

# **2<sup>nd</sup> Enhanced Follow-Up Report for the People's Democratic Republic of Algeria**

*TC re- Rating*

**Anti-Money Laundering and  
Combating the Financing of Terrorism**

**May 2025**

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

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*This document contains the 2<sup>nd</sup> Enhanced FUR for the people's Democratic Republic of Algeria, which includes TC re-rating for eight Recommendations (10, 11, 13, 16, 18, 19, 32, 34). This report reflects Algeria's efforts since adopting the MER in May 2023. The 40<sup>th</sup> MENAFATF plenary has adopted this report, provided that the People's Democratic Republic of Algeria remains in the Enhanced FU process and submits its 3<sup>rd</sup> Enhanced FUR in the 42<sup>nd</sup> plenary meeting in May 2026.*

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## 2<sup>nd</sup> Enhanced Follow-Up Report for the People's Democratic Republic of Algeria

### With TC Re- Rating Request

#### First: Introduction:

1. Algeria was evaluated within the second round by the MENAFATF pursuant to FATF's 40 recommendations and the 11 Immediate outcomes adopted in 2012, and the MER was prepared according to the methodology adopted in 2013. The MER for Algeria was approved at the MENAFATF 36<sup>th</sup> Plenary, which was held in Bahrain in May 2023. It was decided, as per the procedures, that Algeria shall be subject to the enhanced follow-up process.
2. According to the MER of Algeria, it was rated "C" in (2) recommendations, "LC" in (9) recommendations, and "PC" in (17), "NC" in (11) recommendations and "N/A" in one recommendation of the 40 recommendations, and the report also showed that the country's evaluation as (Substantial level of effectiveness "SE") in (2) IOs, and (Moderate level of effectiveness "ME") in (3) IOs, and (Low Level of effectiveness "LE") in (6) IOs out of the 11 IOs in the effectiveness evaluation.
3. The People's Democratic Republic of Algeria presented the first enhanced follow-up report at the 38<sup>th</sup> Plenary Meeting in May 2024, which included a request to reassess the technical compliance ratings for (10) recommendations. This report concluded in raising the TC ratings from "PC" to "LC" for recommendations (14, 21, 26, 27, 28), from "NC" to "PC" for recommendation (12), and keeping the "PC" rating for recommendations (11, 18, 22, 23).
4. The second enhanced follow-up report of the People's Democratic Republic of Algeria includes a request for reassessment of Algeria's technical compliance ratings for (8) recommendations (10, 11, 13, 16, 18, 19, 32, 34).
5. In coordination with the Secretariat, the following experts conducted an analysis of the People's Democratic Republic of Algeria's compliance with the recommendations requiring re-rating: **Captain Mr. Yaqoob Al Muftah** from the Financial Intelligence National Center – Kingdom of Bahrain; **Mr. Sbetan Zayed** from the Financial Follow-Up Unit – State of Palestine; and **Mr. Talal Al-Nsour** from the Anti-Money Laundering and Counter-Terrorist Financing Unit – Hashemite Kingdom of Jordan. This was done with the support of the Secretariat members: **Mr. Omar Al-Rbeihat**, Senior Mutual Evaluation Officer, and **Mr. Essameldin Barakat**, Mutual Evaluation Expert.

**Second: The results of the MER and 1<sup>st</sup> EFUR:**

6. According to the MER and 1<sup>st</sup> EFUR, the People's Democratic Republic of Algeria received ratings as follows: (2) recommendations rated as "C", (14) recommendations rated as "LC", (13) recommendations rated as "PC", (10) recommendations rated as "NC", and (1) recommendation rated as "N/A", as follows:

**Table No. 1: TC Ratings**

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
NC	PC	LC	LC	C	PC	NC	NC	PC	PC
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
PC	PC	NC	LC	NC	NC	N/A	PC	NC	LC
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	PC	PC	NC	NC	LC	LC	LC	LC	LC
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
LC	PC	C	PC	PC	PC	LC	LC	LC	NC

Note: There are five possible ratings for Technical Compliance (C, LC, PC, NC and N/A)

**Reference:**

<https://www.menafatf.org/sites/default/files/Newsletter/The1st%20EFUR%20-%20The%20People%27s%20Democratic%20Republic%20of%20Algeria.pdf>

**Third: Overview on the achieved progress in implementing the Recommendations requested for re-rating:**

7. This section reviews the actions taken by the People's Democratic Republic of Algeria to comply with the recommendations it requested to be re-assessed. Algeria has addressed some of the technical compliance shortcomings identified in the Mutual Evaluation Report and the First Enhanced Follow-up Report concerning recommendations (10, 11, 13, 16, 18, 19, 32, 34). Therefore, the TC rating was reassessed in some recommendations.

**Important Note about applying recommendations on financial institutions:**

Algeria issued Law No. (23-01) on 7 February 2023, amending and supplementing Law No. (05-01) related to the AML/CFT, following the mutual evaluation process and prior to the First Follow-up Process. This law continues the amendments previously made to this law. The definition of supervised entities was amended in accordance with Article (4) to include financial institutions and DNFBPs required to implement preventive measures, including reporting suspicious activities as stipulated by the law, regulations, and instructions issued by the competent authorities for supervision, control, and/or oversight. The same article also defined financial institutions in alignment with the definition set out in the Glossary of the FATF Methodology.

To accurately assess Recommendations (10, 11, 13, 18, 19) related to preventive measures, the review team identified the financial institutions operating in Algeria, taking into account the changes that occurred after the MER and the 1<sup>st</sup> EFUR. Accordingly, the evaluation will be applied based on this identification, including banks, financial institutions (supervised by the Banking Committee), the financial departments of Algeria Post and financial institutions regulated by the SERC, and insurance companies and brokers. As for the remaining non-active financial institutions, the evaluation will focus on exchange offices and factoring institutions, while excluding payment service providers and independent intermediaries for the following reasons:

- **Exchange offices:**

According to Article 83 of the Monetary and Banking Law No. 23-09, dated 21 June 2023, it is prohibited for any natural or legal person, other than banks and financial institutions, to carry out transactions typically conducted by these banks and institutions, except for exchange transactions carried out in accordance with a regulation issued by the Monetary and Banking Council. Algeria issued Regulation No. (23-01) regarding the conditions for licensing, establishing, accrediting, and operating exchange offices on 21 September 2023, which outlined the permitted manual exchange operations, namely:

- a. The sale of freely convertible foreign currencies in exchange for the national currency to resident individuals for the purposes of: travel abroad, medical treatment abroad, mission expenses, and study and training expenses.
- b. The sale of freely convertible foreign currencies in exchange for the national currency to non-resident individuals, within the limit of the remaining balance they hold in Algerian dinars.
- c. The purchase of freely convertible foreign currencies in exchange for the national currency from both resident and non-resident individuals.

It is evident that these activities align with the definition of financial institutions in the methodology. Article (11) of the aforementioned regulation stipulates that the conditions for applying this regulation will be determined by an instruction from the Bank of Algeria. Although the instruction has not been published and no new exchange office has been licensed to date (as noted by the state), the publication of this instruction at any time would allow for the processing of licensing requests for the establishment of exchange offices, thus enabling the commencement of transactions at any time. Additionally, Article (10) of this regulation grants a six-month period for previously licensed exchange offices to comply with the provisions of this regulation.

This is consistent with the approach followed in the MER, where paragraph (98) of the report indicates that the non-issuance of the instruction based on the applicable regulation at the time resulted in exchange offices being unable to provide their services, as well as the inability to process pending licensing requests (which numbered 40 applications at that time). Consequently, these were excluded from the effectiveness evaluation. However, exchange offices and agents were not excluded from the technical compliance evaluation, either during the mutual evaluation process or in the first follow-up report.

As a result of the above, this report will assess the compliance of exchange offices with the relevant criterion, taking into account that their lack of effectiveness in the Algerian market (to date) due to their failure to operate will make the

impact of non-compliance minimal compared to other institutions. This is based on paragraph (36) of the evaluation methodology.

- **Factoring Institutions (Payment Transfer Companies):**

It is noted that Law No. (23-01) dated 7 February 2023, amending and supplementing Law No. (05-01) related to the AML/CFT, referred in Article (10 bis 3) to the authority responsible for the supervision of insurance, which is also responsible for the supervision of "factoring institutions." However, the ISC issued Regulation No. 021 of 2024 as the authority responsible for insurance supervision. Nevertheless, it is observed that this regulation is limited in scope to insurance and reinsurance companies and does not address factoring institutions. It is worth noting that Algeria mentioned there is no legal barrier to the existence of such institutions, but it pointed out – at the same time – that there is no ability to provide services from independent factoring institutions, since the factoring activity falls within loan operations which are exclusively provided by Banks, in accordance with Articles 75 and 83 of Monetary and Banking Law No. 09-23, noting that the review team was not informed of the existence of legislation governing these institutions in Algeria. based on the above, these institutions will be evaluated in the second enhanced follow-up report, This is not aimed at imposing a regulatory framework for independent factoring institutions, especially if the Country does not wish to license the establishment of such institutions and maintains its desire to grant this activity exclusively to banks. Rather, this comes with the aim of clearly and without any ambiguity addressing the discrepancy between the legislation, whether by amending Article (10 bis 3) of the AML/CFT Law by repealing the text that grants the authority charged with supervising insurance the power to supervise factoring institutions, or in any other way that the country deems appropriate.

Despite the above, the weight of factoring institutions will be considered low, particularly since the state has indicated that these institutions do not exist in Algeria up to date. Instead, factoring activities are carried out by banks. Article (7) of the Monetary and Banking Law No. 23-09 considers factoring activity as one of the lending operations.

- **Payment Service Providers and Independent Intermediaries:**

It is noted that the Monetary and Banking Law No. 23-09 addressed two other types of financial institutions (Payment Service Providers and Independent Intermediaries). However, this was within the framework of laying the foundations for the future regulation of these sectors. The law referred matters related to licensing conditions, accreditation, and the list of detailed services that can be provided to subsequent regulations. Since no regulatory frameworks have been issued to clarify this, no detailed or operational instructions can be issued due to the absence of these regulations, resulting in the non-establishment of these institutions due to the inability to submit licensing requests. Furthermore, unlike exchange offices, these types of institutions have not been established previously in Algeria. Therefore, the review team excluded these types of institutions from the technical compliance evaluation in the second follow-up report.

## **Recommendation 10: Customer Due Diligence (PC)**

8. According to the Mutual Evaluation Report, Algeria received a "Partially Compliant" rating for Recommendation 10. This is due to the fact that the regulatory texts meet some of the requirements of the recommendation, but

there are shortcomings in most of the criteria. The main shortcomings include the lack of a definition for due diligence procedures, which impacted the requirements of some criteria, such as criterion (10-7) (regarding ongoing due diligence) and criterion (10-19) (regarding failure to complete due diligence measures convincingly). Other shortcomings included the lack of a clear prohibition for financial institutions to hold accounts in fictitious names, failure to require institutions to understand the nature of the business of legal persons and the structure of ownership and control in the absence of procedures to address legal arrangements, and the failure to require institutions to take reasonable measures to verify the identity of beneficial owners of legal persons and legal arrangements. Additionally, there was no requirement for institutions to adopt risk management procedures related to situations where a customer could benefit from a business relationship before the verification process, nor was there a requirement to verify the identity of the beneficial owner before or during the establishment of the business relationship. Furthermore, there was no requirement to avoid establishing a business relationship before the verification process, nor was there a requirement to apply due diligence procedures for existing customers based on the relative importance and risks, along with the associated actions. Finally, there was no requirement to apply enhanced due diligence measures in cases of high risks related to money laundering and terrorist financing.

