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MONEYVAL (2007) 7

**EUROPEAN COMMITTEE ON CRIME PROBLEMS
(CDPC)**

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

**1st FATF - MONEYVAL JOINT PLENARY MEETING / 2nd PLENARY MEETING
OF FATF-XVIII/ 22nd PLENARY MEETING OF MONEYVAL**

Strasbourg, 19-23 February 2007

**MEETING REPORT
22nd PLENARY MEETING OF MONEYVAL**

Secretariat Memorandum
prepared by
the Directorate General of Legal Affairs DG I

EXECUTIVE SUMMARY OF MONEYVAL ITEMS

During the first Joint Meeting of FATF / MONEYVAL, held in Strasbourg from 21 to 23 February 2007, the Plenary:

- Agreed to lift the Compliance Enhancing Procedure for Armenia;
- Took note of the information given by Azerbaijan and decided to move to step 3 of the Compliance Enhancing Procedure if by the end of April an AML law was still not adopted;
- Adopted the progress report on Cyprus and invited Cyprus in their regular reporting back in the “*tour de table*” at the next Plenary to report on further progress in areas where delegations had expressed some concerns (see 20);
- Discussed and adopted the 3rd round mutual evaluation report on Georgia as amended (and subject to consequential editorial changes by the Secretariat) and its draft summary;
- Adopted the Chairmen’s statement and approved its publication, with some modifications, on the FATF and MONEYVAL public websites;
- Heard information on AML/CFT issues in MONEYVAL countries;
- Heard information on anti money laundering issues in other fora.

SUMMARY ACCOUNT OF THE MONEYVAL PROCEEDINGS

A. INTRODUCTION

1. From 21 to 23 February the Council of Europe hosted the first joint meeting of the Financial Action Task Force (FATF) and the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL). The Joint Meeting was chaired by the FATF President, Mr. Frank SWEDLOVE and the MONEYVAL Chairman, Dr. Vasil KIROV.

2. Mr Terry Davis, Secretary General of the Council of Europe, welcomed in his opening speech the 500 Delegates attending the Joint Plenary. The text of his remarks is available on the FATF and the Council of Europe websites.

Items 1, 2 and 3 – Opening of the plenary meeting and adoption of the agenda

1. Opening remarks by the FATF President

3. The President of the FATF welcomed delegates to Strasbourg, with a special welcome to India as it was attending its first FATF meeting as an observer. He noted that the meeting was an important milestone in the relations between the FATF and MONEYVAL since it was the first fully joint Plenary meeting between the FATF and an associate member. He then outlined the priority themes for the FATF's work during the three-day meeting.

2. Opening remarks by the MONEYVAL Chairman

4. The Chairman of MONEYVAL offered short introductory comments. He echoed the words of the FATF Chairman that this was a milestone also in the work of MONEYVAL. He considered that this first fully Joint Plenary was a recognition of the good work that the MONEYVAL Committee had done for almost 10 years. He paid tribute to the work of the MONEYVAL Secretary and Secretariat in this regard and he also recognised the work of his predecessors as Chairmen, who were both present (Mr Klaudijo Stroligo and Mr Silvio Camilleri). Mr Kirov felt privileged that this meeting was taking place during his Chairmanship.

3. Information from the MONEYVAL Secretariat

5. The Secretary of MONEYVAL announced a further reinforcement of the MONEYVAL Secretariat and thanked the Danish authorities for the secondment of Mrs Kirsten MANDRUP. He announced that there would be a further joint Training Seminar in the week of 21 May 2007 in Strasbourg in which a number of FATF countries would be able to participate. It was hoped that the IMF and the World Bank would be able to assist the FATF Secretariat and MONEYVAL team with trainers. The evaluation visits until the summer were fixed as per the schedule which had been circulated. There would be further bilateral discussions as to timings of evaluations scheduled for the second half of 2007: Russian Federation (Joint with FATF and EAG); Israel and Estonia.

