

Slovenia

Fifth Round Mutual Evaluation Report

Executive Summary

1. This report provides a summary of the anti-money laundering and combating the financing of terrorism (AML/CFT) measures in place in Slovenia as at the date of the on-site visit. It analyses the level of compliance with the Financial Action task Force (FATF) 40 Recommendations and the level of effectiveness of Slovenia's AML/CFT system, and provides recommendations on how the system could be strengthened.

A. Key Findings

1. The authorities have partially succeeded in identifying, assessing, and understanding money laundering (ML) risks. This has been primarily done through the first national risk assessment (NRA) of 2015 and the updated NRA of 2016. There is, however, a mixed understanding of ML risks among competent authorities and the private sector. Terrorist financing (TF) risks were only assessed to a very limited extent in the two NRAs, and the overall understanding of TF risks varies significantly between different stakeholders.
2. Various platforms and mechanisms are in place to support coordination of AML/CFT and CPF policy-making and operational work. These have, however, not yet been effectively exploited to coordinate and implement policies on a risk-sensitive basis. The recently adopted Action Plan, based on the results of the updated NRA, forms a good starting point to improve the AML/CFT regime, although its potential may be undermined by rather general, and ambiguously set, objectives and activities.
3. Financial intelligence gathered by the Slovenian financial intelligence unit (OMLP) has been used to some extent by the law enforcement agencies (LEAs) to investigate and prosecute ML. Although LEAs develop evidence and trace criminal proceeds in ML cases based on this intelligence, the effectiveness of its use in ML and predicate offence related investigations is strongly influenced by legal, jurisprudential and contextual factors related to Slovenia and its overall AML/CFT system.
4. Although the number of ML investigations has risen, it is not commensurate with the number of investigations and convictions for proceeds generating predicate offences. Slovenia's risk profile would warrant a higher number of ML investigations related to serious crimes. Progress in securing ML convictions, including in relation to third-party ML and autonomous ML, has been achieved. Nevertheless, a number of obstacles hinder the prosecution and adjudication of ML cases, including: uncertainty as to the evidentiary requirements in proving ML and the underlying predicate offence; judges' and prosecutors' insufficient expertise on financial forensics/crimes, and; in relation to ML cases in which the underlying predicate crime has been committed in a neighbouring jurisdiction.

5. Confiscation of proceeds is mandatory as per respective criminal legislation. The absence of 'extended confiscation' in criminal proceedings was remedied by introduction of the civil confiscation regime. However, it has, so far, produced only limited results given concerns raised before the Constitutional Court with regard to human rights considerations.
6. Several good examples of international cooperation demonstrate that Slovenia proactively seeks mutual legal assistance (MLA), including in areas of increased risk, and has achieved relevant results. There are also some successful cases of international cooperation in relation to incoming MLA requests, which have resulted in convictions and confiscation of property. The OMLP and LEA actively engage in international cooperation, request assistance from foreign counterparts and provide timely and good quality assistance to competent authorities from other countries (both European Union (EU) and non-EU). Difficulties experienced by the OMLP in receiving information from a counterpart in a neighbouring country on specific typology has hampered the effective elaboration/use of intelligence and the opening of ML investigations in relation to this typology.
7. Banks have a sound understanding of the major sector-specific ML risks, and mitigating measures applied are largely commensurate. The situation varies among non-bank FIs, while DNFBPs lack awareness of the extent to which they are exposed to ML risks. Implementation of CDD requirements by FIs has improved substantially over recent years; however, significant gaps exist in the DNFBP sectors (e.g. real estate and notaries). The OMLP is generally satisfied with the quality of STRs received from banks, but reports from non-bank FIs lack meaningful information. The level of reporting among DNFBPs is inadequately low considering their involvement with higher-risk customers and products. TF-related reports are rare and mostly submitted by larger banks.
8. Supervisors are effective in preventing convicted criminals having control of, or management positions in, obliged entities. However, there is concern regarding supervisors' ability to detect and prevent people with a criminal background and their associates gaining ownership or management positions in these institutions. With regard to DNFBPs and FIs other than banks, payment and e-money institutions, insurance and securities companies, there is no on-going mechanism to check the fit and proper status of those individuals that have already been authorised.
9. Whilst both NRAs have improved the understanding of financial services supervisors of the risks in their sectors, there is no on-going mechanism for cooperation amongst supervisors and with the OMLP to promote a better understanding of the risks on a national and sectorial level. The department of the Bank of Slovenia (BoS) responsible for banking supervision has a good understanding of the sector risk of ML and specific risks of the banks under its supervision. However, other supervisors have a lower level of understanding of ML risks. All supervisors have limited understanding and knowledge regarding specific TF issues in their area of responsibility.
10. The BoS has adopted a risk-based approach to ML/TF supervision that takes relevant parameters into account. Other supervisors have no-risk based approach to supervision for ML/TF issues and the OMLP has not yet developed a strategy for using its newly acquired supervisory powers.
11. The law enforcement and intelligence authorities have a good understanding of TF risks. They proactively exchange information on suspicions of TF in the pre-investigative phase. They are also vigilant to the potential for abuse of NPOs for TF. However, the limited TF offence appears to hinder their ability to properly investigate and prosecute all forms of TF. Furthermore, Slovenia has not undertaken a domestic review of the NPO sector to identify which parts might be at particular risk of being misused for TF, and no risk-based supervision of NPOs is in place.