9. In addition to the previous shortcomings, there is a legal provision that allows institutions in the stock market sector to apply simplified procedures without specifying whether risks will be determined through an appropriate risk analysis. Also, there is no provision that allows financial institutions to stop carrying out due diligence procedures if they reasonably believe that continuing would alert the customer in cases of suspected money laundering or terrorist financing.
10. To address the shortcomings mentioned in the Mutual Evaluation Report, Algeria issued Law No. (23-01) on February 7, 2023, which amends and supplements Law (05-01) related to the prevention of money laundering and the financing of terrorism and their combat. This was done following the previous amendments made to this law. Additionally, Algeria has recently issued several regulations and instructions to address a number of the identified shortcomings (as will be detailed below).
11. Algeria amended the definition of obligated entities according to Article (4) of the amended and supplemented Law 05-01, to include: financial institutions, and designated non-financial businesses and professions required to apply preventive measures, including reporting suspicions as stipulated by the law, regulations, and instructions issued by the supervisory and/or regulatory authorities. The same article also defined financial institutions in line with the definition of the Financial Action Task Force (FATF) Recommendations. Furthermore, Article (10 bis 4) of

the law requires all obligated entities to exercise "vigilance" regarding business relationships. Although the term "vigilance" is not specifically defined, it is understood within the context of the law and the regulations issued under it to refer to "due diligence." Therefore, it can be considered that the principle of due diligence is mandated by law, in accordance with the methodology. Regarding the details of applying due diligence or vigilance, these are scattered across the law and the applicable regulations, with "due diligence" applied to entities supervised by the Banking Committee and insurance and reinsurance companies, while "vigilance" is applied to entities regulated by the Stock Market Operations Control Committee.

12. **First: Banks, financial institutions, the financial services of Algeria Post, and financial institutions subject to the Insurance Supervision Committee.**
13. In addition to the amended and supplemented Law (05-01), the Bank of Algeria issued Regulation No. (24-01) on July 24, 2024, related to the prevention of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, along with Instruction No. (03-2024), both of which apply to banks, financial institutions, and the financial services of Algeria Post. The Insurance Supervision Committee also issued Regulation No. (01) of 2024 and Instruction No. (01) of 2024, which apply to institutions under the supervision of the Insurance Supervision Committee. Since the regulations and instructions applicable to these institutions are largely similar, their analysis will be presented together in the following sections.
14. Article (8) of the Bank of Algeria Regulation and Article (10) of the Insurance Regulation prohibit obligated institutions from maintaining anonymous, numbered, or fictitious name accounts. Although Article (7) of the amended and supplemented Law (05-01) requires obligated entities to verify the identity of customers (rather than applying due diligence) in cases specified in criterion 10.2, Article (11) of the Bank of Algeria Regulation and Article (9) of the Insurance Regulation impose the obligation on institutions to apply due diligence procedures when establishing a business relationship, when conducting (a one-off transaction or several connected transactions) that exceed the limit specified in the regulation, when performing an electronic transfer exceeding the limit specified (for institutions allowed to make transfers), and when there is suspicion of money laundering, terrorist financing, or the financing of the proliferation of weapons of mass destruction, regardless of any exemptions or the limit set by the regulation. The Bank of Algeria Regulation also mentions the application of due diligence when there are doubts about the accuracy or "competence" of customer identity data previously obtained, with the French version of the regulation using the term "appropriateness" instead of "competence." The Insurance Regulation states the same in the case of doubts about the accuracy or appropriateness of the customer's identification data.



15. Article (7) of the amended and supplemented Law (05-01) requires obligated entities to know their permanent and occasional customer, both natural and legal persons (including Waqf), and verify their identities. Article (26) of the Bank of Algeria Instructions and Article (27) of the Insurance Committee Instructions also require obligated entities to verify the identity of customers if they are legal arrangements established abroad, and to verify information through any document that serves as proof. Additionally, Article (7) of the law imposes the obligation to verify that agents and anyone acting on behalf of others are authorized to carry out the powers granted to them, along with the duty to identify and confirm their identity. It also requires understanding the purpose of the business relationship and its intended nature, and, when applicable, obtaining relevant information. The same article also mandates identifying the beneficial owner and taking reasonable steps to verify their identity based on information from reliable sources. Furthermore, Article (9) of both the Bank of Algeria Instructions and the Insurance Committee Instructions addresses the definition of the beneficial owner.
16. Article (10 bis 4) of the amended and supplemented Law (05-01) requires obligated entities to adhere to the duty of vigilance regarding business relationships. This includes closely monitoring transactions throughout the entire duration of the business relationship to ensure that they align with the information they hold about the customers and their commercial activities, as well as assessing the risk posed by the customers. This risk assessment may, when applicable, involve identifying the source of funds. Additionally, it requires ensuring that the documents, data, and information obtained in the course of fulfilling vigilance obligations remain up-to-date and appropriate. This includes monitoring the available information, particularly for customer categories that may pose high risks.
17. Article (13) of the Bank of Algeria Regulation and Article (10) of the Insurance Regulation require understanding the nature of the legal person (including Waqf), its activities, ownership structure, and control structure. Additionally, Article (10) of the Bank of Algeria Instructions and Article (11) of the Insurance Committee Instructions obligate obligated entities to obtain customer information (for legal arrangements established abroad) within the Know Your Customer (KYC) form, which includes "ownership elements and the control structure."
18. Article (13) of the Bank of Algeria Regulation and Article (10) of the Insurance Regulation require the identification of the legal person (including Waqf) and verification of its identity by obtaining a set of data and documents, including an original copy of its foundational law and any official document proving its legal registration or recognition, which should include its name and legal form. Additionally, the identity of the managers, the regulations governing and obligating the legal person, the names of those holding managerial positions, and the address of its headquarters must also be obtained. In the case where the customer is a legal arrangement

established abroad, Article (26) of the Bank of Algeria Instruction and Article (27) of the Insurance Committee Instruction mandate obtaining the entity's name and its formation details (such as its statutes or founding contracts), or any official document proving its registration, along with the address of its main office (or one of its main places of activity if different).

19. In the context of identifying the beneficial owner, Articles (13) and (14) of the Bank of Algeria Regulation require the identification of the beneficial owners of legal persons and the adoption of all necessary and reasonable measures to verify their identities. This involves three steps: direct or indirect ownership of a share equal to or greater than 20%, and/or exercising control by other means, and/or identifying the natural person holding the position of the main manager. Article (13) of the Insurance Regulation outlines similar steps.
20. As for customers from legal arrangements, Articles (26) and (27) of the Bank of Algeria Instructions, and Article (28) of the Insurance Committee Instructions require obligated entities to identify the beneficial owners of legal arrangements established abroad. This includes several requirements, such as obtaining complete information that allows the identification of each beneficial owner, including any natural person who exercises direct or indirect control over the entity.
21. Regarding the timing of verification, Article (10) of the Bank of Algeria Regulation requires the identification and verification of the customer (and beneficial owner) before establishing the business relationship or conducting the transaction. Article (12) of the regulation allows for completing the procedures to verify the identity of the customer and beneficial owners after establishing the business relationship, provided that the risks of money laundering, terrorist financing, or the financing of the proliferation of weapons are low. This is contingent on ensuring these procedures are completed before executing the first transaction at the latest, without disrupting the normal course of business, and ensuring effective management of the risks of money laundering, terrorist financing, and the financing of proliferation. Additionally, Article (12) mandates the adoption of risk management procedures regarding the conditions under which a customer can benefit from a business relationship before their identity is verified. For institutions under the Insurance Supervision Committee, Article (11) of the Insurance Regulation and Article (6) of the Insurance Committee Instructions outline similar requirements.
22. Article (16) of the Bank of Algeria Regulation and Article (8) of the Insurance Regulation require obligated entities to apply due diligence procedures proportionate to the risks posed by their customers. This applies to customers who were already existing at the time the new provisions came into effect. It also mandates the timely implementation of due diligence measures for these customers, taking into account the existence of such

measures for previous customers and the relevance of the information obtained. Article (16) of the Bank of Algeria's regulations and Article (17) of the Insurance Supervision Committee's instructions require that the frequency of updating information be commensurate with the level of risk represented by the business relationship, and not exceed one year in the presence of high risks, in addition to updating when a significant change occurs in the business relationship, or with the aim of addressing alerts related to unusual transactions that are inconsistent with the nature of the customer's business, commercial activities and risks, and when making any fundamental modification to the customer's documentation standards or the method of managing their account, etc., taking into account the obligation on these institutions to take ongoing due diligence measures.

23. Article (5 bis 3) of the amended and supplemented Law 05-01 requires all financial institutions to establish practical programs and measures based on a risk-based approach. This allows for the implementation of enhanced measures to manage and mitigate money laundering and terrorist financing risks that are identified as high. It also enables the adoption of simplified procedures when low risks are identified. Additionally, Article (5 bis 2) mandates that financial institutions assess all risk factors before determining the overall risk level and the appropriate level and type of measures to be applied to reduce these risks. This ensures that simplified procedures are proportionate to lower risk factors.
24. Article (19) of the Bank of Algeria Regulation, Article (6) of the Bank of Algeria Instructions, and Article (21) of the Insurance Regulation prohibit obligated entities from opening any accounts, establishing business relationships, or conducting transactions if due diligence procedures cannot be applied. In such cases, they must consider submitting a suspicious activity report to the Financial Intelligence Unit (FIU). Furthermore, Article (28) of the Bank of Algeria Regulation and Article (22) of the Insurance Regulation state that if there is suspicion of a transaction related to money laundering, terrorist financing, or the financing of the proliferation of weapons of mass destruction, and there is a reasonable belief that proceeding with due diligence would alert the customer, the obligated entity must refrain from proceeding with the transaction and instead send a suspicious activity report to the Financial Intelligence Unit.
25. Regarding due diligence for beneficiaries of life insurance policies, Article (16) of the Insurance Regulation and Article (10) of the Insurance Committee Instructions require insurance and reinsurance companies, as well as intermediaries, to apply due diligence procedures for both customers and beneficial owners. Additionally, they must take due diligence measures for the beneficiaries of life insurance contracts and other investment insurance products once these beneficiaries are identified or named, whether they are natural or legal persons, or legal arrangements established abroad. These regulations also specify that the beneficiary of a life insurance policy

should be considered a risk factor when determining the applicability of enhanced due diligence measures. If it is found that the beneficiary is a legal entity (or a legal arrangement established abroad) associated with high risks, enhanced due diligence procedures must be applied. This includes taking appropriate steps to identify and verify the beneficial owner of the insurance policy at the time of payout.

