

# ANNUAL REPORT ON MONEYVAL'S ACTIVITIES 2013



**MONEYVAL**  
**Committee of Experts**  
**on the Evaluation**  
**of Anti-Money Laundering**  
**Measures and the Financing**  
**of Terrorism**

COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

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The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

For more information on MONEYVAL, please visit our website:

[www.coe.int/t/dghl/monitoring/moneyval/](http://www.coe.int/t/dghl/monitoring/moneyval/)

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## Abbreviations

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AML	Anti-money laundering
CDD	Customer Due Diligence
CDPC	European Committee on Crime Problems
CEPs	Compliance Enhancing Procedures
CETS 198	2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention
CFT	Countering the financing of terrorism
COP	Conference of the Parties to the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention (CETS 198)
Core Recommendations	Core Recommendations in the FATF Recommendations of 2003: <ul style="list-style-type: none"> <li>R.1 Money laundering offence</li> <li>R.5 Customer due diligence</li> <li>R.10 Record keeping</li> <li>R.13 Suspicious transaction reporting</li> <li>SR II Criminalise terrorist financing</li> <li>SR IV Suspicious transaction reporting – terrorist financing</li> </ul>
CTED	UN Counter-Terrorism Committee Executive Directorate
DNFBP	Designated non-financial business and profession
EPAS	Enlarged Partial Agreement on Sport
ERRG	Europe/Eurasia Regional Review Group
EU	European Union
FATF	Financial Action Task Force

FIU	Financial intelligence unit
FSRB	FATF-Style Regional Body
FT	Financing of Terrorism
ICRG	International Co-operation Review Group (of the FATF)
IFIs	International financial institutions – IMF and World Bank
IMF	International Monetary Fund
Key Recommendations	Key Recommendations in the FATF Recommendations of 2003 : <ul style="list-style-type: none"> <li>R.3 Confiscation and provisional measures</li> <li>R.4 Secrecy laws consistent with the Recommendations</li> <li>R.23 Regulation, supervision and monitoring</li> <li>R.26 The FIU</li> <li>R.35 Conventions</li> <li>R.36 Mutual legal assistance</li> <li>R.40 Other forms of co-operation</li> <li>SR I Implement UN instruments</li> <li>SR III Freeze and confiscate terrorist assets</li> <li>SR V International co-operation</li> </ul>
MER	Mutual evaluation report
ML	Money laundering
MLA	Mutual legal assistance
NPO	Non-profit organisation
OSCE	Organization for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PC-GR-COT	Ad-hoc Drafting Group on Transnational Organised Crime
PEP	Politically exposed person
SAR	Suspicious activity report
STR	Suspicious transaction report
TF	Terrorist financing
UN	United Nations
UNCTC	United Nations Counter-Terrorism Committee
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions
VTC	Voluntary Tax Compliance

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## Introduction from the chairman

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It is a privilege for me to present my first Annual Report of MONEYVAL as Chairman of the MONEYVAL Committee. First of all, I wish, on behalf of the entire Committee, to express my gratitude to Vladimir Nechaev, our former Chairman. When we learnt of Vladimir's nomination as FATF president, we had mixed feelings: delight in the recognition of his work and accomplishments in this area that this step would bring, and sadness that we would be losing him from MONEYVAL before the end of his term in office. It was therefore a particular pleasure to welcome him to the December Plenary in his new capacity. As he himself said, evaluating one's own work from the outside is not an easy task; yet we were humbled by the kind words he spoke concerning MONEYVAL's performance and importance from the FATF's global perspective. Over almost 15 years, Vladimir has given us his time and experience; we now look forward to continuing our close collaboration throughout his presidency of FATF.

2013 was an intense and highly productive year for MONEYVAL and the principal activities are set out in the Annual Report.

In March, the Chairman of the EuroGroup Working Group wrote to the Executive Secretary, inviting MONEYVAL to conduct a special assessment of customer due diligence requirements in the banking sector in Cyprus in the context of the Cypriot request

for financial assistance from the Euro area. After consultation with the Chairman and myself (then as Vice Chairman), we agreed that, in these exceptional circumstances, MONEYVAL should respond positively. The Executive Secretary then led a team, which reported to the EuroGroup within seven weeks of the invitation to us. The evaluation is unique, as no other jurisdiction has hitherto submitted to such an exceptional and focused AML/CFT evaluation covering the effectiveness of one part only of its AML/CFT system. I wish to thank the Cypriot authorities for their support and cooperation throughout this highly intense process. Following MONEYVAL's intervention, the Committee of Ministers praised MONEYVAL for its flexibility and swift response on an issue of high political importance, despite the absence of pre-existing formal procedures.

In my opinion, the ability to react flexibly and quickly in exceptional circumstances is the hallmark of a serious monitoring mechanism. Indeed, the Cyprus experience in 2013 was not the first time that MONEYVAL was able to react quickly to external events outside the evaluation cycles. Similar and urgent responses to immediate issues, with successful outcomes, occurred when MONEYVAL invoked Compliance Enhancing Procedures (CEPs) to deal with exceptional situations in another State on two occasions: once when a tax amnesty programme, which had implications for the



money laundering preventative regime, was introduced; and when a Constitutional Court decision potentially abrogated the suspicious transaction reporting regime. In order for MONEYVAL to be formally empowered to deal with urgent situations not involving CEPs, the Committee decided in December to amend the Rules of Procedure to include a rule-based procedure for acting in exceptional circumstances in the future without the imposition of CEPs.

MONEYVAL showed further flexibility in 2013 when it agreed to the Vatican's request for a full Secretariat review of all the Core and Key Recommendations in its one year progress report. This report was presented and adopted in December 2013 as a follow-up to the first ever independent review of the Holy See undertaken by an external monitoring body. The 2013 progress report received extensive global media coverage.

Following the lead of the FATF, we have also decided, in 2013, to include in our work the review of Voluntary Tax Compliance (VTC) programmes by MONEYVAL States.

Overall, formal compliance with relevant international standards is largely being achieved. However, the effective implementation of the standards is more challenging. More emphasis still needs to be put on the work of law enforcement agencies and prosecutorial authorities in order to achieve serious money laundering convictions and deterrent confiscation orders in major proceeds-generating offences. I regret that convictions of those third parties who launder proceeds on behalf of organised crime and serious confiscation orders still appear to be very much the exception.

One difficult issue is tracing criminal assets where they are invested in corporate structures with complex layers of ownership. The September 2013 MONEYVAL plenary had the benefit of a presentation from the United Kingdom on the results of the June 2013 G8 summit, held under the UK Presidency. The G8

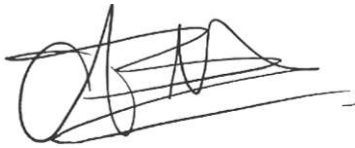
leaders themselves addressed the problems that we, in the AML/CFT world, wrestle with all the time – identifying ultimate beneficial owners of legal persons and arrangements. The G8 committed to core transparency principles, based on the 2012 revised FATF standards, to prevent the misuse of companies and trusts for money laundering and tax evasion. Each G8 country will report on its progress against targeted national action plans based on these core transparency principles. MONEYVAL warmly welcomed this G8 initiative. After discussion in plenary, MONEYVAL States and territories were encouraged to follow the G8 lead, and to consider these issues carefully in the context of their own national risk assessments or in specific national action plans. We look forward to hearing of further actions taken by our States and territories on this issue at future plenaries. Real progress here can only increase public confidence in our States' capacities to detect and prosecute major criminals and deprive them of their ill-gotten gains.

In addition to new tasks, 2013 also brought about a welcome constitutional change in MONEYVAL, as the Committee of Ministers adopted an amended Statute, extending voting rights and eligibility to stand for the Bureau to all States and territories which are currently evaluated by MONEYVAL, regardless of whether they are Council of Europe members.

Our reports are widely read by demanding and informed audiences. They are read not only by the governments that receive them, but by other governments assessing the risks in dealing with evaluated countries, and also by other important partner international bodies, including the International Monetary Fund (IMF), and by the private sector, when making investment decisions in respect of our countries. Thus, these reports are documents which need expert and careful preparation.

The requirements of the international community on the secretariats of the AML/CFT assessment bodies will only increase in the future. We are fortunate, in MONEYVAL, to have a small but highly professional

secretariat staff, backed up by very welcome secondments from member States. MONEYVAL has a good reputation internationally, which it may be difficult to sustain without more permanent expertise in this area within the Secretariat.

A handwritten signature in black ink, appearing to be 'A. Bartolo', written over a horizontal line.

Dr Anton Bartolo

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## Executive summary

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This is the third report to the Committee of Ministers by the Chair and Executive Secretary since MONEYVAL was first granted its own Statute in 2010.

Of the 33 jurisdictions evaluated by MONEYVAL at the start of the year, 25 were subject to active monitoring processes by MONEYVAL in 2013, which is a very positive achievement given MONEYVAL's Secretariat resources.

Reports which have been considered at MONEYVAL plenary meetings have broadly indicated a consistent improvement of formal compliance with international standards, particularly on the preventive side. However, the implementation of the standards is more challenging. In particular more needs to be done by law enforcement and prosecutorial authorities in achieving serious autonomous money laundering convictions and deterrent confiscation orders to take the profit out of crime.

MONEYVAL is now an internationally recognised and influential global player in the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) world. It is a leading Associate Member of the Financial Action Task Force (FATF) and is respected as an effective monitoring mechanism for the quality of its outputs and the strength of its robust follow-up procedures, which are acknowledged as delivering results. Through its activities, MONEYVAL identifies and helps to reduce risks to the global financial

system, identifies gaps in national AML/CFT systems, and actively follows up the progress countries made to rectify them.

In 2013, MONEYVAL contributed significantly to the visibility of the Council of Europe with the publication of its special assessment on Cyprus and its progress report on the Holy See, which was the subject of global media coverage.

This year brought institutional changes. In September, the Committee of Ministers adopted the amended Statute extending voting rights and eligibility to stand for the Bureau to all States and territories which are currently evaluated by MONEYVAL, regardless of whether they are Council of Europe Members. In December, MONEYVAL amended its Rules of Procedure to include a rule-based procedure for acting in exceptional circumstances in the future, without the imposition of Compliance Enhancing Procedures.

The Council of Europe benefits from MONEYVAL's strong reputation and high visibility. However, if MONEYVAL is to maintain its market position in AML/CFT monitoring in the future, it needs to develop a much bigger core of permanent AML/CFT expertise in the MONEYVAL secretariat.

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## Introduction and background

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### Introduction

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. Current estimates of the amount of money laundered worldwide range from \$500 billion to a staggering \$1 trillion, with disastrous effects on the global economy, especially on vulnerable, developing economies.

The Council of Europe was the first international organisation to emphasise the importance of taking measures to combat the threats posed by money laundering for democracy and the rule of law. The Council's efforts thus led to the creation, in 1997, of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). MONEYVAL now works in close co-operation with the FATF as one of the leading FATF-style regional bodies (FSRBs), which are Associate Members of the FATF.

28 Council of Europe member States are assessed by MONEYVAL.<sup>1</sup> In addition, Israel and the Holy See (including the Vatican City State) and the three UK Crown Dependencies of Jersey, Guernsey and the Isle of Man participate fully in the evaluation processes of MONEYVAL, are subject to its follow-up procedures and have now been granted the right to vote and stand

<sup>1</sup> See full list below.

responsible for assessing 33 jurisdictions.

MONEYVAL's main activity consists in evaluating the implementation of international AML/CFT standards. In 2009, it started its 4th round of assessment visits. Other activities include studies on typologies of money-laundering and terrorist financing, joint actions with other AML/CFT-related bodies and, more recently, the review of Voluntary Tax Compliance programmes in its jurisdictions.<sup>2</sup> Through these activities, MONEYVAL contributes to the protection of the global financial system from abuse. It also actively contributes to the fight against organised crime, as money laundering provides organised crime with its cash flow and the opportunity to invest in the legitimate economy.

### Overview of work conducted in 2013

With a renewed interest in money laundering and tax evasion issues, as well as in corporate transparency (see “Appendix III” on page 67), at the global level in 2013, this year proved to be intense and fruitful for MONEYVAL. Of the 33 States and jurisdictions subject to evaluation by MONEYVAL, 25 were subject to active monitoring processes in 2013 (see “Appendix IV” on page 69).

As well as undertaking its own monitoring work, MONEYVAL occupies a position of high political relevance in the AML/CFT environment. In 2009, the

<sup>2</sup> For more information, visit [MONEYVAL's website](#).

#### Principal achievements in 2013

- 5 on-site visits were undertaken with key findings left with the jurisdictions (Israel, Romania, “the former Yugoslav Republic of Macedonia”, Liechtenstein and Estonia).
- 1 special assessment was carried out in Cyprus, upon a request from the Eurogroup Working Group (on behalf of the Troika institutions).
- 5 third round progress reports were subject to detailed Secretariat review, full plenary discussion, adoption and publication (UK Crown Dependencies of the Isle of Man, Jersey and Guernsey, Holy See and Montenegro).
- 5 fourth round evaluation reports were adopted (Poland, Croatia, Monaco, Bulgaria and Israel).
- 4 fourth round follow-up reports were subject to detailed Secretariat review, full plenary discussion and adoption (Albania, Slovenia, Hungary and the Czech Republic).
- 2 interim fourth round follow-up reports setting out remedial action taken were presented to the Plenary (San Marino and Slovakia).
- 4 compliance reports for jurisdictions in Compliance Enhancing Procedures were presented to the Plenary in respect of the two jurisdictions in CEPs in 2013 (1 report by Albania and 3 reports by Bosnia and Herzegovina).
- 13 reports for 5 other jurisdictions on identified important deficiencies as a result of the process regarding the state of compliance on all non-compliant (NC) and partially compliant (PC) ratings in the 3rd round Mutual Evaluation Report were reviewed (2 in respect of Croatia, 3 of Georgia, 3 of the Republic of Moldova, 2 of “the former Yugoslav Republic of Macedonia” and 3 of Ukraine).
- 1 report on voluntary tax compliance legislation proposed by a jurisdiction (Hungary).

G20 called upon the Financial Action Task Force to identify jurisdictions which pose threats to the global financial system. The Europe/Eurasia Regional Review Group (ERRG), of which the MONEYVAL Chairman is the co-chair, feeds into this global process in respect of all European and Eurasian jurisdictions, whether or not they are evaluated by MONEYVAL. During 2013, one MONEYVAL country, Albania, was subject to examination by the ERRG, although numerous other jurisdictions in the Europe/Eurasia region have also been reviewed.

Following an invitation from the EuroGroup Working Group and in the context of Cyprus’ request for financial assistance from the Euro area, MONEYVAL conducted a special assessment of the effectiveness of implementation of customer due diligence (CDD) measures in the banking sector. The Chairman and Vice Chairman agreed that, exceptionally, MONEYVAL should participate, even though there was no

formal rules-based procedure for such an exercise. This assessment was a unique exercise as no other country hitherto has submitted to such a focused AML/CFT evaluation covering one aspect only of its AML/CFT measures. The 41st Plenary supported MONEYVAL’s involvement in the special assessment and Cyprus presented its progress at the 43rd Plenary. The special assessment is therefore not an adopted MONEYVAL report but part of a stand-alone process which triggered a review of MONEYVAL’s Rules of Procedure to better create a rules-based procedure for action in exceptional circumstances outside the evaluation cycles.

In addition, the typologies reports on postponement of financial transactions and monitoring of bank accounts and on the use of online gambling for money laundering and the financing of terrorism were adopted and published and were both well received. The typologies report on trade-based money laun-

dering in cash intensive economies was also adopted during 2013 and will be published in 2014. Finally, in collaboration with the Egmont Group of Financial Intelligence Units, a joint typologies meeting was held in Strasbourg in October.

The Chairman and the Executive Secretary consider that the success of MONEYVAL activities in 2013 clearly demonstrate that the Council of Europe Committee of Ministers' expectations of MONEYVAL have been met or exceeded in 2013.

### Structure of this report

This report starts by setting out the mission and working framework of MONEYVAL with key information on past and current activities.

It goes on to present the results of MONEYVAL's main processes for 2013, namely the 4th round mutual evaluations, follow-up of the 3rd round and 4th round evaluations, the Special Assessment on Cyprus, Compliance Enhancing Procedures, the review of important deficiencies from the 3rd round reports and consideration of voluntary tax compliance programmes. For more information, 3rd round MERs and progress reports, as well as 4th round MERs, biennial follow-up reports and reports prepared at the time a State or territory is removed from the follow-up process are published on the MONEYVAL website.<sup>3</sup>

The report continues with other key activities including MONEYVAL's partnerships with other organisations, representation of MONEYVAL in other forums, adopted and on-going typologies reports, links with the Conference of the Parties (COP) to the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), and training sessions and awareness-raising seminars.

Finally, the report concludes with staffing and resources.

<sup>3</sup> [http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country\\_profiles\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country_profiles_en.asp)



- the Council of Europe Development Bank (CEB)
- the European Committee on Crime Problems (CDPC)
- the Conference of the Parties of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism
- the European Commission and the Secretariat General of the Council of the European Union
- States with observer status of the Council of Europe (i.e. Canada, Japan, Mexico, United States of America)
- the Secretariat of the Financial Action Task Force on Money Laundering
- ICPO-Interpol
- the International Monetary Fund
- the United Nations Office on Drugs and Crime (UNODC)
- the United Nations Security Council Counter-Terrorism Committee (UNCTC)
- the United Nations Commission on Crime Prevention and Criminal Justice (CCPCJ)
- the World Bank (WB)
- the Commonwealth Secretariat
- the European Bank of Reconstruction and Development (EBRD)
- the Group of International Finance Centre Supervisors (GIFCS, previously named Offshore Group of Banking Supervisors)
- the Organisation for Security and Co-operation in Europe (OSCE)
- the Egmont Group of Financial Intelligence Units
- the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG)
- any other FATF-style regional body which is or becomes associate member of the FATF, on the basis of reciprocity (currently only Asia Pacific Group on Money Laundering – APG)
- any other members of the FATF.

## Activities and Programmes

### Objectives

The objective of MONEYVAL is to ensure that its evaluated jurisdictions have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in these fields. MONEYVAL endeavours to achieve this by:

### Methodology

- Assessing 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, including Compliance Enhancing Procedures, to improve levels of compliance with international AML/CFT standards by the States and territories which participate in MONEYVAL's evaluation processes
- Conducting typologies studies of money laundering and terrorist financing methods, trends and techniques



MONEYVAL States and territories



### Relevant Standards

MONEYVAL evaluations are currently based on the following standards:<sup>2</sup>

#### International standards upon which MONEYVAL evaluations are currently based

- 40 FATF Recommendations of 2003
- 9 FATF Special Recommendations on financing of terrorism and several other related United Nations (UN) instruments (UN Convention for Suppression of the Financing of Terrorism, relevant UN Security Council Resolutions (UNSCR) for the freezing of terrorist assets)
- 1988 UN Convention on Illicit Traffic of Narcotics, Drugs and Psychotropic Substances (“Vienna Convention”, and the 2000 UN Convention against Transnational Organised Crime or “Palermo Convention”)
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg Convention, CETS No. 141)
- 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

### Mutual evaluation rounds and follow-up processes

MONEYVAL has conducted three rounds of mutual evaluations and is currently involved in a follow-up assessment round, simply known as the “4th round”. For each round, evaluations of MONEYVAL States and territories give rise to Mutual Evaluation Reports.