12. Targeted financial sanctions (TFS) imposed by the United Nations against TF and PF are not implemented without delay due to reliance placed on the EU legal framework. There is basic awareness about TFS among most FIs but not among DNFBPs. The Sanctions Coordination Group (SCG) forms a suitable platform to coordinate and promote the implementation of TFS, but limited resources appear to have hampered its effective use.
13. Competent authorities rely on obliged entities to obtain information on the beneficial ownership of legal persons. Although DNFBPs involved in company formation do not adequately fulfil their gatekeeper role, the majority of Slovenian companies have a bank account in Slovenia, and banks demonstrated compliance with beneficial ownership obligations to a considerable extent. Slovenia has undertaken certain measures to increase transparency of legal persons and prevent their misuse, but these measures have not proven sufficient to effectively prevent criminals from setting up companies for illicit purposes making use of "front men".

B. Risks and General Situation

2. Slovenia is not a major international financial centre and does not have high domestic crime rates; nonetheless, its relatively stable and reliable financial sector may attract money launderers from around the region. The level of financial inclusion is very high: approximately 97% of the population holds a bank account.¹ The share of non-residents in the overall customer base is estimated at 2.2% among natural persons and 0.8% among legal entities with comparable turnover figures. The banking sector accounts for the largest part of the financial services industry in Slovenia and is deemed most vulnerable to ML. A significant proportion of transactions carried out by non-bank FIs and their customers go through the banking system as the use of cash transfers is relatively low in Slovenia and cash payments for goods and services exceeding EUR 5,000 are prohibited. Financial institutions other than banks are not deemed particularly vulnerable to ML, and the NRAs rate several DNFBP sectors as presenting a medium vulnerability for ML.

3. According to the NRAs, the domestic economic crime offences which are deemed to pose the highest ML threat are abuse of position or trust in the performance of economic activities, tax evasion, business fraud and abuse of official position or official duties. Outside the realm of economic crime, offences related to illicit drugs are deemed to pose the highest ML threat. Slovenia's geographical position between the EU and the Balkans exposes it to external threats, including, in particular, drug trafficking. ML investigations are mostly linked to the investigation of criminal offences in the field of economic crime, and, to a lesser extent, to the areas of organised crime, corruption and general criminality.

4. Slovenia's geographic situation is relevant when considering the risks of terrorism and financing of terrorism that the country faces. Neighbouring countries in the Balkan region have seen a strong rise in terrorism risks in the aftermath of past regional conflicts, originating from separatist groups. Recently, the wider region has experienced an increase in Islamist radicalisation and nationals joining the so-called Islamic State (ISIS) as foreign fighters in Syria and Iraq. Slovenia itself reportedly has "little to no experience" with terrorism or the financing of terrorism. According to the NRAs, information from the interministerial Working Group for Combating Terrorism, operating within the National Security Council, does not reveal any serious threats. Nevertheless, as indicated in the NRAs, there are suspicions that 10 people have left Slovenia to go to Syria or Iraq, and there is some recent information indicating activities in the field of training and recruitment for terrorist activities and promotion of radicalisation. Outside the context of radical Islamist terrorism, Slovenia has experienced one recent case of attempted terrorist acts.

