



THE INTERNATIONAL ACADEMY
OF FINANCIAL CRIME LITIGATORS

Bulletin

| of The International Academy
of Financial Crime Litigators

MOHAMED HISHAM NAGUIB

“ Egypt has endeavored to construct a robust legal and regulatory architecture designed to combat money laundering and terrorist financing. ”

ISSUE 5 | FALL 2025



When Regulation Backfires:

Foreign currency controls, business
risk, and money laundering in Egypt.

MOHAMED HISHAM NAGUIB

Introduction

Money laundering, the process by which illicit funds are concealed and eventually made to appear legitimate, thrives in financial systems where oversight is weak. In Egypt, the black market for foreign currency has created such a space—one where informal financial transactions, conducted far from regulatory scrutiny, continue to expand in response to persistent foreign currency shortages. These conditions have allowed a parallel economy to flourish, in which large volumes of money move outside official regulation, often serving as an entry point for laundering criminal proceeds.

The relationship between money laundering and unlawful foreign currency dealing is profoundly interdependent. Proceeds derived from a wide range of predicate crimes—ranging from cross-border drug and weapons smuggling to public corruption and elaborate financial fraud—are routinely converted into foreign currency through these informal networks, specifically to sever their ties to illegal origins. These laundered foreign currencies are then skillfully reintegrated into the legitimate Egyptian economy, often by being used to acquire high-value assets or investing in ostensibly legitimate businesses, thereby effectively sanitizing the “dirty” money, according to [Daneshyar, DIFC](#).

On the other hand, legitimate businesses that struggle to access foreign currency through official channels—due to regulatory constraints—often end up turning to the black market. Though unintentional, this reliance helps sustain the very networks that facilitate money laundering by keeping them well-funded. At the same time, the ongoing existence of a parallel foreign exchange market creates a convenient path for capital flight. This, in turn, worsens the shortage of foreign currency in the formal system and contributes to a self-reinforcing cycle of economic imbalance, according to the [IMF](#).

EGYPT’S LEGAL BATTLEFRONT: LAWS, REGULATIONS, AND THE PURSUIT OF FINANCIAL INTEGRITY

Egypt has endeavored to construct a robust legal and regulatory architecture designed to combat money laundering and terrorist financing (AML/

CFT). The cornerstone of these efforts is **Law No. 80 of 2002 (Anti-Money Laundering Law)**, a pivotal piece of legislation that not only criminalizes money laundering but also imposes strict penalties for related offenses based on instructions issued by the General Authority for Investment and Free Zones ("[GAFI](#)").

The **Central Bank of Egypt ("CBE")**, as the nation's principal financial regulator, has a paramount role in overseeing and rigorously enforcing AML compliance, with a particular focus on the banking and foreign exchange sectors. Complementing this, the **Money Laundering and Terrorist Financing Combating Unit ("EMLCU")**, an autonomous entity operating under the CBE, functions as Egypt's Financial Intelligence Unit (FIU), entrusted with the critical tasks of collecting, analyzing, and publicizing suspicious transaction data, while also coordinating with various law enforcement agencies.

Regarding foreign currency dealings, **Law No. 194 for the year 2020** serves as the overarching legal framework. While this legislation does not explicitly enshrine statutory foreign currency controls, the CBE has historically deployed a diverse array of measures to meticulously manage foreign currency supply and demand. These have encompassed, at various times, ceilings on foreign currency transfers by individuals and rigorous deposit limits for both individuals and corporate entities.

Crucially, all foreign currency transactions are legally mandated to be executed through licensed banks or authorized foreign exchange bureaus, each of which is compelled to diligently report its transactions to the CBE. The CBE has also issued new regulations to detect and prevent money laundering and terrorist financing through various channels, including electronic payment tools and suspicious account transaction patterns based on news from Egyptian [newspapers](#).

ACCUSATIONS AND THE QUESTION OF COMMITMENT

Despite official efforts, serious doubts remain about the effectiveness of Egypt's anti-money laundering (AML) regime. One major concern is the lack

of transparency in investigations. Details of high-profile cases are rarely made public, raising questions about accountability and whether the performance of law enforcement bodies in tackling fraud and money laundering is merely superficial or reactive.

Experts also highlight the vast informal economy—estimated at around 40% of GDP—as a key enabler of money laundering. With limited regulatory oversight, untraceable financial flow continues to thrive. This, coupled with ongoing foreign currency shortages in Egypt's formal banking system, has pushed many private companies to the black market just to meet basic import and operational needs.