As such, on-site visits constitute one of the corner-

<sup>2</sup> MONEYVAL will commence using the 2012 revised FATF Recommendations at the conclusion of the 4th round.

#### Mutual Evaluation Rounds

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

The first round of mutual evaluations, based on the 1996 FATF Recommendations, was initiated in April 1998 and on-site visits were concluded in December 2000. 22 Council of Europe member States were evaluated in the first evaluation round.

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

This second round was also based largely on the 1996 FATF Recommendations and included evaluation against the FATF’s 2000 Criteria for non-co-operative States and territories. MONEYVAL concluded its second round of on-site visits at the end of 2003 and 27 Council of Europe member States were evaluated.

##### Third evaluation round (2005-2009)<sup>1</sup>

The third round of mutual evaluations was based on the 2003 revised FATF Recommendations. In addition the evaluation reviewed aspects of compliance with the European Union’s Third AML Directive, which came into force on 15 December 2007. 28 Council of Europe member States together with the Holy See (including Vatican City State) and Israel have been evaluated in the 3rd evaluation round.

##### Follow-up evaluation round or “MONEYVAL Fourth Round” (2009-2014)

MONEYVAL commenced a follow-up round of on-site visits in 2009. For each country, these evaluations focus on the effectiveness of implementation of core and key and some other important Recommendations in the FATF 2003 Recommendations together with any Recommendations for which the country received either a non-compliant or partially compliant rating in the third round. In addition the evaluation also reviews aspects of compliance with the European Union’s Third Anti-Money Laundering Directive.

<sup>1</sup> Although the third round of evaluations concluded in 2009, the Holy See (including Vatican City State) was subsequently evaluated in 2011, with the report being adopted in 2012 following the adoption by the Committee of Ministers on 6 April 2011 of Resolution CM/Res(2011).

stones of the work carried out by MONEYVAL.

In 2013 MONEYVAL has conducted the following missions:

#### On-site visits in 2013

- Israel (10-15 March)
- Romania (26 May – 1 June)
- “the former Yugoslav Republic of Macedonia” (2-8 June)
- Liechtenstein (15 – 24 June)
- Estonia (10-16 November)

The report resulting from the 2013 on-site visit to Israel was considered in plenary meeting in December 2013. The other reports will be considered at MONEYVAL plenary meetings in 2014.

#### *Amendment of the Statute and Rules of Procedure*

Israel was the first non-member State of the Council of Europe to submit to MONEYVAL's mutual evaluation processes and fully engage in the work of the Committee. Subsequently the Holy See (including the Vatican City State) and the UK Crown Dependencies also became subject to MONEYVAL's mutual evaluation processes. Since all of these States and territories contribute financially to MONEYVAL's budget and fully participate in all of MONEYVAL's activities, the absence of voting rights and eligibility to stand for the Bureau (right enjoyed by Council of Europe MONEYVAL Member States) seemed to MONEYVAL to be inequitable. At its 41st meeting, MONEYVAL proposed to the Committee of Ministers to remedy the situation for all States and territories currently assessed by MONEYVAL, without any open-ended commitment to voting rights for future non-Council of Europe Member applicants. MONEYVAL proposed to amend the Statute so that Israel and the Holy See would each be entitled to one vote; the Crown Dependencies would be collectively entitled to one vote (as the United Kingdom could only dispose of one vote, had it been a member of MONEYVAL); all non-member States and jurisdictions should be

eligible to stand for election to the Bureau. The Committee of Ministers adopted the amended Statute<sup>3</sup> on 9 October 2013 under Resolution number CM/Res (2013)13.

The Rules of Procedure (RoP) were revised during 2013 to take account of recent developments. Following decisions of the Plenary on issues related to 3rd round progress reports, a minimalistic revision was adopted at the 42nd plenary meeting. This revision primarily covered the issue of 3rd round progress reports and, following the inclusion of the UK Crown Dependencies, changed the RoP nomenclature from “countries” to “States and territories”. Following that, a more substantive revision was adopted at the 43rd plenary meeting.<sup>4</sup> This includes, in Rule 15 (see box on page 19), a provision for taking action in exceptional circumstances.

## Governance

Article 6 of the MONEYVAL Statute provides for a Bureau comprised of a Chair, a Vice-Chair and three other members. The tasks of the Bureau are to assist the Chair, supervise the preparation of plenary meetings and ensure continuity between meetings.

In preparation for the resignation of Mr Vladimir Nechaev as Chairman in order to take up the Presidency of FATE, the April plenary meeting elected the Vice Chairman, Dr Anton Bartolo, as Chairman to complete Mr Nechaev's term and elected Mr Daniel Thelesklaf to replace Dr Anton Bartolo as Vice Chairman for the remainder of his term in office.

<sup>3</sup> MONEYVAL's Statute can be found on the Committee's website and is annexed to this report.

<sup>4</sup> The updated Rules of Procedure can be found on MONEYVAL's website.

**Rule 15 – Mechanism for action in exceptional circumstances**

1. In exceptional cases, where there are urgent and serious concerns, and where a prompt (re)action by MONEYVAL is required, the Chairman shall be permitted to undertake a course of action, as set out in the paragraphs below, as an interim measure until MONEYVAL can be fully seized of the problem at its earliest Plenary meeting and take an informed decision with a view to resolving it. This mechanism, which shall be used only in exceptional circumstances, is aimed at providing a framework for a rapid reaction to situations which may involve important issues for MONEYVAL/Council of Europe or any of its States and territories.
2. In determining whether the matter requires immediate action and cannot wait until a Plenary meeting is held, the Chairman shall consult with the Bureau and the Executive Secretary of MONEYVAL. When doing so, all Parties shall consider in particular a) the seriousness of the situation, b) the level of urgency, and any likely adverse consequences of inaction by MONEYVAL/ Council of Europe. The Chairman and/or the Executive Secretary shall engage in this process as appropriate with the MONEYVAL State or territory concerned and interested parties.
3. Action taken under this mechanism may involve as appropriate an on-site mission, face to face or teleconference meeting(s) with the State or territory concerned and/or relevant representatives, a written analysis and/ or expertise commissioned, or any other appropriate measure the Bureau may consider appropriate.
4. Upon initiation of the course of action, the Chairman shall notify all MONEYVAL delegations. A report shall be presented to MONEYVAL, at its next meeting, about the situation and the developments resulting from the course of action undertaken, together with any recommendations on measures that MONEYVAL should consider at that time, including further monitoring by MONEYVAL.
5. Any further action shall be discussed and decided by MONEYVAL at its earliest Plenary, applying, where appropriate, its Rules of Procedure.

**MONEYVAL Bureau from May to December 2013**

- Chair: Dr Anton Bartolo (Malta)
- Vice Chair: Mr Daniel Thelesklaf (Liechtenstein)
- Members Mr Alexandru Codescu (Romania)  
Ms Elzbieta Frankow-Jaskiewicz (Poland)  
Mr Nicola Muccioli (San Marino)

In the course of the 43rd Plenary, further elections were held for the Chair and Vice Chair and Bureau members for a two-year term. Dr Bartolo and Mr Thelesklaf were re-elected to serve full two-year terms. Mr Codescu stepped down from the Bureau as he had

served the two maximum consecutive terms permitted under the Statute. He is warmly thanked for his service to the Bureau and to the Committee. Mr Alexey Petrenko was elected to the Bureau to fill the vacancy created by Mr Codescu stepping down.

**MONEYVAL Bureau elected in 43rd Plenary**

- Chair: Dr Anton Bartolo (Malta)
- Vice Chair: Mr Daniel Thelesklaf (Liechtenstein)
- Members Ms Elzbieta Frankow-Jaskiewicz (Poland)  
Mr Nicola Muccioli (San Marino)  
Mr Alexey Petrenko (Russian Federation)

**Scientific Experts**

MONEYVAL is fortunate in having a panel of independent scientific experts. The role of a scientific expert is to provide neutral, experienced opinions where necessary and to assist the Chair and Secretariat in ensuring the consistency of MONEYVAL's outputs. This includes, among others, fulfilling a quality control function for draft Mutual Evaluation Reports, attending all MONEYVAL plenaries and enriching debates with their experience and knowledge. In 2013, the scientific experts were:

#### MONEYVAL scientific experts in 2013

- Dr William Gilmore, Professor of Public International Law, Edinburgh University – Legal scientific expert
- Mr Boudewijn Verhelst, Deputy Director of CTIF-CFI, and Attorney General in Belgium – Law enforcement scientific expert
- Mr Giovanni Ilacqua, Head of International Co-operation Division, Banca d'Italia – Financial scientific expert
- Mr Andrew Strijker, former Head of the Dutch delegation to FATF – Financial scientific expert with special responsibility for the EU Directives
- Mr Philipp Röser, Executive Officer, Legal and International Affairs, Financial Market Authority, Liechtenstein – Financial scientific expert

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## Third mutual evaluation round

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### Objectives and format

The third round of mutual evaluations was based on the 2003 revised FATF Recommendations and took place between 2005 and 2009, with the exception of the Holy See, which was evaluated under the 2003 Recommendations in 2012 after the Committee of Ministers accepted its 2011 application to join the MONEYVAL evaluation process. The evaluations also reviewed, in all MONEYVAL States and territories, aspects of compliance with the European Union's Third Anti-Money Laundering Directive. 28 Council of Europe member States together with the Holy See (including Vatican City State) and Israel were evaluated in the third round.

The evaluation team normally comprised one member of the MONEYVAL Secretariat and four evaluators: one legal evaluator, one law enforcement evaluator and two financial evaluators. Ahead of the on-site visit, a mutual evaluation questionnaire was sent to the evaluated State or territory. The State or territory was required to provide comprehensive replies to a detailed evaluation questionnaire, relevant legal and regulatory provisions and relevant statistics. The on-site visit provided the evaluation team with the opportunity to meet with relevant governmental agencies, regulators, law enforcement and prosecution agencies, as well as with relevant private sector organisations and non-governmental organisations. The on-site

visit normally did not exceed 8 days. The evaluation team then drafted the evaluation report, which was discussed with the State before being submitted to the Plenary for adoption.

One year after the adoption of the 3rd round evaluation report, each country was required to submit a progress report describing the new measures it had taken since the adoption of the report.

The MONEYVAL Secretariat prepared a written analysis of progress against the FATF Core Recommendations. This desk review was circulated to the plenary participants before the discussion of the progress report. One jurisdiction acted as rapporteur to assist the Plenary in its peer review. The rapporteur jurisdiction's role was to raise questions on the replies given to the progress report questionnaire on non-Core Recommendations. The rapporteur jurisdiction advised the Plenary as to whether the information provided adequately answered the questions raised. If the Plenary was satisfied with the information provided and the progress being undertaken, the progress report and the analysis of the Core Recommendations would be adopted and published on the MONEYVAL website. If the Plenary was not satisfied with the information provided the reporting jurisdiction would be invited to submit a fuller report to the next meeting. If the progress was considered to be insufficient, further steps could be taken including the imposition of CEPs. An adopted progress report was subject to a

Progress report format
<ul style="list-style-type: none"> <li>• A general overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field.</li> <li>• An update on improvements which have been made in respect of the 2003 FATF so called Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV).<sup>1</sup></li> <li>• 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.</li> <li>• Questions related to the European Union’s Third Money Laundering Directive (2005/60/EC) and the Implementation Directive (2006/70/EC).</li> <li>• Updated statistical data.</li> </ul>
<p><sup>1</sup> For a detailed list of FATF Recommendations see Appendix II.</p>

second progress report two years later.

In 2013, the 3rd round report system was applied to the States and territories that joined MONEYVAL after the conclusion of the 3rd round and also to Montenegro, which still was required to satisfy the Plenary that progress was sufficient to adopt its second progress report.<sup>1</sup>

### Third round progress reports

Plenary meeting	
41st meeting	
42nd meeting	<ul style="list-style-type: none"> <li>• UK Crown Dependency of the Isle of Man</li> </ul>
43rd meeting	<ul style="list-style-type: none"> <li>• UK Crown Dependency of Jersey</li> <li>• UK Crown Dependency of Guernsey</li> <li>• Holy See (including Vatican City State)</li> <li>• Montenegro</li> </ul>

#### *First progress report of the UK Crown Dependency of*

<sup>1</sup> In 2013, the Plenary decided that 3rd round progress reports would only continue to apply to the States and territories which joined MONEYVAL after the conclusion of the 3rd round of evaluations and Montenegro (until its 2nd progress report was adopted) and any State or territory not participating in MONEYVAL’s follow-up round.

#### *the Isle of Man (Isle of Man)*

Following the publication of the IMF report in 2009, the Isle of Man authorities had conducted a comprehensive review of the recommendations relating to the Core Recommendations. With the coming into force and effect of the Proceeds of Crime Act 2008 and the amendments to the Anti-Terrorism and Crime Act 2003 (together with related Codes), the Isle of Man had enhanced the regime and addressed the deficiencies related to the Core Recommendations. The authorities have followed these legislative initiatives with a programme of education and training.

There had been some important successful convictions for money laundering in the Isle of Man since the IMF inspection in 2008 including that of a Manx advocate for third party money laundering. It was also noted that there had been some significant seizures of proceeds of crime and that it was anticipated that these would eventually result in successful final confiscations.

The extension of the UK’s ratification of the Palermo Convention to the Isle of Man was completed on 1 June 2012 and the Convention came into operation for the Isle of Man 1 July 2012. The authorities considered that all of the provisions of the Palermo and Vienna Conventions were fully implemented

The relevant supervisors had incorporated a review



of compliance with the revised requirements into their on-site visit programmes. There has also been a sustained campaign of awareness raising both with financial institutions and with designated nonfinancial businesses and professions (DNFBPs).

It was considered that the Isle of Man had made considerable progress in addressing and remedying the deficiencies that were identified in the IMF report, although there still remained some issues that need to be addressed.

The Plenary was satisfied with the information provided and the progress being undertaken and thus adopted the progress report and asked the Isle of Man to submit an update within two years.

*First progress report of the UK Crown Dependency of Jersey (Jersey)*

Following the publication of the IMF report in 2009, the Jersey authorities had undertaken a comprehensive review of the recommendations relating to the Core Recommendations, with a detailed action plan setting out the necessary actions needed to address the identified deficiencies. Jersey reported specific measures indicating varying levels of progress on all Core Recommendations. A number of these actions are in progress or have already been implemented. With regard to the deficiencies in respect of the criminalisation of money laundering and financing of terrorism, it is noted that consolidated legislation has yet to be introduced before the States Assembly, although its drafting was at an advanced stage. The jurisprudence in respect of ML cases achieved during the reporting period was welcome progress.

The customer due diligence requirements were revisited through amendments made to the relevant order and guidance.

It was concluded that there had been clear process in implementing the recommendations made by the IMF assessment team, and that numerous measures had

already been taken in this respect, though there remained some issues to address. The plenary noted that the full range of changes underway or introduced, as well as the effective implementation of the new legislation and of the new preventive measures and actions taken by the Jersey authorities will be assessed by MONEYVAL in its forthcoming 4th round evaluation in 2014. The Plenary was satisfied with the information provided and the progress being undertaken and thus adopted the progress report and asked Jersey to submit an update within two years.

*First progress report of the UK Crown Dependency of Guernsey (Guernsey)*

Following on from the publication of the IMF report in 2011, the Guernsey authorities had taken a number of steps to deal with the identified deficiencies and related recommended action points as set out in the report. With regard to the criminalisation of money laundering, a review had been undertaken and there had been an improvement in the number of final ML convictions.

Although there have been a number of changes in legislation and regulation related to risk assessment no steps had been taken to widen the mandatory categories of customer to which enhanced due diligence should be applied. A number of steps had been taken to improve the reporting regime and it is notable that suspicious transaction reports (STRs) had contributed to a number of money laundering convictions in the period under review; although there are questions concerning the scope of the reporting requirement.

It was also noted that steps had been taken to improve levels of compliance with the preventive regime by e-casinos including improved on-site and off-site supervision. In addition, there had been improvements in the regime for regulating non-profit organisations (NPOs) including awareness raising initiatives, improved transparency and strengthening of sanctions for non-compliance.



Overall it was considered that Guernsey had made progress in addressing and remedying the deficiencies that were identified in the IMF report. The plenary noted that the full range of changes underway or introduced, as well as the effective implementation of new legislation and of the preventive measures and actions taken by the Guernsey authorities will be assessed by MONEYVAL in its forthcoming 4th round evaluation in 2014. The Plenary was satisfied with the information provided and the progress being undertaken and thus adopted the progress report and asked Guernsey to submit an update within two years.

*First progress report of the Holy See (including Vatican City State)*

It was clear from this review that much work had been done in a short time to meet most of the MONEYVAL technical recommendations and there were many welcome clarifications and improvements to the AML/CFT legal structure. The legal structure for criminalisation of ML and TF and related confiscation was much improved, but still needed to be tested in practice. The legislation governing the freezing of terrorist assets pursuant to relevant United Nations Security Council Resolutions had been amended and a new listing was adopted.

There were important processes in train to ensure that the financial institutions within the Holy See know who their account holders are and that customer due diligence measures are applied to them in line with international standards. This work is ongoing and appears to have generated a significant number of suspicious transaction reports, which are being analysed by the Financial Intelligence Authority (FIA) and, where appropriate, referred to the Promoter of Justice. The first mutual legal assistance (MLA) request had been made by the Holy See and this was in a money laundering case. It was particularly welcomed that the autonomy of the FIA to negotiate memorandum of understanding (MoU) had been restored; that MoUs have been concluded; and more are being negotiated.

The new professional structure of the FIA, set out in its revised statute, still needs supplementing with more trained and experienced AML/CFT staff to handle the full range of its financial intelligence unit (FIU) functions. Similarly, now that a decision has been taken that the FIA should become the prudential supervisor as well as the AML/CFT supervisor, the FIA needs to recruit appropriately skilled professionals quickly to undertake these responsibilities. It was somewhat surprising that there had not been any formal AML/CFT inspections of the Institute for Works of Religion (IOR) and Administration of the Patrimony of the Holy See (APSA), though it was noted that the remediation processes undertaken by the IOR, and to some extent the APSA, are being pursued in close conjunction with the FIA, as a supervisor. It was considered important that the forthcoming inspections of IOR and APSA proceed as planned. As indicated in the mutual evaluation report, these inspections should include risk-focused sample testing of customer files. In this context, it was noted that a credible regime is now formally in place in terms of AML/CFT supervisory powers and sanctioning, which now also needs to be tested in practice.

The Plenary was satisfied with the information provided and the progress being undertaken and thus adopted the progress report and asked the Holy See to submit an update within two years.

*Fourth progress report of Montenegro*

Since the adoption of the third 3rd round progress report, in respect of the criminalisation of money laundering, the Montenegrin authorities had introduced amendments to the Criminal Code that address the deficiency related to insider trading and market manipulation. However, the issue of extraterritoriality still needed to receive further attention by the authorities. Montenegro had also taken steps to remedy some of the deficiencies identified in respect of the criminalisation of financing of terrorism. Yet, additional measures still need to be undertaken to

completely align the FT offence with international standards. Despite action being taken to align the preventive measures of the Law for the Prevention of Money Laundering and Financing of Terrorism with the 2012 FATF Recommendations, it appears that not all deficiencies relating to customer due diligence had been addressed in the revised law. Pending the adoption and entry into force of the legislation, which is expected in the first half of 2014, these deficiencies cannot be considered as having been addressed.

