COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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"The former Yugoslav Republic of Macedonia"

Progress report[1]

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On an introductory note, the following needs to be emphasized concerning the references used in respect of the country's name. Pending the resolution of the bilateral dispute over the name of this country, which is the subject of ongoing negotiations under the auspices of the United Nations and following the adoption by the Committee of Ministers of Resolution (95) 23 (adopted on 19 October 1995 at the 547th meeting of the Ministers' Deputies) the provisional form of reference in Council of Europe documents remains as follows: "the former Yugoslav Republic of Macedonia". This also applies for the current document. The references in the body of this report to the evaluated country, pieces of legislation, bilateral agreements, authorities and other terms are retained as they were provided by the official authorities in their written progress report, however, this should not be read as changing the official position of the Council of Europe.

1. General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

In the period of the third evaluation cycle (March 2007) up to the present moment, the Republic of Macedonia has undertaken and implemented numerous activities aimed at strengthening of the money laundry preventing system and financing terrorism.

The **Law on Prevention of Money Laundering and Other Proceeds of Crime and Financing Terrorism** entered into force in January 2008 ("Official Gazette of the Republic of Macedonia" no. 04/08), hereinafter referred to as AML Law. The present AML Law is in line with the European Directive 2005/60/EC, the 40 FATF Recommendations and the 9 Special FATF Recommendations for preventing terrorism financing, the UN Convention for the Suppression of the Financing of Terrorism adopted in 1999 and Council of Europe Convention on Laundering, search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No 198). The most significant novelties concerning the AML Law are the following:
- Status modifications of the Office for Prevention of Money Laundering and Financing of Terrorism and explicit extension of the competency regarding the undertaking of measures related to preventing of terrorism financing;
- Introducing of obligation for analysis of clients- customer due diligence, likewise, an obligation for strengthened and simplified client due diligence;
- Introducing of obligations for the entities to establish Units for Prevention of Money Laundering and Terrorism Financing;
- Specifying the competencies related to the monitoring; the Office independently or in cooperation with other supervisory authorities, shall be competent for the monitoring of the indebted entities.
- Other measures.

On the basis of the AML Law, the following **bylaws** have been adopted in order to specify certain matters:

- Rulebook for inspection monitoring;
- Rulebook for the contents of the reports submitted to the Office for Prevention of Money Laundering and Financing of Terrorism;
- Rulebook for the characteristics of the software used for automatic data processing;
- Rulebook for drafting of the list of countries meeting the requirements for prevention of money laundering and financing terrorism, and
- Rulebook for the contents of daily reports for the transactions made on the Macedonian Securities Stock Exchange.

In order to implement the activities recommended in the Report of the Moneyval Committee, there is an ongoing drafting of a **Draft-Law amending the Law on Prevention of Money Laundering and Other Proceeds of Crime and Financing Terrorism** (hereinafter referred to as Draft-Law). This Draft-Law provides harmonisation with the Commission Directive 2005/60/EC, the 40 FATF Recommendations and the 9 Special FATF Recommendations regarding the prevention of financing terrorism. This Draft-law suggest provisions creating obligations for the entities in the direction of undertaking of stricter measures for identification and keeping records validating the undertaken measures related to client due diligence, monitoring of transactions from and to the countries which have not implemented the measures for prevention of money laundering and financing terrorism and unusually large transactions, precise determination of the contents of internal programmes and organization of the Units for Preventing of Money Laundering and Financing Terrorism, stricter penal policy for violating the provisions of the Law.

In January 2009, the Government of the Republic of Macedonia adopted the **National Strategy for Prevention of Money Laundering and Financing Terrorism**. As a middle term strategic document, the role of the National Strategy is the arrangement of the implementation of planned measures and activities in the period 2009-2011. Fifty activities have been planned in order to meet the determined objectives: harmonising of the regulations, institutional upgrading, efficient system for inter-institutional cooperation, strengthening of the international cooperation and raising of public awareness regarding the necessity for undertaking of measures for prevention of money laundering and financing terrorism. By the implementation of the planned activities, it is expected for the National Strategy to provide more efficient system for preventing of money laundering and terrorism financing in the Republic of Macedonia, notably:

- More efficient disclosure, documentation and investigation of criminal acts related to money laundering and financing terrorism, i.e. higher number of criminal charges and court decisions for money laundering and financing terrorism;
- Office for Prevention of Money Laundering and Financing of Terrorism should be efficient, with high level of staff and technical equipment, i.e. it should be set up as an institution in accordance with the standards of the countries from Western Europe.
- Harmonisation of the laws with the *acquis communautaire* of the EU and the international standards;
- Strengthened and more efficient monitoring of entities regarding the application of measures and activities intended for combating money laundering and financing terrorism;
- Trained and efficient administration;
- Strengthened and efficient inter-institutional and international cooperation;
- Raising of citizens' awareness regarding the importance of the combat against money laundering and financing terrorism and the role and the place of state authorities and other institutions participating in this combat.

In March 2009, the Assembly of the Republic of Macedonia ratified the Council of Europe Convention on Laundering, search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No 198).

Since January 2008, on the basis of the AML Law, the Directorate for Prevention of Money Laundering continues functioning as an **Office for Prevention of Money Laundering and Financing of Terrorism**

(hereinafter referred to as Office), as authority within the Ministry of Finance in the capacity of legal entity with higher degree of independence.

The competencies of the Office shall be implemented by 32 employees. The Office is organised in two Departments: Department for Regulative and System Development and Department for Preventing of Money Laundering and inspection monitoring and 8 Units: Unit for Analytics, Unit for Prevention of Money Laundering, Unit for Prevention of Financing Terrorism, IT Unit, Monitoring Unit, Unit for International Cooperation and System Development, Unit for Human Resources Management and Unit for Legal and Administrative Matters. In this period, the employees continuously participate in trainings in order to maintain the level of knowledge and practices.

By the increasing of the number of its competences, since November 2008, the Office, independently and in cooperation with other supervisory authorities, initiated and conducted monitoring of the application of the measures intended for preventing of money laundering and financing terrorism by different entities.

In this period, the Office undertook numerous activities aimed at strengthening of its IT capacities: Introducing of the IT equipment donated by EAP in the framework of the CARDS Programme 2003, using special application called Investigation Case Management for work and managing of the cases, introduction of electronic archive, opening and updating of Internet page, as well as setting of electronic link for exchange of information with the Ministry of Interior, the Employment Agency, the Public Revenue Office, the Central Register of the Republic of Macedonia, the Customs Administration of the Republic of Macedonia etc. Similarly, an electronic encrypted link has been set up with all banks in order to provide regular and connected cash transactions. The development policy of the Office regarding the IT capacities has been prepared in accordance with the ISO 27001 Standards.

Part of these activities is directed towards strengthening of its cooperation with the FIU of other countries trough signing of MoU. The Office has signed 28 MoUs.

In the period from November 2007 to September 2009, the Office, in cooperation with the Institute of Fiscal Studies from Spain implemented **twining project "Strengthening of the capacities for prevention of money laundering- phase II"** in a duration of 26 months. The realisation of this project contributes to the introduction of a functional system for preventing of money laundering and financing terrorism and system for international exchange of information in accordance with the international standards and the EU standards trough implementation of the activities within two components: Strengthening of the capacities of the Office and the other institutions included in the system for prevention of money laundering and strengthening of the inter-institutional and the international cooperation. In the frame of this project, there are plans for 75 activities; likewise, after its termination, 400 persons from different institutions and entities involved in the combat against money laundering and financing terrorism shall be trained.

Within this project, as well as in cooperation with GTZ, the American Embassy or on initiative and organisation by the Office, there have been several trainings for the entities. Regarding the raising of the public awareness regarding the necessity for undertaking of the measures intended for preventing of money laundering and financing terrorism, there has been publication of books and brochures ("National Strategy for Prevention of Money Laundering and Financing Terrorism" and "Office for Prevention of Money Laundering and Financing of Terrorism").

During 2008, the **Ministry of Interior** has introduced new organisational setup in its Unit for Combating of Organised Crime, thus creating a **Unit for Fight against Money Laundering and Economical Organised Crime**". On central level, the Unit is responsible for proceeding in the investigations for

providing proofs for criminal offences “Money laundering and other proceeds of crime“ and “Financing Terrorism“. There are 20 employees in the Unit.

Similarly, in 2007, the Ministry established the Department for Criminal Intelligence. The Department is competent for collecting operational information related to the criminal offences “Money laundering and other proceeds of crime“ and “Financing terrorism“, (as well as to other criminal offences) in order to transfer the data to the authorities responsible for the investigation.

Except on central level, each local organisational unit of the Ministry of Interior employs police officers who, *inter alia*, are responsible for acting upon the issues “Money laundering and other proceeds of crime“ and “Financing terrorism“. The number of employees on local level differs depending on the organizational unit and several factors (population, criminality rate etc.).

The Ministry of Interior has established inter-department working group preparing action plan for connecting of all databases as a prerequisite for connecting of the national Intelligence databases with Intelligence databases of the EU, thus providing faster and more efficient fight against organised crime on national and international level.

With the adoption of the new Law on Financial Police in May 2007 (“Official Gazette“, no. 55/07), the Financial Police is transformed into **Financial Police Office** in the capacity of legal entity within the Ministry of Finance. The following acts have been adopted in February 2008: The Rulebook for Organising of the Work and the Rulebook for Systematisation of Posts in the Financial Police Office (hereinafter referred to as Financial Police). According to the above listed Rulebooks, the work of the Financial Police has been organised in 3 departments and 12 units, with total of 63 posts, as follows:

1. Department for criminal and intelligence analysis
- Unit for disclosure of tax evasion, fraud and money laundering,
- Unit for disclosure of corruption and organised financial crime,
- Unit for disclosure of secret accounts and companies abroad and hidden criminal proceeds for third persons.

2. Department for integrated financial investigations and international cooperation
- Unit for proving tax evasion, fraud and money laundering,
- Unit for proving corruption and organised financial crime,
- Unit for verifying the origin of property belonging to natural and legal entities and proving the existence of fictive financial transactions abroad,
- Unit for coordination of prevention of financial irregularities and frauds, international cooperation and European integration,
- Unit for temporary seizure and expertise of computer systems, and
3. Department for legal and administrative matters.

Currently, the Financial Police employs 26 persons in the operational and police composition, and 2 persons working on administrative matters. The employees in the Financial Police continuously participate in trainings related to maintaining the necessary level of knowledge and best practices in the area of public finances, prevention and repression of organized crime, as well as financial investigations related to money laundering, corruption, freezing procedure, seizure, confiscation of proceeds acquired by criminal offences etc.

In the period from 2007 to 2009, the **Ministry of Justice** undertook and implemented series of activities directed towards strengthening the system for prevention of money laundering and financing of terrorism

and corruption. The Assembly of the Republic of Macedonia in March 2007 ratified the *UN Convention against Corruption.*

The Law amending the Law on Prevention of Corruption, adopted in January 2008 regulates the procedure for examining the property of elected and appointed state officials, determining of the value of the base amount for taxation and specify the provisions related to the activities of the Public Revenue Office in the procedure for taxation of persons having the obligation to declare change of property.

The Law on Management of Confiscated Property, Property Gained and Objects Confiscated in Criminal and Misdemeanour Procedures was adopted in July 2008. The reason for adopting of this Law is to avoid misuse and illegal acts during the proceeding with the confiscated property. This Law regulates the managing, using and disposal with temporary seized property, proceeds and temporarily seized objects, as well as the confiscated property, proceeds and the objects seized with effective decision during criminal and misdemeanour procedure, as well as the establishing, competence, managing, disposal and other matters related to the work of the Agency for Managing of Confiscated Property. The Agency for Managing of Confiscated Property was established in December 2008.

The Law amending the Law on Public Revenue Office adopted in July 2008 provides the possibility for the State Commission for Prevention of Corruption in cooperation with the Public Revenue Office to verify the property and material situation.

In December 2007, the Law on Public Prosecution and the Law on the Council of Public Prosecutors of the Republic of Macedonia regulating the competency, the composition and the structure of the Council. All bylaws related to the implementation of the Laws have been adopted.

The modifications of the Law on Public Prosecution adopted on 02.09.2008 specify the conditions for election of public prosecutors regarding their working experience.

The Ministry of Justice prepared new Law on Criminal Procedure in the direction of accelerating the criminal procedure, thus, *inter alia,* providing increasing of the level of efficiency of courts regarding cases in the area of money laundering, corruption and organised crime. This Law is completely in line with the international standards, and notably with the documents of the Council of Europe and the jurisdiction of the European Court of Human Rights in the area of cooperation with anonymous witnesses. Currently, the Law is in the stage of inter-Unit consultation.

Similarly, draft-law amending the Criminal Code has been prepared. This law harmonises the laws in the area of anti-corruption legal frame, this draft-law also includes the activities recommended in the Report on the evaluation, and refer to the offences "money laundering" and "financial terrorism". The draft-law is in Assembly procedure, and its adoption shall mean that the activities planed in the National Strategy on Prevention of Money laundering and Financing Terrorism and in the Strategy on Reforming the Penitentiary System have been realised.

A draft-law amending the Law on Financing Political Parties has been prepared aimed at raising the level of transparency in the area of financing political parties, strengthening of the control of the financial operations of the political parties and strengthening the competency of legally appointed competent organs. The Law is in Assembly procedure.

There is ongoing preparation of draft version of the Law on Associations of Citizens and Foundations defining the conditions needed for establishing and functioning of citizen association, as well as the conditions and criteria needed for performing of economic activities of associations of citizens and foundations; regulating the issue related to associations of citizens engaged in activities of public interest,

introducing objective, liable and transparent mechanism regulating tax benefits and regulating the issue concerning the liability related to the functioning of associations and foundations, establishment of associations by legal entities and other issues. The activities of the Ministry of Justice within this pillar shall be realised with this Law.

In order to strengthen the capacity of the Public Prosecution related to proceeding in criminal offences in the area of organised crime and corruption and in accordance to the new Law on Public Prosecution, new special **Basic Public Prosecution Office for Prosecuting Organised Crime and Corruption** responsible for the entire territory of the Republic of Macedonia was established in December 2008.

The Higher Prosecution Office in Gostivar, having own premises, was established.

The new **Law on Banks** came into force in June 2007. As a result of the following of the provisions and standards prescribed in the European Directive 2006/48 on taking up and pursuit of the business of credit institutions[1] and the European Directive 2006/49 on the capital adequacy of investment firms and credit institutions[2], this Law represent significantly important development of bank related regulative and the supervision in the Republic of Macedonia. The most important modifications and improvements of the Law having corresponding impact on the measures for prevention of money laundering and financing terrorism refer to the following:

- Promotion of prudential requests and criteria for licensing of shareholders with qualified participation in a bank, as well as of the members of supervisory and managing boards;
- Strengthening of the corporative bank management.
- Promotion and strengthening of risk management bank system, because the Law and the adequate bylaws are the firs legal acts defining the term “operational risk“ as a risk which according to international standards, includes risks arising fro money laundering and financing terrorism;
- Promotion of the manner of performing supervision and monitoring;
- Strengthening of corrective measures.

Having in consideration the activities of the National Bank related to prevention of money laundering and financing terrorism, the promotion of the criteria for licensing and the strengthening of correctional measures are of great importance. The new Law on Banks provides significant level of strengthening of the criteria on which basis the assessment of the adequacy of the shareholders with qualified participation in a bank is performed (the so-called "fit and proper" criteria). The Law envisages application of identical criteria for assessing of shareholders with qualified participation, regardless of the fact whether the assessment is performed during the procedure of establishing of new bank or during changing the ownership structure of already existing bank in the country. The criteria include assessment of the risk that can be encountered by the person wishing to gain qualified participation in a bank regarding its stability, safety and reputation, notably, its functioning in accordance to the regulations, including assessing of the risk related to money laundering and financing terrorism. The Law on Banks clearly identifies the persons who cannot become shareholders with qualified participation in a bank.

One of the more significant modifications contained in the new Law on Banks refers to the type of measures that the governor of the National Bank can take towards a bank, bank group or bank authority,

[1] Directive 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast)

[2] Directive 2006/49/EC of the European Parliament and of the Council on the capital adequacy of investment firms and credit institutions (recast)

as well as the manner and the procedure for taking these measures. The new Law accepts the approach of gradation of the measures that can be directed towards the banks, from issuing of recommendations, warnings or concluding protocols, trough interdiction or limiting of certain activities to introduction of administration and withdrawing of the permit for taking up and pursuit of the business. In the area, great importance is granted to the explicit provision contained in the Article 132 of the Law according to which the governor has the right to take corresponding measures in cases where there is violation of the regulations related to prevention of money laundering. Similarly, in the cases when there are evidences that the bank is included in money laundering or other criminal offences, the governor is entitled to withdraw the permit for taking up and pursuit of the business. At the end, on the basis of the new Law on Banks, one especially significant instrument available to the National Bank is the possibility for pronouncing misdemeanour sanction without mediation of a court. In this manner, there is increase in the level of efficiency of the National Bank regarding pronouncing measures and improving of conditions in bank system. The Law on Banks envisages the possibility of sentencing misdemeanour to a bank, the responsible persons, all legal entities who are obliged to act in accordance to the Law on Banks (shareholders with qualified participation, brokerage houses, audit companies, persons connected to the bank), as well as the responsible persons in those legal entities.

It should be emphasised that all previously listed provisions of the Law on Banks are correspondingly applied in the case of savings banks and the branches of foreign banks located in the Republic of Macedonia.

On the basis of the AML Law, on 01.07.2009 the Council of the National Banks adopted a **Decision on the Manner and the Procedure for Establishment and Application of the Bank's Program for Prevention of Money Laundering and Financing Terrorism**. This Decision provides a possibility for strengthening of the efficiency of the application of the programs of the banks for preventing of money laundering and financing terrorism, especially in the area of enhanced client due diligence and business relations with high risk related to money laundering, specifying of the tasks and responsibilities of the person responsible for money laundering and financing terrorism, permanent training of the employees and corresponding cooperation with the Internal Audit Office. The most important new element introduced by the Decision is the specifying of the obligations of the banks regarding the creation of risk profile on the basis of all relevant information and data on the client and the business relation in question. In this manner, there is a possibility for application of an approach for client due diligence based on the degree of the risk arising from money laundering and financing terrorism.

In May 2007, the amendments of the Law amending the **Law on Fast Money Transfer** were adopted, thus strengthening of the criteria for licensing of providers of fats money transfer, as well as specifying the cases where the Governor can withdraw the license for fats money transfer. One of these cases is the violation of the provisions of this or other Law referring to the work of the providers of fast money transfer. This means that the Governor can withdraw the license for fast money transfer in cases where there are evidences of non-compliance with the Law on Preventing Money Laundering and Other Proceeds of Crime and Financing Terrorism. Similarly, the modifications of the Law envisage the possibility for sentencing of misdemeanour sanction for the provider of fast money transfer and the responsible person of the provider in case when there is no or there is lack of implementation of a programme for prevention of money laundering or when the procedure is not in accordance with the regulations defining the prevention of money laundering and financing terrorism.

New **Decision on Currency Exchange Operations** has been adopted in February 2009 defining the conditions, manner, procedure and the documents needed for obtaining license for currency exchange operations, the manner of performing currency exchange operations and the measures that can be taken by the National Bank. According to this Decision adopted on the basis of the Law on Foreign Exchange Operations, the authorised currency exchange entity is obliged to possess programme for prevention of

money laundering in accordance to the regulations defining the prevention of money laundering and financing terrorism. The content of the Programme has been regulated in the Guidelines for implementation of the Decision on Currency Exchange Operations adopted by the Governor of the National Bank on 12.03.2009. If the National Bank shall identify that the authorised currency exchange entity does not possess such programme or possess a programme which does not contain all necessary elements, the Bank has the right to withdraw the license for currency exchange operations. Similarly, the National Bank shall revoke the license for currency exchange operations of the authorised currency exchange entity in all other cases when currency exchange operations are being performed contrary to the regulations adopted on the basis of the Law on Foreign Exchange Operations and this Decision.

During 2008, **the Securities and Exchange Commission of the Republic of Macedonia (SEC)** upgraded its human resources by employing 5 persons: 2 persons in the Capital Market's Supervision Department , 2 persons in the Unit for Issuing of Licenses and one accountant. In this context, it is very important to mention that in the last period, the Commission, *inter alia*, has been actively working on the training and the upgrading of the knowledge of the employees in the area of the implementation of all AML/CFT recommendations. In cooperation with the Office for Prevention of Money Laundering and Financing Terrorism, the Commission organised one training for the employees in Capital Market's Supervision Department and one training for the employees in brokerage houses and investment funds. These training were organised in order to raise the awareness of all participants in the capital market regarding the obligations and tasks arising from the Law on Prevention of Money Laundering and Financing Terrorism.

On 28.01.2009, the Assembly of the Republic of Macedonia adopted the new Law on Investment Funds which is in line with the following European Directives: 32001L0108, 32001L0107, 31985L0611, 32000L0064, 32004L0039 and 32007L0044. This Law shall contribute to the higher level of transparency and control of the work of investment funds which are placed under the competency of the Securities and Exchange Commission of the Republic of Macedonia.

Similarly, in the beginning of 2009, the Securities and Exchange Commission of the Republic of Macedonia signed the IOSCO Multilateral Memorandum of Understanding (IOSCO), Appendix B.

It is important to emphasise that the amendments and modifications of the Law on Securities are in the final stage. One of the most important modifications of this Law is the inclusion of new article defining the obligations arising from the regulations concerning prevention of money laundering and financing terrorism and referring to all authorised participants in the capital market, which until present were regulated with the Law on Prevention of Money Laundering and Financing Terrorism according to which the Securities and Exchange Commission of the Republic of Macedonia was acting also. These modifications also specify the measures that can be sentenced by the Commission regarding the authorized participant in the capital market and which, depending on the committed offence, can range from pronouncing of public notice to permanent revoking of working permit of the legal or physical entity committing the misdemeanour. The modifications of the Law envisage that the Commission should prepare a Rulebook defining the measures and activities that should be taken by the authorised participant in securities market in order to disclose and prevent money laundering and financing terrorism. By these modifications, the Commission acted upon the recommendations contained in the Moneyval Report and intervened in the contents of the Law on Securities specifying the obligations of authorised participant in capital market, as well as the competencies of the Supervisory Commission and the pronouncing measures on the basis of the regulations on prevention of money laundering and financing terrorism.

During the last period, **The Insurance Supervision Unit within the Ministry of Finance,** as authority responsible for supervision of insurance, has contributed in the area of prevention of money laundering and financing terrorism.

Namely, in the first half of 2009, the Unit has performed on-site supervision in two insurance companies, including money laundering and financing terrorism by the entities.

In the first half of 2009, the Rulebook for Prevention of Money Laundering and Financing Terrorism in the area of insurance has been prepared for the needs of insurance companies and other entities working in the insurance market and in accordance with the recommendation of MONEYVAL. This Rulebook has been distributed to all entities working in the insurance market and has been published on the internet page of the Ministry of Finance (www.finance.gov.mk, in the section- Financial system- Insurance- Reports).

The Rulebook includes the following:
-Measures and activities for prevention of money laundering (meaning and principal standards for obtaining information on the clients of insuring companies, establishing of business relations, methods of identification and verification of clients).
-Reporting of suspicious cases in the Office;
-Obligation for keeping of data and information;
-The role of managing authorities, the Internal Audit Office and the employees included in the process of prevention of money laundering and financing terrorism;
-Special cases and examples of money laundering in the area of insurance;
-New technologies and developing technologies;
-Countries and territories which do not collaborate.

Likewise, the monitoring over the measures for prevention of money laundering and financing terrorism is regulated in the Rulebook on the Manner of Performing Supervision of Insurance Companies and Other Entities in the Insurance Market in the Republic of Macedonia. This Rulebook was published on the internet page of the Ministry of Finance (www.finance.gov.mk, in the section- Financial system- Insurance- Reports).

The Rulebook includes the following:
-The legal basis in the Republic of Macedonia,
-Objectives of on-site supervision,
-Objectives of off-site monitoring of the functioning,
-Procedure of on-site supervision,
-Organisation and procedure of on-site supervision,
-Cooperation and exchange of information and data with other supervisory authorities in the Republic of Macedonia.

In accordance with the organizational structure of the **Public Revenue Office** (hereinafter referred to as PRO), the General Tax Directorate includes separate Unit for Cooperation with Other Authorities and International Exchange of Data (established in 2005). One of the competencies of this Unit is the cooperation with the Office for Prevention of Money Laundering and Financing Terrorism.

1. In this direction, separate persons have been engaged in the area of cooperation and exchange of data between the Office and the Public Revenue Office;
2. Starting from 2009, there is an electronic exchange of data between the Office and the PRO;
3. In accordance with the competences of the PRO and the Law on Prevention of Money Laundering and Financing terrorism, the Public Revenue Office includes specially trained team of inspectors performing control of casinos;
4. In May and June 2009, there was performing of joint controls with the Office of entities within the competence of the PRO from the aspect of taking measures for prevention of money laundering and financing terrorism.

5. The introduction of the VAT system in the Republic of Macedonia has created conditions for numerous financial frauds frequently connected to money laundering. In order to recognise and prevent financial frauds, there is ongoing preparation of Rulebook for Disclosure and Prevention of Financial Frauds containing practical examples and schemes of financial frauds and money laundering.

During June 2009, the **AML and Compliance Commission** was established in the frame of the Banking Association within the Economic Chamber of the Republic of Macedonia. Representatives from several banks in the Republic of Macedonia sit in this Commission. The principal role of the Commission is the establishment of efficient system for applications of the regulations defining banking operations, permanent monitoring of the application of the regulations and supervisory standards, improving of the functioning of banks and savings banks and cooperation with the institutions working in the area of harmonisation and prevention of money laundering and financing terrorism.

2. Key recommendations

Please indicate improvements which have been made in respect of the FATF Key Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The presumed backlog of money laundering cases pending at courts should be addressed. The lack of expertise, referred to as a possible reason behind long delays in money laundering cases, should not pose a permanent obstacle as it appears to be remediable by appropriate training of the judiciary and prosecutors which had already been mentioned among priorities in previous rounds of MONEYVAL evaluations. Low effectiveness concerning money laundering convictions needs to be addressed.*
Measures taken to implement the Recommendation of the Report	In order to create functional and efficient judicial system based on European standards, in November 2004 the Government of the Republic of Macedonia adopted the "Strategy on Reforming the Judicial System". The reforms in the judicial system in the frame of the Strategy started in 2004 and includes the period till February 2008. The realisation of the activities defined in the Strategy is in accordance with the adopted Action Plan for its implementation. In the implementation stage of the Strategy, the Ministry of Justice and the other competent institutions focused on two key segments: -Adoption of legal framework, and -Its implementation. In the direction of monitoring the process of realization of envisaged reforms, Council for monitoring of judicial reforms has been set up as a unique and highest institutional form competent for monitoring of the effects of the reform process trough direct examination of the Reports on the implementation of the Strategy. One of the most important priorities in the frame of the reform of the judicial system in the Republic of Macedonia was the adoption of the Amendments to the Constitution of the Republic of Macedonia. On 07.12.2005, the Assembly of the Republic of Macedonia adopted 15 Amendments to the Constitution of the Republic of Macedonia. The majority of the Amendments refer to the strengthening of the independence of the judicial system. These Amendments especially take in consideration the election of judges and the Judicial Council of the Republic of

	Macedonia. Similarly, the Amendments regulate certain issues in the area of public-prosecution organization. On the same session when these Amendments were adopted (07.12.2005), the Constitutional Law on the Implementation of the Amendments to the Constitution was adopted setting the timeframe for adoption of the laws important for the realization of judiciary reforms. The judiciary reform is aimed towards increasing of the level of efficiency and faster procedures (including the procedures for the criminal offence of money laundering and financing terrorism) and is being realized by the adoption of the following laws: - *The Law on Judicial Council* of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 60, its application started on 01.09.2006), operationalised the Constitutional Amendments from 2005, re-defined and modified the competency in the process of election and dismissal of judges as a guarantee for the judicial independence. - *The Law on Courts* ("Official Gazette of the Republic of Macedonia" no. 58/06 which application started on 01.01.2007) introduced modifications in the organisational structure and the real and territorial competency of courts. Pursuant to the Law, separate judicial units have been established in the courts having extended competency. There was re-organisation of the Court of First Instance in Skopje, so the Court of First Instance Skopje I functions as criminal court, and the Court of First Instance Skopje 2 as civil court. In 2007, pursuant to the Law on Courts, all bylaws have been adopted. In the direction of permanent implementation of the criteria for independent and efficient judiciary, there is ensuring of total functionality and efficiency of the newly established Administrative Court and the Court of Appeals Gostivar. Pursuant to the Law amending the Law on Courts ("Official Gazette" no. 35/08) the Court of First Instance in Skopje established Specialised Court Unit Competent for Deciding upon Offences in the Area of the Organised Crime and Corruption for the entire territory of the Republic of Macedonia. Pursuant to the Law on Courts and the Law amending the Law on Courts, on 07.04.2009 the Unit for Deciding upon Cases for reaching a decision within reasonable deadline was set up in the Supreme Court of the Republic of Macedonia. *The Court Rules of Procedure,* adopted in May 2007 (whose application started on 01.01.2008) regulates the internal organisation of courts, the record keeping and other books, administration of documents and forms, administration of statistical data and testimonies, professional training of the staff, administration of penal records, keeping records on penal sanctions and other matters. There is implementation of many new elements in order to ensure improved managing of court cases trough mandatory electronic inscription and electronic classification of cases on the basis of random selection of judge. Pursuant to the Articles 42 and 43 of the Law on the Academy for Training of Judges and Public Prosecutors ("Official Gazette of the Republic of Macedonia" no. 13/2006), the Academy offers permanent professional training of judges and public prosecutors. In order to maintain and extend the knowledge and professional skills in the performing of judicial and prosecution function, the Administrative Board of the Academy has adopted the "Framework Agreement for Permanent Professional Training of Judges and Public Prosecutors for 2009-2010". The Programme is intended for the already appointed 656 judges and 173 public prosecutors, as well as for the judges and public procurers who shall be elected in 2009-2010 and the counsellors working in courts and public prosecutor offices. The right and the

	obligation for permanent professional training of judges and public prosecutors are realised depending on the working experience. The Programme envisages subjects referring to the material and the process criminal law, i.e. referring to the criminal acts against public finances, the payment operations in the area of economy, liability of legal entities, subjects related to international criminal law, subjects related to organised crime emphasising money laundering. In 2008, in the frame of the twining project "Development of Capacities for Fight Against Money Laundering- Phase II" implemented in cooperation with the Institute of Fiscal Studies from Spain, several specific activities were organised aimed at strengthening the institutional capacities of the Office and the other institutions involved in the system for prevention of money laundering and financing terrorism. In the framework of this Twining Project, more than 30 representatives of the courts and the Public Prosecutor Office are included in more than ten activities.
Recommendation of the MONEYVAL Report	*Use and simple possession of laundered property should clearly be criminalised.*
Measures taken to implement the Recommendation of the Report	With the provisions of the new Draft-Law of the Law amending the Criminal Code (hereinafter referred to as the Draft-Law CC) in the Article 273, Paragraphs 1 and 2 enlarge the circle of incriminated activities. The enlargement is made in order to achieve harmonization with international standards. The Paragraph 2 of the Article 273 in the Draft-Law CC explicitly criminalises the simple possession of laundered property, i.e. imprisonment sentence from one to ten years shall be imposed on a perpetrator possessing or using property or objects obtained by performing punishable offence or by counterfeiting documents, non-reporting of facts or by covering up that they origin from such source, as well as hiding their location, movement and ownership.
Recommendation of the MONEYVAL Report	*As for the offences identified in Paragraphs 1 and 2 of Art. 273 CC, all the language of Art. 6(1) (a) and (b) of the Palermo Convention and Art. 3(1) (b) and (c) of the Vienna Convention on the physical aspects of the money laundering offence should be properly reflected (one of the problematic points is the differentiation between offences according to whether money or other proceeds are concerned).*
Measures taken to implement the Recommendation of the Report	In accordance to the Palermo Convention and the Vienna Convention, the Draft-Law CC extends the legal description of the offence "money laundering and other proceeds from crime". Predicate offence is each punishable offence providing proceeds of crime. The Article 273, Paragraph 1 of the Draft-Law CC incriminates money laundering and other proceeds of crime. According to this Article, anyone who shall circulate, receive, undertake, exchange or change money or other property obtained by means of committing punishable offence or who is aware that the property has been obtained by performing punishable offence, or by conversion, transfer or in other manner shall cover up that it originated from such source or shall cover up its location, movement or ownership. The perpetrator shall be punished with imprisonment from 1 to 10 years. (Article 273, Paragraph 1). The other form of the offence "money laundering" is incriminated in the Article 273, Paragraph 2 of the Draft-Law CC, i.e. when the perpetrator shall possess or uses property or objects being aware that they were obtained by performing of punishable offence or by counterfeiting of documents, non-reporting of facts or in other manner shall cover up that they origin from such source, or shall cover up their location, movement and ownership and the perpetrator shall face imprisonment from 1 to 10 years. As a more serious form, the Article 273, Paragraph 6 of the Draft-Law CC

	incriminates the enabling or the authorising transaction or business relation contrary to legal duty or performing of transaction contrary to the interdiction pronounced by a competent authority or temporary measure pronounced by a court or if the person shall not report money laundering, property or property gain for which he/she was informed during the performing of his/her function or duty by an proxy, responsible person in a bank, insurance company, company working in the area of games of chance, exchange office, stock market or other financial institution, lawyer, except in the case where he/she acts as an attorney, notary public or other person performing public competences or works of public interest. Imprisonment sentence of at least five years is envisaged for this offence.
Recommendation of the MONEYVAL Report	*The value threshold in Paragraphs 1 and 2 of Art. 273 CC should be abandoned.*
Measures taken to implement the Recommendation of the Report	Having in consideration the harmonisation of domestic penal law with international standards and recommendations in the new Draft-Law CC which is in assembly procedure, the provisions referring to the criminal offences related to money laundering and financing terrorism contain no limitation regarding the value. The terms wording "higher value money" and "higher value property" in the Draft-Law CC have been deleted, which can be seen in the Paragraphs 1 and 2 in the Article 273.
Recommendation of the MONEYVAL Report	*The uncertainties regarding the object of the money laundering offence should be addressed urgently by incorporating into the anti-money laundering criminalisation the single notion of "property" instead of the current and more ambiguous terms such as money and/or property and object. In any case, there is an urgent need for clear definitions, in particular for "money" and "property".*
Measures taken to implement the Recommendation of the Report	Pursuant to the recommendations, the new provisions in the Draft-Law CC, which is in Assembly procedure, shall provide clear definitions on the terms "money" and "property". The term "money" shall imply means of payment intended for payment in cash or in denominations or electronic money which pursuant to the law circulate in the Republic of Macedonia or in a foreign country. The term "property" shall imply money or other means of payment, securities, deposits or other properties of any king, which might be material or non-material, movable or non-movable, other rights to objects, claims, as well as public and legal documents for ownership and assets in written and electronic form proving the right to ownership or interest related to such property. Thus, anyone who shall circulate, receive, undertake, exchange or change money or other property obtained by means of committing punishable offence or who is aware that the property has been obtained by performing punishable offence, or by conversion, transfer or in other manner shall cover up that it originated from such source or shall cover up its location, movement or ownership shall face imprisonment sentence from one to ten years. (Article 273, Paragraph 1). At the same time, imprisonment sentence from one to ten years shall be imposed on a perpetrator possessing or using property or objects obtained by performing punishable offence or by counterfeiting documents, non-reporting of facts or by covering up that they originated from such source, as well as hiding their location, movement and ownership. (Article 273, Paragraph 2).
Recommendation of the MONEYVAL Report	*The system would certainly benefit from a newly-formulated provision, clearly based on the language of the Strasbourg Convention.*
Measures taken to implement the Recommendation of	In the direction of the recommendations, it is certain that the system would benefit from the newly formulated provision which are clearly based on the vocabulary of the Strasbourg Convention, due to the fact that the new provisions are in line with

