

Anti-money laundering and counter-terrorist financing measures

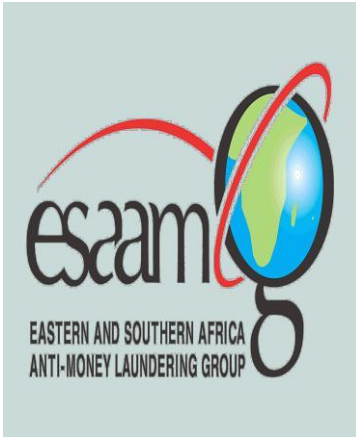
Ethiopia

**6th Enhanced Follow-Up Report and
Technical Compliance Re-Rating**

September 2019

Follow – Up Report





The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU). As at the date of this Report, ESAAMLG membership comprises of 18 countries and also includes a number of regional and international observers such as AUSTRAC, COMESA, Commonwealth Secretariat, East African Community, Egmont Group of Financial Intelligence Units, FATF, GIZ, IMF, SADC, United Kingdom, United Nations, UNODC, United States of America, World Bank and World Customs Organization.

ESAAMLG's members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism and proliferation, in particular the FATF Recommendations.

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ETHIOPIA: SIXTH ENHANCED FOLLOW-UP REPORT & TECHNICAL COMPLIANCE RE-RATING

I. BRIEF BACKGROUND INFORMATION

1. Mutual evaluation of Ethiopia was conducted by the World Bank and the mutual evaluation report (MER) was approved by the ESAAMLG Council of Ministers on the 5th of June 2015. This follow-up report (FUR) analyses the progress of Ethiopia in addressing the technical compliance deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses progress made in implementing new requirements relating to FATF Recommendations 2, 7 and 8 which have changed since the MER was adopted. In general, countries are expected to have addressed most if not all technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Ethiopia has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT

2. Ethiopia's original MER ratings for technical compliance¹ are as set out in Table 1 below. As a result of these ratings, the country was placed under enhanced follow-up.

Table 1: MER Ratings, June 2015

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

¹ There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC)

3. Subsequent to the adoption of the MER, Ethiopia submitted its first request for re-rating of Recommendations 1, 2, 6, 8, 14, 19, 28, 33 and 34. The Task Force approved the re-rating of Recommendations 1, 6, 14, 19, 28 and 33 in September 2018 and these were published on the ESAAMLG website as shown in Table 1(a) below:

Table 1 (a): Re-Ratings, September 2018

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
C	PC	LC	LC	LC	LC	NC	PC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	C	C	C	LC	C	C	LC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	LC	LC	PC	N/A	LC	C	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	LC	PC	LC	PC	LC	LC	LC	NC

4. The assessment of Ethiopia's request for TC re-ratings and the preparation of this report were undertaken by the following experts (supported by the ESAAMLG Secretariat: Phineas Moloto and Tom Malikebu):

- Wonder Kapofu (Zimbabwe)
- Osvaldo Santos (Angola)
- Clare Abuodha (Kenya)
- Vilho Nkandi (Namibia)
- Julia Tloubatla (South Africa)
- Kassim Robert (Tanzania)

5. Section III of this report highlights the progress made by Ethiopia and analysis undertaken by the Reviewers. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

6. This section summarises the progress made by Ethiopia to improve its technical compliance by:

- Addressing the technical compliance deficiencies identified in the MER, and
- Implementing new requirements relating to Recommendations 2, 7 and 8 which have changed since the MER was adopted.

Recommendation 2 (Originally rated PC: re-rating to LC)

7. In its MER, Ethiopia was rated Partially Compliant with R.2. The main technical deficiencies were that: The country did not have national AML/CFT policies informed by

identified ML/TF risks; not all DNFBP regulators or government bodies that license DNFBPs (notably to regulate the real estate sector) were included in the National Committee; and there was no cooperation/ coordination mechanism to combat the financing of proliferation of weapons of mass destruction.