Although Montenegro had responded to a number of the recommendations since the adoption of the third 3rd round progress report with respect to the Core Recommendations, a number of outstanding issues remained and an in-depth assessment, both in terms of technical compliance and effective implementation, will be undertaken in the 4th round MONEYVAL evaluation of Montenegro in March 2014. The Plenary was satisfied with the information provided and the progress being undertaken and thus adopted the progress report.

## Fourth mutual evaluation round

### Objectives and format

MONEYVAL commenced a follow-up round of on-site visits in 2009. For each State or territory evaluated, these evaluations focus on the effectiveness of implementation of Core and Key and some other important Recommendations in the FATF 2003 Recommendations together with any Recommendations for which the country received either a non-compliant or partially compliant rating. In addition the evaluation also reviews aspects of compliance with the European Union's Third Anti-Money Laundering Directive.

The evaluation procedure is similar to that of the third round, as set out above, but differs in its follow-up processes.

MONEYVAL's 4th round follow-up process broadly follows the practices and procedures used by the FATF in its 3rd round of assessments. There are three types of processes that can occur following the discussion and adoption of a 4th round evaluation report: biennial update, regular follow-up and enhanced follow-up.

#### *Biennial update*

Countries which have received compliant or largely compliant ratings in the six Core Recommendations in their evaluation report are only required to provide a biennial update of their progress in meeting the deficiencies identified in their Mutual Evaluation Report or in taking other action to enhance their

AML/CFT regime, starting two years after their MER is discussed.

#### *Regular follow-up*

When assessed countries have received partially compliant or non-compliant ratings in any of the six Core Recommendations, they are placed in regular follow-up. The country is then expected to report back to the Plenary, initially within two years – though the Plenary can decide on a more expedited timetable –, and provide information on the actions it has taken or is taking to address the factors and deficiencies underlying any of the Recommendations that are rated partially compliant or non-compliant. Countries are encouraged to seek removal from the follow-up process within three years of the adoption of the 4th round MER, or soon thereafter. Before a State or territory can be removed from regular follow-up, it is required to demonstrate that it has an effective AML/CFT system in force, under which the State or territory has implemented the Key<sup>1</sup> and Core Recommendations at a level of or at a level essentially equivalent to compliant or largely compliant.

#### *Enhanced follow-up*

Where the Plenary is concerned about the lack of progress against the findings in the 3rd round report as demonstrated in a 4th round evaluation report,

<sup>1</sup> The Key Recommendations are Recommendations 3, 4, 23, 26, 35, 36 & 40 and Special Recommendations I, III & V. See the list of abbreviations and acronyms for a fuller explanation.

the assessed country can be placed in an enhanced follow-up process. The procedures include requesting the country to provide regular reports on progress in remedying deficiencies earlier than two years from the adoption of the report, possibly coupled with placing the country into CEPs. These procedures provide further peer pressure to rectify deficiencies.

#### *Publication*

Unlike the 3rd round progress reports, 4th round follow-up reports are not routinely published. Biennial reports are published on the MONEYVAL website but regular or enhanced follow-up reports, together with the Secretariat's analysis, are only published once the assessed country has successfully been removed from either regular or enhanced follow-up.

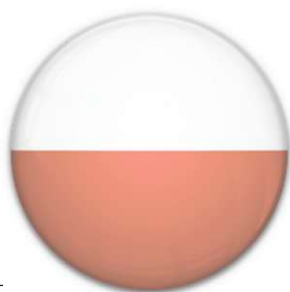
## Fourth round mutual evaluation reports

The following Mutual Evaluation Reports were considered and adopted in 2013:

Plenary meeting	
41st meeting	• Poland
42nd meeting	• Bulgaria
	• Croatia
	• Monaco
43rd meeting	• Israel

#### *Poland<sup>2</sup>*

The fight against money laundering and terrorist financing is one of the Polish strategic priorities. It was reflected by the National Security Strategy of the Republic of Poland adopted in 2007. Additionally, the specific crimes of money



laundering and terrorism financing are among the priority areas identified by the draft National Program for Counteracting and Combating Organised Crime for the years 2012-2016 and the draft National Program for Combating Terrorism for the years 2012-2016. Cooperation is also an essential component of the Polish AML/CFT strategy.

Money laundering is criminalised by Article 299 of the Penal Code, based on an “all-crimes” approach. Since the 3rd round evaluation, an autonomous offence of terrorist financing has been added to the Penal Code (section 165a) although the offence, as legislated, is not fully in line with requirements on the criminalisation of financing of terrorism. The deficiencies previously identified in the 3rd round Mutual Evaluation Report of Poland regarding the lack of all aspects of the physical and material elements of the Vienna and Palermo conventions have unfortunately not yet been addressed. Association with or conspiracy to commit money laundering is still not covered in the legislation. The number of investigations and prosecutions for ML offences appears low compared to the level of funds-generating crime in Poland.

With regard to the criminalisation of the financing of terrorism, Poland has introduced a new terrorist financing offence in the Criminal Code; however this Article is not fully in line with the TF Convention.

The provisions in Articles 44 and 45 of the Penal Code remain unchanged since the 3rd round evaluation and contain the necessary powers to confiscate the proceeds of crime. Nevertheless the confiscation regime remains incomplete as instrumentalities, especially when owned by third parties, are not included in the legal framework. Furthermore, the level of final confiscations appears low compared to the level of funds-generating crime in Poland.

United Nations Resolutions 1267 and 1373 (in respect of Non-European Union internals) are legally implemented through European Union mechanisms. Since the 3rd round Poland has introduced Article

<sup>2</sup> Poland's on-site visit took place from 27 May to 2 June 2012.

20d of the Act on Countering Money Laundering and Terrorism Financing (AML/CFT Act), which provides a clear legal mechanism that would potentially cover designations in Poland in respect of European Union (EU) citizens or named persons not covered by the EU clearing house list proposed by other member States; however, the Polish authorities have not yet applied this mechanism.

The General Inspector of Financial Information (GIFI), supported by the Department for Financial Information, comprises the Polish financial intelligence unit, which is an administrative unit. The functions and responsibilities of the FIU, are set out in the AML/CFT Act, and appear sufficient to cover the core requirements set out in Recommendation 26.

Several law enforcement investigative units are authorised to conduct money laundering investigations, but seem to be over-focused on investigation of self-laundering and especially on tax related predicate offences. Most of the investigative units seem to lack both a proactive approach and the necessary training for conducting more complex ML investigations and rely totally on the prosecutorial initiative.

The reporting institutions demonstrated a high-level of awareness of the suspicious transaction reporting requirements and appreciated the GIFI Reporting Guide. The highest number of suspicious transaction reports was filed by banks. The number of STRs from designated non-financial businesses and professions has increased; nevertheless, the reporting level of certain DNFBPs still appears inadequate. Furthermore, there are still several technical shortcomings in the reporting requirement.

All financial institutions and service providers are subjected to the AML/CFT legislation. Poland has a broadly sound legal structure for the preventive standards. However, the evaluators noted that the legislative provisions dealing with customer due diligence requirements are still not entirely in line with the FATF Standards. In particular, there is no clear

requirement to identify the ultimate beneficial owner and no requirement to verify the customer's identity from reliable and independent sources.

The Polish Financial Supervisory Authority plays a positive role in the supervision of financial institutions, in full cooperation with the GIFI. The National Bank of Poland is responsible for the supervision of the currency exchange offices, while the National Savings and Credit Cooperative Union supervised the credit unions, at the time of the on-site visit of the evaluation team. All financial institutions are required to be licensed or registered. The GIFI and the supervisory bodies independently carry out a number of on-site inspections to control the compliance with the AML/CFT requirements according to detailed manuals.

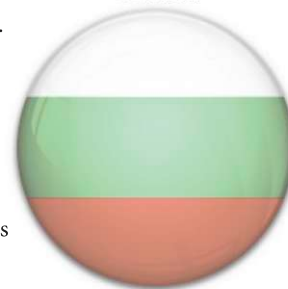
The AML/CFT framework generally applies to DNFBPs as well. The DNFBPs demonstrated a basic understanding of their AML/CFT obligations although they indicated the need for more sector-specific guidance from the GIFI and the supervisory authorities.

There is no requirement for the Register of Commercial Companies to identify the beneficial owners of a company which holds shares of another registered company. Polish law does not require adequate transparency concerning beneficial ownership and control of legal persons.

Poland can provide a wide range of mutual legal assistance and cooperation. Legal provisions for providing mutual legal assistance and cooperation are laid down in domestic law, bilateral and multilateral treaties and apply both to ML and TF.

### *Bulgaria<sup>3</sup>*

In 2010, a risk analysis was carried out by various competent authorities in Bulgaria on the major



<sup>3</sup> Bulgaria's on-site visit took place from 30 September to 6 October 2012.

sectors of the economy. The main vulnerabilities to money laundering were examined in the financial and public sectors, as well as in the construction, gambling, trade (including real estate), tourism and sport sectors; incoming and outgoing money flows in the economy were also included in the review. According to the Bulgarian authorities, no information on terrorism and terrorism financing threats has been identified. Nevertheless, the Bulgarian institutions (including the FIU) authorised with competences in this area, continue to perform monitoring and observation of the ongoing situation.

As far as the criminalisation of money laundering is concerned, the examiners note the developments in AML practice achieved by the Bulgarian authorities since the 3rd round evaluation. However, the Bulgarian legislation still needs to extend the list of predicate offences, to include all categories of piracy, market manipulation and insider trading, as well as to cover all the aspects of terrorism financing. Turning to effectiveness, the competent authorities established that it is possible to prosecute all forms of money laundering and actual convictions have been achieved in practice.

The offence of financing of terrorism is incriminated in the Bulgarian Criminal Code (CC), although it does not fully encompass the requirements of the TF Convention and Special Recommendation II. Some deficiencies still remain in respect of the criminalisation of all the offences listed in the Annex to the TF Convention. Furthermore, the purposive element required by Article 108a of the CC unduly restricts the application of this provision to acts which constitute offences within the scope of and as defined in the treaties listed in the annex to the Terrorist Financing Convention in the sense that it requires an additional mental element.

The provisional measures and confiscation regime in Bulgaria is mainly provided by the Criminal Procedure Code (CPC), the Law of Divestment in Favour of the State of Property Acquired from Criminal Activity and the Act on Forfeiture in Favour of the State of

Unlawfully Acquired Assets, which entered into force on 19 November 2012, after the on-site visit. The Bulgarian legal framework for the confiscation regime is convincing, in that it provides for a wide range of forfeiture, seizure and provisional measures with regard to property laundered, proceedings from and instrumentalities used in and intended for use in ML and TF or other predicate offences. However, compared with the estimated economic loss from criminal offences of an economic nature, the total value of confiscated assets remains low and the authorities are encouraged to place greater emphasis on confiscating criminally-derived funds.

The Bulgarian authorities have undertaken the relevant measures for ensuring the freezing of terrorist related assets. As an EU member State Bulgaria implements the EU Decisions but has equally an internal listing mechanism. The web link to the list of designated persons was made available for financial institutions and designated non-financial business and professions. So far, there have not been any cases of blocking of such assets.

The Bulgarian Financial Intelligence Agency was initially established as an administrative-type FIU within the Ministry of Finance. In 2008, the FIU was transformed into the Financial Intelligence Directorate within the State Agency for National Security pursuant to the Law on State Agency for National Security. The specialised administrative Financial Intelligence Directorate of SANS (FID-SANS) continues to function as an administrative-type financial intelligence unit.

The financial sector demonstrated a high level of understanding of their customer due diligence obligations. The Law on Measures against Money Laundering (LMML) is generally in line with the international standards; however some difficulties still remain, mostly related to the concept of beneficial owner which does not fully cover the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being con-

ducted. Nevertheless, all the financial institutions met were aware of the concept of beneficial owner in the case of legal entities, as provided in article 3 (2) of the Rules on the implementation of the LMML.

Supervision and monitoring of the implementation of the AML/CFT requirements is executed twofold: by the general supervisory bodies, which appear to have sufficient resources for fulfilling their obligations and a package of enforcement tools to address breaches, and by the FID-SANS. The primary responsibility for the supervision of AML/CFT measures for all obliged persons rests with FID-SANS. However, all supervisory bodies are required to include inspections for the compliance of obliged persons with the requirements of the LMML and the Law on Measures against Financing of Terrorism when they conduct examinations.

Administrative sanctions for non-compliance with the LMML are imposed by the FID-SANS and there has been an increase in the number of off-site and on-site supervision actions and sanctions applied. The maximum sanction for AML/CFT non-compliance is the equivalent of €25,000, which appears not to be dissuasive enough when compared with other sanctions prescribed for the financial sector.

According to the LMML, the list of designated non-financial businesses and professions subject to AML/CFT requirements goes beyond the international standards. External accountants and private enforcement agents (bailiffs) have recently been included as obligors. The DNFBP demonstrated that they are generally aware of their obligations on AML/CFT issues, which is a welcome improvement since the last evaluation report. However, not all the sector was fully aware of the enhanced measures that should be applied with regard to politically exposed person.

The Bulgarian legal framework establishes the Ministry of Justice (for judicial requests), and the Supreme Prosecutor's Office of Cassation as well as the Prosecutor's Office (for pre-judicial investigation

requests) as the central agencies responsible for international mutual legal assistance. The representatives of the prosecutor's office and the judiciary authorities indicated that all requests are executed in a reasonable timeframe, although the legislation does not prescribe any timeframes for the execution of mutual legal assistance requests.

A comprehensive network of mutual bilateral and multilateral agreements gives the Bulgarian authorities a sound basis for effective cooperation. In order to ensure the review of the effectiveness of the AML/CFT systems on a regular basis, the Bulgarian authorities should, as quickly as possible, create a framework for policy makers to review the effectiveness of the system and bring it into operation.

International cooperation by the FID-SANS and law enforcement agencies is effective, efficient and in many cases more advanced than the minimum standards required by the FATF Recommendations. The Bulgarian National Bank and the Financial Supervision Commission also appear to have broad powers to exchange information with foreign counterparts based on domestic law, international treaties and MoUs.

#### Croatia<sup>4</sup>

Most money laundering in Croatia is considered to be of domestic origin. The main criminal offenses which are the primary sources of money laundering are: economic crimes such as abuse of power and authority in economic operations; abuse of power and authority; tax evasion; and abuse of drugs. Although Croatia is part of a major transit route for drugs entering Europe, there is little evidence that these networks have utilised Croatia's financial system in order to launder the proceeds of sales.



<sup>4</sup> Croatia's on-site visit took place from 19 to 24 November 2012.



The new money laundering offence appears to be broadly in line with the international standards. The physical and material elements of the ML offence, however, do not fully correspond with the requirements of the Vienna and Palermo Conventions. Almost all the cases brought are “own proceeds” laundering. No autonomous money laundering cases have been brought in respect of third parties laundering on behalf of others. The low number of convictions raises concerns about the overall effectiveness of money laundering criminalisation, given the level of proceeds-generating offences in Croatia.

The financing of terrorism offence is largely in line with the FATF requirements and the Terrorist Financing Convention. As there is no legal definition of the terms “terrorist” and “terrorist organisation” the interpretation of the relevant articles of the Criminal Code could lead to a narrow application of the standards.

The current legal framework applicable to confiscation and provisional measures still appears complicated and is not harmonised. With regard to the effectiveness of operation, the level of confiscations appeared low compared with the estimated economic loss as a result of proceeds generating crime.

Since the previous evaluation Croatia has made progress in addressing some gaps in respect of the freezing of funds used for terrorist financing and the legal framework has been changed to a large extent. There are still, nonetheless, a number of technical deficiencies in the legislation, as well as shortcomings in the underlying mechanisms and procedures.

The Anti-Money Laundering Office (AMLO) is designated as the Croatian financial intelligence unit. During the on-site visit the representatives of law enforcement agencies and prosecutors met confirmed that cooperation with AMLO was good and that they were satisfied with the information received from AMLO.

The preventive measures for the Croatian financial sector are primarily set out in the Anti-Money Lau-

ndering and Terrorist Financing Law (AMLTF Law) which came into effect on 1 January 2009. Through this, Croatia has taken significant steps to remedy the deficiencies in preventive measures identified in the 3rd round. However, the effectiveness of implementation of customer due diligence measures relating to beneficial owners, and in business relationships with non-resident customers, was not demonstrated.

Croatia has introduced a number of requirements relating to CDD for politically exposed persons (PEPs) since the 3rd round. However, there are no requirements to identify situations when the customer or beneficial owner subsequently becomes a PEP in the course of a business relationship, and not all guidelines require the identification of the source of wealth.

The obligation to make a suspicious transaction report has been extended to apply to attempted transactions. There are, however, technical deficiencies in the reporting requirement, particularly as the obligation does not extend to funds which are “linked or related to” terrorism generally and (partially) to “those who finance terrorism”.

The AMLTF Law defines the scope of responsibility for all of the supervisory authorities. The supervisory authorities have adopted a risk-based approach to supervision and appeared to have adequate resources as well as a good understanding of their AML/CFT responsibilities. Although “fitness and properness” procedures are in place, they do not extend to criminal associates of those holding controlling interest or managerial functions in financial institutions and there were additional shortcomings related to the identification of ultimate beneficial owners of significant or controlling interest in insurance companies and pension funds.

All DNFBPs are now subject to the requirements of the AMLTF Law, including CDD and reporting of suspicious transactions. Although the level of reporting of suspicious transactions has improved since the 3rd round evaluation, there are still concerns about the



low level of reporting from certain DNFBP sectors.

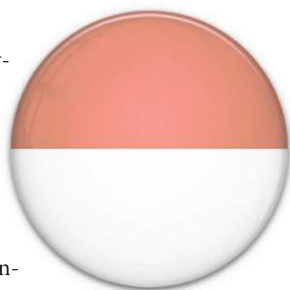
The Court Register contains comprehensive information on the registered owners of legal persons as well as about persons who act on behalf of the companies and is publicly available. However, there is no requirement to provide details of the ultimate beneficial owner. Although it is no longer permissible to issue bearer shares, there was a lack of information on the number of bearer shares still in circulation.

The legal framework in Croatia for mutual legal assistance includes the full range of conventions. As long as MLA is provided by the Republic of Croatia based on international conventions which have precedence over national law and are from direct applicability, pursuant to the Croatian Constitution, the main international standards in this matter are met. There are some concerns related mainly to non-treaty based cooperation or for the regulation of issues not covered by the otherwise applicable treaty.

With regard to other forms of international co-operation, the Croatian authorities have the authority to collaborate with their foreign counterparts in their respective areas of competence. One technical concern is that although AMLO is empowered to exchange information relating to money laundering, there is no provision in the AMLTF Law for AMLO to cooperate or exchange information on the underlying predicate offence.