the Report	this Convention.
Recommendation of the MONEYVAL Report	*It should be clarified in Art. 273 CC that self laundering is criminalised for all conducts of money laundering (covering both Paragraphs 1 and 2).*
Measures taken to implement the Recommendation of the Report	The new provisions in the Draft-Law CC also incriminate the self laundering for all conducts of money laundering. Pursuant to the provisions of the Paragraphs 1 and 2, the person obtaining money and property by performing punishable offences and committing the activities referred to in the Paragraph 1 or 2, imprisonment sentence from one to ten years is envisaged. According to the Paragraph 1, anyone who shall circulate, receive, undertake, exchange or change money or other property obtained by means of committing punishable offence or who is aware that the property has been obtained by performing punishable offence, or by conversion, transfer or in other manner shall cover up that it originated from such source or shall cover up its location, movement or ownership. The perpetrator shall be punished with imprisonment from 1 to 10 years. (Article 273, Paragraph 1). The other form of the offence "money laundering" is incriminated in the Article 273, Paragraph 2 of the Draft-Law CC, i.e. according to which when the perpetrator shall possess or uses property or objects being aware that they were obtained by performing of punishable crime or by counterfeiting of documents, non-reporting of facts or in other manner shall cover up that they origin from such source, or shall cover up their location, movement and ownership. The perpetrator of the offence referred to the Paragraph 2 shall be punished with imprisonment from 1 to 10 years.
Recommendation of the MONEYVAL Report	*With regard to the General Part of the Criminal Code providing with Art. 28a for a comprehensive regime of corporate criminal liability, Paragraph 7 of Art. 273 appears to be a redundant and as well as a restrictive provision that spoils the legal effect of the general provisions and it is thus recommended to either modify or remove Paragraph 7 of Art. 273 CC.*
Measures taken to implement the Recommendation of the Report	In the direction of facilitating the process of strengthening of mechanisms, the new legal provisions in the Draft-Law shall envisage criminal liability of legal entities. Each legal entity shall be kept liable for criminal offence committed by a responsible person on behalf or for the account of the legal entity (Article 28-a, Paragraph 1). The Article 28-a, Paragraph 2 envisages that legal entities shall be kept liable for the criminal offences committed by its employee or representative by which significant property gain has been obtained or significant damage has been caused to another party, if: The performing of conclusion, order or other decision or approval of a managing authority, administrative authority or supervisory authority represents committing of criminal offence (Article 28-a, Paragraph 2, Item 1), or the criminal offence was committed due to lack of monitoring of the managing authority, administrative authority and the supervisory authority (Article 28, Paragraph 2, Item 2) or the managing authority, administrative authority or the supervisory authority failed to prevent, covered up or failed to report the criminal offence prior to the initiation of the criminal procedure against the perpetrator (Article 28-a, Paragraph 2, Item 3). Under the conditions referred to in the Paragraphs (1) and (2) of this Article, all legal entities, except for the State, shall be kept liable, while the local self-government units shall be kept liable only for the offences committed out of their public competences (Article 28-a, Paragraph 4). Regarding the same conditions referred to in the Paragraphs (1) and (2) of this Article, any foreign legal entity shall be kept criminally liable if the offence was committed on the territory of the Republic of Macedonia, not taking in consideration whether the legal entity has

	established its representative office or branch performing business activities on its territory (Article 28-a, Paragraph 5). Regarding the limitations of the liability of legal entities, the liability of legal entities does not exclude the criminal liability of the natural person as a perpetrator of the offence (Article 28-b, Paragraph 1), while under the conditions referred to in the Article 28-a, Paragraphs (1) and (2) of this Article, the legal entity is kept liable for the criminal offence even in the case when there are actual or legal obstacles for determining of the criminal liability of the natural person a perpetrator of the offence (Article 28-b, Paragraph 2). Regarding the liability referred to in the new provisions, it is envisaged that if the criminal offence was committed out of negligence, the legal entity shall be kept liable under the conditions referred to in the Article 28-a of the Criminal Code, if the law envisages punishing for criminal offence committed out of negligence (Article 11, Paragraph 2 of the Criminal Code) (Article 28-b, Paragraph 3). Liability in the case of bankruptcy of the legal entity has been envisaged, so the legal entity in bankruptcy procedure shall be kept liable for the criminal offence committed to the moment of adopting a decision for initiating bankruptcy procedure under the conditions referred to in the Article 28-a of the Criminal Code, if the criminal offence was the reason for obtaining significant property gain or causing damage to third party (Article 28-c, Paragraph 1), and if before the termination of the criminal procedure against the legal entity, there was integration, merging, division or other legal modification due to which it lost the status of legal entity, the criminal procedure shall continue against its legal successor or successors (Article 28-c, Paragraph 2). As far as the envisaged sanctions for legal entities are concerned, for each criminal offence committed by legal entities the fine pronounced shall be considered as principal sanction (Article 96-a, Paragraph 1). The fine pronounced can not be lower than 100 000 denars, nor higher than 30 millions denars (Article 96-a, Paragraph 2), while for criminal offences committed from mercenary reasons, as well as for criminal offences serving for realisation of some benefits or criminal offences causing great damage, fine amounting up to double of the maximum of this sanction or fine corresponding to the caused damage, i.e. the gained benefit can be sentenced, but this fine can only be ten times higher than their amount (Article 96-a, Paragraph 3). Besides the main sanctions for legal entities, there are additional sanctions sentenced under conditions determined in the Criminal Code, so the court, having decided that the legal entity has abused its competency and that there is danger of repeating the offence in the future, can sentence one or more of the additional sanctions: Interdiction for obtaining permit, license, concession, authorisation or other right determined by special law (Article 96-b), interdiction for participation in procedures related to public invitations, awarding of public procurement contracts and contracts for private-public partnership (Article 96-b, Paragraph 2), interdiction for establishing of new legal entities; (Article 96-b, Paragraph 3), interdiction for using subsidies and other favourable loans; (Article 96-b, Paragraph 4) revocation of permit, license, concession, authorization or other right determined in separate law; (Article 96-b, Paragraph 5); temporary interdiction for performing of certain activity; (Article 96-b, Paragraph 6); permanent interdiction for performing of certain activity; (Article 96-b, Paragraph 7) and termination of the activity of the legal entity (Article 96-b, Paragraph 7).
Recommendation of the MONEYVAL	*The authorities should consider whether the benefits of negligent money laundering are being used in the best way and seek for possible obstacles that may hinder law*

Report	*enforcement and prosecutors in successfully investigating and prosecuting legal persons for money laundering activities.*
Measures taken to implement the Recommendation of the Report	The provisions contained in the Draft-Law CC which is in Assembly procedure, provide clear definitions regarding the necessary terms according to the recommendations, as well as they clearly incriminate the actions of the perpetrator who shall circulate, receive, undertake, exchange or change money or other property obtained by means of committing punishable crime or who is aware that the property has been obtained by performing punishable crime, or by conversion, transfer or in other manner shall cover up that it originated from such source or shall cover up its location, movement or ownership shall face imprisonment sentence from one to ten years. (Article 273, Paragraph 1). The new provisions envisage that imprisonment sentence from one to ten years shall be imposed on a perpetrator possessing or using property or objects obtained by performing punishable offence or by counterfeiting documents, non-reporting of facts or by covering up that they originated from such source, as well as hiding their location, movement and ownership (Article 273, Paragraph 2). Regarding the fact that the offence referred to in the Article 273, Paragraphs 1 and 2 has been committed during banking, financial or other economic operations or by dividing the transaction the perpetrator avoids the possibility for reporting the cases determined by law for which sentence of imprisonment of at least three years has been envisaged (Article 273, Paragraph 3), the new Draft-Law CC, which is in Government procedure, does nor envisage modifications of this Article and it shall remain the same, as envisaged by the Criminal Code ("Official Gazette of the Republic of Macedonia", no. 19 from 30.03.2004). Regarding the subjective aspect, the new provisions also envisage fine or imprisonment sentence to three years for the perpetrator committing some of the offences referred to in the 1, 2 and 3, and who was obliges and could have some information regarding the fact that the money, the property and the other property gain or objects have been obtained by means of committing criminal offence (Article 273, Paragraph 4) Criminal Code ("Official Gazette of the Republic of Macedonia" no. 19 from 30.03.2004). Having in consideration the need for harmonisation of domestic penal law with international instruments, instead of the used terms "the other property gain or objects", the Draft-Law of the Law amending the Criminal Code shall contain the terms "other proceeds of crime" (Article 273, Paragraph 4). Significant new element in the Draft-Law CC is the envisaged liability of the persons who, according to the Law represent authorised entities for application of measures and actions for prevention of money laundering and other proceeds of crime such as the official, responsible person employed in a bank or other financial institution or person performing activities of public interest, shall unauthorisingly disclose information to client or uninvolved person related to the procedure of examining suspicious transactions or to an application of other measures and activities for prevention of money laundering, for which imprisonment sentence from three months to five years (Article 273, Paragraph 7). For the persons who can be qualified as perpetrators of the offence referred to in the Paragraph 7, the new provisions regarding the subjective aspect envisage that if the offence has been committed from negligence, the perpetrator can be sanctioned with a fine or with imprisonment sentence of up to three years (Article 273, Paragraph 9).
(Other) changes since the last evaluation	

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The authorities should as a matter of urgency issue legislation clearly prohibiting financial institutions from keeping anonymous accounts or accounts in fictitious names. Furthermore, it should be established with a thorough assessment whether such accounts still exist. If so, they should be closed as soon as possible.*
Measures taken to implement the Recommendation of the Report	The Article 26 of the AML Law interdicts the banks to open and keep anonymous accounts. The Article 26 of the AML Law shall be modified by the Draft-Law and shall read as follows: *"Financial institutions shall be interdicted from opening and keeping anonymous accounts, numbered accounts or accounts belonging to persons having obviously fictitious names"* Pursuant to the Item 10 of the Decision on the Manner and the Procedure for Establishing and Application of Bank Programme for Prevention of Money Laundering and Financing Terrorism (hereinafter referred to as: the NBRM Decision), no bank can possess anonymous accounts, including numbered accounts or accounts opened on fictitious names. On the basis of the recommendation contained in Committee Report, the analysis suggested in the Report of the Committee was an integral part of supervisory controls of the NBRM conducted during the last two years. These controls have confirmed that as a result of the established practice for mandatory identification of the clients and verification of their identity, banks do not open anonymous accounts.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to identify customers when carrying out occasional transactions that are wire transfers in all the circumstances covered by the Interpretative Note to SR VII, when the financial institution has doubts about the veracity or adequacy of previously obtained identification data. The obligation to identify customers when there is a suspicion of terrorist financing should be made clearer in the AML Law.*
Measures taken to implement the Recommendation of the Report	The identification of the client and the verification of the identity are mandatory measures that have to be taken by the entities in the framework of the procedure for customer due diligence (hereinafter referred to as: CDD procedures). Pursuant to the Article 8 of the AML Law, the entities have obligation to implement the CDD procedures, notably in the following cases: a) when establishing a business relation; b) when carrying one or several linked transactions amounting to 15.000 EUR or more in denar counter-value; c) when there is suspicion of money laundering or financing terrorism, regardless of any exception or amount of the funds, and d) when there is doubt about the veracity or the adequacy of the previously obtained client identification data. Similarly, according to the Article 21, Paragraph 4 of the Law on Fast Money Transfer, the National Bank of the Republic of Macedonia shall prescribe the manner of keeping records for each transaction of fast money transfer. The Item 4 of the Decision on the Manner of Keeping Records of each Fast Money Transfer Transaction envisages that the fast money transfer provider shall collect information on the name and the surname of the natural person using the services of fast money transfer, as well as on the identification number of the citizen in the case of domestic natural person, or the number of the passport in the case of foreign

	natural person. Similarly, the Article 12-d of the Draft-Law shall create additional obligations for the financial institutions regarding the identification and the verification during fast money transfer, notably: "(1) Upon payment of an amount higher than 1000 EUR in denar counter-value according to the middle exchange rate of the National Bank due to cashless transfer trough domestic or foreign payment operations, each financial institutions shall be obliged to identify and verify the identity of the person giving the order of payment, i.e. to provide information on the name and the surname or the title, the address and the time and date of birth, the identification number and the number of the number of the account. (2) The financial institutions acting as mediators in cashless money transfer of amounts exceeding 1000 EUR in denar counter-value according to the middle exchange rate of the National Bank in international payment transactions, shall be obliged to transmit the information on the person giving the order of payment referred to in the Article 1 of this Article to the financial institution performing the payment of the transfer. (3) During the performing of cashless transfers amounting over 1000 EUR in denar counter-value, the financial institutions, in the frame of their internal acts, shall be obliged to determine the manner of verifying missing part of the needed information referred to in the Paragraphs 1 and 2 of this Article and the manner of setting of these transfers. The entities must find the missing information or to reject the transfer. (4) The financial institutions referred to in the Paragraph 3 of this Article can limit or cancel the business relations with financial institutions that do not provide or transfer the information envisaged in the Paragraphs 1 and 2 of this Article. (5) The provisions of this Article do not refer to the following types of transfers: - Using payment cards for withdrawing of resources from an account in a bank or trough POS terminal and payment n retail store. - Transfers and settlements between the issuer of the order and the receiver of the order are banks performing the transfer in their name and for their account."
Recommendation of the MONEYVAL Report	*The concept of verification of identification should be further addressed. The authorities should take steps to apply an enhanced verification process in appropriate cases. In higher risk cases and for foreign clients, they should consider requiring financial institutions to use other reliable, independent source documents, data or information when verifying customer's identity (in addition to the documents as currently prescribed by law).*
Measures taken to implement the Recommendation of the Report	The verification of the identity is a mandatory activity that must be conducted within the CDD procedures. The concept for verification of the identity shall be determined in the Article 10 of the AML Law. This Article shall define: "(1) The identity of the client or the beneficial owner of a natural person shall be established and verified by submission of original and valid document (personal document) having the character of public document or a copy of such document certified by a notary public, containing photography of the person. A certified transcript by a notary public may only be used only in the case when the client acts on behalf of a third party which is not physically present. (2) The document shall verify the name, surname, date and place of birth, place and address of permanent or temporary residence, personal identification number and number of the identification card and the issuing authority and date of validity of the

	identification card.. (3) The identity of the client or the beneficial owner when they are a foreign natural person shall be established on the basis of the data in his/her original travel documents or a transcript certified by a notary public. (4) If some of the data referred to in paragraph 2 of this Article cannot be verified from the identification document, the entity should require other public documents to determine the required information or require a verified statement from the client for that particular information and its accuracy. (5) The identity of the client or the beneficial owner when they are a legal person shall be established with the submission of an original or a certified transcript by a notary public for registration at the central register.. (6) The seat and tax identification number of the legal person shall be determined from the registration entry. (7) The identity of the client or the beneficial owner when they are a foreign legal person shall be established on the basis of verified court registration or registration from another competent authority, not older than six months. (8) In cases when the client is a person that is not subject to court registration or to another competent authority for registration of foreign legal persons, the determination of the identity shall be made by providing an original or a certified transcript by a notary public of a document on its establishment adopted by the management authority or entry of the name, i.e. the title, address or seat and activity. (9) The management body, the employers, the employees and the representatives authorised to enter into business relationship on behalf of a third party shall enclose the documents referred to in paragraphs (1) and (5) of this Article, as well as the documents confirming the identity and the address of the principal. (10) The entities shall compulsory keep a copy of the documents referred in paragraphs (1), (3), (5), (7) and (8) of this Article. (11) In the cases where this Law stipulates compulsory identification of clients, the data regarding the transaction performed and referring to the other participants in the transaction, the purpose, target, time and place of performing the transaction, the amount, type and manner of transaction and type of the means of payment shall be entered into the transcripts, depending on the risk assessment and other data pursuant to this Law The Article 10 shall be modified by the Draft- Law and shall be read as follows: “Identification and verification of the client“ Article 10 (1) In the case when the client is natural person, he/she shall be identified and his/her identity shall be verified by submitting original and valid document, personal identification card or passport or copies certified by a notary public. A certified transcript by a notary public may only be used only in the case when the client acts on behalf of a third party which is not physically present. (2) In the case when the client is a foreign natural person, he/she shall be identified and his/her identity shall be identified on the basis of the information listed in the valid document, the personal identification card or passport, in original document or in a copy certified by a notary public or authorized institution. (3) The document referred to in the Paragraphs (1) and (2) of this Article shall serve for determination of the name, surname, date and place of birth, place and address of permanent or temporary residence, unique personal identification number and number of the personal identification card or passport, the authority issuing the

	document and validity date of the personal identification card or the passport. (4) If the document for identification, the personal identification card or the passport as original document or as copy certified by a notary public can not provide some of the information referred to in the Paragraph (3) of this Article, the entity can ask from the other party to provide other public document in order to verify the needed information or can ask for certified copy confirming the missing information and its accuracy. (5) In the case when the client is domestic legal entity, it shall be identified and its identity shall be verified by submitting of original document or a copy certified by a notary public of the registration in the Central Register. (6) The extract of the registration referred to in the Paragraph (5) of the present Article shall serve for determination of the title, the registered address, the tax number of the legal entity, the founder/s and its legal representative. (7) In the case when the client is foreign legal entity, it shall be identified and its identity shall be verified with a registration by a competent authority which shall not be older than six months. (8) In the case when the person referred to in the Paragraph (7) of this Article is not subjected to a registration by a competent registration authority, the determining of the identity shall be made by providing of original document or a copy certified by a competent authority of the document for its establishment provided by the managing authority or an inscription of the name, or the title, the address or the registered address and the activity. (9) The managing authority and the representatives of the client referred to in the Paragraph 5 or 7 of this Article authorized for establishing business relation in the name of third person shall provide the documents listed in the Paragraphs (1), (2) and (5), as well as the documents confirming the identity and the address of the person giving the power of attorney or the beneficial user. (10) The entities must possess copy of the documents referred to in the Paragraphs (1), (2), (5), (7) and (8) of this Article. (11) The entities, on the basis of internal acts, can ask other information needed for determination and verification of the identity of the client or the beneficial owner. Identification and verification of the beneficial owner Article 11 (1) The entity shall be bound to verify the identity of the beneficial owner and, on the basis of risk assessment, verify his/her identity according to the Article 10 of this Law. (2) In the case when the entity cannot identify the beneficial owner according to the Paragraph 1 of this Law, it shall take declaration from the client, and the verification shall be performed on the basis of information obtained from independent and secure sources. Identification and verification of the principal Article 12 If the transaction is carried out on behalf and for the account of third party, in the cases where the law stipulates such obligation, the entities shall be bound to establish and verify the identity of the person performing the transaction (proxy), the holder of the rights (principal) and the power of attorney.“ Verification of the client, the beneficial owner and the authoriser Article 12-a (1) Entities shall be bound to establish the identity of the client, the beneficial owner

	or the principal before the establishment of business relation or before the performing of the transaction with clients for whom the entity has not established business relation. (2) By way of derogation from the Paragraph (1) of the present Article, the verification of the identity of the entities can be performed during the establishing of business relation if this step is necessary in order not to cancel the regular functioning of the business relation and when there is low risk of money laundering and financing terrorism. (3) By way of derogation from the Paragraphs (1) and (2) of this Article, regarding the operations related to life insurance, the verification of the identity of the client and of the beneficial owner of the policy can be performed after the establishment of the business relation. In this case, the verification of the identity should be performed prior or during the payment of the policy or prior or at the moment of exercising of the rights arising from the policy. (4) In the execution of activities of life insurance, the insurance undertakings shall be bound to identify and verify the identity of the client in the cases when the amount of the single or several instalments of the insurance premium to be paid in a period of one year exceeds 1.000 EUR in denar counter-value or when the payment of the single insurance premium exceeds the amount of 2.500 EUR in denar counter-value. The Decision of the NBRM (Item 12) envisages that besides the provisions for verification of the identity of the client envisaged in the AML Law , each bank can verify the information trough some of the following independent sources of information: - The determination of the permanent address by using other sources of information (telephone, electricity bills etc., data available by the Information Service- 188 etc.). - Contacting the client and the beneficial owner trough phone, letter or e-mail; - Contacting the embassy (consular mission, liaison office) of the country of origin of the foreign client; - Requesting the final financial report for the functioning of the client- the legal entity, revised by an authorized auditor when possible; - Using the data available by the public registers (the Central Register, the Central Securities Depository of etc.); - Visiting the client and the beneficial owner, is possible; - Verification of the statute of the client and the beneficial owner whether bankruptcy or liquidation procedure has been initiated. The objective of the provisions of the Decision is to provide the banks with other sources of information, from the sources listed in the AML Law for the clients for which there is need for additional verification of the identity, i.e. for the clients whose identity can not be surely determined on the basis of the documents listed in the AML Law (including the persons who might represent higher risk of money laundering and financing terrorism). Besides these provisions, the Item 9 of the Decision oblige the banks to insure that: - possess precise sources of information, documentation and data; - Possess information on which basis they could determine the identity of the beneficial owner of the client, including the determination of the actual ownership and managing structure of the client- the legal entity; - Possess precise information on the identity of the authorized person.
Recommendation of	*The authorities should clearly define which other documents than passports or I.D.*

the MONEYVAL Report	*cards can be used for verification of identification and which are in accordance with the international standards as required by Footnote 8 of the Methodology (with reference to the General Guide to Account Opening and Customer Identification issued by the Basel Committee's Working Group on Cross Border Banking).*
Measures taken to implement the Recommendation of the Report	The identification and the necessary documents that can be used for identification shall be determined in the Article 10 of the AML Law and the Article 9 of the Draft-Law. The AML Law and the Draft-Law have stricter approach towards the documents that can be used by the subjects in order to identify the clients. Besides the documents for identification and verification of the clients listed in the AML Law, the Item 12 of the NBRM Decision shall include some independent sources of information that can be used by the banks upon the verification of the identity of the clients and the final owner.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to obtain information on the purpose and intended nature of the business relation.*
Measures taken to implement the Recommendation of the Report	The obtaining of information on the purpose and the intended nature of the business relation is an activity that must be implemented by the entities within the CDD procedure. This obligation of the entities shall arise from the Article 9 of the AML Law, Paragraph 1, Item b), or the Article 12 of the Draft-Law. Pursuant to the Part II. 1.2 of the NBRM Decision, 1. each bank shall be obliged to provide information and data on which basis one can determine the purpose and the intended nature of the business relation established with the client, which can include information on the nature of the business activities of the client, the financial standing, the sources of financial means and the most important business partners.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to conduct ongoing due diligence on the business relation and to ensure that documents, data or information collected under the CDD process are kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher risk categories of customers or business relations.*
Measures taken to implement the Recommendation of the Report	Pursuant the Article 9, Paragraph 1, Item d) of the AML Law, as a special activity within the CDD procedure, the entity have the obligation to perform ongoing monitoring of the business relation. The ongoing monitoring shall include detailed review of the transactions that are made within that relation in order to confirm that the transactions are being performed according to the intended purpose, the business and the risk profile and the financial standing of the client and the updating of client's information. The Draft-Law shall regulate this obligation and shall separate it special Article 12. The new Article in the Draft-Law shall word as follows: Ongoing monitoring of the business relation Article 12-b (1) The entities shall be obliged to conduct ongoing monitoring of the business relation including detailed scrutiny of transactions undertaken within the frames of that relationship in order to ensure that the transactions are being conducted in compliance with the client's intention, the business and risk profile and the client's financial standing, and, when necessary, the sources of financing of the client. (2) The entities shall be bound to perform regular updating of the document and

	information on the client acquired trough the implementation of the activities referred to in the Article 9, Paragraph 1, Items a), b) and c) of this Law. Likewise, the obligation of banks regarding the ongoing monitoring of the business relation with the clients shall be specified in the Part II. 1. 3 of the NBRM Decision. Pursuant to this Law, the banks shall be obliged to perform ongoing monitoring of the business relation with the client and the transactions that are being conducted in compliance with the business relation in order to verify whether these transaction are in line with the purpose and the intended nature of the business relation and the source of financing of the client. The banks shall be obliged to ensure regular updating of the information and the data on the business relation with the client, and the manner and the time of updating of the data shall be determined within internal procedures. In the frame of the part of the Decision referring to the manner of performing enhanced client due diligence of a client for whom there evidences of higher risk of money laundering or financing terrorism, there shall be additional activities related to monitoring of the business relation with this type of clients (for example, ongoing monitoring of the business relation, additional assessment of the risk level related to each client, approving of the business relation by the members of the Managing Board etc.).
Recommendation of the MONEYVAL Report	*Financial institutions should be required to perform enhanced due diligence for higher risk categories of customers, business relation or transaction, including private banking, companies with bearer shares and non-resident customers.*
Measures taken to implement the Recommendation of the Report	The obligation for taking measures for enhanced CDD shall be regulated in the Article 14 of the AML Law and in the Article 13 of the Draft-Law. The modified and amended Article 14 shall word as follows: Article 14 (1) Where there is higher risk of money laundering and financing terrorism established in a risk assessment basis, the entities should apply enhanced client due diligence in addition to the measures referred to in the Articles 8, 9 and 10 of this Law, and in particular the cases referred to in the Paragraphs (2), (3) and (4) of this Article. (2) Where the client is not physically present for identification purposes, the entities should take one or several of the following measures: a) determining the client's identity by additional documents, data or information; b) Additional measures for verifying the documents supplied, or requiring that they are certified by another financial institution of the Republic of Macedonia, an EU Member State or a country where the regulation provide for at least identical requirements for taking measures for prevention of money laundering and financing terrorism as the requirements provided for by this Law; c) ensuring that the first payment is carried out trough an account in a bank in the Republic of Macedonia. (3) Where banks establish correspondent banking relations with banks for which a simplified due diligence is not permitted pursuant to the Article 13 of this Law, they shall be bound to: a) gather sufficient information about the respondent bank to determine fully the nature of its business and to determine its reputation and the quality of the supervision. b) gather information and on the basis thereof assess the system for protection against money laundering and financing terrorism;

	c) Obtain approval from the Management Board for establishing a new correspondent banking relation; d) precisely prescribe the mutual rights and obligations and e) ensure that the respondent bank carries out the activities referred to in the Article 9, Paragraph 1, Items a), b) and c) regarding the persons having direct approach to its correspondent accounts at the banks in the Republic of Macedonia, at least in a scope and in a manner determined by this Law, as well as to determine whether the correspondent banks is prepared to provide the data necessary for identification and verification of the client on its request. (4) When the entities perform transactions or enter into a business relation with politically exposed persons, they shall be required to: a) on the basis of previously established risk assessment procedure determine whether the client is a politically exposed person or in the case where this can not be done, they shall be required to provide client's statement. b) provide approval for establishing of business relation with the client from the managing structures of the entity, as well as provide decision for continuing of the business relation with the existing client who has become politically exposed person adopted by the managing structure of the entity; c) take adequate measures to establish the source of funds of the client who is politically exposed person; d) conduct ongoing enhanced control of the business relation with the client who is politically exposed person. In the cases where there is higher risk of money laundering or financing terrorism, pursuant to the Item 6 of the NBRM Decision, the banks shall be required to perform enhanced client due diligence. The bank shall perform enhanced client due diligence at least for the clients envisaged in the AML Law, but also with the NBRM Decision, which defines the additional types of clients who can be seen as highly risky by the banks regarding money laundering and financing terrorism, having in mind the nature of the financial activities performed by such clients: - Politically exposed persons; - Clients using private banking services; - Correspondent banks; - Clients who are physically absent during the establishing or the conducting of the business relation; - Clients originating from countries which do not apply or apply in inadequate manner the recommendations of the Financial Action Group in the area of prevention money laundering and financing terrorism. The Decision shall specify the additional measures envisaged by the Law, which shall be binding for the banks regarding the abovementioned clients.
Recommendation of the MONEYVAL Report	*For customers that are legal persons or legal arrangements, financial institution should be required to verify that any person purporting to act on behalf of the customer is so authorised, and identify and verify the identity of that person.*
Measures taken to implement the Recommendation of the Report	The Article 2, Item 7 of the AML Law shall define the term “client“, which shall imply natural or legal entities. The legal system of the Republic of Macedonia does not include the term legal arrangements. The Article 10, Paragraphs 5 and 9 of the AML Law shall define the manner of identification of legal persons and the persons who are authorised to enter into business relation with third persons on behalf of the legal person. Similarly, the Article 12 shall prescribe the provisions regulating the identification of the authorizer.

	The Draft-Law shall amend the Articles 10 and 12, which shall word as follows: "Identification and verification of the client" Article 10 (1) the identity of the client when the client is natural person shall be established and be verified with the submission of original and valid document, personal identification card or passport or copies certified by a notary public. A certified transcript by a notary public may only be used only in the case when the client acts on behalf of a third party which is not physically present. (2) In the case when the client is a foreign natural person, he/she shall be identified and his/her identity shall be identified on the basis of the information listed in the original valid document, the personal identification card or passport or in the copy certified by a notary public or authorized institution. (3) The document referred to in the Paragraphs (1) and (2) of this Article shall determine the name, surname, date and place of birth, place and address of permanent or temporary residence, unique personal identification number and number of the personal identification card or passport, the authority issuing the document and validity date of the personal identification card or the passport. (4) If the document for identification, the personal identification card or the passport as original document or the copy certified by a notary public can not provide some of the information referred to in the Paragraph (3) of this Article, the entity can ask from the other party to provide other public document in order to verify the needed information or can ask for certified copy confirming the missing information and its accuracy. (5) In the case when the client is domestic legal entity, it shall be identified and its identity shall be verified by submitting of original document or a copy certified by a notary public of the registration in the Central Register. (6) The extract of the registration referred to in the Paragraph (5) of the present Article shall serve determine the title, the registered address, the tax number of the legal entity, the founder/s and its legal representative. (7) In the case when the client is foreign legal entity, it shall be identified and its identity shall be verified with a registration by a competent authority which shall not be older than six months. (8) In the case when the person referred to in the Paragraph (7) of this Article is not subjected to a registration by a competent registration authority, the establishment of the identity shall be made by providing of original document or a copy certified by a competent authority of the document for its establishment provided by the managing authority or an inscription of the name, or the title, the address or the registered address and the activity. (9) The managing authority and the representatives of the client referred to in the Paragraph 5 or 7 of this Article authorized for establishing business relationship on behalf of third person shall provide the documents listed in the Paragraphs (1), (2) and (5), as well as the documents confirming the identity and the address of the principal or the beneficial user. (10) The entities must possess copy of the documents referred to in the Paragraphs (1), (2), (5), (7) and (8) of this Article. (11) The entities, on the basis of internal acts, can request other information needed for establishment and verification of the identity of the client or the beneficial user. Identification and verification of the beneficial owner Article 11 (1) The entity shall be bound to verify the identity of the beneficial owner and, on

	the basis of risk assessment, verify his/her identity according to the Article 10 of this Law. (2) In the case when the entity cannot identify the beneficial owner according to the Paragraph 1 of this Law, it shall be bound to provide a declaration from the client, and the verification shall be performed on the basis of information obtained from independent and secure sources. Identification and verification of the proxy Article 12 If the transaction is being performed on behalf and for the account of third person, in the cases where the law stipulates such obligation, the entities shall be bound to establish and verify the identity of the person performing the transaction (proxy), the holder of the rights (principal) and the power of attorney.“ Verification of the client, the beneficial owner and the principal Article 12-a (1) Entities shall be bound to establish the identity of the client, the beneficial owner or the principal before the establishment of business relationship or before the performing of the transaction for clients with whom the entity has not established business relation. (2) By way of derogation from the Paragraph (1) of the present Article, the verification of the identity of the entities can be performed during the establishing of business relationship if this step is necessary in order not to cancel the regular functioning of the business relation and when there is low risk of money laundering and financing terrorism. (3) By way of derogation from the Paragraphs (1) and (2) of this Article, regarding the operations related to life insurance, the verification of the identity of the client and of the beneficial owner of the policy can be performed after the establishment of the business relation. In this case, the verification of the identity should be performed prior or during the payment of the policy or prior or at the moment of exercising of the rights arising from the policy. (4) In the execution of activities of life insurance, the insurance undertakings shall be bound to identify and verify the identity of the client in the cases when the amount of the single or several instalments of the insurance premium to be paid in a period of one year exceeds 1.000 EUR in denar counter-value or when the payment of the single insurance premium exceeds the amount of 2.500 EUR in denar counter-value. The NBRM envisages that besides the legally stipulated provisions for identification of the clients, pursuant to the AML Law, the banks should ensure that they possess accurate information on the identity of the proxy.
Recommendation of the MONEYVAL Report	*The legislation should provide for a definition of “beneficial owner” which is in line with the one provided for by the glossary to the FATF Methodology. Financial institutions should be required to take reasonable measures to verify in all situations (and not only when “a suspicion exists whether the client acts on its own or on behalf and in interest of a third party”) the identity of beneficial owners using relevant information or data obtained from reliable sources.*
Measures taken to implement the Recommendation of the Report	The Article 2, Item 7 of the AML Law shall define the term “beneficial owner“: 10. “Beneficial owner“ shall mean a natural person who ultimately owns or controls the client and/or a natural person on whose behalf and for whose account a transaction or activity is being conducted, whereas a beneficial owner within the

	legal persons shall be as follows: a) natural person who has direct or indirect share of at least 25% of the total stocks or share, i.e. of the voting share in that legal entity, including ownership of bearer shares, and b) natural person who otherwise exercises control with management of the legal entity. Pursuant to the Article 9, Paragraph 1, Item b, within the procedure of client due diligence, the entities shall be bound to identify the beneficial owner and establish its identity. The entities shall be obliged to identify and verify the beneficial owner in all other cases determined in the Article 8. The identification and the verification of the beneficial owner shall be performed in accordance to the Article 10 of the AML Law. The Draft-Law shall amend the previously quoted articles, which shall word as follows: Article 2 9. "Beneficial owner" shall mean a natural person who ultimately owns or controls the client and/or a natural person on whose behalf and for whose account a transaction or activity is being conducted. Beneficial owner of the legal entity or the trust is a natural -person who: a) has direct or indirect share of at least 25% of the total stocks or share, i.e. of the voting share in that legal entity, including ownership of bearer shares, and/or b) otherwise exercises control with management of the legal entity or acquires benefits with the legal entity or the trust; Article 9 (1) The customer due diligence procedure referred to in the Article 8 of this Law shall comprise the following activities: a) Identification of the client and verification of the client's identity; b) Identification of the principal and verification of his/her identity and identification of the beneficial owner and verification of his/her identity; c) Obtaining information on the purpose and the intended nature of the business relation, and d) Conducting ongoing monitoring of the business relation. (2) The entities shall apply each of the measures provided for in the Paragraph (1) of this Article, but they may determine the extent of such measures depending on the client's risk assessment, the business relation, the product or the transaction. (3) The entities shall perform the risk analysis on the basis of internal risk analysis procedure which is integral part of the Programme, and which contains the indicators prepared by the Office in cooperation with the entities and the supervisory authorities as a minimal requirement. (4) The entities shall be bound to make available to the Office and the supervisory authorities the risk assessment documents referred to in the Paragraph (2) of this Article in order to demonstrate that the extent of the undertaken measures is appropriate in view of the determined risk of money laundering and financing terrorism. Article 10 (1) the identity of the client when the client is natural person shall be established and verified with the submission of an original and valid document, personal identification card or passport or their copies certified by a notary public. A certified transcript by a notary public may only be used only in the case when the client acts on behalf of a third party which is not physically present. (2) In the case when the client is a foreign natural person, he/she shall be identified