C. Overall Level of Effectiveness and Technical Compliance

5. Following the last evaluation in 2010, the Slovenian AML/CFT regime has undergone important changes. Slovenia completed its first NRA in 2015 using the National Money Laundering and

¹ World Bank, *The Global Findex Database 2014 – Measuring Financial Inclusion around the World*, 2014.

Terrorist Financing Risk Assessment Tool provided by the World Bank, and adopted an updated version of the NRA and Action Plan (the latter based on the updated version of NRA) in 2016. Key institutions such as the specialized prosecutor's offices and police divisions for complex economic crime and the Commission for the Prevention of Corruption (CPC) have been established or strengthened in recent years in order to prevent and fight corruption. The legislative framework was strengthened with the adoption of the Act on the Prevention of Money Laundering and the Financing of Terrorism (APMLFT) which replaces earlier legislation in force since 2008. The legal framework in Slovenia is broadly in line with the requirements of the FATF standards, with a few notable exceptions. The structural elements needed to ensure an effective AML/CFT system are generally present in Slovenia, including political and institutional stability, accountable institutions and the rule of law.

6. In terms of effectiveness, Slovenia has demonstrated substantial results with respect to one Immediate Outcome (IO.2), moderate effectiveness with respect to 10 Immediate Outcomes (IO.s 3-7 and IO.s 9-11) and low effectiveness with respect to one Immediate Outcome (IO.8).

C.1 Assessment of Risks, Coordination and Policy Setting (Chapter 2 - IO.1; R.1, R.2, R.33)

7. The authorities have partially succeeded in identifying, assessing, and understanding ML risks. This is primarily done through the NRAs of 2015 and 2016. Domestic threats (and to a limited extent cross-border threats) and vulnerabilities in the national system and in the financial and non-financial sectors were considered. The NRAs show some weaknesses related to sources of information and integration of results of the threat and vulnerability assessments to arrive at a common understanding of the most important risks. Furthermore, they contain only a very limited analysis of TF risks. Communication with the private sector should be strengthened to increase their level of understanding of the national risks, especially with regard to TF.

8. The OMLP is considered to be the key AML/CFT authority in the development and implementation of AML/CFT policies and activities. Additionally, there are numerous interagency working groups, committees and mechanisms to facilitate policy-making and operational coordination. They have not yet led to sufficient ML/TF risk-sensitive allocation of resources among all relevant authorities, and their use to coordinate AML/CFT policy-making could be strengthened. Operational cooperation between the competent authorities is in most cases effective. However, there are some areas where further improvements are needed, especially with regard to communication between supervisors and coordination of implementation of TF and PF TFS.

9. The OMLP will be mainly responsible for coordinating the implementation of the AML/CFT Action Plan, which was elaborated based on the updated NRA and adopted by the government in late 2016. The Action Plan appears a good starting point for further improvement of measures to mitigate the AML/CFT risks, although its objectives and activities are not always clearly articulated.

C.2 Financial Intelligence, Money Laundering and Confiscation (Chapter 3 - IOs 6-8; R.3, R.4, R.29-32)

10. Financial intelligence in Slovenia derives from a range of information collected by the OMLP. The OMLP has access, directly or indirectly, to a broad range of financial, commercial, real estate, tax and customs information. The OMLP is proactive in seeking relevant financial and other information as well as in assisting authorities to obtain data needed in their pre-investigative and investigative activities related to ML/TF and proceeds generating crimes.

11. Although the quality of financial intelligence and the level of cooperation between the OMLP and LEAs are considered to be high, statistics show that the actual use of intelligence to investigate and prosecute ML is relatively low. This is primarily due to the standards of proof set by the jurisprudence and the respective laws, which the OMLP and LEAs perceive as considerably high. On the other hand, OMLP powers in gathering financial data have been used by LEAs and the intelligence service whenever there was a reasonable doubt that a terrorist attack would be committed. However, a TF offence was not identified in any of these cases.