#### *Monaco*<sup>5</sup>

Monaco has one of the lowest registered crime rates, all offences included, in the world. No exhaustive evaluation of the risks specific to the Principality in the sphere of money laundering (ML) and the financing of terrorism (FT) was conducted in order to deter-



mine the specific potential risks in sectors and products. In the Principality, money laundering is thought to consist principally of the use of the financial system to launder the proceeds of offences committed abroad, in particular drug trafficking, fraud and corruption and the use of foreign-law legal entities for laundering purposes. The authorities consider that there is a fairly low risk of the laundering of money derived from domestic criminal activities. The risks of financing of terrorism are considered to be low.

Money laundering and the financing of terrorism are to a large extent criminal offences in conformity with FATF standards, and powers of seizure and confiscation are fairly complete overall with respect to the various categories of assets and instruments to which confiscation must be applicable. The number of investigations, prosecutions, convictions and confiscations relating to money laundering recorded since 2006 is growing. However, compared to the size of Monaco, the number of indictments for money laundering does not necessarily seem proportional to what one might expect considering the importance of financial activities in the Principality.

SICCFIN, Monaco's financial intelligence unit (FIU), is now the driving force of the system for combating money laundering and the financing of terrorism, and devotes the necessary energy to accomplishing its tasks, demonstrating efficiency and professionalism. Further measures remain necessary in order to improve the results of analytical activities, inter alia through increased staffing. The law enforcement system remains primarily response-based, with the vast majority of money laundering or terrorist financing cases opened by prosecuting authorities being initiated following notifications by SICCFIN.

Since the 3rd evaluation, the Principality of Monaco has adopted a new legal and regulatory framework defining a complete arsenal of obligations to prevent money laundering and the financing of terrorism imposed on institutions and professions, both financial and non-financial, subject to reporting obligations;

<sup>5</sup> Monaco's on-site visit took place from 5 to 10 November 2012.

these new obligations were drafted taking into account the weaknesses identified during the 3rd evaluation and may be considered to be in conformity with the great majority of the requirements set out in the FATF Recommendations. Clear reservations must nevertheless be expressed as to the effective application of the relevant measures by certain categories of non-financial professions, particularly lawyers and jewellers, but also, to a lesser extent, legal advisers and estate agents.

Where supervision is concerned, SICCFIN, the authority responsible for financial institutions and most categories of designated non-financial businesses and professions (DNFBPs), has also greatly reinforced, since the 3rd evaluation, the methods that it uses in order to exercise effectively its powers over financial institutions and certain categories of DNFBPs. However, further efforts remain necessary so that it more effectively exercises these powers over certain categories of non-financial professions, particularly legal advisers, jewellers, accountants and certified public accountants. It is also important that the State Prosecutor, who is legally responsible for supervising lawyers, notaries and bailiffs, take the necessary steps with a view to making it possible for him to effectively exercise this supervisory authority over the members of the legal professions concerned.

Measures should also be taken to ensure that the range of administrative and criminal sanctions fully meets all FATF requirements (ensuring, inter alia, that those sanctions may be imposed against both the financial and non-financial institutions subject to reporting obligations and their leaders), and that those sanctions are effectively applied in the situations which so require, in order to guarantee their deterrent effect.

The resources deployed in the sphere of international co-operation, particularly the processing of requests for mutual judicial assistance – including assistance with respect to the confiscation of assets –, as well as the development of useful case-law relating to the application of the offence of laundering, should be

emphasised positively.

#### *Israel<sup>6</sup>*

Illegal gambling, extortion and fraud are the predicate offences most closely associated with organised criminal activity in Israel.

As such, these are the areas of concentrated anti-money laundering enforcement activity in Israel. During the on-site visit a concern was regularly expressed that money service providers (MSP) were used to launder money, particularly unregistered MSPs, some of which were controlled by criminal organisations.

In terms of risk there is a serious concern that there is still no AML/CFT regime in place for the DNFBP sector. Israel is the largest global exporter of polished diamonds, exporting to a large number of countries. In particular, Orders setting out AML/CFT controls for the diamond industry, which makes a significant contribution to the Israeli economy, were still not in place.

Israel has taken action to align its domestic anti-money laundering legislation even more closely with international standards. Israel has utilised the array of legislative tools at its disposal to secure convictions for terrorist financing on a regular basis. The evaluators were impressed by the professionalism and commitment of those they met on-site with responsibilities in this important area. There has been a substantial increase in the number of cases involving seizure of the proceeds of crime with a corresponding increase in the sums confiscated.

The Israel Money laundering and Terror financing Prohibition Authority (IMPA), the Israeli FIU, now has access to a much greater range of information than at the time of the previous evaluation. The



<sup>6</sup> Israel's on-site visit took place from 9 to 16 March 2013.

reports produced by IMPA are valued by the relevant law enforcement agencies. In the view of the evaluators, IMPA is an effective FIU fully compliant with the international standards.

Although Israel has taken several legislative and regulatory measures in order to address the deficiencies identified in the preventive measures in the previous evaluation report a number of important orders were still awaiting adoption at the time of the on-site visit. As a consequence of this, there remain a number of deficiencies in legislation and regulation against the FATF preventive standards for financial institutions.

Although detailed customer due diligence measures are in place, there remain certain deficiencies including no requirement to take reasonable measures to verify the identity of the beneficial owner of the customer with respect to provident funds, insurance companies and MSPs. Also, the definition of beneficial owner is not fully in line with the standards.

There is still no basic requirement to identify politically exposed persons for provident funds, insurance companies and agents and MSPs and no requirement for provident funds, insurance companies and agents, MSPs, Stock Exchange members, portfolio managers or the Postal Bank to take reasonable measures to establish the source of wealth of customers and beneficial owners as PEPs.

Thresholds are permitted below which there is no requirement for document retention for the Postal Bank, insurers, MSPs, provident funds and companies managing provident funds. Also, during the on-site visit, MSPs demonstrated a lack of understanding of what records should be kept.

The requirements regarding the information that must accompany wire transfers only refer to cross-border transactions. There are no specific requirements in law or regulation setting out information requirements for domestic wire transfers.

There has been a significant increase in the volume

and quality of unusual activity reports (UAR) from the financial sector and the number of UARs on ML and TF from the non-banking sector has significantly increased.

There are no detailed requirements for non-banking financial institutions covering establishment and maintenance of internal control and compliance policies or AML/CFT arrangements for overseas branches.

The AML/CFT supervisory framework is well established. All of the designated supervisors have adequate powers. All of the supervisors appeared to be well resourced and there are sanctions in place for AML/CFT breaches which appear to be effective, proportionate and dissuasive.

At the time of the on-site visit, all of the non-banking supervisors relied on external examiners to conduct supervisory visits. The evaluators understand that this approach is not due to a lack of resources but is intended to draw on the expertise of external bodies.

Although central registers exist for corporations and non-profit organisations which are open to consultation by the public, it is not sufficiently guaranteed that competent authorities have access in a timely fashion to adequate, accurate and current information on the beneficial ownership and control of legal persons. There is insufficient information available on the beneficial owners of private or foreign trusts and an absence of legal requirements on trust service providers to obtain, verify and retain records of the trusts they create, including beneficial ownership details.

Comprehensive mechanisms are in place for national and international cooperation and Israel actively cooperates with other jurisdictions at all levels. Israel has brought about improvements in terms of its compliance with international standards. However, the exemption for Israeli citizens who are Israeli residents from the declaration process under UN Security Council Resolution 1267 and relevant successor Resolutions is not in line with international standards.

## Fourth round follow-up reports

### *Regular follow-up report of Albania*

Albania had worked to address many deficiencies identified in the MER, in particular with respect to the criminalisation of money laundering and financing of terrorism and customer due diligence procedures as well as other important Recommendations. However, several major deficiencies were found to be outstanding, in particular with respect to implementing UN-SCRs, freezing and confiscating terrorist assets and international cooperation on financing of terrorism. The amendments required were still in draft form and consequently they could not be taken into consideration.

The Albanian authorities indicated that further efforts will be made for the pending draft laws to be approved in Parliament and further actions will be taken in order to implement the remaining deficiencies identified in the 4th round MER. The follow-up report submitted by the Albanian authorities was therefore presented to the plenary for information purposes only. The Plenary decided that Albania's request to exit follow-up would be considered in 2014, providing that the authorities are in a position to report sufficient progress.

Plenary meeting	
41st meeting	<ul style="list-style-type: none"> <li>• Albania (Regular follow-up)</li> <li>• Hungary (Regular follow-up, interim report)</li> <li>• Slovenia (Regular follow-up)*</li> </ul>
42nd meeting	<ul style="list-style-type: none"> <li>• Albania (Regular follow-up, due date extended)</li> <li>• Hungary (Regular follow-up)*</li> <li>• San Marino (Regular follow-up, interim report)</li> <li>• Slovakia (Regular follow-up, interim report)</li> </ul>
43rd meeting	<ul style="list-style-type: none"> <li>• Cyprus (Biennial follow-up)</li> <li>• Czech Republic (Regular follow-up)</li> </ul>

\*removed from regular follow-up

### *Regular follow-up report of Hungary*

On the basis of the 4th round MER the Government of Hungary adopted an Action Plan in a Government Resolution which is mandatory and publicly available. This Action Plan reflects the recommendations made by MONEYVAL and sets out all of the tasks for the relevant supervisors and authorities responsible for AML/CFT issues according to three categories: legislative tasks; impact studies; and training and consultation. The Hungarian authorities reported that the relevant authorities have implemented most of the tasks determined by the Action Plan of the Hungarian Government with several important results in all categories.

Following a commission from the Ministry for National Economy, a formal national risk assessment (NRA) was undertaken by the National Institute of Criminology to assess the ML/FT risks, threats, vulnerabilities and trends in Hungary. The analysis commenced in March 2012 in cooperation with other authorities, including the Hungarian FIU. The NRA was finalised by December 2012 and the official decision-making procedure regarding the publication of the conclusions and results of the NRA was commenced.

The new Hungarian Criminal Code (HCC) was adopted and published and entered into force on 1 July 2013. The new HCC modifies the money laundering provisions in order to comply with MONEYVAL's recommended action plan in the MER. The amendments of the AML/CFT Act and the Act on the Implementation of Financial and Asset-Related Restrictive Measures Ordered by the European Union, and on Respective Amendments of other laws Act (FRM Act) are intended to modify several provisions in order to implement MONEYVAL's recommended action plan in



the MER as well as the findings of the relevant impact studies. The draft includes modifications regarding the following topics (among others): customer due diligence (beneficial owner, risk based approach); reporting obligation; access and dissemination of the information by the Hungarian FIU; sanctioning regime.

The Plenary adopted the follow-up report of Hungary and decided to remove Hungary from the regular follow up process because it has reached a satisfactory level of compliance on the relevant Recommendations. Hungary was required to report back to the Plenary under biennial follow-up in 2 years' time (by September 2015).

#### *Regular follow-up report of Slovenia*

Slovenia had taken positive steps to enhance the effective implementation of legislation on money laundering and had achieved a number of convictions for money laundering, including autonomous convictions. Although it was noted that the financing

of terrorism offence still appeared not to be fully in line with international standards, it was nonetheless considered that Slovenia had taken sufficient steps to bring it into compliance with the relevant Recommendations up to a level equivalent to a largely compliant rating. Slovenia had also adopted new laws which were in force and effect aiming to give priority to asset detection and asset recovery and to enhance effectiveness in this important area. Although the level of final permanent confiscations remained low it was noted that there had been significant seizures and freezing orders, which it was anticipated would result in final confiscations. With regard to the freezing and confiscating of terrorist assets, it appeared that the steps taken had addressed the lack of publicly known national procedures and guidance and the lack of procedures for freezing the accounts of EU internals designated on UNSCRs identified in the evaluation report.

Other improvements were noted with regard to the level of law enforcement involvement in AML/CFT investigations, supervisory activity and the sanctioning regime. However, little action had been taken to



remedy the deficiencies related to non-profit organisations.

The Plenary adopted the follow-up report of Slovenia and decided to remove Slovenia from the regular follow up process because it has reached an overall satisfactory level of compliance on the relevant Recommendations. Slovenia was required to report back to the Plenary under biennial follow-up in 2 years' time (by March 2015).

*Regular follow-up report of San Marino (interim report)*

Presenting its interim report to the 42nd Plenary, San Marino briefly outlined the most significant steps taken or planned since the adoption of the 4th round MER: the criminalisation of self-laundering; the reinforcement of confiscation; the introduction of a provision on asset sharing, as well as of new requirements relating to PEPs and shell banks. In light of the fact that the use of cash has been highlighted as a ML/FT risk factor in San Marino, the Central bank

had established the supervisory reporting of cash movements; there had been an increase in the number of seizures and the amounts seized; eight information technology specialists had been recruited in the anti-fraud division of the police.

The Plenary adopted the report and invited San Marino to report back to MONEYVAL with an interim report in September 2014 and, if the conditions are met, to seek exit from regular follow-up.

*Regular follow-up report of Slovakia (interim report)*

Slovakia presented an interim follow-up report to MONEYVAL's 42nd plenary meeting. On the legal side, with regard to confiscation and provisional measures, no steps had been taken to clearly cover the confiscation of indirect proceeds and to provide an authority to oversee confiscation from third parties. Although there had been some significant freezing orders (€32 m in 2010), these had not translated into final confiscations; indeed, no confiscations were reported.



Concerning law enforcement, the FIU had been moved into a more central position and many of the concerns regarding its operational independence appeared to have been addressed. While technical deficiencies relating to the criminalisation of ML and TF remained, a number of other deficiencies had been addressed by the issuance of guidance and awareness-raising, and there had been an improvement in the volume and scope of suspicious transaction reports received.

Technical deficiencies identified for financial issues had not been addressed as the authorities were awaiting the final text of the EU's 4th Money Laundering Directive before amending the AML Law but guidelines had been issued to deal with effectiveness-related deficiencies.

The Plenary decided that Slovakia should provide a further interim progress report on the legislative developments on the measures taken to remedy the technical deficiencies with respect to the criminalisation of money laundering, terrorist financing and in relation to confiscation at the 44th meeting in 2014.

#### *Biennial follow-up report on Cyprus*

The biennial follow-up report of Cyprus was examined in conjunction with progress on recommendations made in the Special Assessment (see below).

In its biennial update, the Cypriot authorities explained that they were in the process of conducting a national risk assessment and had already produced some preliminary findings. In particular, the Advisory Authority had identified that the main risks for Cyprus emanated from international business activities at the layering stage, since domestic criminality was relatively low, while the use of cash was limited.

The Prevention and Suppression of Money Laundering and Terrorist Financing Law was amended on a number of occasions. These amendments strengthened the FIU's existing powers to exchange

information with domestic authorities and foreign counter-parts and to obtain beneficial ownership and financial information from financial institutions and DNFBPs. The amendments also removed the legal uncertainty in relation to the imposition of administrative sanctions on directors and senior managers.

A few months after the fourth round on-site visit in 2010, the Suppression of Terrorism Law of 2010 was enacted. The law provides a comprehensive legal framework in the area of terrorism and criminalises the provision of support to terrorists and terrorist organisations in any way. This law also provides a comprehensive regime for the freezing of funds used for terrorist financing.

Another significant development reported by the Cypriot authorities was the enactment of the Law Regulating Companies Providing Administrative Services in December 2012. Under this new law, trust and company service providers are now required to obtain a licence before commencing business. They are subject to all AML/CFT requirements and are under the supervision of the Cyprus Securities and Exchange Commission for both AML/CFT and prudential matters.

The FIU and the supervisory authorities had undertaken training initiatives related to preventive measures and suspicious transaction reporting.

The Biennial follow-up report was accepted by the plenary and it was agreed that Cyprus would submit a further Biennial follow-up report.

#### *Regular follow-up report of the Czech Republic*

The Czech Republic presented an interim follow-up report at the 43rd plenary meeting. It was reported that the Palermo Convention and its Protocols had been ratified. It was also reported that training has been provided to judges and prosecutors and there had been a slight increase in unconditional imprisonment sentences for money laundering in 2012. How-



ever, no steps had been taken to remedy the identified deficiencies in the Criminal Code and there had been no prosecutions and convictions for autonomous or third party money laundering. The Czech Republic had taken limited steps to remedy the identified deficiencies or to implement the recommended actions in respect of the criminalisation of terrorist financing and most of the identified deficiencies remain unchanged. Although little progress can be seen in legislative developments, there has been considerable progress on the effectiveness of the confiscation regime (R.3) with a significant increase in the value of assets seized and in final confiscations.

Some steps have been taken to address the deficiencies identified preventive measures including measures to increase the transparency of joint-stock companies, and address the anonymity issue. Although limited progress had been made in terms of enacted legislation, the Czech authorities were conducting a risk assessment and anticipated introducing legislation to bring the CDD requirements into line with both the EU 4th Money Laundering Directive and the new FATF standards. There had been an increase in the number of inspection visits to financial institutions, and the scope of visits had been increased to put more emphasis on AML/CFT issues. As a consequence, the number of infringements identified in 2012 and 2013 had increased.

The plenary noted that little progress had been achieved in remedying the identified deficiencies and the Plenary decided that the Czech Republic should submit a full follow-up report at its 44th meeting in 2014.



## Special assessment on the effectiveness of customer due diligence measures in the banking sector in Cyprus

### Background information on the special assessment in Cyprus

On 9 March 2013, the President of the EuroGroup Working Group, on behalf of the Troika institutions, wrote to the Executive Secretary of MONEYVAL inviting MONEYVAL to conduct an assessment on the effective implementation of CDD requirements by the Cypriot banking sector. The invitation was made in the context of Cyprus's request for financial assistance from the Euro area. MONEYVAL accepted the invitation on 12 March 2013.

The special assessment was conducted between 19 and 29 March 2013. During the visit the assessors conducted lengthy and informative meetings with 13 banks which represented approximately 71 percent of the deposits and 76 percent of the loans in the banking sector in Cyprus. The MONEYVAL team did not review customer files. The report on the special assessment was presented to the Troika institutions on 24 April 2013 and published by MONEYVAL on 17 June 2013. Unlike all other MONEYVAL reports, which are automatically published after adoption by the plenary, the publication of this specially commissioned report required the consent of the Troika institutions and Cyprus.

The assessment was, and still is, unique, as no other jurisdiction has hitherto submitted to such an

exceptional and focussed anti-money laundering/counter financing of terrorism (AML/CFT) evaluation covering the effectiveness of one part only of its AML/CFT system. Evaluations in FATF and MONEYVAL's regular cycles usually cover the whole financial sector, as well as the legal and law enforcement sectors. The special assessment report builds on the 4th round Mutual Evaluation Report of Cyprus (adopted on 27 September 2011) and does not replace it. It is understood that most of the MONEYVAL recommendations have been incorporated into an action plan, which is part of the Memorandum of Understanding between Cyprus and the Troika institutions.

The terms of reference of the special assessment as agreed between MONEYVAL, the Central Bank of Cyprus (CBC) and the Troika institutions stipulated that the main findings and recommendations of the assessment would be taken into account in MONEYVAL's own follow-up processes. At the 41st plenary meeting, the plenary supported MONEYVAL's involvement in the special assessment and agreed that Cyprus should be expected to report on the progress made with respect to the recommendations in the special assessment report within MONEYVAL's follow-up process. For practical purposes, it was decided that Cyprus should submit its first report on the progress related to the special assessment at the 43rd plenary, together with its biennial update on the progress

achieved in relation to the recommendations made in the 4th round Mutual Evaluation Report.