	and his/her identity shall be established on the basis of the information listed in the original valid document, the personal identification card or passport, or in a copy certified by a notary public or authorized institution. (3) The document referred to in the Paragraphs (1) and (2) of this Article shall determine the name, surname, date and place of birth, place and address of permanent or temporary residence, unique personal identification number and number of the personal identification card or passport, the authority issuing the document and validity date of the personal identification card or the passport. (4) If the document for identification, the personal identification card or the passport as authentic document or the copy certified by a notary public can not provide some of the information referred to in the Paragraph (3) of this Article, the entity can ask from the other party to provide other public document in order to verify the needed information or can ask for certified copy confirming the missing information and its accuracy. (5) In the case when the client is domestic legal entity, it shall be identified and its identity shall be verified by submitting of original document or a copy certified by a notary public of the registration in the Central Register.(6) The extract of the registration referred to in the Paragraph (5) of this Article shall determine the title, the registered address, the tax number of the legal entity, the founder/s and the legal representative. (7) In the case when the client is foreign legal entity, it shall be identified and its identity shall be verified with a registration by a competent authority which shall not be older than six months. (8) In the case when the person referred to in the Paragraph (7) of this Article is not subjected to a registration by a competent registration authority, the establishing of the identity shall be made by providing of original document or a copy certified by a competent authority of the document for its establishment provided by the managing authority or an inscription of the name, or the title, the address or the registered address and the activity. (9) The managing authority and the representatives of the client referred to in the Paragraph 5 or 7 of this Article authorized for establishing business relation on behalf of third person shall provide the documents listed in the Paragraphs (1), (2) and (5), as well as the documents confirming the identity and the address of the principal or the beneficial user. (10) The entities must possess copy of the documents referred to in the Paragraphs (1), (2), (5), (7) and (8) of this Article. (11) The entities, on the basis of internal acts, can request other information needed for establishing and verification of the identity of the client or the beneficial user. Identification and verification of the beneficial owner Article 11 (1) The entity shall be bound to verify the identity of the beneficial owner and, on the basis of risk assessment, verify his/her identity. (2) In the case when the entity cannot identify the beneficial owner, it shall be bound to provide a declaration from the client, and the verification shall be performed on the basis of information obtained from public sources. Verification of the client, the beneficial owner and the principal Article 12-a (1) Entities shall be bound to establish the identity of the client, the beneficial owner or the principal before the establishment of business relationship or before the

	performing of the transaction for clients with whom the entity has not established business relation. (2) By way of derogation from the Paragraph (1) of the present Article, the verification of the identity of the entities can be performed during the establishing of business relationship if this is necessary in order not to interrupt the normal conduct of the business relation and when there is lesser risk of money laundering and financing terrorism. (3) By way of derogation from the Paragraphs (1) and (2) of this Article, in relation to the activities of life insurance, the verification of the identity of the client and of the beneficial owner of the policy shall be performed after the establishment of the business relation. In this case, the verification of the identity should take place at or before the time of payment of the policy or at or before the time the beneficiary intends to exercise of the rights vested under the policy. (4) In the execution of activities of life insurance, the insurance undertakings shall be bound to identify and verify the identity of the client in the cases when the amount of the single or several instalments of the insurance premium to be paid in a period of one year exceeds 1.000 EUR in denar counter-value or when the payment of the single insurance premium exceeds the amount of 2.500 EUR in denar counter-value. Besides the AML Law, the NBRM Decision shall specify the obligation of the banks regarding the establishing of the identity of the beneficial owner and carry out adequate activities for verification of the identity. Inter alia, banks shall be bound to ensure that: - They possess precise sources of information, documentation and data; - Possess information on which basis they could establish the identity of the beneficial owner of the client, including the determination of the actual ownership and managing structure of the client- the legal entity; Upon the identification and the verification of the beneficial user the banks shall be obliged to use the documents envisaged in the AML Law, as well as the independent sources of information defined in the NBRM Decision (Item 13).
Recommendation of the MONEYVAL Report	*For all clients, financial institutions should be required to determine whether the customer is acting on behalf of a third party. If this is the case, they should identify the beneficial owner and verify the latter's identity. With regard to clients who are legal persons, financial institutions should understand the controlling structure of the customer and determine who the beneficial owner is.*
Measures taken to implement the Recommendation of the Report	The Article 9, Paragraph 1, Item b) of the AML Law shall stipulate that within CDD, the entities should identify the beneficial owner and the principal and verify the identity of the beneficial owner, the ownership and managing structure. The Draft-Law shall introduce new provision referring to the beneficial owner: Identification and verification of the beneficial owner Article 11 (1) The entity shall be bound to establish the identity of the beneficial owner and, on the basis of risk assessment, verify his/her identity according to the Article 10 of this Law. (2) In the case when the entity cannot identify the beneficial owner according to the Paragraph 1 of this Law, it shall be bound to provide a declaration from the client, and the verification shall be performed on the basis of information obtained from independent and secure sources. The NBRM Decision shall additionally specify the obligation of the banks

	regarding the establishing of the identity of the beneficial owner and establish the ownership and organizational structure of the client- the legal entity and carry out adequate activities for verification of the identity.
Recommendation of the MONEYVAL Report	*Concerning timing of verification, the possibility provided by Art. 7 para 1 and 2 to establish the client's identity "on the day when the transaction was carried out" (unless there is a suspicion of money laundering) is too general and should be brought in line with the circumstances as described by criterion 5.14.*
Measures taken to implement the Recommendation of the Report	The timing of the verification and the establishing of the identity of the client and the beneficial owner shall be determined in the Article 11 of the AML Law, which shall word as follows: (1) The entities shall be bound to verify the identity of the client or the beneficial owner before the establishment of the business relation or the carrying out of the transaction. (2) By way of derogation from the Paragraph (1) of the present Article, the verification of the identity of the entities can be performed during the establishing of business relationship if this is necessary in order not to interrupt the normal conduct of the business relation and when there is lesser risk of money laundering and financing terrorism. (3) By way of derogation from the Paragraphs (1) and (2) of this Article, in relation to the activities of life insurance, the verification of the identity of the client and of the beneficial owner of the policy shall be performed after the establishment of the business relation. In this case, the verification of the identity should take place at or before the time of payment of the policy or at or before the time the beneficiary intends to exercise of the rights vested under the policy. (4) In the execution of activities of life insurance, the insurance undertakings shall be bound to identify and verify the identity of the client in the cases when the amount of the single or several instalments of the insurance premium to be paid in a period of one year exceeds 1.000 EUR in denar counter-value or when the payment of the single insurance premium exceeds the amount of 2.500 EUR in denar counter-value. The provisions from the Draft- Law shall specify the paragraph 1 of the article 11 from the AML/CFT Law, as follows: (1) Entities shall be bound to establish the identity of the client, the beneficial owner or the principal before the establishment of business relationship or before the performing of the transaction for clients with whom the entity has not established business relation. (2) By way of derogation from the Paragraph (1) of the present Article, the verification of the identity of the entities can be performed during the establishing of business relationship if this is necessary in order not to interrupt the normal conduct of the business relation and when there is lesser risk of money laundering and financing terrorism. (3) By way of derogation from the Paragraphs (1) and (2) of this Article, in relation to the activities of life insurance, the verification of the identity of the client and of the beneficial owner of the policy shall be performed after the establishment of the business relation. In this case, the verification of the identity should take place at or before the time of payment of the policy or at or before the time the beneficiary intends to exercise of the rights vested under the policy. (4) In the execution of activities of life insurance, the insurance undertakings shall be bound to identify and verify the identity of the client in the cases when the amount of the single or several instalments of the insurance premium to be paid in a

	period of one year exceeds 1.000 EUR in denar counter-value or when the payment of the single insurance premium exceeds the amount of 2.500 EUR in denar counter-value.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to apply CDD requirements to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times. Furthermore, there should be a requirement for financial institutions to perform CDD measures on existing customers if they are customers having anonymous accounts, accounts in fictitious names or numbered accounts.*
Measures taken to implement the Recommendation of the Report	The Draft-Law shall envisage an obligation for the entities to perform verification of the clients with whom they have already established business relation as follows: Verification of the identity of the existing clients Article 56-c The entities shall be bound to verify the identity of existing clients on the basis of customer due diligence procedure and to update the data on their identity within 24 months following the entering into force of this Law. Besides the explicit obligation contained in the Draft-Law, the Decision shall envisage obligations for the banks regarding the ongoing monitoring of the business relation with the client and the transactions carried out within the business relation, as well as the obligation for ongoing updating of the data and the information on the business relation with the client. The obligation for periodical updating of the data and information (Item 16 of the Decision) shall bound the banks to perform customer due diligence of all clients, including the existing clients. Pursuant to the laws and the bylaws, no bank can open and keep anonymous accounts, including numbered accounts or account on fictitious names. The National Bank, within its regular supervisory controls, confirmed the compliance of the banks with this provision of the Article 26 of the AML Law.
(Other) changes since the last evaluation	

Recommendation 5 (Customer due diligence) II. Regarding DNFBP[3]	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 5, 6, 8, 10 and 11 and make these measures applicable to DNFBP.*
Measures taken to implement the Recommendation of the Report	The AML Law and the Draft-Law do not divide the entities according to the activity they perform, i.e. do not divide the entities into financial institutions and DNFBP. That is why all the entities have equal obligations in the implementation of the provisions of the Law, i.e. the previous responses on the recommendation 5 which refers to the financial institutions having cascade effect on the DNFBP.
(Other) changes since the last evaluation	

Recommendation 10 (Record keeping) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The record keeping requirements of the AML Law and some sectoral laws should be harmonised to avoid difficulties in implementation.*
Measures taken to	The obligation for record keeping for the purpose of prevention of money

[3] i.e. part of Recommendation 12.

implement the Recommendation of the Report	laundering and financing terrorism shall be regulated in the Article 27 of the AML Law as follows: Article 27 (1) The entities shall be bound to keep the information on the identity of clients and transactions provided on the basis of this Law, for at least ten years after the transaction has been carried out, i.e. calculated from the last transaction in cases of several transactions constituting one whole or at least ten years from the date of the end of the business relation. (2) The entities shall be bound to keep the information, in the manner of their submission to the Office, for at least ten years from the day of submission. (3) The information on the client who has entered into long-term business relation, within the meaning of this Law, shall be kept for at least ten years from the date of the end of the business relation. (4) The Customs Administration shall be bound to keep all data on the import and the export of cash or securities across the customs line for at least ten years from the date of the carried out transfer. (5) The register referred to in the Articles 20, 21, 22 and 23 of this Law shall compulsory be kept for at least ten years from the last registered data. (6) In case of termination of the existence of the entity, the obligation for keeping the data within the time frame set out in the Paragraph (1) of this Article shall be transferred to the legal successors of the entity. (7) If there are no legal successors of the legal person, the obligation for keeping the data referred to in the Paragraph (1) of this Article shall be transferred to its founders. In order to achieve higher level of harmonization with the FATF recommendations, this Article shall be amended by the Draft-Law and shall word as follows: Record keeping Article 27 (1) The entities shall be bound to keep the copies of the documents confirming the identity of the client or the beneficial owner, of the implemented customer or beneficial owner due diligence procedures and the carried out transactions or the attempted transactions, of the client's file and the business correspondence in a period of ten years after the performing of the transaction, i.e. calculated from the last transaction in the case of several transactions comprising one whole transaction. (2) Pursuant to the Article 12-b, Paragraph 5, the entities shall be obliged to keep copies of the performed due diligence for at least 10 years from the last transaction. (3) The entities shall be bound to keep the information and the documents that they have submitted to the Office for at least ten years from the day of submission. (4) The information on the client who has entered into long-term business relation, within the meaning of this Law, shall be kept for at least ten years from the date of the end of the business relation. (5) The Customs Administration shall be bound to keep all data on the import and the export of cash or securities across the customs line for at least ten years from the date of the carried out transfer. (6) The register referred to in the Articles 20, 21, 22 and 23 of this Law shall compulsory be kept for at least ten years from the last registered data. (7) In case of termination of the existence of the entity, the obligation for keeping the data within the time frame set out in the Paragraph (1) of this Article shall be transferred to the legal successors of the entity. (8) If there are no legal successors of the legal person, the obligation for keeping the data referred to in the Paragraph (1) of this Article shall be transferred to its

	founders. (9) On request of the Office or the supervisory authorities referred to in the Articles 46 and 47 of this Law, the entities shall be bound to make available the documents referred to in the Paragraph (1) of this Law. The NBRM Decision is fully in line with the time frame for keeping of the records determined in the AML Law, and having in consideration the characteristics of the bank, it specifies that the obligation for keeping of records refers to the risk profile, the analysis and written reports, prepared in accordance to the Law and the Decision and the reports submitted to the responsible person, bank's bodies, the Office, the National Bank and other competent authorities.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to keep all necessary records on transactions for longer than five years if requested to do so in specific cases by a competent authority upon proper authority.*
Measures taken to implement the Recommendation of the Report	Pursuant to the Article 27, Paragraphs 1, 2, 3 and 5 of the AML Law, the entities (and the financial institutions as entities) in all cases have the obligation to keep the data on the identity of the clients and on the transactions provided on the basis of the AML Law for a period of ten years. The Draft-Law does not amend the time frame in which the entities shall be bound to keep the data provided by the AML Law. The AML Law shall envisage obligation for keeping of records (including information on transactions) for a period of at least ten years, which exceeds the standard established by the FATF Methodology and the European Directive. This provides for covering of the specific cases when the competent authorities need data and information.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to keep identification data for longer than five years where requested by a competent authority in specific cases on proper authority.*
Measures taken to implement the Recommendation of the Report	Pursuant to the Article 27, Paragraphs 1, 2, 3 and 5 of the AML Law, the entities (and the financial institutions as entities) in all cases have the obligation to keep the data on the identity of the clients and on the transactions provided on the basis of the Law for a period of ten years. The Draft-Law does not amend the time frame in which the entities shall be bound to keep the data provided by the AML Law. The AML Law shall envisage obligation for keeping of records (including information on transactions) for a period of at least ten years, which exceeds the standard established by the FATF Methodology and the European Directive. This provides for covering of the specific cases when the competent authorities need data and information.
Recommendation of the MONEYVAL Report	*The authorities should introduce clear obligations for financial institutions to keep records of the account files and business correspondence.*
Measures taken to implement the Recommendation of the Report	The Draft-Law shall amend the provisions related to keeping records defined in the Article 27 and shall word as follows: Record keeping Article 27 (1) The entities shall be bound to keep the copies of the documents confirming the identity of the client or the beneficial owner, of the implemented customer or beneficial owner due diligence procedures and the carried out transactions or the attempted transactions, of the client's file and the business correspondence in a period of ten years after the performing of the transaction, i.e. calculated from the last transaction in the case of several transactions comprising one whole transaction.

	(2) Pursuant to the Article 12-b, Paragraph 5, the entities shall be obliged to keep copies of the performed due diligence for at least 10 years from the last transaction. In this manner, the Paragraphs 1 and 2 shall specifically define the obligation regarding the type of data that must be kept by the entities for the purpose of prevention of money laundering and financing terrorism. The NBRM Decision is fully in line with the time frame for keeping of the records determined in the AML Law, and having in consideration the characteristics of the bank, it specifies that the obligation for keeping of records refers to the risk profile, the analysis and written reports, prepared in accordance to the AML Law and the Decision and the reports submitted to the responsible person, bank's bodies, the Office, the National Bank and other competent authorities.
(Other) changes since the last evaluation	

Recommendation 10 (Record keeping) II. Regarding DNFBP[4]	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 5, 6, 8, 10 and 11 and make these measures applicable to DNFBP.*
Measures taken to implement the Recommendation of the Report	The AML LAW and the Draft-Law do not divide the entities according to the activity they perform, i.e. do not divide the entities into financial institutions and DNFBP. That is why all the entities have equal obligations in the implementation of the provisions of the Law, i.e. the previous responses on the recommendation 10 which refers to the financial institutions having cascade effect on the DNFBP.
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The AML Law should explicitly provide an obligation to report attempted transactions.*
Measures taken to implement the Recommendation of the Report	The Articles 16, 17 and 29 of the AML law shall specify the obligations of the subjects regarding the reporting to the Office in cases where there is suspicion related to money laundering and financing terrorism. Although there is no explicit legal obligation for the entities to submit reports for attempted transactions, there are no legal provisions preventing the entities from reporting such transactions. Indicators list for recognising suspicious transactions contain indicators referring to attempted transactions. If in the due diligence of a specific client, the entities identify that the indicators referring to attempted transactions have been fulfilled, than they have the obligation to report to the Office. The non-submission of STR on the basis of fulfilled indicators for recognition of suspicious transactions represents misdemeanour which is penalised in the AML Law in the part referring to penal provisions. The Draft-Law shall amend the provisions referring to submitting of reports for suspicions regarding money laundering and financing terrorism, and the Article 29, Paragraph 1 shall word as follows: Article 29 (1) The entities shall be bound to submit to the Office the data collected, the

[4] i.e. part of Recommendation 12.

	information and the documents regarding the transactions carried out, in the following cases: a) when there is suspicion or when there is reasonable basis for suspicion that there was or is money laundering or financing terrorism or there was or is an attempt for money laundering and financing terrorism; (b) in case of cash transaction in the amount of 15.000 EUR in denar counter-value or more, and (c) in case of several connected cash transaction in the amount of 15.000 EUR in denar counter-value or more.
Recommendation of the MONEYVAL Report	*Apart from banks no other financial institution submitted any STR. The total lack of an STR related to financing of terrorism raises concerns of effective implementation. More outreach and guidance to financial institutions is necessary to better explain them their reporting obligations under the AML Law.*
Measures taken to implement the Recommendation of the Report	In this period, the Office has taken some specific actions in order to assist the entities in the recognising of the suspicious activities connected to financing terrorism and reporting to the Office. To this end, in November 2008, the Office prepared indicators for prevention of financing terrorism which have been attached to the web page of the Office, hereby informing the entities in order to assist them and facilitate the recognition of suspicious activities related to financing terrorism. In January 2009, separate application by which the lists of terrorists and terrorist organisations (UN, EU and OFAC) have been imported trough special control lists in the database of the Office has been prepared, thus providing direct electronic query of the persons in these lists. The lists in the Office's database are permanently updated. Similarly, all banks are provided with updated lists in xml form, so the query in the banks in these lists is being performed electronically. During 2008. there was a training for the banks raising the questions related to the (domestic and foreign) legal regulations regarding prevention of money laundering and financing terrorism. From 16-27 February 2009, the employees in the Unit for Prevention of Financing Terrorism visited the banks in the Republic of Macedonia conducting training for all employees in the units for preventing money laundering and financing terrorism. The subjects included in the training were the following: • Indicating the characteristics of the terrorism and the fight against it in democratic societies; • Indicators for recognising financing terrorism, which previously were prepared by the unit and sent to all banks, as well as the most important participants in the system for prevention of financing terrorism; • List of terrorist and terrorist organisations that must be used by the financial institutions, provided by the Office in xml form and which should be incorporated in bank systems; • The necessity of submitting more quality reports and responses following a request of the Office for Prevention of Money Laundering and Financing Terrorism, and in this context, of the reports and the responses following the request submitted by the banks to the unit for prevention of financing terrorism. The financial institutions from the Office receive regular useful information of educational character referring to the financing terrorism which can be used for internal trainings. Similarly, in May 2009, the Office prepared Guidelines for non-profit organisations dedicated to prevention of financing terrorism.

	The purpose of these Guidelines is to assist primarily the non-profit organisations as a sector subjected to financing terrorism and help them not to be used for the purpose of financing terrorism. The Guidelines include the following subjects: Sources of funds and transfer of funds for financing terrorism, trends and discovered international cases of using non-profit organisations for financing terrorism. These Guidelines are available for the entities and can be found on the web page of the Office.
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[5]	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 13-15 and 21 and make these measures applicable to DNFBP.*
Measures taken to implement the Recommendation of the Report	The AML LAW and the Draft-Law do not divide the entities according to the activity they perform, i.e. do not divide the entities into financial institutions and DNFBP. That is why all the entities have equal obligations in the implementation of the provisions of the Law, i.e. the previous responses on the recommendation 13 which refers to the financial institutions having cascade effect on the DNFBP.
Recommendation of the MONEYVAL Report	*Some institutions are quite unconcerned about ML/FT risks in their field and others, like lawyers, do not accept their obligations. Further outreach to these sectors is needed and more work needs to be done to improve awareness, and overcome any unwillingness to apply AML/CFT requirements. Ongoing information campaigns to this end may be helpful.*
Measures taken to implement the Recommendation of the Report	Pursuant to the Article 47 of the AML Law, the authority competent for monitoring the application of the measures and the activities for prevention of money laundering and financing terrorism by the lawyers is the Monitoring Commission. The Bar Chamber of the Republic of Macedonia established Monitoring Commission conducting monitoring over the measures and the activities for prevention of money laundering and financing terrorism by lawyers. The Commission has conducted four monitorings and no infringements of the application of legal obligations have been reported. The Draft-Law shall strengthen the control over this sector. The Draft-Law envisages that besides the Commission of the Bar Chamber, the Office shall also be responsible for monitoring the work of lawyers. Likewise, the Twining Projects included trainings including the lawyers and notaries. Invited by the Notary Chamber, representatives from the Office regularly participate in the trainings organised for the notaries in the Republic of Macedonia. The implemented initiative and activities had positive result regarding the increasing of the number of STR submitted by lawyers to the Office. In the first half of 2009, the Office has received total of 17 STRs sent by lawyers.
Changes since the last evaluation	

[5] i.e. part of Recommendation 16.

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*It is recommended to criminalize financing of terrorism (preferably as an autonomous, independent offence), covering all the essential criteria in SR.II and the requirements of the Interpretative Note to SR.II., including all forms of terrorist acts provided for in the Convention, and all forms of financing of the perpetration of such acts as well as that of individual terrorists.*
Measures taken to implement the Recommendation of the Report	It must be emphasized that financing terrorism as autonomous criminal offence has been incriminated in the Law Amending the Criminal Code (Official Gazette of RM No. 7 from 15. 01. 2008). Incriminated actions include provision of collection of sources in any way, directly or indirectly, illegally or consciously, with the intention to be applied or with awareness that they will be used completely or partially for the purposes of committing criminal offence hijacking of aircraft or ship (Article 302), jeopardizing the safety of the air traffic (Article 303), jeopardizing the constitutional order and safety by terrorists (Article 313), terroristic organization (Article 394-a), terrorism (Article 394-b), crime against humanity (Article 403-1), international terrorism (Article 394-b), taking hostages (Article 421) and other act of homicide or serious bodily injury committed with the intention to create sense of insecurity or fear among citizens for which imprisonment of at least four years is predicted. By the provisions of the Draft Law Amending the Criminal Code which is in governmental procedure, the incrimination of financing terrorism has been performed in accordance with the required criteria, whereupon actions of public call, by expansion or committing in any other way available to the public message with the intention to stimulate committing some of the actions provided in paragraph 1 Article 394-c when the call itself creates danger of committing such actions and imprisonment of four to ten years is predicted. The provisions of the Draft Law Amending the Criminal Code provide more severe imprisonment of at least eight years for the committer who will create a group or a gang having for purpose to commit offence from paragraph 1 of Article 394-c (Article 394-c paragraph 4).
Recommendation of the MONEYVAL Report	*The incrimination of terrorist financing should clearly provide for criminal sanctions in respect of both individuals and legal persons concerning:* • *the collection of funds with the unlawful intention that they are to be used, in full or in part, to carry out a terrorist act, by a terrorist organisation or by an individual terrorist,* • *the provision of funds with the unlawful intention that they are to be used, in full or in part, to carry out a terrorist act, or by an individual terrorist,*
Measures taken to implement the Recommendation of the Report	Following the recommendations for incrimination of financing terrorism, Article 394-c shall provide criminal sanctions for individuals as well as for legal entities. The Draft CC, which is in Assembly procedure, shall regulate more severe criminal sanctions especially for officers, responsible persons in a bank or other financial institution or persons performing actions of public interest, authorized to undertake measures and actions for prevention of financing terrorism in accordance with law and who will consciously omit to undertake the measures provided by law, thus enabling the commission of the offence from Article 394-b paragraph 1 for which they will be sentenced to imprisonment of at least four years (Article 394-c paragraph 7). Simultaneously, regarding the prevention of financing terrorism especially by persons having special responsibilities to work on prevention of

	enabling individuals or organized groups to perform terroristic acts, the punishment from Article 394-c paragraph 7 will also be used for officer who will illegally give data referring to the procedure of examination of suspicious transactions or to the application of other measures and actions for financing terrorism to a client or uninvited person (Article 394-c paragraph 8). Regarding the subjective part, id the offence from above mentioned paragraphs (7) and (8) has been committed as a result of negligence, a fine or imprisonment to three years is predicted for the committer (article 394-c paragraph 9).
Recommendation of the MONEYVAL Report	*The coverage of "financial means" as provided for by Art. 394a(2) CC should be clarified.*
Measures taken to implement the Recommendation of the Report	The term "sources" shall be no longer used, financing terrorism is independent offence and this recommendation has been met.
Recommendation of the MONEYVAL Report	*Attempt and the other ancillary offences as requested by criteria II.1d and II.1e should clearly be covered.*
Measures taken to implement the Recommendation of the Report	The general provisions of the Criminal Code providing that the committer will begin to commit an offence, but it will not finished it, will be sentenced for an attempt for offence for which imprisonment of five years or more severe punishment could be imposed. Taking into consideration the fact the upon the incrimination of financing terrorism this requirement will be met, general provisions referring to the attempt apply.
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding financial institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The overlapping reasons to report transactions with a suspicion of terrorist financing could lead to confusion of the reporting entities. In order to impose clear obligations to the reporting entities, the authorities may wish to simplify the language of Art. 15 of the AML Law.*
Measures taken to implement the Recommendation of the Report	Article 17 of AML Law shall regulate the way according to which the subjects should act when they have established that there are basis for suspicion that the transaction or the client are connected to terroristic activity or that the money or the property subject to transaction are intended for financing terrorism. In accordance with the provision of this Article, the subjects shall not be allowed to perform transaction for which there is a suspicion for financing terrorism without informing the Office which initiates the mechanism of application of temporary measures. The responsibility for delivering reports to the Office in the three determined cases shall be introduced in Article 29 of AML Law.
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 13, 15, 21, and and make these measures applicable to DNFBP.*
Measures taken to	The AML Law and the Draft-Law do not make division of the subjects according to

implement the Recommendation of the Report	the activity that they perform, i.e. they do not make division of financial institutions and DNFBP. Of this account all subjects (financial institutions and DNFBP) have equal obligations to implement the provisions of this Law.
(Other) changes since the last evaluation	

3. Other Recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the assessment report.

Recommendation 6 (Politically exposed persons)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The authorities should put in place measures by enforceable means that require financial institutions:* • *to determine if the client or the potential client is - according to the FATF definition – a PEP;* • *to obtain senior management approval for establishing a business relation with a PEP;* • *to conduct higher CDD and on the source of the funds deposited/invested or transferred through the financial institutions by the PEP.*
Measures taken to implement the Recommendation of the Report	Subjects have an obligation to undertake special measures and actions for preventing money laundering and financing of terrorism towards the clients-politically exposed persons. In Article 2 item 12 of the AML Law it has been defined that: "12. Politically exposed persons PEP" shall be natural entities to whom eminent public function is or has been entrusted in the Republic of Macedonia or in foreign country for at least one year (such as: presidents of countries and governments, ministers and deputy ministers, members of the Parliament, judges of the Supreme Court or of the Constitutional Court, ambassadors, military officials of high rank, officials of high rank in state-owned enterprises and others) and members of their family (spouse, partner equal to the spouse, children and their spouses or partners and their parents) or persons for which there are data that are closely connected to them (business partners or founders). " In accordance with Article 14 paragraph 5 of AML Law the subjects towards politically exposed persons have an obligation to undertake measures and actions within the frames of intensive client analysis (enhanced due diligence), i.e.: „Article 14 (5) When subjects are performing transactions or are entering into business relation with politically exposed persons – PEP, they should: a) perform analysis in order to determine whether the client is politically exposed person on the basis of the procedures prescribed by the Office in cooperation with the supervisory organs; b) provide approval by the managing structures for establishment of business relation; c) to undertake appropriate measures in order to determine the source of the funds included in the transaction or in the business relation and

	d) perform constant intensive control of the business relation." The provisions referring to the definition of politically exposed persons and measures which should be undertaken within the frames of the intensive client analysis shall be amended by the Draft Law and shall mean: "Article 2 11. "Politically exposed persons" shall be natural entities, citizens of the Republic of Macedonia or citizens of other countries, to whom eminent public function is or has been entrusted in the Republic of Macedonia or in other country, (such as: presidents of countries or governments, ambassadors, judges of the Supreme Court or of the Constitutional Court military officials of high rank, officials of high rank in state-owned enterprises and others) and members of their family (spouse, partner equal to the spouse, children and their spouses or partners and their parents) or persons for which there are data that they are closely connected to them (business partners or persons who have founded legal entity on the behalf of the abovementioned entity), at least 1 year after the termination of the public function performance or more on the basis of previously determined procedure for risk assessment." and "Article 14 (4) When subjects are performing transactions or are entering into business relation with politically exposed persons, they should: a) on the basis of previously determined procedure for risk assessment, determine whether the client is politically exposed person or whether it is not possible should provide his/her statement; b) to provide an approval by the managing structures for establishment of business relation; c) to undertake appropriate measures in order to determine the source of the funds included in the transaction or in the business relation and d) perform constant analysis of the business relation." Besides the provisions of AML Law which specify the performance of intensive analysis of the entities representing politically exposed persons PEP, item 18 of the Decision of NBRM gives additional directions for the banks for the way of undertaking additional measures determined by the Law: establishment of appropriate system for on time identification of politically exposed persons; assessment of the risk delivered by politically exposed persons to the bank; the decision for establishment of business relation with the client should be made by the by entity with special rights and responsibilities, responsible for the functioning of the appropriate organizational unit of the bank, for which the responsible person for prevention of money laundering in the bank should be informed as soon as possible. In the cases when the existing client or end user becomes politically exposed person, the bank shall made a decision for extension of the business relation with that client/end user, made by the appropriate person with special rights and responsibilities; determination of the source of the client's funds; constant monitoring of the business cooperation of these persons.
(Other) changes since the last assessment	

Recommendation 7 (Correspondent banking)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should implement enforceable AML/CFT measures concerning establishment of cross-border correspondent banking relationships.*

Measures taken to implement the Recommendation of the Report	In accordance with Article 14 paragraph 3 of AML Law the subjects shall be obliged to undertake measures and actions within the frames of intensive client analysis when the establish cross-border correspondent banking relationships, including: "a) to collect enough data for the correspondent bank in order to completely determine its activity and to determine its reputation and the supervision's quality; b) to demand information on based on them to evaluate the system of protection against money laundering and financing of terrorism of the correspondent bank; c) to provide approval by the managing board for establishment of new correspondent relation; d) to prescribe precisely the mutual rights and obligations and e) to determine whether the correspondent bank determines the identity and performs constant client analysis, as well as to provide conditions for obtaining of the necessary data from the client analysis performed by the correspondent bank. " The Draft Law intensifies the obligations which the financial institutions should undertake upon the establishment of correspondent banking relations, including: "(3) When the banks are establishing correspondent banking relations with banks for which more simple analysis has not been allowed in accordance with Article 13 of this Law, they shall be obliged to: a) collect enough data for the correspondent bank in order to completely determine its activity and to determine its reputation and the supervision's quality; b) to demand information and based on them evaluate the system of protection against money laundering and financing terrorism of the correspondent bank; c) to provide approval by the managing board for establishment of new correspondent relation; d) to prescribe precisely the mutual rights and responsibilities and e) to determine whether the correspondent bank performs the activities from Article 9 paragraph 1 item a), b) and c) of entities having direct access to its correspondent accounts in the banks of the Republic of Macedonia, in a way determined by this Law, as well as to determine whether the correspondent bank is ready to provide the data for identification and verification of the client, on their demand." The Decision of NBRM shall envisage intensive analysis of clients who may expose the bank at higher risk of money laundering and financing of terrorism, which also envisages cooperation with correspondent banks. Banks are obliged to undertake additional measures upon the establishment and extension of the business relation with other bank (except for banks for which no intensive analysis is necessary in accordance with AML Law. Measures shall refer to obtaining adequate information on the basis of which an idea of the other bank's functioning will be obtained, whereupon the following data shall be taken into consideration: on persons which would use the account of the correspondent bank open in bank in the Republic of Macedonia; on measures and actions for prevention of money laundering and financing terrorism and data on the way the supervision is being implemented in the country of the correspondent bank; on the system of control and prevention of money laundering and financing terrorism, as well as the way of audit, within the correspondent bank; assessment of the adequacy of the intensive analysis performed by the correspondent bank for the clients representing exposure to higher risk of prevention of money laundering and financing terrorism; assessment whether the correspondent bank works with shell banks and does not allowed working with shell banks; the regulations which regulate the possibility for exchange of data necessary for implementation of measures and actions for prevention of money laundering and

	financing terrorism. Banks may obtain the data necessary for performance of the intensive analysis from the correspondent bank (questionnaires, letters etc.) or by use of public means of information (professional newspapers, internet etc.)
(Other) changes since the last assessment	

Recommendation 8 (New technologies and non face-to-face business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The current legislation addresses Recommendation 8 to a certain extent but places a wide discretion with the obliged entities; this needs further regulation and guidelines to make it effective. Financial institutions should be required to have policies in place to prevent the misuse of technological developments for AML/CFT purposes and to address specific risks associated with non-face to face transactions.*
Measures taken to implement the Recommendation of the Report	The subjects shall be obliged to undertake measures of intensive analysis in the cases when the client is not physically present for the purposes of identification in accordance with Article 12 paragraph 2 of AML Law i.e.: "Article 14 (2) When the client is not physically present for the purposes of identification, subjects should undertake one or more of the following measures: a) to determine the identity of the client by additional documents, data or information, b) to verify the provided documents or to demand the documents to be confirmed by other financial institution from the Republic of Macedonia, from Member-State of the European Union or from the country where the regulations provide at least the same requirements for the undertaking measures for prevention of money laundering and financing terrorism, such as the requirements provided by this Law c) the first payment should be performed through the client's account in a bank in the republic of Macedonia." These provisions shall be amended by the Draft Law due to their specifying in the following manner: "Article 14 (2) When the client is not physically present for the purposes of identification, the subjects shall be obliged to undertake one or more of the following measures: a) to determine the client's identity by additional documents, data or information, b) additional measures with which they verify the provided documents or to demand the documents to be confirmed by other financial institution from the Republic of Macedonia, from Member-State of the European Union or from a country where the regulations provide at least the same requirements for undertaking measures for prevention of money laundering and financing terrorism, as well as the requirements provided by this Law and c) the first payment to be performed through the client's account in the bank in the Republic of Macedonia." For the purposes of compliance with this recommendation, the Draft Law shall also contain provisions referring to the strengthening of the attention of the subjects of the misuse of the new technologies in the following way: "Article 12-c (4) The subjects shall be obliged to pay special attention to the threats of money laundering and financing terrorism in the new technologies or the technologies in development and to undertake the measures in order to ensure that they will not be

	used for the purposes of money laundering or financing terrorism." As amendment to the provisions of AML Law, the Decision of NBRM provides obligation for banks to perform intensive analysis of the clients which are not physically present upon the conclusion or the development of the business relation. Clients which are not physically present shall be considered clients by which the bank has concluded or is realizing the business relation by Internet, mail, telephone or other similar means of communication. The additional measures shall be realized through: Provision and verification of the additional documentation, in accordance with the Law; organizing meetings with the client; use of data from other institutions having at disposal appropriate information for the client, but also appropriate systems for prevention of money laundering and financing of terrorism, if it is allowed by the provisions in the country and abroad; use of data available through the public means of information (professional newspapers, internet etc.)
(Other) changes since the last assessment	