12. Although the number of ML investigations has steadily risen, it is not commensurate with the number of investigations and convictions for proceeds generating predicate offences, as parallel financial investigations are not conducted systematically. ML investigations and prosecutions reflect, to some extent, the risks that the country faces, however, Slovenia's risk profile would warrant a higher number of ML investigations related to foreign tax predicate offences, corruption offences, drug offences and organised criminality. Progress has been achieved in securing ML convictions, including in relation to third-party ML and autonomous ML, yet a number of obstacles to prosecuting and adjudicating ML cases need to be tackled in order to significantly improve the system, notably: uncertainty as to the evidentiary requirements in proving ML and the underlying predicate offence; judges' and prosecutors' insufficient expertise on financial forensics/crimes, as well as insufficient administrative personnel; and in relation to ML cases in which the underlying predicate crime has been committed in a neighbouring jurisdiction. Custodial sentences which have been imposed are at the lower end of the "sanctioning" scale and the fines imposed on legal persons have been too lenient.

13. The relevant strategies confirm that the confiscation of proceeds of crime is taken as a priority at both strategic and operational levels. However, this has not been sufficiently pursued in practice. Although the legislative framework is comprehensive, the actual amount of confiscated property suggests that its application suffers from different factors. These factors primarily concern non-systematic application of parallel financial investigations for all profit generating crimes, absence of specialised institutions responsible for management of assets, low level of execution of actual confiscation decisions and underused asset sharing mechanisms. The civil confiscation regime has so far produced only limited results. The majority of cases are still before the Constitutional Court awaiting its decisions on constitutionality of the law – an issue raised by those whose property was under scrutiny.

14. The confiscation at the border of falsely declared or undeclared cash and bearer negotiable instruments (BNIs) that are suspected to relate to ML/TF and associated predicate offences has not been implemented in practice so far. In addition, the declaration system with regard to cross-border transportation of currency and other financial instruments does not apply to movements of BNI and cash within the EU.

C.3. Terrorist Financing and Financing Proliferation (Chapter 4 - IOs 9-11; R.5-8)

15. Slovenia has incorporated a very limited analysis of TF risks into its NRAs. Key authorities nevertheless showed satisfactory understanding of current TF risks. Although the TF risks in Slovenia are relatively low, the possibilities for TF activity cannot be understated and should be dealt with vigilantly.

16. Slovenia has an institutional framework in place to investigate and prosecute TF. LEAs and intelligence agencies are aware of current risks, pay due regard to suspicions of TF and make use of available (pre-) investigative methods. Annually, the police deal with five to ten cases that have certain indications of TF. The authorities have not yet proceeded to formal investigations of TF. The gaps in the TF offence appear to have negative repercussions on their abilities to pursue TF and must be remedied urgently. Furthermore, the lack of communication on TF risks to all relevant stakeholders and the lack of a national CFT strategy are believed to undermine effective detection and pursuit.

17. Slovenia has established a coordination group for the implementation of targeted financial sanctions. The group includes all relevant stakeholders and provides a suitable platform for information exchange and cooperation between authorities, but suffers from limited resources. Guidance provided to obliged entities is limited. FIs met on-site demonstrated only a basic level of awareness of the implementation of TFS; and DNFBPs were generally unaware of their existence. The authorities did not demonstrate adequate supervision of the implementation of TFS.

18. Slovenia relies on EU measures of implementation for UNSCR 1267 and subsequent resolutions, as well as EU implementation of UNSCR 1373, with some national complementing measures

(primarily by establishing fines for violations of sanctions obligations). This reliance creates delays in implementation of UNSCR 1267. Although the national law gives the Slovenian government powers to adopt national regulations transposing UN designations while awaiting EU implementation, these have not been used in practice. No motions have been made for designation of persons to the UN or EU lists, nor have designations at the domestic level been considered. No freezing of funds or other assets has taken place. The lack of awareness among FIs and DNFBPs and the delays in implementation of sanctions are concerning in light of the increased risks for TF globally and in the region.