### Key findings of the special assessment

Substantial international business, which is mainly tax-driven, is conducted in and through the Cypriot banking sector. Such international business involves various features such as complex corporate structures, cross-border transactions with counter-parties in various jurisdictions, introduced business, the use of nominee shareholders/directors, trusts, client accounts and cash-collateralised loans. These features are inherently vulnerable to misuse for money laundering and financing of terrorism purposes and pose the highest ML/FT risk to the banking sector in Cyprus.

In general, the banks interviewed demonstrated high standards of knowledge and experience of AML/CFT issues, an intelligent awareness of the reputational risks they face and a broad commitment to implementing the customer due diligence requirements set out in the law and in subsidiary regulations issued by the Central Bank of Cyprus (CBC). Implementation of CDD measures, as described by the banks, appeared strong under most headings. However, a range of shortcomings with the potential to undermine the effectiveness of CDD was identified in many of the banks interviewed. In one bank the assessors had particular concerns about the overall effectiveness of their CDD procedures. This report focuses mainly on the risks and shortcomings identified and includes recommendations for remedial action.

A large part of the international business is introduced to banks by professionals and trust and corporate service providers, the latter known in Cyprus as Administrative Service Providers (ASPs). The banks therefore place significant reliance on the business introducers in Cyprus or other countries to certify the authenticity of many of the documents provided for CDD purposes and to perform some other elements of CDD.

It is the assessors' view that reliance on introducers constitutes one of the largest areas of vulnerability for the banking sector in Cyprus. Given the significant role played by introducers in attracting international business to Cyprus, it was noted with concern that one of the categories of introducers (ASPs) although made subject to regulation is not yet supervised in practice for compliance with AML/CFT requirements and the supervision of the other categories of introducers (lawyers and accountants) needs to be strengthened further.

All banks have procedures in place to determine the identity of the beneficial owner controlling the customer. In those cases where the customer is introduced, the identity of the beneficial owner is typically presented to the bank as part of an overall package of CDD documentation provided by the introducer. However, banks remain in many cases one or more steps removed from direct contact with the beneficial owner, still more where chains of introducers are used. In such cases, banks should implement the highest level of enhanced CDD, which could include (as indicated by some banks in Cyprus as already their practice in high risk cases) direct contact with the ultimate beneficial owner in a larger number of cases.

None of the banks could point to the existence of an overall AML/CFT risk assessment conducted at the level of and specific to the individual bank which could be used to determine the risk appetite of the bank across the whole range of its potential business lines. Additionally, in a significant number of banks their compliance function is not always adequately consulted in the acceptance of high risk customers. These findings, in combination, constitute material deficiencies in light of the level of high risk international business being conducted in the banking sector.

Some of the banks interviewed maintain business with a significant number of politically exposed persons. The measures being applied to PEPs are not yet fully effective in some of the banks interviewed in respect of measures to determine the source of wealth of

PEPs, identifying family members and close associates of PEPs and identifying a customer who subsequently becomes or is found to be a PEP.

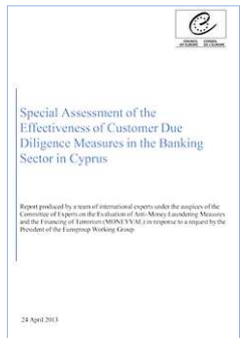
Various banks appear not to obtain sufficient information to create a meaningful economic and business profile of the customer and beneficial owner at the inception of a business relationship. This may undermine the effectiveness of ongoing monitoring carried out in the course of the relationship.

The substantial number of alerts generated by automated ongoing monitoring systems on high risk accounts appears to be disproportionate to the number of staff managing such alerts. As a consequence, insufficient consideration may be given to these alerts before being cleared. Not many suspicious activity reports (SARs) appear to have been made as a result of ongoing monitoring, which may call into question the effectiveness of the current monitoring systems.

Although tax incentives are important in attracting business to Cyprus, the assessment team was advised that not many SARs are submitted by banks in relation to tax-related suspicions of ML. Notwithstanding the fact that, as a result of a recent amendment, certain

tax crimes (including tax evasion) are now predicate offences for ML, many banks interviewed are either unaware or unclear about the full implications of such changes.

Overall, therefore, the assessors are concerned that the combination of a number of features associated with international banking business (e.g., introduced business plus complex structures plus use of nominees) may in higher-risk cases bring the cumulative level of inherent risk beyond a level that is capable of being effectively mitigated by the CDD measures currently being applied.



**Special Assessment of the Effectiveness of the Customer Due Diligence Measures in the Banking Sector in Cyprus**

*document available on the MONEYVAL website*

## Compliance enhancing procedures

### CEPs structure

MONEYVAL's Compliance Enhancing Procedures ensure that countries take steps to meet the international standards and follow MONEYVAL recommendations within an appropriate time frame.

In 2013, until revisions were made to the CEPs procedures at the 43rd Plenary under Rules changes that come into effect in 2014, the graduated process was as shown in the text box.<sup>1</sup>

The graduated steps of the CEPs process allow for the CEPs process to be applied flexibly according to need.

Countries may be placed in the CEPs process as a result of plenary discussions on Mutual Evaluation Reports, progress reports, as a result of horizontal reviews of overall progress at the end of an evaluation round, or for other reasons. They have been used flexibly in the past to deal with urgent situations, as indicated in the Word from the Chairman. In 2013, three countries (Albania, Bosnia and Herzegovina and Lithuania) were in the CEPs process.

As a result of progress in remedying identified deficiencies it was agreed during 2013 that Albania could be removed from CEPs.

Throughout the application of these steps, the assessed

### Steps in CEPs process

- i) A letter from the MONEYVAL Chair to the head of delegation drawing attention to the non-compliance with the reference documents. The letter is copied to the plenary meeting.
- ii) A letter from the MONEYVAL Chair to the Secretary General drawing his attention to the non-compliance by a MONEYVAL participating State. The letter is copied to the head of delegation concerned.
- iii) A letter from the Secretary General of the Council of Europe to the relevant government minister drawing attention to non-compliance with the reference documents.
- iv) A high level mission to the country concerned, to reinforce this message from step iii).
- v) A formal public statement drawing attention to the State's failure to comply with MONEYVAL's reference documents.

country is required to submit reports to the Plenary detailing the steps taken to achieve compliance, which, in certain cases, may include action plans endorsed at government level. If the Plenary is satisfied with progress, they can be removed from the CEPs.

<sup>1</sup> The CEPs' structure was simplified in the latest amendments of the Rules of Procedure agreed in the 43rd plenary meeting (9-13 December) and appears on the MONEYVAL website and will be in effect at the first plenary of 2014.

## CEPs reports considered in 2013

The findings of the reports are indicated below.

Plenary meeting	
41st meeting	<ul style="list-style-type: none"> <li>Albania (step ii)</li> <li>Bosnia and Herzegovina (step i)</li> </ul>
42nd meeting	<ul style="list-style-type: none"> <li>Bosnia and Herzegovina (step i)</li> </ul>
43rd meeting	<ul style="list-style-type: none"> <li>Bosnia and Herzegovina (steps ii &amp; iii)</li> </ul>

### *Albania*

Albania had been placed into CEPs in 2012 as a result of problems that were still outstanding from the 3rd round report. By the end of 2012, Albania had satisfied the Plenary that it had taken sufficient action to correct the then identified problems in CDD and on the criminalisation of terrorist financing. The Plenary still had concerns that action was insufficient to address deficiencies concerning non-profit organisations identified in the 3rd round.

Albania provided a written report to the 41st Plenary. The authorities indicated that the review of the non-profit organisation sector had been completed, and that guidance to the NPO sector had been issued and outreach activities were being planned, and changes to the legal framework regarding NPOs had been adopted. The legal framework of NPOs had been modified with the adoption in March 2013 of a law introducing some additions and amendments to the 2001 legislation. This law included provisions on the civil and criminal liability of NPOs, requirements that NPOs' funds should use the banking system, requirements regarding financial statements and preservation of tax-related data. The Tax Authority is specified as the monitoring body of NPOs and accounting reports are to be subject to inspection by the Tax Authority and the FIU if appropriate. Detailed rules on the supervision of NGOs by tax bodies were

to be set out on instruction of the Minister of Finance within 3 months from the entry into force of the law. An Order of the Ministry of Justice dated 3 July 2012 "on the form, content and technical rules of the NPO register" had been approved which the authorities indicated provides for the obligation of the District Court of Tirana to reflect the data of the Register of NPOs (the manual one) in an electronic form and obliges the District Court to continuously update the electronic register. The supervision of NPOs was being addressed, to a certain extent, by the new law. In light of the progress achieved by Albania, the Plenary decided to lift the CEPs on Albania and continue monitoring progress on other issues through the 4th round regular follow-up process.

### *Bosnia and Herzegovina*

During 2013, Bosnia and Herzegovina submitted three CEPS reports to the plenary on progress against an agreed Action Plan which contained short-term, medium-term and long-term objectives.

At the 41st plenary meeting, the plenary welcomed the progress that had been achieved by the Bosnian authorities in respect of the short and medium-term action points. It was however noted that, due to inevitable delays in enacting the revised laws and consequential amendments to laws, guidance, procedures and trainings, that very few of the medium-term action points were fully met. It was anticipated that the authorities would shortly take action to expedite the enactment of the draft laws after receiving an expert opinion from the Council of Europe.

At the 42nd plenary meeting it was reported that, of the 22 short-term measures that were originally established only 7 remained unfulfilled, and most of those related to training that has been delayed awaiting the adoption of the revised AML/CFT Law. However, of the 78 medium-term measures, which were intended to be in place by 10 October 2012, only 13 had been fully dealt with. It was noted that, due to delays in

enacting the revised laws and consequential amendments to laws, guidance, procedures and trainings, 65 of the medium-term action points were still outstanding. Taking into account the information provided by the Bosnian authorities, the Committee decided to apply steps (ii) and (iii) in sequence in respect of Bosnia and Herzegovina.

At the 43rd plenary the Bosnian authorities reported that they had prepared draft amendments to the AML/CFT Law and the Criminal Code. On 23 October 2013, the draft amendments to the AML/CFT Law were adopted by the Council of Ministers and it was reported that the draft AML/CFT Law had been submitted to the Parliamentary Assembly of Bosnia and Herzegovina awaiting adoption.

With respect to the Law on Amendments to the Criminal Code of Bosnia and Herzegovina, it was reported that although this draft law had been submitted to the Parliamentary Assembly of Bosnia and Herzegovina, this Law did not receive support and had been rejected.

It was also reported that the Ministry of Justice of Bosnia and Herzegovina prepared amendments to the Law on the Establishment of a Joint Registry of Non-Governmental Organisations in Bosnia and Herzegovina, which also had not received support and had also been rejected by the Parliamentary Assembly. In the light of this, the BiH authorities had decided that, as an alternative measure, a Joint Registry of Non-Governmental Organisations in Bosnia and Herzegovina will be established through application of a Memorandum of Understanding.

The plenary was concerned that of the 115 original objectives in the Action Plan, only 33 had been fully dealt with. Whilst acknowledging the willingness and cooperation displayed by the Bosnian delegation to MONEYVAL, the Plenary decided to move to step (iv) of the CEPs with the scheduling of a high-level mission to BiH in early 2014.

### *Lithuania*

Following the Plenary discussion of the 4th evaluation report of Lithuania in December 2012, CEPs were applied. It was agreed that the Chairman of MONEYVAL, under Step (ii) of the Compliance Enhancing Procedures, would send a letter to the Secretary General of the Council of Europe, with a copy to the Head of Delegation of Lithuania, raising concerns about significant deficiencies in several Core Recommendations, which had persisted since the 2006 evaluation. The letter was sent by the Chairman on 14th January 2013 and Lithuania will provide a full report on progress in March 2014.

## Progress on important deficiencies identified in the process examining the state of compliance on all non-compliant (NC) and partially compliant (PC) ratings in the 3rd round mutual evaluation reports (“NC/PC process”)

### Background

Following MONEYVAL’s decision to examine the state of progress on all NC and PC ratings in those countries that had more than 30 NC or PC ratings in their third round mutual evaluation report, the Plenary agreed at its 34th meeting in December 2010, that in the case of 6 countries with identified important deficiencies, but below the threshold for which CEPs would be applied, the Chairman would write to the countries concerned drawing attention to the deficiencies and inviting their authorities to take further remedial action without instituting Compliance Enhancing Procedures. Five countries remained in the process in 2013.

### Jurisdictions under consideration in 2013

#### *Croatia*

Following the adoption of the 4th round MER of Croatia at the 42nd plenary, the plenary decided to remove Croatia from the process. It was agreed that Croatia had made a number of amendments to its laws and procedures and that the remaining deficiencies relating to the freezing and confiscation of terrorist assets, that had been identified in the 4th round report, would be considered with all other deficiencies under MONEYVAL’s 4th round follow-up procedures.

Jurisdictions Concerned	Progress in 2013
• Croatia	Removed from process
• Georgia	Removed from process
• Republic of Moldova	Retained in process
• “the former Yugoslav Republic of Macedonia”	Removed from process
• Ukraine	Retained in process



### *Georgia*

In response to these procedures, amendments were introduced to the AML/CT Law of Georgia “on Facilitating the Prevention of Illicit Income Legalisation” defining in detail the CDD obligations of lawyers, as well as the terms and procedures for record keeping, STR reporting and internal control procedures. In particular, according to Article 3 of the Law, “advocates” are now subject to the Law as monitoring entities. It was therefore agreed that all requirements of the AML/CFT Law were now applicable to advocates (lawyers) without any exceptions. The Law was adopted by the Parliament of Georgia on 27 November 2013 and entered into force on 10 December 2013. As a consequence of this, the 43rd Plenary acknowledged the progress made at MONEYVAL prompting and formally terminated the process for Georgia.

### *Republic of Moldova*

In January 2013, a new draft amending the Contravention Code was prepared, which introduced 8 new articles aimed at establishing the appropriate penalties for the violation of obligations under the AML/CFT Law and covering the list of all possible infringements. On 22 November 2013, the Parliament of the Republic of Moldova adopted Law No 437 amending the Contravention Code, which established the sanctioning regime for non-compliance with the AML/CFT Law and, on 5 December 2013, the Parliament of the Republic of Moldova adopted the final reading of the Law. The plenary agreed that the Moldovan authorities had met the minimum level required for a sanctioning regime for AML/CFT breaches which was more in line with the FATF standard and appeared to cover all the possible infringements to the obligations provided by the AML/CFT Law.

However, there remained reservations about the proportionality and dissuasiveness of the financial sanctions available for legal persons (especially banks). Therefore the Plenary decided to continue to monitor

the situation, and required the Moldovan authorities to report back to the 44th Plenary on whether or not amendments to the Contravention Code were in force, in which case the Republic of Moldova would then exit this process. The Republic of Moldova was also invited to report in December 2014 with statistics showing the number and level of sanctions applied.

### *“the former Yugoslav Republic of Macedonia”*

At its 41st plenary meeting, MONEYVAL considered the updated information on the remedying of deficiencies in the criminalisation of financing of terrorism and concluded that the draft terrorist financing offence did not appear to fully address the shortcomings identified previously nor satisfactorily comply with the relevant international standards.

“The former Yugoslav Republic of Macedonia” adopted amendments to the CC, introducing a separate FT offence which was completely different from the provisions in force at the time of the 3rd round evaluation. It was concluded that the deficiencies then identified could not be further analysed in the context of the new wording, as they are no longer relevant. Taking into consideration the recent 4th round on-site visit and the forthcoming MER which would be considered at the 44th plenary, and fully describe the legal system in force, the 42nd Plenary decided to terminate the review of 3rd round deficiencies and to re-examine the relevant legal provisions at the time of discussion of the 4th round MER. If the report did conclude that there is no substantial progress related to the criminalisation of the financing of terrorism, the Plenary could then consider applying CEPs at an appropriate step.

### *Ukraine*

It was reported to the plenary that in June 2013, Ukraine had adopted provisions amending the Criminal Code and Criminal Procedure Code aimed at addressing the remaining deficiencies related to

confiscation of criminally derived assets. These provisions were due to enter into force on 16 December 2013. It was agreed that once it was confirmed that the amendments to the law had entered into force the review of the 3rd round deficiencies under the process would be terminated and the issue of Ukraine's compliance with the confiscation requirements would be re-examined at the time of discussion of the 4th round follow-up MER. It was also stated that, if the detailed analysis in the MER should conclude that no substantive progress had been achieved, the Plenary would consider applying any other follow-up measures, including if appropriate, CEPs.

### **Conclusion of the NC/PC process**

At the start of 2013, five countries (as set out above) remained in the NC/PC Process. At the 42nd plenary meeting it was proposed that, considering that three years had passed since the commencement of the process and there remain outstanding issues, additional measures should be considered on a case-by-case basis, in order to achieve the expected outcomes in a swifter manner and additional steps were proposed.

As noted above, all five countries remaining in the NC/PC process at the start of 2013 had made progress. Georgia had adopted and brought into force a law that rectified the remaining deficiencies and was removed from the process. Croatia and "the former Yugoslav Republic of Macedonia" had recently adopted amendments to relevant laws that were significantly different from the laws originally considered, the remaining deficiencies would be considered under the 4th round follow-up process. Also, both the Republic of Moldova and Ukraine reported that relevant legislation had been adopted and it was agreed that they would be removed from the process once it was confirmed that the laws had come into force.

It is therefore concluded that this process has had the intended effect of drawing attention to important deficiencies and monitoring progress in successfully resolving them.

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## Voluntary tax compliance

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A voluntary tax compliance programme refers to any programme that is designed to facilitate legalisation of a taxpayer's situation vis-à-vis funds or other assets that were previously unreported or incorrectly reported. Countries may introduce VTC programmes for a variety of purposes including: raising tax revenue; increasing tax honesty and compliance; and/or facilitating asset repatriation for the purpose of economic policies, especially when the country is in an economic crisis. Such programmes come in a variety of forms and may involve voluntary disclosure mechanisms, tax amnesty incentives and/or asset repatriation. In some cases, VTC programmes may be introduced as a political reaction to the immediate economic or fiscal situation of the country.

Previously, in 2007, MONEYVAL took successful action through the application of Compliance Enhancing Procedures in a situation where a VTC programme adopted by a MONEYVAL member raised serious concerns as regards the effective application of AML/CFT measures.

In October 2012, the Financial Action Task Force published a Best Practices report on Managing the Anti-Money Laundering and Counter-Terrorist Financing Policy Implications of Voluntary Tax Compliance Programmes. This report recognised the potential for VTC programmes to be abused by criminals for the purpose of moving funds and it notes that the level of potential money laundering and terrorist financing

risk varies greatly, depending on the characteristics of the particular VTC programme being implemented.

Taking these developments into account, the 43rd Plenary adopted procedures related to the implementation of Voluntary Tax Compliance programmes and AML/CFT requirements by States and territories evaluated by MONEYVAL. MONEYVAL will consider these issues in respect of these States and territories when they arise. Currently, three States with such programmes are under consideration.

In 2013, MONEYVAL considered a VTC programme proposed by Hungary.

