

# Anti-money laundering and counter-terrorist financing measures

# Slovenia

## 3<sup>rd</sup> Enhanced Follow-up Report

April 2021

Follow-up report



**The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL** is a permanent 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. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

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The 3<sup>rd</sup> Enhanced Follow-up Report on Slovenia was adopted by the MONEYVAL Committee at its 61<sup>st</sup> Plenary Session (Strasbourg, 28-30 April 2021).

## *Slovenia: 3<sup>rd</sup> Enhanced Follow-up Report*

### 1. INTRODUCTION

1. The mutual evaluation report (MER) of Slovenia was adopted in 01 June 2017. The report analyses the progress of Slovenia in addressing the technical compliance (TC) deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses the progress made in implementing the new requirements relating to FATF Recommendations which have changed since Slovenia's second enhanced follow-up report was adopted: Recommendation 15. Overall, the expectation is that countries will have addressed most if not all TC deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Slovenia has made to improve its effectiveness.

### 2. FINDINGS OF THE MUTUAL EVALUATION REPORT

2. The MER and the Second enhanced follow-up report rated Slovenia as follows for technical compliance:

**Table 1. Technical compliance ratings, December 2019**

<b>R 1</b>	<b>R 2</b>	<b>R 3</b>	<b>R 4</b>	<b>R 5</b>	<b>R 6</b>	<b>R 7</b>	<b>R 8</b>	<b>R 9</b>	<b>R 10</b>
PC	LC	LC	LC	PC	PC	PC	PC	LC	LC
<b>R 11</b>	<b>R 12</b>	<b>R 13</b>	<b>R 14</b>	<b>R 15</b>	<b>R 16</b>	<b>R 17</b>	<b>R 18</b>	<b>R 19</b>	<b>R 20</b>
C	PC	PC	C	C	C	LC	LC	LC	C
<b>R 21</b>	<b>R 22</b>	<b>R 23</b>	<b>R 24</b>	<b>R 25</b>	<b>R 26</b>	<b>R 27</b>	<b>R 28</b>	<b>R 29</b>	<b>R 30</b>
C	LC	LC	LC	LC	PC	C	PC	C	C
<b>R 31</b>	<b>R 32</b>	<b>R 33</b>	<b>R 34</b>	<b>R 35</b>	<b>R 36</b>	<b>R 37</b>	<b>R 38</b>	<b>R 39</b>	<b>R 40</b>
LC	PC	LC	C	C	LC	LC	LC	LC	LC

*Note:* There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

*Source:* The [Slovenia Mutual Evaluation Report, June 2017](#), [Slovenia's 1st Enhanced Follow-up Report](#), and [Slovenia's 2<sup>nd</sup> Enhanced Follow-up Report](#).

3. Given the results of the MER, Slovenia was placed in enhanced follow-up<sup>1</sup>. The first enhanced follow-up report submitted by the Slovenia was discussed at the 57th Plenary meeting in December 2018. Slovenia has submitted its 2<sup>nd</sup> enhanced FUR in December 2019. The Plenary discussed the report and invited Slovenia to submit a third enhanced follow-up report for the 61<sup>st</sup> MONEYVAL Plenary in April 2021.

4. The assessment of Slovenia's request for technical compliance re-ratings and the preparation of this report were undertaken by the following Rapporteur teams (together with the MONEYVAL Secretariat):

- Georgia
- The Russian Federation

<sup>1</sup> Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up. This is intended to be a targeted but more comprehensive report on the countries/territories' progress, with the main focus being on areas in which there have been changes, high risk areas identified in the MER or subsequently and on the priority areas for action.

5. Section III of this report summarises Slovenia's progress made in improving technical compliance. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

### **3. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

6. This section summarises the progress made by Slovenia to improve its technical compliance by:

- a) Addressing the technical compliance deficiencies identified in the MER, and for which the authorities requested an up-grade (R. 6, 7, 8, 12, 13, 26 and 28), and
- b) Implementing new requirements where the FATF Recommendations have changed since the MER was adopted, considering the progress made at the 2nd enhanced follow-up report (R. 15).

7. For the rest of the Recommendations rated as PC (R.1, 5 and 32), Slovenia did not request a re-rating.

#### **3.1. Progress to address technical compliance deficiencies identified in the MER (and not re-rated in the 2<sup>nd</sup> FUR)**

8. Slovenia has made some progress to address the technical compliance deficiencies identified in the MER. As a result of this progress, Slovenia has been re-rated on Recommendations 6, 7, 8, 12, 13, 26 and 28.