Recommendation 11 (Unusual transactions)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The authorities should implement Recommendation 11.*
Measures taken to implement the Recommendation of the Report	For the purposes of compliance with the requirements determined in recommendation 11 in the Draft Law shall be regulated the following obligations: "Article 12-c (1) The subjects shall be obliged to pay special attention to the complex, unusually large transactions or transactions which will be performed in unusual way, not having obvious economical justification or apparent legal objective. (5) The subjects shall be obliged to perform analysis of the objective and the purpose of the transactions from paragraphs (1) and (2) of this Article and to draft written statement for the performed analysis. Besides the amendments of the Law enabling application of the Recommendation 11, the Decision of NBRM shall specify the obligations of the banks upon the identification of unusual transactions. In accordance with Chapter II.2.1, the bank shall be obliged to identify the unusual transactions. As unusual transactions shall be considered all transactions which are unusually large, have a character that does not conform to the type of the activities being performed by the client, and the client does not give acceptable explanation for the reason due to which this transaction is performed (e.g. amounts which do not conform to the regular way of the operation of the client, large circulation on the account of the client which does not conform to the size of its balance sheet etc.). The bank shall be obliged to determine the objective and the purpose of the unusual transactions, for which the responsible person drafts written statement, to which the provisions for keeping data refer (Article 27 of the Law and item 31 of the Decision) and which is available to the supervisory organs.
(Other) changes since the last assessment	

Recommendation 12 (DNFBP – R. 5, 6, 8-11)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 5, 6, 8, 10 and 11 and make these measures applicable to*

	DNFBP.
Measures taken to implement the Recommendation of the Report	AML Law and the Draft Law do not make division of the subjects according the activity that they perform, i.e. they do not make division of financial institutions and DNFBP. Of this account all subjects (financial institutions and DNFBP) have equal obligations to implement the provisions of this Law.
Recommendation of the MONEYVAL Report	*It is recommended to work with the different sectors to improve awareness, and overcome any unwillingness to apply AML/CFT requirements. Information campaigns to this end are required.*
Measures taken to implement the Recommendation of the Report	The Office has undertaken large number of activities directed towards raising the subjects' awareness for the dangers of the risk of money laundering and financing terrorism. Within the frames of the twinning project trainings have been realized which have included: notaries, lawyers, casinos, real estate agencies. The publication of the two books "Strategy for Prevention of Money Laundering and Financing Terrorism" and "The Office for Prevention of Money Laundering and Financing Terrorism" largely contributes to the raising of the awareness. These publications shall be delivered to the subjects, and they could be found on the web page of the Office. In accordance with the provisions of AML Law, the Office in cooperation with the supervisory organs and the subjects has prepared indicators for detection of suspicious transactions and they are available to the subjects through the Office web page. In accordance with the provisions from Article 3 paragraph 2 of AML Law, the Office shall participate in the vocational training of the responsible persons in the subjects. On the invitation of the notary chamber, each year representatives from the Office regularly participate in the training of the notaries of RM.
(Other) changes since the last assessment	

Recommendation 15 (Internal controls, compliance and audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be required to establish internal policies, procedures and controls for CDD and detection of unusual and suspicious transactions and the reporting obligation (the easiest way by amending Art. 33 of the AML Law). The provisions for providers of fast money transfer, banks and savings houses requiring a programme on money laundering prevention should be extended to cover also prevention of terrorist financing and be specified to cover all requirements of Recommendation 15.*
Measures taken to implement the Recommendation of the Report	Article 40 paragraph 1 of AML Law shall oblige the subjects to have obligation to draft programs for implementation of measures for prevention of money laundering and financing terrorism which will provide: "(a) centralization of data on client's identity, right-holders, authorized persons, authorized representatives and authorizers, as well as data on suspicious transactions; (b) appointment of responsible person which will be responsible for the implementation of the program and the provisions of this Law for which the Office will be informed. If more than 50 persons are employed in the subject, it shall be obliged to form special department which will be responsible of the implementation of the program and of the provisions of this Law within the frames of its functioning for which the Office shall be informed in written. At least 3 persons should be

	employed in the department, and the number of employees in the department should proportionally increase for one person of every 200 employees. The department's functioning should be managed by a responsible person; (c) plan for constant training of responsible persons and other employees in the area of prevention of money laundering and financing terrorism; (d) instruments for internal control of the implementation of measures and actions and (e) cooperation with the Office." According to AML Law the subjects shall be obliged to prepare programs and to update them and to deliver them to the Office at least once a year (otherwise misdemeanour for their non-delivering shall be provided by Article 49 paragraph 1 indent 21). The Draft Law shall amend Article 40 as follows: "Article 40 (1) The subjects shall be obliged to draft programs containing and providing: - procedures for acceptance of clients; - procedure for analysis of clients; - procedures for risk analysis and indicators for risk analysis; - procedures for risk assessment of politically exposed person; -procedures for detection of unusual transactions and suspicion of money laundering and financing terrorism; - procedures for keeping of data and documents and for delivering of reports to the Office; - plan for constant training of subject's employees in the field of prevention of money laundering and financing terrorism which provides realization of at least 3 trainings during the year; - appointment of an authorized person; - manner of cooperation with the Office and - procedure and plan for performing internal control and audit of the implementation of measures and actions."
Recommendation of the MONEYVAL Report	*The AML/CFT compliance officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records, and other relevant information.*
Measures taken to implement the Recommendation of the Report	Article 40-1 of the Draft Law shall determine the provisions regulating the organisation of the department for prevention of money laundering and financing terrorism and the authorizations of the authorized person in the following manner: "(5) Due to effective functioning of the authorized person, i.e. of the department, the subject shall be obliged to provide realization at least of the following conditions: separation of the activities of the authorized person i.e. the department, from other business activities of the subject, which have not been related to the activities of prevention of money laundering and financing terrorism and control of the compliance of the working with the regulations; precise definition of the relation with other organisational units in the subject; right to direct access to electronic data bases and on time access to all information necessary for unobstructed implementation of the program and the provisions of this Law; introduction of direct communication line with the managing organs of the subject." Besides the provisions of the Draft Law, the on time access of the responsible person in the banks to all necessary information shall also be provided by: Article 99 of the Law on Banks according to which bank employees shall be obliged to provide an access to the documentation having at disposal to the person responsible

	for performing this function (compliance function) and to give him/her all necessary information; Item 34 of the Decisions according to which the responsible person should have right to on time access to all information necessary for implementation of his/her tasks and responsibilities; In accordance with the Decision on the Basic Rules and Principles of the Corporative Management in a Bank (chapter IV, item 17), the supervisory organs and organs for management of a bank should be obliged to provide access to all necessary information to the person/service which performs the function - control of the compliance of the bank functioning with the regulations (compliance function).
Recommendation of the MONEYVAL Report	*Financial institutions should be required to put in place screening procedures to ensure high standards when hiring employees.*
Measures taken to implement the Recommendation of the Report	For effective realization of this recommendation, Article 40-a, paragraph 3 of the Draft Law shall provide: "3) Employees from paragraph (2) of this Article should meet high professional standards regulated by the Minister for Finance." In accordance with item 42 of the Decision of NBRM, banks shall also be obliged to introduce and to apply procedures for employment of new persons thus providing acceptance of persons with adequate ethical norms. In accordance with the legal provisions coming from the Law on Securities, the directors and brokers employed in brokerage firms, as well as the investment advisors and executive directors employed in companies for management of investment funds should possess appropriate work permits issued by the Securities and Exchange Commission. In accordance with Article 101 of the Law on Securities, the candidate applying for a license for director of the brokerage firm should deliver among other things: certificate of high education in the field of economy, finance or business law, as well as to own work permit of the Commission. In accordance to Article 112 of the Law on Securities, in order to obtain permit for work of securities each broker must have a diploma of at least four year secondary education, as well as to have passed professional examination for working with securities. These provisions shall refer to the investment advisors employed in the investment funds or in the brokerage firma. In accordance with the Article 18 of the Law on Investment Funds, the members of the managing board i.e. executive members of the Board of Directors of the Companies for Management of Investment Funds must have high education thus at least two members of the managing board i.e. executive members of the board of directors must have at least three years working experience obtained upon the performance of activities in the field of finances or business law, as well as management with sources, and must have good reputation. Additionally, two members of the managing board i.e. two executive members of the board of directors of the company for management of investment funds must have constant labour relation with company and they should represent the company in relations with third entities. Member of managing board i.e. executive member of the board of directors of the company for management could not be person: convicted to imprisonment for criminal offences in the field of banking, finance, labour relations, property, bribe and corruption; to whom misdemeanour sanction ban on realising profession, activity or duty in the field of law, banking, accounting, insurance, management of sources and investment, management of pension funds or other financial services has been imposed while the ban; who did not respect the provisions of this Law and the regulations adopted on the basis of this Law and/or did not implement or does not implement them and/or acted or acts contrary to the

	measures imposed by the Commission, thus the security of investors in the investment funds was or is jeopardised; who is member of managing organ or is employed in other company for management; who is member of managing organ or is employed in the organizational unit of the bank performing the activities of depositary bank; who is official in charge of the state administrative body or body of the state administration; who is connected to the persons from items d) and e) of this paragraph and who does not have good reputation thus endangering the secure and constant functioning of the company for management. Within the frames of trainings organized by the Securities and Exchange Commission: for the purposes of working with securities (brokerage exam) i.e. for investment advising special modules have also been included covering the legal obligations and competencies of the authorised participants in the capital market and coming from the AML Law. In the insurance sector, insurance companies draft intern acts and policies of employment of persons. The conditions and criteria for employment and the description of the workplace have been described in these acts.
(Other) changes since the last assessment	

Recommendation 16 (DNFBS – R.13-15 & 21)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should fully implement Recommendations 13, 15, 21, and make these measures applicable to DNFBP.*
Measures taken to implement the Recommendation of the Report	AML Law and the Draft Law do not make division of the subjects according to the activity that they perform, i.e. they do not make division of financial institutions and DNFBP. Of this account all subjects (financial institutions and DNFBP) have equal obligations to implement the provisions of this Law.
Recommendation of the MONEYVAL Report	*Some institutions are quite unconcerned about ML/FT risks in their field and others, like lawyers, do not accept their obligations. Further outreach to these sectors is needed and more work needs to be done to improve awareness, and overcome any unwillingness to apply AML/CFT requirements. Ongoing information campaigns to this end may be helpful.*
Measures taken to implement the Recommendation of the Report	The Office has directed some of its activities towards raising of lawyers' and notaries' awareness for the threats of money laundering and financing of terrorism. Representatives from the Office participated in trainings organized by the Notary Chamber and Bar Association. Within the frames of the twinning project three trainings for each of the lawyers and notaries have been realised for application of measures for prevention of money laundering and financing of terrorism. The book Strategy for Prevention of Money Laundering and Financing Terrorism was delivered to these subjects. For the purposes of more simple implementation of measures for identification and detection of suspicious transactions, the Office has prepared and delivered to the Chambers a list of indicators for detection of suspicious transactions. The Commission has conducted 4 controls of lawyers. The number of STR delivered to the Office has increased (by the beginning of 2009 17 STR have been delivered).
(Other) changes since the last assessment	

Recommendation 17 (Sanctions)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The sanctioning system of the AML Law is ineffective and should be amended.*
Measures taken to implement the Recommendation of the Report	Articles 49, 50, 51 and 52 of AML Law shall regulate the misdemeanour sanctions for violation of the provisions of AML Law. These provisions shall provide that a fine or ban on performing a duty may be imposed for violation of the provisions. In accordance with AML Law the following activities have been realized: in the period of 30.10.2008 (since the adoption of the Rulebook on Procedure for Inspection Supervision (Official Gazette of RM 137/08) to 1 july 2009, the Office has realized inspection supervision of the following subjects: Banks – 2, exchange offices – 22, savings banks – 1, insurance companies – 2, casinos – 2. Within the frames of the above mentioned supervisions 22 notices have been imposed, 4 settlements in total amount of 5. 050. 030 MKD have been performed, 2 applications for initiating misdemeanour procedure have been submitted, and the other supervisions are ongoing. In accordance with the amendments of the Law on Securities in 2008, the Securities and Exchange Commission is misdemeanour organ and within its frames misdemeanour commission functions, which may impose fines in amount up to 5. 000 euros in denar counter-value in accordance with the Law. A mediation commission has also been formed with the amendments of the Law on Securities. SEC has not imposed measure for violation of articles of AML Law. In the first half of 2009, the Ministry of Finance – Department for Insurance Supervision has performed complete field supervisions in two companies. Upon the control performance the supervisors gave recommendations for improvement of already implemented systems for ML/ FT prevention. The supervisors have not established yet suspicious actions and activities nor the insurance companies have such information. In accordance with Article 206 of the Law on Insurance Supervision (Official Gazette of RM No. 27/2002, 84/2002, 98/2002, 33/2004,79/2007 and 88/08), auditor or other qualified person (this may be person from Office) may be authorized to perform certain parts of the supervision. In accordance with Articles 207, 208, 209 these authorized persons have the same authorizations as supervisors from the Ministry of Finance (Agency for Insurance Supervision) for the part for which they are authorized to perform supervision. The Minister for Finance (the Agency) will bring an order for elimination of improprieties if upon the performance of the supervision it will be established that the insurance company does not respect the provisions for management with risk and the other provisions of the Law on Insurance Supervision or other laws regulating the functioning of subjects on the insurance market (eg. AML Law, Law on Obligations, Company Law). It has been planed upon the amendments of the Law on Insurance Supervision provisions to be added referring to the measures for ML/ FT prevention i.e. to state that the insurance company is obliged to act in accordance with the regulations for ML/ FT prevention and due to not acting in accordance with these regulations a Decision on Impose of Measures may be adopted. The Agency for Supervision of Fully Funded Pension Insurance (MAPAS) has not imposed measure for violation of articles of AML Law because the first approval for management of voluntary pension fund was given at the end of May 2009, and the first payments are expected in July 2009. In June 2009 Public Revenue Office performed supervision of the application of

	measures and actions determined by AML Law and established that there is misdemeanour in three casinos in accordance with Article 49, paragraph 1, indent 21, i.e. they do not have prepared programs for protection against money laundering and financing terrorism. A procedure for settlement has been proposed for the established misdemeanour in accordance with Article 53 of this AML Law. In 2007, NBRM conducted control of measures and actions for prevention of money laundering and financing terrorism in 5 banks, 3 savings banks, 332 exchange offices and 13 providers of services of swift money transfer, in 2008 it has conducted 21 control in banks (19 complete and 2 partial controls), 14 savings banks, 223 exchange offices and 16 providers of services of swift money transfer and in the period 01.01.2009-30.06.2009 it conducted control in 9 banks, 63 savings banks and 1 provider of services of swift money transfer. On the basis of the established situation of the conducted controls it imposed 1 correctional measure for a bank in 2007 and 6 correctional measures for a bank in 2008. NBRM initiated 1 misdemeanour procedure against banks in 2007, 1 settlement procedure in 2008 and 4 settlement procedures in 2009. NBRM initiated 1 settlement procedure against savings banks in 2008. NBRM initiated 8 misdemeanour procedure against exchange offices in 2007, 4 settlement procedure and initiated 1 misdemeanour procedure in 2008. The Draft Law intensifies the penal policy for violation of the provisions of AML Law. The amount of fines is increasing and they are divided in three categories of fines for legal entities depending on the severity of the offence and the damage that may be caused: fine in amount of 80.000-100.000 Euros, fine in amount of 30.000-50.000 Euros and 4.000-20.000 Euros and for the responsible person in the legal entity fine of 5.000-10.000 Euros, 2.000-5.000 Euros and 1.200-2.000 in denar counter-value. Besides fines, it has been provided a ban on duty performance to be imposed to offender who is legal or natural entity. The amount of fines has been in compliance with the Law on Misdemeanours.
Recommendation of the MONEYVAL Report	*The pecuniary sanctions of the AML Law for legal entities should be dissuasive and proportionate.*
Measures taken to implement the Recommendation of the Report	Articles 49, 50, 51 and 52 of AML Law shall regulate the misdemeanour sanctions for violation of the provisions of AML Law. These provisions shall provide that a fine or ban on performing a duty may be imposed for violation of the provisions. The Draft Law intensifies the penal policy for violation of the provisions of AML Law. The amount of fines is increasing and they are divided in three categories of fines for legal entities depending on the severity of the offence and the damage that may be caused: fine in amount of 80.000-100.000 Euros, fine in amount of 30.000-50.000 Euros and 4.000-20.000 Euros and for the responsible person in the legal entity fine of 5.000-10.000 Euros, 2.000-5.000 Euros and 1.200-2.000 in denar counter-value. Besides fines, it has been provided that a ban on duty performance may be imposed to offender who is legal or natural entity. The amount of fines has been in compliance with the Law on Misdemeanours.
Recommendation of the MONEYVAL Report	*The AML Law does not allow to withdraw or to suspend a financial institution's licence for not observing requirements of the AML Law. From the sectoral laws, the Banking Law, the Law on Securities and the (amended) Law on Fast Money transfer allow to revoke a licence in case of infringements related to AML obligations but not when it comes to obligations related to CFT. The other sectoral laws do not provide for withdrawing or suspending a financial institution's licence for not observing AML/CFT obligations. The authorities should introduce legislation*

	allowing the respective supervisors to withdraw or suspend a licence of any type of financial institution in the case of not observing AML/CFT requirements.
Measures taken to implement the Recommendation of the Report	A possibility for withdrawing of the permit for establishment and working in case of violation of the legal provisions for prevention of money laundering and financing of terrorism has been provided in the following sectoral laws: Article 154 of the Law on Banks (for establishment and working of banks and savings banks), Article 33-a of the Law on Swift Money Transfer (for establishment and working of the providers of services of swift money transfer), Article 36-a of the Law on Foreign Exchange Operation (for establishment and working of exchange offices). It is planned Draft Law on Games of Chance to envisage provisions regulating this issues. It has been planned upon the establishment of the Agency for Insurance Supervision appropriate amendments of the Law on Insurance Supervision to be initiated whereupon amendments regarding the obligations of AML Law will be provided, as well as provision of penal provisions for the subjects and responsible persons for not meeting the obligations for prevention of money laundering and financing terrorism.
Recommendation of the MONEYVAL Report	*The AML Law is silent how the sanctions as provided for by the AML Law should be imposed, particularly by which body, following which rules of procedure. It should be made clear, preferably in the AML Law itself, which bodies are competent for initialising and imposing administrative sanctions which are provided for in the AML Law.*
Measures taken to implement the Recommendation of the Report	In Article 46 of AML Law the organs performing supervision of the application of measures and actions in the area of prevention of money laundering and financing terrorism have been stated. According to AML Law, besides the Office, supervision of the subjects is performed by: - National Bank of the Republic of Macedonia in banks, savings banks, exchange offices and providers of cervices of swift money transfer; - Agency for Insurance Supervision in insurance companies, insurance brokerage companies, companies for representation in insurance, insurance brokers, representatives in the insurance and National Insurance Bureau; - Securities and Exchange Commission in the stock exchange, brokerage companies and investment funds; - Agency for Supervision of Fully Funded Pension Insurance in the companies for management of investment funds and – Public Revenue Office in other financial institutions, trading companies organising lotteries and other legal and natural entities, holders of these measures and actions. In cooperation with the above mentioned organs or independently, the Office performs supervision of the application of measures and actions determined by AML Law in the subjects in the basis of the "Rulebook on the Procedure for Inspection Supervision" (Official gazette of RM No. 137/08) regulated by the Minister of Finance. Besides legal provisions, the authorized bodies for performing supervision have prepared procedures for performance of inspection supervision in mutual cooperation. By the help of procedures for performance of supervision, the performance of supervision is being unified and coordinated. These procedures should be component of memorandums of cooperation signed by the institutions on bilateral level. Regarding the international coordination, these organs have already approached to implementation of mutual controls and mutual information on each performed

	control and on the results. Regarding the misdemeanours of this Law, the organs and the institutions from Article 46 and commission from Article 47 of this Law shall be obliged to offer settlement procedure to the offender before the submission of an application for misdemeanour procedure. The competent court shall decide on misdemeanours regulated by this Law in a procedure regulated by law.
(Other) changes since the last assessment	

Recommendation 18 (Shell banks)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be prohibited from entering into or continuing correspondent banking relationship with shell banks*
Measures taken to implement the Recommendation of the Report	Pursuant to the AML Law, i.e. the "Article 25 (1) The financial institutions shall be prohibited to enter into or continue a business relation with shell banks or to start or continue a correspondent business relation with a bank known to allow opening and working with shell banks accounts, (2)The performance of financial activities by shell banks in any manner is prohibited in the Republic of Macedonia." The term "shell banks" shall be defined in the Article 2, Item 14 of the AML Law, i.e.: "14."Shell bank" shall mean a financial institution which has no business premises, employees or management bodies in the state where it has been registered, and which is not a member of a financial group or an organisation established pursuant to the legal regulations." The Article 25 of the AML Law shall prohibit establishing and continuing of business relation with shell banks and establishing and continuing of business relation with banks allowing opening and working with accounts in shell banks.
Recommendation of the MONEYVAL Report	*There should be an obligation placed on financial institutions to satisfy themselves that a respondent financial institution in a foreign country is not permitting its accounts to be used by shell banks.*
Measures taken to implement the Recommendation of the Report	Pursuant to the Article 25 of the AML Law, the financial institutions shall be prohibited to enter into or continue a business relation with shell banks or to start or continue a correspondent business relation with a bank known to allow opening and working with shell banks accounts. Besides the interdictions listed in the Law, the NBRM Decision request from the banks to determine whether the correspondent banks works or prohibits cooperation with shell banks, thus additionally influencing the banks and preventing them from indirect incorporation in the cooperation with shell banks. The banks can obtain the necessary information from the correspondent bank (questionnaires, letters etc.), as well as trough using of public informing means (professional newspapers, internet etc.).
(Other) changes since the last assessment	

Recommendation 21 (Special attention for higher-risk countries)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The authorities should implement Recommendation 21.*
Measures taken to implement the Recommendation of the Report	For the purpose of harmonizing with the requirements set in the recommendation 21, the Draft-Law envisages the following obligations: "Article 12-c (2) The entities shall be obliged to pay attention to the business relations and transactions with natural and legal persons from countries that do not implement or inadequately implement the measures for prevention of money laundering and financing terrorism, at least at the extend and in manner stipulated in this Law. (3) The Minister of Finance shall determine the list of the countries referred to in the Paragraph (2) of this Article. (5) The entities shall be bound to carry out an analysis of the purpose and the intended nature of the transactions referred to in the Paragraphs (1) and (2) of this Article and to prepare written report on the carried out analysis." Besides the provisions of the Law, the NBRM Decision shall consider that the clients originating from countries not implementing or inadequately implement the FATF recommendations as clients posing higher risk of money laundering and financing terrorism, due to which should be subject of enhanced analysis carried out by the banks from the Republic of Macedonia. The bank shall be bound to determine the purpose and the intended nature of the business relation and its responsible person shall be bound to prepare written report. The provisions regarding the keeping of records from the Article 27 of the Law and the Item 31 of the Decision refer to this report. The employees in the bank who work directly with clients originating from these countries shall be bound to inform the person responsible for prevention of money laundering on each individual transaction with these clients. From the aspect of the countermeasures taken towards the countries that do not apply or inadequately apply the FATF recommendations, one should have in consideration the provisions of the Articles 18 and 59 of the Law on Banks according to which the Governor refuses the request for taking up and pursuit of the business of bank or for acquiring shares in a bank, if the data and information point to the fact that the person having intention to take up a bank and to acquire share in a bank or the persons related to him/her represent high risk endangering the stability, the safety and the reputation of the bank, as well as there is founded reason to doubt the legality of the origin of the money, the reputation and the real identity of the person and the persons related. The assessment regarding the meeting of these criteria shall be defined in the Decision on Issuing of Licenses to Bank and the Decision on Issuing Approvals. The taking of the decision on issuing a license for taking up and pursuing the business of a bank, i.e. the approval for acquiring shares in a banks shall include analysis of the regulations and the practices in the country where the person having the intention to take up a bank, i.e. to acquire shares in a bank originates from, as well as the level of harmonisation of the those regulations with the international standards for prevention of money laundering and financing terrorism. In a case when the analysis shall point to an existence of high risk, the Governor shall refuse the request, i.e. the requested license/approval shall not be issued. This analysis shall be carried out in the cases of establishing branch office or

	subsidiary of a foreign bank in the country.
(Other) changes since the last assessment	

Recommendation 22 (Foreign branches and subsidiaries)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be required to ensure that the AML/CFT requirements applicable to financial institutions are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply the FATF Recommendations, to the extent that local applicable laws and regulations permit. When local applicable laws and regulations prohibit this implementation, competent authorities in the country of the parent institution should be informed by the financial institutions that they cannot apply the FATF Recommendations.*
Measures taken to implement the Recommendation of the Report	Although in the Republic of Macedonia the financial institutions do not have branch offices or subsidiaries abroad, for the purpose of harmonizing the requirements set in the recommendation 22, the Draft-Law shall prescribe the following obligations: "Article 26-a (1) The financial institutions having branch offices, representative offices and subsidiary undertakings abroad should apply the measures for prevention of money laundering and financing terrorism in branch offices, representative offices and subsidiary undertakings. (2) In case when the laws of the country of registered seat of the branch office, the representative office and the subsidiary undertaking do not allow for application of the measures referred to in the Paragraph 1 of this Article, pursuant to the Article 46 of this Law, the financial institutions should immediately inform the competent supervisory authority. "
(Other) changes since the last assessment	

Recommendation 23 (Regulation, supervision and monitoring)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*All supervisory bodies should include AML/CFT issues as an integrated part of their supervisory activities (currently only the NBM and to an unclear extent the SEC do so).*
Measures taken to implement the Recommendation of the Report	The Articles 46 and 47 of the AML Law shall regulate the monitoring over the applications of the measures for prevention of money laundering and financing terrorism by indebted entities. The authorities competent for monitoring are the following: The Office, NBRM, SEC, PRO, MAPAS and the Ministry of Finance-Insurance Supervision Unit. In the area of capital market, the SEC acts according to the principles vested under the AML Law in the frame of the regular controls carried out by authorized persons from the Department for Capital Market's Supervision of the authorized participants in the capital market. During these regular controls, the authorized persons shall verify the application of the Programme for prevention of money laundering of the authorised participant, as well as the measures taken by the authorised participant regarding the fully implementation of the Programme. Further, it control the records of the transactions exceeding 15.000 EUR, the Commission likewise control the transactions, as well as the manner of identification of legal and natural persons and submitting data to the Office. The Agency for Supervision of Fully Funded Pension Insurance (MAPAS) shall

	take in consideration the regulations vested under the AML Law and upon the carrying out of the controls of voluntary pension funds shall control the application of the Programme for prevention of money laundering and financing terrorism and the other measures taken by the companies managing voluntary pension funds related to prevention of money laundering and financing terrorism. Upon the regular supervision, the Ministry of Finance- the Insurance Supervision Unit (pursuant to the Law on Insurance Supervision and the Rulebook on the Manner of Carrying out Insurance Supervision prepared on the basis of the Law) shall carry out a control over the application of the measures and the activities for money laundering and financing terrorism according to the Article 46, Paragraph 1 of the AML Law. The Insurance Supervision Unit prescribed manner and procedure for adequate implementation and application of the ML/ FT Prevention Programmes and issued an Insurance ML/ FT Prevention Rulebook that should be applied by the entities during their work. Besides the legal provisions, the authorized monitoring authorities in mutual cooperation have prepared procedures for carrying out inspectional monitoring. Monitoring procedures shall unify and coordinate the monitoring. These procedures should be integral part of the MoUs signed on bilateral level between the institutions. In the direction of mutual coordination, these authorities have implemented joint controls and mutual reporting on each control that has been carried out and its results.
Recommendation of the MONEYVAL Report	*For the operations of pension companies and pension funds a specific supervisory authority should be designated; preferably the "Agency for Supervision of Fully Funded Pension Insurance" (MAPAS) should be designated with this task.*
Measures taken to implement the Recommendation of the Report	Pursuant to the Article 46, Paragraph (1), Indent 4 of the AML Law, the monitoring over the application of the measures and the activities for prevention of money laundering and financing terrorism by the undertakings managing pension funds shall be carried out by the Agency for Supervision of Fully Funded Pension Insurance (MAPAS). In May 2009, the Agency for Supervision of Fully Funded Pension Insurance (MAPAS) issued the first licence for managing voluntary pension fund. Having in mind this, the first controls in the area of the application of the measures according to the AML Law shall be carried out in 2010.
Recommendation of the MONEYVAL Report	*The Law on Foreign Exchange Operations should be amended and provide for powers of inspectors from the NBM when performing supervision of foreign exchange offices, like access to documentation, taking copies etc.*
Measures taken to implement the Recommendation of the Report	According to the internal Rulebook for work of the Unit for Controlling the Harmonisation of the Regulations of the Non-Banking Institutions in the NBRM, the inspectors shall have open access to the complete documentation of the controlled entity. When necessary, and most often when certain irregularities shall be identified in the working of the controlled entity, the inspectors shall keep copies of controlled cases. In the recent practices, the NBRM inspectors with no obstacles have been carrying out their legal obligations regarding the monitoring over the functioning of the separate entities under the competency of the NBRM.
Recommendation of the MONEYVAL Report	*There should be provisions assigning special powers to the State Foreign Exchange Inspectorate linked with its supervisory responsibilities.*
Measures taken to implement the Recommendation of the Report	The Articles 46 and 47 of the AML Law shall regulate the application of the measures for prevention of money laundering and financing terrorism by indebted entities. The authorities competent for monitoring are the following: The Office, NBRM, SEC, PRO, MAPAS and the Ministry of Finance- Insurance Supervision

	Division. The State Foreign Exchange Inspectorate does not have the authorization to monitor the application of the measures for prevention of money laundering and financing terrorism. Nevertheless, pursuant to the Article 30 of the AML Law, the State Foreign Exchange Inspectorate as a body of the national Office shall be bound to report to the Office in cases of suspicion of money laundering and financing terrorism.
Recommendation of the MONEYVAL Report	*The legislation to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in a bank, savings house, brokerage house, insurance companies, money or value transfer services, foreign exchange offices and investment fund management companies is insufficient and should be amended. For companies issuing credit/debit cards, pension companies and pension funds no such preventive legislation exists at all and should be introduced as a matter of priority.*
Measures taken to implement the Recommendation of the Report	The Law on Banks and the corresponding bylaws shall contain provisions that shall not allow for criminals and their associates to be stakeholders in a bank or to be persons having special rights and responsibilities in the banks (Article 13 and 82 of the Law on Banks, the Decision on Issuing of Licenses to Bank and the Decision on Issuing Approvals). The person facing misdemeanour sanction or facing sanction of interdiction of performing his/her profession, activity or duty, or the person lacking reputation shall not be allowed to act as shareholder with qualified participation in a bank, nor he/she be allowed to act as person having special rights and obligations in a bank, i.e. member of the supervisory or managing body in a bank, member of audit board, member of the risk management board and other managing posts in the bank according to Its statute. Reputation shall mean honesty, competency, industriousness and assurance that the person shall not endanger the stability and the security of the bank, or its reputation ad trust. *Inter alia*, this shall mean that the person should not have been included in activities that would be considered as violation of the regulations. Besides the data on which basis the previously listed criteria shall be established upon the issuing of the approval for acquiring shares in a bank, i.e. for becoming member of a supervisory or managing body of the bank, the persons requesting the approval shall be bound to fill in the corresponding NBRM questionnaires. These questionnaires shall provide detailed data on the following: the qualifications, professional background and the experience of the person, the measures taken towards that particular person by certain authority or towards its beneficial user (in the case of legal entity), cases when other competent authority seized or did not issue an approval for performing of certain profession or activity, or for acquiring shares in a financial institution due to inadequate reputation of the person or its beneficial owner. These provisions of the Law on Banks and the corresponding regulation shall refer to the saving banks functioning in the country. It should be accentuated that each non-fulfilment of the conditions necessary for obtaining license for taking up and pursuing the business shall be considered as a basis for revoking of the issued licence. Similarly, the Law on Fast Money Transfer shall include provisions preventing the possibility for criminals or their associates to perform fast money transfer services. Pursuant to the Article 6 of this Law, a trading company can obtain permit for performing fast money transfer service. if no misdemeanour sanction, i.e. interdiction for performing of profession, activity or duty has been pronounced against the responsible person and the employees performing fast money transfer services and effective court decision for criminal offence in the area of finances. Regarding the fast money transfer service provider, each non-fulfilment of the

	conditions needed for obtaining license for taking up and pursing the business shall be considered as basis for revocation of the issued licence. Pursuant to the Foreign Exchange Operations, the National Bank shall prescribe the conditions and the manner of obtaining license for foreign exchange operations. These conditions were prescribed in the Decision on Currency Exchange Operations adopted by the Council of the National Bank on 26.02.2009. The Decision shall envisage that in order to obtain the necessary licence, the responsible person of the legal entity who shall perform foreign exchange operations and the responsible person do not face misdemeanour sanction, i.e. interdiction for performing of profession, activity or duty and that no effective court decision for criminal offence in the area of finances has been pronounced against them. Similarly, regarding banks and fast money transfer service provider, as well as savings banks, the National Bank shall be entitled to revoke the issued licence for foreign exchange operations if the conditions on which basis the National Bank has issued the licence have not been meet, i.e. the conditions for performing foreign exchange operations. The Law on Insurance Supervision contains provisions (Articles 14, 18, 19, 23 and 32) which do not allow for criminals or their associates to become shareholders in an insurance undertaking or to become persons with special rights and responsibilities in the undertaking. In accordance with Article 14 of the Law on Supervision Insurance, the shareholder should meet the following requirements: - not to be sentenced to imprisonment for criminal offence against public finances, against payment operations and economy, against duties or against legal traffic; - not to be sentenced to ban of performance of profession, activity or duty; not to be member of managing organ, supervisory organ or to be person with special rights and responsibilities in insurance company or other legal entity for which bankruptcy procedure has been initiated in the least 3 years; - no bankruptcy procedure or liquidation procedure to be initiated against him, if it is legal entity and - not to be connected to legal entity where the insurance company directly or indirectly owns at least 10% of the capital or rights to vote in that entity. These provisions shall also be applied for insurance mediators (insurance brokerage companies and representatives). In accordance with Article 19, the Ministry of Finance (Agency for Insurance Supervision) will reject the application for obtaining approval for acquiring qualified shares if it has been established that there is legitimate reason for suspicion of the validity of origin of money from the submitted documents. In order to obtain consent for performing a duty member of managing organ the insurance company shall be obliged to submit an application for consent to the Ministry of Finance. Appropriate documentation should be added to the application, proofing that the conditions from Article 23 of the Law on Insurance Supervision have been met. The Agency holds the right to adopt a decision for withdrawal of a consent for performing the duty member of organ for management of insurance company in accordance with Article 27 of the Law on Inspection Supervision. Under article 18 of the Law on Investment Funds, Member of managing board i.e. executive member of the board of directors of the company for management of investment funds could not be a person: convicted to imprisonment for criminal offences in the field of banking, finance, labour relations, property, bribe and corruption or to whom misdemeanour sanction ban on realising profession, activity or duty in the field of law, banking, accounting, insurance, management of sources and investment, management of pension funds or other financial services has been imposed whit the ban. Further the Law on securities also had provisions that prohibited the issuance of a licence to a person which will enable him/her to become a member of the managing

