions in Algeria or abroad. Therefore, this definition did not include, in the case of foreign PEPs, important political party officials, and does not include domestic PEPs and persons who are or have been entrusted with prominent public functions by an international organization.

Criterion 12.1 (Partly Met)

213. **Sub-criterion 12.1 a (Mostly Met):** Article 7 bis of law No.05-01 of 2005 and its amendments states that subject entities should have an appropriate risk management system to determine whether a customer or the beneficial owner is a PEP. The deficiency mentioned in the definition above (the definition does not include important political party officials) affects Algeria's achievement of the requirements of this sub-criterion.
214. **Sub-criterion 12.1 b (Not Met):** Nothing indicated that FIs are required to obtain senior management approval before establishing or continuing, for existing customers, a business relationship, in relation to foreign PEPs.
215. **Sub-criterion 12.1 (c) and (d) (Partly Met):** Article 7 of regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism stipulated that banks, financial institutions and financial agencies of "Algeria Post" should, at the discretion of their General Directorates, obtain before engaging into a relationship with any new client - politically exposed person - as defined by Law No. 05-01, sufficient information on the sources of funds and should conduct a strengthened and permanent surveillance of the business relationship. As to the remaining FIs engaged in the stock exchange and insurance field, nothing indicated that they should be required to take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as foreign PEPs or to conduct ongoing monitoring on the business relationship. The deficiency mentioned in the definition above affects Algeria's achievement of the requirements of this sub-criterion.
216. **Criterion 12.2 (a) and (b) (Not Met):** Nothing indicated that FIs should be required, in relation to domestic PEPs or persons who have been entrusted with a prominent function by an international organization, to take reasonable measures to determine whether a customer or the beneficial owner is such a person, and to adopt the measures in criterion 12.1 (b-c-d), in cases when there is a higher risk business relationship with such a person. The fact that the definition of PEP does not extend to domestic PEPs as mentioned above clarifies the reason behind the absence of any instructions pertaining to those persons.
217. **Criterion 12.3 (Not Met):** Nothing indicated that FIs are required to apply the relevant requirements of criteria 12.1 and 12.2 to family members or close associates of all types of PEP and the fact that the definition of PEP does not extend to family members or close associates of PEPs clarifies the reason behind the absence of any instructions in this regard.
218. **Criterion 12.4 (Not Met):** Nothing indicated that FIs should be required to take reasonable measures to determine whether the beneficiaries and/or, where required, the beneficial owner of the beneficiary, are PEPs, in relation to life insurance policies. Where higher risks are identified, financial institutions were not required to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.
219. **Weighting and Conclusion:** The definition of PEP, according to the provisions of law No.05-01 of 2005 and its amendments was only limited to foreign PEPs and did not extend to domestic PEPs and persons who are or have been entrusted with prominent public functions by an international organization. This has resulted in the absence of measures for the said categories, in addition to the absence of instructions requiring to obtain senior management approval before establishing or continuing, for existing customers, such business relationships, in relation to PEPs. Besides, there are no measures pertaining to PEPs who are beneficiaries of insurance policies. These altogether are considered serious deficiencies.
220. **For these reasons, Algeria is "Non-Compliant" with Recommendation 12.**

Recommendation 13: Correspondent banking

221. Algeria was rated “Non-Compliant” with Recommendation 7 in the first round of the mutual evaluation, due to the absence of obligations pertaining to measures of cross border correspondent banking relationships, save the prohibition of banks and FIs created in Algeria from establishing business relationships with foreign FIs that accept the use of their accounts by banks with no physical existence nor affiliated to a supervised financial group.
222. **Criterion 13.1 (a, b, c, d) (Not Met):** Regulation No.12-03 relating to the prevention and fight against money laundering and the financing of terrorism stipulated in the title exclusively pertaining to correspondent banks that banks, financial institutions, and where appropriate, financial agencies of “Algeria Post”, should gather sufficient information on their bank correspondents. However, nothing indicated that these FIs are required to gather sufficient information about a respondent institution as well as to comply with all the other requirements of the criterion.
- Criterion 13.2 (Not Met)**
223. **Sub-criterion 13.2 a (Not Met):** Nothing indicated that with respect to payable-through accounts, financial institutions are required to satisfy themselves that the respondent bank has performed CDD obligations on customers that have direct access to the accounts of the correspondent bank and is able to provide relevant CDD information upon request to the correspondent bank.
224. **Sub-criterion 13.2 b (Not Met):** No text stipulated that FIs are required to satisfy themselves that the respondent bank is able to provide relevant CDD information upon request to the correspondent bank.
225. **Criterion 13.3 (Partly Met):** The afore-mentioned article 9 required FIs, and where appropriate, financial agencies of “Algeria Post”, not to establish business relationships with shell banks. In parallel, FIs were not required to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.
226. **Weighting and Conclusion:** The deficiencies are mainly represented in the legal texts not meeting the requirements of this Recommendation.
227. **For these reasons, Algeria is “Non-Compliant” with Recommendation 13.**

Recommendation 14: Money or value transfer services

228. Algeria was rated “Non-Compliant” with SR.VI formerly in the first round of the mutual evaluation in 2010. This is due to the spread of transfer activities by persons exercising these activities without any license (Black market) and not supervising and monitoring them, their non-submission to licensing or registration, failure to verify that the money or value transfer service (MVTs) providers are subject to compliance with the FATF Recommendations, and absence of a system to impose sanctions on the providers of these services, especially the informal systems for currency exchange, which work without license or registration and do not comply with the FATF Recommendations.
229. **Criterion 14.1 (Partly Met):** Banks and financial institutions supervised by the Banking Committee and the financial agencies of “Algeria Post” are permitted to have the capacity of intermediary to provide money or value transfer services.
230. Only banks are authorized to conduct bank transactions, including the management of the means of payment, and putting such means at the disposal of customers. Means of payment mean all the tools that enable a person to transfer funds, regardless of the reason or technical method used (articles 69 and 70 of order No. 03-11 of 2003 as amended and supplemented). Payments and transfers related to international transactions conducted are made through approved

intermediaries (banks and financial institutions¹⁴⁴), according to articles (3, 11, 37) of regulation No.07-01 of 2007, as amended and supplemented. Banks and FIs are subject to licensing and accreditation by the council of money and credit at the BOA, namely according to the provisions of articles (82-85 of order No.03-11 of 2003, as amended and supplemented).

231. Regarding the financial agencies of “Algeria Post”, they are qualified to provide postal remittance services under what is known by the privatization system (articles 29 and 33 of law No.18-04 of 2018).
232. It has not been indicated what expressly prevents any natural or legal person who is not registered or licensed from providing money or value transfer services and whether dissuasive penalties can be applied to these persons¹⁴⁵, except for the existence of a penalty according to Article (168) of Law 18-04 of 2018, which is imprisonment from six (6) months to two (2) years and a fine of 500,000 to 1,000,000 DZD (equivalent to approximately 3,400 to 6,800 US dollars, respectively) every person other than the customer who benefits from the privatization system and carries out activities subject to the privatization system (including conducting transfers).
233. **Criterion 14.2 (Not Met):** Algeria provided a set of examples of violations related to external trade, represented in importing goods without trading value and waiving them, billing the imports over their actual value, or billing the exports under their actual value or conducting bank transfers without receiving the goods in return and using several invoices for a single importation and others. Although these methods may help, in the country’s point of view, identify some natural or legal persons who provide MVTs without license or registration, they are not considered sufficient to identify those persons, given that the measures taken to make use of these methods in identifying those persons were not perceived. In addition, these measures were only limited to the GDC, and it does not appear whether there is a joint cooperation among all the concerned authorities to identify the natural or legal persons that provide MVTs without license or registration.
234. It did not appear that there is an adequate legal basis to apply proportionate and dissuasive sanctions against the natural or legal persons that provide MVTs without license or registration.
235. **Criterion 14.3 (Met):** Banks and financial institutions are supervised by the Banking Committee, with respect to the AML/CFT measures, under the provisions of articles (105, 108) of order No.03-11 of 2003 as amended and supplemented and articles (10 bis and 10/2 bis) of law No.05-01 of 2005 as amended and supplemented.
236. Regarding the financial agencies of “Algeria Post”, they are subject to the regulations issued by the Council of Money and Credit and the BOA guidelines on the prevention against money laundering and terrorist financing (article 10/3 bis of law No.05-01 of 2005 as amended and supplemented). With reference to article (25) of regulation No. (12-03) issued by the BOA relating to the prevention and fight against money laundering and the financing of terrorism, it appears that the competences of the Banking Committee include overseeing that they financial agencies of “Algeria Post” have appropriate policies, practices and procedures, in place, namely with respect to strict criteria for the identification of customers and their

¹⁴⁴ The FI supervised by the Banking Committee may have the capacity of intermediary to provide payment and transfer services with respect to international transactions being conducted, although Algeria stated that these institutions have not been granted - until this moment - any license to exercise the money or value transfer services, particularly that article (71) of order No.03-11 on money and credit and its amendments prohibited these institutions from managing or putting the means of payment at the disposal of their customers or receive funds from the public.

¹⁴⁵ With regard to banks and financial institutions, it is clear from Articles (72 to 74, and 76) of Order No. 03-11 of 2003, amended and supplemented, that the prohibition was limited to carrying out some of the normal operations provided by banks or financial institutions, not including money or value transfer services. In addition, Article (7) of Regulation No. 07-01 amended and supplemented indicated that banks and financial institutions are the only ones qualified to handle foreign trade operations, but that does not mean that they are the only ones qualified to provide money or value transfer services, since the scope of these services is wider than the scope of services related to foreign trade operations.

operations, detection, monitoring and reporting of suspicions.

237. **Criterion 14.4 (Not Met):** No requirements have been imposed with respect to the agents of Money or value Transfer Service Providers, whether in terms of requiring them to be registered or licensed, or in terms of requiring Money or Value Transfer Service Providers to maintain an up-to-date list of their agents.
238. **Criterion 14.5 (Not Met):** No requirements were imposed on MVTs providers that rely on agents to include them in their AML/CFT programs and monitor them for compliance with these programs.
239. **Weighting and Conclusion:** Banks and financial institutions supervised by the Banking Committee are subject to licensing and only they are permitted to have the capacity of intermediary to carry out external trade and foreign exchange transactions. Regarding the financial agencies of “Algeria Post”, they are qualified to provide postal remittance services under what is known by the privatization system. While it remains unclear whether any natural or legal person not licensed or registered is prohibited from providing the value or money transfer services, it does not appear that Algeria is taking the necessary measures to identify the MVTs providers that are not licensed or registered. In addition, it does not appear that there is an adequate legal basis to apply proportionate and dissuasive sanctions against the said persons. It does not appear if Algeria has established requirements for agents of MVTs providers to be licensed or registered or for MVTs providers to include their agents in their AML/CFT programs and monitor them for compliance with these programs.
240. **For these reasons, Algeria is “Partially Compliant” with Recommendation 14.**

Recommendation 15: New technologies

241. Algeria was rated “Non-Compliant” with Recommendation 8 formerly, in the first round of the mutual evaluation in 2010. This is due to the absence of an obligation on FIs to set and put in force policies or take measures and pay special attention to transactions based on advanced technology which may allow not mentioning the true identity, in addition to the absence of an obligation on FIs to set and put in force policies and procedures to deal with any particular risks pertaining to business relationships or non-face-to-face transactions.
242. In 2017, Algeria issued law No. (17-11) relating to the 2018 finance law. Article (117) thereof stipulates that purchase, sale, use, and possession of virtual currency are prohibited. The said article also indicates that the virtual currency is the currency used by Internet users over the Internet. It is characterized by the absence of physical support such as coins, paper money, or payments by check or credit card. Nonetheless, this prohibition is limited to the purchase, sale, use and possession of virtual currency and does not include all the activities of VASPs which are determined as per the FATF definition. Furthermore, the prohibition is restricted to virtual currency and not all the virtual assets, as per the FATF definition. There is no explicit text stipulating that the prohibition is applied to all the natural and legal persons, in addition to the ambiguity of the disciplinary measures for non-compliance with this prohibition (as referred to in criterion 15.5 below). Therefore, the assessment team considers that all the criteria of R. (15) are applicable in this case.
243. **Criterion 15.1 (Not Met):** Algeria did not identify and assess the ML/TF risks in relation to new technologies and products and new business practices. In preparation for identifying and assessing the relevant risks, Algeria established a sub-unit for identifying risks associated with electronic transactions or the use of modern technologies and virtual assets. This sub-unit was established (similar to all other sectoral work units) by a Joint Ministerial decision published in the Official Gazette on August 10, 2022, specifying the number, formation, tasks, and modus operandi of the sectoral technical work units of the AML/CFT Sub-Committee (See Chap 1).

244. At the level of financial institutions, the bank or the institution (which is supervised by the Banking Committee) that decides to conduct transactions pertaining to new products for itself or for the market or introduces significant changes to existing products should proceed to a specific analysis of risks generated by these products, namely the risk of non-conformity¹⁴⁶ (article (25) of regulation No.11-8 of 2011). However, it did not appear that there are explicit requirements for the identification and assessment of the ML/TF risks in relation to new technologies and new business practices, whether these requirements are imposed on banks or FIs (which are supervised by the Banking Committee) or the remaining FIs, such as the Exchange Offices, the stock exchange intermediaries or the insurance companies and brokers.

245. **Criterion 15.2 (Not Met):** According to article (25) of regulation No.11-8 of 2011, the compliance control officer should ensure that the analysis of the risks in relation to new products, made by the bank or the financial institution (which is supervised by the Banking Committee) has been previously carried out and performed in rigorous manner. However, the risk analysis subject of this article (as mentioned in criterion 15.1) does not explicitly cover the ML/TF risks in relation to new technologies and products, nor does it include the other financial institutions, such as the Exchange Offices, the stock exchange intermediaries or the insurance companies and the insurance brokers. It does not appear that there are any requirements for FIs to take appropriate measures to manage and mitigate such risks.

Criterion 15.3 (a, b, c) (Not Met)

246. **Criterion 15.3 (a) (Not Met):** Algeria does not identify and assess the money laundering and terrorist financing risks emerging from virtual asset activities and the activities or operations of VASPs. According to the above analysis, Algeria established a sub-unit to identify risks associated with electronic transactions or the use of modern technologies and virtual assets, in preparation for identifying and assessing those risks.

247. **Criterion 15.3 (b) (Not Met)** Algeria does not apply a risk-based approach, based on its understanding of the ML/TF risks emerging from virtual asset activities and VASPs, given that it has not conducted an assessment for these risks. however, it has prohibited the purchase, sale, use and possession of virtual assets (this prohibition is not considered sufficient for the reasons clarified in the beginning of R.15 above). The country stated that this prohibition is based on the characteristics of the virtual currency, in itself (absence of a national or international authority supervising the virtual currency, absence of transparency and physical support and instability of its value). It is also based on the fact that the use of means of payment in the financial sector depends on guarantees, including the guarantee ensuring the transparency and traceability of banking transactions and their origins.

248. **Criterion 15.3 (c) (Not Met):** Algeria does not take the necessary measures which require VASPs to take appropriate steps to identify, assess, manage and mitigate their money laundering and terrorist financing risks, as required by criteria 1.10 and 1.11.

249. **Criterion 15.4 (Not Met):** Algeria does not take the necessary measures which require VASPs to be licensed or registered and to take the necessary legal or regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP.

250. **Criterion 15.5 (Not Met):** The nature of the actions taken by Algeria to identify natural or legal persons that carry out the

146 According to article (2/h) of regulation No.11-8 of 2011 relating to internal control of banks and financial institutions, the risk of non-compliance means the risk of legal, administrative or disciplinary sanction or damage to reputation which arises from failure to observe the provisions specific to the activities of banks and financial institutions whether legislative, regulatory, or relating to professional and ethical standards or to the instructions of the executive body taken pursuant to the guidance of the legislative body in particular.

five VASP activities determined as per the FATF definition¹⁴⁷, without license or registration, or to identify natural and legal persons that purchase, sell, use or possess virtual currency could not be perceived; which is contrary to the prohibition set out in article (117) of law No. (17-11) In addition, the extent to which the necessary sanctions are applied to these persons was not perceived, nor were the disciplinary measures for non-compliance with the prohibition referred to in article (117) above, given that the Lawmaker only referred the punishment of the person who violates the prohibition to “the laws and regulations in force”, in the third paragraph of this article. It did not appear that there is another legal or regulatory framework that covers virtual assets and the sanctions imposed on those who deal in them.

251. **Criteria from 15.6 to 15.10 (Not Met):** Algeria did not take the measures required according to the requirements of these criteria.

252. **Criterion 15.11 (Not Met):** The extent to which competent authorities have the legal basis to rapidly provide the widest possible range of international cooperation in relation to money laundering, predicate offenses, and terrorist financing relating to virtual assets, was not perceived.

253. **Weighting and Conclusion:** The deficiencies relating to this Recommendation are represented in the fact that Algeria did not identify and assess the ML/TF risks related to new technologies, products and business practices, and to those emerging from virtual asset activities and the activities or operations of VASPs, and not explicitly requiring FIs to identify and assess the ML/TF risks related to new technologies, products and business practices , and not requiring VASPs to be registered or licensed, absence of measures to identify natural or legal persons that carry out VASP activities without license or registration and to apply appropriate sanctions to them and not taking the actions required regarding the remaining criteria of the Recommendation.

254. **For these reasons, Algeria is “Non-Compliant” with Recommendation 15.**

Recommendation 16: Wire transfers

255. Algeria was rated Non-Compliant with SR.VII in the first round of the mutual evaluation, because the legal texts and regulations of FIs did not meet the obligations related to wire transfers, and 07 points were identified as deficiencies.

256. On 23 December 2015, the BOA addressed a note to the chairmen of boards of directors and chief directors and general managers of banks and financial institutions and the general director of “Algeria Post” concerning the guidelines on electronic transfers. The paper does not include the necessary conditions to consider it among the other enforceable means according to the Methodology for assessing technical compliance with the FATF Recommendations (paragraph 4 in page 163). These conditions are basically represented in the fact that this paper should be issued and approved by a competent authority, and it should use a mandatory language and that sanctions should be imposed for non-compliance.

Ordering financial institution

257. **Criterion 16.1 (Not Met):** FIs are not required to ensure that all cross-border wire transfers of USD/EUR 1 000 or more are always accompanied by the required and accurate originator information and the required beneficiary information, as per the requirements of the criterion.

¹⁴⁷ The activities of the VASPs as per the FATF definition are as follows: exchange between virtual assets and fiat currencies; exchange between one or more forms of virtual assets; transfer of virtual assets; safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset.

258. **Criterion 16.2 (Not Met):** FIs are not required, where several cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, that the batch file should contain the required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country, and that the financial institutions are required to include the originator's account number or unique transaction reference number.
259. **Criterion 16.3 (Not Met):** Algerian authorities have not applied a de minimis threshold for the requirements of criterion 16.1 or that financial institutions are required to ensure that all cross-border wire transfers below any applicable de minimis threshold (no higher than USD/EUR 1000) are always accompanied with the required originator information and the required beneficiary information, as per the requirements of the criterion.
260. **Criterion 16.4 (Not Met):** FIs are not required to verify the information pertaining to their customers where there is a suspicion of ML/TF.
261. **Criterion 16.5 (Not Met):** FIs ordering domestic transfers are not required to ensure that the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers, unless this information can be made available to the beneficiary financial institution and competent authorities by other means.
262. **Criterion 16.6 (Not Met):** Where the information accompanying the domestic wire transfer can be made available to the beneficiary FI and competent authorities by other means, the ordering FI is not required to include only the account number or a unique transaction reference number, provided that this number or reference number will permit the transaction to be traced back to the originator or the beneficiary; it is not required as well to make the information available within three business days of receiving the request either from the beneficiary financial institution or from competent authorities. There is a lack of information to conclude that LEAs can compel immediate production of such information.
263. **Criterion 16.7 (Not Met):** The ordering financial institution is not required to maintain all originator and beneficiary information collected, in accordance with Recommendation 11.
264. **Criterion 16.8 (Not Met):** The ordering financial institution is not required to abstain from executing the wire transfer if it does not comply with the requirements specified above in criteria 16.1-16.7.

Intermediary financial institutions

265. **Criterion 16.9 (Not Met):** The intermediary financial institution is not required, for cross-border wire transfers, to ensure that all originator and beneficiary information that accompanies a wire transfer is retained with it.
266. **Criterion 16.10 (Not Met):** The intermediary financial institution is not required, to keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary financial institution, where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer.
267. **Criterion 16.11 (Not Met):** The intermediary financial institution is not required to take reasonable measures, which are consistent with straight-through processing, to identify cross-border wire transfers that lack required originator information or required beneficiary information.
268. **Criterion 16.12 (Not Met):** The intermediary financial institution is not required to have risk-based policies and procedures for determining: (1) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information and (2) the appropriate follow-up actions.

Beneficiary financial institutions

269. **Criterion 16.13 (Not Met):** The beneficiary financial institution is not required to take reasonable measures, which may

include post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers that lack required originator information or required beneficiary information.

270. **Criterion 16.14 (Not Met):** The beneficiary financial institution is not required to verify the identity of the beneficiary, if the identity has not been previously verified, and maintain this information in accordance with Recommendation 11, for cross-border wire transfers of USD/EUR 1000 or more.

271. **Criterion 16.15 (Not Met):** The beneficiary financial institution is not required to develop risk-based policies and procedures for determining: (1) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information and (2) the appropriate follow-up actions.

Money or value transfer service providers

272. **Criterion 16.16 (Not Met):** MVTS providers are not required to comply with all the relevant requirements of Recommendation 16 in the countries in which they operate, directly or through their agents.

273. **Criterion 16.17 (Not Met):** MVTS provider that controls both the ordering and the beneficiary side of a wire transfer, is not required to: (a) take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and (b) file an STR in any country affected by the suspicious wire transfer, and make all relevant transaction information available to the FIU.

Implementation of the targeted financial sanctions

274. **Criterion 16.18 (Not Met):** FIs are not required to take, in the context of processing wire transfers, freezing actions and implement prohibitions from conducting transactions with designated persons and entities, as per the obligations set out in the UNSCRs relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions.

275. **Weighting and Conclusion:** FIs financial institutions are not required to comply with the requirements of Recommendation 16, by virtue of an official document that fulfills the necessary conditions to consider it among the enforceable means.