##### ***Recommendation 6 (Originally rated PC – re-rated as LC)***

9. In its 5th round MER, Slovenia was rated PC with R.6, based on the following deficiencies: a lack of implementation of targeted financial sanctions under UNSC resolutions without delay due to the overreliance on EU framework and to the absence of explicit procedures at the national level in relation to proposing designations to UNSC Committees, a lack of awareness about TFS among DNFBPs and some FIs, and a lack of national procedures for unfreezing requests. In addition, national procedures for delisting requests are still not publicly known.

10. Since the adoption of the Second follow-up report, Slovenia took measures to enhance its compliance with the requirements of Recommendation 6. Measures taken at EU level contribute to addressing some deficiencies.

11. A national level, amendments to the *“Decree on restrictive measures against certain persons and entities associated with the Al-Qaida network and on implementation of Council Regulation (EC) No 881/2002”* have been adopted and entered into force in December 2017. Article 1(3) now provides that when the UNSC or its Committee add new persons to the sanctions list, the freezing shall apply immediately as of the date of publication of the update on the UNSC website. The amending Decree includes a link to the UNSC consolidated lists. (deficiency under 6.4)

12. In 2020, the *“Guidelines on the Implementation of Financial Restrictive Measures”* (hereafter: Guidelines on FRM) have been amended and now provide in the foreword that they apply to all natural and legal persons implementing financial sanctions. The new Guidelines on FRM have been published on the MFA website. This addresses the deficiency identified under 6.5. The Guidelines on FRM partially address the issue of unfreezing of funds but is still insufficient to fully comply with the requirements of 6.6 f). Delisting procedures are now public on the MFA webpage.

13. In 2020, following sequential consultations, the Sanctions Coordination Group (SCG) proposed to the Slovenian Government to list a terrorist organisation. The designation was approved in December 2020. The designation demonstrates that albeit no explicit provisions are provided in the legal framework, Slovenia has a mechanism to collect or solicit information to identify targets for designations. It also demonstrates that Slovenia was able to list a terrorist organisation before a similar measure was taken at the EU level. This addresses the deficiencies identified under 6.3 and 6.4.

14. At European level, the EU Guidelines on the implementation and evaluation of restrictive measures were revised in May 2018. According to para 57, when adopting autonomous sanctions, the EU should, through outreach, actively seek cooperation and if possible, adoption of similar measures by relevant third countries in order to minimize substitution effects and strengthen the impact of restrictive measures. The freezing shall be in place while establishing the identity of the designated persons on the basis of the same EU Guidelines. Therefore, it can be concluded that since the adoption of the MER, additional guidance at the EU level has been adopted to request third countries to give effect to EU TFS.

15. The deficiency related to the absence of explicit procedures at the national level in relation to proposing designations to UNSC Committees was not addressed. Slovenia continues to rely on EU measures of implementation of UNSCR 1267 and subsequent resolutions, as well as EU implementation of UNSCR 1373.

16. The deficiencies related to 6.2, 6.3, 6.4, 6.5 et 6.7 have been addressed. Minor deficiencies remain in relation to 6.1 and 6.6 f. **On that basis, R.6 is re-rated as LC.**

#### ***Recommendation 7 (Originally rated PC –re-rated as LC)***

17. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.7, based on the identified deficiencies with regards to a lack of implementation of the targeted financial sanctions of UNSCRs relating to proliferation without delay and a lack of guidelines covering sanctions against proliferation financing. Major technical deficiencies also related to the absence of national procedures for unfreezing requests.

18. The amendments to the *“Decree on restrictive measures against certain persons and entities associated with the Al-Qaida network and on implementation of Council Regulation (EC) No 881/2002”* described above address the deficiency related to the implement targeted financial sanctions without delay.

19. As described under Recommendation 6, the Guidelines on the FRM has been revised in 2020 and now provides in the foreword that they apply to all natural and legal persons implementing financial sanctions. Point 1.5. now refers to the restrictive measures against proliferation and foreword paragraph clarifies that *“the guidelines include obligations arising from EU regulations and refer to the implementation of financial sanctions for fighting terrorism, and those adopted in response to the situations in individual countries, with a special focus on measures against proliferation.”* The shortcomings under 7.2 are now addressed.