	and supervisory boards as well as members of the board of directors of the stock exchange and the central depository or to be a director of a brokerage house if he/she was indicted with jail sentence: -In the period from the effectiveness of the verdict to the day of the endurance of the sentence and five years from the day he/she had endured the prison sentence in the case when the jail sentence is no longer than three years. -In the period from the effectiveness of the verdict to the day of the endurance of the sentence and ten years from the day he/she had endured the prison sentence in the case when the jail sentence is longer than three years. However, these provisions of the law were abolished with decision 214/2005-0-1 from 19/09/2007 by the Constitutional court of the Republic of Macedonia, since these provisions of the law were not in line with the Constitution of the Republic.
Recommendation of the MONEYVAL Report	*A special licensing or registration regime for companies issuing credit/debit cards should be introduced.*
Measures taken to implement the Recommendation of the Report	In accordance with the Company law (Official gazette of RM No. 28/04, 84/05, 25/07 and 87/08) as one of the forms for registry of founding trading company with activity in issuing credit cards and similar activities, we point out Joint stock company as most adequate. The joint stock company can be founded simultaneously or by succession. If the joint stock company acting in the field of issuing credit cards or similar activities is founded simultaneously, one requires documents for registry of founding in the sole trade register at the Central register of RM, which are: - filled PO form; - evidence of paid compensation for the CR according to the tariff - 3 852 denars (1) With the application for register, one shall attach: 1) the statute; 2) copy of ID for domestic physical entity or passport photocopy (translated from authorized translator and verified by notary public) for foreign physical entities or copy from another document for determining the identity, effective in his/her country and his/her citizenship, i.e. evidence for registration if the founder is legal entity; 3) evidence for paid amount in the bank where the payment of the shares has been carried out; 4) if there is share takeover by entering non-monetary deposits – the contracts by which they are determined and implemented, the report of the assessor and evidence for ownership in which a note has been performed in a public book for registering immobile assets, and if mobile asset is being registered for which there is legally determined responsibility for register – evidence for ownership of the mobile asset; 5) the decisions for selection of members of the management organ, i.e. supervision organ if they are not nominated by the statute; 6) if special benefits are given in the founding, the contracts with which they are being determined and implemented; 7) the calculation of the expenses for founding the company in which single items and total costs are being expressed; 8) the founding report and the revision report of the founding, if such report had been prepared and 9) permit or other act of state organ or of another competent organ, if this responsibility is determined by law for registry of the company in the trade register; 10) declaration from the attorney by law of the legal entity, i.e. declaration from

	physical entity, i.e. submitting evidence that there is no obstacle for him/her not to be founder of the company, in accordance with Article 29 of the Company law and 11) declaration, in accordance with Article 32 of the same Law. (4) The executive members from the board of directors, i.e. members of the board of executives, as well as other persons, which according to the statute are authorized for representation shall submit signatures, verified, attached and given in accordance with Article 65 paragraphs (2) and (3) from the Company law. (5) The founders of the company shall be responsible for the authenticity, actuality and the accuracy of the data contained in the application and for the attachments which this law determines that need to be attached toward the registry application for founding the company in the trade register.. If the joint stock company acting in the field of issuing credit cards or similar activities is founded simultaneously, one requires documents for registry of founding in the sole trade register at the Central register of RM, which are: - filled PO form; - evidence of paid compensation for the CR according to the tariff - 3 852 denars (3) With the application for register, one shall attach: 1) the statute; 2) copy of ID for domestic physical entity or passport photocopy (translated from authorized translator and verified by notary public) for foreign physical entities or copy from another document for determining the identity, effective in his/her country and his/her citizenship, i.e. evidence for registration if the founder is legal entity; 3) evidence for paid amount in the bank where the payment of the shares has been carried out, and if non-monetary deposits are invested with the report of the assessor and evidence for ownership in which a note has been performed in a public book for registering immobile assets, and if mobile asset is being registered for which there is legally determined responsibility for register – evidence for ownership of the mobile asset and one sample from the prospect on the basis on which the full or part of the general assets is registered; 4) minutes from the founding assembly with invitation for the same and with list of participants; 5) the decisions for selection of members of the management organ, i.e. members of the supervision organ if they are not nominated by the statute; 6) the founding report and the revision report of the founding if such report has been prepared on request of the founders, i.e. other persons in accordance with this law; 7) agreements by which non-monetary deposits are determined or invested, if in the founding one invests non-monetary deposits; 8) permit or other act of state organ or of another competent organ, if this responsibility is determined by law for registry of the company in the trade register; 9) declaration from the attorney by law of the legal entity, i.e. declaration from physical entity, i.e. submitting evidence that there is no obstacle for him/her not to be founder of the company, in accordance with Article 29 of the Company law and 10) declaration, in accordance with Article 32 of the same Law. (4) The executive members from the board of directors, i.e. members of the board of executives, as well as other persons, which according to the statute are authorized for representation shall submit signatures, verified, attached and given in accordance with Article 65 paragraphs (2) and (3) from the Company law. (5) The founders of the company shall be responsible for the authenticity, actuality and the accuracy of the data contained in the application and for the attachments

	which this law determines that need to be attached toward the registry application for founding the company.
Recommendation of the MONEYVAL Report	*Staff of all supervisory bodies should be required to maintain high professional standards and to keep professional secrets confidential (currently only for employees of the NBM exist specific rules requiring staff to maintain high professional standards; and only for employees of the NBM and the SEC exist specific rules requiring staff to keep professional secrets confidential.).*
Measures taken to implement the Recommendation of the Report	In order to maintain high professional standards and to keep professional secrets confidential, the organs for enforcing supervision for the application of measures and activities for preventing money laundering and financing terrorism, besides the legal provisions also implement the provisions from the relevant Code of Conduct 1. The Office, acting as separate organ for enforcing supervision of the facilities has adopted this Code of Conduct in May 2009. The persons employed in the Office possess safety certificates providing them with access to classified information and they are obliged to treat the available documentation as business secret. By the end of 2009, the Securities and exchange commission should adopt Code of conduct for its employees. The agency for supervision of capitally financed pension insurance has adopted Code of professional ethics for the employees in the Agency and Code of professional ethics for the employees in the Agency when performing field and voluntary supervision. Having in mind that the supervisors in the Ministry of finances – Insurance supervision department have status of civil servants, they work according to the Code of ethics for civil servants adopted on the basis of Article 18 of the Law on civil servants (Official gazette of RM No. 59/2000,112/2000, 34/2001). The code is made public on the internet page of the Civil servants agency. (www.ads.gov.mk) The Code determines the manner of conduct and working of the civil servants, with purpose to provide respect of the principles of lawfulness, professional integrity, efficiency and loyalty while performing their official duties. According to the Code, the civil servant performs the duties on highly professional level, which he/she continuously upgrades. The civil servants shall perform the work on most conscientious, most efficient, most arranged manner and in due time, in interest of the citizens and other entities while realizing their rights, duties and interests. Their duty is to avoid any conflict of interest as well as situations that could lead to doubt. In the current year it is envisaged to establish insurance supervision agency as single and independent body with public authorizations. The agency shall adopt a Statute determining the internal organization, administration and management, proceedings for adoption of acts, method and terms of employment in the Agency as well as other issues of significance for the working of the Agency.
(Other) changes since the last evaluation	

Recommendation 24 (DNFBP – Regulation, supervision and monitoring)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The supervisory commissions for auditors and accountants (based on Art. 39 of the AML Law) should be established.*
Measures taken to implement the Recommendation of the Report	In accordance with the provisions from Article 47 of the AM Law, the commissions formed in frames of the associations of auditors and accountants shall be supervision organs for control of the implementation of measures and activities for

	preventing money laundering and financing terrorism by auditors and accountants. Having in mind that the activity and the efficiency of this sector are not on satisfactory level, the legislator shall make amendment of the concept of supervision with the draft law in order to achieve bigger efficiency in the part of supervision for purposes of preventing money laundering and financing terrorism. The draft law shall determine that the Office has exclusive jurisdiction to perform supervision of the auditors and accountants.
Recommendation of the MONEYVAL Report	*The supervisory powers of the supervisory authorities, which are based on Art. 39 of the AML Law, should be clarified. The authorities should review the AML Law and make either amendments or clarify it in sectoral laws or by-laws which powers these supervisory commissions have.*
Measures taken to implement the Recommendation of the Report	The supervision of the application of the measures and actions with Article 46 shall be regulated on the following manner: -The National bank of the Republic of Macedonia shall perform supervision of banks, savings banks, exchange bureaus and service providers of fast money transfer; -The Agency for supervision of insurance shall perform supervision of insurance companies, insurance brokerage firms, companies with representation in insurance, insurance brokers, representatives in insurance and the National bureau of insurance; -The securities and exchange commission shall perform supervision of the stock exchange market, the brokerage companies and investment funds; -The agency for supervision of capitally financed pension insurance shall perform supervision of pension funds management companies and -The public revenue office shall perform supervision of other financial institutions, trading companies organizing game of chances and other legal and physical entities, bearers of such measures and actions. (2) In cooperation with the organs from paragraph (1) of this Article, the Office shall perform supervision of the measures and activities application upon the subjects, which are determined with this law. (3) The procedure for performing supervision that is being implemented by the Office shall be regulated by the minister of finances. (4) The organs from paragraphs (1) and (2) of this Article may regulate a manner and procedure for adequate establishment and application of the programs for prevention of money laundering for subjects for whose supervision they are responsible. The draft law shall complement the provisions of this Article on the following manner: (1) The supervision of measures and activities application that are determined by this law shall be performed by: -The National bank of the Republic of Macedonia shall perform supervision of banks, savings banks, exchange bureaus and service providers of fast money transfer; -Insurance supervision agency shall perform supervision of insurance companies, insurance brokerage firms, companies with representation in insurance, insurance brokers, representatives in insurance and the National bureau of insurance; -The Securities and exchange commission of the Republic of Macedonia shall perform supervision of the stock exchange market, brokerage companies and investment funds; -The agency for supervision of capitally financed pension insurance shall perform

	supervision of voluntary pension funds and companies managing voluntary pension funds and -The public revenue office shall perform supervision of other financial institutions, trading companies organizing game of chances and other legal and physical entities, bearers of such measures and actions. (2) In cooperation with the organs from paragraph (1) of this Article and the commissions of Article 47 of this Law, the Office shall perform supervision of the measures and activities application upon the subjects, which are determined with this law. (3) The organs from paragraph (1) of this Article and the commissions from Article 47 of this Law from the field of prevention of money laundering and financing terrorism, shall submit the annual plans for performing supervision of the subjects according to this Law for the following year, to the Office, not later than December in the current year. (4) The organs from paragraphs (1) and (2) of this Article may regulate a manner and procedure for adequate establishment and application of the programs for prevention of money laundering for subjects for whose supervision they are responsible. (5) If during the performing the supervision, the organs from paragraph (1) of this Article and the commissions from Article 47 of this Law shall determine existence of doubt for money laundering or financing terrorism as well as violation of the provisions of this Law, they shall forthwith inform the Office. Article 46-a (1) The supervision of the measures and activities application determined by this Law to the subjects, which is performed independently by the Office, shall be performed as permanent and temporary. (2) The Office shall perform the temporary supervision announced or unannounced and it can be full or limited. (3) The Director of the Office shall adopt annual supervision plan and he/she shall issue an order to perform announced or unannounced supervision. (4) The method for performing supervision that is being implemented by the Office shall be regulated by the minister of finances. The draft amendments of the Law on securities shall envisage new Article defining the responsibilities originating from the regulations for prevention of money laundering and financing terrorism to all authorized participants on the market of capital which until now have been regulated with the Law on prevention of money laundering and financing terrorism, on which the Securities and exchange commission acted. The amendments also precise the measures that the Commission can pronounce upon the authorized participants on the market of capital, which pursuant to the committed act will range from reprimand to permanent termination of the work permit from the legal and physical entity having committed the infringement. The amendments of the Law also envisage that with a rulebook, the Commission shall regulate the measures and activities that need to be undertaken by the authorized participant of the securities market due to revealing and preventing money laundering and financing terrorism. The amendments of the Law on securities should be adopted until the end of 2009. In accordance with Article 98 of the Law on voluntary capitally financed pension insurance, the companies managing voluntary pension funds are obliged to undertake measures and activities according to the AML Law on. In accordance with the Law, the Agency has an authorization to perform control of the overall

	work of the pension funds and voluntary pension funds. In its by-law on method of performing control, as field of control the Agency shall state the implementation of measures and activities for prevention of money laundering and financing terrorism, by the pension funds.
Recommendation of the MONEYVAL Report	*The supervisory commission responsible for lawyers should start its supervisory activity.*
Measures taken to implement the Recommendation of the Report	The Commission for supervision of the measures and activities implementation for preventing money laundering and financing terrorism by the lawyers is founded in frames of the Macedonian Bar Association. In frames of its activities, the Commission has performed 4 supervisions where one has established violations of the AML Law. For the purposes of strengthening the supervision that is implemented in this sector, the draft law shall envisage that besides the commission, the Office should also have authority to perform supervision over lawyers.
Recommendation of the MONEYVAL Report	*The Public Revenue Office should conduct AML/CFT supervision concerning real estate agents, dealers in precious metals, dealers in precious stones, dealers in high value and luxury goods.*
Measures taken to implement the Recommendation of the Report	In accordance with Article 46 of the AML Law, the Public Revenue Office shall perform supervision of other financial institutions, trading companies organizing game of chances and other legal and physical entities, bearers of such measures and actions. In the detailed plan for outer control of tax payers for the second half of 2009, the Public revenue office envisages controls with the real-estate agencies from aspect of applying measures for prevention of money laundering and financing terrorism, and the list of the agencies subject to the supervision has been prepared.
Recommendation of the MONEYVAL Report	*Concerning obtaining a licence for casinos, fit and proper requirements for owners and managers are very limited: it is only required that managers have not been sentenced for a crime in the area of games of chance or for an economic crime. The authorities should introduce the necessary legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino.*
Measures taken to implement the Recommendation of the Report	An initiative for preparation of a new Law for game of chances has been undertaken in the frames of the ministry of finances. An initiative to elaborate this recommendation has been submitted in this Law.
Recommendation of the MONEYVAL Report	*There should be legal requirements for casino providers to prove the legitimate origin both of the founding capital and the licence fees.*
Measures taken to implement the Recommendation of the Report	An initiative for preparation of a new Law for game of chances has been undertaken in the frames of the ministry of finances. An initiative to elaborate this recommendation has been submitted in this Law.
Recommendation of the MONEYVAL Report	*The sanctions regime for DNFBP provided by the AML Law is deficient in the same ways as described concerning financial institutions and should be amended.*
Measures taken to implement the Recommendation of the Report	The AML Law and the Draft-Law do not divide the entities according to the activity they carry out, i.e. do not divide the entities into financial institutions and DNFBP. That is why all entities (financial institutions and DNFBP) have equal obligations to implement the provisions of the Law.
(Other) changes since the last evaluation	

Recommendation 25 (Guidelines and feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Though the AML Law obliges the MLPD to provide the obliged entities with general and specific feed-back, this is not done in practice and this should be remedied. This may also be a reason of the uneven reporting that nearly exclusively banks submit STRs. Thus more outreach to the non-banking sector is required.*
Measures taken to implement the Recommendation of the Report	Pursuant to the provisions of Article 28 of the AML Law , the Office is obliged to submit feedbacks to the entities on the STR and CTR applications. In accordance with the AML Law provisions, at the end of 2007 and 2008, the Office has submitted a feedback containing a confirmation on the received CTR and the conducted analysis of all received STRs, the result of the conducted analysis and quality assessment of the submitted STR for the current year. As obligatory and composing step of the "Procedure for STR analysis", the Office is obliged to submit specific(case-by-case) feedback for each received STR. As of the beginning of 2009, the Office submits a confirmation for a received STR, and after conducting the analysis for each STR, the Office submits a specific feedback on the conducted analysis results (no grounds for suspicions regarding possible money laundering or terrorism financing, a report submitted to the responsible prosecution bodies or notification is submitted to the responsible prosecution bodies if there are grounds for possible other criminal activities) and the STR quality. The Office prepares annual report on the results of its activities. This report contains data and information on the received STR and CTR, the conducted analysis and the results. In addition, this report contains information on the most frequent methods of money laundering or terrorism financing, as determined by the Office. The annual report is available through the website of the Office for all entities, as a general feedback.
Recommendation of the MONEYVAL Report	*Financial institutions should be provided with clear guidance on CFT issues.*
Measures taken to implement the Recommendation of the Report	The guidelines for the financial institutions as regards the terrorism financing detection, as issued by FATF, can be found on the website of the Office.
Recommendation of the MONEYVAL Report	*The guidance for DNFBP appears to be lower than in relation to the financial sector. Also the awareness of financing of terrorism threats and countermeasures was quite low. Ongoing initiatives, training and outreach to the whole DNFBP sector will be necessary in this regard.*
Measures taken to implement the Recommendation of the Report	In May, 2009, the Office has prepared Guidelines for the non-profit organisations in terms of terrorism financing prevention. These Guidelines are mainly aimed towards assisting the non-profit organisations, as a sector which is subjected to terrorism financing, so that they would not be used for the purposes of terrorism financing, trends and practical international cases of using the non-profit organisations for terrorism financing. These Guidelines are available through the website of the Office.
(Other) changes since the last evaluation	

Recommendation 26 (The FIU)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Some parts of the AML Law refer only to money laundering but do not provide a clear legal mandate for the MLPD to deal with terrorist financing issues. Also in*

	practice the MLPD's role in combating financing of terrorism is very limited. It is recommended to make clarifications to the AML Law with regard to the prevention of terrorist financing, particularly amending the relevant provisions and make it absolutely clear that they also cover the prevention of terrorist financing.
Measures taken to implement the Recommendation of the Report	In accordance with the AML Law, the Office's competences are expanded also in the field of prevention of terrorism financing, i.e. the competences of the Office are defined in Article 3 as follows: "Article 3 (1) An Office for Money Laundering Prevention and Financing Terrorism (hereinafter referred to as: the Office) shall be established for collecting, processing, analysing, keeping and providing data obtained from the entities which are bound to undertake measures and actions for detection and prevention of money laundering and financing terrorism, as a body within the Ministry of Finance in the capacity of a legal person. (2) The Office shall have the following competences: -collect, process, analyse, keep and provide data obtained by the entities pursuant to this Law, -collect financial, administrative and other data and information necessary for the performance of its competences, -prepare and submit a report, supported with its opinion, to the competent authorities whenever there are grounds for suspicion of a committed criminal act money laundering or financing terrorism, - issue a written order to the entity whereby the transaction is temporarily postponed, -submit a request for submitting a proposal for determining provisional measures to the competent public prosecutor, -submit a request for submitting a misdemeanour procedure to the competent court, -cooperate with the entities referred to in Article 5 of this Law, the Ministry of the Interior, the Financial Police, the Public Prosecutor's Office, the Customs Office, the National Bank of the Republic of Macedonia, the Public Revenue Office, the State Foreign Exchange Inspectorate, the Macedonian Securities and Exchange Commission, the State Commission for Prevention of Corruption and other state bodies, the Agency for Supervision of Fully Funded Pension Insurance, the Agency for Supervision of Insurance, as well as with other institutions and international bodies for fight against money laundering and financing terrorism, -conclude agreements for cooperation and exchange of data and information with authorised bodies from third countries and international organisations dealing with fight against money laundering and financing terrorism, -supervise the entities in their application of the measures and actions defined with this Law, -raise initiatives for proposals to pass laws and bylaws relating to the prevention and detection of money laundering and prevention of financing terrorism and give opinion on draft laws of relevance to the prevention of money laundering and financing terrorism, -assist and participate in the professional in-service training of the persons responsible within the entities referred to in Article 5 of this Law, -determine lists of risk analysis indicators and for detecting suspicious transactions in cooperation with the entities and bodies performing supervision over their operation, and

	-perform other activities determined by this Law. (3) The Office shall file a report to the Minister for Finance and to the Government of the Republic of Macedonia once a year, on the activities within the scope of its competence with a draft plan for operation for the following year, and may also file a report upon request of the Minister for Finance and the Government of the Republic of Macedonia. (4) The assets for funding the Office shall be provided from the Budget of the Republic of Macedonia, whereas 10% shall be provided from the confiscation performed to the benefit of the Republic of Macedonia. Furthermore, pursuant to Article 29 of the AML Law, the entities are obliged to submit to the Office the data collected, the information and the documents regarding the transactions carried out, when there is suspicion that the client, transaction or the beneficial owner are related to money laundering or financing terrorism, i.e. the submission to STR regarding money laundering or terrorism financing is obligatory. In cases of existing grounds to suspect a committed criminal act money laundering and terrorism financing, pursuant to Article 35 of AML, the Office shall immediately prepare and submit a report to the competent state authorities which make decisions for any further actions. This report contains data on the person and activities for which there are grounds to suspect a connection with money laundering or terrorism financing. The provisions quoted in Article 3 and 29 of AML, with the draft are amended as follows: "Article 3 (1) An Office for Financial Intelligence (hereinafter referred to as: the Office) shall be established for collecting, processing, analysing, keeping and providing data obtained from the entities which are bound to undertake measures and actions for detection and prevention of money laundering and financing terrorism. (2) The Office shall have the following competences: -request, collect, process, analyse, keep and provide data obtained by the entities pursuant to this Law, -collect financial, administrative and other data and information necessary for the performance of its competences, -prepare and submit a report, supported with its opinion, to the competent authorities whenever there are grounds for suspicion of a committed criminal act money laundering and financing terrorism, - issue a written order to the entity whereby the transaction is temporarily postponed, -submit a request for submitting a proposal for determining provisional measures to the competent public prosecutor, -submit a request for submitting a misdemeanour procedure to the competent court, -cooperate with the entities referred to in Article 5 of this Law, the Ministry of the Interior, the Financial Police Office, the Public Prosecutor's Office, the Customs Office, the National Bank of the Republic of Macedonia, the Public Revenue Office, the State Foreign Exchange Inspectorate, the Macedonian Securities and Exchange Commission, the State Commission for Prevention of Corruption and other state bodies and institutions, the Agency for Supervision of Fully Funded Pension Insurance, the Agency for Supervision of Insurance, as well as with other organisations, institutions and international bodies for fight against money laundering and financing terrorism, -conclude agreements for cooperation and exchange of data and information with

	authorised bodies from third countries and international organisations dealing with fight against money laundering and financing terrorism, -supervise the entities in their application of the measures and actions defined with this Law, -initiate, propose or give opinions for laws and bylaws pertaining to the prevention and detection of money laundering and terrorism financing, -assist and participates in the vocational training of the authorized persons and employees in the Unit for Prevention of Money Laundering and Terrorism Financing in the entities referred to in Article 5 of this Law, -determine lists of risk analysis indicators and for detecting suspicious transactions in cooperation with the entities and bodies performing supervision over their operation, -propose establishment of a Council for combating money laundering and terrorism financing, -plan and realize trainings for specialisation and further qualification of the employees in the Office, -provide explanations in the application of regulations for prevention of money laundering and terrorism financing, and -perform other activities determined by this Law. (3) The Office performs the activities within its competence in accordance with this Law, the ratified international agreements and other acts which regulate money laundering and terrorism financing. (4) The Office shall file a report and a working programme for the following year to the Minister for Finance and to the Government of the Republic of Macedonia once a year, and may also file a special report upon request of the Minister for Finance and the Government of the Republic of Macedonia. (5) The assets for funding the Office shall be provided from the Budget of the Republic of Macedonia, whereas 10% shall be provided from the confiscation performed to the benefit of the Republic of Macedonia. (6) The funds from the misdemeanour sanctions pronounced by the Office are used for promotion of the material basis for operations of the Office. Organisation of the Office Article 3-a (1) The Office is a state administration body within the Ministry of Finance in the capacity of a legal person. (2) The Office enforces its competences on the entire territory of the Republic of Macedonia. (3) The Office is located in Skopje, Republic of Macedonia. Article 29 (1) The entities shall be bound to submit the collected data, information and document to the Office in the following cases: a) if there is suspicion or if there are reasonable grounds for suspicion for a committed money laundering or terrorism financing activity, or an attempt was made or is being made in terms of money laundering or financing…"
Recommendation of the MONEYVAL Report	*The MLPD should have timely (preferably online) access to more databases, particularly the police database, criminal register and court register.*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 34 of the AML Law, the Office is entitled to request data and documentation from state bodies, financial institutions or other legal or natural entities. Within a timeframe of ten working days as of the receipt of the request, these institutions are obliged to submit the requested data to the Office by electronic

means or by using the telecommunication means (telephone, telefax), and if the previous is not possible, by using other written means.
In order to provide timely and fast data which influence the Office's efficiency strengthening in the part pertaining to the STR analysis, the Office has established electronic communications with the following institutions:

No.	Institution	Connection Type	Provided Data
1	Ministry of Interior	through Lotus Domino mail client Mail communication with encrypted data and defined structure (on request).	Personal Identification Evidence, Vehicle Assets Data, Penalty records
2	Employment Service Agency	Mail communication with encrypted data and defined structure. (on request)	Persons Employment History
3	Central Registry	Internet access through web page with username granted full permissions	Legal Subjects Establishment, Ownerships, Managers Data
4	Public Revenue Office	Internet access through web page with username granted full permissions. (on request)	Annual Tax Report Data for Legal Entities
5	Money Transfer – Western Union	Mail communication with encrypted data and defined structure.	monthly report with top amount and top transaction
6	Banks	Mail communication with encrypted data and defined structure.	encrypted XML files for: CTR transactions, STR, loans transactions and additional data requester by FIU according article 34 from AML/CFT law
7	Customs Administration	VPN Connection	Cash entering and leaving the country border line, export-import of goods and customs declarations
8	Agency of Financial Support of Agriculture and Rural Development	Mail communication with encrypted data and defined structure.	monthly report with data for financial support of agriculture
9	Pension and disability insurance fund of Macedonia	Mail communication with encrypted data and defined structure	Persons Pension Fund Data

Recommendation of the MONEYVAL Report	*The provisions regulating the exchange of information between the MLPD and investigative bodies are too unspecific and there is some unclarity of the AML Law*

	whether it is allowed to exchange information with other state bodies even without a suspicion of any criminal activity. It should be clarified that this possibility is reduced to cases where there are grounds to suspect money laundering or financing of terrorism.
Measures taken to implement the Recommendation of the Report	Pursuant to Article 33 of AML Law, the data and information analysed and processed by the Office cannot be used for other purposes except those defined with this Law, i.e. for the purposes of preventing money laundering or terrorism financing and it is not allowed to exchange information with other state bodies even without a suspicion of any criminal activity.
Recommendation of the MONEYVAL Report	*Banks send the vast majority of STRs (and also CTRs) to the MLPD; the authorities should undertake efforts (including guidance) to increase the number of STRs submitted by other reporting entities.*
Measures taken to implement the Recommendation of the Report	The Office has undertaken a number of activities directed towards increasing the awareness of the entities as regards the risks from money laundering and terrorism financing on one side, and the activities for more efficient implementation of the AML Law provisions, on the other side. Within the frames of the twinning project trainings were realized which covered diverse profiles of entities. Within the frames of this project, more than 75 activities were realized, and more than 400 persons were trained, who were from different institutions involved in the fight against money laundering and terrorism financing. The preparation and publishing of the two books "Strategy for Prevention of Money Laundering and Terrorism Financing" and "Office for Prevention of Money Laundering and Terrorism Financing" has largely contributed to the awareness raising. These publications were submitted to the entities, and can be also found on the website of the Office. In addition, pursuant to the AML Law provisions, the Office, in cooperation with the supervision bodies and the entities, has prepared indicators for detection of suspicious transactions, which are available to the entities at the website of the Office. In accordance with the provisions of Article 3, paragraph 2, of AML Law, the Office participates in the vocational training of the responsible persons within the entities. Upon invitation of the entities, the Office shall participate in their trainings. Furthermore, upon its own initiatives, the Office organises trainings attended by all entities from a particular profile, or makes on-site visits or has meetings with the entities, during which there are discussions about certain arguable issues so as to improve their practical implementation.
Recommendation of the MONEYVAL Report	*Customs Authorities send a huge number of CTRs in hard copies in huge quantities which do not allow a systematic analysis, particularly in case of multiple cash transactions in smaller amounts over a period of time by the same persons. Thus, the authorities should consider the use of an electronic reporting system also for these CTRs similar to the system used by banks in order to allow a better analysis.*
Measures taken to implement the Recommendation of the Report	1.Customs (VPN connections) • Reports for money cash take in/ take out of the border in accordance with legislation - The data of this report is provided through the web service. This reports custom writes in their system and simultaneously they are available on the web service. On our side the process is automated. Whenever a data appears on the web service, it is executing a job and writes this data in the database. This data is accessed through application module ICM. • Custom declarations reports - This stage is provided through direct communication on database level. In

	the physical level we set a high level security line which connects the two databases and provides encrypted traffic transmission. In the data layer there is strictly defined set of data, at the same time utilizing the feature on database for exchanging data it is transmitting to our side. This set of data is directly stored from their database in our database. There is a daily job which updates the set of data. Before electronically receiving the data from the Customs, we received a data in hardcopy. All received hardcopy data form 01.01.2006 we putted manually into the database trough ICM application.
(Other) changes since the last evaluation	

Recommendation 30 (Resources, integrity and training)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The staff of the MLPD should be increased enabling it to cover all its tasks (e.g. analysing STRs, CTRs) satisfactorily.*
Measures taken to implement the Recommendation of the Report	In order to realize its legal competences in a more efficient and quality manner, the Office has increased the number of its employees. During the evaluation, the number of employees was 9, whereas today that number has increased to a total of 32 persons (1 official-director, 20 civil servants and 12 contracted employees). The new employees were provided with trainings within the twinning project for their more efficient fulfilment of their tasks. For the realized trainings of the Office's employees see Annex 1 - List of Activities for Awareness Raising and Realized Trainings.
Recommendation of the MONEYVAL Report	*Officers of the relevant departments within the Ministry of Interior and Customs should be provided with adequate training for combating money laundering and terrorist financing.*
Measures taken to implement the Recommendation of the Report	In 2007, 1 training was realized which covered 3 employees from the Customs Administration of RM, and in 2008, 8 trainings were realized, which covered 16 customs employees, whereas in 2009, 6 trainings were realized which covered 37 customs employees. In 2008, representatives from the Financial Police Office participated ay 18 seminars and trainings (of which 16 in the country and 2 abroad), in 2009 at 16 seminars and trainings (of which 13 in the country and 3 abroad), organised by the Council of Europe, the US Embassy, TAEX, Twinning Project of the Office and the Public Prosecutor's Office, etc. The trainings, i.e. the seminars, refer to the introduction and transfer of knowledge from other countries acquired through detection of cases with money laundering, terrorism financing, financial investigations of the perpetrators of criminal acts etc. In 2007, 79 trainings were realized for the employees of the Ministry of Interior, in 2008, 67 trainings were realized, and in 2009, 16 trainings were realized.
Recommendation of the MONEYVAL Report	*More training and staff for the Insurance Supervision Division is needed.*
Measures taken to implement the Recommendation of the Report	Representatives of the Insurance Supervision Unit – Ministry of Finance, participated at 3 trainings conducted within the frames of the Twinning Project of the Office. In cooperation with GTZ, the Insurance Supervision Unit prepared and issued a Manual for prevention of money laundering and terrorism financing in insurance and Manual for the manner of conducting supervision of the insurance companies.
(Other) changes since	

the last evaluation	

Recommendation 31 (National cooperation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The evaluators recommend clarifying the competences of the investigative bodies (clearly defining which authority is competent in which cases).*
Measures taken to implement the Recommendation of the Report	Pursuant to the Law on Public Prosecutor's Office (entered into force in December, 2007), the Public Prosecutor's Office has managing role in the pre-investigative procedure, meaning that the Public Prosecutor's Office is competent to decide which institution shall be involved or shall be in charge of the pre-criminal procedure or shall engage enforcement officers from one or more law enforcement agencies, which shall be under its competence till completion of the review. While applying the Special Investigative Measures, there is no possibility for conflict while attempting to prove these acts having in mind that although several agencies are legally authorized to conduct Special Investigative Measures, the necessary enforcement capacities are only with the Ministry of Interior, whereas the instruction for their application can be issued only by the Public Prosecutor (in case of unknown persons), as well as the investigative judge based on a request of the Public Prosecutor's Office (in case of identified persons); therefore, there are no possibilities for overlapping of competences in practice. The "Guidelines on the manner of conducting criminal investigations in the police in the Ministry of Interior", applied as of July 2008, were prepared within the Ministry of Interior. The Guidelines regulate the intersectoral (inter-institutional) cooperation for cases in which the Special Investigation Measures are applied and in investigations in which those measures are not applied, but, in other circumstances (extended timeframe, need from various types of expertise, efficiency increasing, etc.), intersectoral cooperation is necessary. Having in mind the frequency of such criminal activities in the Republic of Macedonia, as well as the number of agencies, their capacities and possibilities (legal), and the population number and territory of the Republic of Macedonia, there are endeavours to make the "team approach" dominant as regards the investigation procedures, in which the Public Prosecutor's Office has a dominant role which is always applied when dealing with "money laundering" and "terrorism financing", especially because the Basic Public Prosecutor's Office is competent for this type of organised crime and corruption, thus making their involvement in international or central level cases a "commitment" and a need. The practical previous experience has shown constructive cases when for a particular criminal act "abuse of official position and authority", the MoI has proven the material aspect of certain public procurements, whereas the Financial Police has proven the financial aspect. In this manner, one is able to provide more quality evidence material for the arraignment of the Public Prosecutor's Office as compared to the investigation within a single aspect.
Recommendation of the MONEYVAL Report	*There should be an authority or a mechanism in place ensuring a nation-wide policy on cooperation or appropriate coordination in the combat against money laundering or financing of terrorism.*
Measures taken to implement the Recommendation of the Report	The realisation of activities foreseen with the National Strategy for Prevention of Money Laundering and Terrorism Financing is coordinated by the Council for combating the money laundering and the terrorism financing (hereinafter referred to as the Advisory Authority). The Advisory Authority monitors and coordinates the realisation of activities

	referred to in the Strategy, directs and creates the national politics for cooperation and coordination in the fight against money laundering and terrorism financing. The Advisory Authority consists of representatives from all relevant institutions included in the system for prevention of money laundering and terrorism financing.
(Other) changes since the last evaluation	