276. **For these reasons, Algeria is “Non-Compliant” with Recommendation 16.**

Recommendation 17: Reliance on Third Parties

277. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for R.9 as “NA” because the regulations back then did not allow the different FIs to rely on third parties to perform CDD measures, or some of their elements, for their customers.

278. **Criteria (17.1 to 17.3) (NA):** The obligation to implement CDD measures rests with FIs as far as each is concerned (see Rec 10), and the legal systems in Algeria do not allow reliance on third parties to perform CDD measures.

279. **For these reasons, Recommendation 17 is rated “Not applicable”.**

Recommendation 18: Internal Controls and Foreign Branches and Subsidiaries

280. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was previously evaluated as “PC” and “NC” for R.15 and R.22 respectively, because the FIs are not required to implement internal policies, procedures, and controls against ML/TF, or appoint a compliance officer responsible for such procedures. Also, the FIs are not required to implement internal policies, procedures and controls that cover the timely review by the compliance officer of the CDD data and records, establish an

independent audit function, apply screening procedures to ensure high standards when hiring employees, conduct an ongoing employee training programme or pay special attention to AML/CFT training.

281. In addition to that, FIs are not required to implement ML/TF requirements on foreign branches and subsidiary companies of banking and financial institutions; it is not clearly stated to perform due diligence in the event of practicing business in countries that do not apply or insufficiently apply the FATF standards. It is not clearly stated that the foreign branches and affiliate companies should apply highest standards possible in case of discrepancy in the AML/CFT requirements in the hosting country., as well as no obligation on banking and financial institutions to notify the supervisory authorities in Algeria when a branch or subsidiary company cannot execute adequate AML/CFT procedures as a result of prohibiting the applicable laws, regulations or measures in the hosting country.
282. **Criterion 18.1 (a, b, c and d) (partly met):** pursuant to Article 10-bis of the Law No. 01-05 as amended and completed, the FIs are required to introduce and implement programmes that ensure the internal control and ongoing monitoring of their customers in regard to AML/CFT. Banks and FIs (controlled by the Banking Committee) and Algeria Post Office are required pursuant to Article 1 of the Regulation No. 12-03 on AML/CFT to have a written procedure for ML/TF detection, prevention and combating.
283. Pursuant to the Regulation No. 11-8 of 2011 with respect to internal supervision on banks and FIs, Banks and FIs (controlled by the Banking Committee) are required to place internal controls that are adapted according to their nature, size, importance, location, and different risks they face. For the brokers of stock exchange, insurance companies and brokers, Exchange Offices, Algeria Post Office, there is no indication that they are obligated to have regard to the ML/TF risks and the size of the business when applying AML/CFT programmes.
284. **Criterion 18.1 (a) (partly met):** pursuant to Article 19 of the Regulation No. 12-03, Banks and FIs (controlled by the Banking Committee) and Algeria Post Office are required to appoint at least one senior officer responsible for ensuring conformity of these measures with respect to AML/CFT. Moreover, pursuant to Articles 20, 29 and 30 of Regulation No.11-08, Banks and FIs (controlled by the Banking Committee) are required to conduct procedures and means that allow them to respect the AML/CFT laws and regulations and to appoint a person in charge of ensuring the consistency and effectiveness of the monitoring of the risk of non-compliance, including the ongoing monitoring of the AML/CFT system. Therefore, the senior officer mentioned above should be reporting to the compliance officer unless they are responsible for monitoring compliance at the same time.
285. Brokers of stock exchange should set the necessary procedures and means to detect ML/TF risks and report the same to CTRF (Article 49, COSOB's Law No. 15-01 regarding the conditions, duties, and control of brokers in stock exchange). COSOB's Circular No. 16-04 of 2016 clarifies the functions and conditions for qualifying and registering the compliance officer of brokers in the stock exchange, whose duties under Article 2 of such Circular are to ensure compliance with the professional obligations applicable to brokers, which do not include following up on compliance with the AML/CFT requirements. However, the annexure attached to this Circular clarifies that the AML/CFT procedures fall within the contents of the annual

report that the compliance officer should submit to the COSOB.

286. There is no indication that the Exchange Offices or the insurance companies and brokers are required to apply compliance management arrangements to the AML/CFT programmes (including the appointment of a compliance officer at the management level).
287. **Criterion 18.1 (b) (not met):** there is no indication that the FIs are required to apply screening procedures to ensure high standards when hiring employees.
288. **Criterion 18.1 (c) (met):** pursuant to Article 10-bis of Law 01-05 as amended and completed, the FIs are required to introduce and implement programmes that ensure the internal control and ongoing monitoring of their customers with regards to AML/CFT.
289. **Criterion 18.1 (d) (partly met):** pursuant to Article 100 of Order No. 03-11 of 2003 as amended and completed, banks and FIs (controlled by the Banking Committee) are required to appoint at least two bookkeepers for accounts who are registered in the lists of Algerian Society of Accountants and Bookkeepers. Pursuant to Article No. 23 of Regulation No. 12-03, bookkeepers should evaluate the compliance of the AML/CFT internal controls for banks and FIs (controlled by the Banking Committee) and Algeria Post Office against the applicable precaution and standard-confirming practices, and they should send an annual report to the Banking Committee. There is no indication that the brokers of stock exchange, insurance companies and brokers, or Exchange Offices are required to establish an independent audit function to test the AML/CFT system.
290. **Criterion 18.2 (not met):** there is no indication that FIs are required to implement group-wide programmes against ML/TF which should be applicable, and appropriate to, all branches and majority-owned subsidiaries of the financial group.
291. **Criterion 18.3 (partly met):** pursuant to Article 21 of Regulation No. 12-03, banks and FIs (controlled by the Banking Committee) should ensure that their foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with the home country requirements, to the extent that host country laws and regulations permit. When the same is impossible, they should refer to the Banking Committee. It is not specifically mentioned that the financial group is required to apply the requirements of such Regulation when the minimum AML/CFT requirements of the host country are less strict than those of Algeria, or they should apply appropriate additional measures to manage the ML/TF risks when the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, taking into consideration that Article 21 is specifically limited to implementing the provisions of Regulation 12-03 without all AML/CFT requirements under any other laws or regulations.
292. There is no indication that the requirements of this Regulation cover other FIs such as Exchange Offices, brokers of stock exchange or insurance companies and brokers.
293. This Criterion does not apply to the Algeria Post Office as they are public entity without foreign branches.
294. **Conclusion and Rating:** all FIs are required to introduce and implement programmes that ensure the internal control and ongoing monitoring for AML/CFT, and the main deficiencies are the lack of any requirements applied to all FIs in regards to

screening procedures to ensure high standards when hiring employees, the unavailability of group-wide programmes against ML/TF, unavailability of any requirements for insurance companies and brokers regarding the compliance management arrangements of AML/CFT programmes including the appointment of a compliance officer at the management level, and not obligating them (in addition to the brokers of stock exchange) to establish an independent audit function to test the AML/CFT system. Moreover, the Exchange Offices have no requirements related to all criteria of this Recommendation.

295. **For these reasons, Algeria is “Partially Compliant” with Recommendation 18.**

Recommendation 19: Higher Risk Countries

296. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was previously evaluated for R.21 as “NC”, because FIs were not required to apply enhanced due diligence to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF or to study the background and purpose of such transactions.

297. **Criterion 19.1 (not met):** there are no obligations about applying enhanced due diligence to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF. There is no indication that Algeria has a mechanism to respond to the FATF call to apply enhanced due diligence, including the authority responsible for circulating the lists and requirements to all FIs.

298. **Criterion 19.2 (not met):** There is no indication that any authority is able to apply countermeasures proportionate to the risks whether when called upon to do so by the FATF, or independently of any call by the FATF to do so. Also, there is no indication that Algeria has a mechanism to respond to the FATF call to apply countermeasures proportionate to the risks against any country, including the authority responsible for circulating the lists to all FIs.

299. **Criterion 19.3 (not met):** there is no indication that Algeria takes any measures ensuring that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries.

300. **Conclusion and Rating:** there is no indication that the FIs are obligated to apply enhanced due diligence to business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF. Also, there is no indication that any authority is able to apply countermeasures proportionate to the risks, or that there is a clear mechanism to respond to the FATF call for the circulation about higher risk countries or countries under ongoing monitoring. Finally, there is no indication that Algeria takes any measures to ensure that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries.

301. **For these reasons, Algeria is “Non-Compliant” with Recommendation 19.**

Recommendation 20: Reporting of Suspicious Transactions

302. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was previously evaluated for R.13 as “PC”, because the scope for

ML predicate offences was insufficient and the TF offence does not include funds being linked to terrorism or terrorist activities or that will be used in terrorist acts by terrorist organizations or financiers. Also, there is no obligation to report any suspicious transactions and the supervisory and legal framework to which the FIs are subjected in terms of AML/CFT does not include AIF in the MOF.

303. **Criterion 20.1 (mostly met):** Algerian legislations require the subjected parties including banks, FIs, stock exchanges, insurance companies and Exchange Offices to report to CTRF any transaction suspected of being derived from a criminal activity or seems to be directed to ML/TF; they are also required to inform CTRF of the information intended to confirm or deny the suspicion without delay (Article 20 of the Law 05-01). The non-criminalization of participation in illicit trafficking in stolen goods in Algeria (refer to Recommendation 3) can affect the reporting obligation.
304. **Criterion 20.2 (mostly met):** Algerian legislations require the subjected parties to report any suspicious transaction even if the transaction is postponed or finished, including attempts to execute suspicious transactions (Article 20 of the Law 05-01). However, the issue related to the ML predicate offence (refer to Criterion 20.1 above) can affect the adherence to 20.2.
305. **Conclusion and Rating:** Algerian legislations require the subjected parties to immediately report any transaction suspected of being derived from a criminal activity or seems to be directed to ML/TF including attempted transactions. Also, the reporting obligation does not include the predicate offences as required by the FATF, particularly, not criminalizing the illicit trafficking in stolen and other goods.
306. **For these reasons, Algeria is “Largely Compliant” with Recommendation 20.**

Recommendation 21: Tipping-Off and Confidentiality

307. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was previously evaluated for R.14 related to tipping-off and confidentiality as “C”.
308. **Criterion 21.1 (partly met):** pursuant to Article 24 of Law 05-01, natural and legal persons who are obligated to report suspicious transactions and who acted in good faith are exempted from any administrative, civil or penal responsibility, and this exemption from liability remains in place even if the investigations did not lead to any result or the follow-ups ended with decisions that there is no ground for follow-up, dismissal or innocence, and there is no indication whether such exemption persists even if they do not know exactly what the underlying criminal activity was, and regardless of whether illegal activity actually occurred. The text of Article 24 is general, and there is no indication whether this exemption includes the officers and employees of the subjected entities, as this exemption is only available to them under Article 23 of the Law in the event of violation of banking or professional secrecy.
309. **Criterion 21.2 (partly met):** Article 33 of the Law 05-01 stipulated that the managers and employees¹⁴⁸ of FIs subject to notice of suspicion who deliberately notify the owner of the suspicious funds or transactions with the notice or reveal information on the results to them shall be penalized, without prejudice to more severe sanctions and any other disciplinary sanctions. However, it is not stated whether they are forbidden to inform any person other than the owner of such funds, or that such forbidding does not hinder sharing information on the group level.
310. **Conclusion and Rating:** The Law does not specifically include the protection of the directors, officers, or employees of the FIs for disclosure of any information in good faith, regardless of whether illegal activity actually occurred. There is no text

¹⁴⁸ The meaning of the terms managers and employees is not clear (in the Arabic version of the TC annex).

that prohibits the FIs and their directors, officers, and employees from disclosing to any person except the owner of the funds.

311. For these reasons, Algeria is “Partially Compliant” with Recommendation 21.

Recommendation 22: Designated Non-Financial Businesses and Professions (DNFBPs): Customer Due Diligence

312. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for R. 12 as “NC” since the DNFBPs were not subjected to the obligations stated in Recommendations 5, 6, 8, 10 and 11.

313. Article 4 of Law No. 05-01 of 2005 as amended defines DNFBPs in Algeria and includes all required activities except trust service providers, and there is no legal text that prevents establishing or providing trusts services in Algeria. Waqf is similar to trust but is not considered, in its current state, a legal arrangement or trust because Algeria allows only for establishing public and private Waqf (refer to R.25).

314. **Criterion 22.1 (partly met):** The guidelines issued by CTRF and referred to in Recommendation 10 apply to DNFBPs. The deficiencies mentioned in Recommendation 10 apply equally to DNFBPs. They mainly relate to the fact that the obligations of these professions do not include all the CDD measures mentioned in Recommendation 10.

315. The deficiencies regarding the scope of covered DNFBPs also affect compliance with Criterion 22.1

316. The Guidelines issued by CTRF states that DNFBPs (except for casinos for the reasons stated below) are required to take “CDD measures” in the following cases:

- a. **Casinos:** pursuant to Article 612 of Order 75-58 dated 26/09/1975 on the Civil Law, and articles (165 to 168) of Order 77-156 on the Penal code¹⁴⁹ prohibits gambling and betting except the Algerian sports betting¹⁵⁰ and horse race¹⁵¹., Articles 3 and 37 of the Law No. 18-05 on the e-commerce, prohibit any e-transaction relates to gambling, betting or lottery, and the violator shall be fined of DZD 200,000 to 1,000,000 without prejudice to imposing the severest penalty. The judge may order to close the website for 1 to 6 months.
- b. **Real estate agents:** when they are involved in transactions for a client concerning the buying and selling of real estate. However, it is not explicitly stated that they are required to perform CDD measures about both the buyers and sellers of real estate.
- c. **Dealers in precious metals and dealers of precious stones:** when they engage in any cash transaction with a customer equal to or above a specified threshold. However, there is no threshold set out for requiring DPMS to comply with CDD requirements set out in R10 when engaging in cash transactions with a customer.
- d. **Lawyers, notaries, other independent legal professionals, and accountants:** when they prepare for, or carry out,

¹⁴⁹ Such Articles state that whoever opens, without a license, a place for games of chance and allows the public to enter it freely, shall be punished by imprisonment from 3 months to one year and a fine of DZD 500 to 20,000. The perpetrators may also be punished by deprivation of national rights and residence ban for one to five years, and the order for confiscating of money and items offered for gambling and those that are caught in the possession of the store, or that are found with those in charge of its management and their employees, as well as the furniture, objects and decorations in these places as well as the tools prepared or used in play. Such penalties are applied to the players, organizers, managers, delegates and users who carry out unauthorized lottery activities, and the confiscation of the property that is the subject of the lottery is replaced by a fine that may reach to the estimated value of this property. Noting that the activities presented to the public under any name and intended for hoping to profit by chance is considered a lottery business.

¹⁵⁰ This is a public foundation specialized in organizing competitions for predictions about live matches.

¹⁵¹ Represents the lottery games that are organized by public foundation or entities for the benefit of social service or charity works or lottery games organized for the occasion of holidays, markets or exhibitions (Order No. 77-5 dated 19 February 1977 including the organization of lottery).

transactions for their client concerning the following activities:

- buying and selling of real estate.
- managing of client money, securities, or other assets.
- management of bank, savings, or securities accounts.
- organisation of contributions for the creation, operation, or management of companies.
- creating, operating or management of legal persons or arrangements, and buying and selling of business entities.

e. **Trust and company service providers:** the cases in which the service providers are required to perform CDD measures are explicitly stated, especially when they are acting as a formation agent of legal persons, acting as a director of a finance company or providing a registered office, business address or accommodation, correspondence or administrative address for a company. However, the definition of the DNFBPs in the AML Law does not include trusts.

317. The guidelines issued by CTRF do not specify what is meant by the CDD measures nor did they clearly specify the procedures to be taken in this regard.

318. **Criterion 22.2 (partly met):** Record-keeping obligations are set out in Article 14 of Law No. 05-01 of 2005 as amended. Based on the detailed evaluation of Recommendation 11, the identified deficiencies apply equally to all DNFBPs and the deficiencies are mainly: failure to require DNFBPs to keep all records obtained through the CDD measures, whereas the requirements were only to keep the documents related to customers' identification and addresses (Criterion 11.2), not providing for that the records of transactions should be sufficient to permit the reconstitution of individual transactions, so as to provide, if necessary, evidence for the prosecution of criminal activity (Criterion 11.3), and not requiring DNFBPs to that all CDD information and transaction records are available swiftly to domestic competent authorities.

319. The deficiency mentioned in Criterion 22.1 above relating to the scope of coverage of DNFBPs which does not include the trusts affects Algeria's fulfilment for the requirements of this Criterion.

320. **Criterion 22.3 (partly met):** PEPs obligations are set out in the Law No. 05-01 of 2005 as amended. Based on the detailed evaluation of Recommendation 12, the identified deficiencies apply equally to all DNFBPs and the deficiencies, and the deficiency mentioned in Criterion 22.1 above regarding the scope of coverage of DNFBPs which does not include trust service providers also affects compliance with this Criterion.

321. **Criterion 22.4 (not met):** there is no indication that there are explicit requirements for DNFBPs to identify and assess ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products (Criterion 15.1). Moreover, there is no indication that the DNFBPs are required to conduct risk assessment before launching or using products, practices, or technologies and to take appropriate measures to manage and mitigate the risks (Criterion 15.2).

322. **Criterion 22.5 (not applicable):** there are no instructions for DNFBPs about relying on third parties to conduct some elements of CDD measures as required by Recommendation 10.

323. Conclusion and Rating: the guidelines issued by CTRF fulfil some of the Recommendation 22 requirements. However, the related legislations and guidelines do not include trust service providers which affect the extent of Algeria's compliance with this Recommendation, in addition to the existence of some deficiencies related to Recommendations 10, 11, 12 and 15 that equally apply to DNFBPs.

324. **For these reasons, Algeria is "Partially Compliant" with Recommendation 22.**

Recommendation 23: DNFBPs: other measures

325. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for R. 16 as “NC” because of the lack of any legal binding to prevent DNFBPs from notifying the customers when reporting a suspicious transaction related to proceeds of crimes or financing terrorism, and because DNFBPs are not obligated to set AML/CFT procedures, policies and internal controls or to pay special attention to the business relations and transactions with persons in the countries that do not apply the FATF recommendations.
326. **Criterion 23.1 (partly met):** Article 20 of the Law No. 05-01 of 2005 as amended stipulates that DNFBPs are required to notify CTRF of any funds that are suspected to be proceeds of a crime or seem to be directed for ML/TF. The DNFBPs are required to report promptly their suspicion to CTRF. The Algerian legal framework requires the DNFBPs to report any transaction once the suspicion occurs even if the execution of transaction cannot be postponed or after the execution including the attempted suspicious transactions. The deficiencies mentioned in Recommendation 22 about the lack of any binding means regarding the threshold applies to DPMS (Criterion 22.1 (C)) and the scope of coverage of DNFBPs which does not include trust service providers negatively affect the compliance to the Criterion 23.1.
327. The deficiencies in Recommendation 20 apply to this Recommendation as well in terms of the non-criminalization of the participation in illicit trafficking in stolen goods in Algeria (refer to Recommendation 3) which can affect the reporting obligation.
328. **Criterion 23.2 (not met):** Article 10-bis of the Law No. 01-05 as amended requires DNFBPs to introduce and implement programmes that ensure the internal control and ongoing monitoring of their customers with regards to AML/CFT. However, there is no indication that they are required to consider the ML/TF risks and size of business when applying AML/CFT programmes.
329. There is no indication that the DNFBPs are required to apply compliance management arrangements to the AML/CFT programmes, including the appointment of a compliance officer at the management level (R18.1(a)), to apply screening procedures to ensure high standards when hiring employees (18.1 (b)), or to establish an independent audit function to test the AML/CFT system (18.1 (d)).
330. There is no indication that there are any obligations covering the requirements of Criteria 18.2 and 18.3 with regards to DNFBPs.
331. The deficiency in the scope of coverage of DNFBPs (which does not include the trusts) negatively affects the compliance to Criterion 23.2.
332. **Criterion 23.3 (not met):** based on the detailed assessment of Recommendation 19, there is no indication that there are any obligations on DNFBPs for applying enhanced CDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF; also there is no indication that any authority has the ability to apply countermeasures proportionate to the risks, or having mechanisms in place to respond to FATF about circulating the list of higher risk countries or other monitored jurisdictions. Finally, there is no indication that Algeria takes any measures to ensure that DNFBPs are advised of concerns about weaknesses in the AML/CFT systems of other countries.

333. **Criterion 23.4 (not met):** based on the detailed assessment of Recommendation 21, most of the conclusions apply to DNFBPs (Article 24 of the Law No. 05-01 of 2005 as amended). Moreover, the deficiencies identified in Recommendation 21 apply also to this criterion. There is no legal obligation preventing DNFBPs, their directors, officers, or employees from disclosing the submission of an STR or any related information to CTRF.
334. **Conclusion and Rating:** Algerian legislations do not cover the requirements of Recommendation 23 since the DNFBPs are not required to comply with the requirements of internal control, higher risk countries, and tipping off and confidentiality of the STR. Also, the requirement of reporting the suspicious transactions does not cover trusts or the full scope of predicate offences, especially criminalization of participation in illicit trafficking in stolen goods. The relative importance of criterion 23.1 (rated PC) has a main effect on the overall rating for this recommendation even if criterion 23.2, 23.3 and 23.4 were rated NC.
335. **For these reasons, Algeria is “Partially Compliant” with Recommendation 23.**

Recommendation 24: Transparency and Beneficial Ownership of Legal Persons

336. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for R. 33 as “PC” because the lack of appropriate measures to prevent the misuse of bearer shares in ML and not providing accurate and timely information for the competent authorities about the beneficial owners.
337. **Criterion 24.1 (mostly met):** Algeria issued the Order No. 75-59 in 1975 amended in 2007 on the different types of legal persons that can be established which are joint stock companies, simple joint stock companies¹⁵², limited liability companies and partnership companies (Article 544). The company does not acquire the legal personality except from the date of its registration in the commercial registry (Article 549) provided that they submit the MOAs and AOA to the National Centre for Commercial Register for publishing purposes as per each legal form or the company shall be considered void (Article 548).
338. **Criterion 24.1 (a) (met):** Order No. 75-59 in 1975 as amended in 2007 identifies the different types, forms, and basic features of legal persons in Algeria. Law 06-12 on associations identifies the various types of NPOs that can be created in Algeria, consisting of municipal associations, state associations, national associations, and interstate associations.
339. **Criterion 24.1 (b) (mostly met):** the information on establishing legal persons is available to the public through the website of the national center for commercial registry, whereas basic and other information kept by the mentioned Center are available for public against an annual fee ranging between DZD 3,000 and DZD 36,000 (equivalent of approximately USD 22 and USD 265)¹⁵³. In light of the value of the fee, the assessment team believes that this does not constitute an obstacle to accessing basic and other information. There is no publicly available mechanism that defines and describes processes for obtaining beneficial ownership information. The information on the creation of NPOs is available to the public through the website of the MOI.
340. **Criterion 24.2 (not met):** Algeria has not conducted the ML/TF risk assessment related to all types of legal persons created in Algeria.