19. Authorities have made important efforts to increase transparency in the NPO sector, and there are good frameworks in place to obtain information on their structures and extend oversight over their funding sources. NPOs met on-site were, in general, aware of their obligations and aware of their possible abuse for illicit activities thanks to internal rules. LEAs and intelligence agencies are sufficiently vigilant to the TF risks of NPOs and take coordinated mitigating actions. On the other hand, no in-depth assessment of risks for TF abuse in the sector has taken place, and no risk-based approach to supervision of NPOs is in place.

C.4 Preventive Measures (Chapter 5 - IO4; R.9-23)

20. Banks demonstrated a proactive assessment and consideration of major sectorial ML risks, while the situation varies among non-bank FIs. The understanding of ML risks is significantly less well developed among DNFBPs compared to the financial sector. Although, the awareness of TF risks is generally low across all sectors, larger banks did demonstrate a relatively higher understanding, but lack guidance from the authorities to apply sufficient risk-mitigating measures.

21. All FIs apply a basic risk-based approach and implement certain elements of enhanced CDD in relation to customers classified as higher risk. However, checks done by banks are more extensive and elaborate. Although every obliged entity is required to analyse ML/TF risks in its activities and act accordingly, DNFBPs rarely apply the risk-based approach to business relationships. Some of the DNFBPs met on-site stressed that they usually rely on banks to mitigate ML/TF risks.

22. There are some concerns about the depth and consistency of the verification of beneficial owners of customers by FIs (particularly for non-bank FIs). The requirements of the APMLFT have until very recently applied to only foreign PEPs who are treated as higher-risk customers by all FIs. The majority of banks met on-site demonstrated existence of appropriate risk-management systems to ascertain PEPs, but only one bank claimed that it has also been identifying domestic PEPs. Among DNFBPs, only casinos showed a degree of awareness of the requirements related to PEPs. FIs demonstrated a basic level of awareness of TF-related TFS, but their implementation is hindered by delays in the transposition of UNSCR lists into the EU legislation. DNFBPs interviewed were generally unaware of the existence of TFS. The awareness of the correspondent banking requirements and the FATF list of higher-risk jurisdictions is high among FIs. DNFBPs met on-site were generally unaware about the latter.

23. The number of STRs has been steadily increasing over the years, yet the vast majority of reports are submitted by banks. OMLP expressed satisfaction with the quality of most of the STRs received. The inadequate level of reporting among DNFBPs seems to be the consequence of limited awareness of reporting requirements. FIs are well aware of their record-keeping obligations and maintaining customer identification data, account files and business correspondence is the norm. The supervisory authorities have not identified any serious deficiencies in this respect. No issues have been raised regarding the tipping-off prohibition.

24. Banks have sound AML/CFT internal controls in place. While some non-bank FIs demonstrated existence of quite well-organised and professional AML/CFT compliance functions, the application of internal controls in DNFBP sectors appears very limited.

C.5 Supervision (Chapter 6 - IO3; R.26-28, R. 34-35)

25. Supervisors' actions are effective in preventing convicted criminals from being directors and beneficial owners of FIs. Supervisors did not demonstrate effectiveness in their ability to detect and prevent people with a criminal background and their associates gaining ownership or management positions in FIs. At the same time, every bank is required to conduct its own fit and proper tests for board members and employees that hold a key function. Banks' procedures in this regard are subject to BoS supervision. There is no on-going mechanism to check the fit and proper status of those individuals that have already been authorised in the DNFBP sector or for FIs other than banks, payment and e-money institutions, insurance and securities companies.

26. BoS, which is responsible for supervision of the banking sector, has a satisfactory understanding of the ML risks in its supervision of banks and is aware of the prevalent typologies for ML in the national context as well as the methodologies prevalent in banks. However, the lack of regular and systematic sharing of information with the OMLP and other supervisors hampers development of the collective understanding required to effectively identify ML/TF risks. Whilst other financial supervisors have a general understanding of the level of risk in their areas of responsibility, they lack understanding at the product and customer level. With regards to TF risks, there is an across the board agreement amongst all supervisors and professional bodies that much needs to be done to improve their knowledge of risks in this area.