Recommendation 32 (Statistics)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*One of the authorities involved (perhaps the prosecution or the judiciary) should maintain comprehensive and more detailed statistics on money laundering investigations, prosecutions and convictions or other verdicts (as well as whether confiscation has also been ordered) indicating not only the number of persons involved but also the number of cases/offences but also providing information on the underlying predicate crimes and further characteristics of the respective laundering offence (whether it was prosecuted autonomously etc.).*
Measures taken to implement the Recommendation of the Report	The statistics managed by the Ministry of Interior covers the following: criminal act, predicate criminal offence (if determined), perpetrator(s) of criminal offences (complete personal details), title of legal entity, damage on property, short description of the offence, as well as "additional data". The Ministry of Interior obtains the information on the filed criminal complaint after the completion of the court procedure with submission of the final ruling.
Recommendation of the MONEYVAL Report	*The MLPD should keep statistics concerning the number and results of the reports disseminated from the MLPD to other institutions (investigations, indictments, convictions, persons involved, cases).*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 32, paragraph 3, of the AML, the competent Public Prosecutor and other state bodies shall be bound to notify the Office on every initiated procedure for criminal act money laundering and financing terrorism, and pursuant to paragraph 5, courts shall be bound to submit to the Office all effective rulings for criminal acts money laundering and financing terrorism.
Recommendation of the MONEYVAL Report	*More statistical data on AML/CFT mutual legal assistance issues (e.g. nature of mutual assistance requests; the time required to handle them; type of predicate offences related to requests) is needed to show the effectiveness of the system.*
Measures taken to implement the Recommendation of the Report	The Ministry of Justice keeps statistics on the received and submitted mutual assistance requests and mutual assistance requests for which actions were undertaken.
Recommendation of the MONEYVAL Report	*All supervisory authorities (and not only the NBM and the SEC) should keep statistics on supervision.*
Measures taken to implement the Recommendation of the Report	The Securities and Exchange Commission of the Republic of Macedonia performs on site (with or without prior notice) and off site supervision of authorised participants in the capital market. The Commission keeps registries for all performed controls over the authorised participants at the capital market; furthermore, the Commission also keeps registries on the pronounced measures against the authorised participants at the capital market, as well as on the entire correspondence with all relevant institutions which represent results from the performed controls. During 2008, SEC has conducted a total of 35 on-site controls of the authorised participants at the capital market, of which 7 were without prior notice whereas the remaining 28 are regular controls. Furthermore, until and inclusive of 01/06/2009, the Commission has conducted a total of 22 on-site controls of the operations of the authorised participants at the capital market, of

	which 7 were exceptional, whereas the remaining 15 were regular. The NBRM, during 2007, has conducted a control over the application of measures and activities for prevention of money laundering and terrorism financing for 5 banks, 3 savings houses, 332 currency exchange offices and 13 fast money transfer service providers; during 2008, it has conducted 21 control for banks (19 full and 2 partial controls), 14 savings houses, 223 currency exchange offices and 16 fast money transfer service providers, and in period from 01.01.2009-30.06.2009, it has conducted controls for 9 banks, 63 currency exchange offices and 1 fast money transfer service provider. Based on the determined condition from the realized controls, in 2007, 1 correctional measure was pronounced for a bank, and in 2008, 6 correctional measures were pronounced for a bank. 1 misdemeanour procedure was initiated against the banks by NBRM in 2007, 1 settlement procedure in 2008, and 4 settlement procedures in 2009. 1 settlement procedure was initiated by the NBRM in 2008 against the savings houses. 8 misdemeanour procedures were initiated against the currency exchange offices by NBRM in 2007, and 4 misdemeanour procedures and initiated 1 misdemeanour procedure in 2008. The Ministry of Finance, the Unit for Insurance Supervision, conducts regular on-site and off-site supervisions and additional supervisions if it finds that it is in the best interest of the insured parties. The Ministry keeps registries for the entities in the insured market, and also keeps registries for the conducted supervisions and pronounced measures. The Insurance Supervision Unit has established its own database. The data are public and are regularly published on the website of the Ministry of Finance (in the part-financial system-insurance-reports). Upon completion of the business year, the Insurance Supervision Unit prepares an annual report on the condition of the insurance market in the RM. This report, *inter alia*, contains data, on the conducted supervisions throughout the year and the pronounced measures. The Agency for Supervision of Fully Funded Pension Insurance (MAPAS) keeps records of the undertaken measures against pension companies. The Agency performs regular on-site and off-site supervision of the pension companies and pension funds. *Off-site Supervision* The Agency, on a daily basis, as proactive control, performs off-site control of all activities with the funds of the obligatory pension funds. On a quarter basis, the Agency controls the accounting and financial reports of the obligatory pension funds and the companies for management with obligatory pension funds, the minimum amount of liquidation funds which are to maintain the companies for management with obligatory pension funds, the minimum capital amount which is to maintain the companies for management with obligatory pension funds. *On-site Supervision* In accordance with the Annual Plan of the Agency for control of the operations of the pension fund management companies in 2008 a control was conducted for the operations of the pension fund management companies (institutional control) in the premises of both companies. Within the frames of the institutional control and in accordance with the Annual Plan, the Agency has conducted a control in 31 branch offices of the business associates of the companies. In addition, in 2008, a regular on-site control was carried out over the operations of both companies for obligatory pension fund management (financial control), in

	accordance with the Annual Plan of the Agency for Control of the pension fund management companies for 2008. The control was carried out in the premises of both companies. The Agency keeps relevant statistics for all performed on-site controls and undertook measures. The Public Revenue Office, in June 2009, performed supervision over the application of measures and activities defined with the AML Law in 4 casinos and has concluded that there is an infringement in accordance with Article 49, paragraph 1, indent 21 in three casinos, i.e. they have no prepared programmes for protection from money laundering and terrorism financing. A settlement procedure was suggested for the infringement in accordance with Article 53 of the AML. The Office, within the period from 30.10.2008 (as of the adoption of the Rulebook for inspection supervision procedure (Official Gazette of RM 37/08)) till 1 July 2009, performed inspection supervision over the following entities: Banks-2, currency exchange offices-22, savings houses-1, insurance companies-2, casinos-2. From the aforementioned supervisions, 22 notices were pronounced, 4 settlements with total value of MKD 5.050.030 were realized, 2 requests were submitted for initiation of misdemeanour procedures, whereas the remaining supervisions are ongoing. Records are kept for those data.
Recommendation of the MONEYVAL Report	*The supervisory authorities should keep comprehensive statistical information on the exchange of information with foreign counterparts (including spontaneous exchange of information).*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 48, paragraphs 1 and 3 of AML Law, the supervision bodies have the following commitments: "(1) The bodies and institutions referred to in Article 46 of this Law and the commissions referred to in Article 47 of this Law shall be bound to notify the Office of the request submitted to initiate a misdemeanour procedure for an offence committed referred to in Article 49, 50, 51 and 52 of this Law by the entities which are supervised of the initiated settlement procedures and the outcome of these proceedings. (3) The bodies and institutions referred to in Article 46 and the commissions referred to in Article 47 of this Law shall be bound to inform the Office, without delay and occasionally, at least twice a year, of the supervision carried out over the entities and on the findings from the supervision carried out." The option for NBRM to exchange data with foreign supervisory bodies is defined in Article 38 of the Law on the National Bank of the Republic of Macedonia, and also refers to the banks and the saving houses founded in the country. However, taking into consideration the existing legislation, shareholders, i.e. partners to the saving houses of RM can be only domestic legal and natural entities. This limits the possibility for the foreign entity to be a shareholder/partner to the saving house, i.e. limits the need for exchange of information with foreign supervisory bodies on the manner of operations and supervision of the saving houses in RM. Similar provisions exist in the Law on performing the fast money transfer service and the Law on Foreign Exchange Operations, which regulate the fast money transfer service, i.e. the currency exchange operations. The fast money transfer service and the currency exchange operations can be performed only by domestic legal entities which were licensed by the National Bank. Therefore, the need for exchange of information and data with foreign supervisory bodies is limited with these entities. The international cooperation, exchange of data and information between the supervisory bodies and foreign counterparts and the statistical data management for

	this type of cooperation is subject to regulation of the relevant laws and bylaws.
(Other) changes since the last evaluation	

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The authorities should ensure that the legal framework allows for adequate, accurate and timely information on the beneficial ownership and control of legal persons.*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 9, paragraph 1, item b) of the AML Law and as in the draft-Law, the entities within the frames of the CDD procedure are obliged to identify the beneficial owner and to verify his/her identity based on the risk assessment. Pursuant to Article 27, paragraph 1 of the Draft law, the entities shall be bound to keep copies of the documents verifying the identity of clients or beneficial owners, on the conducted procedures for analysis of the clients or beneficial owners and for the realized transactions or ongoing transactions, from the client's records and business correspondence for at least ten years after the transaction has been carried out, i.e. calculated from the last transaction in cases of several transactions constituting one whole. The entities are obliged to make these documents available to the Office or the supervisory bodies upon their request, in accordance with Article 27, paragraph 9 of the draft-Law.
(Other) changes since the last evaluation	

Recommendation 35 (Conventions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*"The former Yugoslav Republic of Macedonia" should implement all the provisions of the relevant international conventions it has ratified.*
Measures taken to implement the Recommendation of the Report	The Republic of Macedonia has ratified the following conventions: 1. Criminal Law Convention on Corruption (CETS 173) – ratified on 28.07.1999, entered into force on 01.07.2002 (Official Gazette of the Republic of Macedonia, No 32/99); 2. Additional Protocol to the Criminal Law Convention on Corruption (Official Gazette of the Republic of Macedonia, No 83/05) 3. Civil Law Convention on Corruption (CETS 174) – ratified on 29.11.2002, entered into force on 01.11.2003 (Official Gazette of the Republic of Macedonia, No 13/02); 4. Council of Europe Convention from 1990 on Laundering, Search, Seizure and Confiscation of Proceeds from Crime (CETS 141) – ratified on 19.05.2000, entered into force on 01.09.2000 (Official Gazette of the Republic of Macedonia, No 58/99); 5. The UN Convention (Palermo Convention) Against Transnational Organised Crime and its Protocols – ratified on 28.09.2004 (Official Gazette of the Republic of Macedonia, No 70/04); 6. The UN Conventions Against Corruption, signed in August, 2005, and ratified 03.2007. 7. European Convention on Mutual Assistance in Criminal Matters (CETS 030) and its Additional Protocol (CETS 099) – ratified on 28.07.1999, entered into force on 26.10.1999 (Official Gazette of the Republic of Macedonia, No 32/99)

	7. Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (CETS 182) – ratified on 24.06.2003 (Official Gazette of the Republic of Macedonia, No 44/03) European Convention on the Transfer of Sentenced Persons (CETS 112) – ratified on 28.07.1999, entered into force on 01.11.1999 (Official Gazette of the Republic of Macedonia, No 32/99); Additional Protocol to the European Convention on the Transfer of Sentenced Persons (CETS 167) – ratified on 28.07.1999, entered into force on 01.06.2000 (Official Gazette of the Republic of Macedonia, No 32/99); 10. European Convention on Extradition (ETS 024) and its additional Protocol (STE 086) and the Second additional Protocol (CETS 098) - ratified on 28.07.1999 and entered into force on 26.10.1999 (Official Gazette of the Republic of Macedonia, No 32/99); 11. European Convention on the Transfer of Proceedings in Criminal Matters (ETS 073) – ratified on 29.11.2004 (Official Gazette of the Republic of Macedonia, No 49/04); 12. Convention on Cybercrime (CETS 185) – ratified on 5.09.2004 (Official Gazette of the Republic of Macedonia, No 41/04); 13. Additional Protocol to the Convention on Cybercrime concerning the criminalisation of acts of a racist and xenophobic nature committed through computer systems (CETS 189) – ratified on 5 July 2005 (Official Gazette of the Republic of Macedonia, No 56/05); 14. Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), ratified on 27.05.2009, entered into force on 01.09.2009. The ratified conventions are part of the national legislation. The international documents are fully implemented in the new amendments to the laws within the criminal domain.
(Other) changes since the last evaluation	

Recommendation 40 (Other forms of cooperation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*In order to allow the widest range of cooperation, the MLPD should clearly be entitled to exchange information also spontaneously and without the request of a foreign body (as currently required by Art. 37 of the AML Law).*
Measures taken to implement the Recommendation of the Report	The exchange of data and information with the authorized bodies and organizations of other states, as well as with international organization dealing with prevention of money laundering and financing of terrorism is regulated with Articles 44 and 45 of the AML Law, as follows: "Article 44 (1) The Office may conclude agreements for cooperation with authorised bodies from third countries and with international organisations dealing with fight against money laundering and financing terrorism, (2) The Office may, within the international cooperation, request data and submit the data received pursuant to this Law to the authorised bodies and organisations of third countries, spontaneously or upon their request and under condition of reciprocity, as well as to international organisations dealing in fight against money laundering and financing terrorism. (3) The request for exchange of data from the bodies and organisations referred to in paragraph (2) of this Article should be clarified with the appropriate known facts indicating money laundering and financing terrorism and the purpose for

	which the requested data and information will be used. (4) The Office shall be bound to provide all appropriate data and information upon the received request referred to in paragraph (3) of this Law in accordance with the competences set out in this Law. (5) The Office may refuse the request for exchange of data referred to in paragraph (2) of this Article if it is contrary to this Law or if it impedes the conduct of the investigation of another competent state authority or the criminal procedure against the person on which data is requested. The Office shall be bound to elaborate the reasons for refusing the request. (6) The Office shall be bound to use the data and information provided by the authorised bodies from third countries for the purposes laid down with this Law and under the conditions set out by the body that provided them. (7) The Office may exchange data and information provided by authorised bodies from third countries with the bodies competent to conduct investigations, after obtaining their prior consent. (8) The data and information provided on the basis of this Article shall have the capacity of a business secret. (9) The Office may request information from the authorised bodies from third countries on the manner of using the data it provided pursuant to this Article. Article 45 (1) The provisions of Articles 36, 37, 38 and 39 of this Law will apply where a competent authority for prevention of money laundering and financing terrorism from another country will ask refusal or postponement of a transaction. (2) The request referred to in paragraph (1) of this Article should be clarified and should refer to the transaction related to money laundering and the refusal or postponement would be realised if the transaction is subject to a domestic report for a suspicious transaction. Pursuant to Article 44, paragraph 2 of the AML Law, the Office is authorised to exchange information also spontaneously and without the request of a foreign body.
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Recommendation of the MONEYVAL Report	*The AML Law should clearly entitle the MLPD to request data from foreign authorities.*
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(3) The request for exchange of data from the bodies and organisations referred to in paragraph (2) of this Article should be clarified with the appropriate known facts indicating money laundering and financing terrorism and the purpose for which the requested data and information will be used.

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The increased number of submitted requests from the Office is a result from the increased number of submitted STR by the entities to the Office during 2008 and 2009.</td></tr>
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	manner of operations and supervision of the saving houses in RM. Similar provisions exist in the Law on performing the fast money transfer service and the Law on Foreign Exchange Operations, which regulate the fast money transfer service, i.e. the currency exchange operations. The fast money transfer service and the currency exchange operations can be performed only by domestic legal entities which were licensed by the National Bank. Therefore, the need for exchange of information and data with foreign supervisory bodies is limited with these entities.
(Other) changes since the last evaluation	

Special Recommendation I (Implement UN instruments)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The requirements of the UN Conventions should be reviewed to ensure that "the former Yugoslav Republic of Macedonia" is fully meeting all its obligations under them. Particularly "the former Yugoslav Republic of Macedonia" should introduce* • *a legal structure for the conversion of designations under S/RES/1267(1999) and its successor resolutions as well as S/RES/1373(2001);* • *a comprehensive and effective system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc.;* • *a system for effectively communicating action taken by the authorities under the freezing mechanisms to the financial sector and DNFBP*.
Measures taken to implement the Recommendation of the Report	The Law on Restrictive Measures defines the procedure for application of restrictive measures and the institutions responsible for implementation of the restrictive measures. This procedure provides for smooth implementation of the foreseen measures for persons included in the lists of terrorists and terrorist organisations. As far as the delisting requests are concerned, the procedure is the same as in the pronouncing and application of restrictive measures. According to the previous practice, no persons were registered in RM from the lists of terrorists and terrorist organisations for whom the economic measures or the delisting requests would be implemented.
(Other) changes since the last evaluation	

Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*A comprehensive system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc. should be established. Thus, the evaluators recommend that a comprehensive set of detailed and generally applicable rules for an administrative procedure should be drafted and adopted, practically on the conceptual base that has already been provided by the Law on International Restrictive Measures.*
Measures taken to implement the Recommendation of the Report	The confiscation subject in the Republic of Macedonia is regulated with several laws: The Law on Criminal Procedure, the Criminal Code and the Law on Execution of Sanctions. According to Article 97 of the Criminal Code, no one may retain the direct or indirect property gain acquired through a criminal act. Furthermore, according to Article 98, the property gain acquired from criminal acts and consisting of money, movable or non-movable objects of value, as well as any other property or assets, material or non-material rights shall be taken away from the offender, and if the

	confiscation is not possible, other property shall be confiscated from the offender which corresponds to the gained property. The Criminal Code regulates the matter regarding the confiscation of the object which were used to commit the criminal act. Within that context, Article 100-a prescribes that no one can keep the items that were a result from the criminal activities. In addition, it is foreseen that the items which were foreseen to be used, or were used, for the criminal act, shall be taken away from the offender, regardless of the fact that they are his/her ownership or are owned by a third person, if this is considered to be in the interest of general security, people's health or for moral reasons. The items which were used or were foreseen to be used for the criminal activity can be taken away if there is suspicion that the ones might be reused for the criminal act. Nevertheless, it is foreseen that items in ownership of a third person shall not be taken away, unless that person was aware or was able and was obliged to know that those items were used or were foreseen to be used for committing of the criminal act. The Law on Criminal Procedure also prescribes provisions that regulate the property and items confiscation matter. Therefore, Article 485 prescribes that the items, which pursuant to the Criminal Code have to be taken away, shall be taken away even when the criminal procedure does not result into a ruling which finds the defendant guilty. In addition, it is prescribed that the property and the property gain acquired with the committed criminal act is regulated ex officio in the criminal procedure. During the procedure, the court and the other bodies, responsible for the criminal procedure, are obliged to collect evidence and to investigate the circumstances important for the purposes of defining the property and the property gain. The Law on Criminal Procedure prescribes provisions for confiscation of property of a legal person and for determining the value of the confiscated property and property gain. Article 493-b of the mentioned Law prescribes a timeframe of 30 days after the ruling becomes valid for realisation of the confiscation of property and property gain. The enforcement order is issued by the court which adopted the first instance ruling. The Law on Execution of Sanctions has a special chapter pertaining to execution of the confiscation of the property and property gain and the taking away of items. Therefore, in Article 343 it is prescribed that the person to whom the confiscation of the property and property gain was pronounced, the property and the gain, which he owned in the time when the judgment became legal, would be seized from him. It is prescribed that, when executing the confiscation, the object of confiscation will be the property and the property gain, which according to the Law on Execution are not excluded from the execution if it is not differently provided with this law. In addition, this Law prescribes the actual and local jurisdiction for execution of the confiscation, the execution of the confiscation for a legal entity. The Law on Execution of Sanctions regulates also the matter pertaining to the seizure of items. Therefore, it is prescribed that the valid decision according to which the items that were used or where indented to be used for committing a crime or were produced as a result of the committed crime will be executed by the competent court in the way as it is determined in the decision itself, by destroying or by concession of the items to a state body or by selling of the items or by handing over the items to appropriate museum if, taking into consideration the nature of the items, are not intended to be an object of trade. The new Draft-CC incriminates the confiscation of direct and indirect property gain, thus clearly defining these terms. With Article 12, of the Draft Law CC, following the current Article 97, a new Article is added, 97-a, which reads as follows “Confiscation of direct property

	gain", a new legal provision, which apart from the confiscation of indirect property gain also foresees confiscation of direct property gain from the offender, which consists of the following: according to paragraph 1 – it is the property into which the proceeds from the criminal act was transformed; according to paragraph 2 –the property into which the proceeds from the criminal act were transformed; according to paragraph 3, the property gained from legal sources shall be confiscated from the offender if the proceeds from the criminal act are associated, fully or partially, with such property, up to the assessed value of the associated gain resulting from the criminal act, and according to Article 4 – the confiscation of direct gain includes the income or other proceeds resulting from the gain acquired from criminal acts, from the property in which the proceeds from the criminal act were transformed, or from property in which there are associated proceeds from the criminal act, up to the estimated value of the associated value from the criminal act. In Article 98, paragraph is changed so that it now defines the content of the property as well as other items representing proceeds from criminal acts; therefore, pursuant to this article, the direct and indirect property gain acquired with the criminal act and consisting of money, movable or non-movable items of value, as well as any other property or assets, material or non-material rights, shall be confiscated from the offender, and if that confiscation is not possible, another property corresponding to the value of the acquired proceeds shall be confiscated from the offender. The new legal provision in paragraph 2 of Article 98 prescribes that the indirect and direct property gain shall be confiscated from third parties for whom it was acquired through the criminal act. In addition, pursuant to paragraph 3 of this Article, the property gain referred to in paragraph (1) shall also be confiscated from persons to whom it was transferred if it is obvious that there was no compensation corresponding to the value of the acquired property gain or from third persons if they cannot prove that there was an appropriate contribution for the item or the property corresponding to the value of the acquired property gain. Regarding the subjective side, the words in paragraph 4 "notwithstanding that they did not know, nor could they have known, nor were they obliged to know, that they have been gained though crime" are deleted.
Recommendation of the MONEYVAL Report	*All the institutions should be given clear user-friendly guidance and instructions concerning their rights and obligations under the freezing mechanisms, such as in the case of errors, namesakes or requests for unfreezing and for access for basic expenses.*
Measures taken to implement the Recommendation of the Report	The adoption of the amendments to the Criminal Code derive from the need for harmonisation of the confiscation matter with the latest international standards in this domain. Furthermore, the amendments to this Law are proposed so as to overcome the weaknesses of the existing provisions which were a reason for its non-implementation in the current practice in the Republic of Macedonia. One of the key reasons for adoption of this Law is the introduction of the expanded confiscation in our penal legislation. This is an institute being applied in the modern European legislation in terms of dealing with organised crime. In addition, another reason for adoption of this Law is the harmonisation with the UN Convention against corruption as regards the inclusion of a new criminal act "Illegal acquiring and covering up of property". The existing legal gap in our legislation regarding the indirect property gain is now filled in with Article 11 of the draft Law. The new Article 97-a is added, where it is

	prescribed that apart from the indirect property gain, the direct property gain shall also be confiscated from the offender of the criminal act. The definition for direct property gain is harmonised with the Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime. The key decisions referred to in Article 12 of the draft Law relate to the confiscation from third parties. In addition, it is foreseen that the property gain shall also be confiscated from third persons, as well as from persons to whom it was transferred if it is obvious that there was no compensation corresponding to the value of the acquired property gain or if the third persons cannot prove that there was an appropriate contribution for the item or the property corresponding to the value of the acquired property gain. The most significant novelty of the Law is the introduction of the so-called expanded confiscation. This was realised with Article 13 from the draft Law with the introduction of the new Article 98-a. Within that context, the standards of the already elaborated Framework Decision of the European Council from 2005 are fully implemented. The new Article 98-a prescribes conditions for expanded confiscation, i.e. cases involving confiscation of property gained within a defined timeframe before the ruling determined by the court depending on the circumstances of the case. In accordance with the international standards, it was accepted that this period shall not be longer than 5 years before the act was committed, when there is reasonable doubt that it is a result from that act or from similar acts and for which the offender cannot prove that they were legally acquired. In addition, this Article also contains provisions for confiscation from third persons, as well as that the stated property is confiscated from family members or third persons to whom it was transferred if it is obvious that there was no compensation which corresponds to its value.
Recommendation of the MONEYVAL Report	*The examiners recommend* • *establishment of an effective system for implementation without delay by all financial institutions in this field, together with the provision of clear and publicly known guidance concerning their responsibilities;* • *create and/or publicise procedures for considering de-listing requests and unfreezing assets of de-listed persons;* • *create and/or publicise a procedure for unfreezing in a timely manner the funds and assets of persons inadvertently affected by the freezing mechanism upon verification that the persons is not a designated person;* • *clarify the procedure for authorising access to funds/assets that are frozen and that are determined to be necessary on humanitarian grounds in a manner consistent with S / Res / 1452 (2002);* • *create and/or publicise the procedure for court review of freezing actions* • *consideration and implementation of relevant parts of the Best Practice Paper.*
Measures taken to implement the Recommendation of the Report	The Law on Restrictive Measures defines the procedure for application of restrictive measures and the institutions responsible for implementation of the restrictive measures. This procedure provides for smooth implementation of the foreseen measures for persons included in the lists of terrorists and terrorist organisations. As far as the delisting requests are concerned, the procedure is the same as in the pronouncing and application of restrictive measures. According to the previous practice, no persons were registered in RM from the lists of terrorists and terrorist organisations for which the economic measures or the delisting requests would be implemented.
(Other) changes since	

the last evaluation	

Special Recommendation V (International Cooperation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Arrangements for coordinating seizure and confiscation action with other countries should be established. Consideration should also be given to establishment of an asset forfeiture fund as well as to sharing of confiscated assets with other countries when confiscation is a result of coordinated law enforcement action.*
Measures taken to implement the Recommendation of the Report	Pursuant to the recommendations, the Republic of Macedonia has foreseen provisions in the text of the new Draft Law CC relating to the expanded confiscation according to which, from the offender of a criminal act committed within the frames of a criminal association realising property gain and for which a sentence with prison is foreseen of at least 4 years, as well as a criminal act relating to terrorism referred to in articles 313, 394-a, 394-b and 419, and for which a sentence with prison with duration of five years is foreseen or a more severe penalty, or is related to the criminal act money laundering for which a sentence with prison of at least four years is foreseen, the property shall be confiscated which was acquired during the timeframe before the ruling determined by the court depending on the circumstances of the case, but no longer than five years before the act was committed, when based on all circumstances there is reasonable doubt that it is exceeding the legal proceeds of the offender and is a result from such act (Article 98-a, paragraph 1). Also, the property referred to in paragraph (1) of Article 98-a is foreseen to be confiscated from third persons for whom it was acquired with the committing of the criminal act (Article 98-a, paragraph 2). In addition, it is foreseen that the property referred to in paragraph (1) of this Article shall be confiscated from the family members of the offender to whom it was transferred when it is obvious that there was no compensation corresponding to its value or from third persons provided they cannot prove that they made a compensation which corresponds to the value of the item or the property (Article 98-a, paragraph 3). The Assembly of the Republic of Macedonia, on 25 July 2008, adopted the Law on Management with Confiscated Property, Property Gains and Seized Items in Criminal and Misdemeanour Procedure (Official Gazette of RM No 98 from 04.08.2008), which regulates the management and usage of the temporary confiscated property, property gains and the temporary seized items with a valid court ruling in criminal and misdemeanour procedure, as well as the establishment, jurisdiction, management, and other issues related with the operations of the Agency for Management with Seized Property. The Agency for Management with Seized Property is registered in the Central Registry on 31 March 2009, when it officially commenced the realisation of its activities. Regarding the available funds, the Agency was provided with its own budget, and has commenced the activities regarding the preparation of the financial projections till 2012. The Agency for Management with Seized Property consists of a Steering Board and Director of the Agency. Within the frames of its competences, the Agency manages confiscated property, property gain and seized items, in accordance with the court and the competent authority, manages the temporary confiscated property, property gains and the temporary seized items, for the purposes of protecting their value, conducts the procedure for confiscation of property and property gains, keeps and stores the seized property, makes the respective evaluation, keeps records of the overall seized property, sells it, and

	performs other activities in accordance with the Law (Article 6, Law on Management with Confiscated Property, Property Gains and Seized Items in Criminal and Misdemeanour Procedure). As regards the previous results from the operations of the Agency, the Agency for Management with Seized Property collects data regarding the seized property as of the adoption of the Law on Management with Confiscated Property, Property Gains and Seized Items in Criminal and Misdemeanour Procedure, and before its adoption; in addition, diverse plans and projects are being elaborated so as to achieve operational functionality in the legal, economical, operational domain, as well as in the domain covering the planning, informatics and international activity. Within the frames of the international activities, the Agency for Management with Seized Property has established contacts with the Agency for Confiscated Property in Bulgaria, during which a cooperation was established with exchange of opinions and experiences; the Agency was also provided with written materials which could be used within the frames of its legal authorisations. The Agency also has continued cooperation with the Italian Agency for Confiscated Property. The provisions from the ratified conventions are directly applied.
Recommendation of the MONEYVAL Report	*Because financing of terrorism is insufficiently criminalised in the current domestic legislation, the requirement of dual criminality for extradition would mean that not all kinds of terrorist financing offences would be extraditable and the same refers to money laundering cases below the threshold of five officially declared monthly salaries. As a consequence, the deficiencies in the criminalisation of money laundering and terrorist financing as described under Section 2.1 and 2.2 may pose a significant obstacle to executing extradition requests. Thus, also the same recommendations as described under 2.1 and 2.2 apply.*
Measures taken to implement the Recommendation of the Report	The new Law Amending and Consolidating the Law on Criminal Procedure does not foresee changes in the part pertaining to the procedure for extradition of accused and convicted persons. Taking the previous into consideration, the extradition procedure is realised in accordance with the legal provisions prescribed in the Law on Criminal Procedure (Official Gazette of RM No 15 from 07.03.2005, which are in compliance with the European Convention on Extradition and its protocols, as well as with the other international agreements ratified in compliance with the Constitution of the Republic of Macedonia (Article 559). According to the presumptions for extradition, the person whose extradition is requested not to be a citizen of the Republic of Macedonia (Article 560, paragraph 1), the crime for which there is a request for extradition not to be committed on the territory of the Republic of Macedonia, against it or against its citizen (Article 560, paragraph 2), the crime for which there is a request for extradition to be a crime both according to the domestic law and the law of the country in which it has been committed (Article 560, paragraph 3), according to the domestic law the criminal prosecution not to be obsolete or the execution of the punishment not to be obsolete before the foreigner is detained or examined as an accused (Article 560, paragraph 4), the foreigner whose extradition is requested not to be convicted before by the domestic court for the same crime, or for the same crime by the domestic court not to be released with a legally valid decision, or against him the criminal procedure not to be interrupted or the prosecution not to be rejected with a legally valid decision, or for the same crime procedure not to be initiated in the Republic of Macedonia or against it or against a citizen of the Republic of Macedonia, unless a guarantee is not issued for realisation of the lawful property request of the damaged (Article 560, paragraph

	5), the identity of the person, whose extradition is requested to be determined (Article 560, paragraph 6), and there to be sufficient evidence for a grounded suspicion that the foreigner, whose extradition is requested, committed certain crime or that there is a legally valid verdict (Article 560, paragraph 7). Hence, and having in mind the recommendations of the MONEYVAL report, the extradition of accused or convicted persons is carried out in accordance with the provisions of the national legislation which does not differentiate between the type of criminal act, but the prescribed legal conditions in the Law on Criminal Procedure clearly point out that the extradition procedure for terrorism financing is realized in the same manner for all criminal acts.
Recommendation of the MONEYVAL Report	*In order to allow the widest range of cooperation, the MLPD should clearly be entitled to exchange information also spontaneously and without the request of a foreign body (as currently required by Art. 37 of the AML Law).*
Measures taken to implement the Recommendation of the Report	The exchange of data and information with the authorized bodies and organizations of other states, as well as with international organization dealing with prevention of money laundering and financing of terrorism is regulated with Articles 44 and 45 of the AML Law, as follows: "Article 44 (1) The Office may conclude agreements for cooperation with authorised bodies from third countries and with international organisations dealing with fight against money laundering and financing terrorism, (2) The Office may, within the international cooperation, request data and submit the data received pursuant to this Law to the authorised bodies and organisations of third countries, spontaneously or upon their request and under condition of reciprocity, as well as to international organisations dealing in fight against money laundering and financing terrorism. (3) The request for exchange of data from the bodies and organisations referred to in paragraph (2) of this Article should be clarified with the appropriate known facts indicating money laundering and financing terrorism and the purpose for which the requested data and information will be used. (4) The Office shall be bound to provide all appropriate data and information upon the received request referred to in paragraph (3) of this Law in accordance with the competences set out in this Law. (5) The Office may refuse the request for exchange of data referred to in paragraph (2) of this Article if it is contrary to this Law or if it impedes the conduct of the investigation of another competent state authority or the criminal procedure against the person on which data is requested. The Office shall be bound to elaborate the reasons for refusing the request. (6) The Office shall be bound to use the data and information provided by the authorised bodies from third countries for the purposes laid down with this Law and under the conditions set out by the body that provided them. (7) The Office may exchange data and information provided by authorised bodies from third countries with the bodies competent to conduct investigations, after obtaining their prior consent. (8) The data and information provided on the basis of this Article shall have the capacity of a business secret. (9) The Office may request information from the authorised bodies from third countries on the manner of using the data it provided pursuant to this Article. Article 45 (1) The provisions of Articles 36, 37, 38 and 39 of this Law will apply where a competent authority for prevention of money laundering and financing terrorism

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(3) The request for exchange of data from the bodies and organisations referred to in paragraph (2) of this Article should be clarified with the appropriate known facts indicating money laundering and financing terrorism and the purpose for which the requested data and information will be used.