¹⁵² This legal form was included in accordance with the provisions of Law No. 22-09 of 14/05/2022, amending and supplementing Order No. 75-59 of 26/09/1975 of the Commercial Law.

¹⁵³ The subscription value determines the range of information that can be accessed by subscribers (list of merchants, blog of economic activities, designations, official bulletin of legal announcements)

Basic Information

341. **Criterion 24.3 (partly met):** it is mandatory to register in the commercial registry for each natural person who has the capacity of merchant and legal person of commercial form or in subject and located in Algeria or has an office (Article 19). Such obligation applies to each merchant, joint company, commercial establishment based abroad and opening in Algeria an office, a branch, or any other establishment, and every commercial representation or commercial agency belonging to foreign countries, groups or public institutions that carry out their activities in the Algeria (Article 20). The capacity of merchant is earned upon registering in the commercial registry (Article 21). The documents required to be submitted to the National Trade Register Center are the memorandum of association, headquarters leasing contract and an application that contains the company's trade name, legal form, address, capital, date of commencement, ownership of the commercial license, number of subsidiaries, and names of authorized representatives (name, surname, date and place of birth, address, capacity and nationality) but does not include the basic regulating powers, the names of directors. The information kept by the NCCR is publicly available, and some of it is available for a simple annual financial fee (refer to the analysis above). This condition does not apply to the competent authorities, as they can obtain all information kept by the NCCR free of charge.
342. The registration of associations (NPOs) is subject to an establishment permit deposited at the People's Municipal Council (for municipal associations), the state (for state associations) and the MOI (for national or interstate associations) (Article 7 of Law 06-12 on Associations). Associations must submit copies of the minutes of their meetings and their annual moral and financial reports to the public authority within 30 days following the ordinary or extraordinary general assembly meeting; they must also inform the public authorities of the amendments introduced to their basic law or executive body within 30 days (Articles 18 and 19 of the said law). Failure to provide the documents or updates is punishable by a fine ranging between DZD 2,000 and DZD 5,000 (equivalent of approximately USD 14 and USD 36). This information is not publicly available.
343. **Criterion 24.4 (not met):** There is no legal provision requiring companies to maintain the information set out in this criterion.
344. **Criterion 24.5 (Partly met):** Article 2 of the Executive Decree No. 15-111 of 2015, requires that the registration at commercial registry should include any new recording, amendment or deletion, and every person who, in bad faith, provides false statements or incomplete information shall be subject to a fine of DZD 50,000 to 500,000 (equaling USD 341 to 3412). Moreover, the failure to amend the data of commercial registry extract within three months if changes occur to the legal status of the merchant is subject to a fine of DZD 10,000 to 100,000, and the suspension of the commercial register, until the merchant rectifies the same (Article 33 and 37 of the Law No. 04-08). The system lies on the liability of companies to provide updated information to the NCCR in a maximum limit of 3 months; failure to provide updates shall attract penalties as mentioned above; however, there is no mechanism in place to verify that legal persons are providing information within the specified deadlines and that the information is accurate and updated on a timely basis. Notaries play a central role in the registration process of legal persons, but there are no provisions in place requiring notaries to verify that basic information provided to the NCCR is accurate and updated on a timely basis.
345. There is no mechanism in place to ensure that the documents provided by NPOs are accurate and updated on a timely basis.

Beneficial Ownership Information

346. **Criterion 24.6 (not met):** Algeria has decided to use existing information on BO obtained by FI and / or DNFBPs in accordance with Rec. 10 and 22. The deficiencies in Rec 10 (criterion 10.10 rated NM) and Rec 22 (criterion 22.1 rated PM) negatively affect the compliance to this Criterion.

347. **Criterion 24.7 (not met):** FIs are not required to keep all information collected under the CDD process updated, including BO information. The deficiencies in Rec 10 (Criterion 10.7 rated PM) negatively affect the compliance to Criterion 24.7. .
348. **Criterion 24.8 (not met):** Companies are not required to cooperate with competent authorities to the fullest extent possible in determining the beneficial owner.
349. **Criterion 24.9 (not met):** FI and DNFBPs are not required to keep all records obtained under the CDD process for at least 5 years, including BO information. The deficiencies in Rec. 11 and 22 negatively affect compliance to this criterion. Other concerned parties (i.e. legal persons) are not required to maintain the information and records as set out in this Criterion.

Other Requirements

350. **Criterion 24.10 (not met):** Competent authorities can directly access the website of the NCCR to obtain basic information related to legal persons, excluding BO information which is not available through the mentioned website. Information (i.e. financial statements) not directly accessible through the website can be obtained through a formal request. Competent authorities can access (directly or indirectly) all information free of charge.
351. With the exception of the powers available to the COCC (Article 24 bis 1 of Law No. 06-01 of 2006), it does not fall within the powers and jurisdiction of any other party in Algeria to oblige FIs, DNFBPs, and natural or other legal persons to submit records that they keep. The deficiencies related to the CDD requirements affect the scope and quality of the information collected from FIs and DNFBPs.
352. As indicated in criterion 24.12, there are no measures in Algerian legislation that allow legal persons to have nominee shareholders and nominee directors, and in the event that a company authorizes any person to act on its behalf, this is done by virtue of a power of attorney, and this information is available to the authorities by virtue of the powers assigned to them.
353. **Criterion 24.11 (not met):** According to Article 715 bis 34 and 40 of the commercial law, joint stock companies issue bearer bonds and nominal bonds, and the share is a negotiable bond issued by joint stock companies as part of their capital.
354. **Criterion 24.11 (a) (not met):** there is no legislation that prevents the issuance of bearer shares.
355. **Criterion 24.11 (b) (partly met):** Algeria stated that stocks that can be issued in the country can be financial in which case the bond shall be delivered, or they can be registered in an account (if the title is mentioned in the registered form), or through an eligible broker (if they were bearer shares). There is absence of any legislation that provides for this. As for bearer bonds, they can only be registered with a broker qualified by the Commission for the Regulation and Control of Stock Exchange Operations, in his/her capacity as the account holder and bond custodian. They can only be sold or traded through authorized intermediaries (Article 19 bis 1 of Law No. 04-03 on the Stock Exchange).
356. **Criterion 24.11 (c) (not met):** the companies issuing bearer shares are not required to immobilize bearer shares and share warrants by holding them with a regulated financial institution or professional intermediary.
357. **Criterion 24.11 (d) (not met):** the companies issuing shares are required to keep a record when the issued values are in nominal form or through a qualified intermediary, when they have bearer values (Commercial Law Article 715-bis 37), but controlling shareholders are not required to notify the company, and the company to record their identity.
358. **Criterion 24.11 (e) (not met):** the issuing companies may request the central Custodian all the information from the account holders - custodians, and what information can be viewed and requested was not perceived (Article 33 of Law No. 03-01).
359. **Criterion 24.12 (N/A):** There are no provisions or measures in Algerian legislation that would allow the presence of nominee shareholders, directors, or founders.

360. **Criterion 24.13 (partly met):** Article 37 of the Law No. 08-04 of 2004 allows for imposing penalties for failure to amend the data of the commercial register extract within 3 months, according to changes in the legal status of merchants, with a fine of DZD 10,000 to 100,000 and suspension of the commercial register, until the merchant rectifies the same. Also, Article 837 of the same Law allows for imposing the imprisonment for 6 months to 2 years for not disclosing the acquisition of a shareholding share or 50% of the company's capital, or failure to publish the activity report of the company's branches, provided that the penalty shall be applied to members of the board of directors, general managers, and auditors. However, it is not possible to apply penalties to natural and legal persons in the event of failure to comply with the remaining requirements of Recommendation 24, namely those set out in criterion 24.4, 24.6, 24.9.
361. **Criterion 24.14 (not met):** letters rogatory are sent to the MOJ and implemented in accordance with the reciprocity principle in accordance with Article 721 of the Code of Criminal Procedure. Bilateral agreements signed by Algeria define the forms of international judicial cooperation in the penal field and extradition. In addition to the international and regional conventions ratified by the country, Algeria has not, up to date, received any international cooperation requests aiming at enabling the requesting countries to get the name or names of the beneficial owners. There are no legal texts regulating how other foreign authorities obtain in a timely manner the information related to legal persons held by the National Commercial Register Center, FIs, and DNFBPs, in addition the basic information held by the National Center for the Commercial Registry is not available in a timely manner to the local authorities and the information related to the BO is not available because the National Center does not keep such information, which will hinder access by foreign authorities to this information rapidly. In any case, the availability and quality of information held by FIs and DNFBPs on the BO depends on the source of the information and the effectiveness of implementation.
362. **Criterion 24.15 (not met):** under the Executive Decree No. 04-333, the Directorate of Legal and Judicial Cooperation is responsible for many tasks, none of which is to monitor the quality of assistance they receive from other countries in response to requests for basic and BO information or request for assistance in locating beneficial owners residing abroad. There are no provisions in other laws that require concerned authorities to assess the quality of the information received from counterparts.
363. **Conclusion and Rating:** the relative importance of criteria 24.2, 24.6, 24.7 and 24.9 rated NM have a main effect on the overall rating for this recommendation.
364. **For these reasons, Algeria is "Non-Compliant" with Recommendation 24.**

Recommendation 25: Transparency and Beneficial Ownership of Legal Arrangements

365. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for R. 34 as "NA" because the Algerian legislations do not have what is called trusts, and they are not provided for in the Algerian law.
366. Algeria is not a signatory to the Hague Convention of July 1, 1985 on the law applicable to trusts and their recognition, which explains why the legislation does not allow the creation of Trusts in Algeria; however, Algeria allows for establishing Waqf, which is similar to trust, but cannot be considered in its legal form as a legal arrangement or trust, because only public and private Waqf are created in Algeria¹⁵⁴ (Article 3 of the Law 02-10 amending and completing the Law No. 91-10). Waqf allows

¹⁵⁴ **Public Endowment (Charity Endowment):** It is limited to charitable organizations at the time of its establishment, and its proceeds are allocated to contribute to the acts of goodness. It is divided into two parts, the first in which a certain way of spending the proceeds is specified, so it is called a directed Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

for separating control and ownership from assets. It can be created before the notary pursuant to Article 41 of the Law No. 91-10 of 1991 and registered with the department of real estate departments.

367. Algeria does not prohibit foreign trusts established abroad from operating on its territory. The legislation does not prohibit an Algerian resident in Algeria to manage (as a non-professional trustee) a trust established abroad. Trusts established abroad can have controlling ownership shares in legal persons established in Algeria. Accordingly, trust funds can manage assets or own assets indirectly through their ownership interest in legal persons established in Algeria.

368. **Criterion 25.1 (a, b and c) (not met).**

369. **Criterion 25.1 (a) (met):** Articles 33 and 34 of Law No. 91-10 of 1991 stipulate that the Waqf director manages the Waqf assets through methods identified by the Executive Decree for the Management and operation of Waqf No. 98-318 of 1998, which is the executive decree specific to the management of waqfs by the waqf director. Waqf is established by a contract registered with the notary. It is then registered at real estate registry, obliged to provide proof of this registration and refer a copy of it to the authorities in charge of Waqf (Article 41 of Law No. 91-10 of 1991), which is the Ministry of Religious Affairs and Waqfs, where all files and data related to the Waqf are kept.

370. **Criterion 25.1 (b) (not met):** lawyers and accountants are included in the provisions of the Law No. 05-01 (Article 4) and under the guidelines of CTRF when conducting financial works for their clients, which does not include any other works related to establishing, administering, or managing legal arrangements including trusts created abroad. Therefore, there is no legal obligation for lawyers and accountants when providing services for trusts created abroad, especially in terms of keeping information about any other regulated agents of, and service providers to, the trust, including the investments advisors or managers, accountants, and tax advisors. Such obligation does not include any third parties not included in the provisions of such law or the guidelines executing the same.

371. **Criterion 25.1 (c) (not met):** there is no legal text that requires the lawyers and accountants, when they provide financial services to the trusts created abroad, to maintain the information about the trust for at least five years. The AML/CFT obligations under Algeria legislations are applied only when lawyers and accountants conduct financial services for their clients and not for trusts when the trustee is a lawyer or accountant, or when other persons act as professional trustees, and this is considered a shortcoming.

372. **Criterion 25.2 (N/A):** The Ministry of Religious Affairs and Endowments (being the Waqf Director) maintains all waqf contracts, and the beneficiary of Waqf proceeds is determined according to these contracts by the endower, and no one has the right to replace the beneficiary with another beneficiary, which constitutes a violation of the endower's will; therefore, the obligation to update the information related to Waqf, including the beneficiaries of the waqf proceeds, does not apply to Waqf.

373. **Criterion 25.3 (Partly met):** Waqf guardian is appointed by the Ministry of Religious Affairs and Waqfs (Waqf Director), by virtue of the executive decree related to the management and operation of waqf. And pursuant to the Joint Ministerial

public Waqf, and it is not allowed to be spent on charitable causes other than the specified one. The second is the Waqf in which the charitable cause wanted by the endower is anonymous, so it is called a non-directed public Waqf, and its proceeds are spent in spreading knowledge, encouraging research and on charitable causes.

Private Endowment (Family Endowment): It is limited to be spent on the descendants of persons (males and females) or limited to be spent on certain persons, and then it is transferred to the authority appointed by the endower after the descendants have perished.

Resolution dated 02 March 1999 issued by the MOF and the Ministry of Religious Affairs and Endowments, the National BOA is the financial institution in which the bank account of the Waqf Central Trust was opened. The disclosed information includes the order appointing the authorizing officer, the signatory authorization letter and all the documents that confirm the identity of the authorizing officer.

374. Also, in case any trustee of a trust created abroad opens an account with any bank operating in Algeria, they shall not be treated as legal person since there is no obligation on FIs/DBFBPs towards legal arrangements including trusts. Moreover, there is absence of any procedures for the trustee to disclose their identity to the FIs/DNFBPs, as the onus to verify the identity is not just on the FIs/DNFBPs in accordance with the requirements of this Criterion.
375. **Criterion 25.4 (partly met):** there are no provisions in the legislation that prevent Waqf contracts and information held by the Ministry of Religious Affairs and Waqfs (Waqf Director) from being made available to any party. For FIs and DNFBPs, there is no legal text that requires trustees to provide information upon request in accordance with the requirements of this Criterion.
376. **Criterion 25.5 (not met):** there is no indication whether the competent authorities have all the powers necessary to be able to obtain timely access to information held by trustees, and other parties as required by paragraphs a, b and c of this Criterion.
377. **Criterion 25.6 (not met):** there is no evidence that Algeria has rapidly provided international co-operation in relation to information, including the beneficial ownership information, on trusts and other legal arrangements as required by paragraphs a, b and c of this Criterion.
378. **Criterion 25.7 (not met):** there is no evidence that trustees are either legally liable for any failure to perform the duties relevant to meeting their obligations under this Recommendation, or that there are proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to comply.
379. **Criterion 25.8 (not met):** there is no indication if there are proportionate and dissuasive sanctions, whether criminal, civil, or administrative, for failing to grant to competent authorities a timely access to information regarding the trust.
380. **Conclusion and Rating:** the deficiencies in this Recommendation are represented in the lack of any specified obligations for the trustees of trusts, and the extent to which competent authorities can access information kept by trustees, which can affect their ability to provide international co-operation and the extent to which the sanctions are applied to trustees for failure to meet their obligations under this Recommendation and for failure to grant competent authorities timely access to information regarding the trust.
381. **For these reasons, Algeria is “Non-Compliant” with Recommendation 25.**

Recommendation 26: Regulation and Supervision of Financial Institutions

382. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for this Recommendation (previously R. 23) as “PC” because there is no supervisory power entrusted with any entity for the brokerage and insurance companies’ compliance with AML/CFT requirements. Additionally, the Algerian authorities have not taken any actual measure to license and register money transfer or currency changing services providers, who are not subjected to the compliance follow-up systems.
383. **Criterion 26.1 (met):** Articles 10-bis and 10-bis 2 of the Law No. 05-01 of 2005 as amended and completed granted the competent authorities, which have the powers of control, supervision, and/or monitoring of the FIs, to promulgate regulations in the field of AML/CFT and help subject persons to comply with law requirements, including onsite supervision.

Reading these Articles along with the provisions of laws regulating the normal duties of these authorities¹⁵⁵, it is evident that the Banking Committee is responsible for monitoring banks, FIs¹⁵⁶ and Exchange Offices for AML/CFT compliance, and BOA regulates such monitoring for the account of the Committee. Moreover, the ISC monitors the insurance companies and brokers, while COSOB undertakes the organization of movables markets and monitoring brokers in stock exchange.

384. The Algeria Post Office is subject to the regulations taken by the Monetary and Loan Council and the AML/CFT guidelines issued by the BOA (Article 10-bis 3 of the Law No. 05-01 of 2005 as amended and completed). Upon reviewing Article 25 of the Order No. 12-03, it is clear that the Banking Committee is responsible to monitor that the Algeria Post Office has appropriate policies, practices and measures, especially in terms of the robust standards of identifying customers and their transactions, as well as the detection, monitoring and reporting any suspicious transaction.

Market Entry

385. **Criterion 26.2 (met): Core Principles financial institutions:** banks are licensed and approved by the BOA's Monetary and Loan Council, especially according to the provisions of Articles 82-85 of the Order No. 03-11 of 2003 regarding money and credit amended and supplemented. And Article 59 of Law No. 06-01 for the Prevention and Combating of Corruption that does not allow the establishment of banks in Algeria that do not have a physical presence and are not affiliated with a financial group subject to supervision. In addition, the legal provisions stipulated for by the Order No. 03-11 mentioned above (in particular Articles 81, 90, 91 and 115) as well as the conditions for establishing a bank and a branch of a foreign bank, which are stated in the Order No. 02-06 of 2006 and Circular No. 11-07, may prevent, from a procedural point of view, the creation of shell banks and the continuation of their work.

386. The brokers of stock exchange are approved by the Stock Exchange Management Commission pursuant to Article 3 of the Order 15-01 about the approval conditions of brokers of stock exchange, and Article 6 of the Legislative Decree No. 93-10 of 1993 about the movables assets as amended and completed, while insurance and reinsurance companies are subject to approval of the Minister of Finance pursuant to Article 204 of Order No. 95-07 on insurances as amended and completed.

387. **Other financial institutions:** FIs (controlled by the Banking Committee) are approved and licensed by the BOA's Monetary and Loan Council and are subject to the same license and approval provisions of banks stipulated for by Article 81-95 of the Order No. 03-11 of 2003 as amended and completed. Also, the Exchange Offices are subject to the accreditation of the BOA under Article 2 of the Order No. 16-01 of 2016 ending and completing Order No. 07-01 of 2007.

388. The country grants the authority of providing financial post services (postal transfer and sukuk) to the public institution of industrial and commercial nature (Algerian Post Office) pursuant to the so-called "Allocation System" (Articles 29 and 33 of the Law No. 18-04 of 2018). The Algerian Post Office is authorized under Article 29 of the same Law to provide saving services and expand the financial performances provided to their customers on commercial basis pursuant to the Law on money and credit.

¹⁵⁵ For banks and FIs, Articles (105, 108) of Order (03-11) regarding money and credit as amended and completed. For exchange houses, Article 10-bis 3 of the Law No. 05-01 as amended and completed, Articles 2 and 3 of the Order No. 16-01 of 2016 amending and completing Order No. 07-01 of 2007. As well as the first and third chapters of Legislative Decree No. (93-10) related to the movables stock exchange, as amended and completed by Law No. 04-03 of 2003, Article (55) of Law No. 15-01 related to the conditions for approving brokers in stock exchange, Article (210) of Order No. (95-7) of 1955 related to insurances, as amended by Article (28) of Law No. (06-04) of 2006 relating to insurances, and Article (14) of Executive Decree No. (08-114) of 2008 specifying the powers of the Insurance Supervisory Commission.

¹⁵⁶ It means the FIs under the supervision of the Banking Committee only, and not all the FIs included in the FATF definition.

389. **Criterion 26.3 (partly met):** The BOA's Monetary and Loan Council, the SERC and the Minister of Finance take different regulatory and legal measures to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in a financial institution. The measures taken in the banking and FIs supervised by the Banking Committee, although insufficient, are considered better than those of other sectors. For banks and FIs supervised by the Banking Committee, there is no indication whether the beneficial owners of the controlling interest can be identified, especially if the owner of that share is a legal person. Also, it is not clear to what extent the fit and proper tests that can be applied to shareholders and beneficial owners are sufficient, as they do not include the criminal record checks (see IO.3). On the other hand, the measures related to the licensing of companies in charge of the stock exchange and insurance sectors do not include verifying the reputation and criminal records of shareholders who own controlling interest in those companies and the beneficial owners of their shares. No measures were taken regarding the Exchange Offices. Moreover, there is no indication whether any measures are taken by all licensing authorities to verify the extent to which shareholders, managers or beneficial owners are associated with criminals.

Article 80 of the Order No. 03-11 of 2003 as amended and completed prevents any convicted person¹⁵⁷ from being a founder of a bank or financial institution controlled by the Banking Committee, a member of their board, to undertake, whether directly or through another person, their management, administration, or representation in whatsoever capacity, or to be authorized to sign on their behalf.

390. According to Articles 3, 12, and 14 of the Order No. 06-02, applications for licensing a bank or financial institution, establishing a branch of a bank or a foreign financial institution, or assigning shares that entails modifying the structure of the total shareholders, must include a set of elements, including the type and reputation of the shareholders and their guarantors, their financial capacity, and the data related to the main shareholders, especially with regard to their solvency, experience and competence in the banking and financial field. The same applies to managers of branches of foreign banks or institutions operating in Algeria. Circular No.11-07 clarifies the elements of evaluation and information supporting license applications, including information that allows to verify that the managers¹⁵⁸ have fulfilled the conditions, in particular civil status, reputation, professional experience, and qualifications. Article (2) of the Circular requires founders of banks and financial institutions to provide important information¹⁵⁹ about the owners of capital who own at least 5% of the voting

¹⁵⁷ This means the person is convicted for committing a felony, embezzlement, treachery, robbery, issuance of a bad check, betrayal of trust, deliberate restraining by public trustees or the racketeering of funds or values, bankruptcy, violation of the legislation or regulation related to exchange, fraud of instruments or fraud of special commercial or banking instruments, violation of the laws of companies, concealing funds received as a result of one of these violations or any violation related to trafficking in drugs, corruption and money laundering and terrorism. Or if they are sentenced by a foreign judicial authority by a judgment that has the force of the res judicata, which, according to Algerian law, constitutes one of the felonies or misdemeanors stipulated for by this article. Or if such person declared their bankruptcy or was sentenced by a civil liability as a member in a bankrupt legal person whether inside or outside Algeria, unless rehabilitated.