27. A risk-based approach to AML/CFT supervision has only been adopted by the BoS, whilst other supervisors do not implement such an approach and have no immediate plans to do so. Although the BoS consults the OMLP before every specific inspection, the effectiveness of the risk analysis of banks by BoS could be improved if they were to regularly receive information from the OMLP regarding the quality of STRs and CTRs of all banks.

28. The BoS demonstrated a significant improvement in the level of AML/CFT compliance of banks under its supervision. Whilst there are sanctioning tools available to the BoS, its lack of use of financial sanctions is likely to hamper efforts to further improve banks' commitments.

C.6 Transparency of Legal Persons and Arrangements (Chapter 7 - IO5; R. 24-25)

29. Although Slovenia has not carried out an in-depth analysis of ML/TF vulnerabilities of all types of legal entities which may be established in the country, the authorities have demonstrated an understanding of general vulnerabilities.

30. The availability of basic information on legal entities established in Slovenia through the Business Register is at a high level, although there are some concerns about the effectiveness of existing mechanisms to ensure that the information is accurate and up-to-date. Currently, competent authorities rely on obliged entities to obtain the necessary beneficial ownership information. Although legal entities are not required to have business relations with a domestic obliged entity, the overwhelming majority of companies have a bank account in Slovenia. Banks demonstrated compliance with beneficial ownership requirements to a considerable extent, but some gaps remain in the understanding of indirect control. The new APMLFT has introduced a new obligation for legal persons to discover and maintain information on their beneficial owners and to report this to the Registry on beneficial ownership - envisaged to be operational in 2018.

31. Slovenia has certain mechanisms in place to prevent the misuse of legal entities. Prospective founders, shareholders and managers of companies are subject to criminal background checks, and restrictions were recently imposed on the number of companies that can be set up by one person. However, these measures have not proven sufficient to effectively prevent criminals from setting up companies for illicit purposes making use of "front men" as founder or director.

C.7. International Cooperation (Chapter 8 - IO2; R. 36-40)

32. Slovenia has in place a satisfactory legal framework to provide MLA and service extradition requests. Although the deficiencies in the criminalisation of the TF offence may limit Slovenia's ability to provide MLA or extradite in TF cases in practice, the incomplete criminalisation of terrorist

financing has not been an issue. Reliable statistics on MLA and extraditions have not been collected in the period under review. Nonetheless, several good examples of international cooperation have been produced demonstrating that Slovenia proactively seeks MLA from other states in several areas of increased risk, including drug trafficking and organised crime, and has convicted defendants and/or seized and confiscated proceeds as a result. As for incoming requests, a few successful cases of international cooperation have also been presented which have resulted in convictions and confiscation of property.

33. The OMLP and LEAs extensively exchange information with their foreign counterparts. The difficulties experienced by the OMLP in receiving information from a FIU and LEAs in a neighbouring country have hampered the effective elaboration/use of intelligence and the opening of ML investigations in relation to a specific typology. The OMLP, however, has been proactive in trying to resolve this problem. As concerns supervisory authorities, whilst the BoS is active in seeking and providing international cooperation with its counterparts for AML/CFT purposes, the SMA and the MI have not been active in this respect. The weaknesses identified under IO.5 may affect the authorities' ability to exchange beneficial ownership information in cases of legal persons established in Slovenia by foreign legal entities.