## Typologies work

### Structure of typologies work

Another important function of MONEYVAL is to identify new and emerging money laundering and terrorist financing techniques and trends, to assess the level of these threats and report on the findings. Each year, MONEYVAL undertakes typologies research to better understand the money laundering and terrorist financing environment in the European region and to provide decision-makers and operational experts with up-to-date information so that they may develop sound policies and strategies to combat these threats.

### Typologies projects in 2013

#### Projects adopted in 2013

- The use of online gambling for money laundering and the financing of terrorism purposes
- The postponement of financial transactions and the monitoring of bank accounts
- Trade based money laundering in cash intensive economies

The typologies reports on “internet gambling” and “postponement of financial transactions” were both adopted and published in 2013. The report on “trade-



#### The use of internet gambling for money laundering and the financing of terrorism purposes

*document available on the MONEYVAL website*

based money laundering” was adopted in 2013 and will be published in 2014.

#### *The use of internet gambling for ML and FT purposes*

The report provides an overview of the online gambling sector in MONEYVAL countries, including the extent and type of gambling offered and the ML/FT risks and vulnerabilities associated with online gambling and the methods of payment used. A list of typologies, red-flag indicators and vulnerabilities is presented, based on the experiences shared by public and private stakeholders with the project team. The report concludes that one of the major vulnerabilities is directly linked to unregulated online gambling. Additionally, given that online gambling, by its nature, is conducted anonymously, the use of false or stolen identities is less likely to be detected. The use of alternative payment systems to credit online gambling accounts systems may also augment the risk of ML/FT. Challenges also arise due to the cross-border nature of online gambling. The regulation and supervision of online gambling remain the strongest mitigating factors to prevent abuse.

#### *The postponement of financial transactions and the monitoring of bank accounts*

This report examines the experience of competent authorities in participating countries in effectively postponing suspicious financial transactions and monitoring bank accounts. It analyses the use of available procedures and mechanisms and sets out practical problems encountered by relevant authorities in this context. It includes a number of cases, red flags and indicators and formulates recommendations aimed at assisting competent authorities in making a more efficient use of their powers. The report concludes that the monitoring of bank accounts has proved to be an effective tool in tracing criminal assets, and that in cases of suspicion of terrorist financing, this is probably one of the most effective investigative instruments. Better knowledge of the methods and practices successfully used in this context by various financial intelligence units and law enforcement agencies and strengthened exchange of experiences and cooperation with the private sector can only lead to more effective financial investigations and successful identification, seizure and subsequent confiscation of proceeds of crime.



#### **The postponement of financial transaction and the monitoring of bank accounts**

*document available on the MONEYVAL website*

### *Trade-based money laundering in cash intensive economies*

This report aims to add to existing knowledge on trade-based money laundering by studying the relevant money laundering and terrorist financing methods and techniques related to cash compensated trade, carried out both domestically and internationally, with the purpose of the concealment of the illegal origin of funds and their integration into legal business. The goal is to develop a general overview of the existing typologies on trade based money laundering at MONEYVAL member jurisdiction level, with a focus on cash based operations. The study also considered the gathering of information on the use of corporate vehicles in cash based transactions in order to disrupt the documentary identification chain available to law enforcement authorities and impede the tracing of money.

### **Typologies working group meetings**

From 9-11 October 2013, a joint Egmont Group-MONEYVAL typology meeting was held in Strasbourg, focusing on two topics: Laundering of the Proceeds of Organised Crime (led by MONEYVAL) and Financial Analysis - an examination of current FIU practices (led by the Egmont Group). Sixty-seven experts actively participated in the joint meeting. The meeting also benefited from the participation of the representatives of the FATF, FIU.NET, EUROPOL and from the expertise of Professor Michel Levi, Cardiff University, and Mr Boudewjin Verhelst, scientific expert of MONEYVAL.

Of the 29 delegates who attended the meeting on Laundering of the Proceeds of Organised Crime, 24 came from MONEYVAL countries and territories. Five countries volunteered to be involved as members of the core group for this typologies project: Serbia, Bulgaria, Hungary, Ukraine and Montenegro. A draft questionnaire was prepared and presented by the core group members in Strasbourg. The project also bene-

fited from the input of two international experts. The resulting questionnaire was circulated to MONEYVAL members in November 2013. The project will be taken forward in 2014 to include a seminar with prosecutors to examine the reasons for what appears to be a comparatively small number of prosecutions against those who launder on behalf of organised crime.

The EGMONT Group-led research aims to examine the FIUs' financial analysis process (as its core function) and to investigate the manner in which the law enforcement agencies use the outcome of the FIU work. Of the 38 delegates who attended the meeting on Financial Analysis – an examination of current FIU practices, 24 were from MONEYVAL countries and territories.

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## Other important activities and initiatives in 2013

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Aside from evaluation cycles, progress and follow-up reports and other evaluation mechanisms, MONEYVAL engages in many other important activities, including those listed below.

### Key partnerships

As previously noted, MONEYVAL is a key partner in the global network of interdependent AML/CFT assessment bodies.

#### *The Financial Action Task Force*

The FATF continues to be MONEYVAL's primary international partner and collaborator. The Financial Action Task Force is an inter-governmental body established in 1989 designed to set standards and promote effective implementation of anti-money laundering and terrorist financing measures. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms. It operates in combination with FATF-style regional bodies, among which MONEYVAL is recognised as a leading member.

As an Associate Member of the FATF since 2006, MONEYVAL contributes to the policy-making work of FATF and has recently created an informal structure dedicated to this purpose. The Chair, the

Vice-Chair and the Executive Secretary regularly attend FATF working group and plenary meetings together with delegates from MONEYVAL countries and territories. Thus, MONEYVAL States have a real opportunity of inputting into the FATF's global AML/CFT policy-making.

The revision of FATF's Recommendations was completed in 2012 and the revised FATF Recommendations were published in February 2012. Following this revision, the FATF updated its Methodology for Assessing Compliance with the FATF 40 Recommendations and FATF 9 Special Recommendations; the updated methodology was adopted and published in February 2013.<sup>1</sup> FATF commenced work on evaluations under the revised Recommendations at the end of 2013 and will be followed by MONEYVAL at the conclusion of its follow-up round (4th round).

Considerable MONEYVAL Secretariat resources are applied to following the work of each of the main FATF working groups, and in attendance at inter-sessional meetings – particularly the International Co-operation Review Group (ICRG) and the Evaluations and Compliance Group (ECG) (formerly Working Group on Evaluations and Implementation (WGEI)), which deals with issues involving interpretation of the global standards and the development of the global AML/CFT Methodology.

In 2013, MONEYVAL attended three FATF Plenaries,

<sup>1</sup> The adopted methodology is available [here](#).



the FATF Legal Professionals Forum in London (as part of the FATF's typologies research into how legal professionals can be used in money laundering) and FATF training for the new evaluation round organised in Paris and Rome. A representative from the MONEYVAL Secretariat also attended a joint FATF/Middle East and North Africa Financial Action Task Force (MENAFATF) typologies meeting in Qatar in December 2013.

The President of FATF appoints 2 FATF delegations to MONEYVAL with voting rights. The delegations in 2013 were Austria and France. These delegations are thanked for their support and contributions to plenary discussions.

In July 2013, Mr Vladimir Nechaev, former Chairman of MONEYVAL, became the President of the FATF, succeeding Mr Bjørn Skogstad Aamo (Norway). The president's one-year term runs from 1 July 2013 to 30 June 2014.

MONEYVAL has mutual observer status with other Associate Members of FATF and cooperates with them on a number of levels.

#### *International Co-operation Review Group & Europe/Eurasia Regional Review Group*

In 2009, the G20 called on the FATF to identify jurisdictions which threatened the global financial system. Countries can be nominated directly or are considered automatically if their evaluation reports have a number of low ratings in important core and key Recommendations. All European jurisdictions identified for review by the ICRG are referred to the ERRG. The ERRG in turn analyses the factual situations and reports to the ICRG. Finally, the ICRG decides whether a full targeted review is required and final decisions are taken on this by the FATF Plenary. In 2013, Albania was the only MONEYVAL subject to consideration by the ERRG.

The ICRG process is intended to complement the

follow-up procedures of the regional bodies.

#### **MONEYVAL Evaluated Countries considered by the ICRG/ERRG in 2013**

##### **Albania**

Following the adoption and publication of its evaluation report in 2011, Albania was referred to the ERRG and then by the ICRG for consideration as a consequence of a number of strategic deficiencies identified. A prima facie review was conducted by the ERRG. After examining the review, the ERRG recommended to the ICRG that a targeted review should be carried out. Albania remained under review by the ERRG/ICRG at the end of 2013.

#### *The International Monetary Fund & World Bank*

Since 11 September 2001, the role of the international financial institutions (IFIs) in AML/CFT has expanded. The clear engagement of the IFIs with the FATF and MONEYVAL was based on the decisions of their Boards after the events of 11 September 2001 that AML/CFT issues should be routine parts of all their much larger financial sector assessments in their member States.

MONEYVAL and the FATF negotiated with the IFIs in 2003-2004 "burden sharing" agreements, under which the IMF or World Bank<sup>2</sup> would conduct a small number of MONEYVAL or FATF evaluations in a given evaluation round, and present the report for adoption at MONEYVAL and FATF Plenaries. In 2013, the IMF led the MONEYVAL on-site evaluation to Liechtenstein, with a MONEYVAL Secretariat member as part of the team covering law enforcement issues. This report will be presented in 2014.

MONEYVAL benefits from this burden-sharing as the IFIs can also accept recent MONEYVAL reports (prepared by MONEYVAL alone) as the AML/CFT components of their own wider financial sector assessments in other MONEYVAL countries.

<sup>2</sup> In practice only the IMF has undertaken MONEYVAL countries, as the IMF concentrates more on developed countries.

In 2013, both the IMF and the World Bank actively participated in MONEYVAL plenary meetings. Their contributions to MONEYVAL are appreciated.

#### *The European Union*

The EU has been actively involved in MONEYVAL since its inception. In fact, the EU encouraged its creation. It is represented in MONEYVAL through the European Commission and the Council of the European Union. As a distinctly European monitoring mechanism, MONEYVAL has always had the European Union Directives as part of its mandate. Currently, MONEYVAL additionally evaluates all its jurisdictions – whether EU members or not<sup>3</sup> – on those parts of the 3rd AML/CFT EU Directive<sup>4</sup> that depart from the FATF standards. This assessment is published with each report that MONEYVAL produces, though without ratings. This is unique to MONEYVAL. Older members of the EU – evaluated by FATF – are not assessed on the EU Directives through a peer review process, as the FATF only evaluates against global standards. It is now possible for Council of Europe member States not evaluated by MONEYVAL to apply for an evaluation by MONEYVAL in respect of the standards in the 3rd EU AML/CFT Directive. MONEYVAL would anticipate assessing the upcoming 4th EU AML/CFT Directive on the same basis.

Representatives from the EU regularly attend the MONEYVAL plenary meetings and have provided updates on the progress of the new Directive throughout the year.

In March 2013, the European Commission held a public hearing on the Directive entitled “The fight against Money Laundering and Terrorist Financing” which involved input from a member of the MONEYVAL Secretariat.

<sup>3</sup> Currently, 12 MONEYVAL States are EU members.

<sup>4</sup> Directive 2005/60/EC

#### *United Nations*

The United Nations’ global AML/CFT standards are embodied in the FATF 40 Recommendations and 9 Special Recommendations. The United Nations Office on Drugs and Crime and Counter-Terrorism Committee Executive Directorate (CTED) send representatives to MONEYVAL.

MONEYVAL has successfully collaborated on several occasions with CTED on its separate assessments of UN Security Council Resolution 1373 on terrorist financing in MONEYVAL countries, most recently in March 2013 in Serbia.

#### *The Organisation for Security and Co-operation in Europe*

Representatives from the OSCE have attended MONEYVAL plenaries during 2013 and provided updates on their current initiatives.

#### *Egmont Group*

The Egmont Group was established in 1995 as an international forum bringing together financial intelligence units<sup>5</sup> in order to improve and systemise AML/CFT co-operation, particularly at intelligence level. MONEYVAL has observer status and has actively participated in Egmont Group meetings and contributed to training of FIU staff. The Egmont Group was active in pressing for FIU standards to be covered in an international legal instrument and contributed actively to the negotiation of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. MONEYVAL’s law enforcement scientific expert, Mr Boudewijn Verhelst, was the Chair of the Egmont Group from 2010 to 2013.

In January 2013, Ms Livia Stoica attended the Egmont group’s plenary meeting in Ostende, Belgium. In October, as noted under Typologies above, the Eg-

<sup>5</sup> The receiving units for suspicious transaction reports from the private sector.

mont Group and MONEYVAL held a joint typologies meeting in Strasbourg.

*The Eurasian Group on combating money laundering and financing of terrorism*

The Eurasian group on combating money laundering and financing of terrorism (EAG) is a FATF-style regional body uniting Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. 14 more States and 18 international and regional organisations have observer status within the EAG. Representatives from the EAG regularly attend MONEYVAL plenary meetings and the 3rd round evaluation of the Russian Federation was conducted jointly with the FATF and EAG. In 2012, a joint MONEYVAL/EAG workshop was hosted by MONEYVAL.

In May 2013, Mr Dmitry Kostin, from the MONEYVAL Secretariat attended an EAG plenary meeting in Minsk Belarus. The purpose of attendance was: to enhance cooperation with EAG; to provide input into EAG work; to discuss bilaterally future joint AML/CFT events; to take part in the typologies project “Illicit financial flows from Afghan drug trafficking” led by the Russian Federation.

In November 2013, Ms Livia Stoica Becht of the MONEYVAL Secretariat attended an EAG plenary meeting in Ashgabat, Turkmenistan.

*Awareness raising and fact finding visits to new territories evaluated by MONEYVAL*

During 2013, the Executive Secretary and members of the MONEYVAL Secretariat visited the UK Crown Dependencies of Guernsey, Jersey and the Isle of Man. The aim of these visits was to gain a better understanding of the business environment and AML/CFT structures in place and also to raise awareness of MONEYVAL and its monitoring role. These visits assisted the Secretariat in developing a better under-

standing of the territories prior to analysing the 3rd round progress reports that were submitted later in the year.

## Participation in other forums

*Academy of European Law*

In October, the Executive Secretary participated in the Academy of European Law’s conference on Anti-Money Laundering in the EU, in Trier, and discussed the current challenges to the EU anti-money laundering regimes in a global context.

*Enlarged Partial Agreement on Sport*

Following the adoption of Recommendation CM/Rec(2011)10 and the Conference of Ministers responsible for Sport in Belgrade on 15 March 2012, the Committee of Ministers invited the Enlarged Partial Agreement on Sports’ (EPAS) Governing Board to launch the negotiation of a possible Council of Europe Convention against manipulation of sports results and notably match-fixing, and to involve relevant Council of Europe bodies and committees in this process, including MONEYVAL. Representatives from the MONEYVAL Secretariat attend EPAS meetings.

The 41st Plenary heard an update on EPAS’s draft Convention against the manipulation of sports competitions. The draft convention has been the subject of MONEYVAL input.

*Parliamentary Assembly of the Council of Europe*

In April 2013, the Executive Secretary of MONEYVAL, Mr John Ringguth, gave a presentation to the Parliamentary Assembly of the Council of Europe. Members of PACE attended MONEYVAL plenary meetings during 2013.

*Ad-hoc Drafting Group on Transnational Organised Crime*

In response to the increase in transnational organised crime (TOC), European States have decided to go beyond the existing frameworks of international and supranational fora (UNODC, Interpol and the EU), and to create a truly pan-European framework and a common strategic approach to tackle TOC. The terms of reference of Ad-hoc Drafting Group on Transnational Organised Crime (PC-GR-COT) were adopted by the Committee of Ministers of the Council of Europe on 21 November 2012 and two meetings were held in June and December 2013. AML/CFT being a major component of TOC, MONEYVAL participated in these meetings. Before its terms of reference expired on 31 December, the Ad-hoc Group completed its White Paper on Transnational Organised Crime, which is to be adopted by the European Committee on Crime Problems during its plenary meeting in June 2014.

#### *Anti-Money laundering and Fraud conference*

In June 2013 Mr John Baker from the MONEYVAL Secretariat spoke at a conference on money laundering and fraud in the UK Crown Dependency of the Isle of Man. The conference was attended by approximately 170 representatives of all areas of financial services as well as designated non-financial businesses and professions. As the UK Crown Dependency of the Isle of Man had only recently joined MONEYVAL this presented an opportunity to raise awareness of the role of MONEYVAL and the likely implications of the revised FATF Recommendations and Methodology.

#### *Money laundering and tax havens in Europe: the need for a response by civic society*

In September 2013, Mr John Baker from the MONEYVAL Secretariat attended a seminar organised by European Alternatives which is a civil society organi-



**In November, MONEYVAL trained 36 experts from 26 countries on 4th round evaluation practices.**

sation devoted to exploring the potential for transnational politics and culture. The seminar was organised in conjunction with ALDA: The Association of Local Democracy Agencies (which was established in 1999 at the initiative of the Council of Europe's Congress of Local and Regional Authorities to coordinate and support a network of Local Democracy Agencies that was established in the early 1990s). The aim is to produce a European citizen's charter, a draft of which is already available on the European Alternatives website.

There was an extensive discussion concerning failure of countries to confiscate the proceeds of crime. It was emphasised that countries should be encouraged to sign and ratify the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

### Training and awareness-raising

MONEYVAL held a successful evaluator training seminar from 4-8 November 2013 in Strasbourg. The seminar was attended by 36 experts from 26 countries and territories evaluated by MONEYVAL, including for the first time experts from the UK Crown Dependencies of Guernsey, Jersey and the Isle of Man.

The primary purpose of the seminar was to train future evaluators of MONEYVAL's 4th round of mutual evaluations. Participating trainers included the Executive Secretary of MONEYVAL, MONEYVAL scientific experts Mr Philipp Roeser (Liechtenstein), Mr Boudewijn Verhelst (Belgium), Mr Lajos Korona (Hungary), Mr Yehuda Shaffer (Israel) and Mr Richard Walker (UK Crown Dependency of Guernsey) and a Financial Sector Consultant, Mr Terry Donovan. The assistance of all these experts was greatly appreciated by all the participants.

In response to the revision of the FATF Recommendations and consequential changes being prepared to the underlying methodologies, MONEYVAL has undertaken a number of initiatives to raise awareness

among MONEYVAL jurisdictions.

In the 43rd plenary meeting there was a presentation by Serbia on how it had developed its national risk assessment.

### The Conference of the Parties to CETS 198

The 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (or Warsaw Convention<sup>6</sup>), which came into force on 1 May 2008, builds on the success of the 1990 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (or Strasbourg Convention<sup>7</sup>). It is the first comprehensive anti-money laundering treaty covering prevention, repression and international co-operation in anti-money laundering and confiscation. More specifically, this instrument:

- provides States with enhanced possibilities to prosecute money laundering more effectively
- equips States Parties with further confiscation tools to deprive offenders of criminal proceeds
- provides important investigative powers, including measures to access banking information for domestic investigations and for the purposes of international co-operation
- covers preventive measures, and the roles and responsibilities of financial intelligence units and the principles for international co-operation between financial intelligence units
- applies all its provisions to financing of terrorism
- covers the principles on which judicial international co-operation should operate between States Parties

The Convention provides for a monitoring mechanism through a Conference of the Parties to ensure

<sup>6</sup> The Warsaw Convention is numbered 198 in the Council of Europe's treaty system (CETS). Its full text can be found [here](#).

