

# The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

**MONEYVAL**



## **ANNUAL REPORT 2009**

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

**ANNUAL REPORT 2009**

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MONEYVAL Secretariat  
Directorate General of Human Rights and Legal Affairs  
Council of Europe  
F-67075 Strasbourg  
E-mail: [dghl.moneyval@coe.int](mailto:dghl.moneyval@coe.int)

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## **FOREWORD BY THE CHAIRMAN OF MONEYVAL**



**I** am very pleased to introduce this report of MONEYVAL's activities in 2009. As I indicated in last year's Annual Report, it has been an honour for me to have served as the Chairman of MONEYVAL for 4 years. Under MONEYVAL's Terms of Reference a chairman serves for a 2 year term renewable once and my period of office therefore ended at the close of 2009. At that meeting, my successor, Mr Vladimir Nechaev of the Russian Federation, was elected. He was Vice Chairman of the Committee from 2006 - 2008. I wish him great success in the further service he will now give as Chairman.

2009 was an important year for MONEYVAL and all the other Associate Members and Regional Groups within the Financial Action Task Force (FATF) network of assessment bodies.

At the last plenary meeting, in December 2009, MONEYVAL formally concluded, with the adoption of the remaining reports, its third round of evaluations. We now become the first global assessment body to commence a 4th round of evaluations. This is intended to be a shorter and more focused round of "follow up" evaluations. These evaluations will primarily, but not exclusively, follow up on Recommendations which received low ratings in the Third Round and reassess core, key and other important FATF Recommendations whatever rating the country received in its last report, using the 2004 AML/CFT Methodology, as amended. We will, of course, take on any new version of the AML/CFT Methodology that is adopted for use in the FATF's 4th round of evaluations at the appropriate time.

In 2009 we experienced a global economic crisis. MONEYVAL contributed actively to discussions of this issue within FATF. We also addressed the issue in MONEYVAL. In so doing, I feel sure we have sensitised our countries to the ongoing AML/CFT risks that this crisis has generated.

In April 2009 the G20 Ministers in London called upon the FATF to revise and reinvigorate the review process for assessing global compliance with AML/CFT standards. Regional Review Groups were set up to assist the FATF and its International Cooperation Review Group (ICRG) in responding to this important G-20 initiative. I was privileged to become Co-Chair (with a Spanish FATF colleague) of the Europe/Eurasia Regional Review Group (ERRG), which examines jurisdictions referred to it by FATF.

The appointment of a co-chair from an Associate Member of FATF is a major step forward in the growing collaboration between the FATF

and the FATF Style Regional Bodies (FSRBs). We very much welcome this development. It underlines the commitment of both the FATF and the Regional Bodies to respond positively to the G-20 call. The ICRG process is a difficult, but necessary, exercise if we are to protect the global financial system from the threats posed by countries with weak AML/CFT regimes.

MONEYVAL itself has always placed high importance, over three rounds, on achieving significant improvements in its countries' AML/CFT regimes, through our own Compliance Enhancing Procedures. We have not been shy of using them in respect of our own members where this is required. I know that MONEYVAL will continue to pursue vigorously its own follow up procedures in the future in respect of any of our countries where we identify significant deficiencies.

The quality of the evaluation reports is key. Obtaining improvements in systems through follow up procedures can, of course, only be achieved by the adoption of professional, objective and consistent reports which properly reflect the standards of FATF. I am sure that under the new Chairmanship MONEYVAL will continue striving to deliver such reports.

Last, and not least, I would like to express my gratitude once again to the Executive Secretary and his staff, who have all made my task so much easier over 4 years, through their dedication and excellent work.

**Vasil KIROV**  
**Chairman of MONEYVAL**

## **INTRODUCTION BY THE EXECUTIVE SECRETARY TO MONEYVAL**



**I** am very pleased to review our work last year.

Firstly, I would like to thank Dr Kirov for his service to the Committee as Chairman. We are pleased that he will continue to act as co-chair to the Europe Eurasia Regional Review Group, and as Head of the Bulgarian Delegation. We look forward to working with Mr Nechaev now as Chairman.

In 2009, MONEYVAL adopted 5 third round mutual evaluation reports, 11 first progress reports and 4 second progress reports, and we took action against two of our jurisdictions under our Compliance Enhancing Procedures.

All our mutual evaluation reports, progress and compliance reports are now publicly available on our website under our policy of automatic publication.

We keep our Rules of Procedure under constant review. In 2009, we further extended them to bring our follow up procedures even more closely into alignment with those of the FATF, in particular for our 4th round of evaluations.

4 onsite visits were undertaken, 3 of which were to complete the third round of evaluations. In the autumn of 2009, we conducted the first onsite visit of the follow-up round. Additionally, I participated in the United Nations Security Council Counter-Terrorism Committee Executive Directorate (CTED) visit to one of our jurisdictions to assess implementation of specific United Nations measures to counter the financing of terrorism. We very much value our growing collaboration with CTED.

In July 2009, the MONEYVAL Secretariat conducted an intensive and successful one week training seminar for 30 future MONEYVAL and FATF evaluators. We are very grateful to the authorities of San Marino for generously hosting this meeting. I should also like to thank all the trainers who participated and who are listed later in this report. Their collaboration undoubtedly added depth to the discussions and was very much appreciated by all participants.

In November, the Cyprus authorities generously hosted our equally successful and highly productive Typologies meeting. The project teams have made a very good start to the research we will finalise this year on money laundering and internet gambling, and on money laundering in the insurance sector. I would like to express my thanks to the



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leaders of both projects (Ms Rucsandra Ileana Asavinei (Romania), and Mr Theodoros Stavrou and Ms Soula Aristodemou (Cyprus)) who, together with the Secretariat, are taking these projects forward.

In 2009, MONEYVAL also provided written evidence to the UK House of Lords European Union Committee inquiry into international co-operation to counter money laundering and the financing of terrorism, and I was later privileged to give oral evidence to the inquiry on aspects of our work. One of the areas of interest of this inquiry was the difficulties countries face in obtaining international assistance in non-conviction based confiscation cases. MONEYVAL is currently conducting research in this area with a view to seeing what more can be done to improve this type of international co-operation.

The non-conviction based confiscation issue is now addressed in the new Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198), which we are pleased to see more MONEYVAL and FATF countries have ratified in 2009. We look forward to further ratifications.

We were very pleased to welcome in 2009 Dr Sener Dalyan to the MONEYVAL Secretariat on secondment from the Turkish Ministry of Justice, where he is a rapporteur judge. We are grateful to the Turkish authorities for this secondment.

My thanks lastly go to all members of the Secretariat, who continue to work tirelessly in response to the many challenges of our important and demanding work.

I trust that readers will find this Annual Report informative, and useful and will visit our website for more information.

**John RINGGUTH**  
**Executive Secretary to MONEYVAL**

## **1. OVERVIEW OF MONEYVAL**

### **1.1 Description of history and role of MONEYVAL**

**T**he Council of Europe was the first international organisation which warned of the dangers of money laundering for the financial system and for democracy and the rule of law.

In 1977, the Council of Europe's European Committee on Crime Problems (CDPC) decided to establish a Select Committee of Experts to look into the "serious problems raised in many countries by the illicit transfer of funds of criminal origin frequently used for the perpetration of further crime". The work of this committee culminated in 1980 with the adoption by the Council of Europe's Committee of Ministers of a Recommendation on measures against the transfer and safekeeping of funds of criminal origin which included a package of measures for developing a comprehensive anti-money laundering programme, which are as relevant today as they were in 1980..

#### **The Threat Posed by Money Laundering**

Money laundering, (i.e. the process through which criminals give an apparently legitimate origin to proceeds of crime), is an expanding and increasingly international phenomenon. It may particularly affect economies which are undergoing transformation and which offer significant opportunities for foreign investment. The financial regulatory framework, both in banking and non-banking sectors, is often less stringent in these countries than in others, which make them vulnerable to money laundering operations. Given the diverse illegal activities, including money laundering, of organised crime groups in some of these countries and, in exceptional cases, their alleged infiltration into entire national economies, it seems that it is in their vital interest to create and maintain a credible financial system capable of detecting, preventing and controlling money laundering.

In addition, recent experience has shown that organised terrorist groups also misuse the world's financial system to fund their illegal operations, thus posing a serious risk to financial institutions of being used for the hiding of terrorist money. Measures aiming at the prevention and deterrence of money laundering therefore need to be extended to terrorist financing.