In response, law enforcement has intensified efforts to suppress the circulation of foreign currency, at times on the basis of sweeping and problematic assumptions. A growing legal trend treats mere *possession* of foreign currency as evidence of illegal dealing, regardless of actual commercial activity. Many recent cases involved business professionals accused simply because foreign cash was found in their company's safe—neither in a bank nor circulating in the black market. Although ultimately acquitted, the accused endured a full criminal trial, reputational harm, and the implicit presumption of guilt based solely on possession. This reflects a disturbing pattern in Egyptian legal practice, where owning currency is increasingly conflated with illicit dealing, despite no legal presumption to that effect.

In a separate case, a private individual was charged not only with unlawful currency exchange, but also with money laundering—even though the foreign currency was seized directly from his person and had not been concealed. There was no predicate crime from which the funds were generated, nor any laundering activity aimed at disguising their source. Yet, prosecutors stretched the legal definition, using the foreign currency charges to justify a parallel money laundering accusation. This fusion of offenses—currency dealing and laundering—creates legal and economic uncertainty, especially when the penalties for the latter are much more severe. Observers warn that such strategies risk turning the AML framework into a tool for inflated conviction statistics, particularly under the jurisdiction of the General Department for Combating Public Funds Crimes which is often under pressure to demonstrate “results.”

While Egypt's AML strategy includes international commitments and periodic updates in line with Financial Action Task Force (FATF) guidance, these systemic flaws—unwarranted prosecutions, overbroad definitions, and reputational damage for innocent actors—undermine the strategy's credibility and practical effectiveness.

THE HIDDEN TOLL: MONEY LAUNDERING STATISTICS AND THEIR SOBERING REALITY

While securing precise and updated public statistics directly from the General Department for Combating Money and Public Funds Crimes concerning money laundering cases in Egypt can prove notably challenging, fragmented reports from various sources do offer glimpses into the scale of the problem. For instance, a report from May 2025 indicated that the cumulative sums implicated in money laundering cases over a single year amounted to a staggering EGP 7,748,472,866 (approximately \$154,969,457). This figure suggests a monumental volume of illicit funds continuously circulating within the nation's economy.

In another instance, Egyptian authorities seized a record LE 3.4 billion (US\$178 million) from money laundering crimes in just one year between June 2018 and May 2019, with a significant portion laundered through illegal drug trafficking channels according to the [Organized Crime and Corruption Report](#).

In 2020, Egypt's Ministry of Interior reported the seizure of 1.3 billion pounds (\$26,000,000) in connection with eight cases involving money laundering and bribery and detected over 1,600 cases of tax evasion and public funds theft. One of the largest laundering cases in February 2020 involved the arrest of 17 people, including postal authority employees, for creating fake accounts used to transfer around 1.69 billion pounds (\$33,800,000).

Experts emphasize the profound impact of money laundering crimes on the national economy, with massive financial losses estimated in the billions of pounds between 2020 and the present, reaching around 3% of GDP in some years. These activities negatively affect foreign and local investment and undermine trust in the financial system. Real estate remains one of the most commonly used fronts for money laundering in Egypt.

ERODING THE FOUNDATIONS: THE IMPACT ON PRIVATE EGYPTIAN COMPANIES

The deep entanglement between widespread money laundering and Egypt's rigid—often unpredictably applied—foreign currency controls is taking a serious toll on the basic rights and operational capacity of private Egyptian companies.

Chief among the challenges is a persistent shortage of foreign currency in official banking channels, a crisis intensified by the black market's continuous draining of hard currency from the formal economy. This forces legitimate businesses into an ongoing struggle to obtain the foreign exchange needed to import essential inputs such as raw materials and key machinery. The result is frequent production delays, surging operational costs, and, in more severe cases, an inability to honor contractual commitments. These disruptions not only undermine the global competitiveness of Egyptian companies but also stifle their ability to grow and expand organically. Consequently, faced with these systemic hurdles, companies may feel, reluctantly, compelled to resort to the black market, which exposes them to significant legal risks, extremely inflated exchange rates, and a pervasive lack of transparency.