<sup>7</sup> The Strasbourg Convention is numbered 141 in the Council of Europe's former European Treaty System (ETS). Its full text can be found [here](#).



that its provisions are being effectively implemented. It came into force on 1 May 2008 and counts to date 13 signatories, including the European Union, and 24 State Parties. In 2011, Mrs Eva Rossidou-Papakyriacou (Cyprus) was elected to be the first Chair of the COP and was re-elected in 2013 for a term of two years. In June 2013, the COP elected Mr Branislav Bohacik as Vice-President for a term of two years, as well as the following Bureau members for a term of one year:

#### Bureau of the Conference of the Parties

- Mrs Eva ROSSIDOU-PAPAKYRIACOU, President (Cyprus)
- Mr Branislav Bohacik, Vice-President (Slovak Republic)
- Ms Kateryna BUHAYETS, Member (Ukraine)
- Ms Hasmik MUSIKYAN, Member (Armenia)
- Mr Sorin TANASE, Member (Romania)

Mr Paolo Costanzo (Italy) has been appointed as scientific expert to the COP since 2011.

The monitoring procedure under the Convention is particularly careful not to duplicate the work of MONEYVAL or of the FATF; it therefore focuses on those parts of the Convention that add value to the current global standards. The assessment is undertaken by three rapporteurs (on legal aspects, FIU related issues and international co-operation) in conjunction with the Secretariat and is based on the replies of the authorities to a detailed questionnaire. Where necessary, MONEYVAL and FATF reports are also drawn upon.

MONEYVAL's Executive Secretary is also the Executive Secretary to the COP, due to the relevance and interconnection of the COP's mandate to the work of MONEYVAL. Similarly, MONEYVAL's secretariat staff also provides full support to the COP.

In 2012, the COP and MONEYVAL agreed to pilot new procedures whereby the COP could benefit from

MONEYVAL's processes. Under these procedures, whenever possible, questions by the Secretariat on the implementation of the Convention's requirements would be raised during MONEYVAL on-site visits so that this information can be integrated into COP reports. The evaluations carried out in this way have proved to be successful and the results are encouraging both for MONEYVAL, the COP and the countries evaluated. Notably, in addition to the added value brought to COP and MONEYVAL reports, conducting the two processes in parallel has minimised the duplication of effort by the country.

A similar collaborative arrangement has been agreed with the FATF in order to raise issues on the implementation of Convention requirements during FATF's on-site visits to States which have ratified CETS 198. Subject to the agreement of the relevant State Party, it has been accepted by FATF that a Secretariat member of the COP will join the FATF evaluation team during the FATF on-site visit and attend relevant meetings in order to address certain aspects specific to CETS 198. Belgium has agreed to serve as a pilot to test this cooperation, therefore a member of the MONEYVAL Secretariat will participate in the FATF 4th round assessment in Belgium in June 2014. The COP and the FATF have agreed that following this evaluation visit, the two mechanisms will take stock of the experience and decide whether the scope and process for this co-operation should be detailed either in the respective rules of procedure of each monitoring body or otherwise through an exchange of letters. Such collaboration responds to current concerns expressed by member States of the Council of Europe about the need to strengthen co-ordination and cooperation of monitoring bodies wherever possible.

At its plenary meeting in June 2013, the COP adopted the evaluation reports on Croatia and Poland, as well as the first progress report on Albania. It decided that the next parties to be assessed in 2014 will be the Republic of Moldova, Malta and Montenegro. Moreover, further to the revision of the FATF recommendations

and their possible consequences for CETS No. 198, the COP decided that a minimalist revision of this instrument should be launched. More specifically an amendment to the categories of offences contained in the Appendix to the Convention shall be initiated under the “fast-track procedure” provided under Article 54 paragraph 6 of the Convention, in order to add the offences of smuggling and tax crimes.

Two successful events – an awareness-raising conference on CETS 198 (“From Signature to ratification, Implementation and Enforcement: Meeting the Challenges”) and a training event for future Conference of the Parties rapporteurs – were also organised in Dilijan, Armenia by the COP in cooperation with the Armenian authorities from 30 September to 4 October 2013.

The objectives of the Conference were three-fold: to raise awareness among relevant practitioners about the provisions of the Convention and its added value and as such encourage them to sign and ratify; to have an informed discussion about the actions required and related challenges in the implementation process; and to exchange experiences, network and promote effective international co-operation on the issues covered by the Convention. Seventeen participants from eleven States and one international organisation attended this event: five signatories and six non signatories to the Convention, including four non-Council of Europe member States (notably Israel, Kazakhstan, Morocco and Tajikistan). The Secretariat of the COP received both orally and in writing very positive feed-back from the participants and the speakers, who indicated that the Conference went far beyond their expectations. The excellent presentations provided by the speakers on various aspects of the Convention, and the valuable insights from State Parties’ experiences in implementing the Convention’s provisions were key to achieving the objectives set for this event. During the conference, the Secretariat received information indicating that the ratification process was well advanced in the Russian Federation

and well under way in Estonia and in several other signatory countries. Furthermore, very encouraging signals indicating a strong interest in signing and or ratifying the Convention were provided by non-Signatory States such as Israel, Monaco and Kazakhstan and by Signatories such as Italy.

### Participation in FATF Policy-making

The Bureau considered the list of policy papers that the FATF is contemplating to adopt in the forthcoming months and to which MONEYVAL should contribute. It agreed that a more structured approach is needed in MONEYVAL’s next round, given the need to prioritise resources and their use. A stronger involvement of bureau members, scientific experts and experienced delegations should be considered in this context. The flexible structure – made up of MONEYVAL experts from various fields – would be called upon for evaluation of a selection of topics under consideration by the FATF. Mr Nicola Muccioli kindly volunteered to act as coordinator of this informal group. This proposal was considered and accepted by the 43rd Plenary.

### Transparency of companies and other legal arrangements, including trusts

As noted in the Chairman’s letter, organised crime regularly hides its profits behind corporate structures or trusts. Criminal proceeds are often invested in companies or other legal arrangements, including trusts, with complex layers of corporate ownership spreading around the globe. One of the biggest problems worldwide in money laundering and confiscation enquiries is identifying who are the ultimate beneficial owners of companies or trusts with complex ownership structures into which criminal proceeds have been introduced. Many major investigations run into the ground because information on the real owners of companies is either inaccurate, unavailable or cannot be accessed in a timely way by law enforcement.



This issue was addressed by the G8 leaders in 2013 at their June summit in Northern Ireland under the UK Presidency. The G8 committed to core transparency principles to prevent the misuse of companies or other legal arrangements, including trusts, for money laundering and tax evasion. Each G8 country will report on its progress against a targeted national action plan based on the core principles<sup>8</sup>. The aim is to ensure in particular that companies and other legal arrangements, including trusts, always know who owns and controls them, and that such beneficial ownership information is adequate, accurate, current, and readily accessible to competent authorities. The 42nd MONEYVAL Plenary in September heard a presentation from the United Kingdom delegation on this important topic. After discussion in plenary,

MONEYVAL States and territories were encouraged to follow the G8 lead on this and consider these issues either in their national risk assessments or in specific action plans, and consider reporting to MONEYVAL on this issue in the tours de table at future plenaries.

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<sup>8</sup> See Appendix III

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## Conclusion

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Of the 33 jurisdictions evaluated by MONEYVAL at the start of the year, 25 were subject to active monitoring processes by MONEYVAL in 2013, which is a very positive achievement given MONEYVAL's Secretariat resources.

Reports which have been considered at MONEYVAL plenary meetings have broadly indicated a consistent improvement of formal compliance with international standards, particularly on the preventive side. However the implementation of the standards is more challenging. In particular more needs to be done by law enforcement and prosecutorial authorities in achieving serious autonomous money laundering convictions and deterrent confiscation orders to take the profit out of crime. The proceeds of organised crime are often invested in companies with complex layers of corporate ownership spreading around the globe. One of the biggest problems worldwide in money laundering and confiscation enquiries is identifying who are the ultimate beneficial owners of companies with complex ownership structures into which criminal proceeds have been introduced. Many major investigations run into the ground because information on the real owners of companies is either inaccurate, unavailable or cannot be accessed in a timely way by law enforcement. Thus, MONEYVAL warmly welcomes the G8 initiative on transparency of companies and trusts and considers that real progress here should improve the success rate in prosecuting those who launder on behalf of organised crime. Greater success in

this area will increase public confidence in our States' capacities to detect and prosecute major criminals and deprive them of their ill-gotten gains.

MONEYVAL is now an internationally recognised and influential global player in the AML/CFT world. It is a leading Associate Member of the FATF and is respected as an effective monitoring mechanism for the quality of its outputs and the strength of its robust follow-up procedures, which are acknowledged as delivering results. Through its activities, MONEYVAL identifies and helps to reduce risks to the global financial system, identifies gaps in national AML/CFT systems, and actively follows up the progress countries made to rectify them.

In 2013, MONEYVAL contributed significantly to the visibility of the Council of Europe with the publication of its special assessment on Cyprus and its progress report on the Holy See which was the subject of extensive global media coverage.

The Council of Europe benefits from MONEYVAL's excellent reputation and high visibility. If MONEYVAL is to maintain its strong position in AML/CFT monitoring in the future, its secretariat needs to be further strengthened to ensure a higher percentage of permanent staff to develop the necessary expertise over time.

# Appendix I

## Speech by Mr Vladimir Nechaev, President of the FATF

Good morning,

Mr Jan Kleijssen, Dr Anton Bartolo, Mr John Ringguth, distinguished delegates, colleagues and friends.

I am happy to be back here in Strasbourg for a MONEYVAL Plenary meeting, even though I am in a different capacity this time. Eight months since I was here last time seem a long time to me and I miss the opportunity to come to MONEYVAL events and be among you. In a way I feel deprived of some very special part of my life. I'm proud to have been coming here as a delegate for 10 years and to have served for almost 4 years as the MONEYVAL Chairman. This unique experience helps me a great deal in my new role as the FATF President. You have all heard me speak before as a MONEYVAL insider. Now, I have the opportunity to talk to you from outside and thus to let you hear my views from a broader perspective.

These days we speak a lot about the Global AML/CFT Network and the efforts we should invest to make it stronger. For me personally, it is both easy and difficult to speak about MONEYVAL's role in the Global Network. It is easy because for quite a long period of time this had been an integral part of my life and I'm more familiar with it than maybe any other FATF President. On the other hand it is difficult because it is an inherently difficult task to make an objective assessment of your own work. Nevertheless I feel it is my duty to emphasise the critical role that MONEYVAL plays in the Global Network. I refer here not only to the statements of my predecessors and other stake-

holders acknowledging the many accomplishments of MONEYVAL. It is not an exaggeration to say that MONEYVAL is an indispensable partner of the FATF in promoting the Global AML/CFT Network. This was certainly what I thought when I was MONEYVAL Chairman, and it is still my view as the President of the FATF.

Why is MONEYVAL so important? Here are a number of reasons: First of all, MONEYVAL has a special position as a part of a larger body, the Council of Europe. Not only does this give the MONEYVAL a strong political framework to achieve its goals, but also creates additional responsibility to ensure the high quality of its work. The close co-operation and synergy between MONEYVAL and the rest of the Council of Europe has produced quite impressive results, especially in the area of technical assistance and capacity building activities.

An important recent development to ensure a better integration in the region was the decision to grant equal voting rights for all jurisdictions that participate in the work of MONEYVAL and I am glad that I stood at the beginning of the process that led to this decision. This also serves to reinforce the Global Network.

Another strong point of MONEYVAL is its high-quality mutual evaluation process. Now in the second half of its 4th "follow-up" round, MONEYVAL is the most experienced FSRB in terms of conducting mutual evaluations in the AML/CFT field. A consistent and accurate interpretation of the FATF standards in the

European region sets an example for others. The special focus on effectiveness in this “follow-up” round gives MONEYVAL unique experience which will be highly relevant as the global network as a whole moves into assessing countries according to the revised FATF standards. Another strong feature of your process is that the experts from MONEYVAL and FATF already participated in each other’s assessments on reciprocal basis and we hope this will continue in the future to reinforce the Global Network.

Mutual evaluations can only be truly effective as a process if they are complemented by robust and consistent follow-up monitoring. And again this is the area where MONEYVAL has excelled. It has developed very detailed (and some might say quite complex) follow-up and Compliance Enhancing Procedures. Indeed, MONEYVAL’s 4th round of evaluations has the specific aim of ensuring action is taken to remedy previously identified shortcomings.

MONEYVAL has also demonstrated its willingness to strengthen the Global Network by sharing experience and engaging in constructive cooperation with other members of that network. Here I’m speaking about work on typologies and various training events.

So now I would also like to take a few minutes to outline the main objectives for the FATF under the current term of the Russian Presidency.

As you all know the FATF will start its 4th round of evaluations in 2014 – in fact, we have already started working on the first evaluations. To give this process a good start is a high priority. This year has been very productive in terms of developing documents that are going to set the framework for these activities. Earlier this year the FATF Secretariat made a presentation on the new Methodology, and later this week the Secretariat will give another presentation on the new ME process and procedures – as the FATF will carry it out for its members. You will see that there are a number of very important novelties to the process, such as the new “peer review” mechanism and more ambitious

follow-up procedures. While recognising, that all FSRBs could have their own particularities there are a number of (minimum) “core” elements that every associate member of the FATF should have in order to ensure a level-playing field. Those elements will be further elaborated in the Secretariat’s presentation, and we hope that the MONEYVAL experience can provide a strong contribution to this discussion. We hope that MONEYVAL procedures will be as close as possible to those of FATF.

What will also be new for the upcoming round is the increased focus on effectiveness of implementation. This issue is challenging to deal with without having better understanding of the ML/TF risks that a jurisdiction is facing. Therefore, work on national risk assessments will be one of the cornerstones of the effective AML/CFT regimes. Some MONEYVAL members have already started working on this, and the FATF is keenly interested in understanding the lessons learned from this experience. The new working group (RTMG – the former Working Group on Typologies) now has a specific role in following work on national risk assessments (NRAs). We plan to leverage the experience countries have in developing NRAs to help reinforce this effort. As well, we hope that collecting and analysing NRAs will provide substantial input to a future “global” assessments of risk.

One of the priorities of the Russian Presidency is reinforcing the Global AML/CFT Network. We will continue to work within the mandates of the ICRG and GNCG which have proved their effectiveness, including by continuing to encourage direct participation of MONEYVAL. However we will also seek new approaches in dealing with this subject. One aspect of the global AML/CFT covering is far from being solved. That is – the breakaway territories or self-declared or partially declared States or even parts of States where central authorities have limited or no control. These territories remain outside any or almost any monitoring processes. Without any political consequences the issue has to be looked into

and a form of interaction should be sought. The FATF would like to see financial institution and DNFBPs in these territories to be obliged to implement AML/CFT Standards with a possibility of obtaining information from those territories.

When we are talking about the Global Network we also should not forget about an important player here, which is the Egmont Group. It is widely known that financial intelligence units, as the key bodies in a country's AML/CFT system, play a prominent role heading the member delegations in many FSRBs, including the MONEYVAL. Therefore, the FATF under the Russian Presidency is promoting efforts to enhance co-operation with this body including by focusing on the role played by FIUs in their domestic regimes. And we already see positive reactions to this from the Egmont Group. Incidentally I met my first day of the FATF Presidency at the Egmont plenary and this seems symbolic to me.

In addition to the issues that I have just mentioned a number of other initiatives will remain on the FATF agenda for the coming years. Among them is the continued engagement with the private sector and civil society. This engagement is a crucial element for different work streams in the FATF such as policy development and research of emerging trends and methods and further work to promote financial inclusion.

Concluding my remarks, I will just underline once again that there is a lot of work in front of us all and accomplishing this work will not be possible without constructive cooperation in the framework of the Global Network. This is something where MONEYVAL can make difference and where the FATF could count on your support. I look forward to continued dialogue between the MONEYVAL and the FATF on the ways that can further strengthen the relationship between FATF and its associate members.

Mr Chairman, Mr Executive Secretary, ladies and gentlemen, I would like to thank you for the opportunity to come here again and for your kind attention,

and I wish you all success and fruitful work this week.  
Thank you.



Vladimir Nechaev

## Appendix II

### List of 2003 40+9 FATF Recommendations

R.1	Money laundering offence	R.25	Guidance and feedback
R.2	Criminalisation of Money laundering	R.26	Financial intelligence units
R.3	Confiscation, freezing and seizing of proceeds of crime	R.27	Responsibilities of law enforcement and investigative authorities
R.4	Financial institution secrecy laws	R.28	Powers of law enforcement and investigative authorities
R.5	Customer due diligence	R.29	Powers of supervisors
R.6	Politically exposed persons	R.30	Resources of Competent Authorities
R.7	Correspondent banking	R.31	National cooperation and coordination
R.8	New technologies	R.32	Statistics
R.9	Third parties and introduced business	R.33	Transparency and beneficial ownership of legal persons
R.10	Record keeping	R.34	Transparency and beneficial ownership of legal arrangements
R.11	Monitoring of transactions and relationships	R.35	International instruments
R.12	Customer due diligence and record-keeping	R.36	Mutual legal assistance
R.13	Reporting of suspicious transactions	R.37	Extradition
R.14	Tipping-off and confidentiality	R.38	Mutual legal assistance: freezing and confiscation
R.15	Internal controls and foreign branches and subsidiaries	R.39	Extradition
R.16	Suspicious transaction reporting	R.40	Other forms of international cooperation
R.17	Sanctions	SR I	Implement UN instruments
R.18	Shell banks	SR II	Terrorist financing offence
R.19	Higher-risk countries	SR III	Freezing and confiscating terrorist assets
R.20	Other designated non-financial businesses and professions	SR IV	Reporting of suspicious transactions
R.21	Higher-risk countries	SR V	International co-operation
R.22	Internal controls and foreign branches and subsidiaries	SR VI	Money or value transfer services
R.23	Regulation and supervision of financial institutions	SR VII	Wire transfers
R.24	Regulation and supervision of DNFBPs	SR VIII	Non-profit organisations
		SR IX	Cash couriers

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## Appendix III

### Action plan principles of the G8 to prevent the misuse of companies and legal arrangements

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At its June 2013 meeting in Lough Erne, the G8 committed to publish national action plans, based on the following principles, to set out the concrete action each of its countries would take to counter money laundering and tax evasion. To ensure G8 members would be held to account for their commitments, the G8 agreed to a process of self-reporting through a public update on the progress made against individual action plans and to inform the FAFT.

1.	Companies should know who owns and controls them and their beneficial ownership and basic information should be adequate, accurate, and current. As such, companies should be required to obtain and hold their beneficial ownership and basic information, and ensure documentation of this information is accurate.
2.	Beneficial ownership information on companies should be accessible onshore to law enforcement, tax administrations and other relevant authorities including, as appropriate, financial intelligence units. This could be achieved through central registries of company beneficial ownership and basic information at national or State level. Countries should consider measures to facilitate access to company beneficial ownership information by financial institutions and other regulated businesses. Some basic company information should be publicly accessible.
3.	Trustees of express trusts should know the beneficial ownership of the trust, including information on beneficiaries and settlors. This information should be accessible by law enforcement, tax administrations and other relevant authorities including, as appropriate, financial intelligence units.
4.	Authorities should understand the risks to which their anti-money laundering and countering the financing of terrorism regime is exposed and implement effective and proportionate measures to target those risks. Appropriate information on the results of the risk assessments should be shared with relevant authorities, regulated businesses and other jurisdictions.
5.	The misuse of financial instruments and of certain shareholding structures which may obstruct transparency, such as bearer shares and nominee shareholders and directors, should be prevented.