B. MUTUAL EVALUATIONS

Item 4 – Horizontal review of the second round of MONEYVAL mutual evaluations

6. Professor William Gilmore, Scientific Expert, gave an update on his preparation of a horizontal report, analysing the findings of the second round of mutual evaluations conducted by MONEYVAL. In addition to the 22 second round reports the analytical task extends to an examination of the corresponding progress reports. Furthermore it has been agreed that the text should address the first round evaluation reports concerning five new members: namely Armenia, Azerbaijan, Bosnia and Herzegovina, Monaco and Serbia and Montenegro (as it then was), as well as the corresponding progress reports relating thereto.

7. The Scientific Expert informed the plenary that the draft of the horizontal analysis was anticipated to be submitted to the Council of Europe in April 2007, and would be circulated for discussion in advance of the next MONEYVAL Plenary.

Item 6 – Compliance enhancing procedures for MONEYVAL members

(a) Armenia

8. Armenia informed the Plenary that the Parliament had adopted the draft laws improving its anti-money laundering and financing of terrorism (AML/CFT) regime. The new legislation was intended to meet the concerns expressed by the Bureau and the Plenary. The Bureau considered that Armenia had done all that was asked of them and recommended that the Compliance Enhancing Procedure be lifted, and noted that effectiveness of implementation would be addressed in the next evaluation.

Decision taken:

9. The Plenary accepted the Bureau's recommendation and agreed to lift the Compliance Enhancing Procedure.

(b) Azerbaijan

10. Azerbaijan informed the Plenary of the steps taken since the last MONEYVAL meeting. Given that the draft law had not yet been finalised and that decisions could not be taken on the basis of a draft law (had it existed) the Plenary took note of the information given and decided, in addition to maintaining Steps 1 and 2, to authorise the Bureau to move to Step 3 in the Compliance Enhancing Procedures if by 1st May 2007 an AML Law had not been adopted. A report on progress would be required by 2 May at the latest for the Bureau to consider the position at its meeting on 3-4 May.

Decisions taken:

- The Plenary took note of the information given by Azerbaijan and decided to move to Step 3 of the Compliance Enhancing Procedure if by end of April an AML law was still not adopted.

Item 7 – Progress report of MONEYVAL members

11. The Cyprus Delegation presented their progress report. They emphasised that:

- The 3rd evaluation report has been considered by the Advisory Authority and the report was presented to the Council of Ministers for their information and their support for future action.
- The Advisory Authority decided that all necessary measures should be taken (legislative and others) in order to implement the relevant recommendations of MONEYVAL and work was in progress on concurrent implementation of the MONEYVAL recommendations and the 3rd European Union Directive.
- The Council of Ministers had designated the FIU as the supervisory body for real estate agents and dealers in precious metals and stones. The FIU is discussing the whole issue with these professionals and preparing Directives to be issued to these sectors and organising training seminars.
- A new guidance note based on the law enforcement section of the MONEYVAL report had been issued by the FIU to all police investigators and prosecutors.
- Technical experts from the supervisory authorities of the financial sector are meeting now on a regular basis for the purpose of co-operating and coordinating the revision and amendment of existing Directives in line with the evaluation report and the 3rd European Union Directive.
- The FIU has employed more financial analysts and accountants as permanent staff from June 2006.
- Further consultations since the submission of the progress report with the Bar Association on the issue of monitoring lawyers show that the Association plans to start monitoring through meetings and visits to law offices. The assistance of the FIU was requested on this issue.

12. Liechtenstein welcomed the steps taken so far, particularly on coordination and the designation of the FIU as the supervisory authority for real estate and dealers in precious metals and stones. Nevertheless concern was expressed about the lack of specificity on the planned content of new legislation and they considered it difficult to make an assessment of whether the appropriate progress has been made. Further clarification was sought in respect of on-site visits by the Bar Association in the light of the answer in the progress report questionnaire and the presentation by the Cyprus Delegation.

13. The Cyprus authorities responded that they plan to present a new law before the summer and clarified that the FIU had been asked for assistance by the Bar Association to try to start monitoring.