8. Ethiopia adopted a national AML/CFT Policy in April 2019 which addresses the risks and priority areas highlighted in the national risk assessment (NRA) which was carried out in 2016 and recommendations contained in the 2015 mutual evaluation report (MER). The overarching goal of the Policy is (i) to detect, deter and prevent ML, associated predicate offences and TF; and (ii) to protect the integrity of its financial system from illegal activities and illicit financial flows. The Policy sets out policy objectives on all the keys pillars of an affective AML/CFT regime such as: strengthening the AML/CFT legal framework; ML investigation, prosecution and confiscation of proceeds of crime; enhancing domestic cooperation and AML/CFT capacity building.

9. As highlighted in the Fifth FUR which was published in September, 2018, Ethiopia addressed the deficiency related to DNFBP regulators by including them as members of the National Committee. Furthermore, Ethiopia has established a National Committee on Non-Proliferation of Weapons of Mass Destruction which consists of 13 key stakeholders and reports to the Prime Minister (Articles 4 and 5 of Proclamation No. 1132/2019). In terms of Article 6, some of the responsibilities of the Committee are to provide direction and leadership in relation to the risk of Proliferation Financing (PF), oversee domestic implementation of the obligations set out in the relevant UNSCRs, establish a National Task Force responsible for carrying out tasks necessary for the implementation of Proclamation No. 1132/2019.

10. In relation to the new criterion c.2.5, Ethiopia has developed a National Information Security Policy which recognizes the importance of data security and the need to protect information and information infrastructure. Although the Policy addresses compatibility of data protection, privacy rules and other similar requirements through its cooperation and coordination implementing strategies, it does not cover cooperation to ensure compatibility of AML/CFT requirements and Data Protection and privacy rules. **Given this outstanding deficiency, Ethiopia is re-rated as Largely Compliant with R.2.**

*Recommendation 7 (Targeted Financial Sanctions Related to Proliferation Financing):
Originally rated NC- re-rating to PC*

11. In the MER, Ethiopia was rated Non-Compliant with R.7. The main technical deficiency was absence of legal and regulatory framework in force and effect at the time of the onsite visit to implement TFS related to Proliferation Financing. Ethiopia has subsequently passed Proclamation 1132/2019 which provides for the prevention and suppression of financing the proliferation of weapons of mass destruction.

12. In relation to c.7.1, Article 8 of Proclamation 1132/2019 prohibits any person from providing finance, financial services, or technical or professional support for, directly or indirectly in whole or in part, the proliferation of weapons of mass destruction or their programs. Furthermore, Article 9(1) of the Proclamation states that the Council of Ministers shall order the freezing of any funds or other assets and economic resources of a person designated by the UNSCR. It further prohibits provision of funds or other assets and economic resources to or for the benefit of those acting on behalf of or at the direction of a designated person. Based on the above provisions, the Council of Ministers issued the order on 16 May 2019 attaching the UN list for FIs and DNFBPs to implement the targeted financial sanctions.

13. Proclamation 1132/2019 is the legal authority in Ethiopia on TFS relating to proliferation financing. It designates the Council of Ministers as a decision-making body for ordering implementation of the TFS while the FIU is responsible for monitoring compliance and managing requests related to de-listing and access to funds or other assets exempted under the relevant UNSCRs (c.7.2). With regard to c.7.2(a), Article 9(1) of Proclamation 1132/2019 provides that the Council of Ministers shall order the freezing of any funds or assets and economic resources of a person designated by the UNSCR and prohibit funds or assets and economic resources from being made available to or for the benefit of the person or for the benefit of those acting on behalf or at the direction of such person. Furthermore, Article 9(5)(a), provides that after publication of a person designated under the UNSCRs in a newspaper, FIs and DNFBPs are required to freeze and hold funds or other assets and economic resources owned by the designated person within 24 hours. The legal provisions appear to be deficient for the following reasons: (a) the TFS require implementation without delay once the UN issues the list. The process of having the Council to issue and publish the order and action by the FIs and DNFBP cannot be said to meet the standard of 'without delay'.