**26. Secondly: Financial institutions under the supervision of the Securities Market Regulatory Commission (SERC).**

27. The provisions related to due diligence in the amended and supplemented Law (05-01) also apply to institutions under the supervision of the SERC, particularly Articles (5 bis 2, 5 bis 3, 7, and 10 bis 4) mentioned in the first section above. Additionally, the SERC issued Regulation No. (24-01) on July 17, 2024, concerning the prevention of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, along with Instruction No. 24-07 from the SERC.

28. Article (13) of the SERC prohibits obligated institutions from holding anonymous, numbered, or fictitious bond accounts, or dealing with unspecified persons or those using fictitious names. Article (15) of the Securities Market Regulation requires institutions to implement due diligence procedures when establishing business relationships, and when conducting a transaction (whether a one-time transaction or multiple connected transactions) exceeding two million Algerian dinars (approximately 15,000 USD). It also mandates due diligence in cases where there is suspicion of money laundering, terrorist financing, or the financing of the proliferation of weapons of mass destruction, regardless of the minimum threshold specified in the regulation. Furthermore, due diligence is required when there are doubts about the accuracy or relevance of previously obtained customer identification information.

29. Article (28) of the SERC Instructions requires obligated entities to verify the identity of a customer if the arrangement is a legal entity established abroad. They must verify the information using reliable supporting documents.

30. Article (17) of the Securities Market Regulation requires identifying the customers (including legal entities, non-profit organizations, and Waqf) through a set of information that helps understand the nature of the customer's business. This includes obtaining the organizational structure of the company. Additionally, Article (9) of the SERC Instructions mandates that obligated entities collect customer information through a "Know Your Customer" (KYC) form, which includes details on the ownership structure and control of the legal entity. This also applies to legal entities established abroad, including legal arrangements and trust funds.

31. Articles (16 and 17) of the Securities Market Regulation require the identification of the customer (whether a natural or legal person, including Waqf) through obtaining a set of information, including the commercial name, the company's articles of incorporation, its organizational structure, its legal representatives, and its headquarters. Additionally, they require obtaining the commercial registry number (which indicates the company's establishment), as well as the articles of incorporation. The validity of the provided documents must be verified, and the consistency of the information must be ensured. Article (9) of the SERC Instructions adds further data requirements, such as the legal form, the identity of the shareholders or founders, board members, legal representatives, and the registered office address. If the customer is a legal entity established abroad, this article applies to legal arrangements created abroad as well. Furthermore, Article (28) of the Securities Market Regulation requires obtaining founding elements related to legal arrangements, including their founding laws or other official documents from the country of origin, alongside the full name and powers of the relevant persons, the names and roles of directors and managers, and the address of the main headquarters (or one of the primary places of business if different).
32. In the context of identifying the beneficial owner, Articles (17 and 19) of the Securities Market Regulation require the identification of the beneficial owners of legal entities and taking reasonable steps to verify their identity. This involves three steps: ownership of 20% or more, direct or indirect actual control, and/or identifying the natural person who holds the position of the primary manager. Additionally, Articles (28 and 29) of the SERC Instructions require identifying the beneficial owners of legal arrangements established abroad. This includes several requirements, such as collecting comprehensive information to identify each beneficial owner, including any natural person who exercises direct or indirect control.
33. Regarding the timing of verification, Article (16) of the Securities Market Regulation requires the identification of the customer (and the beneficial owner) before or during the business relationship or execution of the transaction. Article (18) allows for the verification of the customer's and beneficial owners' identity after the establishment of the business relationship, when the risks of money laundering, terrorist financing, and weapons proliferation appear to be low, provided that the verification is done as soon as possible and that the delay is necessary to avoid disrupting the normal course of business. It also specifies that the risks must be effectively managed. Furthermore, Article (19) requires the adoption of risk management procedures concerning the circumstances under which the customer can benefit from the business relationship before the verification process is completed.
34. Article (14) of the Securities Market Regulation requires the implementation of vigilance measures based on the significance of the risks, specifically for customers who were already existing when the new provisions came into

effect. It also mandates the timely application of vigilance measures towards these customers, taking into account the existence of such measures for previous customers and the importance of the information that has been obtained. Article (20) of the regulation requires that the frequency of updating information be commensurate with the level of risk posed by the business relationship, and not exceed one year in the presence of high risks, in addition to updating when a significant change occurs in the business relationship, or with the aim of addressing alerts related to unusual transactions that are inconsistent with the nature of the client's business, commercial activities and risk profile, and when making any fundamental change in the client's documentation standards or the method of managing their account, etc., taking into account the obligation on these institutions to take ongoing due diligence measures.

35. Article (22) of the Securities Market Regulation and Article (6) of the Bank of Algeria Instructions prohibit the opening of any accounts, the establishment of business relationships, or the execution of transactions. Additionally, they require the termination of existing business relationships if due diligence measures cannot be applied. In such cases, an immediate suspicious activity report must be submitted to the Financial Intelligence Unit. Furthermore, Article (23) of the regulation stipulates that if there is suspicion of a transaction (or a series of related transactions) involving money laundering, terrorist financing, or the financing of the proliferation of weapons of mass destruction, and taking vigilance measures could alert the customer to the suspicions regarding the transaction, the obligated party may refrain from carrying out the obligations and must submit a suspicious activity report to the Financial Intelligence Unit.

**36. Third: Exchange Offices and Factoring Institutions**

37. **The** provisions related to due diligence in Law (05-01), as amended and supplemented, apply to exchange offices and factoring institutions, specifically Articles (5 bis 2, 5 bis 3, 7, and 10 bis 4) mentioned in the first section above. However, no additional regulations or instructions have been issued to address the shortcomings associated with these two types of financial institutions, as explained in the conclusion below.

38. **Conclusion:** Algerian legislation imposes important obligations on financial institutions regarding the implementation of due diligence measures, largely commensurate with the FATF methodology. However, several minor shortcomings remain this is particularly evident in the case of exchange offices and factoring institutions, where there are no explicit obligations that meet most of the requirements of Recommendation 10, considering the low risks associated with these institutions due to the lack of effective institutions operating in Algeria.

39. As for other financial institutions, the current legislation shows minor shortcomings in requiring banks, financial institutions, the financial services of Algeria Post, and institutions under the supervision of the Insurance Supervision Committee to implement due diligence when executing occasional financial transactions, including wire transfers (for banks and the financial services of Algeria Post), as these operations are linked to ceilings without specifying them. The impact of this shortcoming is considered low as it relates only to occasional transactions. Algeria provided additional information confirming that these transactions constitute a limited percentage compared to other transactions provided by these institutions. It is worth noting that there are obligations to implement due diligence measures when establishing a business relationship and when there is suspicion of money laundering or terrorist financing or when there are doubts among financial institutions regarding the accuracy of the data obtained.
40. As for legal arrangements established abroad, it is worth noting that their definition within Algerian legislation focuses on "entities" for the instructions of the Bank of Algeria and the Capital Market Authority, or "bodies" as in the instructions of the Insurance Supervision Committee, which is inconsistent with the definition of the methodology, as legal arrangements can be any type of arrangement or agreement without the requirement of being an entity or body. However, that does not constitute a major shortcoming since the definition does not explicitly state trust funds established abroad, which is considered to be the most important form of legal arrangements. Add to that, the difference of terminology used in Algerian legislation which are distinct from others. Another shortcoming is evident relates to non-existence of explicit obligation imposed on legal arrangements to understand the nature of the customer, which is considered to be minor shortcoming since it only relates to legal arrangements established abroad and does not apply to Waqf, which is legal person established in Algeria..
41. It is also noted that there is a lack of clear obligation for financial institutions to take due diligence measures when doubts arise about the adequacy of the information previously obtained. The terms "suitability" or "competence" have been used instead of "adequacy" in the regulations of these financial institutions. Although there is not a complete match between these terms, this is not considered a significant shortcoming. Additionally, there is no explicit provision requiring the application of due diligence measures towards current customers based on relative importance, nor is there a clear requirement for determining when such measures should be taken in advance. However, Algeria submitted the necessary information which proves taking risk-based approach in updating data largely commensurate with the CDD measures of current customers. There are also minor shortcomings appear to be related the fact that financial institutions under the supervision of the Capital Market Authority are not explicitly required to obtain the names of individuals holding senior management positions within the legal entity.

Similarly, there is no explicit obligation for banks, financial institutions, and the postal financial services of Algeria to obtain and verify the legal form of customers from legal arrangements established abroad.

42. It is also clear that financial institutions under the supervision of the Capital Market Authority must promptly submit suspicious activity reports to the Financial Intelligence Unit if they are unable to comply with due diligence requirements, rather than considering whether to submit them.
43. **Based on the above, and since the most important shortcomings were addressed, even though some minor shortcomings remain scattered in different places of the criteria, Algeria's compliance with Recommendation 10 has been assessed as "Largely Compliant."**

#### **Recommendation 11: Record Keeping (PC)**

44. According to the mutual evaluation report, Algeria received a "Partially Compliant" rating for Recommendation 11 due to several deficiencies, the most significant of which is the lack of a legal obligation for all financial institutions to retain all records obtained through due diligence procedures. This is especially concerning as the legal obligations for financial institutions do not include implementing all the due diligence measures outlined in Recommendation 10. Additionally, there is a lack of clear and explicit provisions stating that transaction records must be sufficient to reconstruct individual transactions, allowing for the provision of evidence against criminal activity when necessary. The obligation to retain records is limited to customer identity and address records, and the principle of "timeliness" was not explicitly mentioned.
45. According to the first enhanced follow-up report of the People's Democratic Republic of Algeria, Algeria has addressed some of the deficiencies by amending Law No. 05-01 dated February 6, 2005, regarding the prevention of money laundering, terrorism financing, and their combating through Law No. 23-01 dated February 7, 2023. However, the level of compliance remains "Partially Compliant" due to the continued presence of several deficiencies. The most significant of these is that the amended law relates to the documents obtained through customer due diligence procedures, but it does not explicitly require the retention of records within the framework of due diligence. Additionally, the new law does not mandate the retention of account files, commercial correspondence, or the results of any analysis performed. Furthermore, it is unclear to what extent these records could serve as evidence for prosecution against criminal activity if necessary, as the new law does not specify that the records must be sufficient to allow the reconstruction of individual transactions. Additionally, the principle of "timeliness" is not reflected in the actions taken by Algeria. These ongoing deficiencies, as mentioned in



Recommendation 10, also include the lack of a legal obligation for financial institutions to apply all required due diligence measures.