In September 1990, Ministers adopted the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime (ETS No. 141) (the 'Strasbourg Convention'). The aim of this Convention is to facilitate international co-operation and mutual assistance in investigating crime and tracking down, seizing and confiscating the proceeds thereof. The Convention is intended to assist States in attaining a similar degree of efficiency even in the absence of full legislative harmony.

The Strasbourg Convention remains a landmark treaty which forms an important cornerstone of anti-money laundering standards. It has been widely ratified: to date, 48 States are Party to this treaty, including all 47 Council of Europe member States and one non-member State (Australia).

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL (formerly PC-R-EV) was established in September 1997. The initial aim of this Committee was to conduct self and mutual assessment exercises of the anti money laundering measures in place in those Council of Europe countries,

which were not members of the Financial Action Task Force (FATF). The functioning of the Committee is regulated by the general provisions of Resolution Res (2005) 47 on committees and subordinate bodies, their terms of reference and working methods.

Its specific working methods are provided for in its terms of reference, covering the period to 31 December 2010. In 2010 MONEYVAL's mandate will be reviewed once again.

In 2003, the Council of Europe decided to update and widen the Strasbourg Convention to take into account the fact that not only could terrorism be financed through money laundering from criminal activity, but also through legitimate activities. This process was completed in 2005 with the adoption on 3 May of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198) which came into force on 1 May 2008. This new Convention is the first international treaty covering both the prevention and the control of money laundering and the financing of terrorism. It is influenced by the experience of MONEYVAL over its first two rounds and addresses issues on criminalisation of money laundering and on confiscation which can assist States in strengthening their AML/CFT regimes. The text addresses the fact that quick access to financial information or information on assets held by criminal organisations, including terrorist groups, is the key to successful preventive and repressive measures, and, ultimately, is the best way to stop them. It contains a comprehensive treatment of the role and responsibilities of financial intelligence units (FIUs). The convention includes a mechanism to ensure the proper implementation by parties of its provisions.

## **1.2 Objectives**

The aim of MONEYVAL is to ensure that its member states have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in these fields. MONEYVAL achieves this by:

- Assessing its members' compliance with all relevant international standards in the legal, financial and law enforcement sectors through a peer review process of mutual evaluations.
- Issuing reports which provide detailed recommendations on ways to improve the effectiveness of domestic regimes to combat money laundering and terrorist financing and States' capacities to co-operate internationally in these areas.
- Ensuring an effective follow up of evaluation reports, to improve levels of compliance with international AML/CFT standards by the States which subscribe to MONEYVAL's terms of reference.
- Conducting typologies studies of money laundering and terrorist financing methods, trends and techniques.

### **MONEYVAL Key Tasks**

- ▶ Elaborate appropriate documentation, including questionnaires for self and mutual evaluations, and progress reports and compliance reports.
- ▶ Evaluate and adopt reports on:
  - the performance of member states of the Council of Europe which are not members of the FATF in complying with the relevant international anti-money laundering and countering terrorist financing standards
  - the performance of applicant states for membership of the Council of Europe which are not members of the FATF (provided certain requirements are met) and the performance of Israel
- ▶ Make recommendations to the evaluated countries, with a view to improving the efficiency of their anti-money laundering and countering terrorist financing measures and to furthering international co operation.
- ▶ Ensure that MONEYVAL's reports are effectively followed up through a rigorous system of progress reports and compliance reports.

## **1.3 MONEYVAL and the Financial Action Task Force**

The Financial Action Task Force (FATF), created in 1989 by the G7, is an intergovernmental task force whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. FATF has developed and published 40 Recommendations plus 9 Special Recommendations in order to meet this objective.

It evaluates its own 33 member jurisdictions according to the 2004 Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations, which is based on the 2003 Recommendations and the Special Recommendations, and which was agreed between the FATF, the Financial Action Task Force style regional bodies, International Monetary Fund (IMF) and World Bank in 2004. Additionally and uniquely, as a European monitoring mechanism, MONEYVAL is the only monitoring body which also evaluates all its members on the 3rd EU Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

MONEYVAL, as an FSRB, was originally an observer to FATF. In 2005, the FATF developed an initiative to encourage FSRBs to become Associate Members of FATF, with defined rights and obligations. The Committee of Ministers of the Council of Europe authorised an application to be made and MONEYVAL became an Associate Member of the FATF in the first Round of accessions to Associate Member status. As of June 2006, MONEYVAL became an Associate Member of FATF. There are several benefits arising from this status for MONEYVAL States - including the opportunity for more countries within MONEYVAL to attend and actively participate in FATF meetings as part of the Council of Europe/MONEYVAL delegation, to provide, through MONEYVAL, input into the development of AML/CFT policy making, and to have access to all FATF documentation.

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MONEYVAL's monitoring mechanism reviews the anti-money laundering measures and measures to counter the financing of terrorism in Council of Europe member States (and Council of Europe applicants which apply to join the terms of reference) which are not members of the Financial Action Task Force (FATF), using the same Methodology as the FATF. In 2006, the Committee of Ministers agreed that Israel should become an active observer participating in MONEYVAL's evaluation processes.

Council of Europe member states which are members of MONEYVAL but subsequently become members of the FATF can elect to retain full membership of MONEYVAL (as did the Russian Federation in 2003 when it also became a member of FATF).

### **1.4 Membership**

MONEYVAL has 28 permanent members and 2 temporary members. As noted, Israel was granted active observer status with MONEYVAL in January 2006 by the Committee of Ministers, which enables it to take part in the evaluation process.

#### **Permanent Members of MONEYVAL**

▶ Albania	▶ Andorra	▶ Armenia
▶ Azerbaijan	▶ Bosnia and Herzegovina	▶ Bulgaria
▶ Croatia	▶ Cyprus	▶ Czech Republic
▶ Estonia	▶ Georgia	▶ Hungary
▶ Latvia	▶ Liechtenstein	▶ Lithuania
▶ Malta	▶ Moldova	▶ Monaco
▶ Montenegro	▶ Poland	▶ Romania
▶ Russian Federation*	▶ San Marino	▶ Serbia
▶ Slovak Republic	▶ Slovenia	▶ "The former Yugoslav Republic of Macedonia"
▶ Ukraine		

\* also FATF member

#### **Active Observer of MONEYVAL**

▶ Israel
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#### **Temporary Members of MONEYVAL**

▶ France (to June 2009)
▶ The Kingdom of the Netherlands (to June 2009)
▶ Austria (from July 2009)
▶ United Kingdom (from July 2009)

\* The Presidency of the Financial Action Task Force (FATF) is entitled to appoint two experts from FATF countries for two-year periods.

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In addition, a number of countries and organisations can participate in MONEYVAL's meetings or hold observer status with MONEYVAL.

### **Participants**

- ▶ European Committee on Crime Problems (CDPC)

### **Other participants**

- ▶ European Commission and the Secretariat General of the Council of the European Union

The following observers States with the Council of Europe may send a representative to meetings:

- ▶ Canada
- ▶ Holy See
- ▶ Japan
- ▶ Mexico
- ▶ United States of America

### **Observers**

- ▶ Secretariat of the Financial Action Task Force on Money Laundering (FATF)
- ▶ ICPO-Interpol
- ▶ Commonwealth Secretariat
- ▶ International Monetary Fund (IMF)
- ▶ United Nations Drug Control Programme (UNDCP)
- ▶ United Nations Counter-Terrorism Committee (CTC)
- ▶ United Nations Crime Prevention and Criminal Justice Division
- ▶ World Bank
- ▶ European Bank of Reconstruction and Development (EBRD)
- ▶ Offshore Group of Banking Supervisors (OGBS)
- ▶ Organisation for Security and Co-operation in Europe (OSCE)
- ▶ Egmont Group
- ▶ Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG)
- ▶ Any other Financial Action Task Force Style Regional Body which is, or becomes, an Associate

### **Other Observers**

- ▶ Members of the FATF other than those referred to above

## **1.5 Governance**

### **1.5.1 Bureau**

MONEYVAL members elect a Bureau to assist in the organisation of MONEYVAL's work, to facilitate its discussions and to prepare internal Rules of Procedure. A Chairperson and Vice-Chairperson, as well as three other persons are elected by the MONEYVAL mem-

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bers, in Plenary meeting, for a period of two years who together constitute the Bureau. The Chairman and Vice-Chairman are elected for 2 year terms, renewable once. For 2009 the MONEYVAL Bureau comprised:

### **MONEYVAL Bureau 2009**

#### **Chairperson**

- ▶ Mr Vasil KIROV (Bulgaria)

#### **Vice-Chairperson**

- ▶ Mrs Eva ROSSIDOU-PAPAKYRIACOU (Cyprus)

#### **Bureau members**

- ▶ Mr Damir BOLTA (Croatia)
- ▶ Mr Andres PALUMAA (Estonia)
- ▶ Mr Liutauras ZYGAS (Lithuania)

An election for the positions of Chairman, Vice-Chairman and all Bureau members was held during MONEYVAL's 31st Plenary meeting on 7 to 11 December 2009. At this plenary, MONEYVAL elected for a mandate of two years its President, Mr Vladimir Nechaev (Russian Federation), its Vice-President, Mr Anton Bartolo (Malta), and three bureau members, Mr Damir Bolta (Croatia), Mr Alexandru Codescu (Romania) and Mr Armen Malkhasyan (Armenia).