¹⁵⁸ Managers of banks, financial institutions, and branches as well as representatives of foreign banks and financial institutions must obtain the approval of the Governor of the BOA before joining their positions. According to this Circular, "Managers" means: (A) members of deliberation committee, the board of directors or the supervisory board; (B) the chairman of the board, and at least one person of the senior management in the bank of the financial institution; (C) members of the board, including the chairman; (D) the general manager, and at least a person of the senior management appointed by the qualifying body, for the branches of foreign banks and financial institutions; (E) and the person appointed to administer the representative office.

¹⁵⁹ Including identifying the identity of the owner of the capital, the amount and percentage of the shareholding and the corresponding voting rights, the main directors of the owner of the capital in the case of a legal person (not including the beneficial owner), and information on the distribution of capital Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

rights.

391. The SERC can approve brokers whether from banks, FIs or commercial companies targeting brokerage (Article 4 of Order No. 15-01 on the condition of approving brokers in stock exchange). The Circular No. 16-02 of 2016¹⁶⁰ is limited to explaining the condition of good reputation that the brokers of commercial companies should have and the documents that should be submitted in this regard (copy of the criminal record, declaration of honour to testify that they were not convicted of any of the cases mentioned in Article 2 of this Circular¹⁶¹, and any document as requested by the Commission to assess the response of facilitators on terms of good reputation). In the event that a bank or FI is approved, it is required to obtain the criminal record of the person responsible for the brokerage exchange structure, based on Article (2.2) of Regulation (16-03) of 2016.
392. Pursuant to Article 217 of Order No. 95-07 of 1955 as amended and completed, any person who is convicted for a misdemeanour that is punished under the general law, or for stealing, breach of trust, fraud, committing misdemeanour punishable by the laws related to fraud sanctions, plunder money or values, issuing bonds without funds, hiding items obtained by these misdemeanour or as a result of dishonoured behaviours after the liberation war or such person is convicted for attempting to commit or collude to commit such crimes, or the person is bankrupt unless exculpated, or was condemned of violating the legislation and organization related to insurance can never manage insurance or reinsurance companies.
393. There is no indication whether there are applicable procedures for Exchange Offices to prevent criminal and their associates from holding (or being the beneficial owner of) a significant or controlling interest in or holding a management function in Exchange Offices. For Algerian post office, it is entirely state-owned public entity and does not take shareholders. Its employees are subject to fit and proper tests, including criminal background checks.

Risk-based approach to supervision and monitoring

394. Criterion 26.4 (a and b) (partly met):

- a. Core principles financial institutions: banks are subject to the principles of the Basel Committee on Banking Supervision generally in line with the relevant principles¹⁶². On the other hand, it is not clear to what extent, brokers in stock exchange

and shareholding in the event that the legal person is within a group, and whether the owner of the capital holder has been subjected or expected to be subject to an administrative, judicial or amicable procedure that would significantly affect their financial position. The appendix also includes identifying the persons who have voting rights in favor of the capital owner, the identity of the companies that own voting rights and are subject to the control of the capital owner, the voting rights owned by another person dealing with the owner, and the voting rights that the owner of the capital or other previously mentioned persons have the right to acquire upon agreement.

¹⁶⁰ Issued pursuant to Article 11 of the Order No. 15-01 of 2015 about the condition of approving brokers in stock exchange and their duties and control.

¹⁶¹ The cases in which non-conviction is required are: felony, transfer of illegal funds and receipt of illegal funds, theft, fraud, issuance of a bad check or breach of trust, embezzlement by public trustees or by extorting money or values, bankruptcy, violation of the law regulating exchange, forgery of documents or forgery of private documents in trade or banking; violation of corporate law, concealment of property seized as a result of such offences, any offense related to drug trafficking, money laundering and terrorist financing; that the managers were not the subject of a conviction by a foreign court that has been passed to the force of a res judicata, a conviction under Algerian law for one of the crimes or misdemeanors mentioned in this Circular; The managers of the broker in the stock exchange operations have not declared their bankruptcy and that the bankruptcy did not extend to them and they have not been judged in civil liability as a body of a bankrupt legal person in Algeria or abroad or that the conviction has not been reconsidered.

¹⁶² According to the IMF 2018 assessment of BOA in relation to the Basel principles, the majority of the 23 principles were with a degree of "compliant", and (5) with a degree of largely compliant. The document provided to the AT did not clarify the degree of compliance with the principle 26 related to internal audit and control. However, BOA Order No. 08-11 of 2011 organizes internal control of banks.

and insurance companies and brokers are subject to regulation and control in accordance with the core principles of the International Organization of Securities Commissions for brokers in stock exchange, and Principles of International Association of Insurance Supervisors¹⁶³ when it comes to AML/CFT.

- b. Other financial institutions: these institutions and Exchange Offices are regulated by the Banking Committee¹⁶⁴ in terms of AML/CFT pursuant to Article 105 and 108 of the Order 03-11 on money and credit as amended and completed, and Articles 10-bis, 10-bis 2 and 10-bis 3 of the Law 05-01 of 2005 as amended and completed. However, there is no indication whether this regulation takes into consideration the ML/TF risks in this sector. For the Algeria financial post office, it is subject to the regulations issued by the Money and Loan Council and AML/CFT guidelines of the BOA, while the Banking Committee monitors its compliance in this regard (Article 10-bis 3 of the Law No. 05-01 of 2005 as amended and completed and Article 25 of the Order No. 12-03).
395. **Criterion 26.5 (partly met)**: The Banking Committee applies some measures to develop a risk-based supervisory approach, and the cooperation between the on-site and off-site supervision departments at BOA contributes to the preparation of annual inspection programs that consider the results of previous inspection missions to the bank or FI. However, this cooperation has not yet contributed to the implementation of off-site and on-site inspections based on ML/TF risks. There is no indication if the FIs supervisory authorities determine the frequency and intensity of on-site and off-site on the basis of: 1) AML/CFT risks (whether based on sectoral assessment of the country's evaluation of such risks) and the policies, internal controls and procedures associated with the institution or group and on the risk profile of the financial institution or groups; 2) the characteristics of the financial institutions or groups, in particular the diversity and number of financial institutions and the degree of discretion allowed to them under the risk-based approach
396. **Criterion 26.6 (not met)**: BOA has a guide for assessing the AML/CFT system, which depends on on-site supervision, which was taken into account when classifying banks, FIs and financial agencies of Algeria Post's degree of their risks in general, but there is no indication as to how BOA reviews the assessment of ML/TF risk profile of institutions and the frequency of such review, in light of the limited on-site inspections and failure to adopt a matrix for off-site inspections (see IO 3). SERC and ISC assessment of obliged entities' ML/TF risks and review of their risk profile was not perceived.
397. **Conclusion and Rating**: banks, financial institutions and Exchange Offices are regulated and monitored by BOA for AML/CFT requirements, and brokers in stock exchange are regulated and monitored by the SERC, while insurance and reinsurance companies are subject to the approval of the Minister of Finance and the regulation of the ISC. The regulatory authorities take some uneven legal and regulatory measures to prevent criminals from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in the institutions. The measures taken in the banking and FIs, are considered better than those of other sectors. However, there is no indication whether the beneficial owners of the controlling interest can be identified, especially if the owner of that share is a legal person. Also, there is no indication to what extent the fit and proper tests that can be applied to shareholders and beneficial owners of controlling

¹⁶³ The information provided by Algeria was limited to some information related to the Principles No. (24, 28, 29, 31) of the principles of the International Organization of Securities Commissions (IOSCO), and it is not clear to what extent the country complies with the contents set out in Principles No. (1 to 15) set out in the responsibilities (A, B, C, D) in accordance with the principles of the IOSCO,, and the principles of the International Association of Insurance Supervisors No. (1, 3, 11, 18 and 21 to 23 and 25).

¹⁶⁴ Means the financial institutions regulated by the Banking Committee pursuant to the Order No. 03-11 on money and credit as amended and completed (such as the finance and financial leasing) and does not mean the financial institutions as defined by the FATF.

shares are sufficient, as they do not include the criminal record checks. On the other hand, the measures related to the licensing of companies in charge of the stock exchange and insurance sectors do not include verifying the reputation and criminal records of shareholders who own controlling interest in those companies and the beneficial owners of the shares. No measures were taken in this regard for Exchange Offices. Moreover, there is no indication whether any measures are taken by all licensing authorities to verify the extent to which shareholders, managers or beneficial owners are associated with criminals.

398. There is no indication to what extent institutions of stock exchange, and insurance companies and brokers are subject to supervision in line with the core principles. BOA is taking some measures to enhance the risk-based approach to supervision; however, this remains limited in light of the insufficient cooperation between on-site and offsite desk monitoring departments to conduct on-site and off-site monitoring based on ML/TF risks, including the lack of clarity to determine the frequency and intensity of on-site and off-site supervision on the basis of risks, policies, internal controls and procedures associated with the institution's or group's risk profile, and on the characteristics of FIs or groups. In addition to the lack of clarity on how the BOA will review the assessment of the ML/TF risk profile of a financial institution and the periodicity of such a review. There is no indication that the remaining supervisors are applying any aspects of the supervisory approach based on ML/TF risks.

399. **For these reasons, Algeria is “Partially Compliant” with Recommendation 26.**

Recommendation 27: Powers of Supervisors

400. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 29 as “NC” because supervisors neither have powers over the brokerage and insurance companies to ensure their compliance with AML/CFT requirements, nor authorised to impose sanctions against insurance sector and movables exchange for failure to comply with AML/CFT requirements or incorrectly executing such requirements according to FATF Recommendations.

401. **Criterion 27.1 (met):** the supervisors have powers to supervise or monitor and ensure compliance by financial institutions with AML/CFT requirements under the provisions of Article 10-bis 2 of the Law No. 05-01 as amended and completed. Such powers include monitoring the compliance by financial institutions with the duties stipulated for by such Law including to monitor the implementation of these duties by branches and subsidiaries abroad, and to ensure that the financial institutions have appropriate programmes to detect and protect from ML/TF.

402. **Criterion 27.2 (met):** pursuant to Article 10-bis 2 of the Law No. 05-01 as amended and completed, the supervisors of financial institutions (including Algeria Post Office) have the powers to conduct on-site inspection for regulated institutions to monitor their compliance with the requirements of this Law.

403. Additionally, the Banking Committee (through the inspectors of the BOA) mandates the monitoring of banks and FIs (controlled by the Banking Committee) based on the documents reviewed through on-site or off-site inspections (Article 108 of the Order No. 03-11 of 2003 as amended and completed).

404. Pursuant to Article 55 of the Order No. 15-01 about the approval conditions of brokers of stock exchange, the Committee may regulate the stock exchange operations, monitor the brokers of stock exchange¹⁶⁵, obtain all necessary documents and

¹⁶⁵ Pursuant to Article (2) of Order No. (15-01), a broker in stock exchange is every approved broker who negotiates about movables and other tradable financial products and rights related thereto for the account of their customers or for their own account. They can also practice one or more of the activities Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

access the professional offices during normal working hours. Pursuant to Article 95-07 of 1995 on the insurances, as amended by Article 29 of the Law No. 06-04 of 2006, the insurance inspectors are authorised, in any time and/or on-site, to investigate all operation related to insurance.

405. **Criterion 27.3 (partly met):** the Banking Committee shall determine alist, format and deadlines of information and documents it deems useful and may request supervised banks and FIs to provide all information, clarifications and evidence necessary to fulfil its mandates. Moreover, the Banking Committee may request any concerned persons to provide it with any document or information, and professional secrecy cannot be invoked against the Committee (Article 109 of the Order No. 03-11 of 2003 as amended and completed).
406. Pursuant to Articles 55 and 56 of the Order No. 15-01 about the approval conditions of brokers of stock exchange, the Committee may regulate the stock exchange operations and obtain all required documents and inspect business offices during normal working hours. The non-compliance of the brokers to provide any information or document requested by the Committee is considered a punishable violation.
407. It is not evident that the supervisors of other financial institutions (insurance brokers and companies, Exchange Offices, and Algeria financial post office) have clear powers to compel such institutions to produce any information relevant to monitor compliance with the AML/CFT requirements.
408. **Criterion 27.4 (partly met):** the supervisors of financial institutions are authorised to impose disciplinary sanctions for failure to comply with the AML/CFT requirements (Article 10-bis 2/c of the Law No. 05-01 of 2005 as amended and completed). Article 12 of the same Law provides the Banking Committee with the powers to take disciplinary action against the supervised bank or financial institution if their internal control procedures to comply with the AML/CFT requirements are incompetent. However, there is no indication that the supervisors can impose sanctions for failure of supervised institutions to comply with AML/CFT requirements in line with Recommendation 35 (i.e. failure to comply with the requirements of R. 6 and R.9-21).
409. **The Banking Committee:** is authorised to impose a range of administrative sanctions against supervised banks and financial institutions for failure to comply with any of the legislative and regulatory provisions, orders, or notices. Such sanctions include notice (in case of violating professional good conduct), warning, rebuke, preventing the exercise of some operations and other types of limiting the exercise of activity, temporary suspension of one or more managers with the temporary appointment or non-appointment of an administrator, termination of the tasks of one or more of these same persons with the appointment or non-appointment of a temporary administrator, and the potential withdrawal of the bank or FI license and liquidation. The Committee is authorised to impose, in addition or as an alternative to such sanctions, financial sanctions equal or less than the minimum threshold of the bank or FI capital (Articles 111, 114 and 115 of the Order No. 03-11 of 2003 as amended and completed). Pursuant to Article 25 of the Order No. 12-03 on AML/CFT, the Banking Committee may impose disciplinary sanctions against supervised banks and financial institutions for failure to comply with this Article, and in particular the robust standards related to identifying the customers and their transactions, as well as the detection, monitoring and reporting any suspicious transaction.
410. **The Stock Exchange Regulatory Commission:** pursuant to Article 55 of the Legislative Decree No. 93-10 of 1993, the

mentioned in Paragraph (1) of the same Article. Also, pursuant to Article (4) of the same Order, the approval of the SERC can be obtained to practice brokerage in stock exchange operations for: commercial companies targeting the brokerage in stock exchange operations, banks and financial institutions. Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

Commission is authorised to regulate and monitor the stock exchange operations and impose sanctions against the brokers of stock exchange for failure to perform their professional and ethical duties or violating the regulatory and legislative regulations. Such sanctions include warning, a reprimand, a temporary or permanent ban on all or part of the activities, withdrawal of the broker's license, and/or impose a fine of 10 million DZD or the equivalent of the potential gain out of the violation.

411. **Insurance Supervisory Committee:** pursuant to Article 24 of the Order No. 95-07 of 1995 as amended and completed, the ISC has the power to impose, against insurance and/or reinsurance companies, branches of foreign insurance companies, financial sanctions¹⁶⁶, warning, reprimand, temporary suspension of one or more administrators, with or without appointing a temporary managing agent. It may also propose to the Minister of Finance, after taking the opinion of the National Insurance Council, the penalty for partial or total withdrawal of the license, and the automatic transfer of all or part of the insurance contract portfolio.
412. **Algeria Post Office and Exchange Offices:** Article 25 of the Law No. 12-03 on AML/CFT grants the power of imposing disciplinary actions against them by the competent authority. However, neither the nature of such disciplinary actions nor the competent authority responsible for their implementation was perceived.
413. **Conclusion and Rating:** the supervisor of financial institutions have the powers to monitor and ensure the compliance of supervised institutions with AML/CFT requirements and may impose administrative and financial sanctions against violators. However, there is no indication that all supervisors can impose sanctions for failure to comply with AML/CFT requirements of Recommendations 6, 9 to 21, as set forth in Rec. 35, as well as the non-clarity of the nature of available sanctions to deal with the Algeria Post Office and Exchange Offices for failure to comply with the AML/CFT requirements and the competent authority authorized to impose sanctions.
414. **For these reasons, Algeria is “Partially Compliant” with Recommendation 27.**

Recommendation 28: Regulations and Supervision of DNFBPs

415. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 24 as “NC” because the weak understanding of the SRBs for the ML/TF risks and how to combat them, and the absence of any obligations for DNFBPs in terms of AML/CFT requirements except for reporting suspicion. Moreover, no AML/CFT regulations were issued for DNFBPs, whereas some of these DNFBPs are not regulated or such regulations do not cover the entire sector. The supervision is limited to SRBs, which are weak and unable to perform supervisory role because their weak understanding of the AML/CFT requirements and the lack of required resources.

Casinos

416. **Criterion 28.1 (not applicable):** Gambling is prohibited in Algeria pursuant to Article 612 of Order 75-58 of 1975 on the Civil Law as amended and completed, and Articles 165 to 168 of the Order No. 77-156 on the Penal Code¹⁶⁷, and Articles 3

¹⁶⁶ According to Articles 243, 247-bis, 248 and 249 of the Order No. 07-95 of 1995 as amended and supplemented, the financial fines range between DZD 10,000 and 1,000,000 (equaling USD 72 to 72,000). However, such fines are not directly related to the AML/CFT requirements.

¹⁶⁷ Such Articles state that whoever opens, without a license, a place for games of chance and allows the public to enter it freely, shall be punished by imprisonment from 3 months to one year and a fine of DZD 500 to 20,000. The perpetrators may also be punished by deprivation of national rights and residence ban for one to five years, and the order for confiscating of money and items offered for gambling and those that are caught in the possession of the store, or that are found with those in charge of its management and their employees, as well as the furniture, objects and decorations in these places as Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

and 37 of the Law No. 18-05 on the e-commerce, prohibit any e-transaction relates to gambling, betting or lottery, and the violator shall be fined of DZD 200,000 to 1,000,000 without prejudice to imposing the severest penalty. The judge may order to close the website for 1 to 6 months.

DNFBPs other than casinos

417. **Criterion 28.2 (partly met):** Articles 10-bis and 10-bis 2 of the Law No. 05-01 of 2005 as amended and completed granted the competent authorities, which have the powers of control, supervision, and/or monitoring of the DNFBPs, to promulgate regulations in the field of AML/CFT and monitor the compliance of the DNFBPs with their duties under this Law, including onsite supervision. By reviewing these articles together with the provisions of the legislation that regulates the work of these authorities in the context of their traditional tasks¹⁶⁸, it becomes clear that the Lawyers Organization Council monitors lawyers, while the National Chamber of Notaries monitors notaries under the supervision of the MOJ, whereas the real estate agency is subject to the supervision of the Ministry of Housing and Urbanism, and it is not clear the competent authorities responsible for monitoring DPMS.

418. On the other hand, the three accounting professions (accounting keepers, accountants, and certified accountants) are regulated professions under Algerian legislation and cannot carry out the activities specified in criterion 22.1 of the FATF recommendations, and there are no independent professions in Algeria related to trust and company service providers, with the exception of lawyers who can act as agents for legal persons in the formation of companies.

419. **Criterion 28.3 (not met):** in addition to the contents of the Criterion 28.2 above, Article 4 of the Law No. 05-01 as amended and completed extends to include DNFBPs other than categories mentioned in the FATF Recommendations, such as auctioneers, brokers, customs agents, agents of car selling and betting and games, as well as dealers antiques and artefacts, and natural and legal persons that, within the framework of their duties, provide consultancy services and/or transactions involving deposit, exchange, transfer or any other movement of funds. Although the guidelines issued by the competent authority apply to the DNFBPs (Articles 10-bis 5 of the Law No. 05-01 of 2005 as amended and completed), Algeria has not taken any measure to ensure that such DNFBPs are subject to a monitoring of their compliance with AML/CFT requirements.

420. **Criterion 28.4 (a, b and c) (partly met)**

421. **Criterion 28.4 (a) (met):** the supervisors have the powers related to monitor the compliance of DNFBPs with AML/CFT requirements under Article No. 10-bis 2 of the Law No. 05-01 of 2005 as amended and completed. Such powers include monitoring the compliance of the DNFBPs with their duties under this Law, including onsite supervision, and making sure that they have the systems for detecting ML/TF cases.

422. **Criterion 28.4 (b) (partly met):** The Lawyer's Organization approves lawyers, and in accordance with Article (6) of the Lawyers' Bylaws based on Article (106/2) of Lawyer's law (13-07), anyone who has been convicted of a criminal offense or a misdemeanour permanently or a final disciplinary penalty in any profession or job, provided that it violates honour and public morals and is subject to the discretion of the organization's council, shall not be accepted as a candidate for the legal profession; the application for registration in the Lawyer's organization must include judicial precedents, valid for 3 months,

well as the tools prepared or used in play. Such penalties are applied to the players, organizers, managers, delegates and users who carry out unauthorized lottery activities, and the confiscation of the property that is the subject of the lottery is replaced by a fine that may reach to the estimated value of this property. Noting that the activities presented to the public under any name and intended for hoping to profit by chance is considered a lottery business.

¹⁶⁸ Article (97) of Law No. (13-07) of 2013, Articles (46, 49-52) of Law No. 06-02 of 2006 related to organizing the notary profession, and Articles (30, 31) of Executive Decree 09-18 and its amendments.

and the candidate enjoying their political and civil rights (Article (4) of the same Bylaws).