14. The legal provisions require freezing of any funds or other assets and economic resources which are wholly or jointly owned or controlled, directly or indirectly by the designated person and organisation. The provisions also extend to include freezing of any funds or other assets and economic resources which have been derived or generated from funds or other assets owned or controlled by the designated person or entity or funds or other assets of persons acting on behalf of or at the direction of a designated person (c.7.2b). In terms of Article 9(5)(b) of the Proclamation, FIs and DNFBPs are required to report immediately to the FIU the freezing action taken on funds, economic resources and assets, including attempted transactions. However, the interests of *bonafide* third parties are required to be considered when implementing the decisions of the Council of

Ministers and not necessarily when implementing the obligations under Recommendation 7 (c.7.2b-f).

15. With regard to c.7.3, Article 14 provides that the powers and duties entrusted to the FIU by relevant laws shall also apply to Proclamation 1132/2019. According to Article 13(8) of Proclamation 780/2013, the FIU has the mandate to inspect FIs and DNFBPs to ensure compliance with the provisions of the Proclamation. Furthermore, Article 13 of Proclamation 1132/2019 provides for criminal sanctions against natural and legal persons who violate the provisions related to TFS (Articles 8 and 9). Ethiopia has procedures set out in its legal framework for submitting de-listing requests, requests for unfreezing funds or other assets held by false positives, access to funds or other assets which meet exemption criteria and mechanisms for communicating de-listing and unfreezing actions to FIs and DNFBPs. According to Article 9 (4) of Proclamation 1132/2019, the FIU is mandated to communicate both deletion and delisting of persons to FIs and DNFBPs by letter or through email or other means of communication within 24 hours. **However, there is no specific provision which requires the FIU to provide guidance to the FIs and DNFBPs** that may be holding targeted funds or other assets on the obligation to respect a de-listing or unfreezing action. Furthermore, with regard to c.7.5, Ethiopia does not have provisions which regulate the treatment of contracts, agreements or obligations which came into force prior to the date on which the accounts became subject to targeted financial sanctions. **On the basis of the outstanding deficiencies as set out in detail above, Ethiopia has been re-rated as Partially Compliant with R.7.**

Recommendation 8 (Non-Profit Organisations): Originally rated PC- re-rating to LC

16. Recommendation 8 was rated PC in the MER and the key deficiencies were: lack of a review of the NPO sector's vulnerabilities to TF activities; lack of provisions permitting sharing of information between authorities; lack of requirements to collect information on associated NPOs and to maintain records on activities and ownership for a period of five years. However, Recommendation 8 and its Interpretive Note were changed substantially in October 2016 and therefore analysis of progress was carried out based on what the country has done in relation to the revised requirements.

17. As highlighted in the Fifth FUR which was published in September, 2018, Ethiopia identified (through the NRA and NPO risk assessment) the features and types of NPOs which are at the risk of TF abuse. NPOs are subject to monitoring by the FIU in collaboration with the registration authorities. Furthermore, Ethiopia has reviewed the adequacy of measures, including laws and regulations that relate to the subset of the NPO sector that may be abused for TF. The new law has strengthened the registration requirements, introduced mechanisms for collaboration between the FIU and concerned regional government bodies, the process relating to the employment procedures of

expatriates and volunteers in the NPO sector (c.8.1 (c). Rec 8.1 (d). The FIU has signed an MOU with the CSO Agency and one of the objectives set out in the MOU is to carry out risk assessment of the NPOs every one year to two years [8.1 (d)].

18. With regard to c.8.2, Article 5(5) of Proclamation 1113/2019 states that the CSO Agency shall encourage and support NPOs to have internal governance systems which will ensure transparency, accountability, accountability and participation. Furthermore, Article 85(5) of the Proclamation provides that the Council of Civil Society Organisations will enact code of conduct for the sector. However, these policies are not yet in place and therefore this requirement is still outstanding. Ethiopia has carried out AML/CFT awareness programs in the past five years involving some representatives of the NPO sector, some of which involved participants from high or medium vulnerability NPOs. The events covered the findings of the NPO assessment and TF typologies and techniques related to the NPO sector. However, the authorities did not provide information with respect to awareness raising of the donor community about the potential vulnerabilities of NPOs to TF abuse and TF risks. Furthermore, the CSO Agency has not worked with the NPO sector regarding the development and refinement of best practices to address terrorist financing risks and vulnerabilities. On the other hand, NPOs are required to conduct their financial transactions through a bank account opened in the organisation's name. **On the basis of the outstanding deficiencies as set out in detail above, Ethiopia has been re-rated as Largely Compliant with R.8.**