### **MONEYVAL Bureau 2010**

#### **Chairperson**

- ▶ Vladimir NECHAEV (Russian Federation)

#### **Vice-Chairperson**

- ▶ Mr Anton BARTOLO (Malta)

#### **Bureau members**

- ▶ Mr Damir BOLTA (Croatia)
- ▶ Mr Alexandru CODESCU (Romania)
- ▶ Mr Armen MALKHASYAN (Armenia)

## **1.5.2 Members in Plenary**

As stated above, MONEYVAL assesses its members' compliance with all relevant international standards in the legal, financial and law enforcement sectors through a peer review process of mutual evaluations. It is the Plenary which adopts mutual evaluation reports and progress reports.



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Permanent members of MONEYVAL and the FATF appointed temporary members of MONEYVAL have the right to vote, where this is necessary, on issues relating to the Committee's work.

### **1.6 International partnerships**

MONEYVAL, as a key partner in the global network of assessment bodies, co-operates with international organisations and bodies with equivalent interests in the development and promotion of national and international standards and policies to combat money laundering and terrorist financing.

As has been noted, many different organisations and bodies with AML/CFT in their remit have observer status in MONEYVAL and regularly attend its meetings. Clearly, as an Associate Member of the FATF, the FATF is MONEYVAL's primary external partner. Two FATF countries have full member status with MONEYVAL currently, though MONEYVAL does not assess them. Up to June 2009 France and the Kingdom of the Netherlands were the FATF appointed members. On 1 July 2009 Austria and the United Kingdom took over as the FATF appointed members. The regular participation of members of the FATF Secretariat, as observers to MONEYVAL, is also very welcome.

MONEYVAL also highly values its partnerships with the international financial institutions (the IMF and the World Bank). The arrangements which MONEYVAL has had for several years with these bodies, under which the international financial institutions may undertake a number of assessment missions in an evaluation round in MONEYVAL States has been mutually beneficial. On such evaluation missions a MONEYVAL evaluator joins the team to cover European Union issues, in accordance with MONEYVAL's mandate. Under these arrangements, the IMF conducted the evaluation of Armenia from 23 February to 10 March 2009 and presented the report at MONEYVAL's 30th Plenary meeting in September 2009. MONEYVAL is also grateful for the excellent collaboration of the IMF and the World Bank in MONEYVAL's 2009 Training Seminar.

The MONEYVAL Executive Secretary participated in an on-site mission to Azerbaijan in October 2009 arranged by the United Nations' Counter-Terrorism Committee Executive Directorate (CTED).

The MONEYVAL Secretariat also made a presentation in the OSCE Public-Private Expert Workshop on Preventing the Abuse of Non-Profit Organizations for Terrorist Financing, in Vienna in September 2009.

MONEYVAL was invited to provide written evidence to the Sub-Committee on Home Affairs of the Select Committee on the European Union of the House of Lords (UK) wide-ranging inquiry into EU and international cooperation to counter money laundering and the financing of terrorism. A Memorandum of evidence was provided which is published on the Sub-Committee's website. On 29 April, the Executive Secretary of MONEYVAL also gave oral evidence to the inquiry. The full report of the Committee's proceedings and recommendations has been published and is available on the Committee's website as is



the transcript of the evidence given. One of the results of MONEYVAL's evidence to the House of Lords inquiry is that the Committee is looking closely at the current obstacles to international cooperation in non-conviction based confiscation.

Details of other international meetings which representatives of MONEYVAL also participated in are set out in section 4.5 below.

## **1.7 Relationship with the European Union**

The European Union, through the European Commission and the Secretariat General of the Council of the European Union have been actively engaged with MONEYVAL's work. MONEYVAL welcomed the participation, in his personal capacity, of Mr Paolo Constanzo (previously national expert seconded to the European Commission) in the Permanent Review Group which considers each MONEYVAL report. MONEYVAL, through the Executive Secretary, has also participated in work being conducted by the European Commission (DG Justice, Law and Security) in identifying information needs within the European Union on AML/CFT issues. MONEYVAL has been invited to join the Informal Platform of EU Asset Recovery offices on a regular basis in view of MONEYVAL's close interest in confiscation issues and the development of standards on confiscation in the Warsaw Convention (CETS No. 198).

## **1.8 Voluntary Contributions**

Last but not least, MONEYVAL is particularly grateful to those of our partners that made voluntary contributions to our work. Though MONEYVAL's work is primarily funded by the Ordinary Budget of the Council of Europe, voluntary financial contributions to the work of MONEYVAL are very welcome to take forward activities such as typologies exercises.

In 2009, MONEYVAL was very pleased to receive voluntary contributions from Israel and we thank their authorities most warmly.

Voluntary contributions may also take the form of secondments of national experts with expertise in AML/CFT issues. Such contributions are also greatly valued and, as has been noted by the Executive Secretary in his introduction, the contributions of the Dutch, UK, and Turkish authorities in this regard were also very greatly appreciated.

## **2. MUTUAL EVALUATIONS**

### **2.1 Mutual evaluation process**

**M**ONEYVAL's system of peer review is based on the FATF model, however the process of self-assessment and mutual evaluation is undertaken against a more extensive set of anti-laundering standards. In addition to the Forty Recommendations and the nine Special Recommendations on the Financing of Terrorism, participating countries are assessed in relation to their compliance with the European Union Directives. Specifically since 1 January 2008, MONEYVAL has evaluated its members under Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (the Third European Union Directive) and its implementing Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC.

#### **Mutual Evaluation Rounds**

##### **First evaluation round (1998-2000)**

The first round of mutual evaluations was initiated in April 1998 and on-site visits were concluded in December 2000. 22 Council of Europe member states which had been evaluated in the first evaluation round were examined during the second round of evaluation.

##### **Second evaluation round (2001-2004)**

MONEYVAL concluded at the end of 2003 its second round of on-site visits. This second round included evaluation against the criteria for non-cooperative states and territories. MONEYVAL also conducted on-site evaluation visits in new Council of Europe member States (e.g. Armenia, Azerbaijan, Bosnia and Herzegovina, Monaco, Montenegro, Serbia). In some of these States mutual evaluations were conducted on both money laundering and financing of terrorism.

##### **Third evaluation round (2005-2009)**

The third round of mutual evaluations was concluded in 2009 with the publication of the final adopted third round reports in 2010. All these evaluations are conducted according to the 2004 comprehensive global Methodology agreed with the FATF, the FSRBs, IMF and World Bank and which covers both money laundering and terrorist financing. This evaluation focuses on the effectiveness of the legal, financial and law enforcement measures in place to combat both money laundering and now financing of terrorism, and assesses countries against approximately 250 criteria drawn from the international standards. In addition the evaluation reviewed aspects of compliance with the European Community's Third Anti-Money Laundering Directive which came into force on 15 December 2007.

##### **Follow-up evaluation round (2009-2012)**

MONEYVAL commenced a follow up round of on-site visits in 2009. For each country, these evaluations will focus specifically on the core and key FATF Recommendations together with any recommendations for which the country received either a non compliant or partially compliant rating. In addition the evaluation will review aspects of compliance with the European Community's Third Anti-Money Laundering Directive which came into force on 15 December 2007.

The evaluation work is carried out in accordance with the programme approved by the MONEYVAL Committee. Several evaluations are made in a year, which are carried out by multi-disciplinary teams composed typically of 3 experts (a legal expert, a financial expert and a law enforcement expert), and one or two experts from FATF countries. These teams are assisted by a member or members of the MONEYVAL Secretariat.