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|----|---|
| 6. | Financial institutions and designated non-financial businesses and professions, including trust and company service providers, should be subject to effective anti-money laundering and counter terrorist financing obligations to identify and verify the beneficial ownership of their customers. Countries should ensure effective supervision of these obligations. |
| 7. | Effective, proportionate and dissuasive sanctions should be available for companies, financial institutions and other regulated businesses that do not comply with their respective obligations, including those regarding customer due diligence. These sanctions should be robustly enforced.   |
| 8. | National authorities should cooperate effectively domestically and across borders to combat the abuse of companies and legal arrangements for illicit activity. Countries should ensure that their relevant authorities can rapidly, constructively, and effectively provide basic company and beneficial ownership information upon request from foreign counterparts. |

## Appendix IV

### Breakdown of monitoring by MONEYVAL processes in 2013

	EERG	MER	3rd Progress Report	4th Followup	CEPs	NC/PC	On-site evaluation visit	Other on-site visit	VTC	No action
Albania	x			x	x					
Andorra										x
Armenia										x
Azerbaijan										x
Bosnia & Herzegovina					x					
Bulgaria		x								
Croatia		x				x				
Cyprus				x				x		
Czech Republic				x						
Estonia							x			
Georgia						x				
Holy See			x					x		
Hungary				x					x	
Israel		x					x			
Latvia										x
Liechtenstein							x			
Lithuania										x
Malta										x
Monaco		x								
Montenegro			x							
Poland		x								
Republic of Moldova						x				
Romania							x			
Russian Federation										x
San Marino				x						

Serbia											x
Slovak Republic				x							
Slovenia				x							
“the former Yugoslav Republic of Macedonia”						x	x				
UK Crown Dependency of Guernsey			x						x		
UK Crown Dependency of Jersey			x						x		
UK Crown Dependency of the Isle of Man			x						x		
Ukraine						x					
<b>Total</b>	1	5	5	7	2	5	5	5	1	8	

States and territories subject to active MONEYVAL monitoring in 2013	25
States and territories not subject to active MONEYVAL monitoring in 2013	8
<b>Total</b>	33

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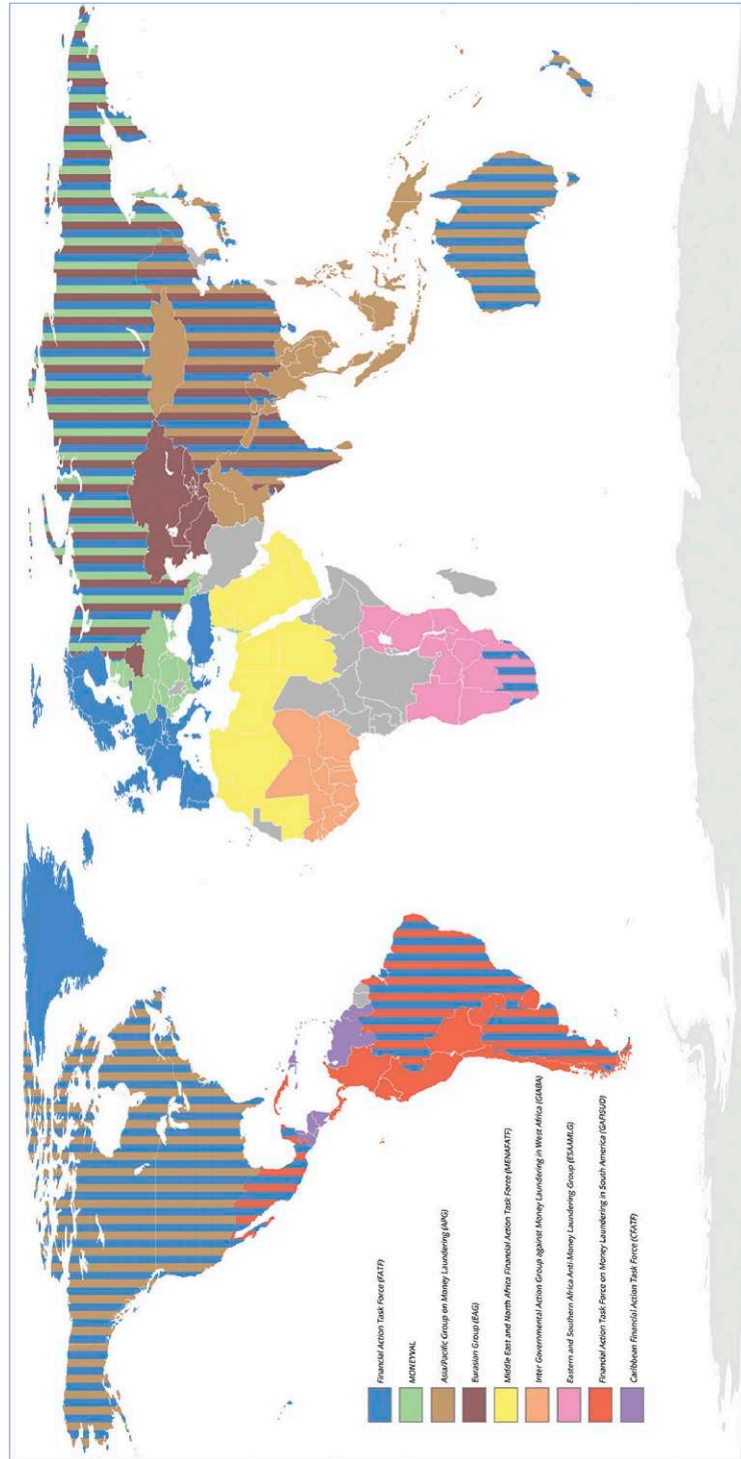
## Appendix V

### FATF and FATF-style Regional Bodies

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- Financial Action Task Force on Anti-Money Laundering (FATF) 
- Asia/Pacific Group on Money Laundering (APG) 
- Caribbean Financial Action Task Force (CFATF) 
- Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) 
- Eurasian Group (EAG) 
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) 
- Financial Action Task Force on Money Laundering in South America (GAFISUD) 
- Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) 
- Middle East and North Africa Financial Action Task Force (MENAFATF) 

The global network of AML/CFT assessment bodies



## Appendix VI

### Statute of MONEYVAL

#### **Resolution CM/Res(2013)13 on the statute of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)**

*(Adopted by the Committee of Ministers on 9 October 2013 at the 1180th meeting of the Ministers' Deputies)*

The Committee of Ministers, under the terms of Articles 15.a and 16 of the Statute of the Council of Europe,

Having regard to the Declaration and Action Plan adopted at the Third Summit of Heads of State and Government of the Council of Europe (Warsaw, 16-17 May 2005), in particular to the Heading II.2 of the Action Plan commending the work undertaken by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) to monitor anti-money laundering measures, including the financing of terrorism;

Recognising the importance of the fight against money laundering, the financing of terrorism and other forms of serious proceeds-generating crimes for the purpose of which the Council of Europe has adopted a variety of instruments, in particular the 1990 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (ETS No. 141) and the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198);

Recalling the status of the Council of Europe/MONEYVAL since June 2006 as an associate member of the Financial Action Task Force (FATF) and underlining the importance of MONEYVAL as a leading international partner in the global network of anti-money laundering and combating the financing of terrorism (AML/CFT) assessment bodies;

Having consulted MONEYVAL on ways to reinforce its action;

Deeply convinced that fighting organised crime effectively requires sustained action to combat money laundering;

Deeply convinced of the need to fight the financing of terrorism;

Noting that, since its creation by the Committee of Ministers in 1997 as an expert committee subordinated to the European Committee on Crime Problems (CDPC), MONEYVAL has developed its activities in a step-by-step fashion, giving priority to achieving concrete results;

Considering that the strengthening of MONEYVAL should take as its starting point the work already done and that MONEYVAL should consolidate and develop this work,

Decides to adopt the amended statute of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

(MONEYVAL), which will henceforth regulate its activities, as appended hereto.

*Appendix to Resolution CM/Res(2013)13*

## Statute of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

### *Article 1 – Aim and status of MONEYVAL*

1. MONEYVAL shall be a monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

2. Through a dynamic process of mutual evaluation, peer review and regular follow-up of its reports, MONEYVAL shall aim to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

### *Article 2 – Scope of activities of MONEYVAL*

1. Taking into account the AML/CFT evaluation procedures and practices used by the FATF, the International Monetary Fund (IMF) and the World Bank, MONEYVAL shall develop appropriate documentation, including questionnaires for self-evaluation and mutual evaluation, and follow up and assess, by means of such questionnaires and/or other tools and periodic on-site visits, the compliance with the relevant international AML/CFT standards of States falling into any of the categories specified in Article 2.2 below.

2. Evaluation by MONEYVAL shall cover:

- a. member States of the Council of Europe which are not members of the FATF;
- b. member States of the Council of Europe which become members of the FATF and request to continue

to be evaluated by MONEYVAL;

c. member States of the Council of Europe which are members of the FATF and which request to be evaluated by MONEYVAL as regards European standards not already covered by the FATF or any other evaluation body;

and, subject to a decision by the Committee of Ministers,

d. member States of the Council of Europe which are members of the FATF, with respect to the territory(ies) for whose international relations they are responsible or on whose behalf they are authorised to give undertakings, provided these territories are not evaluated by the FATF, upon the relevant member State's request that its territory(ies) be evaluated by MONEYVAL;

e. any applicant State for membership of the Council of Europe and any other non-member State of the Council of Europe which is not a member of the FATF, provided the interested State makes a request in writing to the Secretary General in which it undertakes to participate fully in the evaluation procedure, to comply with its results and to contribute to its costs.

3. A non-member State of the Council of Europe, non-member of the FATF, which is subject to evaluation by MONEYVAL in pursuance of the above may at any time declare, by means of a notification to the Secretary General, that it decides to interrupt its participation in the evaluation.

4. MONEYVAL shall adopt reports covering:

- the features and magnitude of money laundering



and the financing of terrorism, including typologies;

- the efficiency of measures taken to combat money laundering and the financing of terrorism in the legislative, financial regulatory, law enforcement and judicial sectors, with recommendations to improve the domestic system to combat money laundering and the financing of terrorism.

5. MONEYVAL shall conduct regular thematic typologies research in respect of all evaluated States on the features, techniques, trends and magnitude of money laundering and the financing of terrorism.

6. MONEYVAL may conduct other research into issues relating to money laundering and the financing of terrorism, including horizontal reviews of the progress of evaluated States in meeting the international standards in each evaluation round.

7. MONEYVAL may, after consultation with the European Committee on Crime Problems (CDPC), propose recommendations for adoption by the Committee of Ministers which would improve the international fight against money laundering and the financing of terrorism.

8. MONEYVAL shall raise awareness of major global policy and operational initiatives to counter money laundering and the financing of terrorism.

9. MONEYVAL shall contribute actively to the global fight against money laundering and the financing of terrorism by working closely with other key international partners, including the FATF, the IMF, the World Bank, the United Nations, the European Union and other FATF-Style Regional Bodies (FSRBs) in the global network of AML/CFT assessment bodies.

#### *Article 3 – Composition*

1. Meetings of MONEYVAL shall consist of delegations designated by each Council of Europe member State which is subject to evaluation by MONEYVAL in pursuance of Article 2.2, paragraphs a, b, c and d

above.

2. Delegations designated in pursuance of paragraph 1 above shall consist of not more than three representatives. One representative shall be appointed as head of the delegation. Representatives shall have particular knowledge and experience of their domestic AML/CFT regimes and should have profiles in each of the following areas:

a. senior officials and experts with responsibility for regulation and supervision of financial institutions;

b. senior officials in law enforcement and financial intelligence units;

c. senior legal experts from Ministries of Justice and/or judicial and prosecutorial bodies.

3. The presidency of the FATF shall appoint to the meetings of MONEYVAL, two delegations from among two States members of the FATF, each composed of one representative appointed for a renewable term of office of two years.

4. The Council of Europe shall support the costs related to the participation of the delegations of Council of Europe member States which are evaluated in pursuance of Article 2.2, paragraphs a and b, above.

5. The FATF shall support the costs related to the participation of the delegations designated in pursuance of paragraph 3 above.

#### *Article 4 – Participation*

1. The Parliamentary Assembly of the Council of Europe, the Council of Europe Development Bank, the CDPC and the Conference of the Parties of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, may each send one representative to the meetings of MONEYVAL, without the right to vote and at the charge of their administrative budget.

2. The European Commission and the Secretariat

General of the Council of the European Union may send a representative to the meetings of MONEYVAL, without the right to vote or defrayal of expenses.

3. States with observer status of the Council of Europe may each send one representative to the meetings of MONEYVAL, without the right to vote or defrayal of expenses.

4. The following international organisations and institutions may send representatives to the meetings of MONEYVAL, without the right to vote or defrayal of expenses:

- Secretariat of the Financial Action Task Force on Money Laundering (FATF);
- International Criminal Police Organization (ICPO)
- Interpol;
- Commonwealth Secretariat;
- International Monetary Fund (IMF);
- United Nations International Drug Control Programme (UNDCP);
- United Nations Counter-Terrorism Committee (CTC);
- United Nations Crime Prevention and Criminal Justice Division;
- World Bank;
- European Bank for Reconstruction and Development (EBRD);
- Offshore Group of Banking Supervisors (OGBS);
- Organisation for Security and Co-operation in Europe (OSCE);
- Egmont Group of Financial Intelligence Units;
- Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG);
- any other FATF style regional body (FSRB) which is or becomes an associate member of the FATF, on the basis of reciprocity.

5. Any member of the FATF which is not represented in MONEYVAL in pursuance of Article 3.3 may send a representative to the meetings of MONEYVAL, without the right to vote or defrayal of expenses.

6. Any non-member State of the Council of Europe which is subject to evaluation by MONEYVAL in pursuance of Article 2.2, paragraph e, may send a representative to the meetings of MONEYVAL, without defrayal of expenses.

7. When deciding whether requests shall be granted under Article 2.2 paragraph d or Article 2.2 paragraph e, the Committee of Ministers may also decide to grant voting rights.

8. MONEYVAL shall be assisted in its meetings by no more than five scientific experts appointed by the Secretary General, without the right to vote and at the charge of the Council of Europe budget.

#### *Article 5 – Operation*

1. MONEYVAL shall draw up its own rules of procedure.

2. MONEYVAL shall hold at least two plenary meetings a year and may decide to set up working groups and sub-groups whenever necessary.

3. MONEYVAL shall hold its meetings in camera.

4. Each delegation designated in pursuance of Articles 3.1 and 3.2 shall dispose of one vote. Delegations designated in pursuance of Article 3.3 shall each dispose of one vote.

5. The State of Israel and the Holy See (including Vatican City State) are entitled to dispose of one vote each.

6. The United Kingdom Crown Dependencies of Guernsey, Jersey and the Isle of Man subject to MONEYVAL mutual evaluation processes and procedures and by virtue of CM/Res(2012)6 shall dispose of one vote collectively and count, solely for the purposes of the calculation of the quorum, as one delegation.

7. The State of Israel, the Holy See (including Vatican City State) and States and territories which are evaluated by virtue of Article 2.2 paragraph d or Article 2.2 paragraph e may have their voting rights suspended if the payment of contributions has not been made within a reasonable time on a proposal made by the Bureau with a two-thirds majority.

8. A quorum shall be reached when the majority of delegations with voting rights are present.

9. Decisions in procedural matters, in respect of the election of the Chair, Vice-Chair or Bureau members, or in respect of the adoption of the rules of procedure, shall be taken by voting. Any other decision, including decisions on issues arising in mutual evaluation reports, progress reports and compliance reports, shall be taken without a vote and shall be reached by consensus.

10. Procedural matters shall be settled by a majority of the votes cast, with the exception of proposals to amend the statute which will require a two-thirds majority.

11. Where the question arises as to whether or not a matter is procedural in nature, it may not be so regarded unless MONEYVAL decides to that effect by a majority of two thirds of the votes cast.

12. For these purposes, “votes cast” shall mean the votes of delegations cast for or against. Delegations abstaining shall be regarded as not having cast a vote.

13. All reports adopted by MONEYVAL shall be public.

#### *Article 6 – Chair, Vice-Chair and Bureau*

1. There shall be a Bureau composed of the Chair, the Vice-Chair and three other persons elected by MONEYVAL from among the representatives of the delegations designated in pursuance of Articles 3.1 and 3.2 and representatives of other delegations enjoying voting rights. The term of office of the members of

the Bureau shall be two years, renewable once.

2. The Bureau shall carry out the following functions:

- assist the Chair;
- supervise the preparation of meetings;
- ensure continuity between meetings as necessary.

The Bureau shall carry out any other functions assigned to it by MONEYVAL.

#### *Article 7 – Evaluation procedure and follow-up*

1. The evaluation procedures shall be divided into rounds. At the beginning of each round, MONEYVAL shall select the specific issues on which the evaluation procedure shall be based.

2. During an evaluation round, MONEYVAL shall conduct on-site visits in all the States participating in its evaluation process in conformity with Article 2.2 and decide the order of visits.

3. National authorities shall co-operate to the fullest possible extent in the evaluation procedure, within the limits of the applicable legislation.

4. MONEYVAL will monitor progress and developments through the regular follow-up of adopted evaluation reports. As provided in its rules of procedure (Compliance Enhancing Procedures), MONEYVAL may take steps, at any time, in respect of States which are not in compliance with the relevant international AML/CFT standards, including with the recommendations made in the mutual evaluation reports.

#### *Article 8 – Budget*

1. MONEYVAL's activities shall be financed by the Ordinary Budget of the Council of Europe.

2. MONEYVAL may receive additional voluntary contributions from evaluated States, States and bodies participating in its meetings, as well as from any other international institution.

*Article 9 – Secretariat*

1. MONEYVAL shall be assisted by a secretariat provided by the Secretary General of the Council of Europe.
2. The MONEYVAL secretariat shall be headed by an Executive Secretary appointed by the Secretary General of the Council of Europe.

*Article 10 – Reporting to the Committee of Ministers*

The Chair of MONEYVAL and the Executive Secretary shall present an annual activity report to the Committee of Ministers, including information on the state of compliance with AML/CFT international standards in the States that have been evaluated in the previous year by MONEYVAL.

*Article 11 – Amendments*

1. The Committee of Ministers may adopt, after consulting MONEYVAL, amendments to this statute by the majority foreseen at Article 20.d of the Statute of the Council of Europe.
2. MONEYVAL may propose amendments to this statute to the Committee of Ministers, which shall be decided by the above-mentioned majority.

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The Council of Europe is the continent's leading human rights organisation. It includes 47 member states, 28 of which are members of the European Union. All Council of Europe member states have signed up to the European Convention on Human Rights, a treaty designed to protect human rights, democracy and the rule of law. The European Court of Human Rights oversees the implementation of the Convention in the member states.