20. On the implementation of publicly known procedures to submit de-listing requests to the Security Council in the case of designated persons, the 2020 Guidelines on FRM partially address the issue of unfreezing of funds but is still insufficient to fully comply with the requirements of 7.4 (b). Delisting procedures are now public on the MFA webpage. Item 7 of the Guidelines on FRM provides

the procedure in case of exceptions to the freezing of funds in bank accounts due to humanitarian needs, for payment of health care services, etc.

21. With regards to contracts, agreements or obligations that arose prior to the date on which accounts became subject to targeted financial sanctions, the related provisions are to be found in the EU Regulation 2017/1509/EU.

22. The deficiencies related to 7.1 and 7.2 have been addressed. Minor deficiencies remain on 7.4. **On that basis, R.7 is re-rated as LC.**

### *Recommendation 8 (Originally rated PC – re-rated as LC)*

23. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.8, based on the following deficiencies: lack of identification of the types of NPOs which are likely to be at risk of FT abuse and related threats and lack of specific outreach to the NPO sector on FT issues. Additionally, best practices have not been developed in cooperation with NPOs to protect them from FT abuse. There was also a lack of effective supervision over NPOs, with the exception of associations. With regards to information sharing, foundations are not required to keep up-to-date registered information on members of the Board of Trustees. Moreover, there is a lack of access to founding acts of associations and foundations, as well as annual reports, as they are not published online.

24. In October 2020, Slovenia has completed a risk assessment of the NPO sector based on the FATF recommendations on the risk-based approach to NPOs (*“Strategic analysis of risks associated with the abuse of NPOs for ML and FT”*, hereafter Strategic analysis). The Strategic analysis addresses the issues of legal framework and existing regulation, gives examples of measures to promote cooperation and good-quality volunteering, describes the supervisory framework and provides examples of NPOs abuse for terrorist financing purposes. The Strategic analysis constitutes guidance for the NPO sector and donor community to protect themselves from potential TF risks. Starting October 2018, trainings for NPOs and public servants have been conducted. Together with the measures taken on the transparency of annual reports, these measures address the shortcomings identified under 8.1 and 8.2.

25. The Strategic analysis identifies the categories of NPOs which are potentially more vulnerable to TF risk. This constitutes the first step in the application of risk-based supervision. Slovenian authorities state that after the completion of the risk analysis, the supervision shall be considered and reassessed in the light of its effectiveness from the risk perspective. So far, the NPOs are checked every two years when they submit activity report, therefore universal procedures apply.

26. The obligation on foundations to keep or register updated information on members of the Board of Trustees remains outstanding, as well as the technical obligation to confirm identity, credentials and good standing of the beneficiaries. Nevertheless, the measures described under 8.1 constitute a mitigating factor which impacts 8.3 too. In addition, the Slovenian authorities maintain that in the course of the trainings conducted the issue of the good standing of the beneficiaries has been touched upon. The shortcomings under 8.3 have been partially addressed.

27. Turning to the powers to conduct inspections on NPOs, the Strategic analysis clarifies that Slovenia has a decentralised system of supervision over the work and financial operations of NPOs which is entrusted to various ministries in accordance with their respective competences. Centralised supervision is conducted on NPOs financial operations by the Financial Administration.

According to Table 13 of the Strategic analysis, 170 inspections have been carried out to NPOs in 2016, 166 in 2017 and 546 in 2018. This shortcoming is addressed.

28. The Strategic analysis scrutinises the penalties and sanctions for breaches by NPOs through the prism of risk. It was found that good and responsible governance of NPOs is evident from the inspections carried out by the responsible institutions who have not identified any significant violations of the legislation. Penalties and sanctions are thus considered to be sufficiently dissuasive and currently no further tightening is required. In other words, the strategic analysis considered whether the existing regulation was adequate (including the sanctioning regime) and concluded that it was. This is in line with Point C 6(b) of the Interpretative Note to Recommendation 8. Sanctions for religious communities for failure to report changes in data that has been registered to competent authorities are available.

29. On the information-sharing between the various competent authorities involved in registration and supervision of NPOs it is relevant to say that the 2020 Strategic analysis was drafted with the collaboration and through information-sharing between the various competent authorities involved in registration and supervision of NPOs (Public Payments Administration, the Centre for Information, Cooperation and Development of Non-governmental Organisations, the Ministry of Labour, Family, Social Affairs and Equal Opportunities, the Agency for Public Legal Records and Related Services etc...). One of the objectives of the Strategic analysis is to identify and monitor NPOs at risk. This deficiency is addressed, and the criterion 8.5 is Met.