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Before the on-site visit commences, MONEYVAL evaluation procedures involve the collection of information through a detailed questionnaire. The standard questionnaire was agreed at a FATF Plenary meeting in June 2004 (as amended). It was initially complemented - due to the specific scope of evaluations carried out by the Committee - by issues linked to the Council Directive 91/308/EEC of 10 June 1991 and Directive 2001/308/EEC on prevention of the use of the financial system for the purpose of money laundering as amended by Directive 2001/97/EC of 4 December 2001 (hereinafter the “EU Directive”). Following the deadline for implementation of 15 December 2007, the forgoing directives were superseded by Council Directive 2005/60/EC of 26 October 2005. MONEYVAL commenced evaluations under the Third European Union Directive in January 2008.

Following the submission of country replies to the questionnaires, an on-site country visit (normally 1 week) is conducted by the team of experts and members of the Secretariat with a view to meeting practitioners who work for the sectors concerned and soliciting further information. A summary of key findings is left with the country. The visit leads to the drafting of the evaluation report, which goes through a number of rounds of consultation between the evaluators and the Secretariat and is subsequently sent to the country for comments. The report is revised in the light of the comments accepted by evaluators in the course of a joint meeting with representatives from the country and is then submitted for consideration and adoption to the Committee.

The report adopted by MONEYVAL provides a summary of the AML/CFT measures in place in the country as at the date of the on-site visit or immediately thereafter. It describes and analyses these measures, and provides recommendations on how certain aspects of the systems could be strengthened. It also sets out the country's levels of compliance with each of the FATF 40 + 9 Recommendations. All countries are required to provide a progress report twelve months after the adoption of the 3rd round report according to the template progress report. Issues related to the Third European Union Directive were included in the revised Progress Report templates from the beginning of 2008.

The amended Rules of procedures now provide for automatic publication of mutual evaluation reports no later than 1 month after adoption of reports. Third Round progress reports, other updates and relevant follow-up reports are also subject to automatic publication on the MONEYVAL website. All Third Round reports published up to the end of 2009 are publicly available on MONEYVAL's website.

**International Standards upon which MONEYVAL Evaluations are based**

- ▶ FATF 40 FATF Recommendations 2003.
- ▶ 1988 United Nations Convention on Illicit Traffic of Narcotics, Drugs and Psychotropic Substances (Vienna Convention and the 2000 United Nations Convention against Transnational Organised Crime (Palermo Convention).
- ▶ Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention) (ETS No. 141).
- ▶ 9 Special Recommendations of FATF on financing of terrorism and several other related UN instruments (UN Convention for Suppression of the Financing of Terrorism, relevant UN Security Council Resolutions for the freezing of terrorist assets).
- ▶ Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and the implementing Commission Directive 2006/70/EC of 1 August 2006.

The Committee can invoke further peer pressure through “compliance enhancing procedures”, involving a graduated series of steps to ensure compliance with specific aspects of the mutual evaluation report.

## **2.2 Mutual evaluations**

### **2.2.1 Progress to date**

With the approval and publication of the mutual evaluation reports of Armenia, Bosnia and Herzegovina and Serbia, MONEYVAL completed the third round of mutual evaluations. All these evaluations are conducted according to the comprehensive global Methodology agreed with the FATF, the FSRBs, IMF and World Bank and cover both money laundering and terrorist financing. This evaluation focuses on the effectiveness of the legal, financial and law enforcement measures in place to combat both money laundering and now financing of terrorism.

### **Third Round Evaluation Reports**

<b>Country</b>	<b>Report issued</b>	<b>Country</b>	<b>Report issued</b>
Albania	2006	Malta	2007
Andorra	2007	Moldova	2007
Armenia	2010*	Montenegro	2009
Azerbaijan	2008	Monaco	2007
Bosnia and Herzegovina	2010	Poland	2007
Bulgaria	2008	Romania	2008
Croatia	2008	Russian Federation	2008 <sup>+</sup>

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<b>Third Round Evaluation Reports</b>			
<b>Country</b>	<b>Report issued</b>	<b>Country</b>	<b>Report issued</b>
Cyprus	2006	San Marino	2008
Czech Republic	2007	Serbia	2010
Estonia	2008	Slovakia	2006
Georgia	2006	Slovenia	2005
Hungary	2005*	"The former Yugoslav Republic of Macedonia"	2008
Latvia	2006*	Ukraine	2009
Liechtenstein	2007*	Israel (active observer status)	2008
Lithuania	2006		

\* Prepared by the IMF on behalf of MONEYVAL

+ Joint FATF/EAG/MONEYVAL report

## 2.2.2 Reports

In 2009 MONEYVAL members adopted the following third round mutual evaluation reports:

<b>Plenary Meeting</b>	<b>Country</b>
<b>29th meeting (16-20 March)</b>	► Montenegro ► Ukraine
<b>30th meeting (21-24 September)</b>	► Armenia*
<b>31st meeting (7-11 December)</b>	► Bosnia and Herzegovina ► Serbia

(\*) IMF led assessment including MONEYVAL representatives for EU issues and adopted by the MONEYVAL plenary

The first follow-up on-site visit was conducted in Slovenia in October 2009 and it is anticipated that the mutual evaluation report will be discussed and adopted in March 2010. A fourth follow-up visit was also conducted in Hungary in January 2010 and it is anticipated that the report will be discussed and adopted in September 2010. Follow-up on-site visits are in the process of being arranged for Albania, Andorra, Cyprus, Czech Republic, San Marino and Slovakia during 2010 with the reports being discussed and approved later in 2010 or in 2011.

### **2.2.3 Progress reports**

One year after the adoption of the evaluation report, each country submits a progress report describing the new measures it has adopted since the preparation of the report. Second progress reports are submitted two years after the first progress report.

The report will contain:

- a general overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field;
- an update on improvements which have been made in respect of the FATF Key Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV);
- an update on improvements which have been made in respect of those other FATF Recommendations which were rated either non-compliant or partially compliant in the mutual evaluation report;
- Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC); and
- Updated statistical data.

In 2009 MONEYVAL reviewed and approved the following progress reports:

<b>Plenary meeting</b>	<b>First Progress Report</b>	<b>Second Progress Report</b>
<b>29th (16-20 March)</b>	<ul style="list-style-type: none"> <li>▶ Monaco</li> <li>▶ Croatia</li> <li>▶ San Marino</li> <li>▶ Bulgaria</li> </ul>	<ul style="list-style-type: none"> <li>▶ Cyprus</li> </ul>
<b>30th (21-24 September)</b>	<ul style="list-style-type: none"> <li>▶ Romania</li> <li>▶ “The former Yugoslav Republic of Macedonia”</li> <li>▶ Israel</li> <li>▶ Russian Federation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Albania</li> <li>▶ Slovakia</li> </ul>
<b>31st (7-11 December)</b>	<ul style="list-style-type: none"> <li>▶ Azerbaijan</li> <li>▶ Estonia</li> </ul>	<ul style="list-style-type: none"> <li>▶ Latvia</li> </ul>

## **2.2.4 Compliance enhancing procedures (CEPs)**

MONEYVAL can invoke further peer pressure through “Compliance Enhancing Procedures”, involving a graduated series of steps to ensure compliance with specific aspects of the mutual evaluation report.

### **Steps to be taken in respect of countries undergoing evaluation by MONEYVAL which are not in Compliance with the Reference Documents or the Recommendations in Mutual Evaluation Reports (Compliance Enhancing Procedures)**

MONEYVAL may take action in respect of countries subject to its evaluation procedures for failure to implement the reference documents or the recommendations in mutual evaluation reports. It should be guided by the following principles:

- flexibility in order to deal with situations which require urgent action by the Plenary when issues of non-compliance arise;
- equality of treatment for participating States;
- a graduated approach for dealing with non complying States;
- approval by the Plenary of the steps to be taken, whilst allowing for some discretion regarding the application of the earlier stages of the process.