Secondly, the stringent documentation requirements and bureaucratic obstacles imposed by banks for foreign currency transfers—measures allegedly designed to combat money laundering and stem capital flight—impose colossal administrative burdens on private companies. Even for legitimate commercial purposes, the sheer volume of paperwork and the need for multiple, protracted approvals routinely lead to exasperating delays and missed market opportunities. This regulatory maze creates an uneven playing field, where companies with pre-existing connections or those willing to engage in informal transactions may accrue an unfair advantage, while genuinely law-abiding businesses find their progress unfairly hindered. Thirdly, the unpredictability of foreign exchange rates, often made far worse by the speculative practices of the black market, causes immense financial instability for private companies. Devaluations of the Egyptian Pound render imports prohibitively expensive, relentlessly erode profit margins for companies heavily reliant on imported components, and significantly inflate the cost of servicing foreign currency-denominated debts. This volatile

environment renders long-term strategic planning and prudent investment decisions exceptionally uncertain, thereby stifling private sector expansion and actively discouraging foreign direct investment.

Finally, the high incidence of money laundering and associated criminal activities can act as a powerful deterrent, dissuading potential foreign investors from engaging with Egyptian private companies. Lingering concerns about regulatory compliance and corporate transparency can render Egypt a considerably less attractive destination for legitimate international business.

THE SILENT THEFT: HOW ILLICIT ACTIVITIES HARM PRIVATE MONEY

When a substantial black market flourishes, the official exchange rate inevitably becomes a distorted reflection of the currency's true market value. This divergence can precipitate unofficial, yet tangible, devaluations, whereby the purchasing power of Egyptian pounds held by both individuals and businesses progressively diminishes, especially when trying to acquire foreign goods or services. This process undeniably and effectively impairs the intrinsic value of private savings according to the [Journal of Environmental Sciences](#).

Furthermore, the inherent instability and heightened risks associated with illegal financial flows often compel financial institutions to adopt a more cautious and conservative system when extending credit to private businesses, especially smaller enterprises, owing to a legitimate fear of unknowingly facilitating money laundering.

Unauthorized actors, who are willing to circumvent formal regulations, can access foreign currency at advantageous rates unavailable to law-abiding firms. This glaring disparity not only puts compliant companies at a structural disadvantage but also nurtures an uneven marketplace where success is increasingly determined by one's willingness to skirt legal boundaries rather than by expertise or innovation.

The ripple effects of these illegal practices permeate broader economic spheres. The influx of laundered money—often funneled into real estate, luxury goods, or other high-value assets—artificially inflates prices, contributing to

upward pressure on inflation and erasing the affordability of essential goods and services for ordinary citizens.

Equally concerning is the corrosive effect on public trust. As the black market expands, and efforts to combat money laundering appear insufficient, confidence in official financial institutions goes down. Individuals and businesses, wary of regulatory inadequacies, may increasingly choose to hoard wealth outside the banking sector. This retreat from formal financial pathways not only limits financial inclusion but also constrains the flow of capital necessary for sustainable economic growth.

Furthermore, businesses that directly participate in money laundering or illegally use the black market often gain an unfair competitive edge, effectively sidestepping regulations and accessing foreign currency at more favorable (though illegal) rates. This fundamentally weakens legitimate businesses that operate within the legal system, making it very hard for them to compete effectively.

Finally, the evident existence of a large black market and the perceived incompetence in fighting money laundering can significantly damage public trust in the official financial system. This loss of confidence might lead people to keep their savings outside formal banking channels, a trend that further hampers financial inclusion and slows overall economic growth.

THE WAY FORWARD

Money laundering, intertwined with the intricate dynamics of foreign currency dealings, represents a multifaceted and deeply entrenched challenge for Egypt.

While the government has commendably established a comprehensive legal framework and continues to undertake sustained efforts to combat these illegal activities, the enduring prevalence of a thriving black market and persistent criticisms concerning enforcement efficacy and systemic transparency indicate that substantial work remains to be done.

The most significant and often overlooked casualties of this complex economic dysfunction are frequently the private Egyptian companies and, by extension,

the private capital circulating within the economy. Their fundamental rights and economic opportunities are being systematically impaired by restricted access to vital foreign currency, a proliferation of operational impediments and the creation of a less attractive investment climate.

Effectively addressing these profound issues necessitates not only robust legal and regulatory frameworks, but also a radical commitment to enhanced transparency in the economy, a more rigorous and impartial enforcement of existing laws, and a multifaceted effort to dismantle the underlying structural conditions that allow illegitimate foreign currency dealings and pervasive money laundering to not only persist but to prosper, thereby fostering a more stable and equitable economic environment for all.

AUTHOR



Mohamed Hisham Naguib

[Mohamed Hisham Naguib](#) is the Founder and Managing Partner of Naguib Law Firm. A former Public Prosecutor with over a decade of experience in financial crimes and leads high-stakes litigation and compliance matters in Egypt and internationally.