14. France echoed Liechtenstein on lack of specificity in respect of some information. They indicated the following areas where they were concerned about progress:

- SR.II - the amendments to the criminalisation of financing of terrorism;
- R.5 - proposals re beneficial owner and Customer Due Diligence;
- DNFBP - the proposal for a Directive to the professionals, which, in their view, should be achieved by law or regulation;
- R.17 - unclarity as to proposals to increase sanctions to make them more dissuasive;
- Lack of supervision of insurance intermediaries for AML/CFT purposes.

15. Malta raised the issue of the status of Directives issued by the Central Bank, and whether MONEYVAL recommendations in respect of R.5 requirements which need to be in law or regulation (rather than Directives) were being taken forward in the draft legislation. Malta also considered that Cyprus deserved an answer as to what is expected of them in respect of R.14 regarding the adequacy of their “safe harbour” provisions. On the latter point, the scientific experts were asked to consider this issue and report back. [This will be taken up in the next MONEYVAL Plenary.]

16. Cyprus reiterated its position on the law and regulation issue, which is set out in the mutual evaluation report and indicated that this whole issue would also be clarified further in the relevant provision of the law. They also indicated that the definition of beneficial owner is in the Directives. Clarification was also given on the proposal to amend the criminalisation of financing of terrorism.

17. The law enforcement scientific expert questioned whether there are legal or practical obstacles to confiscation, given the number of money laundering cases in which confiscation did not follow. The Cyprus authorities indicated that the legal provisions were adequate but in some cases they had not found realisable property.

18. The legal scientific expert sought clarification as to whether non-reporting of financing of terrorism was due to a lack of awareness or for other reasons. The Cyprus authorities indicated it was not lack of awareness.

19. Malta considered that overall, with the additional clarifications and information provided during the discussion, the progress report could be adopted. Armenia also supported adoption of the progress report. No country opposed adoption of the progress report. The Chairman noted the comments that had been made about the detail that needs to be in progress reports.

Decisions taken:

20. Cyprus was invited in their regular reporting back in the “*tour de table*” at the next Plenary to report on further progress in those areas where delegations had expressed some concerns or about which delegations considered there was a lack of information, especially in relation to:
- R.17 and the levels of sanctions in the Bill;
 - supervision (of insurance);
 - offence of financing of terrorism;
 - confiscation and seizure;

- reporting of financing of terrorism.

21. The Plenary adopted the progress report.

Item 9 - Mutual evaluations of MONEYVAL members: Draft mutual evaluation report on Georgia

22. The Secretariat made a preliminary statement and thanked the Georgian authorities for their open co-operation during the evaluation process and their hospitality during the on-site visit. The Secretariat explained that the progress achieved by Georgia had to be seen in the context of the situation at the time of the last on-site visit in 2003, when no AML Law was in place. After intensive dialogue with Georgia by MONEYVAL, progress has since been made on a number of key issues. At the time of this on-site visit, the AML/CFT system as a whole had only been in place for just over 2 years. The legal framework now needs considerable simplification, and it is important that the new AML Law does not weaken what is now in place. Money laundering prosecution is being taken seriously by the prosecutors, but the recent lowering of the level of sanctions in the banking sector sends the wrong message. The FIU was considered by the evaluators to have been a success. The basic building blocks are now in place, which was not the situation in 2003.

23. The draft report had been considered by the Ad hoc Group of Experts and almost all their comments were endorsed by the examiners. A pre-meeting had been held in January in Strasbourg between the examiners and the Georgian authorities which resulted in the draft report which had been circulated prior to the meeting. Changes to that draft report as a result of further discussions in the margins of the Plenary were outlined by the Secretariat.

24. After presentations by the examiners, the Georgian authorities thanked the team for their work. They accepted the report as an accurate picture of the AML/CFT situation but indicated they wished to review the ratings on Recommendation 3 and SR.VII. They also outlined significant developments since the second round evaluation.