*Recommendation 24 (Transparency and Beneficial Ownership of Legal Persons):
Originally rated PC- No re-rating*

19. In its MER, Ethiopia was rated PC with R.24. The main deficiencies were: absence of clear mechanisms to identify and describe legal persons, processes for creation of those legal person and for obtaining and recording basic and beneficial ownership information; no assessment of ML/TF risks associated with all types of legal persons; lack of provisions for maintaining categories of shares (including nature of the associated voting rights) in the register for shareholders or members; unclear given that the FIC Directive 01/2014 is directed at CDD measures to be undertaken by Financial Institutions, beneficial ownership information requirements under this Directive can be applicable to all legal persons established in Ethiopia; lack of provisions for countries to monitor the quality of assistance they receive from other countries in response to requests for basic and beneficial ownership information.

20. In relation to c.24.1, Ethiopia has mechanisms which identify and describe the different types, forms and basic features of legal persons and the processes for their creation, and obtaining and recording of basic and beneficial ownership information. Different types of legal persons and their basic features are set out and governed by different legal regimes and independent authorities.

21. Although Ethiopia has carried out a national risk assessment as well as a targeted assessment of NPOs, it has not conducted a specific focused risk assessment of legal persons. Generally, directors are managers and agents of the company and are authorised to act on behalf of the company (Article 363 of Commercial Code). The obligations imposed on the legal persons are carried out by the directors (who delegate their powers to the chief executive officer), including the obligation to provide basic and available beneficial ownership information to the authorities. However, article 347(4) of the Commercial Code stipulates that a body corporate can be a director, except that the chairman must be a natural person. In addition, while the Code specifically requires trustees to be resident in Ethiopia, there is no specific requirement for directors or a minimum number of directors to be resident in Ethiopia. Based on these observations, there is no guarantee that all companies in Ethiopia have a natural person resident in the country who is authorised by the company to provide information or be accountable to competent authorities. In relation to a partnership, all partners are managers of the partnership unless the partners decide to appoint one of them as the manager. The manager is responsible for carrying out all acts of the partnership, including complying with its obligations to competent authorities (Article 239 of the Commercial Code). As for entities which fall under the Commercial Registration and Licensing Proclamation no 980/2016, they are all required to comply with administrative measures taken by concerned authorities and other obligations provided for in other laws (Article 26 (11)). Nevertheless, the Authorities have not provided a corresponding clause that extends to non-commercial entities and those whose activities are not subject to a business licence.

22. With regard to preservation of information and records, Article 509 of the Commercial Code 1960 states that the books of a company which has been dissolved shall be deposited with Ministry of Commerce and Industry where they shall be kept for 10 years. The problem is that the term 'books of a company' seems to refer only to financial statements (balance sheet and profit and loss statement), based on the contents of the preceding Articles. The Proclamation does not define the words and it is not clear whether the term includes any other 'information and records'. In addition, neither liquidators nor company directors are required to keep information on directors, members or shareholders; constitutional and governing documents; or beneficial ownership information.

23. In terms of Article 385 of the Commercial Code, inspectors of the Ministry of Commerce and Industry which are appointed to carry out an investigation at the petition of shareholders, have a mandate to access books and documents of a company. In addition, Article 5(2) of proclamation no.780/2013 empowers competent authorities to have access to information on beneficial ownership and control structure of legal persons. This statutory requirement is complimented by Article 12 of FI's compliance directive no.01/2014 and Article 12(1) of EFIC directive 02/2016 to FIUs and DNFBPs. However, the provisions do not specifically mention that they should have *timely access*.