#### **Steps in the process**

The steps for dealing with non-complying States are, in chronological order, the following:

- (i) requiring the non-complying States to provide a report or regular reports on its progress in implementing the reference documents within a fixed timeframe;
- (ii) the Chairman of MONEYVAL sending a letter with copy to the MONEYVAL Plenary, to the Head of Delegation concerned, drawing his/her attention to non-compliance with the reference documents;
- (iii) the Chairman of MONEYVAL sending a letter with a copy to the Head of Delegation concerned, to the Secretary General of the Council of Europe, drawing his/her attention to non-compliance by a MONEYVAL participating State with the reference documents;
- (iv) the Secretary General of the Council of Europe sending a letter to the relevant Minister(s) of the State, drawing his/her/their attention to non-compliance with the reference documents;
- (v) arranging a high-level mission (including selected Heads of CDPC Delegation) to the participating State in question to reinforce this message;
- (vi) in the context of the application of Recommendation 21 of the FATF by MONEYVAL States, issuing a formal public statement to the effect that a State insufficiently complied with the reference documents.

## **Azerbaijan**

An assessment of Azerbaijan against the First Evaluation Round CEPs criteria highlighted the fact that there was no specific anti-money laundering legislation in Azerbaijan and there was no FIU that met international standards. Following a discussion at the 18th Plenary meeting on 31 January to 3 February 2006 it was agreed that Step (i) of the Compliance Enhancing Procedures should be invoked. Since that meeting MONEYVAL invoked Steps (ii) to (v) of the Compliance Enhancing Procedures culminating, in February 2008, with a high level mission to Azerbaijan to reinforce the message that the country was not in compliance with MONEYVAL reference documents.



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At the time of the 28th Plenary meeting, Azerbaijan had still not taken remedial action and it was therefore agreed to issue a public statement urging Azerbaijan to urgently adopt a comprehensive law for preventing money laundering and countering the financing of terrorism which complies with international standards. MONEYVAL also called on MONEYVAL member states and other countries to advise their financial institutions to pay special attention to the potential money laundering and financing of terrorism risks in transactions with persons and financial institutions in Azerbaijan. Two further public statements were issued in March and September 2009.

At the time of the 31st meeting in Strasbourg it was noted and welcomed that Azerbaijan had created and implemented the legislative base to counter money laundering and terrorist financing, and a financial intelligence unit had commenced operations and was receiving and analysing reports. Accordingly, it was agreed to withdraw the previous public statements and the advice to financial institutions made MONEYVAL's statement of 12 December 2008. MONEYVAL will continue to monitor progress on other outstanding issues raised in its 3rd round report through MONEYVAL mechanisms.

### **San Marino**

Following the adoption of the mutual evaluation report on San Marino, the 26th Plenary meeting also examined the overall compliance of San Marino and agreed that in accordance with its rules of procedure, Step (i) of the Compliance Enhancing Procedures should be applied. San Marino was requested to provide a report regularly on measures that it had taken to address the deficiencies underlying the recommendations which were rated Non Compliant and Partially Compliant. San Marino reported back to MONEYVAL in July 2008, December 2008 and September 2009 under the Compliance Enhancing Procedures and submitted a first progress report in March 2009. Three compliance reports and the first progress report were adopted and published, which reflect the progress that has rapidly been made since the adoption of the Third Round report.

At the 30th Plenary meeting in September 2009, it was acknowledged that San Marino had taken clear action to reform its anti-money laundering and counter-terrorism regime and to improve its compliance with the FATF Recommendations. This was reflected by San Marino authorities' continuous commitment to undertake the necessary legislative and institutional reforms swiftly to address the areas of concern raised by MONEYVAL. In accordance with its rules of procedure, the Plenary decided to lift the Compliance Enhancing procedures at Step (i) in respect of San Marino. An early 4th round onsite visit will take place in September 2010 to assess the effectiveness of implementation.

### **2.2.5 Horizontal Review**

At the conclusion of the first and second Evaluation Rounds, a horizontal review of all of the mutual evaluation reports approved were undertaken. They are available on the MONEYVAL website. The aim of these reviews was to identify common themes arising out of the mutual evaluation reports.



As the third round of mutual evaluations has now been concluded, and all third round reports had been approved, a further horizontal review has been commissioned. This horizontal review is being undertaken by:

- Mr. Herbert Zammit Laferla (financial scientific expert) on Financial aspects
- Mr. Boudewijn Verhelst (law enforcement scientific expert) on Law enforcement aspects and
- Dr. Lajos Korona (Hungary) on Legal aspects

A preliminary draft of each section was produced by the end of December 2009 and the final report is expected to be presented to the MONEYVAL plenary meeting in March 2010.

### **2.2.6 Revision of the Rules of Procedure**

During 2009 MONEYVAL took the initiative to update its Rules of Procedure. The opportunity was taken to further clarify some of its processes. The Committee considers that its follow up procedures have been effective over several years in achieving step improvements in the AML/CFT regime of its countries. Nonetheless, revision were also adopted for its follow up procedures to align them even more closely to those of the FATF.

### **3. TYPOLOGIES**

An important part of the function of MONEYVAL is to identify new and emerging money laundering and terrorist financing techniques, assess the level of threat and produce a report of the findings. Once such techniques have been identified a working group is formed and a questionnaire is sent out to all MONEYVAL countries seeking to establish the level of threat and any relevant techniques of money laundering that have been identified. A report is then produced setting out the findings of the working group and providing suggestions for controls that need to be introduced.

#### **3.1 Typology reports under consideration**

##### **3.1.1 Money remittance and currency exchange providers**

MONEYVAL is currently involved in a joint typology study with FATF on money service bureaux. Money service bureaux provide a range of products enabling money to be transferred both domestically and internationally. They embrace a number of business forms from major international groups to informal networks. Furthermore, the nature and complexities of money service businesses are constantly evolving and there is frequently a link with ancillary businesses such as currency exchange and cheque cashing facilities.

Due to the rapid growth in this area and, in particular, to their development in MONEYVAL countries it was agreed that MONEYVAL would conduct a typologies study to examine how money service bureaux can be used by those who wish to launder money and to identify potential vulnerabilities in such businesses. It is anticipated that this report will be published in 2010.

The exercise is led by Estonia, together with a core team of experts from Cyprus, Poland, Romania, Australia, Germany, Mexico, the Kingdom of the Netherlands, Sweden, Spain and the United States of America.

##### **3.1.2 The use of internet gambling for ML and TF purposes**

In March 2009, MONEYVAL initiated a research to examine the use of internet gambling by money launderers/finance terrorist and will identify potential vulnerabilities in such businesses. Internet gambling is a fast-growing industry which offers opportunities for money laundering. Given the speed, volume, anonymity and the international reach of internet transactions and the fact that many internet gambling sites are located in areas with weak or nonexistent supervisory regime increase the potential for misuse. Preliminary research conducted revealed that there is no up to date information regarding this phenomenon specific to MONEYVAL countries. Furthermore, several member jurisdictions had evidence that criminals were using internet gambling to launder their illicit funds.

The project aims to collect and analyse information regarding the involvement of money launderers in the internet gambling businesses, in order to identify potential vulnerabilities and develop best practices in this area. Concrete case examples will be examined by MONEYVAL members in order to understand how criminals act in the area of internet gambling.

The exercise is led by Cyprus, together with a core team of experts from Albania, Malta, Monaco, Romania, Israel and European Commission. A questionnaire was distributed in September 2009 and the final report will be presented to the MONEYVAL Plenary in September 2010.

### **3.1.3 Money laundering through private pensions funds and the insurance sector**

In 2009, MONEYVAL commenced a typologies study on and the vulnerability of the insurance and pensions industries to money laundering and terrorist financing. The insurance market is developing rapidly in a number of MONEYVAL countries as a result of privatisation of state controlled businesses and increased individual wealth and it is considered the threat of money laundering in the insurance and pensions industries had not been properly considered and as a result there is a lack of awareness among insurance professionals. Furthermore, there do not appear to have been any recent studies concerning the money laundering threat to the insurance industry. The typologies review should also include non-life insurance products irrespective of the fact that non-life insurance is not included in the FATF definition of Financial Institution.

The exercise is led by Romania, together with a core team of experts from France, Moldova, the Netherlands, Poland, and Israel. A questionnaire was distributed in December 2009 and the final report will be presented to the MONEYVAL Plenary in September 2010.

### **3.1.4 Criminal money flows on the internet: methods, trends and multi-stakeholder counteraction**

On 24 September 2009, MONEYVAL decided to undertake a typology exercise on criminal money on the internet. It will be carried out between November 2009 and December 2010 and will examine criminal money flows and methods of money laundering through information and communication technologies (ICT), including the Internet. It will furthermore document good practices such as multi-stakeholder action aimed at the search and confiscation of crime proceeds and prevention.