25. The three intervener countries were: Lithuania, Malta and Romania.

Important issues raised:

26. Malta in its legal questions asked if conspiracy to commit money laundering in its less aggravated forms was now covered. The Georgian authorities advised that very recent amendments made it possible to commit the offence of preparation of money laundering in all its forms. Without taking issue on the Georgian report, the MONEYVAL Law Enforcement_scientific expert raised what he considered to be a horizontal issue on the issue of conspiracy. He was uneasy about the interpretation which is sometimes given in FATF and MONEYVAL reports on the need for the ancillary offence of conspiracy. Conspiracy is a Common Law term. Most Civil Law countries do not have the notion of conspiracy. He referred to the Vienna and Palermo Conventions on the ancillary offences and noted that the relevant articles provide for association or conspiracy, not association and conspiracy. He was concerned that one legal term from Common Law systems should not be imposed on Civil Law jurisdictions (bearing in mind that the Methodology requires

ancillary offences to include conspiracy). He considered that in some FATF/MONEYVAL reports countries were criticised for not having conspiracy and in others the evaluators looked to the substance of the law to see if there was something broadly similar which could accommodate the concept. However, he considered that this was a grey area. He would like some clarification as to:

- what is meant by conspiracy, and
- in the absence of the term conspiracy in a legal system, what is a valid alternative to meet the Methodology requirements on conspiracy?

He considered that this horizontal issue should be taken back to the Working Group for reflection if it could not be settled in this Plenary. Malta indicated that as long as the ultimate result, if not identical, is close to the concept of conspiracy, then that should be acceptable. The FATF Secretariat indicated that there had not been any extensive debate in FATF Plenary meetings as to what acts comprise conspiracy though preparation may not be sufficient.

27. The Chairman and the Plenary took note of the scientific experts' comments. The Georgian evaluators' comments on this issue in the report remained unchanged.

28. Editorial changes to the report would further elucidate the risk based approach.

29. As a result of the discussions, the draft report was amended to incorporate relevant clarifications and changes.

30. *Decisions taken:*

- to amend the draft report and ratings table to increase the rating on Recommendations 3 and 29 to "Largely Compliant";
- to downgrade the Rating on R.11 to "Non Compliant";
- to maintain the ratings on Recommendations 5, 9, 18, and SR.VII (all of which were subject to Plenary discussion);
- to adopt the 3rd round MER of Georgia subject to the changes indicated above. The report and executive summary will be published on the MONEYVAL website.

E. PUBLIC DOCUMENTS

15. Chairmen's Statement (appendix I)

31. *Decision taken:* adopted the statement and approved its publication, with some modifications, on the FATF and MONEYVAL public websites.

I. PARTNERSHIPS WITH INTERNATIONAL ORGANISATIONS AND DEVELOPMENT OF FATF-STYLE REGIONAL BODIES

23. Information on AML/CFT initiatives in other MONEYVAL countries (tour de table)

32. Albania: reported that a new law for prevention of money-laundering had been drafted with the assistance of the IMF and US Treasury to approximate the legislation to the 40 + 9 Recommendations and to follow up on the recommendations from the MONEYVAL 3rd round evaluation report. In November 2006 the Albanian Parliament had ratified the Council of Europe Conventions on 1) laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism and 2) action against trafficking in human beings. A MoU was signed between the FIUs of Albania and Moldova, bringing the total of MoUs to 26.

33. Bosnia and Herzegovina: reminded that the Progress report was discussed in November 2006. A working group on prevention of ML/TF had been established at state level and with broad representation. The working group is responsible to the Council of Ministers in Bosnia and Herzegovina.