46. To address the deficiencies outlined in the first enhanced follow-up report, Algeria has issued a number of related regulations and instructions. **For banks, financial institutions, and Algeria Post's financial services**, the Bank of Algeria issued Regulation No. (24-03) dated July 24, 2024, concerning the prevention of money laundering, terrorism financing, and the financing of the proliferation of weapons of mass destruction, and their combating. Article (21) of this regulation obligates banks, financial institutions, and Algeria Post's financial services to retain and promptly respond to requests from competent authorities, and to make available the documents obtained through customer due diligence procedures, as well as account records, commercial correspondence, and the results of any analysis conducted, for a period of no less than five (5) years after the termination of the business relationship or the date of the occasional transaction. This article also requires that the retained documents be sufficient to allow for the reconstruction of individual transactions in order to provide evidence, if necessary, in criminal activity investigations. Additionally, Chapter 10 of Bank of Algeria Instruction No. (3-2024) provides further details on the requirements of criteria (11.2) and (11.3).
47. **As for the financial institutions under the supervision of the SERC**, Article (46) of the Stock Market Regulation No. (24-01) stipulates that these institutions must retain documents, whether in physical or electronic formats, that allow them to respond promptly to requests from the competent authorities. This includes documents obtained as part of customer due diligence procedures, account statements, correspondence related to the business relationship, and the results of any analysis conducted, for a period of no less than five (5) years after the closure of accounts, the end of the business relationship, or the date of the occasional transaction. Additionally, all documents and records related to domestic transactions must be retained for at least five (5) years after their execution. The same article also requires that the documents retained be sufficient to reconstruct individual transactions and provide evidence, if necessary, in the context of criminal investigations. Chapter 11 of the SERC Instruction No. (7-2024) adds further details concerning the requirements of criteria (11.2) and (11.3). It is worth noting that although the term "due diligence procedures" is used in the regulation and instructions issued by the SERC, the new regulations and instructions from other regulatory authorities, which address the same subject under the term "customer due diligence procedures," have led to the interpretation of the term used in the SERC regulation and instructions to mean "customer due diligence procedures."
48. **As for the financial institutions under the supervision of the Insurance Supervisory Authority**, Article 18 of the Insurance Supervisory Authority Regulation No. 01 of 2024 requires entities to respond promptly to requests

from the competent authorities and provide access to documents, including those obtained as part of customer due diligence procedures, account statements, business correspondence, as well as the results of any analysis conducted, for at least five years after the end of the business relationship or the date of the occasional transaction. Additionally, all documents and records related to both local and international transactions must be retained for at least five (5) years after the transaction is executed. Although Article 18 of the above regulation focuses on providing documents to the authorities rather than explicitly stating the retention of records, this is not considered a shortcoming because Article 32 of the Insurance Instructions No. 01 of 2024 outlines the details related to record retention requirements. This includes retaining all documents obtained under customer due diligence measures for at least five (5) years from the end of the business relationship, as well as all documents related to executed transactions, including confidential reports, for at least five (5) years from the transaction date. Additionally, Article 33 of the instructions provides further details about the documents and records that must be retained, including account opening requests, copies of exchanged correspondence, supporting documents and evidence for executed transactions, account statements, documents related to business transactions with the customer, as well as files and documents related to the results of any analysis performed on the transactions that were examined.

49. Article 18 of the Insurance Supervisory Authority Regulation also requires entities to ensure that the documents are sufficient to allow for the reconstruction of individual transactions in order to provide evidence if necessary in the context of criminal proceedings. Additionally, Chapter 10 of the Insurance Supervisory Authority Instructions No. (1-2024) provides further details regarding the requirements of criterion (11.3).
50. **Conclusion:** Algerian regulations and instructions require banks, financial institutions, Algeria Post financial services, institutions under the supervision of the SERC, and insurance and reinsurance companies to retain all necessary records related to both domestic and international transactions for at least five years from the completion date of the transaction. They also mandate the retention of records obtained through due diligence procedures, including account files, business correspondence, and the results of any analysis conducted, for five years from the termination of the business relationship or incidental transaction. The legislation and instructions further require that the retained documents be sufficient to allow for the reconstruction of individual transactions to provide evidence, if necessary, in criminal proceedings, and ensure the prompt availability of due diligence information on customers and transaction records to the competent authorities.
51. **As for exchange offices and factoring institutions,** there are no secondary regulations addressing the obligation of exchange offices and factoring institutions to comply with the criteria of this recommendation. As a result, their

obligation is limited to what is stated in the law, which fully covers criterion 11.1 but only partially addresses other criteria. Specifically, the obligations in the law do not explicitly require the retention of account files, business correspondence, and the results of any analysis conducted. Additionally, it does not explicitly state that transaction records must be "sufficient" to allow for the reconstruction of individual transactions, thereby achieving the goal of providing evidence for criminal prosecution. It is worth noting that the review team places little weight on the shortcomings related to exchange offices and factoring institutions, considering their lack of effectiveness in the Algerian market (to date).

52. Based on the above, the failure to fully comply with several key criteria within Recommendation 10 (related to due diligence procedures) has minor impacts on the overall compliance with this recommendation, with some of the most critical criteria being 10.3, 10.5, 10.8, 10.10, 10.11, and 10.12, which was rated Mostly Met

53. **Based on the above, the compliance level with Recommendation (11) is "Largely Compliant."**

#### **Recommendation 13: Correspondent Banking (NC)**

54. The Mutual Evaluation Report highlighted several shortcomings, the most important of which include the failure to require financial institutions to collect sufficient information about respondent institutions. **Additionally, there is a lack of compliance with the full requirements of criterion 13.1.** The report also notes that there is no indication that financial institutions are required, in the context of payable-through accounts, to reach a self-conviction that the respondent bank has fulfilled its due diligence obligations regarding customers who have direct access to the correspondent bank's accounts. Furthermore, it was not explicitly stated that financial institutions must ensure that the respondent bank can provide due diligence information about related customers when requested by the correspondent bank. Lastly, financial institutions are not obligated to reach a self-conviction that the respondent institutions do not allow their accounts to be used by shell banks.

55. To address the shortcomings mentioned in the Mutual Evaluation Report, Algeria issued the amended and supplemented Law No. 05-01. Article (10 bis 5) requires all financial institutions to meet a set of requirements related to foreign correspondent banking relationships or similar relationships. Additionally, Article (22) of the Bank of Algeria's Regulation (24-03) imposes a set of requirements on banks, financial institutions, and postal financial services regarding correspondent banking relationships.

56. Article (10 bis 5) of the amended and supplemented Law No. 05-01 requires financial institutions, with regard to foreign correspondent banking relationships or other similar relationships, to identify and verify the identity of

the institutions with which they establish correspondent banking relationships, and to gather information about the nature of their activities. It also mandates assessing their reputation and the effectiveness of the regulatory regulation they are subject to, based on publicly available information. Furthermore, Article (22) of the Bank of Algeria Regulation (24-03) requires banks, financial institutions, and the financial services of Algeria Post to collect sufficient information about their correspondent banks, enabling them to fully understand the nature of their activities and assess, based on publicly available information, their reputation and the quality of the oversight to which they are subjected. This specifically includes determining whether the correspondent is under investigation or action by a regulatory authority regarding money laundering, terrorism financing, or the financing of the proliferation of weapons of mass destruction.

57. Article (10 bis 5) of the mentioned law, regarding foreign correspondent banking relationships or other similar relationships, requires the evaluation of the control measures implemented by the foreign correspondent to combat money laundering, terrorism financing, and the financing of the proliferation of weapons of mass destruction. This obligation is reiterated for banks, financial institutions, and the financial services of Algeria Post in Article (22) of the Bank of Algeria Regulation (24-03). The same article also requires obtaining approval from the management of the legal entity before entering into a relationship with the foreign correspondent, as well as obtaining a license from the General Directorate or the Board of Directors before establishing a new correspondent banking relationship. Additionally, it mandates that the obligations of both parties (the financial institution and the foreign correspondent) be outlined in writing. This article obliges banks, financial institutions, and the financial services of Algeria Post to specify in the agreement the responsibilities of each institution concerning the prevention and combating of money laundering, terrorism financing, and the financing of the proliferation of weapons of mass destruction, as well as how information will be provided upon the requesting institution's request and how compliance with the agreement will be monitored. It also requires these institutions to update correspondent account agreements to align with these obligations.
58. Regarding transit accounts (which are defined in accordance with the term "payable-through accounts" as per Recommendation 13), Article (22) of the Bank of Algeria Regulation (24-03) stipulates the obligation of banks, financial institutions, and the financial services of Algeria Post to ensure that the correspondent has applied due diligence measures for its customers who have direct access to the correspondent bank's accounts, and that it is capable of providing relevant information regarding this, upon the request of the correspondent bank.
59. Article (10 bis 5) of the amended and supplemented Law (05-01) prohibits all financial institutions from entering into or maintaining a correspondent banking relationship with a foreign shell bank. It also prohibits financial

institutions from entering into a relationship with or maintaining a correspondent banking relationship with a shell bank, or entering into a relationship with foreign institutions that allow shell banks to use their accounts. Furthermore, the detailed provisions in Article (23) of the Bank of Algeria Regulation (24-03) require banks, financial institutions, and Algeria Post's financial services to ensure that their "correspondents" do not allow shell banks to use their accounts. Additionally, Article (25) of the Bank of Algeria Instruction No. (3) of 2024 obliges these institutions to refrain from establishing or maintaining any correspondent relationships with entities that exhibit the characteristics of shell banks. It also mandates these institutions to "exercise due diligence" to ensure that their foreign correspondents do not allow shell banks to access or use their accounts, either directly or indirectly. Article (25) of the November 2024 Instruction No. (1) issued by the Insurance Supervisory Committee also states that "subjects must exercise the necessary due diligence to ensure that their foreign correspondents do not allow shell institutions to access or use their accounts, either directly or indirectly."

60. **Conclusion:** Algeria imposes several obligations on obligated entities regarding cross-border correspondent banking relationships through the relevant provisions in Law (05-01) amended and supplemented by Law (23-01) and the Bank of Algeria Regulation (24-03), with the exception of limited shortcomings, the most significant of which are as follows:

- Although Article (10 bis 5) of Law 05-01 obliges financial institutions to define the obligations of both parties, it is implicitly understood that this means clearly understanding each institution's responsibilities in the area of combating money laundering and terrorist financing. However, this should be explicitly stated in accordance with criterion (13-1-d) to avoid any ambiguity regarding this obligation.
- The failure to oblige financial institutions not under the supervision of the Banking Committee to reach a self-conviction that the responding financial institutions do not allow their accounts to be used by shell banks.
- As for relationships similar to banking relationships related to money transfer operations, Article (22) of the Bank of Algeria's regulation covers sub-criterion 13.1.(a) if the money transfer operations are conducted by institutions authorized to provide remittances (bank or post) with a foreign bank. However, this article does not fully cover the criterion in cases where the operations are carried out with a non-banking institution abroad, meaning there is no obligation to ensure that the information collected is sufficient to fully understand the nature of the responding institution's operations. Additionally, it does not specify the need to collect information to determine whether the responding institution has ever been subjected to an investigation regarding money laundering or financing terrorism or to a supervisory measure.

- As for relationships similar to banking relationships established for securities operations, it was not clear whether institutions under the supervision of the Stock Exchange Operations Regulatory Committee are required to ensure that the information collected is sufficient to fully understand the nature of the responding institution's operations. Additionally, there was no requirement to collect information to determine whether the responding institution has ever been subjected to an investigation regarding money laundering or terrorism financing or any supervisory action. The obligations were limited to defining the responsibilities of both parties without explicitly stating the need for a clear understanding of each party's responsibilities in combating money laundering and terrorism financing. However, this shortcoming is considered minimal, given the relatively low importance of the brokerage sector in stock market operations (as mentioned in paragraph 97 of the mutual evaluation report). Additionally, most stock market brokers in Algeria are banks, which are already covered by the Bank of Algeria's regulation.