24. Legal persons in Ethiopia can issue bearer shares and there is no mandatory requirement to convert them (Article 325 sub article 3 of the Commercial Code). In

relation to sanctions, Authorities have not provided information relevant to sanctions against failure to comply with the requirements under this Recommendation, such as failure to: file annual returns, provide basic and beneficial ownership information, keep information accurate and up to date and provide information on a timely basis to competent authorities.

25. With regard c.24.14, Article 38(1) of proclamation 780/2013 provides that without prejudice to the provisions of Article 47(1) of the same, the competent authorities shall provide the widest possible range of cooperation to the competent authorities of other states for purposes of mutual legal assistance in connection with extradition and criminal investigations and proceedings related to ML and FT. The competent authorities have investigative powers which they can use to obtain information, such as beneficial ownership information, on behalf of their foreign counterparts (Articles 26-27 and 39 of Proclamation 780/2013). However, the authorities do not monitor the quality of assistance they receive from other countries related to basic and beneficial ownership information (c.24.15).

26. Whilst Ethiopia has made some progress in addressing deficiencies, there are moderate deficiencies still outstanding. Hence, the PC rating for R.24 has been retained.

Recommendation 32 (Cash Couriers): Originally Rated PC- No re-rating

27. In the MER, Ethiopia was rated PC with R.32. The main deficiencies were: lack of provisions requiring currency or BNIs transported across the border through mail or cargo to be declared; lack of provisions for authorities to request and obtain further information with respect to the origin of the currency or BNIs, and their intended use where a person provides false information or fails to disclose information when requested to do so; lack of provisions in relation to domestic cooperation and exchange of information with international counterparts on issues related to implementation of R.32 and lack of provisions to impose sanctions against the carrier.

28. The MER noted that currency or BNIs transported through mail or cargo was not covered. In addressing this deficiency, Article 36 of proclamation no. 859/2014, (the custom law) states that goods imported or exported through the postal mail shall be subject to customs control. However, transportation through cargo has not been addressed (c.32.1). In addition, where there is false disclosure, designated authorities do not have the authority to request and obtain further information from the carrier with regard to the origin and intended use of the currency or BNIs (c.32.4). Furthermore, the legal framework does not provide for sanctions against false disclosure (c.32.5).

29. The Ethiopian currency and BNIs disclosure system does not address international co-operation and assistance. Besides, there are no specific requirements for retention of information to facilitate such co-operation, in the following situations: **(a)** all declarations, which include the amount of currency or BNIs declared and identification data of the

bearer; **(b)** where there is a false declaration; and **(c)** there is a suspicion of ML/TF. Furthermore, there are no specific provisions which govern the use of data and information collected through Ethiopia's disclosure system which ensure fair and lawful use of information, safe and secure handling, and penalties for abuse of data. Although there is a legal provision which states that the ERCA shall facilitate the use of its electronic information exchange system by the relevant government agencies and financial institutions to enable the provision of single window service with respect to the importation and exportation of goods, [78(3) proclamation 859/2014)], it is not clear to what extent the single window may not be abused to restrict the movement of capital and trade. **In view of the moderate deficiencies which remain outstanding as discussed in the foregoing paragraphs, the PC rating of R.32 has been retained.**

Recommendation 34 (Guidance and Feedback): Originally rated PC- No re-rating

30. Ethiopia was rated PC with R.34. The MER identified the following deficiencies: competent authorities, supervisors and self-regulating Bodies (SRBs) had not issued any guidelines; the Financial Intelligence Centre (FIC) had not provided guidance to reporting entities on ML trends and techniques; and, the FIC had not started providing feedback to DNFBPs because they had not yet started reporting STRs.

31. As highlighted in the Fifth FUR which was published in September, 2018, it was noted that the FIU undertook some activities to assist reporting entities to have an understanding regarding the criminal patterns of the high proceeds generating predicate crimes and patterns of illegal-*hawala*. In relation to provision of feedback, the FIC usually meets compliance managers on quarterly basis during which it provides feedback on the overall compliance progress made by the reporting entities. As for DNFBPs, the FIU has provided feedback to DNFBPs on the examinations it has conducted.