The exercise is led by the Russian Federation and the Council of Europe, including the MONEYVAL Secretariat, the Project on Cybercrime and the MOLI-RU Project against money laundering and the financing of terrorism in the Russian Federation.

## **3.2 Co-operation with FATF**

In addition to the typologies reports that are set out above, MONEYVAL is working closely with FATF on an number of typology projects.

### **3.2.1 Global threat assessment**

The project aims to identify the key global money laundering threats and vulnerabilities. It looks at the reasons behind money laundering and terrorist financing as well as the threats posed by these criminal activities. In particular looks at which types of crime generate criminal funds that need to be laundered and will seek to identify any regional variations or trends. 15 MONEYVAL members have contributed in 2008 and subsequently in 2009 to the FATF strategic surveillance survey.

### **3.2.2 Securities**

Following on from the MONEYVAL typology report on the use of securities in money laundering schemes, the FATF review considered the range of products classified as “securities” in various jurisdictions, how jurisdictions supervise compliance with anti-money laundering/combating terrorist financing requirements for these products and identified potential areas of AML/CTF vulnerabilities in the securities industry and identify case studies and enforcement actions in the securities industry. MONEYVAL contributed to this report which was published in October 2009.

## **4. MEETINGS AND ACTIVITIES**

### **4.1 Plenary meetings**

**M**ONEYVAL's Plenary meetings take place in Strasbourg (France) and they usually last five days. Bureau meetings are usually organised shortly before or in parallel to Plenary meetings. During 2009 three Plenary meetings were held in Strasbourg:

#### **29th Plenary meeting, 16-20 March 2009**

During the 29th Plenary meeting, held in Strasbourg on 16-20 March 2009, MONEYVAL members:

- Discussed and adopted the third round mutual evaluation reports and summaries, as amended, on Montenegro and Ukraine;
- Discussed and adopted the First Progress reports of Monaco, San Marino, Croatia and Bulgaria as well as the revised First Progress report of the Czech Republic;
- Discussed and adopted the Second Progress report of Cyprus;
- Adopted a second Public Statement in respect of Azerbaijan under Step (vi) of the Compliance Enhancing Procedures;
- Decided to grant the Bureau a mandate to further review the revised public statement in respect of Azerbaijan between plenary meetings if the legislative framework is satisfactorily completed before the next plenary meeting;
- Adopted the 2008 Annual Report;
- Adopted the questionnaire for MONEYVAL's fourth follow-up evaluation round;
- Decided to align MONEYVAL's follow up procedures more closely to the FATF's revised procedures and requested the Secretariat to prepare a revised draft of the Rules of Procedure for the next Plenary meeting;
- Agreed upon the proposals to be conveyed to the FATF in relation to possible changes to the standards in preparation for the 4th round;
- Took note of the current status of work on typologies and approved a proposal to conduct two typologies projects on ML/TF through internet gambling (led by Cyprus) and on ML through insurance and private pension funds (led by Romania);
- Adopted a new procedure for composition of the Ad-Hoc Review Group by a country nominated by the Plenary to review a single report at the next Plenary;
- Took note of information on AML/CFT initiatives in MONEYVAL countries and heard information on anti-money laundering issues in other forums;
- Took note of developments related to the entry into force of 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) and the forthcoming first Conference of the Parties (April 2009);

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- Received presentations on current IMF and World Bank research projects;
- Thanked Andorra, San Marino and the United States of America for their voluntary contributions to MONEYVAL.

### **30th Plenary meeting, 21-24 September 2009**

At this meeting MONEYVAL had the pleasure of a two day visit from Mr Paul Vlaanderen, FATF President, who made a keynote address highlighting the crucial role of the FATF style regional bodies for the long-term viability of FATF's mandate, the close relationship between the FATF and MONEYVAL as well as the priorities of the Dutch Presidency. During the 30th Plenary meeting, held in Strasbourg on 21-24 September 2009, MONEYVAL members:

- Discussed and adopted the third round mutual evaluation report and summary, as amended, on Armenia
- Discussed and adopted the first progress reports of Israel, of "the former Yugoslav Republic of Macedonia", of Romania, and of the Russian Federation;
- Discussed and adopted the second progress reports of Slovakia and Albania;
- Adopted a third Public Statement in respect of Azerbaijan under Step (vi) of the Compliance Enhancing Procedures;
- Discussed and adopted the third compliance report on San Marino under Step (i) of the Compliance Enhancing Procedures;
- Decided to lift the Compliance Enhancing Procedures in respect of San Marino under Step i of the Compliance Enhancing Procedures and in agreement with the authorities decided to move the 4th round evaluation forward to the first half of 2010;
- Adopted the revised MONEYVAL follow-up procedures;
- Took note of the new processes in the International Co-operation Review Group (ICRG) and the creation of the Europe/Eurasia Regional Review Group (ERRG) as a sub-group of the ICRG and of the first pool of MONEYVAL and FATF countries to be reviewed by the ERRG, ICRG and FATF;
- Took note of the current status of work on typologies and approved a proposal to conduct a typology project on criminal money flows on the internet: methods, trends and multi-stakeholder counteraction;
- Took note of information on AML/CFT initiatives in MONEYVAL countries and heard information on anti-money laundering issues in other forums;
- Took note of developments related to the entry into force of 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).

**31st Plenary meeting, 7-11 December 2009**

During the 31st Plenary meeting, held in Strasbourg on 7-11 December 2009, MONEYVAL members:

- Discussed and adopted the 3rd round mutual evaluation reports and summaries, as amended, on Serbia and Bosnia and Herzegovina;
- With the adoption of these two mutual evaluation reports, concluded its 3rd round of mutual evaluations;
- Discussed and adopted the first progress reports of Azerbaijan and of Estonia;
- Discussed and adopted the second progress report of Latvia;
- Decided to withdraw MONEYVAL's previous public statements in respect of Azerbaijan and adopted a fourth public statement, which concluded the process of Compliance Enhancing Procedures which commenced in 2006;
- Decided to postpone a decision on the imposition of further Compliance Enhancing Procedures on Azerbaijan until a further full progress report on all aspects of the AML/CFT regime rated NC or PC is submitted by Azerbaijan and examined by the Plenary in March 2010;
- Adopted a questionnaire on enforcement of civil confiscation orders;
- Heard an update on the recent developments in jurisprudence on SR.III in the European courts;
- Held exchanges of views on the impact of the global economic crisis on AML/CFT and on policy options for combating proliferation financing;
- Elected for a mandate of two years its President, Mr Vladimir Nechaev (Russian Federation), its Vice-President, Mr Anton Bartolo (Malta), and three bureau members, Mr Damir Bolta (Croatia), Mr Alexandru Codescu (Romania) and Mr Armen Malkhasyan (Armenia);
- Took note of the current status of work on typologies in the context of the projects on (1) Money laundering through money service businesses; (2) The use of Internet gambling for ML and TF purposes, (3) ML through private pension funds and the insurance sector and (4) Criminal money flows on the internet: methods, trends and multi-stakeholder counteraction;
- Took note of information on AML/CFT initiatives in MONEYVAL countries and heard information on anti-money laundering issues in other forums;
- Took note of developments related to the entry into force of 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), and of developments on the possible revision of the Convention on Mutual Administrative Assistance in Tax Matters (CETS No. 127);
- Thanked Israel for its voluntary contribution to MONEYVAL.



## **4.2 2009 Typologies Exercise**

MONEYVAL undertakes regularly typologies researches to better understand the money laundering and terrorist financing environment in the European region and to assist through its findings decision makers and operational experts with up-to-date information in order that they may target policies and strategies to combat these threats.

Typologies meetings provide an opportunity for MONEYVAL members to discuss the current money laundering and terrorist financing trends and techniques, to exchange experience and best practices, to network with colleagues from other countries etc.

A highly successful typologies meeting was held in Limassol on 10 to 12 November 2009. Over 80 experts from 24 countries and 2 international organisations attended MONEYVAL's 8th experts' meeting on typologies, which was organised and co-financed by the Cypriot authorities, the Unit for Combating Money Laundering (MOKAS) and the Council of Europe.



The meeting was opened by Mr Petros Clerides, Attorney General and was closed by Mr Charilaos Stavrakis, Minister of Finance of the Republic of Cyprus. The meeting was chaired by Ms Eva Rossidou-Papakyriacou, Head of the Unit for Combating Money Laundering and Head of the delegation of Cyprus to MONEYVAL.