30. The majority of shortcomings have been addressed. Minor deficiencies remain in relation to 8.3 concerning the full application of a risk-based monitoring, the lack of updates in case of Board of Trustees of foundations, and the absence of measures to confirm the identity of beneficiaries of charities. **On that basis, R.8 is re-rated as LC.**

#### ***Recommendation 12 (Originally rated PC –re-rated as C)***

31. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.12. It was noted, as a deficiency, that there was no requirement to take reasonable measures to ascertain the sources of wealth and funds of the beneficial owner identified as PEP. It was also unclear whether requirement to obtain a senior management approval applies also to beneficial owner that becomes a PEP. Those deficiencies impacted criterions 12.2 and 12.3.

32. New amendments have been brought to the Slovenian AML/CFT Law (APMLTF) in June 2020. Art. 61 now clearly stipulates the requirement to obtain approval in situations where entering into a business relationship or continuing it, involves a PEP. The paragraph applies to the beneficial owners (BO) that becomes a PEP as well. With regards to the requirement to obtain senior management approval in situations where entering into a business relationship or continuing it involves a PEP, amendments to Slovenian Law are now clearly indicating that it applies to the BO that becomes a PEP.

33. **Overall conclusion:** All the deficiencies identified in the 5<sup>th</sup> round MER were cascading from the above. Therefore, Recommendation 12 can be considered as reaching a level of C.

#### ***Recommendation 13 (Originally rated as PC – re-rated as LC)***

34. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.13 as there was a lack of explicit requirements for FIs to understand the nature of the respondent's business, the responsibilities of each institution and a failure to conduct the assessment of a respondent institution's AML/CFT

controls. The MER also found that the application of additional measures by FIs was limited only to cross-border correspondent relationships with credit institutions from non-EU members. The additional measures provided by APMLFT to require FIs to determine the reputation of a respondent or the quality of the supervision applied to IT were also found insufficient and there were no specific requirements with respect to payable-through accounts. FIs were not required to be subject to an effective supervision in order to not be considered a shell bank as required by the FATF standards.

35. With regards to the regulation of the correspondent relationships, Slovenia has mostly addressed this shortcoming in its new AML/CFT Law. Art. 3 and 60 provide that the obliged person (OP) shall now apply enhanced CDD measures in addition to the normal CDD procedure when entering into a correspondent banking relationship with a credit or financial institution with its registered office in a Member State or a third country. When entering into a corresponding banking relationship, the OP shall obtain information and documentation to understand the responsibility of individual institutions, but there is still no clear provision/obligation for the OP to conduct an assessment of the respondent institutions' AML/CFT controls. The requirement for financial institutions to understand the nature of the respondent's business and verify customer's reputation and the quality of its supervision are now regulated through Art. 60 (1). (13.1)

36. The lack of specific requirements provided for by the AML/CFT legislation with respect to payable-through accounts has been addressed as there is a prohibition for the obliged person to enter into or to continue a correspondent banking relationship if correspondent accounts are directly used by third persons to conduct transactions on their own behalf and the respondent. The lack of specific requirements with respect to payable-through accounts has been addressed by the amendments to the APMLTF as there is now a prohibition for the obliged person to enter into or to continue a correspondent banking relationship if 13.2(a) and (b) are not met.

37. The absence of explicit requirements for financial institutions to be subject to an effective supervision in order to not be considered as a shell bank has been addressed through the provision of Art. 60 of the amended AML/CFT Law. (13.3)

38. A minor deficiency remain as there is still no clear provision/obligation for the OP to conduct an assessment of the respondent institutions' AML/CFT controls. **On that basis, R.13 is re-rated as LC.**

#### ***Recommendation 26 (Originally rated as PC – re-rated as LC)***

39. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.26 mainly due to a lack of application of fit and proper requirements to beneficial owners in all situations. The MER also found that there was no explicit requirement for supervisors to review periodically the assessment of ML/FT risk profile of a FI or a group (including the risk of non-compliance).

40. To address the deficiency regarding the fit and proper checks for payment institutions, electronic money institutions (EMI) and MVTS, a new Law has been adopted in January 2018: The Payment Services, Services for Issuing Electronic Money and Payment Systems Act. According to it, the Bank of Slovenia (BoS) shall conduct Fit and Proper assessment of members of the management body of a payment institution (PI) and an EMI, who shall have appropriate reputation, appropriate knowledge and experience to perform payment services. BoS has to give an authorisation prior to acquiring a qualify holding in a PI or EMI. This deficiency is remediated and the criterion 26.3 is Met.