32. The FIU has issued a Suspicious Transactions Detection and Reporting Guidelines for FIs which will assist them in identifying suspicious transactions and prioritise high proceeds generating crimes. Similar Guidelines are yet to be issued to the DNFBPs. In addition, there has not been progress with respect to guidelines to assist FIs and DNFBPs in applying AML/CFT measures apart from detection of suspicious transactions. **Based on the outstanding deficiencies outlined in the foregoing paragraphs, the PC rating of R. 34 has been retained.**

Recommendation 36 (International Instruments): originally rated PC- re-rated C

33. In its MER, Ethiopia was rated PC on R.36. The main deficiency was that authorities did not provide information on how the following articles have been implemented in the respective domestic laws: (a) Vienna Convention: Articles 13 -11, 15, 17 and 19 (b) Palermo Convention: Articles 5 -7, 10- 16, 18- 20, 24 -27,29 – 31 & 34. (c) Terrorist Financing Convention: Articles 2 – 18, and (d) Merida Convention: Articles 14 – 17, 23 – 24, 26 – 31, 38, 40, 43 – 44, 46, 48, 50- 55, 57 – 58.

34. Ethiopia acceded to the Vienna Convention in 1994 and ratified the Palermo, the Merida and the Terrorist Financing Convention through Proc. No. 526/2007, 544/2007 and 734/2012 respectively. Ethiopia has incorporated the Vienna, Merida, Palermo, UNCAC, and the terrorism financing conventions into its legal system. The ratification of these conventions through the above-mentioned proclamations has made the convention to be an integral part of the country's legal system. Furthermore, the relevant principles and standards that are enshrined in these conventions are included in different legal instruments enacted by Ethiopia. For example, proclamation no. 414/2004, the Criminal Code, the AML/CFT proclamation no. 780/2013, the Anti-terrorism proclamation no. 652/2009, the Anti-corruption proclamation 881/2015 and Custom proclamation no. 859/2014. The criminalization of participation in an organized criminal group, money laundering, terrorism financing, the establishment of FIC, the establishment of provisional measures for the identification, freezing seizure and confiscation of illicit proceed and fund or property that was laundered, the liability of legal person, the criminalization of corruption, the establishment of interagency network are among the examples of the principles derived from such conventions. **On this basis, Ethiopia has been re-rated as Compliant with R.36.**

Recommendation 40 (Other Forms of Cooperation): Originally Rated NC- Re-Rated to PC

35. In the MER, Ethiopia was rated NC with R.40. The main deficiencies were: absence of basis for spontaneous exchange of information to foreign counterparts and international cooperation etc., outside of MLA, among competent authorities, except on a limited basis by the FIC, police and customs; absence of international cooperation between financial supervisors and absence of provisions for exchange of information between non-counterparts.

36. The MER indicated that there were no provisions supporting spontaneous exchange of information by competent authorities in Ethiopia with their foreign counterparts, with the exception of the FIU and Police. The authorities have not provided relevant information to show how this deficiency has been addressed (c.40.1). In the absence of the information, it is not possible to determine whether or not the other competent authorities are able to provide the widest range of other forms of international cooperation spontaneously or upon request.

37. The legal basis for some competent authorities to provide cooperation exists in relevant laws. In terms of Article 6 (12) of proclamation 943/2016, the Attorney General has the power to undertake international relation and cooperation in criminal and civil matters. The National Intelligence and Security Service also has the legal basis to cooperate with similar foreign organizations, as may be necessary, receive or give intelligence and conduct joint operations [Article 7 (6) of proclamation no 804/2013]. However, it is not clear whether the other competent authorities such as those

responsible for anti-corruption, tax/customs have similar legal basis for providing cooperation. The FIU and Police have secure channels for transmission and execution of requests. On the basis of the National Information Security Policy, competent authorities in Ethiopia have institutional procedures and rules to safeguard information received-both from domestic and foreign sources. However, all competent authorities do not have clear processes for prioritization and timely execution of requests (c.40.2).