61. Although the requirements set forth in the law and regulations largely align with the details provided in the criteria of Recommendation (13), there remains ambiguity regarding the scope of the obligations related to it. Specifically, it is unclear whether this scope includes addressing financial institutions as correspondent institutions and imposing obligations on them towards responding institutions (as per the methodology), or not, which affects the extent of compliance with this recommendation. The reasons for the ambiguity in the scope of these obligations can be clarified in the following sequence:

- The law does not provide a definition for foreign correspondent banking relationships, whereas Article (2) of the Bank of Algeria's regulations defines a correspondent banking relationship as "the provision of banking services by a bank (the correspondent bank) to another bank (the customer bank)."
- It is noted that financial institutions in Algeria are addressed with the requirements related to their "correspondents" rather than "respondents." This suggests that these institutions are being addressed in the capacity of "respondent institutions" receiving services from foreign correspondent institutions, which contrasts with the principle of Recommendation (13) that addresses local financial institutions in their role as "correspondents" providing services to foreign respondent institutions.
- Algeria, in its responses to the review team's comments, clarified that the term "correspondent bank" in national regulatory texts is not limited to institutions classified as "respondents." Rather, it is a broader term that encompasses all banks providing correspondent banking services. Additionally, the approach followed in Algeria is based on a preventive strategy aimed at ensuring that the institutions under supervision conduct a

comprehensive risk assessment related to correspondent banking relationships, including verifying that the correspondent bank applies appropriate supervisory procedures.

- Despite the previous explanation, there appears to be a lack of clear evidence supporting Algeria's interpretation of the term "foreign correspondent" in the law and the terms "correspondent" and "correspondent bank" in the regulations as encompassing both correspondent institutions and respondent institutions. This is particularly concerning since the definition of a correspondent banking relationship in the regulations specifies that the service-providing bank is called the "correspondent bank," while the service-receiving bank is referred to as the "customer bank." This raises questions as to why the terms "correspondent" and "correspondent bank" were used in the relevant article of the regulations, instead of using terms such as "institution" or "customer bank," as defined in the same regulatory framework.

62. Due to the unclear scope of obligations (as previously explained) and the lack of any legal or guidance texts to support Algeria's interpretation, along with the definition of correspondent banking relationship in the Bank of Algeria's regulations, which does not support this interpretation, the review team found no evidence that the current obligations in both the law and the Bank of Algeria's regulations are imposed on local financial institutions toward foreign institutions, whether they are responding institutions or correspondent ones. Therefore, these obligations were assessed as addressing local financial institutions as responding institutions, and not including obligations when they act as correspondent institutions. This significantly affects the extent to which these obligations align with the requirements of Recommendation (13).

63. **Based on the above, the level of compliance with Recommendation (13) is "Non-Compliant."**

#### **Recommendation 16: Wire Transfers (NC)**

64. The mutual evaluation report stated that it was not clear that financial institutions in Algeria are required to comply with the requirements of Recommendation 16 through legal texts or other binding means. The country received a "Not Met" rating for all criteria under this recommendation.

65. To address the shortcomings outlined in the mutual evaluation report, several provisions were issued in the Bank of Algeria's regulation No. 24-03, issued on July 24, 2024, related to the prevention of money laundering, terrorism financing, and the financing of the proliferation of weapons of mass destruction. These provisions impose several obligations on the regulated institutions (banks, financial institutions, and postal services of Algeria). Article (13) of this regulation requires ensuring the identification of individuals through valid, original official documents bearing their photo and through data or information obtained from trustworthy and independent sources. It also

requires verifying the identity of legal entities through obtaining identity documents and information from reliable sources. Furthermore, Article (32) of this regulation imposes an obligation on regulated institutions involved in executing national and cross-border electronic transfers, including serial payments and cover payments, to ensure that the basic information about the originator and the beneficiary of these electronic transfers is collected and readily available to enable tracing the path of all electronic transfer transactions. Additionally, Bank of Algeria Instruction No. 04-2024, issued on November 24, 2024, regarding electronic transfers, was issued in implementation of the provisions of Article (32) of the Bank of Algeria's regulation, and it addresses the obligations of the ordering financial institution, the intermediary financial institution, and the beneficiary financial institution.

66. **Regarding the obligations of the ordering financial institution**, we would like to clarify that the cross-border wire transfer process is treated exclusively by Banks, there are no other financial institution with the powers to practice such activity. The aforementioned Bank of Algeria instructions require that financial institutions acting as the originator's institution ensure that all cross-border electronic transfers equal to or exceeding 1,000 USD (or its equivalent in other currencies) are accompanied by accurate information about the originator, verified based on official documents or data/information obtained from trustworthy and independent sources in accordance with Article 13 of regulation 24-03. Additionally, these transfers must be accompanied by information about the beneficiary. This information includes (a) the title, first name(s) or social name of the payer, or in the event of the absence of an account, the unique reference number for the transaction that allows the transaction to be traced, (b) the payer's address, national ID number, customer ID number, or date and place of birth.
67. The mentioned instructions also require that when multiple cross-border electronic transfers are sent in batches from the same originator to different beneficiaries, the batch must include the required and accurate information about the originator and complete information about the beneficiaries. This information includes (a) the title, first name(s) or social name of the payer, or in the event of the absence of an account, the unique reference number for the transaction that allows the transaction to be traced, (b) the payer's address, national ID number, customer ID number, or date and place of birth.. It must be possible to fully reconstruct the path of this information in the receiving country. The ordering's financial institution must include the originator's account number or a unique transaction reference number. Article (2) of these instructions defines the term "batch transfer," stating that it refers to "a transfer consisting of a number of individual electronic transfers sent to the same financial institutions, but possibly intended for different individuals." This clarifies that what is referred to as "batch transfer" represents a situation where several cross-border wire transfers issued by a single originator are grouped into a single transfer file to be sent to multiple beneficiaries.



68. Regarding cross-border electronic transfers below the threshold specified in the instructions, the mentioned instructions also require ensuring that all such transfers are accompanied by the information of both the originator and the beneficiary. This information includes (a) the title, first name(s) or social name of the payer, or in the event of the absence of an account, the unique reference number for the transaction that allows the transaction to be traced, (b) the payer's address, national ID number, customer ID number, or date and place of birth.. However, it is noted that while the accuracy of this information does not need to be verified, the ordering's financial institution is obligated to verify the information concerning its customer if there is any suspicion of money laundering, terrorist financing, or the financing of the proliferation of weapons of mass destruction.
69. Regarding domestic transfers, the instructions stipulate that for national electronic transfers, the ordering's financial institution must ensure that the information accompanying the electronic transfer includes the originator's information as indicated in the instructions. This is unless such information can be provided to the beneficiary's financial institution and the competent authorities through other means. The instructions also state that when the information accompanying national electronic transfers is available to the beneficiary's financial institution and the competent authorities through other means, the ordering's financial institution is only required to include the account number or the unique transaction reference number, provided that this account number or reference number allows for the reconstruction of the transaction path to the originator or beneficiary. Additionally, the instructions require the ordering's financial institution, within three working days from receiving the request, to provide the beneficiary's financial institution and/or the competent authorities, when applicable, with information concerning the originator. According to the applicable legislative provisions, this information must be made available to the judiciary immediately.
70. Regarding the retention of information for both the originator and the beneficiary of a transfer, Article (19) of the instructions issued by the Bank of Algeria requires financial institutions to retain all collected information about the originator and the beneficiary for at least five (05) years after the completion of the transaction. This is in accordance with the applicable legislative and regulatory provisions, particularly Article 21 of regulation No. 24-03, which stipulates that institutions subject to these regulations must retain and promptly respond to requests from the relevant authorities and make available the documents obtained during customer due diligence procedures, as well as account records and business correspondence, along with the results of any analysis conducted, for at least five (05) years after the end of the business relationship or the date of the occasional transaction. Furthermore, it mandates that all documents related to domestic and international transactions must be available for at least five (05) years after the execution of the transaction. This provision also requires that these documents be sufficient to allow for the reconstruction of individual transactions in order to provide evidence,

when necessary, in criminal activity investigations. Additionally, Article (33) of the Bank of Algeria's instructions obliges financial institutions, when retaining the records and documents specified in these instructions, to ensure that transaction records are adequate to reconstruct individual transactions, enabling the provision of evidence, when necessary, against criminal activity.

71. Article (9) of the Bank of Algeria's instructions stipulates that the ordering financial institution shall, under no circumstances, conduct an electronic transfer if the requirements outlined in Articles 3 to 7 of these instructions are not met.
72. **Regarding the obligations of intermediary financial institutions**, the Bank of Algeria's instructions require financial institutions acting as intermediaries in a series of cross-border electronic transfers to ensure that all information related to the originator and the beneficiary remains fully attached to the electronic transfer. It was also indicated that if technical limitations prevent the required information about the originator or the beneficiary, included in the cross-border electronic transfer, from remaining with the corresponding domestic electronic transfer, the intermediary financial institution must retain the information provided by the ordering's financial institution or another intermediary financial institution for at least five years, in accordance with the applicable legislative and regulatory provisions. The instructions also state that intermediary financial institutions must take reasonable measures, consistent with end-to-end processing, to identify cross-border electronic transfers lacking the required information about the originator or beneficiary. The state clarified that the phrase "consistent with end-to-end processing" in the mentioned article meant that the procedures should cover all stages of the transfer process to ensure that any information gaps are identified comprehensively, reflecting the same concept as the phrase used in the standard. However, the review team considers that the text is ambiguous and needs to be amended to align with the wording in the standard.
73. The aforementioned instructions also require intermediary financial institutions to establish risk-based policies and procedures that define the conditions for executing, rejecting, or suspending electronic transfers that lack the required information about the originator or the beneficiary, as well as the measures to be taken in such cases.
74. **Regarding beneficiary financial institutions**, the mentioned instructions require the beneficiary's financial institution to take reasonable measures—such as post-event or real-time monitoring, where possible—to detect cross-border wire transfers that lack the required information about the originator or the beneficiary. The instructions also state that for cross-border wire transfers equal to or above USD 1,000 (or the equivalent in other currencies), if the beneficiary's identity has not been previously verified, the beneficiary's financial institution must

verify the accuracy of the beneficiary information as stated in the instructions. This verification must be based on official documents, data, or information obtained from reliable and independent sources, in accordance with Article 13 of the Bank of Algeria Regulation. Article 13 of the Bank of Algeria Regulation states that the identity of a natural person must be verified through their valid official documents containing their photo, or through personal data or information obtained from reliable and independent sources. For legal persons, identity must be verified through documents, identity data, and information obtained from trusted sources. Regarding the retention of beneficiary identity information, it was previously mentioned that Article 19 of the Bank of Algeria Instructions obliges financial institutions to keep all collected information about the originator and the beneficiary for at least five years after the transaction is carried out, in accordance with applicable legislative and regulatory provisions.