During the 3-day meeting, participants examined a number of emerging money laundering and terrorist financing methods and trends in the context of two typology research projects, focusing on the ways in which money launderers operate through the insurance and private pension funds sector, as well as through the internet gaming sector.

The final reports on these two topics are expected to be available in the second half of 2010.



## **4.3 Training**

MONEYVAL conducted an evaluator training seminar on 6 - 10 July 2009. The seminar, which was held in San Marino, was attended by 30 delegates from 24 different countries. In addition to delegates from 19 MONEYVAL countries there were also delegates from Austria, France, the Netherlands and Switzerland as well as a representative from the Secretariat of GIABA (Inter Governmental Action Group against Money Laundering in West Africa). The San Marino authorities made a generous contribution to the costs of the seminar.

The purpose of the seminar was to train future evaluators in anticipation of the commencement of the 4th Round of mutual evaluations by MONEYVAL. The seminar consisted of a number of presentations by international experts, including representatives of International Monetary Fund (IMF) and the World Bank. The presentations were consolidated by participation by attendees in a number of worked exercises and case studies. The materials used were based on training materials prepared by FATF, the IMF and the World Bank as well as material prepared by MONEYVAL.



In addition to the Executive Secretary, John Ringguth, and John Baker from the MONEYVAL secretariat, the trainers were:

- Lajos Korona, Public Prosecutor, Budapest (Hungary)
- Boudewijn Verhelst, Deputy Director CTIF/CFI, Scientific Expert to MONEYVAL, Brussels (Belgium)
- Klaudio Stroligo, Senior Financial Sector Specialist, FSEFI Department, World Bank
- Herbert Zammit Laferla, Director, Financial Stability Division, Central Bank of Malta, Scientific Expert to MONEYVAL, Valletta (Malta)
- Terence Donovan, Senior Financial Sector Expert, Monetary and Financial System Department, International Monetary Fund
- Ian Matthews, Technical Specialist, Financial Services Authority (United Kingdom)

FATF also organised a Training Seminar in Paris, France on 23-27 March 2009. Four representatives from MONEYVAL attended this training seminar.

#### **4.4 Non-conviction based confiscation**

MONEYVAL has been considering problematic issues associated with international co-operation in respect of non-conviction based (NCB) confiscation of the proceeds of crime.

At the 30th MONEYVAL Plenary meeting a discussion was launched on the obstacles to enforcement of NCB orders and the difficulties experienced in requesting and receiving international co-operation in this area and it was agreed that a focused questionnaire should be developed. Accordingly, MONEYVAL designed a questionnaire on NCB confiscation in consultation with several international experts in this field. This questionnaire was presented to the member States, discussed and adopted at the 31st MONEYVAL Plenary meeting.

The adopted questionnaire was sent to all MONEYVAL member States and observers in December 2009. Heads of delegation were requested to ensure that the questionnaire was directed to the most appropriate body domestically for completion. It will be analysed in 2010, after which MONEYVAL will take stock of what further action, if any, may be required.

#### **4.5 Participation in other forums**

##### **4.5.1 FATF**

The Chairman of MONEYVAL, the Executive Secretary and representatives from the MONEYVAL's membership and Secretariat attended all of the FATF Working Groups and Plenary meetings in 2009 and contributed actively in their work.

##### **4.5.2 European Regional Review Group**

During 2009 the ICRG working group of FATF agreed to establish a mechanism for monitoring jurisdictions which appeared to have inadequate AML/CFT controls. It was agreed that a pool of countries for review would be created based:

- 1) Nominations: as in the previous ICRG procedures, FATF or FSRB delegations can directly nominate another jurisdiction for ICRG prima facie consideration.
- 2) Automatic Referral based on non-participation in FSRBs and their full mutual evaluation processes (including follow up), as well as jurisdictions that do not agree to publish their reports.
- 3) Automatic Referral based on results from mutual evaluations/detailed assessments results (10 or more NCs or PCs against the 16 core and key FATF Recommendations).

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The ICRG also agreed that four regional review groups were established each co-chaired by an FATF member and an FSRB representative. Since June 2009, the regional review groups have conducted prima facie reviews of the 39 jurisdictions that were included in this process at that time. Vasil Kirov, MONEYVAL chairman until 31 December 2009, is the FSRB co-chair of the Europe Eurasia Regional Review Group.

### **4.5.3 House of Lords Select Committee on Money Laundering**

MONEYVAL was invited to provide written evidence to the Sub-Committee on Home Affairs of the Select Committee on the European Union of the House of Lords (UK) inquiry into EU and international cooperation to counter money laundering and the financing of terrorism. A Memorandum of evidence was provided which is published on the Sub-Committee's website. On 29 April, the Executive Secretary of MONEYVAL also gave oral evidence to the inquiry.

### **4.5.4 Other meetings**

MONEYVAL was also represented at the following meetings :

- UNODC Workshop on the Domestic Legal Implications of United Nations Security Council Resolutions and Financial Sanctions against Terrorism which was held in Bucharest in April 2009;
- 10th EAG Plenary Meeting, working group meetings and consultations with parliamentarians in St Petersburg in June 2009;
- First conference of Multilateral Development Banks organised by the Council of Europe Bank Development in Paris in July 2009;
- OSCE Public-Private Expert Workshop on Preventing the Abuse of Non-Profit Organizations for Terrorist Financing, in Vienna in September 2009;
- Egmont Group Working Group meetings in Kuala Lumpur in October 2009;
- Drafting Committee meeting to discuss the revision of the Convention on Mutual Administrative Assistance in Tax Matters (CETS No. 127, 1988) in Paris in October 2009; and
- 3rd meeting of the Informal Platform of EU Asset Recovery Offices in Brussels in November 2009.

## **5. CURRENT INITIATIVES AND FUTURE AREAS OF WORK**

### **5.1 Strategic initiatives for 2010**

**F**ollowing the conclusion of the third round of mutual evaluations a thematic horizontal review of all third round reports has been commissioned. A summary of findings will be presented to the 32nd Plenary meeting in March with the final report being presented to the 33rd Plenary meeting in September 2010. This review will provide a guide to those areas where particular attention will need to be given in the fourth cycle of evaluations as well as highlighting areas of best practice that would improve compliance. In particular, there will be an emphasis on the effectiveness of application of FATF Recommendations.

The success of MONEYVAL evaluations relies on a high standard of evaluators. A training seminar was held in San Marino in July 2009. This seminar gave a particular emphasis on conduct of the new evaluation round and a further training session will be held in July 2010 in Andorra. These training seminars are vital to ensure that there are a sufficient number of competent evaluators to conduct assessment visits.

As in previous evaluation rounds MONEYVAL will conduct a review of progress overall in its countries as at the end of the third round. The Plenary will then decide whether additional peer pressure is required in respect of any of its countries. MONEYVAL will also keep its regular follow-up procedures under review and make changes where further enhancements are justified.

MONEYVAL, as a FATF style regional body and FATF associate member, will continue in 2010 to strengthen its study of the techniques and trends in money laundering and terrorist financing and to contribute to global efforts regarding typology work by enhancing co-operation with relevant partners on specific typologies researches. Building on the experience of the previous years' typologies exercises and results achieved, it will, as of 2010, also initiate the regular collection and analysis of key ML/TF typologies in all MONEYVAL members in order to deliver an increased analytical and up-to-date picture of ML/TF typologies within the MONEYVAL region. Furthermore, MONEYVAL will organise its annual typologies meeting jointly with the Eurasian Group, this being the first joint typologies meeting between two FATF style regional bodies.

MONEYVAL will continue to work closely with the FATF and FATF style regional bodies. Particular attention will be paid to the review of the FATF Recommendations and procedures for FATF's fourth round of evaluations that is being undertaken by various FATF Working Groups.

MONEYVAL will continue in 2010 with its research on the obstacles to international co-operation in the area of non-conviction based confiscation. While this issue has been addressed to some extent in the Warsaw Convention (CETS No. 198), MONEYVAL will analyse the results of its survey and consider whether there is a need for further action to promote such international cooperation, and if so, what might be done.