34. Bulgaria: reported that on 12 February 2007 the specialised unit for combating money laundering and financing of terrorism and the Supreme Prosecutor's Office initiated procedural and investigative measures against financial brokerage houses, trade companies and a number of persons who had been involved with money laundering from international drug trafficking. At the beginning of February 2007, a joint specialised police operation was carried out on the territories of Germany, Bulgaria and Switzerland. A criminal scheme relating to EU Sapard funds to the amount of 7.5 mill. Euros was dismantled. An international crime group involving 7 Bulgarians, 2 Germans and 2 Swiss nationals were detained. A working group on management and coordination of activities from cases related to money laundering and terrorist financing was established in January 2007. An updated Action Plan on Combating Organised Crime was adopted in January 2007.

35. Croatia: informed about two new convictions at the beginning of 2007 concerning money laundering. In the first ruling the predicate offence was drug trafficking and the fine was 10.000 Euros. In the second ruling the predicate offence was abuse of authority and official power involving 45.000 Euros. The punishment was 4 ½ years of imprisonment. A MoU involving 11 ministries and main stakeholders involved in AML/CFT has been signed and would enter into force on 1 March 2007. The process of drafting a new AML Act incorporating the 3rd AML Directive had started with assistance from the World Bank. Austria as a Twinning Partner was contributing with many training workshops on AML/CTF. This was much appreciated and considered most helpful.

36. Czech Republic: a draft law incorporating the 3rd Directive on AML/CTF was being prepared. At present it was distributed for consultation and external comments. The new act is expected to come into force by December 2007. A MoU between the FIUs of the Czech Republic and Paraguay is being prepared.

37. Estonia: reported that it was undertaking a pre-evaluation in preparing for the forthcoming MONEYVAL evaluation in late 2007. Scientific experts are being consulted in that respect. A new AML Act incorporating the 3rd AML Directive is being prepared. The FIU is forming a permanent group specialised in asset investigation. 5 additional staff are involved in supervision. Two high level groups are formed. One is a Government Inter-institutional Group which is currently preparing an overview report for the new Government, as Estonia is having elections next week. The other group,

with the participation of the subjects of the AML Act, exists on a permanent basis giving their advice on possible improvements in the fight against money laundering.

38. Hungary: work on the transposition of the 3rd Directive continues. The bill is expected to be submitted to the Parliament in the second half of this year. The Palermo Convention and the two protocols on trafficking and smuggling were ratified and entered into force on 1 January 2007. Two draft acts have been prepared by the Government concerning implementation of the cash control regulation and the funds transfer regulation. The bills were expected to be submitted to the Parliament in the first half of this year. In February 2007, a new division on international co-operation was established within the FIU. The new division will be meeting demands originating from the international obligations of the FIUs by keeping contact and exchanging information with other FIUs.

39. Latvia: was evaluated last year by IMF and MONEYVAL. At the end of 2006 Latvia reported to the Council for Prevention of the Laundering of Proceeds Derived from Criminal Activity (headed by the Primer Minister). The Council made three priorities for the FIU. The first priority is freezing of the proceeds from crime. As a consequence new amendments to the AML Act were being prepared along with the transposition of the 3rd Directive. In 2005, 76 criminal cases have been initiated regarding money laundering. Last year, 56 criminal cases were initiated.

40. Liechtenstein: reported on preparations for the Egmont Group meeting in Liechtenstein in late February 2007. Preparations were also being undertaken in respect of the forthcoming IMF evaluation in March/April this year. Transposition of the 3rd Directive was also being prepared.

41. Lithuania: informed that the 3rd round evaluation report was adopted during the last plenary and the recommendations were now being reviewed. Preparations to amend the legislation were being undertaken. In February 2007, the FIU celebrated its 10th anniversary.

42. Moldova: The new AML/CFT law has been drafted. A conference was organised within the MOLI-CO project to discuss the draft law between experts and national authorities. 4 MOUs were signed. The final report of the activities of the FIU was approved.

43. Malta: Discussions on the implementation of the 3rd Directive are well in progress. The necessary amendments to the legislation are being identified. The FIU is continuing its training of the industry. The FIU has signed an MoU with the Gaming and Lotteries Authority.

44. Monaco: The 3rd round on-site evaluation visit took place in November 2006. While awaiting the draft mutual evaluation report a number of studies have been initiated in that respect.