D. Priority Actions

34. The prioritized recommended actions for Slovenia, based on these findings, are:

1. The authorities should ensure a more complete and reliable assessment of ML/TF risks in the country by broadening the types of information used in the risk assessment process, ensuring participation of all relevant stakeholders and covering areas that were overlooked in the first and updated NRA. Special attention should be paid to ensure that the threat and vulnerability assessments result in a joint understanding of ML/TF risks among relevant authorities, which should also proactively communicate information on risks to the private sector.
2. The AML/CFT Action Plan should include clear objectives and activities for the competent authorities that are consistent with the identified ML/TF risks, and allow for risk-sensitive allocation of resources. Intended outcomes of the activities should be specified in order to allow for proper monitoring of their effectiveness. Existing national coordination and cooperation platforms should be used more effectively, in order to ensure and monitor the implementation of AML, CFT and CPF policies and activities and to propose necessary improvements.
3. Slovenia should encourage LEAs to use financial intelligence more proactively in cases where clear indicators on specific predicate offence are missing. In this regard, further guidance and training should be developed for prosecutors and LEAs to enhance the use of financial intelligence for pursuing ML cases in the absence of information on the specific predicate crime.
4. Slovenia should streamline cooperation between LEAs, the OMLP and the FARS on gathering evidence on ML and tracing assets deriving from tax-related criminal offences as a predicate crime.
5. The number of specialised staff performing ML/TF financial intelligence analysis in the OMLP and in the Criminal Police Directorate should be increased and the internal analytical methodology for processing and analysing STRs should be developed.
6. Parallel financial investigations, alongside or in the context of the criminal investigation, should be systematically organised, particularly in serious and complex proceed-generating cases.
7. The authorities should be more proactive in investigating and prosecuting ML related to serious crime, in line with Slovenia's risk profile.
8. Clarity should be shed on the judgments issued in 2014 and 2015 by the Supreme Court, including on the interpretation given on evidential thresholds for establishing the underlying predicate criminality. Training to prosecutors and judges on such evidential thresholds should be provided and prosecutors should present the judiciary with more cases in which the underlying offence(s) is not unequivocally established.

9. Slovenia should establish a legal and institutional framework to ensure the effective and systematic management of assets.

10. Slovenia should improve the statistical system to maintain reliable and detailed data on confiscations in order to analyse effectiveness of asset recovery and consistency of efforts with the country's risk profile.

11. The TF offence should be amended to remedy the identified gaps under R.5 in order to achieve full criminalization of TF as required by the standard and to avoid impediments of the effectiveness of the CFT regime. A national CTF strategy should be developed that clearly outlines the priority actions in the TF field and that formalizes the practice for conducting proactive parallel financial investigations in FT cases.

12. The NPO sector should be assessed to identify those NPOs most at risk for TF abuse, and a risk-based approach to supervision of NPOs should be implemented.

13. Measures should be taken to ensure that TFS are implemented without delay and to increase awareness of TFS among FIs and DNFBPs.

14. Slovenia should improve its assessment of the vulnerabilities and potential for misuse for ML/TF of all types of legal persons which may be established in the country, and should ensure that coordinated measures are taken to mitigate the risks of misuse.

15. Slovenia should ensure that the mechanism to be implemented for obtaining information on beneficial ownership includes sufficient powers and resources for the OMLP to apply verification measures and to ensure that information is accurate, up-to date and available to the competent authorities in a timely manner.

16. Statistics on MLA and extradition, including those made through direct contact, should be collected and should indicate the types of crime which they relate to, as well as the outcome and the result of international cooperation. Slovenia should continue and double its efforts to resolve the communication problems with the FIU and LEAs in a neighbouring jurisdiction, which seriously hamper the investigation and pursuit of ML with foreign underlying predicate offences.

17. Implement the newly adopted APMMLFT effectively by developing relevant guidance and applying respective supervisory measures to ensure that obliged entities meet their obligations with respect to ascertaining beneficial owners and PEPs.

18. Slovenia should continue to implement its risk-based approach to supervision of the banking sector and improve the effectiveness of inspections in all other sectors by implementing a risk-based approach and targeted or thematic inspections when relevant. In this regard, the OMLP should urgently make use of its supervisory powers and ensure that it has the necessary resources.

19. Slovenia should take steps to improve the knowledge of supervisors regarding ML/TF risks, with specific emphasis on TF risk, and sharing of information between supervisors and the OMLP.

20. Slovenia should implement additional measures to allow supervisors to check criminal background and connections of individuals exercising control and management or supervisory board members of obliged entities, including obtaining information from other LEAs and tax authorities.

E. Effectiveness and Technical Compliance Ratings

Effectiveness Ratings

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Mod.	Sub.	Mod.	Mod.	Mod.	Mod.	Mod.	Mod.	Mod.	Mod.	Mod.

Technical Compliance Ratings

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10

EXECUTIVE SUMMARY

PC	LC	LC	LC	PC	PC	PC	PC	LC	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	PC	PC	C	C	PC	LC	LC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	LC	LC	PC	C	PC	C	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	PC	LC	C	C	LC	LC	LC	LC	LC

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