423. Public offices of notaries shall be established and terminated by virtue of a decision from the Minister of Justice. A candidate for the profession of notaries is required to enjoy their civil and political rights, and that they shall not have been convicted of a felony or misdemeanour (except for non-intentional crimes), and that they shall not have been convicted as a manager of a company of a misdemeanour of bankruptcy unless they have been rehabilitated, and that they shall not be a public officer who has been dismissed, a lawyer whose name has been crossed out, or isolated pursuant to a final disciplinary procedure (article 6 of the Notaries Law (06-02) and article 3 of the implementation decree no 08-242 of 2008).
424. It is not possible to establish law firms or notary joint stock companies. This is limited to the formation of civil companies, which can be only established or managed by registered lawyers or notaries.
425. Real estate agencies are approved by the governor. In approving the real estate agency activity, the natural person must have good morals and credibility and is not under any form of disqualification or being prevented from practicing the profession following a conviction and not being the subject of a judicial liquidation procedure, and to prove sufficient financial guarantees resulting from a permanent and uninterrupted guarantee designated to guarantee their obligations towards clients and to prove the possession of a higher degree in the legal, commercial, economic, accounting, real estate or technical fields. In the case of a legal person, it must not have been the subject of a judicial liquidation procedure and that the same conditions mentioned for the natural person should be applied to the persons proposed to manage this activity, while those conditions do not apply to shareholders in real estate agency companies (Article 8 of Decree 09-18 and its amendments). Accreditation requests are subject to a security check by the relevant security services (Article 11 of the same Decree)
426. It is not evident that the competent authorities responsible for licensing and registration of DPMS have taken the necessary legal and regulatory measures to prevent criminals and their associates from being professionally accredited or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in companies dealing in precious metals and precious stones.
427. **Criterion 28.4 (c) (partly met):** pursuant to Article 10-bis 2/c of the Law No. 05-01 of 2005 as amended and completed, the supervisors are authorised to take appropriate disciplinary actions against DNFBPs and inform the competent authority of the same. The disciplinary councils of notaries' chambers and the Lawyers' Organization have the power to impose disciplinary measures against notaries and lawyers, ranging from warning, reprimand, dismissal, or final disqualification and temporary arrest with a maximum of one year for lawyers and six months for notaries (Article 19 of the Advocacy Law 13-07 and Article 54 of the Notaries Law 06-02). The Minister of Housing can withdraw the license of the real estate agency temporarily, not exceeding 6 months in the event of partial and unjustified non-implementation of the obligations agreed upon with clients, and failure to respect the rules and norms of the profession, while the Minister can withdraw the license permanently in the event of deliberate and repeated denial of the obligations entrusted to them, and if the conditions for licensing become unavailable, and in the event the activity stopped or was suspended without justification and not reported within a period of 12 months, (Article 37 of Decree 09-18) .
428. Disciplinary measures that could be imposed by supervisory authorities on DPMS were not perceived.

All DNFBPs

429. **Criterion 28.5 (not met):** It has not been found that the supervisory authorities of all DNFBPs have applied a risk-based approach to supervision regarding the compliance of the subject entities with the AML/CFT requirements.
430. **Conclusion and Rating:** gambling is prohibited in Algeria. Lawyers are subject to the supervision of the Bar Council, and the

National Chamber of Notaries monitors notaries under the supervision of the MOJ, and real estate agencies are subject to the supervision of the Ministry of Housing, Urbanism and the City. These bodies have oversight powers to follow up on the compliance of these professions with the AML/CFT requirements and to impose disciplinary penalties when they violate their obligations, but these bodies do not apply targeted risk-based supervision, noting that these professions are subject to satisfactory fit and proper tests. On the other hand, it is not clear what authorities are responsible for monitoring and licensing DPMS and what powers are granted to them to impose disciplinary measures and implement risk-based supervision, in addition to the fit and proper tests applied to them.

431. **For these reasons, Algeria is “Partially Compliant” with Recommendation 28.**

Recommendation 29: Financial Intelligence Units (FIU)

432. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for the previously Recommendation 26 regarding the FIU as “PC”. The deficiencies according to the MER were the non-effectiveness of CTRF, especially in terms of analysing and disseminating STRs, and its inability to request documents and information from any person or entity except the Customs and Tax authorities. CTRF was not authorised to provide any information assistance to any entity except submitting disclosures filed by reporting entities to the regionally competent attorney general when the occurred case is subject to penal prosecution. Moreover, the training and development and the suitable technique to activate the duties of CTRF, and the ambiguity about the legal status of CTRF, and the lack of any periodical reports about any information or statistics on their work. Since then, Algeria adopted many legislative reforms including the Executive Decree No. 22-36 dated 04 January 2022 on the functions, regulation, and workflow of CTRF.

433. **Criterion 29.1 (met):** CTRF in Algeria was established pursuant to the Executive Decree No. 02-127 of 2002, and the CTRF is a national centre for receiving STRs and other information related to money laundering, associated predicate offences and terrorist financing, analyse the same and disseminate the results of such analysis to the competent authorities. The duties of CTRF are stipulated for by Law No. 05-01 and Executive Decree No. 22-36 stating that the STRs received by CTRF are the suspicion reports received by its regulated entities (reporting entities) which relate to funds that are suspected to be proceeds of a crime or directed for ML/TF (Articles 19 and 20 of the Law No. 05-01 and Article 4 of the Executive Decree No. 22-36).

434. Pursuant to Article 15 of the Law 05-01 and Articles 4 and 28 of the Executive Decree No. 22-36, CTRF undertakes the responsibility of analysing and using the information they receive by the reporting entities for identifying the source and destination of the funds. The Procedural Guidelines issued by CTRF defines the operational analysis and procedures of handling the suspicious reports in order to identify the new objectives, targeting priorities, investigation leads and links between entities and persons to come up with theories and conclusions that support the ML/TF suspicion.

Pursuant to Articles 15-bis and 16 of the Law No. 05-01 and Article 4 of the Executive Decree No. 22-36, CTRF is responsible to submit the financial intelligence to the judicial and security authorities when there is an ML/TF suspicion, and to the regionally competent attorney general when the occurred case is subject to penal prosecution. The Procedural Guidelines issued by CTRF identifies the stages of handling suspicious reports once received by CTRF up to disseminating the information to the judicial authorities or LEAs, spontaneously and upon request.

435. **Criterion 29.2 (met):**

a. Pursuant to Articles 19 and 20 of the Law No. 05-01 and Article 4 of the Executive Decree No. 22-36, CTRF serves as a central role for the receipt of disclosures filed by reporting entities as stipulated for by Article 4 of the Law including the FIs and

DNFBPs. Any transaction of funds that is suspected to be a result of proceeds of a crime or seemingly directed for ML and/or TF as required by Recommendations 20 and 23.

- b. The national legislations of Algeria do not stipulate that CTRF receives any other information such as cash transaction reports, wire transfers reports and other threshold-based declarations/disclosures. Therefore, this criterion is considered not applicable.

436. Criterion 29.3 (mostly met):

- a. Pursuant to Article 15 of the Law No. 05-01 and Article 5 of the Executive Decree No. 22-36, CTRF can obtain any additional information, from reporting entities, as needed to perform its analysis properly, and such reporting entities have to respond within reasonable deadlines not exceeding 30 working days. The authorities stated that they took into consideration, when identifying such deadlines, the challenges some entities may face in obtaining the information, especially those operating in a decentralized manner or those operating according to traditional administrative means. However, the evaluation team considered the thirty-days period as a hinder to CTRF's ability to conduct the timely operational analysis because of the long period, especially in urgent or TF-suspicious cases.
- b. Pursuant to Article 15 of the Law 05-01, CTRF can obtain any additional information from competent authorities as needed to perform its duties (these include administrative authorities and those responsible for law enforcement and AML/CFT, including the supervisors as set out in Article 4 of the Law No. 05-01). Pursuant to Article 7 of the Executive Decree No. 22-36, CTRF can sign protocols for exchanging information with competent authorities as stipulated for by Article 4 of the Law No. 05-01. The Procedural Guidelines issued by CTRF allows it to use in its analysis (upon request) the information available for authorities, departments, and LEAs as well as the confidential reports issued by the Tax Authority, BOA and the Inspectorate General of Finance, in addition to other publicly available information.

437. Criterion 29.4 (met):

- a. Pursuant to Article 15 of the Law 05-01 and Articles 4 and 28 of the Executive Decree No. 22-36, CTRF, through the Department of Strategic and Operational Analysis and Investigations, undertakes the analysis of the received information to identify the source and destination of funds. The Procedural Guidelines issued by CTRF defines the operational analysis and procedures of handling the suspicious reports in order to identify the new objectives, targeting priorities, investigation leads and links between entities and persons to come up with theories and conclusions that support the ML/TF suspicion.
- b. The responsibility of the strategic analysis is entrusted with the Department of Strategic and Operational Analysis and Investigations pursuant to Article 28 of the Executive Decree No. 22-36. According to the Procedural Guidelines issued by CTRF, the strategic analysis is a process of developing knowledge of money laundering and terrorist financing and other threats to the safety and security of the financial systems in Algeria. The analysis using data information available to CTRF generates results for important activities, behaviours, and other environments. During the on-site visit, CTRF issued the first strategic analysis based on the confidential notifications and STRs it received in 2021.

- 438. Criterion 29.5 (mostly met):** Pursuant to Article 15 of the Law 05-01 and Articles 4 and 28 of the Executive Decree No. 22-36, CTRF is responsible to submit the financial intelligence to the judicial and security authorities when there is an ML/TF suspicion, and to the regionally competent attorney general when the occurred case is subject to penal prosecution. The Procedural Guidelines issued by CTRF clarifies, in one of the stages of STRs handling (referral and dissemination) that CTRF may disseminate the produced information to the competent judicial authorities or spontaneously or and upon request to the LEAs. Moreover, the terms dissemination, spontaneous dissemination and upon-request dissemination are defined in

line with the requirements of this Criterion. However, it is not clear the channel used by CTRF for this purpose and whether such channels are secure and protected.

439. Criterion 29.6 (mostly met):

- c. Pursuant to Article 15 of the Law 05-01 and Articles 9 of the Executive Decree No. 22-36, the information submitted to CTRF is classified, cannot be used for other than the AML/CFT purposes, and not to be sent to entities and authorities other than those stipulated for by the above Decree. Pursuant to Article 4-bis 1 of the Law No. 05-01, CTRF members and personnel authorised to review the classified information are required to take oath of secrecy before the Judicial Council upon their appointment. Pursuant to Article 21 of the same Executive Decree requires CTRF members and personnel to keep professional secrecy, including towards the authorities they came from as well as the duty of reservation stipulated for by the applicable laws. Pursuant to Article 28 of the same Decree, CTRF will establish a department to collect information with a division responsible for information security. According to the Procedural Guidelines issued by CTRF, the information received through STRs must be entered in its database once received, and upon the completion of processing reports, all related files must be archived. During the on-site visit, CTRF issued an "Information Security Charter" that guarantees information security and confidentiality, including procedures for handling, storage, dissemination, protection of, and access to information. The authorities stated that they are on the final stages of procuring a new information system that contains all the requirements and standards, especially those related to security and confidentiality.
- d. Pursuant to Article 35 of the Executive Decree No. 22-36, CTRF staff members are subject to security investigations (which are considered as security clearances). However, CTRF does not have specific procedures to ensure that staff members understand their responsibilities in handling and disseminating sensitive and confidential information.
- e. CTRF headquarter is secured by well-trained guards (Customs members) and the building is CCTV monitored from outside and inside, as well as that the security cameras are watched in real time. Moreover, CTRF is equipped with firewalls which can protect the IT systems against any unauthorized access to information.

440. Criterion 29.7 (mostly met):

- a. Pursuant to Article 4-bis of the Law No. 05-01 and Article 2 of the Executive Decree No. 22-36, the specialized entity (CTRF) is an independent administrative authority with legal personality and financial independence and affiliated to the Minister of Finance. The Chapter 3 of the same Executive Decree identified the procedures of running CTRF, how to appoint its head and employees, as well as their grades and payrolls, where the head of CTRF is appointed by a presidential decree based on the proposal of the Minister of Finance and continues their work for a period of (5) years, subject to renewal. The functions of CTRF were specified in Article (4) of the executive decree, including receiving and processing suspicious reports, referring them to the security and judicial authorities, and sending the file to the competent PP whenever the facts examined are subject to criminal follow-up. Pursuant to Article 17 of the same Executive Decree, CTRF Council supervises the work of the analysts and how to use and handle the STRs, and investigations reports, and the texts identifying CTRF duties ensure the independency when performing such duties, as Article 18 of the same Executive Decree states that the members of CTRF¹⁶⁹ Council may perform their duties permanently and independently from any structures and authorities there are affiliated to and according to Article 21, they are bound by professional secrecy towards their departments. Also, Article 20 of the

¹⁶⁹ CTRF council consists of its president, two judges from the Supreme Court, a high officer from the National Gendarmerie, a high officer from the General Directorate of Internal Security, a police officer with the rank of brigadier general, a high officer from customs, and a person from the BOA with the rank of director of studies. They are appointed by presidential decree for a period of 5 years, subject to renewal.

same Executive Decree states that the members of CTRF Council are benefited from the state protection against any threats, insults and attacks to which they may be subjected to, because of, or in connection with, performing their duties.

- b. Pursuant to Article 7 of the Executive Decree No. 22-36, CTRF is able to sign protocols of exchanging information with the competent entities as stated in Article 4 of the Law 05-01. The authorities stated that “competent entities” is the same as the “competent authorities” defined by Article 4 of the Law. i.e. the administrative authorities, LEAs and AML/CFT authorities, including the supervisors”. The authorities confirmed that CTRF signed MOUs with the Inspectorate General of Finance and SERC, and a draft MOU with the GDC.

Article 25 of the Law 05-01 and Article 10 of the Executive Decree No. 22-36 allow CTRF to exchange information with foreign counterparts based on reciprocity and not to use such information for purposes other than those stated by the Law. Moreover, CTRF may, in line with the applicable procedures, join the regional and international organisations of FIU.

- c. Article 4 of the Executive Decree No. 22-36 the duties of CTRF which are related basically to AML/CFT, and they are duties different and independent from the functions of the MOF.
- d. Articles 31-34 of the Executive Decree No. 22-36, the Country provides CTRF with all the human and financial resources necessary for its operations, and its budget consists of the subsidies of the state, and donations and entitlements, whereas the head of CTRF, being the main budget officer, prepares the budget and submit the same to the Council for approval. CTRF is run by the head, the Council and the Secretary General and consists of 4 technical sections and 14 divisions. Pursuant to the Executive Decree No. 22-36 and the organisational structure provided by the authorities, the actual number of CTRF personnel was 21 employees in 2022 including the administrative employees (drivers and guards). It is noted that the Department of Analysis and Investigations responsible for operational and strategic analysis has only one analyst and one statistical engineer, and the Department of Documents and Information responsible for information security and protection does not have any employees, which prevent CTRF from carrying out its functions on an individual and routine basis. Upon reviewing CTRF budget, it turned out the size of revenues of 2022 amounted to DZD 110 million (equalling USD 967,900). Such amount goes hand in hand with the actual number of personnel in CTRF.

441. **Criterion 29.8 (met):** CTRF joined the Egmont Group on 03 January 2013.

442. **Conclusion and Rating:** The Algerian authorities worked towards developing the work and duties of CTRF through the Executive Decree No. 22-36 and CTRF Procedural Guidelines. However, CTRF still has simple steps to fully meet the requirements of this Recommendation, since the thirty-days period for reporting entities to respond to CTRF is considered long period. There is no indication whether CTRF uses secure and safe channels for disseminating its analysis to the competent authorities. CTRF lacks the human resources in the Department of Strategic and Operational Analysis and Investigations, and the Department of Documents and Information, which hinders its ability to carry out its functions, on an individual and routine basis.

443. **For these reasons, Algeria is “Largely Compliant” with Recommendation 29.**

Recommendation 30: Responsibilities of Law Enforcement and Investigative Authorities

444. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 27 as “LC” because the lack of explicit text that allows for postponing the arrest of criminals and seizing the assets in TF crimes.

445. **Criterion 30.1 (mostly met):** There is no specific body or authority in Algeria that has ML or TF as its main focus. However,

the judicial police¹⁷⁰ in Algeria have a broad competence to investigate ML/TF. They have the powers to search and investigate the crimes stipulated for by the Penal Code, among which drugs, transnational organised and ML crimes (Articles 389-bis to 389-bis 7) and terrorist crimes (Article 87-bis 4), as well as collect evidence and search for their perpetrators, as long as a judicial investigation has not started yet. The judicial police work under the supervision of the competent judicial council's PP and the management of the Attorney General at the level of the court (Articles 12 and 16 of the Algerian Code of Penal Procedures). Considering that financing terrorism is a terrorist act as per the Order No. 12-02 amended Article 3 of the Law 05-01, the TF crime falls under the powers of the judicial police.

446. **Criterion 30.2 (met):** Pursuant to the analysis of the previous criterion, all LEAs are ipso facto conducting parallel financial investigations through financial investigation specialists. Every statutory authority and every officer or public official who comes to their knowledge, during the exercise of their duties, reports of a felony or misdemeanour (including ML/TF offence and any other offence), to notify the Public Prosecution without delay, and to provide it with all the information and related reports and documents.
447. **Criterion 30.3 (met):** Freezing funds that are proceeds of crime is among the responsibilities of the investigation judge under Article 40-bis 5 of the Code of Penal Procedures. The freezing and seizing of properties and funds that are proceeds of crimes stipulated for by the Anti-Corruption Law No. 06-01 of 2006 are applied upon a court or competent authority order pursuant to Article 51 of the same Law. The responsibility to expeditiously identify, trace, and initiate freezing and seizing of property that is, or may become, subject to confiscation, or is suspected of being proceeds of crime falls within the mandate of the judicial police under the supervision of the investigation judge.
448. **Criterion 30.4 (N/A):** Algeria does not have an authority (which is not LEAs) that is responsible for pursuing financial investigations or has the appropriate powers to exercise the powers and functions under R.30.
449. **Criterion 30.5 (partly met):** the COCC, established by Presidential Decree No. 11-426 of 2011 undertakes the collection of information and evidence and investigation of corruption offences and refer their perpetrators to the competent court (Articles 1 and 5 of the same Decree). Article 51 of the Law No. 06-01 of 2006 on anti-corruption allows, through a court or competent authority order, for freezing or seizing of proceeds and illicit funds resulted from one or more crimes that are mentioned by the Law, including bribery of public officials, embezzlement of property, abuse of influence, illicit enrichment, and ML. Judicial police officers affiliated with the Office perform their duties in accordance with the Algerian Code of Criminal Procedure, and accordingly the provisions of Article 44 of the said law apply to them. As such they cannot identify, trace, initiate freezing and seizing of assets except with a written permission from the PP or the investigative judge.
450. **Conclusion and Rating:** The Code of Penal Procedures in Algeria regulates the investigations procedures in ML and predicate offences. The deficiencies are represented in the absence of powers for the COCC to identify, trace, initiate freezing and seizing of assets, as required by the Criterion 3.5.
451. **For these reasons, Algeria is “Largely Compliant” with Recommendation 30.**

¹⁷⁰ The task of the judicial police is carried out by judges, officers, agents and employees who are legally entrusted with some judicial arrest tasks. The judicial police include various bodies, including the National Gendarmerie, the Directorate General of National Security, the Economic and Financial Prosecution, and the Central Office for Combating Corruption.

Recommendation 31: Powers of Law Enforcement and Investigative Authorities

452. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 28 as “C”.

453. **Criterion 31.1 (mostly met):** the judicial police is responsible for investigating the crimes stipulated for by the Penal Code, among which the drugs, transnational organised crimes, violating the automated data processing systems crimes, money laundering and terrorism crimes (and TF crimes included by Article 3 as amended by the Law No. 05-01), and exchange legislation-related offenses as well as collecting evidence and search for perpetrators. The investigation judge, whether personally or through judicial police officers, conducts all the required investigations.

- a. FIs and DNFBPs are obligated under the provisions of Article 14 of the AML/CFT Law 05-01 to make the records they keep available to the competent authorities. Authorities are authorized to use compulsory powers to enter residential and non-residential premises to examine and obtain records from natural and legal persons (Articles 44, 47, 51, 65 and 74 of the code of criminal procedures and Articles 342 to 348 of the penal code). The definition of competent authorities, according to Article 4 of the said law, includes law enforcement and investigative authorities.
- b. The investigation judge may move to the crime scenes to conduct all necessary examinations and inspections (Article 79 of the Code of Penal Procedures). No provision prevents the investigation judge or any other authority to use measures for the search of persons.
- c. The investigation judge can summon any person when deemed necessary to take their statements, and any summoned person shall have to appear and take the oath as needed to provide their witness statement, failure to appear may result in a maximum fine of DZD 200 to 2000 (equalling USD 14) as per Articles 88, 89 and 97 of the Code of Penal Procedures. Regardless of the fine that is non-dissuasive, the judicial entity may use the public forces to immediately bring any witness who fails to appear when summoned (Article 223 of the same Law).
- d. For the drugs, transnational organised and ML crimes, violating the automated data processing systems crimes, exchange legislation-related offenses, money laundering and terrorism crimes (and TF crimes), the examination and inspection may be conducted at residential or non-residential premises based on prior permission by the competent attorney general. Moreover, the examination and inspection may be conducted in all crimes that aim to incite minors to immorality and prostitution (Article 74 of the Code of Penal Procedures and Articles 342 to 348 of the Penal Code). Articles 44, 47, 51 and 65 of the Code of Criminal Procedures permit the search and seizure in all predicate offences when they are related or committed with the motive to launder money.

454. **Criterion 31.2 (mostly met):** Algerian LEAs can use investigative techniques for the investigation of money laundering and some associated predicate offences (drugs, transnational organised and ML crimes, violating the automated data processing systems crimes, exchange legislation-related offenses and corruption crimes). The remaining ML associated predicate offences, such as murder, fraud, scam, theft, human trafficking and arms trafficking are covered when they are committed by organized crime or when they are committed with the motive to launder money.

455. **Criterion 31.2 (a) (mostly met):** when the examination or investigation is necessary for some dangerous offences (see crimes above), the Attorney General or investigation judge allows the judicial police officers to start the undercover operation, which means to monitor the suspects in offences or misdemeanours by deluding them of being active partners in the operation by using fake IDs (Article 65-bis 11 as added to Article 65-bis 5 of the Code of Penal Procedures). According to the above analysis, all predicate offences are covered when they are committed in the context of organized crime or when committed with the motive to launder money.