45. Poland: informed that it was assisting the Egmont Group in becoming an international organisation and additional work was being undertaken in close cooperation with the US on issues of international co-operation.

46. Romania: Preparatory work for the transposition of the 3rd Directive has been undertaken by amending the AML Law. The FIU has signed a MoU with FinCen and the Japanese FIU. The 2006 report of the General Prosecutor's Office included information on results of investigations in

money laundering cases (22 ML cases were indicted by the Department for Investigating Organized Crime and Terrorism and 1ML case was indicted by National Anticorruption Directorate).

47. Russian Federation: On 30 December 2006 a new law was adopted by Parliament. The law is called “on special economic measures” and provides additional tools for dealing with economic measures that are necessary for implementation of UNSC Regulations and other measures including freezing, blocking and stopping of financial relations and transfers. Preparations for signing the new Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS N° 198) are well advanced. Major work is being undertaken in preparation for the forthcoming joint FATF / MONEYVAL evaluation including translation of legislation.

48. San Marino: Amendments for the AML Law are expected to be submitted to Parliament next month. The on-site visit for the 3rd round of mutual evaluation will take place at the beginning of March 2007. The Central Bank as supervisory authority is preparing new instructions concerning preventive measures for financial and non-financial institutions.

49. Serbia: The 3rd round progress report was adopted in September 2006. Consequently important legislation was being amended. Training seminars for state employees and reporting entities were given under the Council of Europe PACO Serbia project.

50. Slovakia: informed that the Criminal Code and the Criminal Procedural Code are in the process of being amended. Criminal liability for legal persons is not yet being included. The board of the FIU issued a decision for adopting a procedure for supervising and controlling reporting entities that have no other supervisory body. Preparations for a new AML/CFT Act are being undertaken. The National Bank of Slovakia has begun a substantial reorganisation, which should ensure that the same procedures are applied in the supervision of each part of the Slovak financial market.

51. Slovenia: is finalising the new preventive law, which is soon to be submitted to the Parliament for adoption hopefully before summer. The Euro has been successfully implemented.

52. “The former Yugoslav Republic of Macedonia”: No significant changes to be reported since the last plenary. The on-site visit for the 3rd round mutual evaluation is scheduled to take place in March 2007.

53. Ukraine: The draft amendments to the AML/CFT legislation have been submitted to the Parliament. The amendments will enable full compliance with the FATF Recommendations as well as the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. The Inter Agency Group considered the issues of AML activities including Ukrainian financial branches in other countries. The FIU has issued a special regulation in this respect. Cooperation continues with the Council of Europe under the MOLI-UA 2 project and now a new system for “distant learning” is being created.

24. Information concerning AML/CFT initiatives in other fora

54. European Commission: The representative of the European Commission informed of the adoption of two reports: one on the application to the legal profession of Directive 91/308/EEC and the other relates to the identification of clients in non-face to face transactions and possible implications for electronic commerce. Both reports are to be found on the Commission's website. As to the issue of legal professions the Commission intends to contribute to the work of FATF in this area. The Plenary was further informed that a number of transposition workshops were carried out in order to facilitate the implementation of the 3rd Directive. An informal platform was set up for FIUs from EU countries to discuss practical issues related to their cooperation.

55. The Council of the European Union: The Council is working on the outcome of the ruling of the Court of First Instance on the EU autonomous freezing system. A process of discussing changes of procedures in listing, de-listing and notification is taking place. Implementation of UNSC Resolution 1737 is probably soon to be adopted under the same procedure as UNSC Resolution 1373. An independent scrutiny of the 9 Special Recommendations has been finalised within the EU and has been published. The outcome of the scrutiny will form an important part of the revision of the EU Counter-Terrorism Strategy/Action Plan.

56. International Monetary Fund (IMF): The representative of the IMF emphasised the strong co-operation with FATF and MONEYVAL. The IMF had several requests from countries to be evaluated by IMF and IMF is considering these and expressed the hope that FATF and MONEYVAL would agree. IMF is fully committed to promote transparency in the area of detailed assessment reports (DARs) and is actively encouraging its members to accept the reports to be published.