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	requests of the MLPD in due time.
Measures taken to implement the Recommendation of the Report	The manner in which the Office acts upon the requests of the authorised bodies and organisations of other countries, as well as of the international organizations dealing with prevention of money laundering and financing of terrorism, is regulated in Article 44, paragraph 4 of the AML Law. Pursuant to this Article, the Office is obliged to provide all relevant data and information regarding the received request of the foreign FIU, in accordance with the competences set out in the AML Law. Furthermore, the "Procedure for dealing with requests of a foreign FIU", prepared by the Office, defines more closely the manner of providing data requested by the foreign FIU and the terms within which the Office is obliged to provide those data and submit them to the relevant FIU.
Recommendation of the MONEYVAL Report	*A legal basis should be introduced to authorize the NBM to cooperate with foreign supervisors concerning the supervision of savings houses, exchange offices or service providers for fast money transfer.*
Measures taken to implement the Recommendation of the Report	The option for NBRM to exchange data with foreign supervisory bodies is defined in Article 38 of the Law on the National Bank of the Republic of Macedonia, and also refers to the banks and the saving houses founded in the country. However, taking into consideration the existing legislation, shareholders, i.e. partners to the saving houses of RM can be only domestic legal and natural entities. This limits the possibility for the foreign entity to be a shareholder/partner to the saving house, i.e. limits the need for exchange of information with foreign supervisory bodies on the manner of operations and supervision of the saving houses in RM. Similar provisions are contained in the Law on Foreign Exchange Operations and the Law on Fast Money Transfer Service, where it is stipulated that the currency exchange operations, i.e. the fast money transfer services shall be carried out only by domestic legal entities.
(Other) changes since the last evaluation	

Special Recommendation VI (AML requirements for money/value transfer services)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The authorities should implement requirements in relation to Recommendations 4-11, 13-15 and 21-23 in the MVT sector.*
Measures taken to implement the Recommendation of the Report	AML Law, in terms of the commitments it imposes, does not differentiate between the entities, i.e. the AML Law imposes equal commitments for all entities. Apart from the other commitments, the AML Law, in Article 21 and 27, imposes a special obligation for the fast money transfer service providers: "Article 21 (1) Entities which, within the frames of their vocation or profession perform fast money transfer, in addition to the other measures prescribed by this Law, shall be bound to determine the identity of the client, the sender and the beneficial owner prior to each transaction exceeding the amount of EUR 2,500 in denar counter-value. (2) The entities referred to in paragraph (1) of this Article of this Law shall be bound to record all data determined in Article 10 of this Law in chronological order in a numbered register signed by the responsible person in the company. Article 27 (5) The register referred to in Articles 20, 21, 22 and 23 of this Law shall compulsory b e kept for at least ten years from the last registered data." Pursuant to the AML Law, the fast money transfer service providers are defined as financial institutions which are obliged to apply the measures and activities

	prescribed by law, i.e. comply with its provisions. Hence, all measures and activities stipulated with the Law refer to these entities, which are obliged to perform : identification and verification of the client and the beneficial owner, increased analysis of the clients which according to AML are defined as clients with higher risks of money laundering and terrorism financing, keeping the data in accordance with the timeframes foreseen with the Law, identification of suspicious transactions, appropriate notification of the Office, establishment of programmes for AML/TF, provision of data confidentiality. The licensing and registration of entities acting as fast money service providers is performed by the National Bank of the Republic of Macedonia, where the conditions for issuing the requested license by NBRM are clearly defined. The fast money transfer service provider is a trade company registered in the Republic of Macedonia which was issued a licence from the NBRM for performing the fast money transfer service and a bank which was issued a consent from the NBRM for performing the fast money transfer service. The licensing process commences with fulfilment of the conditions stipulated in Articles 6, 7 and 7-a of the Law on Fast Money Transfer Service. Article 6 prescribes conditions for obtaining a license for performing the fast money transfer service. One of the conditions states that no misdemeanour sanction, i.e. a penalty for performing the profession, activity or duty is pronounced against the responsible person and the employees of the service provider. In addition, part of the procedure for issuing the license for performing the fast money transfer service consists of preparation of a Programme for prevention of money laundering which thoroughly explains the measures and activities to be undertaken by the provider in order to detect and prevent money laundering. The fast money service providers are obliged to perform identification of the client and verification of his/her identity before commencing the business relations. Within that context, they collect data on the name and surname of the customer, Personal ID No in case of domestic natural person or passport number in case of business relations with a foreign natural person. Pursuant to Article 21 of the AML Law, these entities, apart from the other measures stipulated by Law, shall be bound to determine the identity of the client, the sender and the beneficial owner prior to each transaction exceeding the amount of EUR 2,500 in denar counter-value. The fast money service providers shall be obliged to keep special registry for these transactions. Pursuant to Article 46 of AML Law, these institutions are subject to supervision performed by the National Bank. The supervision is performed by the National Bank based on Article 28 to 35 of the Law on Fast Money Transfer Service. The supervision can be direct (based on the obtained reports in NBRM) and indirect in the premises of the fast money transfer service provider. The indirect supervision covers control over the implementation of provisions of the afore-mentioned Law and the bylaws deriving from it. Within the frames of the supervision, the fast money transfer service providers are controlled in terms of the implementation of the legal provision which regulate the prevention of money laundering in this domain (programme and procedures for prevention of money laundering, identification of customers, tracking the suspicious transactions, data keeping and submission of reports to the Office for prevention of money laundering and financing terrorism, the existence of appropriate registry, training of employees, etc.)/ Apart from preventing money laundering, the supervision also controls the payments on the basis of fast money transfer through special accounts, the settlements between the service provider and the sub-agents, the financial

	settlements with the global system, centralisation of data from the performed transactions fast money transfer, monthly reports, as well as the manner of keeping the accountancy and realisation of the company's internal revision.
Recommendation of the MONEYVAL Report	*The sanctioning system for infringements of the AML Law requiring court decisions via application of the supervisory authorities is too complicated and does not work in practice as no sanctions have been imposed so far. It should be amended to provide for an effective sanctioning regime.*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 54 of AML Law, the competent court shall decide on the misdemeanours prescribed in Articles 49, 50, 51 and 52 of this Law in a procedure prescribed by law. Furthermore, Article 53 provides for an opportunity for settlement. Within the period from 30.10.2008, as of the adoption of the Rulebook for inspection supervision procedure (Official Gazette of RM 137/08)), inspection supervision was performed over the following entities: -Banks-2 -Currency exchange offices-22, -Saving houses-1, -Insurance companies-2, -Casinos-2. From the aforementioned supervisions, 22 notices were pronounced, 68 misdemeanours were determined of which 4 settlements were realised with total value of MKD 5.050.030, 2 requests were submitted for initiation of misdemeanour procedures, whereas the remaining supervisions are ongoing.
(Other) changes since the last evaluation	

Special Recommendation VII (Wire transfer rules)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Criterion VII.1 is only covered for transactions exceeding 2 500 EUR in MKD equivalent. Moreover, there are two pieces of legislation regulating the same issue in different ways. The overlap of these two pieces of legislation is significant and could lead to confusion concerning application. It is thus recommended to harmonise these provisions and to bring them in line with the requirements of criterion VII.1.*
Measures taken to implement the Recommendation of the Report	The Draft-Law shall provide for full acceptance of the special recommendation both in terms of the minimum amount over which the relevant measures and activities shall be undertaken and in terms of the remaining necessary criteria. After adopting the amendments, the bylaws shall be accordingly amended for the purposes of full harmonisation.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to include full originator information in the message or payment form accompanying cross-border wire transfers of 1 000 EUR/USD or more.*
Measures taken to implement the Recommendation of the Report	The Draft-Law introduces additional commitments relating to the cross-border wire transfers. Article 12-g imposes the following commitment for the financial institutions: "(1) The financial institutions are obliged, in cases of payment of an amount higher than EUR 1000 in denar counter-value according to the middle exchange rate of the National Bank, for the purposes of cashless transfer through the national or international payment operations, to identify and verify the identity of the instructing party, i.e. provide data on the name and surname, i.e. the name of the

	instructing party, the address or date and place of birth, identification number and account number. (2) The financial institutions acting as agents in the cashless transfer for amounts of more than EUR 1000 in denar counter-value according to the middle exchange rate of the National Bank, in the international payment operations, are obliged to forward the data on the instructing party referred to in paragraph 1 of this Article to the financial institution which shall realise the transfer. (3) While realising the payments of cashless transfers in amount of more than EUR 1000 in denar counter-value, the financial institutions are obliged, within the frames of their internal acts, to determine the manner for proceeding with transfers lacking in part of the data referred to in paragraphs 1 and 2 of this Article. (4) The financial institutions referred to in paragraph 3 of this Article can limit or terminate the business relations with the financial institutions which do not provide, i.e. forward data foreseen with paragraphs a and 2 of this Article. (5) The provisions from this Article do not refer to the following types of transfers: - Using credit cards for withdrawal of funds from a bank account or through POS terminals and payments in the retail trade - Transfers and settlements in which both the instructing party and the receiving party are banks which realise the transfer in own behalf and account." The Draft-Law shall provide for acceptance of the special recommendation in terms of the minimum amount over which the relevant measures and activities shall be undertaken.
Recommendation of the MONEYVAL Report	*The authorities should introduce legal requirements on financial institutions that the originator information in the message or payment form accompanying domestic wire transfers is meaningful and accurate.*
Measures taken to implement the Recommendation of the Report	This recommendations is implemented with the provisions from the Draft-Law, the introduction of the new Article 12-g.
Recommendation of the MONEYVAL Report	*Each intermediary and beneficiary financial institution in the payment chain should be required to ensure that all originator information that accompanies a wire transfer is transmitted with the transfer.*
Measures taken to implement the Recommendation of the Report	The Draft-Law introduces additional obligations pertaining to the cross-border wire transfers, in terms of the commitment originator information that accompanies a wire transfer. Article 12-g imposes the following commitment for the financial institutions: "(1) The financial institutions are obliged, in cases of payment of an amount higher than EUR 1000 in denar counter-value according to the middle exchange rate of the National Bank, for the purposes of cashless transfer through the national or international payment operations, to identify and verify the identity of the instructing party, i.e. provide data on the name and surname, i.e. the name of the instructing party, the address or date and place of birth, identification number and account number. (2) The financial institutions acting as agents in the cashless transfer for amounts of more than EUR 1000 in denar counter-value according to the middle exchange rate of the National Bank, in the international payment operations, are obliged to forward the data on the instructing party referred to in paragraph 1 of this Article to the financial institution which shall realise the transfer. (3) While realising the payments of cashless transfers in amount of more than EUR 1000 in denar counter-value, the financial institutions are obliged, within the frames of their internal acts, to determine the manner for proceeding with transfers lacking

	in part of the data referred to in paragraphs 1 and 2 of this Article. (4) The financial institutions referred to in paragraph 3 of this Article can limit or terminate the business relations with the financial institutions which do not provide, i.e. forward data foreseen with paragraphs a and 2 of this Article. (5) The provisions from this Article do not refer to the following types of transfers: - Using credit cards for withdrawal of funds from a bank account or through POS terminals and payments in the retail trade - Transfers and settlements in which both the instructing party and the receiving party are banks which realise the transfer in own behalf and account."
Recommendation of the MONEYVAL Report	*The sanctions regime concerning SR VII has several deficiencies and has never been applied in practice. It is recommended to amend the sanctions regime of the AML Law. The same applies for the sanction regime as provided for by the "Law on Fast Money Transfer" for infringements of the "Decision on amendment to the Decision on the manner of keeping records for each fast money transfer transaction".*
Measures taken to implement the Recommendation of the Report	The non-compliance with the provisions from the AML Law calls for responsibility for committed misdemeanours stipulated in articles: 49, 50, 51 and 52. According to the draft Law, the non-compliance with the provisions referred to in Article 12-g, calls for misdemeanour liability pursuant to the amended articles 49, 50, 51 and 52. The new AML from 2008, foresees a great number of misdemeanours in case of non-compliance with the provisions of this Law also relating to the operations of the fast money transfer service providers.
(Other) changes since the last evaluation	

Special Recommendation VIII (Non-profit organisations)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*A formal review of the current legislation covering the non-profit sector should be undertaken from the point of view of the threats to this sector inherent in terrorist financing, in line with SR VIII and its Interpretative Note. It is then recommended that the authorities review the existing system of laws and regulations in this field so as to assess themselves the adequacy of the current legal framework according to Criterion VIII.1. Consideration should also be given in such a review to effective oversight of the NPO sector, the issuing of guidance to financial institutions on the specific risks of this sector and consideration of whether and how further measures need taking in the light of the Best Practices Paper for SR.VIII. In particular, ongoing programme verification and field audits should be considered in identified vulnerable parts of the sector. Consideration needs to be given to ways in which effective oversight of the NPO sector can be achieved in the context of SR.I.*
Measures taken to implement the Recommendation of the Report	The development of the civil sector is very important for the fundamental democratic plural values of a country, as well as for the purposes of raising the civil awareness for a wider social engagement. The basic guarantees for actions of the citizen's associations and foundations are regulated with the Constitution of the Republic of Macedonia and the Law on Associations of Citizens and Foundations. Pursuant to the Law on Associations of Citizens and Foundations (Official Gazette of RM No 31/1998 and 29/2007), the citizens may freely associate funds or establish own associations for accomplishing economic, social, cultural, sport, scientific, professional, technical, humanitarian, educational and other rights and

	beliefs. This Law encourages the development of the civil sector, regulates the manner, the procedure and conditions for their establishment, registration, operations and termination. The associations of citizens and funds are the two basic forms of non-profit organisations, whose existence is connected with the association of citizens (in associations) or of funds (in foundations) mainly for realising the statutory-defined objectives, rights, interests and beliefs. The associations of citizens and foundations may not engage in political activities or use its funds for realisation of the political parties' objectives, and their programmes and actions cannot be directed towards: violent overthrowing of the Republic's constitutional order; incitement and call for military aggression; enhancement of national, racial and religious hatred or intolerance. The amendments to the Law on Associations of Citizens and Foundations from March 2007 have harmonised the provisions for registration of associations of citizens and foundations with the Law on Single Window System and Management with the Trade Registry and the Registry of Other Legal Entities, i.e. instead in the basic courts, the associations of citizens and foundations are registered in the Central Registry of the Republic of Macedonia. The Ministry of Justice undertakes activities to upgrade the legal frame through adoption of a new Law on Associations of Citizens and Foundations. For that purpose, a task force was established which includes, apart from the representatives of the responsible ministries, representatives from the civil sector and the scientific community. The key legal changes relate to the possibility for establishment of associations of citizens by legal entities, enabling the realisation of economic activities and introduction of the status of organisations of public interest. The current number of registered citizens' organisations in the Republic of Macedonia is about 6.000. Aware of the importance of the democratic expression, the efficiency and skilfulness of the associations of citizens, the Government of the Republic of Macedonia on its session held on 23 January 2007 adopted a Strategy for Cooperation of the Government with the Civil Sector with an Action Plan for its respective realisation (2007-2011). The main objective of the Strategy is promotion of the cooperation of the Government and the ministries with the civil sector. The first step in terms of institutionalisation of the cooperation of the Government and the civil sector included establishment of the Unit for Cooperation with Non-Governmental Organisations in the Department for Policy Analysis and Coordination in the General Secretariat of the Government of the Republic of Macedonia in 2005. The main responsibility of the Unit for Cooperation with Non-Governmental Organisations is coordination of the process for implementation of the Strategy, as well as a periodical assessment and notification of the Government on the manner of Strategy implementation. The Unit assists the cooperation between the ministries and other state administration bodies with the civil sector and has established an internal (functional) network of civil servants in the ministries responsible for cooperation with the civil sector, improved coordination and mutual information. In order to achieve higher visibility and intersectoral cooperation, the Unit has an operational website "http://www.nvosorabotka.gov.mk " and an email "mailto: nvosorabotka@gs.gov.mk". The creation of more favourable conditions for financial sustainability of the civil sector is one of the strategic objectives foreseen with the Strategy for cooperation of the Government and the civil sector. In order to provide transparency, defining of the basic organisational criteria and

	efficient monitoring of the financial support for the associations of citizens and foundations by the Government of the Republic of Macedonia and the state administration bodies, as well as to increase the level of accountability in terms of utilisation of the awarded funds by the associations of citizens and foundations, the Government of the Republic of Macedonia, in October 2007, adopted a Code of Good Practice for Financial Support of the Associations of Citizens and Foundations (Official Gazette of RM No 130/2007). The Government of the Republic of Macedonia, in January 2009, adopted a Programme for Financing the Programme Activities of the Associations of Citizens and Foundations for 2009 (Official Gazette of RM No 3/09) which regulates the priority objectives and the type of financing - grants for programmes (projects) of associations of citizens and foundations. In addition, the Government of the Republic of Macedonia, in February 2009, adopted a Decision on the criteria and procedure for allocation of funds for financing the programme activities of the associations of citizens and foundations (Official Gazette of RM No 23/09), which regulates the basic organisational and special programme criteria, as well as the procedure for allocation of funds and financing the programme activities of the associations of citizens and foundations from the Budget of the Republic of Macedonia. The Government of the Republic of Macedonia – General Secretariat publishes an announcement for financial support for the associations of citizens and foundations in the daily newspapers and on the website of the Unit for Cooperation with Non-Governmental Organisations www.nvosorabotka.gov.mk, and the submitted projects from the civil organizations are processed in a professional-administrative manner by the Unit for Cooperation with Non-Governmental Organisations in the General Secretariat. The funds for financing the programme activities of the associations of citizens and foundations which are foreseen in the Budget of the Republic of Macedonia are being allocated on the basis of the Decision of the Government of the Republic of Macedonia upon a proposal of the Commission for allocation of funds foreseen for financing the programme activities of the associations of citizens and foundations from the Budget of the Republic of Macedonia. The Unit for Cooperation with Non-Governmental Organisations provides full administrative support to the Commission for allocation of funds foreseen for financing the programme activities of the associations of citizens and foundations from the Budget of the Republic of Macedonia. In order to raise the NGO awareness about their exposure to the terrorism financing risks, the Office has prepared Typologies for Prevention of Terrorism Financing which is available through the website of Office and of the Unit for Cooperation with NGOs for all interested entities.
(Other) changes since the last evaluation	

Special Recommendation IX (Cross border declaration and disclosure)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Not only cash and cheques, but also other bearer negotiable instruments should be covered by legislation concerning the physical cross-border transportation of currency and bearer negotiable instruments.*
Measures taken to implement the Recommendation of the Report	Pursuant to Article 19 of the AML Law, the Customs Administration shall compulsory register each import and export of cash or securities across the customs line of the Republic of Macedonia, if the amount of cash or securities of the bearer

	exceeds the allowed maximum stipulated by law or another regulation. The Customs Administration of the Republic of Macedonia has prepared Guidelines for implementation of then Law on Money Laundering prevention and Other Criminal Proceeds and Financing Terrorism (No 11-10248/1 from 31.03.2008, entered into force on 01.04.2008) which define the manner of registration of the import and export of cash or securities across the customs line of the Republic of Macedonia. Item 2 of the afore-mentioned document states that the securities in this Guidelines shall mean cheques, company shares, bonds, drafts and other financial documents.
Recommendation of the MONEYVAL Report	*In case of cross-border transportation of means being property of persons designated either by the United Nations Al-Qaida and Taliban Sanctions Committee in accordance with S/RES/1267(1999) or in the context of S/RES/1373(2001), the Customs should have authority to confiscate such property.*
Measures taken to implement the Recommendation of the Report	The Law on International Restrictive Measures (Official Gazette of RM No 36/2007) regulates the manner of implementation of the international restrictive measures and defines the responsible authorities of the state administration and their coordination in terms of implementation of the restrictive measures. The Ministry of Finance is a responsible state administration body as regards the implementation of restrictive measures relating to the financial measures and financial relations, whereas the Customs Administration of the Republic of Macedonia is a state body within the Ministry of Finance, due to which it is responsible for the implementation of these measures. In addition, pursuant to Article 28 of the LCO, the customs officers may throughout the entire customs area undertake any operative actions for gathering information and evidence for perpetrated customs offences and crimes. Pursuant to Article 29 of the LCO, a customs officer may identify and check the identity of each person: 1) entering, leaving or about to leave the customs area and 2) entering, leaving or remaining in a customs controlled zone. In addition, a customs officer may require from these persons answer any question asked by the customs officer related to his/her luggage, any item contained therein or carried with him/her, to present for inspection his/her personal luggage and any item contained therein for examination, and to answer any question asked by the customs officer in respect to his/her journey and related circumstances. Pursuant to Article 30 of the LCO, a customs officer may conduct a search on a person entering, leaving or about to leave the customs area, and a person entering, leaving or remaining in a customs controlled zone, i.e. can undertake all activities foreseen with this Article. In addition, pursuant to Article 32 of the LCO, a customs officer may stop and search and examine any means of transportation entering, leaving or about to leave the customs area, any means of transportation entering, remaining in or leaving a customs controlled zone, and any other means of transportation throughout the entire customs area, i.e. can undertake all activities referred to in this Article. We would like to emphasize the provision referred to in Article 145, paragraph 1 of the LCP which authorises the persons from the Customs Administration for conducting a pre-investigation and investigation procedure not only for the listed criminal activities in the same article, but also for "other criminal activities related to import, export and transit of goods across the border line". This provision authorises the customs officers for conducting a procedure pursuant to Article 145, paragraph 1 of the LCP for all criminal acts provided they are related to import, export and transit of goods. While conducting their activities, if the customs officers discover certain

	information or evidence related to a criminal act financing of terrorism, pursuant to Article 142 of LCP, the customs body is obliged to report the act; and pursuant to Article 21, paragraph 2 of the LCO, and in accordance with the signed memoranda and protocols for cooperation, the customs bodies submit information to the state administration bodies and to the other state bodies (MOI, PPO etc.) competent for conducting investigations related to terrorism financing. The mentioned memoranda and protocols foresee establishment of joint teams for realisation of activities and actions.
Recommendation of the MONEYVAL Report	*The range of sanctions (approx. 4 200 to 5 000 EUR) of the Law on Foreign Exchange Operations with regard to infringements as described by criterion IX.8 is insufficient and does not allow to apply a proper and adequate reaction to deviant behaviour in relation to all kind of perpetrators (residents, non-residents, legal entities). A more broad and dissuasive range of penalties should be introduced.*
Measures taken to implement the Recommendation of the Report	The amendments to the Law on Foreign Exchange Operations were published in the Official Gazette of the Republic of Macedonia No 81 from 07.07.2008. According to the amendments to this Law, the procedure for misdemeanours referred to in Article 56-a, paragraph 1, items 22 and 28, is managed by, and the misdemeanour sanction is pronounced by, the Customs Administration, i.e. the Committee for Misdemeanour Decisions. The amendments refer to the amount of the fine for a committed misdemeanour as prescribed by this Law, as well as to the misdemeanour procedure expiration timeframe. Amount of fines: The legal entity, resident or non-resident shall be fined with denar equivalent of Euro 7000 to 10000 if it takes cash domestic and foreign currency, checks and monetary gold in and out contrary to the conditions determined by the Government of the Republic of Macedonia and the National Bank of the Republic of Macedonia. A fine up to ten times of the afore-mentioned amount shall be imposed for a misdemeanour of a legal entity if, by committing the relevant misdemeanour, it acquired larger property benefit or caused larger property damage. The responsible persons of the legal entity shall also be fined with denar equivalent of Euro 1.500 to 3.000. A fine up to five times of the amount referred to in the former paragraph shall be imposed for the responsible person in the legal entity if it committed the misdemeanour for mercenary reasons. The natural person, resident or non-resident, shall be fined with denar equivalent of Euro 1.500 to 3.000 for the committed misdemeanour. A fine up to twice the amount referred to in the former paragraph shall be imposed for a misdemeanour of a natural person, if it committed the misdemeanour for mercenary reasons. Besides the fine, a misdemeanour measure – ban on performing certain activity may also be undertaken for the committed misdemeanours, as follows: - from 3 to 30 days for legal entities, and - from 3 to 15 days for natural persons. Besides the fine, a misdemeanour measure – seizure of the objects which the misdemeanour has been committed with, or which have been intended for committing or have emerged from the misdemeanour shall also be undertaken for the committed misdemeanours. As an exception, if the motives or other circumstances under which the misdemeanour has been committed indicate that it is not justified the object to be fully seized, at least 20% of the objects which the misdemeanour has been committed with, or which have been intended for committing or have emerged from the misdemeanour of a natural person, resident or non-resident shall be seized.

	Special misdemeanour measure – seizure of the vehicle if used for hiding the object of misdemeanour, and if the value of the object of misdemeanour exceeds one third of the customs base of the vehicle, shall be undertaken for the committed misdemeanour.
Recommendation of the MONEYVAL Report	*There should be effective, proportionate and dissuasive sanctions concerning persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instruments that are related to terrorist financing or money laundering contrary to the obligations under SR IX. Currently this issue is addressed by the general sanction regime of the Criminal Code (particularly the criminalisation of money laundering and terrorist financing). The coverage of criterion IX.9 by the criminalisation of money laundering and terrorist financing is insufficient as far as these provisions are deficient as described under Sections 2.1 and 2.2. Overall, criterion IX.9 should be covered in a comprehensive and clear manner.*
Measures taken to implement the Recommendation of the Report	The Customs Administration is obliged to report to the Office about the import or export of cash or securities regardless of the amount whenever there is suspicion about money laundering or terrorism financing within a period of 24 hours, the latest, as of the moment of obtaining the information about the suspicion regarding the import or export of cash or securities. Pursuant to the provisions of Article 28 of the LCO, the customs officers may throughout the entire customs area undertake any operative actions for gathering information and evidence for perpetrated customs offences and crimes. In addition, they can request for identification and verification of the identity of each person: 1) entering, leaving or about to leave the customs area and 2) entering, leaving or remaining in a customs controlled zone. The customs officer may search any person entering, leaving or about to leave the customs area and entering, leaving or remaining the customs controlled zone, as well as to stop and search and examine any means of transportation entering, leaving or about to leave the customs area, any means of transportation entering, remaining in or leaving a customs controlled zone, and any other means of transportation throughout the entire customs area. While conducting their activities, if the customs officers discover certain information or evidence related to a criminal act financing of terrorism, pursuant to Article 142 of LCP, the customs body is obliged to report the act; and pursuant to Article 21, paragraph 2 of the LCO, and in accordance with the signed memoranda and protocols for cooperation, the customs bodies submit information to the state administration bodies and to the other state bodies (MOI, PPO etc.) competent for conducting investigations related to terrorism financing. The mentioned memoranda and protocols foresee establishment of joint teams for realisation of activities and actions. The amendments to the Criminal Code (Official Gazette of the Republic of Macedonia No 7 from 15.01.2008) define the act "Terrorism financing", where the imprisonment penalty, monetary fines for legal entities and seizure of funds for preparation, financing and committing the acts stated in this article are foreseen.
Recommendation of the MONEYVAL Report	*Customs officers should receive special training to detect cash couriers.*
Measures taken to implement the Recommendation of the Report	In June 2009, a special training was carried out for detection of cash couriers and foreign cash movement, which covered 28 customs officials. The Customs Administration of the Republic of Macedonia has a Training Unit which plans and organises carrying out of trainings for customs officers. The Unit

	prepares annual plans for areas to be organised for further trainings. Several trainings were already realised on the topic "Money Laundering and Terrorism Financing" in cooperation with the Office for prevention of money laundering and terrorism financing, the US Embassy, as well as other bodies and organisations, and future trainings in this field are also foreseen. In 2007, 1 training was realized which covered 3 customs officers, and in 2008, 8 trainings were realized, which covered 16 customs officers, whereas in 2009, 6 trainings were realized which covered 37 customs officers.
Recommendation of the MONEYVAL Report	*There should be explicit provisions allowing the Customs or any other authority from "the former Yugoslav Republic of Macedonia" to notify the Customs Services or other competent authorities of the country of origin or the country of destination about unusual cross-border movement of gold, precious stones or metals with a view of establishing the source, destination and purpose of the movement of such items in order to take appropriate action.*
Measures taken to implement the Recommendation of the Report	The legal frame is provided with Article 22 of the Law on Customs Administration, where it is foreseen that the Customs Administration cooperates with the customs administrations of other countries in the field of customs operation in the discovery and prevention of customs offences and customs crimes, training of customs officers, upgrading technical development and other, all in accordance with ratified international agreements. The international cooperation of the Customs Administration of the Republic of Macedonia with the customs services of foreign countries and international institutions and organisations is based on a number of concluded bilateral agreements. They do not contain any limiting provisions for the Customs Administration of the Republic of Macedonia in terms of informing the customs services or other responsible bodies of the country of origin or the country of destination about the unusual cross-border movement of This exchange of data can be realised through a request of a foreign service or upon a request of the Customs Administration of the Republic of Macedonia, based on the available data, risk analysis, additional controls etc.
(Other) changes since the last evaluation	

4. Specific questions

1. What is the current assessment of the risk of crime and terrorism in "the former Yugoslav Republic of Macedonia?

Aware of the risk and dangers related to money laundering and financing terrorism, in January 2009, the Government of the Republic of Macedonia adopted the „National Strategy on Prevention of Money Laundering and Financing Terrorism". The strategy, as middle term strategic document determines the measures and activities that need to be undertaken by the institutions involved in the system for prevention of money laundering and financing terrorism, in order to overcome the determined weaknesses, systematized in the following groups: harmonising of the legal regulation, (13 activities), institutional upgrading (26 activities), efficient system for inter-institutional cooperation (5 activities), strengthening the international cooperation (4 activities) and raising public awareness regarding the necessity for undertaking measures for prevention of money laundering and financing terrorism (2 activities).

By the implementation of the planned activities, it is expected for the National Strategy to provide more efficient system for preventing of money laundering and terrorism financing in the Republic of Macedonia, notably:

- More efficient disclosure, documentation and investigation of criminal acts related to money laundering and financing terrorism, i.e. higher number of criminal charges and court decisions for money laundering and financing terrorism;
- Office for Prevention of Money Laundering and Financing of Terrorism should be efficient, with high level of staff and technical equipment, i.e. it should be set up as an institution in accordance with the standards of the countries from Western Europe.
- Legislation harmonized with the *acquis communautaire* of the EU and the international standards
- Strengthened and more efficient monitoring of entities regarding the application of measures and activities intended for combating money laundering and financing terrorism;
- Trained and efficient administration;
- Strengthened and efficient inter-institutional and international cooperation;
- Rising of citizens' awareness regarding the importance of the fight against money laundering and financing terrorism and the role and the place of state bodies and other institutions participating in this fight.

The realization of activities envisaged with the National strategy shall be monitored by Advisory body.

2. What is the current backlog of money laundering cases in the courts and what steps have been taken to deal with the backlog?

On request of the Ministry of justice, and with objective to provide the necessary statistical data, from the received memorandum upon the executed insight, one has determined that in the Department of organized crime and corruption at the Court of First Instance I, Skopje, 5 procedures for criminal offence are in course of procedure – money laundering and other originating from punishable deeds according to Article 273 of the Criminal Code.

3. What is the current level of staffing at the MLPD?

Currently 32 employees are employed in the Administration (20 state officials and 12 part time workers. The employees in the Administration have participated in great number of trainings organized in the frames of the twinning project and other organizers.

4. Are anonymous accounts still operating in financial institutions in "the former Yugoslav Republic of Macedonia" and what steps are being taken to close such accounts?

Anonymous accounts do not exist in the banking system. The Circular of the NBRM from 2005 envisages that: "One bank in no case whatsoever should possess anonymous accounts, or accounts on fictive names". By the adoption of the new Law on Prevention of Money Laundering and Financing Terrorism in 2008 one has determined the explicit prohibition to open and maintain anonymous accounts. Inevitably, the procedures for opening accounts in the banks have demanded and still demand for the bearer of the account to be stated. During the whole period of 2002, when the NBRM has started to perform controls over the procedure for prevention of money laundering, this segment has been a composing part of the controls carried out on the field. Hence, even before the adoption of the new Law on Prevention of Money Laundering in 2008, one has undertaken adequate control activities for prevention of the existence of anonymous accounts in the country. The adoption of the Law on Prevention of Money Laundering and Financing Terrorism has implemented an explicit ban for the existence of anonymous accounts. All field controls implemented upon the adoption of the Law on Prevention of Money Laundering and Financing Terrorism have been focused, besides other aspects on the degree of application of the Law on Prevention of Money Laundering and Financing Terrorism which includes application of Article 26 of the Law on Prevention of Money Laundering and Financing Terrorism referring to the opening and maintaining anonymous accounts. The controls from NBRM have shown that there are no examples and no practice for opening and maintenance of anonymous accounts in the banks.

5. Have any sanctions been applied to financial institutions for infringements under the AML Law?

In the period of November 2008 until 30.06.2009, the Administration has performed an audit for 28 subjects, including 2 banks with implemented procedure for levelling which have been fined with an amount of 73 200 euro in denar counter-value, 2 casinos have been fined with 9 150 euro and one insurance company has been fined with 6 100 euro (for a period of 6 months, this totals 88 450 euro). Furthermore, 22 exchange bureaus have been pointed to perform a correction of the delivered programs for prevention of money laundering and financing terrorism. Against one insurance company and one savings bank one has submitted requests for initiation of misdemeanour procedures (with a total amount of 18 300 euro) to the competent court in criminal procedures, envisaged with the Law on Prevention of Money Laundering and Financing Terrorism.

During 2007, the NBRM has implemented control of the application of measures and activities for prevention of money laundering and financing terrorism in 5 banks, 3 savings banks, 332 exchange bureaus and 13 service providers for fast money transfer, during the year 2008 it has implemented 21 controls of banks (19 full and 2 partial controls), 14 savings banks, 223 exchange bureaus and 16 service providers for fast money transfer and in the period from 01.01.2009 - 30.06.2009 it has implemented control of 9 banks, 63 exchange bureaus and of 1 service provider for fast money transfer. On the basis of the determined condition from the implemented controls, the NBRM has passed one correction measure for a bank in 2007 and 6 correction measures for a bank in 2008. Against the banks, the NBRM has initiated 1 misdemeanour procedure during the year of 2007, 1 procedure for levelling in the year of 2008 and 4 levelling procedures in the year of 2009. The NBRM has initiated 1 levelling procedure against the savings banks in the year of 2008. Against the exchange bureaus, the NBRM has initiated 8 misdemeanour procedures during the year of 2007, 4 misdemeanour procedures and initiated 1 misdemeanour procedure in the year of 2008.

5. Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)[6]

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	The AML Law in great part implements the provisions from the Third Directive. The AML Law has been adopted and shall enter into force in January 2009. For the objective of harmonization with the Third Directive of the EU for prevention of the usage of the financial system with purpose to perform money laundering and financing terrorism from 2005 (2005-60-EC), the Directive of the Commission 2006-70-EC on defining the "politically exposed persons", on the technical criteria for simpler analysis of the client and exceptions for the financial activities that are performed temporarily, the 40 Recommendations of FATF and the 9 Special Recommendations of FATF for prevention of financing terrorism, as well as about surpassing the legislation vacuum, one shall propose a Law on amending the Law on Prevention of Money Laundering and Financing Terrorism. The provisions from Article 2, paragraph 1 item e and the provisions from Section 4 (performance by third parties) shall not be applied.

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive7 (please also provide the legal text with your reply)	The term "beneficial owner" in Article 2, item 10 of the AML Law has been defined on the following manner: "10. “Final owner” shall be physical entity which is final owner or which shall realize control upon the client and/or physical entity on whose behalf and for whose account the transaction or the activity is being performed, whereas as final owner in the legal persons one shall deem: a) physical entity realizing a direct or indirect participation of minimum 25% of the total shares and equities, i.e. from the right to vote of the legal entity, including the ownership of the shares of the holder and b) physical entity which on any manner shall realize control by managing legal entity.” In the Draft-Law, the definition of the term “beneficial owner” shall be complemented as follows: "10. “Final owner” shall be physical entity which is final owner or which shall realize control upon the client and/or physical entity on whose behalf and for whose account the transaction is being performed. Final owner of legal entity or trust shall be physical entity: a) realizing a direct or indirect participation of minimum 25% of the total shares and equities, i.e. the rights to vote of the legal entity, including the ownership of the shares of the holder and/or b) which on any other manner shall realize control over the management or shall realize profits over the legal entity.

[6] For relevant legal texts from the EU standards see Appendix II
[7] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	With the provisions from Article 9, paragraph 2 of the Law on Prevention of Money Laundering and Financing Terrorism, the subjects are due without exception to apply each measure from the procedures for client analysis, though the range can be determined depending on the risk assessment of the client, business relation, product or transaction. From another part, the subjects are due to make the documents for assessment of the risk and the decision they adopted for the range of the applied measures available to the Administration and the supervision organs, and to confirm that the range of undertaken measures is in accordance with the determined risk of money laundering and financing terrorism.

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive[8] are provided for in your domestic legislation (please also provide the legal text with your reply).	The term PEP is determined in Article 2 of the AML Law on the following manner: "12. "Politically exposed persons" shall be physical persons having been entrusted or currently perform exposed public functions in the Republic of Macedonia or in foreign country, for a period of minimum one year (such as: presidents of states and governments, ministers and deputy ministers, MPs, supreme and constitutional judges, ambassadors, high military officials, high officials in enterprises which are in state ownership and other) and members of their family (spouse, partner equal to spouse, children and their spouses or partners and their parents) or persons known to be closely related to them (business partners or associates). " In accordance with Article 14 paragraph 5 of the AML LAw, the subjects are due to undertake measures of enforced analysis of the client, i.e. to undertake the following measures: "(5) When the subjects shall perform transactions or enter in business relation with politically exposed persons, they shall: a) perform analysis in order to determine whether the client is politically exposed person on the basis of the procedures envisaged by the Administration in cooperation with supervision organs; b) to provide approval from the management structures for establishing business relation; c) to undertake adequate measures in order to determine the source of the means included in the transaction or in the business relation and d) implement permanent enforced control of the business relation." The Draft-Law shall amend the provisions in Art 2 and in Art 14 referring to PEP: "Article 2 11. "Politically exposed persons" shall be physical persons, Macedonian or foreign citizens having been entrusted or currently perform exposed public functions in the Republic of Macedonia or in foreign country, (such as: presidents of states and governments, ministers and deputy ministers, MPs, supreme and constitutional judges, high military officials, officials in enterprises in state ownership and etc) and members of their family (spouses, partner equal to spouse, children and their spouses or partners and their parents) or persons known to be closely connected with them (business partners or persons found legal entity in benefit of the abovementioned person) for period of minimum 1 year upon the termination of

[8] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

	performing the public function or on the basis of the previously determined procedure for risk assessment. Article 14 "(4) When the subjects shall perform transactions or enter in business relation with politically exposed persons, they shall: a) on the basis of previously determined procedure for risk assessment, they need to determine whether the client is politically exposed person, or if that is not possible, to provide his/her written declaration; b) to provide approval from the management structures for establishing business relation; c) to undertake adequate measures in order to determine the source of the means included in the transaction or in the business relation and d)to implement permanent enforced control of the business relation." "
"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.	According to the provisions from Article 28 of the AML Law, the following shall be included: "(3) The subjects and their employees may not inform the client or third party about the delivery of data to the Administration or about other measures and actions undertaken on the basis of this Law. (4) The ban from paragraph (3) of this Article shall also refer to the cases in which one shall deliver data to the supervision organs or the competent organs for applying the law". In accordance with the quoted provisions, there is a prohibition to inform the client for delivering data to the Administration on any basis, i.e. delivering information is not permitted concerning submitted cases: For CTR, STR or additional data and information. This ban shall also apply if one shall submit data to the supervision organs or law enforcement agencies.
With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	The AML Law and the Draft-Law do not determine the terms and conditions under which the ban for "tipping off" shall be lifted.