456. **Criterion 31.2 (b) (mostly met):** when the investigation is necessary for suspected offence or initial investigation in some dangerous crimes (see crimes above), the competent attorney general may authorise the interception of communications through wire and wireless means, and to install technological arrangements to catch, adjust, transmit and record spoken statements, privately or secretly, by one or more persons in private or public spaces, or take photos for one or more persons who are in a private place (Article 65-bis 5 of the Code of Penal Procedures). This includes all crimes as per the above analysis when committed with the motive to launder money.
457. **Criterion 31.2 (c) (met):** Article 56 of Law No. 06-01 of 2006 on anti-corruption allows for using special investigation techniques such as electronic surveillance and penetration as appropriate and with the permission of the competent court. With the permission of the competent judicial authority, judicial police officers may enter for inspection, even remotely, an information system as well as the data stored in it, during investigations, judicial investigations, and other cases (Articles 4 and 5 of Law No. 09/04 of 2009 on the special rules for the prevention of crimes related to information and communication technologies).
458. **Criterion 31.2 (d) (mostly met):** Article 56 of Law No. 06-01 of 2006 on the anti-corruption and article 40 of law on fighting smuggling allow for using controlled delivery to investigate acts of smuggling illegal or suspicious goods (including drug trafficking) as authorised by the competent court. Controlled delivery can also be applied within the framework of bilateral or multilateral arrangements ratified by Algeria, among them the agreement concluded between Algeria and Italy in which it is stated that controlled delivery can be resorted to in the fight against illegal drug trafficking. The absence of a provision permitting the use of controlled delivery¹⁷¹ in all crimes should not largely affect compliance with this criterion, as controlled delivery is mainly used in combating smuggling.
459. **Criterion 31.3 (met)**
460. **Criterion 31.1 (a) (met):** Algeria has in place a mechanism that allows the competent and investigative authorities to identify, in timely manner, through the Directorate General of Taxes, the bank and postal accounts held or controlled by all natural and legal persons, as per the provisions of Article 51 and subsequent articles (51 bis, bis1 and bis 2) of the tax law.
461. **Criterion 31.3 (b) (met):** The legislative measures taken by Algeria allow competent authorities to identify assets without prior notification to the owner, in accordance with Article 11 of the Code of Penal Procedures. This Article stipulates that the investigation and examination procedures are confidential, and each person who participates in such procedures is obliged to keep the professional secrecy, subject to penalties stipulated by Article 301 of the Penal Code which states a penalty of imprisonment from one to six months and a fine of up to USD 35. This also includes competent authorities who possess information on the assets to be identified and whose officers are obliged to keep secrets that they come to know while performing their duties.
462. **Criterion 31.4 (partly met):** LEAs do not have the legislative or regulatory basis to request relevant information from the CTRF. The latter can provide this information on its own motion, but no corresponding power exist for LEAs to make requests.
463. **Conclusion and Rating:** LEAs and investigative authorities have powers to use compulsory measures in all crimes when committed in the context of organized crime or when committed with the motive to launder money, as well as to use special investigative techniques in most serious crimes. The absence of any provisions allowing LEAs to request information from the CTRF should not largely affect compliance with Rec. 31, due to the authorities' ability to use most of the powers required

¹⁷¹ The definition under Article 40 corresponds to the definition under the Vienna and Palermo Conventions.

under this recommendation.

464. For these reasons, Algeria is “Largely Compliant” with Recommendation 31.

Recommendation 32: Cash Couriers

465. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 9 as “NC” because the current declaration system is not compliant with the AML/CFT targets, and the current declaration system does not include the authority to ask for the origin of the currency and the weak co-operation between the GDC and CTRF and other local authorities. Moreover, the international co-operation does not include AML/CFT and the lack of any AML/CFT procedures regarding gold and precious metals and stones.

466. **Criterion 32.1 (mostly met):** the system applied in Algeria is the declaration system. It applies to foreign currency only, since all travellers, inbound and outbound, are required to declare to the GDC when carrying an amount equal to or greater than the equivalent of € 1,000 of foreign currency and/or other bearer negotiable instruments (BNIs). As for the restrictions on the transportation of currency, travellers, whether residents or non-residents, departing Algeria may carry an amount exceeding the equivalent of € 7,500 after obtaining a prior approval from the BOA (Articles 3 and 5 of the BOA Regulation No. 02-16 of 2016). Resident travellers are also entitled to carry Algerian banknotes within the amount of DZD 10000 (BOA Circular No. 04-2016). Thus, the declaration system does not apply to the Algerian local currency, and its impact is limited on the rating of this criterion, because the Dinar cannot be used outside the national territory and because of the restrictions imposed on amounts exceeding 10,000 Dinars.

467. Any person who provides false statement (false declaration or failure to observe the declaration requirements) or failure to obtain the required permits is sanctioned by imprisonment between 2 years to 7 years and a fine equalling twice the amount subject of the violation or the attempted violation, as well as the confiscation of the value subject of the crime and the methods used therein (Article 2 of the Order No. 03-10 of 2010 amending and supplementing Order No.96-22 of 1996 on suppressing the violation of the legislation and regulation of exchange and the incoming and outgoing movement of capital)

468. Article 198-bis of the Law No. 17-04 of 2017 requires all travellers to declare to the GDC when transporting any hard currency equalling or exceeding the threshold specified in the regulation and legislation in force. Transportation means the possession of a natural person, whether with them or in their luggage or vehicle, or through shipping or mail. The mandatory declaration includes bank notes, cash, payment bearer instruments, commercial instruments and other BNIs. The definition of commercial instruments is specified in section four of the Commercial Law. The modalities of application of the provisions of this article shall be determined, when necessary, by a decision issued by the Minister of Finance.

469. **Criterion 32.2 (not met)**

470. The threshold of (1000 euros) set by BOA regulation still applies to all travellers, if no decision has been issued by the Minister of Finance that sets the maximum threshold for the amounts to be declared in implementation for Article No. 198-bis of the Law No. 17-04 of 2017. There are no provisions clarifying the type of declaration system in Algeria as required by this Criterion (written or oral declaration).

471. **Criterion 32.3 (N/A):** Algeria opts for declaration not disclosure system.

472. **Criterion 32.4 (met):** The GDC has the authority to request and obtain from natural and legal persons (directly or indirectly) all types of documents related to the transaction of interest to them, such as invoices, books and records. These records help them verify the source and destination of the funds transported across the border, on entry or exit, in all cases including upon

discovery of a false declaration (Article 48 of the Customs Law).

473. **Criterion 32.5 (met)**: Article (2) of Order No. 03-10 of 2010 allows the application of a prison sentence (from 2 to 7 years) and a fine equalling twice the value of the subject of the crime in the event of a false declaration. This includes currencies and BNIs as stipulated in Article 198 bis of the Customs Law, as the obligation to declare also applies to bank notes, coins and all bearer means of payments and commercial papers.
474. **Criterion 32.6 (partly met)**: The GDC, under Article 21 of the Law No. 05-01, are required to directly send a secret report to CTRF once they discover, during the course of their duties, funds suspected to be proceeds of a crime or directed for ML/TF purposes. However, this requirement does not extend to cover all declarations obtained by the GDC under the declaration system applicable in Algeria.
475. **Criterion 32.7 (met)**: Article 50 bis 3 of the Customs Law allows the GDC to conclude agreements to support the exchange of information with the national authorities to prevent ML/TF, smuggling, commercial fraud, and tax evasion. In light of that, 9 cooperation agreements were concluded, including an agreement with the GDNS; this agreement contributed to the implementation of the requirements of Rec. 32 (see IO 8).
476. **Criterion 32.8 (not met)**: there are many regulations that allow the GDC to restrain goods or things, including Order No. 96-22 of 1996 about the on the suppression of violating the legislation and regulation related to money exchange and capital movement from/to abroad and Law No. 17-04 of 2017 amending and completing Law No. 79-07 of 1979 on Customs law. However, there is no evidence that the GDC has under legal text any authority to stop or restrain currency or BNIs to ascertain whether evidence of ML/TF may be found under the two cases of this Criterion.
477. **Criterion 32.9 (not met)**: there is no evidence that the GDC is keeping the data (the data of declarations that are exceeding the prescribed threshold, relating to false declaration, or having an ML/TF suspicion) by any means that allow for international co-operation and assistance.
478. **Criterion 32.10 (party met)**: The GDC's employees are bound by professional secrecy under the provisions of Law No. 07-18 of 2018, the Customs Law (Article 16 bis 9 and Article 4 bis) and Order No. 03-06 of 2006 related to the General Basic Law of Public Service and Executive Decree No. 286-10 of 2010 that includes the basic law of Customs employees. The Algerian legislations, especially the Order No. 96-22 of 1996 on the suppression of violating the legislation and regulation related to money exchange and capital movement from/to abroad, restrict the trade payments and the freedom of capital movements, and there is no evidence that suggests otherwise.
479. **Criterion 32.11 (Largely met)**
480. **Criterion 32.11 (a) (Largely met)**: under the definition of money laundering under Article 2 of the Law No. 05.01 on AML/CFT, the transportation and possession acts represent a criminal act as explicitly stated by the text according to Article 389-bis 1 of the Law No. 04-15 of 2004 which states criminal penalties for ML offence including imprisonment from 5 to 10 years and a fine of DZD 1 to 3 million (equalling USD 7,000 to 21,000). If the funds are proven to be TF-directed, the provisions of Article 87-bis 4 of the Penal Code shall apply, whereby a penalty of temporary imprisonment of 5 to 10 years and a fine of DZD 100,000 to 500,000 (equalling USD 789 to 3945) are imposed. The criminal sanctions, but not the fines, are considered proportionate and dissuasive.
481. The transactions that are suspected to be proceeds of a crime or seem directed for ML/TF are available under Article 21 of the Law No. 05-01 from the GDC to CTRF, however, the definition of funds under Article 4 of the Law No. 05-01 has some deficiencies since it does not include the domestic currency, which may restrict the follow up on ML/TF offences.

482. **Criterion 32.11 (b) (met):** Article 389-bis 4 of the Penal Code allows for confiscation of ML-subject assets including the revenues and other interest, and in case of a conviction for the terrorist financing, the provisions of Article 15-bis 1 of the Penal Code state that the assets used or intended to be used in committing crimes or were proceeds of a crime should be confiscated.
483. **Conclusion and Rating:** Algeria applies a declaration system for incoming and outgoing cross-border transportation of currency and BNLs, when exceeding the equivalent value of EUR 1000. The type of the applicable declaration system (whether written or oral) was not perceived. Moreover, the GDC does not have the authority to stop or restrain the currency and BNLs to ascertain whether evidence of ML/TF may be found.
484. The GDC is obligated to directly inform CTRF upon the discovery of any funds or transactions that are suspected to be proceeds of crimes or seemed to be directed for ML/TF. However, such an obligation does not include all declarations received by the GDC. There is no evidence that the GDC is keeping the data of declarations by any means that allow for international co-operation and assistance.
485. **For these reasons, Algeria is “Partially Compliant” with Recommendation 32.**

Recommendation 33: Statistics

486. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for the previously Recommendation 32: Statistics as “NC”. The deficiencies were the lack of a constant review for the country’s effectiveness in terms of AML/CFT, the absence of any statistics about the ML/TF investigations and prosecutions, value and number of cases of the frozen, confiscated and seized assets related to criminal proceeds, as well as the number of the sent or received domestic international cooperation requests in relation to AML/CFT and the absence of any statistics about information exchange with the related local and foreign authorities.
487. **Criterion 33.1 (a) (met):** pursuant to Article 28 of the Executive Decree No. 22-36 on the functions, organization and workflow of the FIU, CTRF contains 4 technical divisions, one of which is the Documents and Information Systems Division responsible for collecting information and creating databanks for information necessary for CTRF work. Since the said article came in general form, it was found that CTRF is keeping in practice statistics on STRs received and disseminated (see IO 6).
488. **Criterion 33.1 (b) (met):** pursuant to Article 2 of the Executive Decree No. 04-333 on the organization of the central administration of the MOJ, the Sub-Division for Statistics and Analysis is responsible for collecting the information and statistics related to the judicial and non-judicial activities, producing the statistic information, analyze the data related to the processes of judicial entities and all types of crimes and preparing all reports, outcomes, study and summary for the statistical data. Even though there is no explicit text that obligates the said sub-division to keep statistics on the investigations, prosecutions and convictions related to ML/TF offences in a centralized and collective manner, this sub-division maintains an application that includes the numbers of ML/TF investigations prosecutions and convictions.
489. **Criterion 33.1 (c) (met):** The MOJ has developed an application that is fed with all information related to money and property seized and confiscated domestically and abroad.
490. **Criterion 33.1 (d) (met):** under the Executive Decree No. 04-333 of 2004, the central administration of the MOJ contains five departments, including the Department of Legal and Judicial Affairs which includes many divisions and sub-divisions, including the Sub-Division of the Specialized Criminal Justice. This Sub-Division includes the International Cooperation Office which is equipped with an electronic application that contains all international cooperation requests made and

received by the Algerian judicial authorities under the international cooperation system, including the AML/CFT requests.

491. **Conclusion and Rating:** Algeria has met all the requirements of R. 33.

492. **For these reasons, Algeria is “Compliant” with Recommendation 33.**

Recommendation 34: Guidance and Feedback

493. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 25: Guidance and Feedback as “NC”, because there was insufficient feedback for the reporting entities about the STRs, expect receiving the suspicion notification. Moreover, there was no guidelines, especially for FIs and DNFBPs to ensure the effectiveness of AML/CFT measures, or best practices and suspicious transactions patterns for FIs and DNFBPs or any other guidelines.

494. **Criterion 34.1 (partly met):**

495. **Supervisors for financial institutions:** Article 10-bis of the Law No. 05-01 states that the authorities that have the powers of supervising and monitoring are responsible for issuing AML/CFT regulations and assisting the supervised entities to observe their duties under this Law. Based on such Article, the BOA¹⁷² issued guidelines for CDD measures/ 2015, guidelines for freezing and confiscating of property in terms of AML/CFT/ 2015, and guidelines for e-transfers/ 2015. In turn, the SERC issued guidelines for the CDD/ 2015.

496. **DNFBPs:** CTRF¹⁷³ issued its guidelines for CDD measures for the customers of DNFBPs and some FIs that are not supervised by the BOA /2015 and guidelines for implementing targeted financial sanctions related to terrorism and terrorist financing/2015.

497. The regulations and guidelines issued by the BOA, SERC and CTRF instructions for FIs and DNFBPs about how to know clients, update their data and classify them based on risks and classification criteria, in addition to instructions about the enhances CDD measures, the obligation to notify CTRF as well as instructions about the money transfer transactions (Recommendation 16) and how to apply targeted financial sanctions against terrorism and terrorist financing (Recommendation 6).

498. There are no instructions to the reporting (supervised) entities about the ML/TF trends, patterns and methods, or any instructions about the suspicion to help the reporting entities to detect and report suspicious transactions. The Country stated that the supervisors and CTRF conducted awareness campaigns to enhance the supervised entities’ understanding about their obligations to apply the AML/CFT national standards, especially the detection and reporting of suspicious transactions. However, it is not evident that these efforts enhanced the understanding of the supervised entities of their obligations, especially in terms of detecting and reporting suspicious transactions and that some entities do not have supervising powers to follow up on them (see Recommendation 28).

499. **The FIU:** CTRF stated that they regularly provide feedback for the reporting entities, through directly call the compliance officers at different FIs, as well as instructions about the trends, patterns, and indicators about ML/TF suspicion through workshops assisted by the EU, in which case studies are circulated. However, the regularity of such workshops and meetings as well as their effects on the ability of the reporting entities to detect and report the suspicious transactions were not evident.

¹⁷²The regulations of the Monetary and Loan Council and guidelines of the BOA in AML/CFT field are applied for bank, FIs, Algeria financial post office and exchange houses supervised by the Banking Committee.

¹⁷³ Article 10-bis 5 of the Law No. 05-01 states that the guidelines issued by the competent authority (CTRF) shall apply to the supervised entities that are not included in Article 10-bis 3, and in particular DNFBPs and Insurance companies.

500. **Conclusion and Rating:** despite the efforts exerted by the supervisors and CTRF, in terms of issuing guidelines for the supervised entities, such efforts remain limited because of the absence of any guidance to the supervised entities on the used patterns and methods and red flags to assist them in detecting and reporting suspicious transactions as well as the non-clarity of the feedback provided by CTRF.

501. **For these reasons, Algeria is “Partially Compliant” with Recommendation 34.**

Recommendation 35: Sanctions

502. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 17: Sanctions as “NC”. The deficiencies were not assigning an authority to impose sanctions against brokerage companies, movables stock exchange and insurance companies, and that the sanctions did not cover all the AML/CFT violations such as CDD measures and bookkeeping, considering that these obligations do not apply by law over insurance and brokerage companies. Additionally, the sanctions applied under Law No. 05-01 were not wide and proportionate with the severity of the violations, whereas disciplinary and financial penalties or license suspension and cancellation could be imposed, except for the sanctions stated in the Monetary and Loan Law. Moreover, no sanction was imposed against violating the AML/CFT requirements.

503. **Criterion 35.1 (partly met):**

Targeted Financial Sanctions / Recommendation 6:

504. There is no explicit and clear provision in the Law No. 05-01 that allows for imposing sanctions against natural and legal persons who fail to comply with the requirements of the Recommendation 6. Nevertheless, the sanctions stipulated by Article 34 may be imposed against natural and legal persons who deliberately and repeatedly violate the guidelines issued by the competent authorities under Article 10-bis. Except the DNFBPs and insurance companies that are obligated to follow the guidelines issued by CTRF about how to impose ML/TF targeted financial sanctions, the sanctions against banks, FIs, Algeria financial post office and Exchange Offices may not be imposed for the absence of any guidelines issued by the Governor of the BOA regarding the targeted financial sanctions. Although Article 34 allows for imposing a financial fine without imprisonment, but the condition of repetition may prevent imposing such fine when committing the crime for the first time (see the preventive measures below).

Non-Profit Organizations (NPOs)/ Recommendation 8:

505. The Law No. 12-06 of 2012 about associations include some available sanctions against the associations that fail to comply with the requirements of the Recommendation 8, whereas Article 40 of the same Law allows for suspending the activity of the association for not more than 6 months for their failure to elect executive body, to inform the authorities about the amendments to their AOA and executive body, to provide copies of the meetings agendas and annual financial reports, to obtain prior approval for foreign finance or to comply with the requirements of declaration and registration. The activity of the association may be suspended or permanently cancelled when using aids, assistance, and contributions for purposes other than those permitted by the Law (Article 37). Article 20 allows for imposing a fine of DZD 2,000 to 5,000 (equaling USD 16-40) if the association refused to deliver the amendments of their AOA, executive body, meetings agendas or annual financial reports. Article 43 allows for dissolving the association if practicing an activity not within the scope of their AOA, accepting foreign finance without prior approval or suspending their activities. Also, Article 46 allows for imposing imprisonment from 3 to 6 months and a fine of DZD 100,000 to 300,000 (equaling USD 789 to 2367) against each member

or manager who continues to act on behalf of any association that is not registered or approved or has been suspended or dissolved.

506. Beside the criminal and administrative sanctions mentioned above including the imprisonment for up to 6 months as well as the suspension or cancelling the activity of the association, the available financial penalties under Article 20 of the Association Law are not dissuasive.

Preventive Measures/Recommendations 9-23

507. The Law No. 05-01 contain a number of available sanctions under Articles 32-34 against natural and legal persons who fail to comply with the requirements of the preventive measures, whereas each regulated person who deliberately and knowingly refrain to report of suspicious transaction (R. 20) shall be fined of DZD 1 to 10 million (equaling USD 7890 to 78,900) and may be subjected to disciplinary penalty (Article 32). It is noticed that this Article applies only against regulated persons and does not include the natural persons. Also, the sanctions allowed by the said Article are not proportionate with the committed violation.

508. Under Article 33, the FIs and regulated entities directors and managers are subject to a fine of DZD 2 to 20 million (equaling USD 15,780 to 157,800) with a chance to be subject to disciplinary penalty when deliberately violate the requirements of Recommendation 21. It is noticed that this Article applies only against regulated persons and does not include the natural persons i.e. the FIs directors and managers, and there are no similar provisions for DNFBPs directors and managers.

509. Article 34 of the Law No. 05-01 include the available sanctions against violating Article 7, 8, 9 and 10, all of which are related to the due diligence requirements (Recommendation 10), and Article 10-bis 1 about the internal control requirements (Recommendation 18) and Article 14 about some requirements of bookkeeping (Recommendation 11). Violating Articles 10-bis and 10-bis 2 about the regulations and guidelines issued by the supervisors and regulators and directed to the regulated entities for AML/CFT including the requirements of regulations and guidelines related to some requirements of the Recommendations 9-23, except for Recommendation 15, whereas the FIs and DNFBPs directors and managers, when violating the preventing measures, shall be fined of DZD 500,000 to 10 million (equaling USD 3,945 to 78,900, and if the violator is a natural person, the fine becomes DZD 10 to 50 million (equaling USD 78,900 to 394,500). It is noticed that the possible penalty, especially against natural persons, is not proportionated or dissuasive in all cases. Moreover, Article 34 cannot be imposed only after the repetition of the violation.

510. The supervisors and regulators have the authority to impose administrative penalties against regulated entities when violating the preventive measures. Under Article 114 of the Order No. 03-11 regarding money and credit, the Banking Committee can impose several administrative penalties against banks and financial institutions ranging from warning to license cancellation and dissolve, as well as financial penalty equals at least the minimum capital that the bank or the financial institution may provide. For the Exchange Offices and Algeria Post Office, Article 25 of the Order No. 12-03 on AML/CFT states that their disciplinary measures are taken by the competent authorities. Such competent authorities or available penalties are not clear. Based on Article 55 of the Legislative Decree No. 93-15 on value stock exchange, the available penalties against legal persons practicing one of the brokerage activities in the stock exchange, ranging from warning to license cancellation and dissolve, as well as financial penalty of DZD 10 million (equaling USD 78,900). The insurance companies are subject to the penalties stated in Article 241 of the Law No. 06-04 on insurances as mended and completed, including financial penalties (not defined by the Law), and temporary suspension of one or more directors with or without appointing a temporary administration agent and full or partial withdrawal of the approval (see Criterion 27.4).