75. The mentioned instructions also require the beneficiary's financial institution to establish risk-based policies and procedures. These should define the conditions for executing, rejecting, or suspending wire transfers that do not include the required information about the originator or the beneficiary, as well as the steps to be taken in such cases.
76. **With regard to money or value transfer service operators**, this category is limited to banks and the financial services of Algeria Post, which are supervised and regulated by the Bank of Algeria. These institutions provide money transfer services directly without using agents. According to the analysis of this recommendation, these financial institutions are required to comply significantly with the relevant requirements of Recommendation 16. For cases where the money or value transfer service provider controls both the ordering and beneficiary sides of a transfer, Article 18 of the electronic transfer instructions states: *"According to Article 25 of the Bank of Algeria Regulation, financial institutions must immediately report all suspicious wire transfers or attempted wire transfers to the Financial Intelligence Processing Unit. In this context, financial institutions must consider the absence or inadequacy of information about the originator or the beneficiary as a key risk factor when assessing whether a wire transfer is suspicious, and they must report it accordingly."* Based on the above, it is clear that banks and the financial services of Algeria Post, which may control both the ordering and beneficiary sides of a money transfer (especially at the local level), are generally required to report suspicious transactions to the Financial Intelligence Processing Unit. They are specifically required to assess the adequacy of the information related to both the originator and the beneficiary, as this is considered a key factor in determining whether the wire transfer may be suspicious.

**77. Regarding the implementation of targeted financial sanctions in the context of processing wire transfers,**

the second paragraph of Article 32 of Bank of Algeria Regulation 24-03 states: *“Direct or indirect participants in payment systems must have an automated system to detect customers and transactions, which allows for the suspension of operations related to individuals, entities, and groups listed on the unified sanctions list and the national list.”* Additionally, Article 47 of the same regulation states: *“Obligated institutions must establish an automated system to verify, at the time of entering a business relationship or conducting a transaction or occasional operation, that the customer or beneficial owner is not listed among persons, entities, or groups associated with terrorism, terrorist financing, or the financing of weapons of mass destruction, in accordance with United Nations Security Council resolutions and subsequent decisions, as well as the national list. This verification must be carried out without delay whenever the mentioned lists are updated. If the verification results in a positive match, the account or occasional transaction must be immediately and without prior notice frozen, and the Financial Intelligence Processing Unit and the relevant authorities must be notified.”* Furthermore, Article 20 of the instructions issued by the Bank of Algeria regarding electronic transfers states: *“Without prejudice to legislative and regulatory provisions, financial institutions must have an automated, effective, and appropriate system to detect transactions related to individuals, entities, or groups listed on the unified sanctions list and the national list. This system must, in all cases, ensure the implementation of freezing and prohibition measures on any transaction that falls under these procedures, in accordance with the applicable regulatory provisions.”*

**78. Conclusion:** The above analysis shows that Algeria has addressed most of the shortcomings related to Recommendation 16. However, some gaps still remain, as outlined below:

- All shortcomings related to a large number of sub-criteria have been addressed and are currently met (criteria 16.1, 16.2, 16.3, 16.4, 16.5, 16.7, 16.9, 16.10, 16.12, 16.13, and 16.15).
- Most shortcomings related to several criteria (16.8, 16.11, 16.16, and 16.18) have been addressed. However, some gaps still remain, as follows:
  - The ordering financial institution is not allowed to execute wire transfers if it does not comply with the required obligations. However, this condition is not clearly stated in relation to the following:
    - ❖ The requirement to make the information available within three business days from the date of receiving the request—whether from the beneficiary financial institution or the competent authorities—and the obligation to provide such information immediately to law enforcement authorities is not clearly stated.

- ❖ The requirement to retain all collected information about the originator and the beneficiary, in line with Recommendation 11, is not fully addressed.
- Although intermediary financial institutions are required to take reasonable measures to identify cross-border wire transfers that lack the required information about the originator or the beneficiary, the regulation states that these measures should be "in line with end-to-end processing." This differs from the criterion, which requires the measures to be "consistent with straight-through processing."
- Money or value transfer service providers (banks and Algeria Post's financial services) are required to comply with all relevant requirements in Recommendation 16, as they operate directly and do not use agents. This is with the exception of some shortcomings detailed in the analysis.
- Financial institutions have been required, in the context of processing electronic transfers, to have an automated, effective, and appropriate system that allows for detecting transactions linked to individuals, entities, or groups listed on the unified sanctions list and the national list. This system ensures the application of freezing and prohibition measures on any transaction falling under these procedures. However, there are some gaps related to the implementation of targeted financial sanctions in Recommendation 6 that affect the application of the requirements in criterion (16-8).
- Some shortcomings have been partially addressed in certain sub-criteria (criteria 16.6, 16.14, 16.17). The gaps that have not been addressed for these criteria are as follows:
  - The instructions only require financial institutions to immediately provide information related to the originator to the judicial authorities, which is inconsistent with the requirements of criterion 16.6. This criterion mandates **that law enforcement authorities** (not judicial authorities) should be able to enforce the immediate provision of such information.
  - Article 15 does not fully meet the criteria requirement of Criterion 16.14 regarding "verification of the beneficiary's identity," as the phrase used in the article, "ensuring the accuracy of the beneficiary's information," is less comprehensive..
  - Regarding criterion 16.7, there is no clear and explicit provision requiring banks and Algeria Post's financial services, when controlling both the orderign and receiving sides, to consider all information provided by the originator and the beneficiary in order to determine whether a suspicious transaction report needs to be filed (rather than just verifying whether the information is adequate or not, as stated in the electronic transfer instructions). Additionally, there is no clear obligation to report suspicious transactions in any of

the countries related to the suspicious wire transfers or to provide all relevant information related to the transaction to the Financial Intelligence Unit.

79. **Based on the above, the level of compliance with Recommendation 16 is "largely compliant."**

#### **Recommendation 18: Internal Controls, Foreign Branches and Subsidiaries (PC)**

80. According to the mutual evaluation report and the first enhanced follow-up report, Algeria has not made sufficient legislative amendments to address the shortcomings in Recommendation 18. The country has primarily relied on an instruction issued by the Financial Intelligence Unit, which lacks a clear legal basis, and thus cannot be considered a binding measure subject to penalties. Additionally, it is unclear whether the recent amendment to the Anti-Money Laundering and Counter-Terrorism Financing Law has addressed the gaps related to establishing compliance management arrangements (including the appointment of a compliance officer at the managerial level) and setting up an independent audit unit to test the system for exchange offices, insurance companies, brokers, and payment service providers. Furthermore, financial institutions have not been required to implement screening procedures for new employees. On the other hand, the new law requires all obligated entities to establish and implement programs ensuring internal controls, taking into account the continuous training of employees.

81. The law requires obligated entities to ensure that subsidiaries or branches in foreign countries, where they hold a majority of the capital (not the entire financial group), implement information exchange policies and procedures. However, it does not specify what information should be exchanged. Furthermore, it is unclear whether this information can be provided to compliance and audit functions, or if adequate safeguards are in place regarding confidentiality, the use of the information, and ensuring non-notification. The new amendment also requires all financial institutions to ensure that these foreign subsidiaries and branches adopt and implement measures that align with the provisions of the law, to the extent allowed by local laws and regulations. They must also inform supervisory authorities when the systems of the countries where they operate do not allow for the implementation of these measures. However, this does not include a requirement for the financial group to implement additional measures to manage the risks of money laundering and terrorist financing if the host country does not permit the appropriate execution of the measures specified in the law.

82. To address the shortcomings outlined in the mutual evaluation report and the first enhanced follow-up report, and in addition to the amended and supplemented Law (05-01) by Law (23-01), Algeria issued Executive Decree No. 24-242, which applies to all financial institutions. Additionally, several regulations were issued for the relevant

entities, including Bank of Algeria Regulation 24-03 Which was recently issued on 23 July 2024 and published in the Official Gazette on 24 July 2024, and it was issued by the Prime Minister based on Article 10 bis 1 of Law 05-01 as amended and supplemented. This system was issued after the first enhanced follow-up report, and it is an issued and effective system that has legal force (which applies to banks, financial institutions, and Algeria Post's financial services), the Regulation of the Commission for the Organization of Stock Market Operations 24-01 (which applies to all entities under the Stock Market Operations Commission), and the Regulation of the Insurance Oversight Commission No. 01 of 2024 (which applies to insurance and reinsurance companies).

83. According to Article 10 bis 1 of Law (05-01), as amended and supplemented by Law (23-01), financial institutions are required, in the context of combating money laundering, terrorist financing, and the financing of the proliferation of weapons, to establish and implement programs ensuring internal controls that take into account the risks, size of business, the importance of the business activity, and continuous training. This obligation is reinforced by Article 34 of the Bank of Algeria's Regulation, Article 35 of the Regulation of the Commission for the Organization of Stock Market Operations, and Article 24 of the Regulation of the Insurance Oversight Commission No. 01 of 2024.
84. In addition, Article 4 of Executive Decree No. 24-242 stipulates that obligated entities (as defined in Law 05-01, as amended and supplemented by Law 23-01, including all financial institutions) must establish internal audit programs that consider the risks associated with money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. These programs should be tailored to the size, nature, complexity, and location of their activities, allowing them to identify, assess, and understand these risks and take effective actions to mitigate and manage them.
85. Article 5 of Executive Decree No. 24-242 stipulates that the internal audit programs that obligated entities (including all financial institutions) must implement include the appointment of a compliance officer for anti-money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. If the obligated entity is a legal person, the compliance officer should be one of the senior members of the company's board of directors, or the obligated person themselves if they are an individual. Although the article specifies that the compliance officer should be a senior board member rather than being appointed at the management level, and given that the board of directors is not considered part of the executive management, this is not considered a shortcoming for financial institutions covered by the supervisory authorities' regulations. These regulations specify that the compliance officer should be appointed at the managerial level or higher (rather than at the board level), in line with Article 4 of the Executive Decree, which indicates that the implementation of internal control

programs should not violate the provisions set out in the regulations, instructions, and guidelines issued by the supervisory and/or regulatory authorities. Additionally, Article 5 of the Decree and Article 35 of both the Bank of Algeria Regulation and the Regulation of the Commission for the Organization of Stock Market Operations, as well as Article 24 of the Insurance Regulation, include other provisions that assist in compliance management.