41. Amendments have been brought to the APMLTF which now provides that the data concerning the risk of individual obliged persons are one of the factors that shall be taken into account by supervisory bodies when planning the frequency, scope, intensity and implementation of supervision. However, the new obligation does not seem to automatically involve or entail the obligation of supervisory bodies to update and review the risk of individual obliged persons (the planning up-dates can be based on other reasons such as human resources policy). From the technical compliance point of view, the new clause does not fully mitigate the shortcoming under consideration, therefore, Criterion 26.6 is considered as Mostly Met.

42. Slovenia has addressed the majority of the shortcomings identified in the MER. Minor shortcomings remain in relation to 26.6 as the new obligation does not automatically involve the obligation of supervisory bodies to update and review the risk of individual obliged persons. **On that basis, R.26 is re-rated as LC.**

#### ***Recommendation 28 (Originally rated as PC – re-rated as LC)***

43. In its 5<sup>th</sup> round MER, Slovenia was rated PC with R.28 following the identification of gaps in the basic infrastructure for sound regulation and supervision of DNFBPs (c. 28.1 and c.28.3) and of weakness in the implementation of a risk-based supervisory approach (c.28.5).

44. According to the Gaming Act (ZIS), a natural person cannot become shareholder of a casino. However, as specified in the MER (criterion 28.1 (b)), a natural person may control up to 20% of the shares of a casino through a wholly owned private company that controls a public limited company (PLC). In this case, such a natural person will be subject neither to provisions regarding lack of convictions nor, as stated in the shortcoming below, to any form of screening. A PLC wishing to acquire shares of a casino shall submit, among others, the list of persons indirectly or directly related to the PLC (paragraph 6 of Article 32 of ZIS). Further on, the ministerial Decree issued on the basis of Article 32 of ZIS (2012) provides that a PLC shall provide a list of all shareholders for the individuals, directly or indirectly related to the legal entity seeking approval, with supplementary information. Therefore, the information about a natural person holding a controlling interest of a private company, which in its turn owns a PLC, will be provided to the competent Ministry by a PLC seeking approval for the acquisition of a casino's shares. Nevertheless, such a natural person is not subject to provisions regarding lack of convictions. This shortcoming is partially tackled. (28.1)

45. To address the shortcoming related to the lack of monitoring compliance by the DNFBPs, inspections started to be conducted for accountants in 2018. The OMLP conducted 40 on-site inspections in 2018, 63 on-site inspections in 2019 and 50 in 2020. Furthermore, 103 off-site inspections to accountants were carried-out in 2020 via a questionnaire. Some of the supervised accountants provided company services and real estate agency services. This shortcoming pertaining to 28.3 has been addressed.

46. A new paragraph 4 of Art. 139 of the APMLTF entitles the OMLP to *“order a prohibition on conducting activities... for up to three years... if an obliged person or a member of the management of an obliged person or the beneficial owner of an obliged person has been convicted in a final judgement”* followed by a list of offences. This is not equivalent to establishing measures to prevent criminals or their associates from being accredited, holding or being the beneficial owner of a significant or controlling interest or holding a management function in an obliged entity. The newly introduced provision applies to real estate entities (item 20 r) of paragraph 1 of Article 4). However, it does not cover TCSPs. Nevertheless, seeing that in practice trust and company services are provided by entities that fall under other types of obliged entities, (attorneys and accountants), this shortcoming

remains minor. Criterion 28.4 (sub-criteria (a), (b) and (c) collectively) can be considered as Mostly Met as 28.4(a) and (c) had no deficiencies.

47. The OMLP has general competencies concerning the supervision of all obliged entities under the APMLFT, but in practice it focuses most of its supervisory resources on those obliged entities that do not have assigned a primary supervisor, namely accountants, (which provide also TCSPs-like activities). A number of on-site and offsite supervisory actions have been carried out since 2018. The OMLP focused on risk-based elements when choosing the entities. The off-site supervision started in 2020 through the dissemination of a questionnaire, which represents a step forward in optimal allocation of supervisory resources of the OMLP. The questionnaire scrutinises the main compliance areas including the internal controls. Although no written procedures have been adopted, the above measures can be considered as being implementing a risk-based approach in supervision. The shortcoming affecting 28.5 is mostly addressed.