38. In relation to bilateral and multilateral agreements, competent authorities in Ethiopia have negotiated with some foreign counterparts and signed cooperation agreements. To date the FIU has so far signed MOUs with 12 foreign counterparts whilst ERCA signed MOUs with counterparts in Kenya in 2014, Italy in 2006, Sudan in 2017 (c.40.3). However, the authorities have not indicated whether, after requesting information and obtaining responses from foreign counterparts, they provide feedback on the use and usefulness of the information to the foreign counterparts. For this reason, it was not possible to determine the extent to which c.40.4 has been met.

39. Competent authorities exchange information or provide assistance in accordance with the laws or with the treaties, agreements as highlighted above. There is no information suggesting that laws place unreasonable or unduly restrictive conditions on the provision of or exchange of information because of the involvement of fiscal matters, issues of confidentiality (except legal professional privilege), active inquiry or investigations or the status of the requiring authority (c.40.5). With respect to the FIU, Article 14(3) of Proclamation 780/2013 specifically states that the information obtained through international cooperation shall be used only for the purposes of preventing and suppressing money laundering, predicate offences and financing of terrorism. There is no information on similar legal provisions governing other competent authorities. However, guided by national information security policy, competent authorities have institutional procedures and rules to safeguard information received from abroad or domestic (c.40.6).

40. Competent authorities maintain and protect the confidentiality of information exchanged in line with the National Information Security Policy. The FIU also requires corresponding confidential measures to be adopted by the foreign counterparts for intelligence information provided to them. However, there is no provision which requires other competent authorities in Ethiopia to refuse to provide the information if the foreign counterparts cannot protect the information effectively. Authorities did not provide MOUs signed with foreign counterparts for Reviewers to check if they contain provisions for refusal where protection of information is not guaranteed (c.40.7). While some of the Ethiopian competent authorities such as the FIU and Police can, within their mandates, conduct inquiries domestically on behalf of their counterparts, it could not be determined whether this extends to all of them (c.40.8 and c.40.15).

41. All competent authorities including the FIU, do not provide feedback on the use and usefulness of the information to the foreign counterparts as well as on the outcome of the analysis conducted based on the information provided (c.40.10). Financial

supervisors do not have a legal basis for exchange of supervisory information related to or relevant for AML/CFT purposes and have not yet entered into any MoU with foreign counterparts to exchange information related to AML/CFT (c.40.12-c.40.16). It is not clear whether the law enforcement agencies can use the same investigative powers, techniques, and coercive measures as investigating domestic cases, and upon the requests from foreign counterparts, can inquire and obtain information on behalf of foreign counterparts. However, on the basis of multilateral and bilateral agreements, Ethiopia can cooperate with other countries to carry out law enforcement joint action. For instance, the Federal Police of Ethiopia through the regional *interlope* formed a joint investigation team with Kenya on cattle rustling. **On the basis of outstanding deficiencies, Ethiopia has been re-rated as Partially Compliant with R.40.**

IV. CONCLUSION

42. Ethiopia has made progress in addressing most of the deficiencies identified in its MER in relation to some Recommendations. The country has sufficiently addressed deficiencies noted under R.36 and this has been re-rated as C. In relation to Recommendations 2 and 8, there are still minor shortcomings. In this regard, these Recommendations have been re-rated as LC. Furthermore, progress been made in addressing deficiencies of R. 7 and 40 and the related ratings have been upgraded to PC. On the other hand, progress made under Recommendations 24, 32 and 34 is not sufficient enough to justify re-rating.

43. Overall, in light of the progress made by Ethiopia as reflected in this FUR, ratings of its technical compliance with the FATF Recommendations are as follows:

Table 2: Technical Compliance with re-ratings in September 2019

	R 2	R.7	R.8	R.24	R.32	R.34.	R.36	R.40
MER rating	PC	NC	PC	PC	PC	PC	PC	NC
Re-rated to	LC	PC	LC	PC	PC	PC	C	PC

44. Ethiopia will remain in the enhanced follow-up and will continue to report bi-annually on its progress in improving and implementing its AML/CFT measures.