86. Article 6 of Executive Decree No. 24-242 stipulates that the internal control measures established by obligated entities (including all financial institutions) must include procedures to implement efficiency and suitability requirements, a code of conduct for all employees, and the establishment of objective criteria and procedures for their selection when hiring. Additionally, other criteria are referenced in Articles 34 and 38 of the Bank of Algeria Regulation, Article 35 of the Regulation of the Commission for the Organization of Stock Market Operations, and Article 24 of the Insurance Regulation.
87. Article 7 of Executive Decree No. 24-242 requires obligated entities to establish continuous training programs for their employees to keep them informed about all aspects and requirements of anti-money laundering, counter-terrorism financing, and the prevention of the proliferation of weapons of mass destruction. These programs should assist employees, particularly in identifying transactions and activities that may be linked to money laundering, terrorism financing, and the proliferation of weapons of mass destruction. Additionally, employees must be informed about the procedures to follow in such cases, as well as any programs defined by the supervisory and/or regulatory and/or oversight authorities.
88. Article 5 of Executive Decree No. 24-242 stipulates that the internal control programs to be established by obligated entities (including all financial institutions) must include the establishment of an audit function that is appropriate to the size, nature, and complexity of the entity's activities. This function must be performed by specialized individuals who are independent of the persons, entities, and facilities they oversee. Additionally, Article 9 of the same decree states that the audit function includes the independent review and periodic assessment to test the effectiveness and adequacy of internal policies, controls, and procedures related to anti-money laundering, counter-terrorism financing, and the prevention of the proliferation of weapons of mass destruction, as well as ensuring their compliance with applicable legislation. Furthermore, Article 37 of the Bank of Algeria Regulation, Article 35 of the Stock Market Commission Regulation, and Article 24 of the Insurance Regulation outline additional measures related to independent auditing.
89. At the group and subsidiary level, Article 12 of Executive Decree No. 24-242 stipulates that the measures, policies, controls, and procedures related to anti-money laundering, counter-terrorism financing, and the prevention of the



proliferation of weapons of mass destruction at the subsidiary and branch levels must include policies and procedures for the exchange of information for the purposes of customer due diligence and the management of risks related to money laundering, terrorism financing, and the proliferation of weapons of mass destruction. This should include information related to customers, accounts, and operations of branches and subsidiaries, which must be made available to compliance officers and audit personnel at the group level when necessary for anti-money laundering, counter-terrorism financing, and non-proliferation efforts. This information must include analysis of transactions, reports, and details of transactions and activities that appear unusual, including reports on suspicious activities and related basic information or the fact of its submission. Additionally, subsidiaries and branches must receive this information from the responsible and authorized individuals at the group level when it is appropriate and proportional to risk management. Article 44 of the Bank of Algeria's regulations, Article 48 of the Stock Market Commission's regulations, and Article 27 of the Insurance regulation address further related requirements.

90. Article 12 of the aforementioned Executive Decree further adds that the measures, policies, controls, and procedures related to anti-money laundering, counter-terrorism financing, and the prevention of the proliferation of weapons of mass destruction at the subsidiary and branch levels must include appropriate and sufficient safeguards regarding the confidentiality and use of exchanged information. This includes safeguards to prevent the customer from being informed. Additionally, Articles 44 of the Bank of Algeria's regulations, Article 48 of the Stock Market Commission's regulations, and Article 27 of the Insurance regulations introduce further safeguards concerning non-disclosure or confidentiality, which is not limited to the prohibition of informing the customer.
91. Article 13 of the aforementioned Executive Decree requires that the obligated entities (including all financial institutions) ensure that their foreign branches and subsidiaries in foreign countries where they hold a majority stake or shares implement the anti-money laundering, counter-terrorism financing, and proliferation of weapons of mass destruction measures, policies, controls, and procedures as prescribed by the legislation, regulations, instructions, and guidelines in effect in the home country. When the minimum measures, policies, controls, and procedures in the host country for anti-money laundering, counter-terrorism financing, and the prevention of the proliferation of weapons of mass destruction are less stringent than those in the home country, the measures and regulations in effect in the home country must be applied as far as allowed by the local laws and regulations of the host country. If the host country does not allow the proper implementation of the measures prescribed by the home country's legislation, regulations, instructions, and guidelines, the obligated entities must apply additional suitable measures to manage the risks of money laundering, terrorist financing, and the proliferation of weapons of mass destruction and notify the relevant supervisory and regulatory authorities. If the additional measures are

insufficient, the supervisory and/or regulatory authorities in the home country must consider taking additional supervisory actions, including imposing further controls on the financial group, and if necessary, requiring the cessation of operations in the host country.

92. In addition to the above, Article 10 bis 8 of Law 05-01 as amended, Article 45 of the Bank of Algeria Regulation, Article 49 of the Stock Exchange Regulation, and Article 28 of the Insurance Supervision Commission Regulation outline further procedures related to the requirements of the recommendation.

93. **Conclusion:** Algeria issued Executive Decree No. 24-242, which sets the conditions and methods for implementing internal audit programs in the context of anti-money laundering, combating the financing of terrorism, and preventing the proliferation of weapons of mass destruction. This decree, along with the recently issued regulations and instructions for financial institutions, has largely addressed the shortcomings related to the requirements of Recommendation (18). However, some issues remain, such as ambiguity regarding the interpretation of independence for the internal audit unit. Regarding currency exchange offices and factoring institutions, it has been noted that the compliance officer should be one of the senior members of the board of directors, rather than being appointed at the executive management level, which is illogical given that the board of directors is not an executive body. Additionally, the guarantees regarding non-disclosure are limited to customers only. However, the weight of these shortcomings is minimal, as there are no independent factoring institutions operating in Algeria, according to the state's statement, and factoring activities are currently provided by banks, with no active currency exchange offices in Algeria.

94. **Based on the above, Algeria's compliance with Recommendation (18) has been evaluated as "Largely Compliant."**

#### **Recommendation 19: Higher-Risk Countries (NC)**

95. According to the mutual evaluation report, it is unclear whether financial institutions are required to implement enhanced due diligence measures on business relationships and transactions with natural persons and legal entities in countries that the Financial Action Task Force (FATF) calls for such actions. Additionally, there is no clear authority for any entity to take countermeasures proportional to the risk level. There is also no clear mechanism for responding to FATF's call for the dissemination of lists of high-risk countries and those under increased monitoring. Furthermore, it is unclear whether measures have been taken to ensure that financial institutions are informed about concerns regarding weaknesses in anti-money laundering and counter-financing of terrorism systems in other countries.

96. To address the shortcomings mentioned in the mutual evaluation report, the People's Democratic Republic of Algeria issued a number of provisions in new regulations and instructions targeting various types of financial institutions. **For institutions under the supervision of the Banking Commission**, Article (33) of the Bank of Algeria Regulation No. 3 - 2024 mandates that the institutions subject to its oversight implement enhanced due diligence measures, proportionate to the risks, in their business relationships and transactions with natural or legal persons from countries that the Financial Action Task Force (FATF) recommends such measures for, as well as countries identified by a relevant authority. The same article also obliges these institutions to apply countermeasures as determined by regulation.
97. Article 24 of the Bank of Algeria Instruction No. 03-2024 mandates that the institutions under its supervision apply enhanced due diligence procedures for business relationships and financial transactions with natural and legal persons, including financial institutions from countries identified by the Financial Intelligence Processing Unit (FIU) as posing a high risk for money laundering, terrorism financing, and the proliferation of weapons of mass destruction, in accordance with the standards set by the Financial Action Task Force (FATF) or based on an independent assessment by the FIU. The article outlines the specific enhanced due diligence measures required to be applied. Regarding countermeasures, the same article requires institutions to implement countermeasures as declared by the FIU. A list of high-risk countries and corresponding countermeasures will be published on the official website of the FIU. Additionally, institutions will be notified of these lists by the FIU to ensure the proper application of these measures.
98. **Regarding financial institutions under the supervision of the SERC**, Article 33 of its regulation states that "obligated entities must regularly review the list of high-risk countries published by the relevant authorities in order to apply enhanced vigilance measures, along with any other measures deemed appropriate." Furthermore, Article 27 of the SERC Instruction No. 24-07 mandates that these entities apply enhanced due diligence procedures in business relationships and financial transactions with natural and legal persons, including financial institutions from countries identified by the Financial Intelligence Unit (FIU) as posing high risks for money laundering, terrorism financing, and the proliferation of weapons of mass destruction. The identification of such risks is based on standards issued by the Financial Action Task Force (FATF) or through an independent assessment by the FIU. As for countermeasures, the article requires institutions to implement countermeasures in accordance with notifications and instructions issued by the FIU. The list of high-risk countries and related countermeasures will be published on the official FIU website. Additionally, the FIU will provide regular notifications to ensure these measures are effectively implemented by the supervised institutions.

99. **Regarding financial institutions under the supervision of the Insurance Regulatory Commission**, Article 23 of its Regulation No. 1, dated November 6, 2024, requires obligated entities to apply enhanced due diligence procedures in business relationships and financial transactions with natural and legal persons, including financial institutions from countries identified by the Financial Intelligence Unit (FIU). This applies whether the identification is based on the determination of the Financial Action Task Force (FATF) or an independent assessment by the FIU. The same article also mandates the application of procedures issued by the FIU regarding countermeasures for high-risk countries. Additionally, Article 25 of the Insurance Regulatory Commission's Instruction No. 1, issued in November 2024, obligates entities to apply enhanced due diligence measures to business relationships with natural and legal persons, including financial institutions from countries identified by the FIU as high-risk in relation to money laundering, terrorism financing, and the proliferation of weapons of mass destruction. The measures to be taken are based on the standards set by FATF or an independent assessment by the FIU. The article further requires entities to apply countermeasures related to high-risk countries as announced by the FIU. It also specifies that the list of high-risk countries and related countermeasures will be published on the FIU's official website. In this regard, the FIU will send notifications to ensure the proper implementation of these measures by the obligated entities.

100. **Conclusion:** From the analysis above, it is clear that Algeria has taken a number of steps to address the shortcomings identified in this recommendation. Several provisions have been issued within regulations and instructions that require financial institutions to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons (including financial institutions) from high-risk countries. However, the instructions issued in this regard stipulate that the obligation to apply enhanced measures pertains to countries identified by the Financial Intelligence Unit (FIU) based on the criteria set by the Financial Action Task Force (FATF) or according to an independent assessment by the FIU, which deviates from the criterion that specifies applying such measures to countries that the FATF calls for enhanced measures. Regarding the obligation to apply countermeasures, a number of provisions in the regulations and instructions require financial institutions to apply countermeasures to high-risk countries as identified by the FIU. However, these regulations and instructions do not include a stipulation that these measures should be proportionate to the level of risk. Furthermore, they do not mandate the application of such measures when the FATF calls for them.

101. It is also unclear if there are measures to inform financial institutions about concerns related to weaknesses in anti-money laundering and counter-terrorism financing systems in other countries. Regarding the guidelines issued by the Financial Intelligence Unit in this matter, the first follow-up report on Algeria mentioned that the review team did not consider these guidelines as mandatory tools because they did not meet all the required elements to be

considered mandatory under the evaluation methodology. No legislation has been issued to address this situation. Additionally, some financial institutions listed in Law 05-01, as amended by Law 23-01, are not subject to the regulations and instructions issued by certain supervisory authorities (such as exchange offices and factoring institutions). However, the impact of this on the compliance rating for the recommendation is minimal, as these entities are not currently active, according to the Algerian authorities.

**102. Based on the above, the level of compliance with Recommendation (19) is "Partially Compliant."**

#### **Recommendation 32: Cash Couriers (PC)**

103. The mutual evaluation report states that Algeria applies a declaration system for currencies and negotiable instruments crossing the borders, when their value equals or exceeds the equivalent of one thousand euros. However, it is unclear what type of declaration system is applied in Algeria (whether verbal or written). The customs authority does not have the power to stop or seize currency or negotiable instruments to ensure the possibility of finding evidence related to money laundering or terrorist financing. The customs authority is required to notify the Financial Intelligence Unit immediately upon discovering money or transactions suspected to be proceeds of crime or seemingly intended for money laundering and/or terrorist financing. However, this obligation does not extend to all declarations made to the customs authority, and there is no indication that the customs authority keeps data in a way that facilitates international cooperation and assistance.