511. The available administrative penalties against DNFBPs (see Criterion 28.4 (c)) or the existence of supervisors assigned to monitor the DNFBPs (see Recommendation 28) were not clear.
512. **Criterion 35.2 (partly met):** Article 32 of the Law No. 05-01 about the available penalties for violating the requirement of reporting the suspicion cannot be applied to directors and higher management and is limited to the regulated entity only. Articles 33 and 34 of the same Law on violating some of the requirements of Rec(s) 10, 11, 18 and 21, regulations and guidelines, and on some of the preventive measures' requirements excluding Rec 15, state the possibility of imposing penalties against (directors and managers) including directors and higher management, but these penalties are dissuasive to some extent only. The penalties of Article 33 do not include directors and managers of DNFBPs, and Article 34 requires repetition to impose the penalties mentioned therein (see Criterion 35.1 above).
513. The Banking Committee, under Article 114 of the Order 03-11 on monetary and loan, has the authority to temporarily suspend one or more manager and terminate one or more of them with the authority to appoint a temporary administrator. Also, the ISC has the authority to temporarily suspend one or more manager under Article 241 of the Law No. 06-04 on insurances as amended and completed. The SERC may also suspend the work of brokerage company managers or employees or any of them for a period of 6 months to 3 years if it is proven that they are responsible for the error or violation under Article (17) of the Commission's Regulation No. (15-01). There are no similar articles that grant the authority of imposing penalties against directors and senior management to the supervisors of Exchange Offices and DNFBPs sectors.
514. **Conclusion and Rating:** The Algerian legislations ensure penal and administrative sanctions against persons who fail to comply with the requirements of the Recommendation 6 and some of the requirements of Recommendations 8 to 23 except Recommendation 15. However, most of these sanctions are not considered proportionate and dissuasive in all cases, and some of which require the element of repetition, and cannot be imposed against the first-time violation, or in relation to the failure of complying with the requirements of the Recommendation 6 on the part of FIs and DNFBPs. There is no indication that there are administrative penalties against DNFBPs, Algeria Post Office and Exchange Offices.
515. **For these reasons, Algeria is "Partially Compliant" with Recommendation 35.**

Recommendation 36: International Instruments

516. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the previously Recommendation 35 as "PC", because the United Nations Convention against Terrorist Financing and Palermo Convention are not fully implemented.
517. **Criterion 36.1 (met):** Algeria ratified the relevant Conventions as follows:

International Instruments	Signed	Ratification
The Vienna Convention	20 Dec 1988	9 May 1995
The Palermo Convention	12 Dec 2000	7 Oct 2002
The Merida Convention	9 Dec 2003	24 Aug 2004
The TF Convention	18 Jan 2000	8 Nov 2001

518. **Criterion 36.2 (partly met):** The Criterion requires countries to fully implement certain relevant articles of the Vienna Convention (Articles 3-11, 15, 17 and 19), the Palermo Convention (Articles 5-7, 10-16, 18-20, 24-27, 29-31 and 34), and the Merida Convention (Articles 14-17, 23-24, 26-31, 38, 40, 43-44, 46, 48, 50-55, 57-58) and the Convention against Terrorist financing (Articles 2-18).
519. Although the Algeria laws (Law No. 04-18 on the prevention of narcotic drugs and psychotropic substances, Law No. 06-01 Anti-money laundering and counter-terrorist financing measures in the People's Democratic Republic of Algeria – © MENAFATF|2023

on anti-corruption, Law No. 05-01 on AML/CFT and Penal Code, and in particular Article 177 that criminalizes the participation in organised criminal groups) cover some of the articles of the mentioned conventions, especially criminalizing the possession, purchase and selling drugs, participating in criminal groups, financing terrorism, bribing public officers, and embezzlement of property and abuse of power by a public official, some articles should be added to these laws to fully implement such conventions, including Articles 4-10 and 15 of Vienna Convention (including expediting extradition procedures), Articles 11-15, 25-26 and 29-30 of Palermo Convention (including disposal of confiscated proceeds of crime or property, and the establishment of joint investigation bodies), Articles 27-30 and 51-54 of Merida Convention (including detection of proceeds of crime by providing guidance to FIs on the types of legal person to whose accounts enhanced scrutiny is expected to apply) and Articles 3-16 of the Convention against financing terrorism (including establishing mechanisms whereby confiscated funds are utilized to compensate the victims of offences referred to in this convention, or conclude agreements on sharing with other states funds derived from the forfeitures).

520. **Conclusion and Rating:** Algeria ratified the international conventions mentioned in Criterion 36.1. The implementation of all the Conventions is not full since not all the related articles of these Conventions are included within the Algerian laws, especially in terms of expediting extradition procedures as required by Vienna Convention.

521. **For these reasons, Algeria is “Partially Compliant” with Recommendation 36.**

Recommendation 37: Mutual Legal Assistance

522. In the 1st Round of Mutual Evaluation (ME), Algeria was evaluated for the previously Recommendation 36 as “LC”, because of the ambiguity about the possibility of some conflict in the scope of powers and the lack of any evidence that the mutual legal assistance (MLA) is provided for identifying, freezing, seizing or confiscating assets that intended to be used in terrorist financing, as well as the instrumentalities used in committing an offence. Moreover, Algeria was evaluated as “PC” Recommendation 5 because all the factors mentioned in Recommendations 36, 37 and 38, and the non-criminalizing of the terrorist financing act, which may affect the compliance.

523. **Criterion 37.1 (mostly met):** Algeria ratified and is a party to several international, regional, and bilateral Conventions and agreements (about 71 agreements, including the Riyadh Agreement for Arab Judicial Cooperation in 5/2001) and allow judicial cooperation in predicate offences.

524. Article 29 of the AML/CFT Law states that the mutual assistance takes place between the Algerian and foreign judicial authorities during the ML/TF investigations, prosecutions, and proceedings, and not the ML associated predicate offences.

525. Article 30 of the same Law states that the legal assistance can include the requests for investigations, letters rogatory and extradition under the Law, as well as the search, freeze, seizure and confiscation of laundered funds of those directed for money laundering, their results, the funds used or to be used in terrorist financing and the instrumentalities used in such offences, and not the ML associated predicate offences. The legal framework does not prevent a rapid response. The AT arrived at this conclusion given that Algeria was, in practice, able to provide timely legal assistance for incoming MLA requests.

526. **Criterion 37.2 (met):** pursuant to Article 2 of the Executive Decree No. 04-333, the central administration of the MOJ includes many departments and divisions, such as the Department of Criminal Affairs and Amnesty Procedures consisting of 4 sub-divisions, one of which is the Sub-Division of the Specialized Criminal Justice which is responsible for sending international letters rogatory in the field of criminal justice, following up with and notifying judicial and non-judicial

contracts received or sent abroad. This Sub-Division has procedures for arranging requests based on priority, and this mainly depends on the incoming request and the extent of urgency by the requesting country and according to what the request includes. It has also a case management system to monitor the progress on requests.

527. **Criterion 37.3 (met):** The provision of MLA is not subject to any conditions that would restrict the provision of such assistance, based on the signing of Algeria on the Riyadh Arab Agreement for Judicial Cooperation on 5/2001. As well as what was stipulated in the various bilateral agreements and those signed by Algeria that the request for rogatory letters can be rejected only if one of the two countries, the parties to the agreement, considers that responding to the request would prejudice its sovereignty, security, public order or the fundamental principles of its legal system (Article 11 of the Cooperation Agreement between Algeria and Egypt) and (Article 7 of the Cooperation Agreement between Algeria and Jordan).
528. **Criterion 37.4 (met):** There are no legal provisions that prevent the execution of MLA on the grounds that the offence involves fiscal matters, or on grounds of secrecy and confidentiality requirements on FIs and DNFBBs. Noting that banking secrecy does not apply to judicial authorities when operating in a criminal procedure (Article 117 of Order No. 03-11 of 2003).
529. **Criterion 37.5 (met):** Article 11 of the Code of Penal Procedures states that the inquiry and investigation procedures are confidential. This extends to include MLA requests, as they are entrusted to the investigative judge or to judicial police officers (under the supervision of the PP) for their implementation. When implementing them, the provisions of Article 11 apply to them, unless Algeria is requested to take an additional measure in line with the laws of the requesting country.
530. **Criterion 37.6 (not met):** Algeria stated that their laws required dual criminality, but this principle is not considered in its narrow meaning, but the facts contained in the MLA request can consider other adaptations criminalized under the Algerian laws, which is not necessarily identical to the description given by the foreign authorities for the facts. There are some exceptions such as the agreement signed with a European country that allows for executing the assistance requests in case the dual criminality is absent. Even in the presence of exceptions, dual criminality is a condition for rendering assistance even where MLA requests do not involve coercive actions.
531. **Criterion 37.7 (mostly met):** Algeria stated that their laws require dual criminality to provide MLA. Upon reviewing a sample of the bilateral agreements signed by Algeria, it was found that assistance may be rejected if the respective action does not constitute a crime according to the law of the requested country (Article 2(b) of the Cooperation Agreement between Algeria and Italy) and Article 5-1-b of the Cooperation Agreement between Algeria and South Africa, which state that the cooperation may be rejected if the request relates to actions that are not considered a crime if they are committed within the jurisdiction of the judicial authorities of the requested country, which is equivalent to the required principle of dual criminality. The AML/CFT Law contains a text about the MLA in ML/TF related cases without mentioning dual criminality as a condition to provide MLA. The minor gaps identified in R.3 have a cascading effect on this criterion.
532. **Criterion 37.8 (met):** there are no provisions in the laws that prevent judicial authorities to use powers and investigative techniques that are required under Recommendation 31 in response to requests for MLA made by foreign judicial or LEAs.
533. **Conclusion and Rating:** The fact that dual criminality is a condition for providing MLA even in cases where requests do not involve coercive actions is a deficiency that has a minor effect on the overall rating.
534. **For these reasons, Algeria is “Largely Compliant” with Recommendation 37.**

Recommendation 38: Mutual Legal Assistance: Freezing and Confiscation

535. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the Recommendation 38 as “PC”, because the absence of any laws or procedures appropriate for expeditious and effective response to MLA requests by foreign countries to identify, freeze, seize or confiscate properties used or to be used in terrorist financing, as well as the instrumentalities intended for use in terrorist financing, and the lack of any laws that allow for confiscating property of corresponding value against terrorist financing, as well as not considering the possibility of establishing a fund, in which all or part of the confiscated properties are deposited to be used for LEAs purposes or for education, healthcare or any other suitable cause. Also, not considering the allowance of share confiscated property with other countries when confiscation is directly or indirectly a result of co-ordinated law enforcement actions. Since the criminalizing of money laundering act is not enough, the compliance is affected.
536. **Criterion 38.1 (met)**: Article 30 of the Law No. 05-01 on AML/CFT stipulates that judicial assistance may contain requests for investigations, international judicial requests, as well as the search, freeze, seizure, and confiscation of laundered funds or those directed for money laundering, their results, the funds used or to be used in terrorist financing and the instrumentalities used in such offences, and any property of corresponding value. Article 18 bis of Law No. 05-01 allows the freezing and seizure of funds and the proceeds owned or directed to a terrorist person or terrorist organization. Also, Article 15-bis 1 of the Penal Code states that in case of a conviction of an offence, the court orders to seize all the properties used or are intended to be used in committing the crime, resulted therefrom or gifts and other interests that are used to pay for the perpetrator. The term “properties” came in a general form, so that it may cover the instruments used or intended to be used in ML, predicate offenses, or TF. No text would prevent the authorities from taking quick actions, and the practical application confirms the foregoing (see IO 2).
537. **Criterion 38.2 (met)**: Article 389-bis 4 of the Algerian Penal Code states that: “the competent judicial authority may order to confiscate property when the laundering perpetrator/s are unknown”. Also, Article 18-bis of the Law No. 05-01 on AML/CFT states that the Court of Algeria’s attorney general receives the requests sent from other countries under international cooperation aiming to freeze and/or seize the properties or their proceeds that belong or directed to a terrorist person or group and connected to the offences stipulated for by this Law. Since non-conviction-based confiscation is allowed when the perpetrator is unknown, and what is allowed domestically should be also allowed at the request of a foreign country, especially that there are no provisions that limit the application of non-conviction-based confiscation only domestically.
538. **Criterion 38.3 (Largely met)**
539. **Criterion 38.3 (a) (met)**: Article 154 of the Algerian Constitution indicates that the international agreements supersede the local law and a MLA agreement between Algeria and another country states that the request may include the execution of requests for search, seize and identify the location of the criminal proceeds and the ability to freeze, seize, confiscate or dispose the same, as well as to cooperate in the request-related procedures.
540. **Criterion 38.3 (b) (partly met)**: there is no evidence that Algeria has mechanisms for managing, and when necessary, disposing of, property frozen, seized, or confiscated. As for the properties in the form of legal persons subject to seizure and /or freezing measures, a judicial administrator is appointed to manage them and prevent disruption of their work before and after the ruling for their confiscation, and this does not extend to other properties such as vehicles and the like.

541. **Criterion 38.4 (met):** As per the provisions of Anti-Corruption Law, the rules of assets recovery are applied according to the respective agreements with other countries and under their mutual consent. There are no legal provisions that prevent Algeria from sharing confiscated property with other countries, especially that Article 30 of Law 05-01 allows confiscation when executing MLA requests without specifying that property shall be confiscated for the benefit of Algeria or the requesting country.

542. **Conclusion and Rating:** the deficiencies in this Rec. are considered minor and are represented in the absence of evidence that Algeria has mechanisms for managing, and when necessary, disposing of property frozen, seized or confiscated, with the exception of property in the form of legal persons that are managed by judicial administrators before and after the ruling for their confiscation.

543. **For these reasons, Algeria is “Largely Compliant” with Recommendation 38.**

Recommendation 39: Extradition

544. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the Recommendation 39 as “LC”, because the ML criminalizing is insufficient, which affect the compliance as well as the inability to measure the effectiveness of the extradition system for the lack of statistics.

545. **Criterion 39.1 (met)**

546. **Criterion 39.1 (a) (met):** the extradition chapter in the Algeria Code for Penal Procedures states that any person may not be extradited to a foreign government unless this person was subject to prosecution or conviction for a crime stipulated for in this Chapter (Article 695). Also, Article 697 states the actions that allow for extradition: (1) all actions punishable as an offence under the law of the requesting country, (2) all actions punishable as a misdemeanor under the law of the requesting country when the maximum penalty under this law is two years, or if the case is about a convicted person if the penalty issued by the judicial authority of the requesting country equals or exceeds two months of imprisonment. Moreover, the extradition request is rejected if the action is not punishable as offence or misdemeanor under the Algerian laws.

547. Considering that the money laundering and terrorist financing offences are within the offences’ category in Algeria, they are subject to extradition as per the two Articles mentioned above.

548. **Criterion 39.1 (b) (met):** pursuant to Article 2 of the Executive Decree No. 04-333, the central administration of the MOJ many departments and divisions, such as Department of Criminal Affairs and Amnesty Procedures consisting of 4 sub-divisions, one of which is the Sub-Division of Specialized Criminal Justice which is responsible for extradition requests. The said sub-Division has clear procedures to timely prioritize and timely execute extradition requests as well as a case management system to monitor the progress on requests.

549. **Criterion 39.1 (c) (met):** Article 689 of the Code of Penal Procedures states that the extradition requests are not accepted if the wanted person is Algerian, the offence is of a political nature, the offence or misdemeanor is committed on the Algerian territories, the public action has expired by statute of limitations, or an amnesty order is issued in the requesting country. Therefore, there are no unreasonable or unduly restrictive conditions on the execution of requests.

550. **Criterion 39.2 (met)**

551. **Criterion 39.2 (a):** The First Paragraph of Article 698 of the Code of Penal Procedures states that extradition requests are not accepted if the wanted person is Algerian.

552. **Criterion 39.2 (b):** there is no obstacle in Algeria’s legal framework to prosecute its nationals without undue delay if it

declines to extradite them on the sole ground of nationality.

553. **Criterion 39.3 (mostly met):** Article 697 of the Code of Penal Procedures states that the actions that allow for extradition, whereas the extradition is not accepted if the action is not punished as an offence or misdemeanor under the Algerian law, which means that the dual criminality is required for extradition. Also, Article 698 of the same Law states the cases in which the extradition is possible, none of which is when there is any difference between both countries about placing the offence within the same category or description of offence, provided that both countries criminalize the conduct underlying the offence. The minor gaps identified in R.3 have a cascading effect on this criterion.
554. **Criterion 39.4 (partly met):** there is no evidence that Algeria has in place simplified extradition mechanisms such as allowing for direct submission of temporary arrest or extradition requests between the competent authorities, or preparation of simplified procedures for extraditing persons who give up the official extradition procedures, except for an agreement signed between Algeria and another country that refers to the simplified extradition procedures, especially when the to-be-extradited person agrees to be extradited, and when all measures required for expediting extradition are taken according to the domestic law.
555. **Conclusion and Rating:** the deficiency in this Recommendation has a minor effect on the overall rating in light of Algeria's risk and context and is represented in the absence of simplified extradition mechanisms.
556. **For these reasons, Algeria is "Largely Compliant" with Recommendation 39.**

Recommendation 40: Other Forms of International Cooperation

557. In the 1st Round of Mutual Evaluation (ME) in 2010, Algeria was evaluated for the Recommendation 40 as "PC", since there were some deficiencies in activating the international cooperation in relation to money laundering and terrorist financing, especially through CTRF and supervisors with their foreign counterparts, as well as not taking legislative measures to ensure the safeguards and controls that prevent the use of available information under the international cooperation unless in the manner agreed upon with the foreign authorities provided such information.

General Principles

558. **Criterion 40.1 (not met):** CTRF may share with other countries' authorities carrying out similar tasks the information they have about operations that appear to be aiming to money laundering or terrorist financing. The BOA and the Banking Committee, in the AML/CFT context, may also exchange information to the bodies in charge of monitoring banks and financial institutions in other countries, subject to reciprocity (Articles 25 and 27 of Law No. 05-01) without specifying whether the aforementioned authorities are able to rapidly provide information both spontaneously and upon request, or specifying whether they are able to provide information regarding ML associated predicate offences. There is no indication that other competent authorities can provide information in accordance with the requirements of this criterion.
559. **Criterion 40.2 (partly met)**
560. **Criterion 40.2 (a) (partly met):** as mentioned in the Criterion 40.1, CTRF, BOA and Banking Committee have a lawful basis for international cooperation with counterparts, which do not include the international cooperation in relation to money laundering and associated predicate offences. Also, there is no indication that other competent authorities in Algeria have the lawful basis to provide cooperation.
561. **Criterion 40.2 (b) (partly met):** Except for CTRF (Egmont Group member) and LEA (member of the Interpol), it does not appear that other competent authorities in Algeria are authorized to use the most efficient means to cooperate.

562. **Criterion 40.2 (c) (partly met):** except for CTRF and the LEA (member of the Interpol), there is no indication that other competent authorities in Algeria have clear and secure gateways mechanisms or channels that facilitate and allow for transmission and execution of requests.
563. **Criterion 40.2 (d) (not met):** There is no indication that competent authorities in Algeria have clear processes for prioritization and timely execution of requests.
564. **Criterion 40.2 (e) (mostly met):** except for LEAs, BOA, Banking Committee and CTRF that are bound by confidentiality rules, there is no indication that other competent authorities in Algeria have clear processes to safeguarding the information received.
565. **Criterion 40.3 (not met):** it does not appear if all competent authorities in Algeria can cooperate with or without MOUs. Also, the evaluation team did not receive any information about the competent authorities (except judicial authorities and CTRF) that signed MOUs with foreign counterparts.
566. **Criterion 40.4 (not met):** it does not appear to what extent the competent authorities in Algeria are evaluating the quality of the information received from the counterparts, or providing, upon request, feedback in a timely manner to these authorities on the use and usefulness of the information obtained.
567. **Criterion 40.5 (not met):** it does not appear whether Algeria place restrictive conditions on the provision or exchange of information or assistance to the foreign counterparts.
568. **Criterion 40.5 (a) (not met):** it does not appear whether Algeria refuses assistance requests that involve fiscal matters.
569. **Criterion 40.5 (b) (partly met):** pursuant to Article 22 of the Law No. 05-01 of 2005, the reliance on professional or banking secrecy is not permitted when replying to CTRF. However, this condition is limited to CTRF only, not other authorities (see R. 9), which means that the laws requiring the FIs and DNFBPs to maintain secrecy and confidentiality do not represent a hindrance for exchanging information between CTRF and other foreign FIUs, to the contrary of all other competent authorities that are required to refuse the assistance requests because of secrecy and confidentiality laws.
570. **Criterion 40.5 (c) (not met):** Article 28 of the Law 05-01 states that the exchange of information is not possible if criminal proceedings are initiated in Algeria based on the same facts, which limits the scope of international exchange of information.
571. **Criterion 40.5 (d) (partly met):** CTRF, BOA and the Banking Committee may exchange information with counterparts irrespective of the nature or status of the foreign counterpart (Articles 25 and 28 of Law 05-01 of 2005). It does not appear whether there are restrictions imposed by law on other competent authorities to refuse any assistance request on the grounds that the nature or status of the requesting counterpart authority is different from that of its foreign counterpart.
572. **Criterion 40.6 (not met):** upon reviewing a sample of the bilateral agreements signed by Algeria, it is not evident that there are any controls or safeguards to ensure that the information exchanged by competent authorities is used only for the purpose for which the information was sought or provided.
573. **Criterion 40.7 (not met):** Except for CTRF (member of the Egmont group), it does not appear whether the MOUs signed by all remaining competent authorities contain any provisions or legal framework that obligate them to maintain confidentiality for any request for cooperation and the information exchange with counterpart authorities. Article 39 of the Legislative Decree No. 93-10 on movables assets stock exchange requires the members and managers of the Committee to maintain professional secrecy, but the term “managers” was not perceived. Under Articles 301 and 302 of the Penal Code, it is not clear to what extent those two Articles are related to the requirements of the Criterion, since the first one refers to maintaining professional secrecy by doctors, surgeons and pharmacists, and other persons who are required to maintain professional

secrecy, and the second one refers to the workers, in any capacity, in any establishment, not to workers, in any capacity, at competent authorities.

574. **Criterion 40.8 (not met):** Except for CTRF that is authorized to conduct inquiries on behalf of counterparts (Articles 25 and 26 of Law 05-01), it does not appear whether all remaining competent authorities are able to conduct inquiries on behalf of foreign counterparts, and exchange with their foreign counterparts all information that would be obtainable by them if such inquiries were being carried out domestically.

Exchange of Information between FIUs

575. **Criterion 40.9 (partly met):** Articles 25 and 26 of the Law No. 05-01 of 2005, as amended, states that CTRF may provide other countries' authorities that carry out similar tasks the information available about the transactions that seem to be aiming for money laundering and terrorist financing. It is concluded from the foregoing that there are no legal impediments to the exchange of information with counterparts, regardless of the nature of the counterpart, whether it is an administrative or law enforcement or judicial FIU; however, such exchange of information is not possible if criminal proceedings are initiated in Algeria on the basis of the same facts, or if such exchange would prejudice national sovereignty and security or public order and the basic interests of Algeria (article 28 of the said law). This would limit the scope of information exchange at the international level in the AML/CFT field. Criminal proceedings include the entire period of the investigation (most often supervised by investigative judges especially in serious crimes) and bars cooperation in any matters pursued domestically that may have international links.