"Corporate liability"	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	In direction of alleviating the strengthening of the mechanisms, the new legal draft provisions in the Criminal Code shall envisage criminal responsibility for legal entities. The legal entity shall be responsible for criminal act committed by responsible person in the legal entity, on behalf of , on the account or for benefit of the legal entity (Article 28-a paragraph 1) In Article 28-a it is envisaged that the legal entity shall also be responsible for criminal act committed by his/her employee or representative of the legal entity with which a significant property gain has been acquired or severe damage has been inflicted, if: carrying out a decision, an order or other decision or approval of an administrative organ, managing organ or supervision organ shall mean a commitment of criminal act (Article 28-a, paragraph 2, item 1), or the omission of the obligatory supervision of the administrative organ, the managing organ or the supervision organ has resulted in committing criminal act (Article 28-1 paragraph 2 item 2) or the administrative organ, the managing organ or the supervision organ did

	not prevent the criminal act or did not report it before initiating criminal charges against the perpetrator (Article 28-a paragraph 2 item 3). All legal entities shall be held criminally responsible under these conditions from paragraph (1) and (2) of this Article, with the exception of the state, while the Units of local self-government shall be held responsible solely for the acts committed out of their public authorizations (Article 28-a paragraph 4). In relation to the same conditions from paragraph (1) and (2) of this Article, foreign legal entity shall be held criminally responsible if the act has been committed on the territory of the Republic of Macedonia, irrespective of the fact that the legal entity has a representation or branch office on its territory (Article 28-a paragraph 5). In view of the limits of responsibility of the legal entities, the responsibility of the legal entity does not exclude the criminal responsibility of the physical entity as perpetrator of the act (Article 28-b paragraph 1), while under the conditions from Article 28-a paragraphs (1) and (2) of this Article, the legal entity shall be held responsible for criminal acts even when there are factual or legal impediments for determining the criminal responsibility of the physical entity as perpetrator of the act (Article 28-b paragraph 2). In relation to the responsibility, the new provisions shall envisage that if the criminal act has been committed by negligence, the legal entity shall be held responsible under the conditions from Article 28-a of the Criminal Code, if the law envisages penalty for criminally negligent acts (Article 11 paragraph 2 of the Criminal Code) (Article 28-b paragraph 3). Responsibility shall also be envisaged in case of bankruptcy of the legal entity, hence the legal entity in bankruptcy shall be held responsible for criminal act committed until the adoption of a decision for initiating bankruptcy proceedings under conditions from Article 28-a from the Criminal Code, if with the act significant property gain has been acquired or severe damage has been inflicted (Article 28-c paragraph 1), and if before the completion of the criminal procedure against the legal entity there occurs integration, merger, division or other change determined by Law due to which it no longer has the status of legal entity, the criminal procedure shall be carried out against its legal successor or successors (Article 28-c paragraph 2). Fine is being pronounced as main penalty (Article 96-a paragraph 1), as regards the envisaged penalties for legal entities for criminal acts of legal entities. The fine shall be pronounced in the amount that is not smaller than 100 000 denars, neither higher than 30 millions of denars (Article 96-a paragraph 2), while for criminal acts committed from cupidity, as well as for criminal acts acquiring proceeds or causing damages of big scale one can pronounce a fine up to the double amount of the maximum of this penalty or in range of the height of the caused damage, i.e. acquired proceeds, but not more than ten times their amount (Article 96-a paragraph 3). In addition to the main penalties for the legal entities, one has envisaged secondary penalties under conditions determined by the Criminal Code, hence when the court shall assess that the legal entity has misused its activity and that there is a danger of recommitting the crime in the future, it can pass one or more of the secondary penalties. ban on obtaining permit, license, concession, authorization or other right determined by special law (Article 96-b paragraph 1), ban on participation in public call proceedings, awarding contracts for public procurement and public-private partnerships agreements (Article 96-b paragraph 2), ban on founding new legal entities; (Article 96-b paragraph 3), ban on using subventions and other favourable loans; (Article 96-b paragraph 4) revocation of permit, license, concession, authorization or other right determined by special law; (Article 96-b paragraph 5);

	temporary ban on performing separate activity; (Article 96-b paragraph 6); permanent ban on performing separate activity; (Article 96-b paragraph 7) and termination of legal entity (Article 96-b paragraph 7).
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Refer to the response of the previous question

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	In accordance with the provisions of Article 24 of the AML Law, it is prohibited to perform payments in cash, i.e. paying and receiving cash in the amount of 15 000 euro or more in denar counter value in one or more connected transactions, not carried out through a bank. From the reasons from which this ban has been introduced, i.e. these legal and physical entities are not allowed to perform payments in cash, it has been assessed that the risk of their usage for money laundering and financing terrorism is low and these persons are not taken as subjects pursuant to the AML Law.

6. Statistics

a. Please complete - to the fullest extent possible - the following tables:

2005												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	Persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	6	24	4	18	1	2	/	/	/	/	/	/
FT												

2006												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	Persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	Cases	amount (in EUR)
ML	9	60	5	44	3	34	1		/	/	1	2.329.263,00
FT												

2007												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	Persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	2	2	2	2	2	2	/	/	/	/	1	830.060,00
FT												

2008												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	6	16	4	13	/	/	1	373.902,00	/	/	/	/
FT												

09. 2009												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	3	11	1	4	/	/	/	/	/	/	/	/
FT												

b. STR/CTR

Explanatory note:
The statistics under this section should provide an overview of the work of the FIU.
The list of entities under the heading "*monitoring entities*" is not intended to be exhaustive. If your jurisdiction covers more types of monitoring entities than are listed (e.g. dealers in real estate, supervisory authorities etc.), please add further rows to these tables. If some listed entities are not covered as monitoring entities, please also indicate this in the table.
The information requested under the heading "*Judicial proceedings*" refers to those cases which were initiated due to information from the FIU. It is not supposed to cover judicial cases where the FIU only contributed to cases which have been generated by other bodies, e.g. the police.
"C*ases opened*" refers only to those cases where an FIU does more than simply register a report or undertakes only an IT-based analysis. As this classification is not common in all countries, please clarify how the term "cases open" is understood in your jurisdiction (if this system is not used in your jurisdiction, please adapt the table to your country specific system).

2005											
Statistical Information on reports received by the FIU								**Judicial proceedings**			
Monitoring entities, e.g.	**reports received concerning**			**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**		**convictions**	
	transactions above threshold	**suspicious transactions**									
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**
commercial banks	75.655	26	0	41	0	6	0	2	0	0	0
insurance companies	0	0	0								
Notaries	33	1	0								
Currency exchange	0	0	0								
broker companies	0	0	0								
securities' registrars	0	0	0								
Lawyers	6	2[1]	0								
accountants/auditors	0	0	0								
company service providers	0	0	0								
customs	285	0	0								
saving houses	7	0	0								
competent state authorities	0	12	0								
others (please specify)	0	0	0								
Total	**75.986**	**41**	**0**								

[1] These 2 "reports" were submitted by lawyers over request of the MLPD and cannot be considered as "STR" like commonly understood; see also para 669.

2006											
Statistical Information on reports received by the FIU								Judicial proceedings			
Monitoring entities, e.g.	reports received concerning			cases opened by FIU		notifications to law enforcement/ prosecutors		indictments		convictions	
	transactions above threshold	suspicious transactions									
		ML	FT	ML	FT	ML	FT	ML	FT	ML	FT
commercial banks	67.033	27	0	36	0	10	0	3	0	0	0
insurance companies	0	0	0								
Notaries	9	0	0								
Currency exchange	0	0	0								
broker companies	0	0	0								
securities' registrars	0	0	0								
lawyers	0	0	0								
accountants/auditors	0	0	0								
company service providers	0	0	0								
customs	724	2	0								
saving houses	18	0	0								
competent state authorities	0	7	0								
others (please specify)	0	0	0								
Total	**67.784**	**36**	**0**								

2007															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
Commercial banks	92214	23		55	3	19	1			0	0	2		0	0
Insurance companies															
Notaries	46	4													
Currency exchange	1														
Broker companies															
Securities' registrars															
Lawyers	1														
Accountants/auditors															
Company service providers															

Customs	2034	6													
Others (please specify and if necessary add further rows)	6	22	2												
Total	**94302**	**55**	**2**												

2008															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial banks	95112	78	4	123	11	25	3	2		0	0			0	0
Insurance companies															
Notaries	192	4													
Currency exchange															
Broker companies		2													
Securities' registrars															
Lawyers															
Accountants/auditors															
Company service providers															
Customs	1954	8													
Foreign FIU		2													
Others (please specify and if necessary add further rows)	51	29	7												
Total	**97299**	**123**	**11**												

30.06.2009															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial banks	27706	73	1	132	2	14	3	1		0	0			0	0
Insurance companies															
Notaries	99	3													
Currency exchange	5														

Broker companies															
Securities' registrars															
Lawyers	4	17													
Accountants/auditors															
Company service providers															
CUSTOMS		6													
MFA (MNR)		1													
MIA (MVR)		21													
Public Prosecutor (JO)		2													
Department of Public Revenue (UJP)		1													
Department of Financial Police		3													
Department for prevention of money laundering and financing terrorism		4													
Public Attorney		1													
Others (please specify and if necessary add further rows)	96		1												
Total	**27910**	**132**	**2**												

APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	**No text required**
2. Legal System and Related Institutional Measures	
2.1 Criminalisation of Money Laundering (R.1 & 2)	• The presumed backlog of money laundering cases pending at courts should be addressed. The lack of expertise, referred to as a possible reason behind long delays in money laundering cases, should not pose a permanent obstacle as it appears to be remediable by appropriate training of the judiciary and prosecutors which had already been mentioned among priorities in previous rounds of MONEYVAL evaluations. Low effectiveness concerning money laundering convictions needs to be addressed. • Use and simple possession of laundered property should clearly be criminalised. • As for the offences identified in Paragraphs 1 and 2 of Art. 273 CC, all the language of Art. 6(1) (a) and (b) of the Palermo Convention and Art. 3(1) (b) and (c) of the Vienna Convention on the physical aspects of the money laundering offence should be properly reflected (one of the problematic points is the differentiation between offences according to whether money or other proceeds are concerned). • The value threshold in Paragraphs 1 and 2 of Art. 273 CC should be abandoned. • The uncertainties regarding the object of the money laundering offence should be addressed urgently by incorporating into the anti-money laundering criminalisation the single notion of "property" instead of the current and more ambiguous terms such as money and/or property and object. In any case, there is an urgent need for clear definitions, in particular for "money" and "property". • The system would certainly benefit from a newly-formulated provision, clearly based on the language of the Strasbourg Convention. • It should be clarified in Art. 273 CC that self laundering is criminalised for all conducts of money laundering (covering both Paragraphs 1 and 2). • With regard to the General Part of the Criminal Code providing with Art. 28a for a comprehensive regime of corporate criminal liability, Paragraph 7 of Art. 273 appears to be a redundant and as well as a restrictive provision that spoils the legal effect of the general

	provisions and it is thus recommended to either modify or remove Paragraph 7 of Art. 273 CC. • The authorities should consider whether the benefits of negligent money laundering are being used in the best way and seek for possible obstacles that may hinder law enforcement and prosecutors in successfully investigating and prosecuting legal persons for money laundering activities.

2.2 Criminalisation of Terrorist Financing (SR.II)	• It is recommended to criminalize financing of terrorism (preferably as an autonomous, independent offence), covering all the essential criteria in SR.II and the requirements of the Interpretative Note to SR.II., including all forms of terrorist acts provided for in the Convention, and all forms of financing of the perpetration of such acts as well as that of individual terrorists.
	• The incrimination of terrorist financing should clearly provide for criminal sanctions in respect of both individuals and legal persons concerning:
	  • the collection of funds with the unlawful intention that they are to be used, in full or in part, to carry out a terrorist act, by a terrorist organisation or by an individual terrorist,
	  • the provision of funds with the unlawful intention that they are to be used, in full or in part, to carry out a terrorist act, or by an individual terrorist.
	• The coverage of "financial means" as provided for by Art. 394a(2) CC should be clarified.
	• Attempt and the other ancillary offences as requested by criteria II.1d and II.1e should clearly be covered.

2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	• The confiscation regime is still too complicated which may hamper its effective application; this refers particularly to the provisional measures where neither the actual list of applicable measures nor their respective coverage is properly defined by law. The relevant provisions should be revised and a clear comprehensive system be established. • Confiscation of instrumentalities should be made mandatory. • Laws or regulation should provide for provisional measures to be carried out *ex parte* and without prior notice. • The overly high standard of suspicion for postponement of transactions by the FIU with a view to further provisional measures should be revised. • Provisional measures should more frequently be applied.
2.4 Freezing of funds used for terrorist financing (SR.III)	• A comprehensive system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc. should be established. Thus, the evaluators recommend that a comprehensive set of detailed and

	generally applicable rules for an administrative procedure should be drafted and adopted, practically on the conceptual base that has already been provided by the Law on International Restrictive Measures.
	• In this respect, all the institutions should be given clear user-friendly guidance and instructions concerning their rights and obligations under the freezing mechanisms, such as in the case of errors, namesakes or requests for unfreezing and for access for basic expenses.
	• The examiners therefore recommend
	  • establishment of an effective system for implementation without delay by all financial institutions in this field, together with the provision of clear and publicly known guidance concerning their responsibilities;
	  • create and/or publicise procedures for considering de-listing requests and unfreezing assets of de-listed persons;
	  • create and/or publicise a procedure for unfreezing in a timely manner the funds and assets of persons inadvertently affected by the freezing mechanism upon verification that the persons is not a designated person;
	  • clarify the procedure for authorising access to funds/assets that are frozen and that are determined to be necessary on humanitarian grounds in a manner consistent with S / Res / 1452 (2002);
	  • create and/or publicise the procedure for court review of freezing actions;
	  • consideration and implementation of relevant parts of the Best Practice Paper.

2.5 The Financial Intelligence Unit and its functions (R.26)	• Some parts of the AML Law refer only to money laundering but do not provide a clear legal mandate for the MLPD to deal with terrorist financing issues. Also in practice the MLPD's role in combating financing of terrorism is very limited. It is recommended to make clarifications to the AML Law with regard to the prevention of terrorist financing, particularly amending the relevant provisions and make it absolutely clear that they also cover the prevention of terrorist financing. • The MLPD should have timely (preferably online) access to more databases, particularly the police database, criminal register and court register. • The provisions regulating the exchange of information between the MLPD and investigative bodies are too unspecific and there is some unclarity of the AML Law whether it is allowed to exchange information with other state bodies even without a suspicion of any criminal activity. It should be clarified that this possibility is reduced to cases where there are grounds to suspect money laundering or financing of terrorism.

	• Banks send the vast majority of STRs (and also CTRs) to the MLPD; the authorities should undertake efforts (including guidance) to increase the number of STRs submitted by other reporting entities. • Customs Authorities send a huge number of CTRs in hard copies in huge quantities which does not allow a systematic analysis, particularly in case of multiple cash transactions in smaller amounts over a period of time by the same persons. Thus, the authorities should consider the use of an electronic reporting system also for these CTRs similar to the system used by banks in order to allow a better analysis.[9]
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	• There should be clear criteria to which body (either the Financial Police or the Ministry of Interior) the MLPD should disseminate its reports for further investigations. • Money laundering investigations should also cover money laundering cases in relation to other predicates than only tax evasion (currently money laundering investigations are almost exclusively focused on money laundering in relation to tax evasion).
2.7 Cross Border Declaration & Disclosure	• Not only cash and cheques, but also other bearer negotiable instruments should be covered by legislation concerning the physical cross-border transportation of currency and bearer negotiable instruments. • In case of cross-border transportation of means being property of persons designated either by the United Nations Al-Qaida and Taliban Sanctions Committee in accordance with S/RES/1267(1999) or in the context of S/RES/1373(2001), the Customs should have authority to confiscate such property. • The range of sanctions (approx. 4 200 to 5 000 EUR) of the Law on Foreign Exchange Operations with regard to infringements as described by criterion IX.8 is insufficient and does not allow to apply a proper and adequate reaction to deviant behaviour in relation to all kind of perpetrators (residents, non-residents, legal entities). A more broad and dissuasive range of penalties should be introduced. • There should be effective, proportionate and dissuasive sanctions concerning persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instruments that are related to terrorist financing or money laundering contrary to the obligations under SR IX. Currently this issue is addressed by the general sanction regime of the Criminal Code (particularly the criminalisation of money laundering and terrorist financing). The coverage of criterion IX.9 by the criminalisation of money laundering and terrorist

[9] Since March 2008 also Customs sends CTRs in electronic form, which enables the MLPD to analyse them with special software.

	financing is insufficient as far as these provisions are deficient as described under Sections 2.1 and 2.2. Overall, criterion IX.9 should be covered in a comprehensive and clear manner. • Customs officer should receive special training to detect cash couriers. • There should be explicit provisions allowing the Customs or any other authority from "the former Yugoslav Republic of Macedonia" to notify the Customs Services or other competent authorities of the country of origin or the country of destination about unusual cross-border movement of gold, precious stones or metals with a view of establishing the source, destination and purpose of the movement of such items in order to take appropriate action.
3. Preventive Measures – Financial Institutions	
3.1 Risk of money laundering or terrorist financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	• The authorities should as a matter of urgency issue legislation clearly prohibiting financial institutions from keeping anonymous accounts or accounts in fictitious names. Furthermore, it should be established with a thorough assessment whether such accounts still exist. If so, they should be closed as soon as possible. • Financial institutions should be required to identify customers when carrying out occasional transactions that are wire transfers in all the circumstances covered by the Interpretative Note to SR VII, when the financial institution has doubts about the veracity or adequacy of previously obtained identification data. The obligation to identify customers when there is a suspicion of terrorist financing should be made clearer in the AML Law. • The concept of verification of identification should be further addressed. The authorities should take steps to apply an enhanced verification process in appropriate cases. In higher risk cases and for foreign clients, they should consider requiring financial institutions to use *other* reliable, independent source documents, data or information when verifying customer's identity (in addition to the documents as currently prescribed by law). • The authorities should clearly define which other documents than passports or I.D. cards can be used for verification of identification and which are in accordance with the international standards as required by Footnote 8 of the Methodology (with reference to the General Guide to Account Opening and Customer Identification issued by the Basel Committee's Working Group on Cross Border Banking). • Financial institutions should be required to obtain

	information on the purpose and intended nature of the business relation. • Financial institutions should be required to conduct ongoing due diligence on the business relation and to ensure that documents, data or information collected under the CDD process are kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher risk categories of customers or business relations. • Financial institutions should be required to perform enhanced due diligence for higher risk categories of customers, business relation or transaction, including private banking, companies with bearer shares and non-resident customers. • For customers that are legal persons or legal arrangements, financial institution should be required to verify that any person purporting to act on behalf of the customer is so authorised, and identify and verify the identity of that person. • The legislation should provide for a definition of "beneficial owner" which is in line with the one provided for by the glossary to the FATF Methodology. Financial institutions should be required to take reasonable measures to verify in all situations (and not only when "*a suspicion exists whether the client acts on its own or on behalf and in interest of a third party"*) the identity of beneficial owners using relevant information or data obtained from reliable sources. • For all clients, financial institutions should be required to determine whether the customer is acting on behalf of a third party. If this is the case, they should identify the beneficial owner and verify the latter's identity. With regard to clients who are legal persons, financial institutions should understand the controlling structure of the customer and determine who the beneficial owner is. • Concerning timing of verification, the possibility provided by Art. 7 para 1 and 2 to establish the client's identity "*on the day when the transaction was carried out*" (unless there is a suspicion of money laundering) is too general and should be brought in line with the circumstances as described by criterion 5.14. • Financial institutions should be required to apply CDD requirements to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times. Furthermore, there should be a requirement for financial institutions to perform CDD measures on existing customers if they are customers having anonymous accounts, accounts in fictitious names or numbered accounts. • The authorities should put in place measures by enforceable means that require financial institutions:

	• to determine if the client or the potential client is - according to the FATF definition – a PEP; • to obtain senior management approval for establishing a business relation with a PEP; • to conduct higher CDD and enhanced ongoing due diligence on the source of the funds deposited/invested or transferred through the financial institutions by the PEP. • "The former Yugoslav Republic of Macedonia" should implement enforceable AML/CFT measures concerning establishment of cross-border correspondent banking relationships. • The current legislation addresses Recommendation 8 to a certain extent but places a wide discretion with the obliged entities; this needs further regulation and guidelines to make it effective. Financial institutions should be required to have policies in place to prevent the misuse of technological developments for AML/CFT purposes and to address specific risks associated with non-face to face transactions.
3.3 Third parties and introduced business (R.9)	• Though Rec. 9 is currently not applicable, the authorities should satisfy themselves by covering all the essential criteria under Recommendation 9 in the AML Law.
3.4 Financial institution secrecy or confidentiality (R.4)	• It is recommended that a provision be made for the sharing of information between financial institutions in relation to correspondent banking and in relation to identification of customers involved in cross-border or international wire transfers.
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	• The record keeping requirements of the AML Law and some sectoral laws should be harmonised to avoid difficulties in implementation. • Financial institutions should be required to keep all necessary records on transactions for longer than five years if requested to do so in specific cases by a competent authority upon proper authority. • Financial institutions should be required to keep identification data for longer than five years where requested by a competent authority in specific cases on proper authority. • The authorities should introduce clear obligations for financial institutions to keep records of the account files and business correspondence. • Criterion VII.1 is only covered for transactions exceeding 2 500 EUR in MKD equivalent. Moreover, there are two pieces of legislation regulating the same issue in different ways. The overlap of these two pieces of legislation is significant and could lead to confusion concerning application. It is thus recommended to harmonise these provisions and to bring them in line with the requirements of criterion VII.1.

	• Financial institutions should be required to include full originator information in the message or payment form accompanying cross-border wire transfers of 1 000 EUR/USD or more. • The authorities should introduce legal requirements on financial institutions that the originator information in the message or payment form accompanying domestic wire transfers is meaningful and accurate. • Each intermediary and beneficiary financial institution in the payment chain should be required to ensure that all originator information that accompanies a wire transfer is transmitted with the transfer. • The sanctions regime concerning SR VII has several deficiencies and has never been applied in practice. It is recommended to amend the sanctions regime of the AML Law. The same applies for the sanction regime as provided for by the "Law on Fast Money Transfer" for infringements of the "Decision on amendment to the Decision on the manner of keeping records for each fast money transfer transaction".
3.6 Monitoring of transactions and relationships (R.11 & 21)	• The authorities should implement Recommendations 11 and 21.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	• The AML Law should explicitly provide an obligation to report attempted transactions. • Apart from banks no other financial institution submitted any STR. The total lack of an STR related to financing of terrorism raises concerns of effective implementation. More outreach and guidance to financial institutions is necessary to better explain them their reporting obligations under the AML Law. • The overlapping reasons to report transactions with a suspicion of terrorist financing could lead to confusion of the reporting entities. In order to impose clear obligations to the reporting entities, the authorities may wish to simplify the language of Art. 15 of the AML Law. • Apart from the special situation concerning banks, there are no tipping off provisions in relation to directors of financial institutions. The existing tipping off provisions are not sanctionable. It is recommended to introduce enforceable tipping off provisions prohibiting financial institutions and their directors, officers and employees (permanent and temporary) from disclosing the fact that a STR or related information is being reported or provided to the FIU. • Though the AML Law obliges the MLPD to provide the obliged entities with general and specific feed-back, this is not done in practice and this should be remedied. This may also be a reason of the uneven reporting that nearly exclusively banks submit STRs. Thus more outreach to the non-banking sector is required.

	• Though "the former Yugoslav Republic of Macedonia" is compliant with Recommendation 19, it should consider to lower the threshold for reporting transactions to an amount which is more adequate for the domestic economical situation.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	• Financial institutions should be required to establish internal policies, procedures and controls for CDD and detection of unusual and suspicious transactions and the reporting obligation (the easiest way by amending Art. 33 of the AML Law). The provisions for providers of fast money transfer, banks and savings houses requiring a programme on money laundering prevention should be extended to cover also prevention of terrorist financing and be specified to cover all requirements of Recommendation 15. • The AML/CFT compliance officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records, and other relevant information. • Financial institutions should be required to put in place screening procedures to ensure high standards when hiring employees. • Financial institutions should be required to ensure that the AML/CFT requirements applicable to financial institutions are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply the FATF Recommendations, to the extent that local applicable laws and regulations permit. When local applicable laws and regulations prohibit this implementation, competent authorities in the country of the parent institution should be informed by the financial institutions that they cannot apply the FATF Recommendations.
3.9 Shell banks (R.18)	• Financial institutions should be prohibited from entering into or continuing correspondent banking relationship with shell banks. • There should be an obligation placed on financial institutions to satisfy themselves that a respondent financial institution in a foreign country is not permitting its accounts to be used by shell banks. [10]
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	• The sanctioning system of the AML Law is ineffective and should be amended. • The pecuniary sanctions of the AML Law for legal entities should be dissuasive and proportionate. • The AML Law does not allow to withdraw or to suspend a financial institution's licence for not observing requirements of the AML Law. From the sectoral laws, the

[10] The new AML/CFT Law now explicitly addresses shell banks and prohibits their establishment or any business relations with shell banks.

	Banking Law, the Law on Securities and the (amended) Law on Fast Money transfer allow to revoke a licence in case of infringements related to AML obligations but not when it comes to obligations related to CFT. The other sectoral laws do not provide for withdrawing or suspending a financial institution's licence for not observing AML/CFT obligations. The authorities should introduce legislation allowing the respective supervisors to withdraw or suspend a licence of any type of financial institution in the case of not observing AML/CFT requirements. • All supervisory bodies should include AML/CFT issues as an integrated part of their supervisory activities (currently only the NBM and to an unclear extent the SEC do so). • For the operations of pension companies and pension funds a specific supervisory authority should be designated; preferably the "Agency for Supervision of Fully Funded Pension Insurance" (MAPAS) should be designated with this task. • The Law on Foreign Exchange Operations should be amended and provide for powers of inspectors from the NBM when performing supervision of foreign exchange offices, like access to documentation, taking copies etc. • There should be provisions assigning special powers to the State Foreign Exchange Inspectorate linked with its supervisory responsibilities. • The AML Law is silent how the sanctions as provided for by the AML Law should be imposed, particularly by which body, following which rules of procedure. It should be made clear, preferably in the AML Law itself, which bodies are competent for initialising and imposing administrative sanctions which are provided for in the AML Law. • The legislation to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in a bank, savings house, brokerage house, insurance companies, money or value transfer services, foreign exchange offices and investment fund management companies is insufficient and should be amended. For companies issuing credit/debit cards, pension companies and pension funds no such preventive legislation exists at all and should be introduced as a matter of priority. • A special licensing or registration regime for companies issuing credit/debit cards should be introduced. • Staff of all supervisory bodies should be required to maintain high professional standards and to keep professional secrets confidential (currently only for employees of the NBM exist specific rules requiring staff to maintain high professional standards; and only for

	employees of the NBM and the SEC exist specific rules requiring staff to keep professional secrets confidential.). • Financial institutions should be provided with clear guidance on CFT issues.
3.11 Money value transfer services (SR.VI)	• The authorities should implement requirements in relation to Recommendations 4-11, 13-15 and 21-23 in the MVT sector. • The sanctioning system for infringements of the AML Law requiring court decisions via application of the supervisory authorities is too complicated and does not work in practice as no sanctions have been imposed so far. It should be amended to provide for an effective sanctioning regime.
4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	• "The former Yugoslav Republic of Macedonia" should fully implement Recommendations 5, 6, 8, 10 and 11 and make these measures applicable to DNFBP. • It is recommended to work with the different sectors to improve awareness, and overcome any unwillingness to apply AML/CFT requirements. Information campaigns to this end are required.
4.2 Suspicious transaction reporting (R.16)	• "The former Yugoslav Republic of Macedonia" should fully implement Recommendations 13-15 and 21 and make these measures applicable to DNFBP. • Some institutions are quite unconcerned about ML/FT risks in their field and others, like lawyers, do not accept their obligations. Further outreach to these sectors is needed and more work needs to be done to improve awareness, and overcome any unwillingness to apply AML/CFT requirements. Ongoing information campaigns to this end may be helpful.
4.3 Regulation, supervision and monitoring (R.24-25)	• The supervisory commissions for auditors and accountants (based on Art. 39 of the AML Law) should be established. • The supervisory powers of the supervisory authorities, which are based on Art. 39 of the AML Law, should be clarified. The authorities should review the AML Law and make either amendments or clarify it in sectoral laws or by-laws which powers these supervisory commissions have. • The supervisory commission responsible for lawyers should start its supervisory activity. • The Public Revenue Office should conduct AML/CFT supervision concerning real estate agents, dealers in precious metals, dealers in precious stones, dealers in high value and luxury goods. • Concerning obtaining a licence for casinos, fit and proper requirements for owners and managers are very limited: it is only required that managers have not been sentenced for

	a crime in the area of games of chance or for an economic crime. The authorities should introduce the necessary legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino. • There should be legal requirements for casino providers to prove the legitimate origin both of the founding capital and the licence fees. • The sanctions regime for DNFBP provided by the AML Law is deficient in the same ways as described concerning financial institutions and should be amended. • The guidance for DNFBP appears to be lower than in relation to the financial sector. Also the awareness of financing of terrorism threats and countermeasures was quite low. Ongoing initiatives, training and outreach to the whole DNFBP sector will be necessary in this regard.
4.4 Other non-financial businesses and professions (R.20)	• "The former Yugoslav Republic of Macedonia" has taken steps to extend AML/CFT requirements to other non-financial businesses and professions (other than DNFBP). However, a further review will be required to assess whether it is necessary to cover all these entities. It is advised to conduct an analysis of which non-financial businesses and professions (other than DNFBP) are at risk of being misused for money laundering or terrorist financing. These sectors should be kept under review to ensure that all non-financial businesses and professions that are at risk of being misused for the purposes of money laundering or terrorist financing are regularly considered for coverage in the AML Law. After that, the authorities should ensure that the relevant FATF Recommendations (5, 6, 8 to 11, 13 to 15, 17 and 21) are being applied in practice.
5. Legal Persons and Arrangements & Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	• The authorities should endure that the legal framework allows for adequate, accurate and timely information on the beneficial ownership and control of legal persons.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	• Recommendation 34 is not applicable.
5.3 Non-profit organisations (SR.VIII)	• It is first advised that a formal review of the current legislation covering the non-profit sector is undertaken from the point of view of the threats to this sector inherent in terrorist financing, in line with SR VIII and its Interpretative Note. It is then recommended that the authorities review the existing system of laws and regulations in this field so as to assess themselves the adequacy of the current legal framework according to

	Criterion VIII.1. Consideration should also be given in such a review to effective oversight of the NPO sector, the issuing of guidance to financial institutions on the specific risks of this sector and consideration of whether and how further measures need taking in the light of the Best Practices Paper for SR.VIII. In particular, ongoing programme verification and field audits should be considered in identified vulnerable parts of the sector. Consideration needs to be given to ways in which effective oversight of the NPO sector can be achieved in the context of SR.I.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	• The evaluators recommend clarifying the competences of the investigative bodies (clearly defining which authority is competent in which cases). • There should be an authority or a mechanism in place ensuring a nation-wide policy on cooperation or appropriate coordination in the combat against money laundering or financing of terrorism.

6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	• "The former Yugoslav Republic of Macedonia" should implement all the provisions of the relevant international conventions it has ratified.
	• The requirements of the UN Conventions should be reviewed to ensure that "the former Yugoslav Republic of Macedonia" is fully meeting all its obligations under them. Particularly "the former Yugoslav Republic of Macedonia" should introduce
	  • a legal structure for the conversion of designations under S/RES/1267(1999) and its successor resolutions as well as S/RES/1373(2001);
	  • a comprehensive and effective system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc.;
	  • a system for effectively communicating action taken by the authorities under the freezing mechanisms to the financial sector and DNFBP.

6.3 Mutual Legal Assistance (R.36-38 & SR.V)	• The principle of dual criminality is, though implicitly, present in the domestic legislation and this is why the definitional problems with the domestic offence intended to cover the financing of terrorism (Art. 394a CC), as well as the value threshold required by the money laundering offence, may possibly cause difficulties in providing mutual legal assistance. The same recommendations as described under 2.1 and 2.2 apply. • Arrangements for coordinating seizure and confiscation action with other countries should be established. Consideration should also be given to establishment of an asset forfeiture fund as well as to sharing of confiscated

	assets with other countries when confiscation is a result of coordinated law enforcement action.
6.4 Extradition (R.39, 37 & SR.V)	• Because financing of terrorism is insufficiently criminalised in the current domestic legislation, the requirement of dual criminality for extradition would mean that not all kinds of terrorist financing offences would be extraditable and the same refers to money laundering cases below the threshold of five officially declared monthly salaries. As a consequence, the deficiencies in the criminalisation of money laundering and terrorist financing as described under Section 2.1 and 2.2 may pose a significant obstacle to executing extradition requests. Thus, also the same recommendations as described under 2.1 and 2.2 apply.
6.5 Other Forms of Co-operation (R.40 & SR.V)	• In order to allow the widest range of cooperation, the MLPD should clearly be entitled to exchange information also spontaneously and without the request of a foreign body (as currently required by Art. 37 of the AML Law). • The MLPD should clearly be entitled to provide information to foreign bodies and organisations which are involved in the fight against financing of terrorism, and not only to those which are dealing (exclusively or also) with anti-money laundering. • The AML Law should clearly entitle the MLPD to request data from foreign authorities. • It should be clarified in the AML Law that in the case of a request of a foreign authority the MLPD is authorised to provide not only information which it has already received, but also information which it needs to ask for from other authorities and the obliged entities. Furthermore, mechanisms should be in place to ensure a rapid, constructive and effective international assistance, e.g. direct access to the relevant databases and obligations of domestic authorities to respond to requests of the MLPD in due time. • A legal basis should be introduced to authorize the NBM to cooperate with foreign supervisors concerning the supervision of savings houses, exchange offices or service providers for fast money transfer.
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	**<u>Recommendation 30</u>** • The staff of the MLPD should be increased enabling it to cover all its tasks (e.g. analysing STRs, CTRs) satisfactorily. • Officers of the relevant departments within the Ministry of Interior and Customs should be provided with adequate training for combating money laundering and terrorist financing. • More training and staff for the Insurance Supervision Division is needed.

	Recommendation 32 • One of the authorities involved (perhaps the prosecution or the judiciary) should maintain *comprehensive* and more detailed statistics on money laundering investigations, prosecutions and convictions or other verdicts (as well as whether confiscation has also been ordered) indicating not only the number of persons involved but also the number of cases/offences but also providing information on the underlying predicate crimes and further characteristics of the respective laundering offence (whether it was prosecuted autonomously etc.). • The MLPD should keep statistics concerning the number and results of the reports disseminated from the MLPD to other institutions (investigations, indictments, convictions, persons involved, cases). • More statistical data on AML/CFT mutual legal assistance issues (e.g. nature of mutual assistance requests; the time required to handle them; type of predicate offences related to requests) is needed to show the effectiveness of the system. • All supervisory authorities (and not only the NBM and the SEC) should keep statistics on supervision. • The supervisory authorities should keep comprehensive statistical information on the exchange of information with foreign counterparts (including spontaneous exchange of information).

APPENDIX II

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2
Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:
(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;
(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.

The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.