57. World Bank: The World Bank representative informed the plenary that 10 new assessments were planned over the next 12 months. The Bank also strongly encouraged countries to agree to the publication of all DARs resulting from their AML/CFT assessments. The Bank has continued to deliver a very strong and successful work program of technical assistance on AML/CFT. The Bank continues strengthening its relationships with the FSRBs and participates actively in FSRB-organised efforts to coordinate the delivery of AML/CFT technical assistance to FSRB members.

APPENDIX I



Chairmen's Summary Strasbourg Plenary, 21-23 February 2007

23 February 2007

The FATF and the Council of Europe's MONEYVAL committee held a joint Plenary meeting at the Council of Europe. The meeting was opened by the Secretary General of the Council of Europe, Mr Terry Davis, and was jointly chaired by the FATF President, Mr Frank Swedlove, and the MONEYVAL Chairman, Mr Vasil Kirov.

FATF membership

In a move to strengthen the worldwide fight against money laundering and terrorist financing, the FATF welcomed India as an observer at this Plenary meeting - the first step toward full membership in the FATF. China and the Republic of Korea are already FATF observers.

Assessments of Turkey and Georgia

The Plenary adopted the FATF report assessing Turkey's anti-money laundering and counter-terrorist financing system for compliance with the global standards; the FATF 40+9 Recommendations. It also adopted the MONEYVAL report assessing Georgia's anti-money laundering and counter-terrorist financing system against these standards.

A summary of the FATF report will soon be available on the FATF website¹, and the full report will be published there in the coming weeks. A summary of the MONEYVAL report will be available on the MONEYVAL website², and the full report will also be published there.

MONEYVAL follow-up processes

A progress report was received from Cyprus one year after the adoption of its evaluation report. This progress report was discussed and adopted and will be published on the website.

¹ www.fatf-gafi.org

² www.coe.int/moneyval

MONEYVAL Compliance Enhancing Procedures were lifted in respect of Armenia. Azerbaijan remains under monitoring.

Release of two reports on money laundering and terrorist financing methods

The FATF issued two reports on money laundering methods and vulnerabilities in specific sectors.

The first, a report on Laundrying the Proceeds of VAT Carousel Fraud, examines the laundering of the proceeds of a particular type of tax fraud. Value Added Tax (VAT) "Carousel Fraud" is an abuse of common duty areas to generate substantial profits – where essentially criminals use a contrived chain of transactions to steal government revenues through the VAT reclaim system.

The second report focuses on money laundering and terrorist financing schemes in South America. The research builds on and updates work previously conducted by GAFISUD, the FATF and other international bodies. It identifies five primary methods; a) Illicit foreign currency arbitrage transactions; b) Structured international remittances; c) The black market peso exchange; d) International loan simulation and capitalisation of legitimate companies with illegal funds; e) Physical transportation of the proceeds of crime.

These reports will be available on the FATF website in the coming weeks.

Additional typologies studies on money laundering and terrorist financing are underway on various areas including real estate, terrorist financing and drug trafficking.

Enhanced dialogue and work with the private sector

A priority of the Canadian Presidency of the FATF is to expand the FATF's outreach to, and dialogue with, the private sector. In November 2006 the FATF held a productive meeting with representatives of the legal, notarial and accounting professions and with trust and company service providers. In addition, a number of high level meetings have been held with representatives of different sectors regarding the implementation of the FATF standards.

The FATF is carrying out a joint project with industry associations and bodies in the banking and securities sectors with a view to adopting best practice guidelines on the implementation of a risk-based approach to combating money laundering and terrorist financing. The FATF intends to extend the results of this work to other relevant sectors once the initial project is completed.

Mr Frank Swedlove
President, Financial Action Task Force

Mr Vasil Kirov
Chairman, MONEYVAL, Council of Europe

Strasbourg, 23 February 2007