576. **Criterion 40.10 (partly met):** There are no legal provisions in Law No. 05-01 of 2005 that prevent CTRF from providing feedback to their foreign counterparts on the use of the information provided. Although CTRF is required as a member of Egmont Group to provide feedback pursuant to Article 19 of the Egmont Group's Principles, it is not evident whether CTRF provides feedback to their foreign counterparts upon request and whenever possible.

577. **Criterion 40.11 (mostly met)**

578. **Criterion 40.11 (a) (mostly met):** CTRF may exchange available information (covers information received or requested) with other countries' authorities carrying out similar tasks about the transactions that seem to be aiming for money laundering and terrorist financing, under Article 25 of the Law No. 05-01 of 2005 as amended. CTRF has the authority to request any additional information deemed necessary to perform its tasks from the reporting entities, administrative authorities, and all other authorities responsible for enforcing law and combating money laundering and terrorist financing, including the supervisors (Article 15 of the Law No. 05-01 as amended). Article 26 of the said law authorizes CTRF to exchange information received or requested as per article 25 of the law; however, the deficiency mentioned in criterion 40-09 negatively affects the degree of compliance with criterion 40.11 (a).

579. **Criterion 40.11 (b) (mostly met):** CTRF may exchange available information with other countries' authorities carrying out similar tasks about the transactions that seem to be aiming for money laundering and terrorist financing, considering the principle of reciprocity. the nature of information that can be exchanged covers information requested from FIs and DNFBPs and competent authorities (administrative, LEA, financial) as per the provisions of article 26 of the Law 05-01; however, the deficiency mentioned in criterion 40-09 negatively affects the degree of compliance with criterion 40.11 (b).

580. CTRF has already signed 21 MOUs with counterparts FIUs (the evaluation team reviewed some of them) and has 3 draft MOUs which have not been signed yet.

Exchange of Information between Financial Supervisors

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581. **Criterion 40.12 (partly met):** Article 27 of the AML/CFT Law allows the BOA and the Banking Committee, considering combating money laundering and terrorist financing, to provide information to the supervisors of banks and FIs in other countries, taking into account the principle of reciprocity. The SERC has similar powers by virtue of Article 63 bis 1 of Legislative Decree No. 93-10 of 1993; however, there is no indication that all supervisors, including the ISC, can exchange information with their foreign counterparts with respect to the exchange of supervisory information related to or relevant for AML/CFT purposes.
582. **Criterion 40.13 (not met):** except for the SERC that is able to share information domestically with foreign counterparts after having joined the IOSCO's MoU for exchanging information for combating offences committed in financial markets, it does not appear the extent to which BOA, the Banking Committee and the ISC are able to exchange information domestically available to them with foreign counterparts, including information held by financial institutions, in a manner proportionate to their respective needs.,
583. **Criterion 40.14 (a, b, and c) (not met):** the scope of ability of the financial supervisors in Algeria (BOA, the Banking Committee, SERC and the ISC) to exchange with counterparts the information for regulatory, precautionary, or AML/CFT purposes was not perceived.
584. **Criterion 40.15 (not met):** pursuant to Article 27 of the AML/CFT Law, there is no indication that all the supervisors are able to conduct inquiries on behalf of foreign counterparts, or as appropriate, to authorize or facilitate the ability of foreign counterparts to conduct inquiries themselves in Algeria, to facilitate effective group supervision. Algeria clarified that the SERC has joined the IOSCO's MoU for exchanging information for combating offences committed in financial markets. Regarding ability of foreign counterparts to conduct inquiries themselves in Algeria, the authorities stated that this is not possible at the time being because there is no legal framework that allows the same.
585. **Criterion 40.16 (not met):** there is no indication to what extent financial supervisors ensure that they have the prior authorization of the requested financial supervisors for any dissemination of information exchange, or use of that information for supervisory and non-supervisory purposes, or the extent to which the supervisors in Algeria (except the SERC as explained below) are informing the requested supervisors that they are under a legal obligation to disclose the information they report to CTRF, since all the supervisors in Algeria are obligated under the provisions of Article 10-bis 2 of the AML/CFT Law to report to CTRF, without delay, all the information they receive from the counterparts. It is worth to mention that under the IOSCO's MoU signed by the SERC, it is mandatory to obtain explicit consent from the foreign authority providing the information, in order to use or transfer the information for different purposes under Article 10 (b) of the MoU, which also takes into consideration the force majeure cases (such as court order) in which the requested foreign authority should be informed before disseminating the information to any other counterpart under Article 11 (b) of the MoU.

Exchange of Information between Law Enforcement authorities

586. **40.17 (partly met):** The competent authorities exchange information through the Interpol office; the COCC, the GDNS and the NG have joined the Globe Network¹⁷⁴. The information gathered by LEAs is often confidential and cannot be disclosed unless authorized by judicial authorities; however, the requirement for LEAs to obtain the approval of judicial authorities may constitute an impediment to the exchange of information with foreign counterparts.
587. **Criterion 40.18 (met):** There are no legal provisions that prevent LEAs from using their powers, including any investigative

¹⁷⁴ <https://globenetwork.unodc.org/globenetwork/en/membership.html>

techniques available to them in accordance with their domestic law, to conduct inquiries and obtain information on behalf of foreign counterparts. The bilateral agreements reviewed by the AT govern this type of cooperation.

588. **Criterion 40.19 (not met):** There are no legal provisions allowing LEAs to form joint investigative teams to conduct cooperative investigations, or to establish bilateral or multilateral arrangements to enable such joint investigations. The objective of the formation of joint investigative teams is to conduct investigations to gather information often governed by confidentiality and secrecy rules (this information cannot be disclosed under article 11 of the Code of Penal Procedures— See R.31) The collection of confidential information in coordination with a foreign authority cannot take place unless authorized by law.

Exchange of Information between non-counterparts

589. **Criterion 40.20 (met):** it does not appear that there are legal provisions that prevent competent authorities to exchange information indirectly with non-counterparts. Algeria provided information that CTRF has sent 490 requests to counterparts on behalf of LEAs and other parties. In accordance with Egmont principles, CTRF clarifies for what purpose and on whose behalf the request is made.

590. **Conclusion and Rating:** Most of the criteria related to the general principles are not met. For CTRF, the deficiencies are represented in Article 28 of the Law No. 05-01 of 2005 that may limit the scope of information exchange at the international level in the AML/CFT field. Moreover, CTRF is not providing feedback to its foreign counterparts upon request and whenever possible. For the exchange of information between financial supervisors and their counterparts abroad, the information provided by Algeria does not meet most of the respective criteria, adding that there are no provisions or rules that allow LEAs to gather and share information, in accordance with the requirements of criterion 40.17-19.

591. **For these reasons, Algeria is “Non-Compliant” with Recommendation 40.**

Summary of Technical Compliance - Key deficiencies

Compliance with the FATF Recommendations

Recommendation	Rating	Factor(s) underlying the rating
1 Assessing risks and applying a risk-based approach	NC	<ul style="list-style-type: none"> The Algerian authorities have not implemented a risk-based approach that would enable them to allocate resources effectively toward the identified risks. No measures have been adopted to mitigate and reduce risks. FIs and DNFBPs are not required to take appropriate steps to assess their ML/TF risks and to have policies, controls and procedures that enable them to manage risks. Absence of supervisory authority(ies) for DNFBPs.
2 National cooperation and coordination	PC	<ul style="list-style-type: none"> Algeria has not developed and reviewed national policies and operational measures to respond to the ML/TF risks it faces. Absence of a representative of the GDC in the Subcommittee for Combating the Financing of Proliferation. Information held by reporting entities is not available to competent authorities, except CTRF. There is no indication that there is any cooperation or coordination between all national authorities.
3 ML offence	LC	<ul style="list-style-type: none"> Illegal trafficking in stolen goods does not fall within the scope of the predicate offences for ML, as it is not considered a criminal act in Algerian laws. ML does not extend to VAs, given that the definition of the term Property does not include tangible and intangible assets.
4 Confiscation and provisional measures	LC	<ul style="list-style-type: none"> Confiscation of VAs is not allowed. Algeria does not have a mechanism for managing confiscated property.
5 TF offence	C	<ul style="list-style-type: none"> The recommendation is fully met.
6 TFS related to terrorism and TF	PC	<ul style="list-style-type: none"> Weakness of the procedures followed in communicating the UN and local lists to stakeholders. Failure to disseminate the sanction lists to the authorities concerned with the implementation of sanctions. Absence of a competent authority having responsibility for proposing persons or entities to the relevant Security Council committees for designation and absence of mechanism(s) for identifying targets for designation as required by UNSCR 1267. Absence of a text sanctioning the provision of funds or other assets to those listed on the UN or local lists.

		<ul style="list-style-type: none"> Weakness of the regulatory procedures to notify the subject entities of the removal of names from the existing lists in preparation for the release of frozen funds.
7 TFS related to proliferation	NC	<ul style="list-style-type: none"> Absence of a legal and regulatory framework for implementing UNSCRs on CPF. Failure to monitor the concerned persons and entities' compliance with the required measures in terms of freezing the assets of the designated persons or entities. Absence of guidance on how to implement the measures under the freezing mechanisms.
8 Non-profit organizations	NC	<ul style="list-style-type: none"> Failure to identify the subset of NPOs most at risk of TF abuse. Failure to identify the nature of the threats facing NPOs, which prevents concerned authorities from applying targeted risk-based supervision of NPOs at risk of TF abuse. Failure to periodically re-assess the NPOs sector. Weakness of the measures taken to ensure transparency in dealing with NPOs. Absence of programs designed to raise awareness among NPOs and donor groups about the risks facing the sector. Failure to develop best practices to address the risks facing NPOs. Failure to encourage NPOs to conduct their transactions through secure financial channels. Absence of cooperation and coordination between the authorities that maintain information on NPOs and the competent investigative authorities, which limits the ability to take the necessary actions in terms of seizing or freezing the suspicious funds, effectively and urgently. Lack of clarity on the country's ability to respond to international requests.
9 Financial institution secrecy laws	PC	<ul style="list-style-type: none"> Direct access to the information held by FIs is limited to CTRF only, while banking secrecy can be lifted in favor of judicial authorities only when operating in a criminal procedure. CTRF cannot exchange information with counterparts abroad if criminal proceedings have been initiated in Algeria based on the same facts.
10 customer due diligence	PC	<ul style="list-style-type: none"> The absence of any definition of due diligence measures, which affected the requirements of some criteria, including (C.10-2, 10-7 and 10-19). Failure to prohibit FIs from maintaining accounts in obviously fictitious names. FIs are not required to understand the nature of the legal persons' business, its ownership and control structure. Absence of any measures required for legal arrangements.

		<ul style="list-style-type: none"> • Not requiring FIs to take reasonable measures to verify the identity of the beneficial owners of legal persons and legal arrangements. • FIs are not required to adopt risk management procedures regarding the conditions under which a customer may utilize the business relationship before verification. • FIs are not required to verify the identity of the BO before or during the course of establishing a business relationship. • FIs are not required not to utilize the business relationship prior to verification. • Failure to require FIs to apply due diligence measures to existing clients based on materiality and risk. • Not requiring FIs to perform EDD measures when the ML/TF risks are higher. • Stock exchange sector institutions are allowed to apply SDD measures without stipulating whether the risks are to be identified through an adequate analysis of risks. • The absence of a provision permitting FIs not to pursue the CDD process if they reasonably believe that this process will tip off the customer in case of suspected ML/TF.
11 Record keeping	PC	<ul style="list-style-type: none"> • Failure to expressly require FIs to maintain all records obtained through CDD measures, especially, since the legal obligations of FIs do not include the implementation of all the due diligence measures set out in Rec. 10. • There is no explicit provision that transaction records should be sufficient to permit the reconstruction of individual transactions, • FIs are not required to make the documents kept (which were limited to documents relating only to the identity and addresses of the customer) available swiftly to competent authorities.
12 Politically exposed persons	NC	<ul style="list-style-type: none"> • The definition of PEP does not extend to domestic PEPs as well as to persons who have been entrusted with prominent functions by an international organization, which resulted in the absence of measures for the said categories. • Absence of instructions requiring obtaining senior management approval before establishing or continuing, for existing clients, such business relationships concerning PEPs, • Absence of measures toward PEPs who are beneficiaries of insurance policies.
13 Correspondent banking]	NC	<ul style="list-style-type: none"> • The legal texts do not meet all the requirements of this recommendation
14 Money or value transfer services	PC	<ul style="list-style-type: none"> • Absence of a ban on the provision of MVTs by any natural or legal person who is not registered or licensed.

		<ul style="list-style-type: none"> • Absence of the necessary measures to identify MVTs providers that are not licensed or registered, and absence of an adequate legal basis to apply dissuasive and proportionate sanctions against these persons. • Absence of requirements for licensing or registering agents of MVTs providers or requiring MVTs providers to include their agents in AML/CFT programs and monitor them for compliance with these programs.
15 New technologies	NC	<ul style="list-style-type: none"> • FIs are not required to identify and assess the ML/TF risks related to new technologies, products, and business practices. • Failure to identify and assess the ML/TF risks arising from virtual asset activities, and the activities or operations of VASPs, • VASPs are not required to be registered or licensed. • Absence of measures to identify natural or legal persons who carry out VASPs activities without a license or registration, and to apply proportionate sanctions to them. • Failure to take the required measures concerning C.15.6 -15.11.
16 Wire transfers	NC	<ul style="list-style-type: none"> • Not requiring FIs to comply with the requirements of R.16 by virtue of an official document that fulfills the required conditions to consider it among the enforceable means.
17 Reliance on third parties	N/A	<ul style="list-style-type: none"> • Algeria's legal systems do not allow reliance on third parties to perform CDD measures.
18 Internal controls and foreign branches and subsidiaries	PC	<ul style="list-style-type: none"> • The absence of any obligations on all FIs related to screening procedures to ensure high standards when hiring employees. • Absence of obligations related to the implementation of AML/CFT programs at the group level. • The absence of any obligations on insurance companies and brokers regarding compliance management arrangements of AML/CFT programs, including the appointment of a compliance officer at the management level, and setting up an independent audit function to test the AML/CFT system. • There are no obligations on Exchange Offices related to all criteria of this recommendation
19 Higher risk countries	NC	<ul style="list-style-type: none"> • There is no indication that FIs are obligated to apply EDD to business relationships and transactions with natural and legal persons from countries that are called for by the FATF. • There is no indication that any authority can apply countermeasures proportionate to the risks. • There is no clear mechanism to respond to the FATF's call for the circulation of

		<p>lists of higher-risk countries and countries under continuous monitoring.</p> <ul style="list-style-type: none"> • There is no indication that measures have been taken to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries.
20 Reporting of suspicious transaction	LC	<ul style="list-style-type: none"> • The reporting requirement does not cover the full range of predicate offenses as per FATF requirements; In particular, not criminalizing the illicit trafficking in stolen and other goods.
21 Tipping-off and confidentiality	PC	<ul style="list-style-type: none"> • The law does not specifically include the protection of the directors, officers, or employees of the FIs for disclosure of any information in good faith, regardless of whether the illegal activity occurred. • The absence of a text prohibiting FIs, and their directors, officers, and employees from disclosing to any person except the owner of the funds.
22 DNFBPs: Customer due diligence	PC	<ul style="list-style-type: none"> • The relevant legislations and guidelines do not include trust fund service providers which may affect the extent of Algeria's compliance with this recommendation. • The deficiencies related to R.10, 11, 12 and 15 apply equally to DNFBPs.
23 DNFBPs: Other measures	PC	<ul style="list-style-type: none"> • The legislative framework in Algeria does not cover most of the requirements of R.23, since DNFBPs are not required to comply with the requirements related to internal control, higher-risk countries, tipping-off and confidentiality of the STR. • The reporting obligation does not cover trusts, nor does it cover the full range of predicate offences, particularly the criminalization of participation in the illicit trafficking of stolen goods.
24 Transparency and beneficial ownership of legal persons	NC	<ul style="list-style-type: none"> • Most of the requirements of this recommendation are not met
25 Transparency and beneficial ownership of legal arrangements	NC	<ul style="list-style-type: none"> • Absence of any specific obligation on trustees of trusts and the extent to which the competent authorities can access the information kept by trustees, which could affect their ability to provide international cooperation and the extent to which sanctions can be applied to trustees for failure to meet their obligations under this recommendation and for failure to provide relevant authorities timely access to information regarding the Trust.
26 Regulation and supervision of FIs	PC	<ul style="list-style-type: none"> • There is no indication that it is possible to identify the BOs of the controlling interest in banks and FIs (subject to the supervision of the Banking Committee), especially if the owner of that share is a legal person. • It is not clear the adequacy of the fit and proper tests that can be applied to shareholders of banks and FIs (subject to the supervision of the Banking Committee) and BOs, as they do not include verification of the criminal record.

		<ul style="list-style-type: none"> • The measures related to licensing of institutions in charge of the stock exchange and insurance do not include verifying the reputation and criminal records of the shareholders who own the controlling interest in those institutions and the BOs of the shares. • Failure to take measures for Exchange Offices. • Lack of clarity on the measures taken by all licensing authorities to verify the extent to which shareholders, managers or BOs are associated with criminals. • It is not clear to what extent the institutions in charge of the stock exchange and insurance companies and brokers are subject to supervision in line with the core principles. • The measures taken by BOA to enhance the risk-based supervisory approach are still limited, while the remaining supervisory authorities are not applying any aspects of the supervisory approach based on ML/TF risks.
27 Powers of supervisors	PC	<ul style="list-style-type: none"> • There is no indication that all supervisory authorities can impose sanctions when the subject entities fail to comply with the AML/CFT requirements of R.6, 9-21 in line with the requirements of R.35. • Lack of clarity on the nature of available sanctions to deal with the Algeria Post Office and Exchange Offices' failure to comply with the AML/CFT requirements and the competent authority authorized to impose sanctions.
28 Regulation and supervision of DNFBBPs	PC	<ul style="list-style-type: none"> • Failure of the supervisory authorities of DNFBBPs to apply targeted risk-based supervision. • It is not clear what the competent authorities are responsible for monitoring and licensing DPMS and the powers granted to them to impose disciplinary measures and implement risk-based supervision, in addition to the fit and proper tests applied to DPMS.
29 Financial intelligence units	LC	<ul style="list-style-type: none"> • The 30-days stipulated as a deadline for the reporting entities to respond to CTRF requests is considered long. • There is no indication that CTRF is using secure and protected channels when disseminating its analyses to competent authorities. • CTRF lacks human resources for investigations, analysis, document archiving and database, which hinders its ability to carry out its functions on an individual and routine basis.
30 Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • The COCC does not have the power to identify, trace, freeze and seize assets as required by C.30.5.

31 Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • Absence of a legal basis for LEAs to request information from the CTRF
32 Cash couriers	PC	<ul style="list-style-type: none"> • The type of declaration system applied in Algeria (i.e., oral, or written declaration) was not perceived. • The GDC does not have the power to stop or seize currency or BNIs to ascertain whether evidence of ML/TF may be found. • The obligation to provide information to CTRF does not extend to all other declarations obtained by the GDC. • Absence of evidence that the GDC is keeping data of declarations by any means that would allow for international cooperation and assistance.
33 Statistics	C	<ul style="list-style-type: none"> • The recommendation is fully met.
34 Guidance and feedback	PC	<ul style="list-style-type: none"> • Absence of guidance to the subject entities on the patterns and methods used and red flags to assist them in detecting and reporting suspicious transactions. • The feedback provided by CTRF was not perceived.
35 Sanctions	PC	<ul style="list-style-type: none"> • Most criminal and administrative sanctions for dealing with those who fail to comply with the requirements of R.6 and some of the requirements of R.8-23, except for R.15, are not considered dissuasive and proportionate. • Inability to apply sanctions on banks, financial institutions, the financial services of Algiers Post and Exchange Offices for failure to comply with the requirements of R.6. • Inability to apply sanctions for non-compliance of natural persons with the reporting obligation. • Sanctions do not include managers and employees of DNFBPs. • Absence of administrative sanctions available to deal with DNFBPs, and the financial departments of Algeria Post and Exchange Offices.
36 International Instruments	PC	<ul style="list-style-type: none"> • Implementation of all conventions is still incomplete since not all the related articles of these conventions are included within national laws, especially in terms of expediting extradition procedures as required by the Vienna Convention.
37 Mutual legal assistance	LC	<ul style="list-style-type: none"> • Dual criminality is a condition for providing MLA even in cases where requests do not involve coercive actions.
38 Mutual legal assistance: freezing and confiscation	LC	<ul style="list-style-type: none"> • Absence of evidence that Algeria has mechanisms for managing, and when necessary, disposing of property frozen, seized or confiscated, with the exception of property in the form of legal persons that are managed by judicial

		administrators before and after the ruling for their confiscation.
39 Extradition	LC	<ul style="list-style-type: none"> • Absence of simplified mechanisms for the extradition of criminals, except for what was mentioned in one of the agreements signed between Algeria and another country.
40 Other Forms of international co-operation	NC	<ul style="list-style-type: none"> • Most of the criteria related to the general principles are not met. • The deficiencies according to the provisions of the Law on AML/CFT limit the scope of information exchange by CTRF at the international level. • CTRF failure to provide feedback, as requested and whenever possible to foreign counterparts. • The information provided concerning the exchange of information between financial regulators does not meet most of the requirements of the relevant criteria. • Absence of provisions allowing LEAs to exchange domestically available information with foreign counterparts. • Absence of provisions or rules allowing LEAs to form joint investigative teams to conduct cooperative investigations.

Glossary of Acronyms

Abbreviation	Full name in English
BNIs	Bearer Negotiable Instruments
BOA	Bank of Algeria (Central Bank of Algeria)
COCC	Central Office for Combating Corruption
CTRF	Cellule de Traitement du Renseignement Financier (FIU of Algeria)
DZD	Algerian Dinar
FTF	Foreign Terrorist Fighters
GDC	General Directorate of Customs
GDNS	General Directorate of National Security
GDT	General Directorate of Taxes
ISC	Insurance Supervisory Committee
LEAs	Law Enforcement Authorities
MLA	Mutual Legal Assistance
MND	Ministry of National Defense
MOC	Ministry of Commerce
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOI	Ministry of Interior
MOJ	Ministry of Justice
NCCR	National Centre for Commercial Register
NCFAR	The National Committee for Assessment of ML/TF/PF Risks
NG	National Gendarmerie
NRA	National Risk Assessment
PP	Public Prosecutor
SERC	Stock Exchange Regulatory Committee