104. To address the deficiencies mentioned in the mutual evaluation report, Algeria amended Article 198 bis of the Customs Law under Article 81 of the Finance Law. This amendment mandates that travelers declare national currency, and the declaration must be in writing. The law states: "When entering or leaving the national territory, travelers holding financial amounts in **national** or foreign currency that exceed the limit set by applicable legislation and regulations are required, under penalty of sanctions as provided by the applicable law, to declare in writing to the customs authorities." The article further specifies that the application procedures for this article and the declaration form for currency will be determined by a decision from the Minister of Finance. It is worth noting that the threshold for the declaration (equivalent to or greater than 1,000 euros or its equivalent in foreign currencies) remains unchanged, as stipulated in Bank of Algeria Decree No. 16-2 dated April 21, 2016, amended by Bank of Algeria Decree No. 24-5 dated October 13, 2024. The decision of the Minister of Finance did not include reference to its application to post or cargo shipments, which shall be added as shortcoming in this follow-up report.

105. A decision by the Minister of Finance was issued on July 20, 2024, which defines the procedures for declaring currency by travelers, as well as the declaration form. Article 2 of this decision states that the requirement to declare currency applies to both resident and non-resident travelers for amounts in national or foreign currency that exceed the limit set by the applicable legislation and regulations. The declaration requirement applies to banknotes, coins, bearer instruments, commercial papers, and other transferable values or securities held by the traveler. Article 3 of the decision stipulates that travelers must complete the currency declaration electronically before arriving at the customs office. Alternatively, the declaration may be completed in writing upon entry or exit at the customs office using the two attached forms.

106. Regarding the provision of information obtained during the declaration process to the Financial Intelligence Unit and the storage of data to facilitate international cooperation and assistance, Article 9 of the mentioned decision states that the Customs Department must establish a database for declarations of both national and foreign currency, which will be subject to exchange and use in national and international cooperation in accordance with the applicable legislation. The memorandum of cooperation signed between the Financial Intelligence Unit and the General Directorate of Customs, dated July 8, 2024, allows the relevant departments of the unit to access the National Signaling Center database and the Customs Automated Information System regarding information included in customs declarations and other specific files, such as (the violations file, the disputes file, the currency declaration file, and the customs transit bonds file).

107. **Conclusion: From the analysis above, it is clear that the People's Democratic Republic of Algeria has addressed one of the significant shortcomings mentioned in the mutual evaluation report** by adopting the written declaration system. Additionally, some other limited shortcomings have been addressed, including the implementation of the declaration system for the Algerian national currency. **However, a significant number of shortcomings mentioned in the mutual evaluation report remain unaddressed, including:**

- The lack of a clear obligation for a system that requires the Financial Intelligence Unit to be notified of suspicious cross-border transfers, or the obligation to directly make information on currency declarations and negotiable financial instruments available to the unit. Although the memorandum of understanding signed between the unit and the Customs Department may contribute to effective information exchange regarding declarations between them, it is not considered a binding measure that can be relied upon in evaluating technical compliance, especially since it includes a clause allowing either party to terminate the agreement upon request.

- The lack of authority for the competent authorities to stop or seize currency or negotiable instruments for a reasonable period to ensure the possibility of finding evidence related to money laundering or terrorist financing in the cases mentioned in criterion 32-8.
- Although the Minister of Finance's decision includes **the requirement for the Customs Administration to establish a database for declarations of national and foreign currency, to be exchanged and utilized within the framework of national and international cooperation**, there is no clear provision explicitly requiring the Customs Authority to classify all declarations into the categories specified in the criterion and to store them (declarations regarding amounts exceeding the prescribed limit, false declarations, or those related to suspected money laundering or terrorist financing), which would facilitate international cooperation and assistance.
- There has been no evidence provided to address the gap related to the fact that the legislation issued in Algeria, particularly Ordinance No. 96-22 of 1996 concerning violations of the foreign exchange and capital movement regulations, could restrict commercial payments and the free movement of capital.

108. In addition to the above, the declaration forms, which are an integral part of the new Minister of Finance's decision, are limited to declaring "currencies and means of payment" only. These forms do not define what is meant by "means of payment" in this context, nor do they indicate that the term refers to bearer instruments. Additionally, the forms do not request declarations for what is required by the Minister of Finance's decision, including bearer instruments, negotiable commercial papers, and other negotiable instruments or securities. This lack of clarity in the forms regarding the declaration of bearer instruments leads to confusion, especially considering the definition of "means of payment" in Article 74 of the Monetary and Banking Law, which deviates from the context of negotiable instruments as outlined in the methodology's glossary<sup>1</sup>. As a result, it is evident that the application of some of the criteria in this recommendation is affected by this slight deficiency.

109. According to the above, the technical compliance rating for Recommendation (32) is "Partially Compliant."

#### Recommendation 34: Guidance and Feedback (PC)

110. The mutual evaluation report highlighted the limited efforts made by the supervisory authorities and the Financial Intelligence Unit (FIU), due to the lack of guidelines for obligated entities regarding the patterns and methods used,

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<sup>1</sup> This definition means that a means of payment includes all tools that allow any person to transfer money, no matter what the method or technology used is, including electronic money.

as well as indicators of suspicion to help in detecting and reporting suspicious transactions. Additionally, there was a lack of clarity regarding the feedback provided by the FIU.

111.To address the deficiencies highlighted in the mutual evaluation report, the country made several legal and regulatory amendments, most notably the issuance of Executive Decree No. 23-430 dated November 29, 2023, which defines the conditions and procedures for exercising the supervisory and/or regulatory and/or oversight authorities' roles in combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction for obligated entities. These amendments granted the Financial Intelligence Unit (FIU) and the supervisory and regulatory authorities of financial institutions and non-financial businesses and professions the authority to issue guidance documents for obligated entities and provide feedback to them.

112.**Regarding the issuance of guidelines to obligated entities**, the Banking Committee issued general guidelines for the entities regarding the application of targeted financial sanctions. Additionally, the Financial Intelligence Unit (FIU) circulated several guidance documents covering topics related to a risk-based approach, due diligence obligations, document retention, suspicious activity reporting, high-risk countries, training, internal controls, implementing Security Council resolutions, and indicators of suspicion. These documents were issued to various professionals, including accountants, notaries, precious metals traders, real estate agents, and the financial services of Algeria Post. Furthermore, on July 16, 2024, the FIU issued the Strategic Analysis Report, which includes trends, patterns, and indicators of money laundering and terrorist financing in the country, based on all financial data available in the FIU's database from 2019 to 2023. This report highlights the most commonly used methods and indicators of suspicion. The FIU also held meetings with some supervisory and regulatory authorities as part of efforts to encourage those authorities to issue guidelines for the financial institutions under their oversight.

113.**Regarding the feedback provided to the obligated entities**, it was unclear whether there was any feedback given by the relevant supervisory and regulatory authorities regarding the results of their inspection visits or desk-based controls. As for the Financial Intelligence Unit (FIU), the feedback documents were limited to the outcomes related to suspicious activity reports and the disposition of reports received from the reporting entities. The state reported that compliance officers from a group of the most suspicious banks and financial institutions were invited to the FIU headquarters between March 31 and April 18, 2024. The state indicated that these sessions focused on providing feedback regarding the suspicious activity reports sent to the FIU. Additionally, the state mentioned that meetings for other banks and financial institutions were scheduled for later dates in the year.



**114. Conclusion:** Despite some efforts made by the Financial Intelligence Unit (FIU) in particular, most of the deficiencies mentioned in the Mutual Evaluation Report remain unaddressed. The supervisory and regulatory authorities have not provided any guidance to the entities under their supervision based on their supervisory and regulatory role, except for the general guidelines issued by the Banking Committee regarding the application of targeted financial sanctions. Although the FIU has issued several guidelines to the obligated entities, these guidelines did not address what was outlined in the recommendation, specifically that guidance and feedback should assist in detecting and reporting suspicious transactions. The FIU also issued a strategic analysis report containing trends and indicators related to money laundering and terrorist financing in the country. However, it was unclear whether the FIU coordinated with the supervisory and regulatory bodies before issuing these guidelines, which is in violation of Article (6) of Executive Decree No. 22-36.

115. In addition to the above, it was not clear whether feedback was provided by the relevant supervisory and regulatory authorities regarding the results of their inspection visits or the outcomes of desk-based inspections they carry out. As for the Financial Intelligence Unit (FIU), the feedback documents were limited to the results related to suspicious transactions and the outcomes of reports received from reporting entities. It was not clear whether feedback was provided regarding the quality of the reports, the need for improvement, or how to benefit from them. It was noted that the meetings mentioned by the state between the FIU and compliance officers from some banks involved only a limited number of banks, and did not extend to the other financial institutions and designated non-financial businesses and professions. Additionally, these meetings were only held with banks that were more frequently flagged as high-risk for suspicious activities, and did not focus on meeting with a similar sample of lower-risk banks and financial institutions to raise awareness among their compliance officers, assist them in understanding their duties and reporting mechanisms, encourage them to report suspicious activities, and address challenges they face. Furthermore, it was unclear whether the sessions planned by the state to be held between the end of April and the end of December 2024 would take place, and there was no indication that these sessions would be held periodically or that a regular plan for such meetings exists.

**116. According to the above, the level of compliance with Recommendation (34) is "Partially Compliant."**

### Third: Conclusion

117. Upon analysing all the information and supportive documents by the review team submitted by the Algerian Authorities in their request for TC re-rating of the recommendations 10, 11, 13, 16, 18, 19, 32, 34, the team concluded:

- To upgrade the TC rating from “NC” to “LC” for R. 16.
- To upgrade the TC rating from “PC” to “LC” for R. 10, 11 and 18.
- To upgrade the TC rating from “NC” to “PC” for R. 19.
- To keep the recommendations 32 and 34 unchanged at “PC”.
- To keep the recommendation 13 unchanged at “NC”.

118. After the re-rating, the TC ratings are summarized as follows:

**Table No. 2 TC Ratings, May 2025**

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
NC	PC	LC	LC	C	PC	NC	NC	PC	<u>LC</u>
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
<u>LC</u>	PC	<u>NC</u>	LC	NC	<u>LC</u>	N/A	<u>LC</u>	<u>PC</u>	LC
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	PC	PC	NC	NC	LC	LC	LC	LC	LC
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
LC	<u>PC</u>	C	<u>PC</u>	PC	PC	LC	LC	LC	NC

Note: There are five possible ratings for Technical Compliance (C, LC, PC, NC and N/A)

119. Based on the above, the People's Democratic Republic of Algeria received a rating of "C" for (2) recommendations, "LC" for (18) recommendations, "PC" for (11) recommendations, "NC" for (8) recommendations, and "N/A" for (1) recommendation out of the forty recommendations, as a result of the analysis of the TC reassessment request in the 2<sup>nd</sup> EFUR. Accordingly, and as per MENAFATF applicable procedures; Algeria shall remain in the ICRG process; provided that it submits its 3<sup>rd</sup> EFUR to the 40<sup>th</sup> Plenary to be held in May 2026.