## **5.2 Key activities in which MONEYVAL is involved in 2010**

<b>Date</b>	<b>Evaluated Countries/ Activities</b>	<b>Venue</b>
18-22 January	Hungary on-site visit (Follow-up visit)	Budapest
28-29 January	Regional AML/CFT seminar	Cyprus
8-9 February	Conference of the Parties COP-198 - Drafting Group	Paris
15-19 February	FATF Plenary	Abu Dhabi
12 March	21st Bureau meeting	Strasbourg
15-18 March	32nd MONEYVAL Plenary	Strasbourg
15-16 April	Conference of the Parties COP-198	Strasbourg
23-29 May	Czech Republic on-site visit (Follow-up visit)	Prague
7-13 June	Cyprus on-site visit (Follow-up visit)	Nicosia
21-25 June	FATF Plenary	Amsterdam
12-16 July	Training Seminar	La Vella
6-10 September	San Marino on site visit (Follow-up visit)	San Marino
13-18 September	Andorra on-site visit (Follow-up visit)	La Vella
27 September- 1 October	33rd MONEYVAL Plenary	Strasbourg
4-9 October	Slovakia on-site visit (Follow-up visit)	Bratislava
18-22 October	FATF Plenary	Paris
October / November	Typologies - joint meeting with EAG	Russian Federation
November	Albania on-site visit (Follow-up visit)	Tirana
6-10 December	34th MONEYVAL Plenary	Strasbourg

### **5.3 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)**

The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism entered into force on 1 May 2008. To date it has been ratified by 16 States and signed by another 17 States. Upon entry into force, the Secretary General of the Council of Europe made a statement, calling upon Council of Europe member states to join the convention and encouraging signatory countries to ratify it. The Convention is open for signature by the member States of the Council of Europe, the European Community and non-member States.

This is the first legally binding international treaty which covers in a comprehensive manner both the prevention and the control of money laundering and the financing of terrorism. This convention builds upon the 1990 Strasbourg Convention (ETS No. 141) and introduces new practical measures, drawn upon the experience of the evaluations conducted by MONEYVAL, the Council of Europe monitoring body on money laundering and terrorist financing.

A Conference of the Parties was held on 22 and 23 April 2009 in Strasbourg. At this meeting it was agreed that a separate monitoring mechanism, as provided for in the Convention, should be established to monitor the proper implementation of the Convention by the Parties and, at the request of a Party, to express an opinion on any question concerning the interpretation and application of the Convention. It was agreed to form a drafting group to prepare a questionnaire.

#### **Decisions taken at the Conference of the Parties (22-23 April 2009)**

- Elected Ms Alina BICA (Romania) as Interim Chair of the Conference of the Parties.
- Adopted the Rules of Procedure for the Conference of the Parties, pursuant to Article 48 (5) of the Convention.
- A request to the Secretariat to prepare a paper on procedures for the formation and operation of any evaluation teams that may be required by the Conference of the Parties under Rule 19 of the Rules of Procedure.
- Decided to establish a Drafting Group under Rule 12 to prepare, within the next six months, a draft questionnaire for completion by State Parties, which the Conference of the Parties will consider at its next meeting.

The text of the convention is available in English and French on the website of the Council of Europe Treaty Office at: <http://conventions.coe.int>.

## **6. ADDITIONAL INFORMATION**

### **6.1 Publications in 2009**

All of the following publications can be found on the MONEYVAL website: [www.coe.int/moneyval](http://www.coe.int/moneyval)

- ▶ Rules of procedure including revised follow up procedures (version March 2010)
- ▶ 2008 Annual Report

#### **Third Round Evaluation Reports on:**

- |              |              |
|--------------|--------------|
| ▶ Azerbaijan | ▶ Montenegro |
| ▶ Estonia    | ▶ Ukraine    |

#### **First Progress Reports on:**

- |              |   |
|--------------|---|
| ▶ Azerbaijan | ▶ Monaco                                      |
| ▶ Bulgaria   | ▶ Romania                                     |
| ▶ Croatia    | ▶ Russian Federation                          |
| ▶ Estonia    | ▶ San Marino                                  |
| ▶ Israel     | ▶ “The former Yugoslav Republic of Macedonia” |

#### **Second Progress Reports on:**

- |           |            |
|-----------|------------|
| ▶ Albania | ▶ Latvia   |
| ▶ Cyprus  | ▶ Slovakia |

#### **Compliance Reports on:**

- ▶ San Marino (3<sup>rd</sup> compliance report)



## 6.2 Meeting attendance

<b>Attendance at MONEYVAL Meetings</b>				
<b>Meeting</b>	<b>Date</b>	<b>Participants</b>	<b>Countries Represented</b>	<b>International Organisations Represented</b>
29 <sup>th</sup> Plenary	16-20 March	172	35	10
Conference of the Parties to CETS No. 198	22-23 April	55	31	1
Evaluator training	6-10 July	30	23	1
30 <sup>th</sup> Plenary	21-24 September	203	35	8
Typologies	10-12 November	80	24	2
31 <sup>st</sup> Plenary	7-11 December	171	35	8

## 6.3 Mutual evaluation visits

<b>Country</b>	<b>Date</b>	<b>Evaluators from</b>
Armenia (IMF) – 3rd Round	23 February - 10 March	IMF
Serbia – 3rd Round	9-16 May	Armenia Hungary Slovak Republic United States of America*
Bosnia and Herzegovina – 3rd Round	3 May - 3 June	Armenia Hungary Israel Malta Moldova United States of America*
Slovenia – Follow up Round	5-9 October	Italy* Latvia Liechtenstein Romania United Kingdom*

\* FATF evaluators



## 6.4 Intervenors on mutual evaluation reports in 2009

<b>Draft mutual evaluation report examined</b>	<b>Intervenor on legal aspects</b>	<b>Intervenor on law enforcement aspects</b>	<b>Intervenor on financial aspects</b>
Montenegro	Georgia	Albania	Azerbaijan
Ukraine	Malta	Liechtenstein	Lithuania
Armenia	Romania	Montenegro	Russian Federation
Bosnia and Herzegovina	Andorra	"The former Yugoslav Republic of Macedonia"	Slovakia
Serbia	Cyprus	Slovenia	San Marino

\* One country poses a set of detailed questions on each of the sections covered by the report (legal, financial and law enforcement) to the country undergoing evaluation during the Plenary discussion of the draft report

## 6.5 Involvement of MONEYVAL member countries in progress reports in 2009

<b>Plenary meeting</b>	<b>Progress report</b>	<b>Rapporteur* Country</b>
<b>29th Plenary meeting (16-20 March 2009)</b>	Bulgaria	Latvia
	Croatia	Czech Republic
	Czech Republic	Bosnia and Herzegovina
	Cyprus	Israel
	Monaco	Estonia
	San Marino	Hungary
<b>30th Plenary meeting (21-26 September 2009)</b>	Albania	Monaco
	Israel	Malta
	Romania	Liechtenstein
	Russian Federation	Lithuania
	Slovakia	Poland
	"The former Yugoslav Republic of Macedonia"	Moldova
<b>31st Plenary meeting (7-11 December 2009)</b>	Azerbaijan	Ukraine
	Estonia	Romania
	Latvia	Russian Federation

\* Under the MONEYVAL Rules of Procedure a rapporteur country scrutinises the progress report and raises questions on the legal, financial and law enforcement aspects of the report

## **6.6 Scientific Experts**

- Prof William C. GILMORE, Professor of International Criminal Law, Faculty of Law, University of Edinburgh
- Mr Giovanni ILACQUA, Deputy Head of Suspicious Transactions Analysis Division, Banca d'Italia, Italy
- Mr Boudewijn VERHELST, Deputy Director CTIF-CFI, Belgium
- Mr Herbert Zammit LAFERLA, Director Financial Stability Division, Central Bank, Malta

## **6.7 Key statistics for 2009**

Plenary Meetings	16-20 March 21-24 September 7-11 December 2009 aggregate attendance at Plenary Meetings (546 Participants representing 35 countries and 10 international organisations)
Bureau meetings	19th meeting, 3 June 20th meeting, 21 September
Training of evaluators	6-10 July (30 Participants representing 23 countries and 1 international organisation)
Annual Typologies Meeting	10-12 November (80 Participants representing 24 countries and 2 international organisations)
Permanent members of MONEYVAL	28
Temporary members of MONEYVAL	2
Active Observer of MONEYVAL	1
Observers	18
On-Site evaluations	3 Third Round 1 Fourth Assessment Visit
Mutual Evaluation Reports	Approved 3 Published 2
First Progress Reports Approved	10
Second Progress Reports Approved	4



<http://www.coe.int/moneyval>