48. Progress has been made in relation to the level of compliance with all criteria having deficiencies. Minor shortcomings remain in relation to the criminal records screening of a natural persons holding a significant part of a casino through a wholly owned private company that controls a PLC, the absence of measures to prevent criminals or their associates from being accredited, holding or being the beneficial holder of a significant or controlling interest of a TCSP, and the absence of written procedures on risk based supervision of other DNFBPs. **On that basis, R.28 is re-rated as LC.**

### **3.2. Progress on Recommendations which have changed since Slovenia's 2<sup>nd</sup> FUR**

49. Since the adoption of Slovenia's 2<sup>nd</sup> enhanced FUR, the FATF has amended R.15. This section considers the Slovenia's compliance with the new requirements.

#### ***Recommendation 15 (Originally rated C – re-rating as PC)***

50. Slovenia was rated C with R.15 in the 5<sup>th</sup> Round MER). Since the 2017 MER, Slovenia's compliance with criteria 15.1 and 15.2 remains unchanged.

51. In October 2018, the FATF adopted new requirements for “virtual assets” (VAs) and “virtual asset service providers” (VASPs), including new definitions. In June 2019, the FATF adopted the Interpretative Note to Recommendation 15 to address obligations related to VAs and VASPs. The FATF Methodology for assessing R.15 was amended in October 2019 to reflect amendments to the FATF standards. Consequently, new criteria 15.3 to 15.11 were added.

52. In relation to the new requirements for VA/VASPs, Slovenia has introduced a regime which covers some of the activities in the FATF definition of VASPs (i.e. “covered VASPs”), including natural and legal persons engaged in exchange services between virtual currencies and fiat currencies (exchange platforms) and custodial wallet providers. However, the scope does not extend to exchange between one or more forms of virtual assets, transfer of virtual assets and participation in and provision of financial services related to an issuer's offer and/or sale of VA.

53. The APMLTF (Art. 8) provides for the NRA to be conducted in Slovenia in order to identify, assess, understand and mitigate ML/TF risks. There is no explicit indication of risk that should be taken into account, therefore the risks emerging from virtual assets should be also considered (15.3(a)). As all obliged entities VASPs are required to identify, assess and manage their ML/TF risks

associated with group of clients, business relationships, transactions, products, services and distribution channels (15.3(c)).

54. VASPs became obliged entities in 2016 (Art. 4(1)(d) of the APMLTF) based on the OMLP risk assessment of the sector. The APMLTF provisions associated with VASPs were revised in 2020 in order to be compliant with relevant provisions of the 5<sup>th</sup> AML Directive. Therefore, it can be concluded that the measures on covered VASPs are risk based applied in Slovenia (15.3(b)).

55. The APMLTF (Art.4(a)) explicitly requires the registration with the OMLP of all VASPs incorporated/headquartered or having subsidiaries in Slovenia (15.4(a)). The same article empowers OMLP to maintain a (covered) VASPs Register and to reject a VASPs's application for registration if the person holding a management function, legal representative, or UBO has a criminal record or is being prosecuted (15.4(b)). The APMLTF (new Art. 170a) provides for an administrative sanction to be imposed by the BoS on a VASP (legal person or a responsible natural person) carrying out activities without proper registration. Some steps have been taken by the BoS to identify entities which are conducting business associated with virtual currencies, which is however not sufficient for full compliance with 15.5.

56. Covered VASPs are risk-based supervised by both the BoS and the OPML (Article 151 (1) and Art. 141 (1) of the APMLTF). (15.6 (a)). Both supervisors are entrusted with the power to conduct inspections, compel the production of information and in case of breaches, to impose appropriate measures, including sanctions as for any OP (Article 139, APMLTF). (15.6(b) and 15.8)

57. The supervisory authorities are obliged to issue guidelines in order to ensure a common understanding and implementation of measures prescribed in the APMLTF among obliged entities referred to in Art. 4 (including VASPs). (15.7)

58. Obligated entities are required to perform CDD at every occasional transaction exceeding EUR 1,000, including transactions which are executed in relation to VASPs (15.9(a)). However, covered VASPs are not explicitly obliged to comply with the requirements set out in Recommendation 16 (in particular regarding originating and beneficiary VASPs).

59. The EU Regulations on TFS, ISA and the Guidelines on FRM issued by the Slovenian authorities apply to any person or entity, therefore VASPs are subject to all the TFS implementation regime (15.10). Covered VASPs are supervised for 7.3 as described under para 56 above.

60. The information provided by the Republic of Slovenia confirms that there is a legal basis in place which enables the country to provide a wide range of international assistance in relation to investigations, prosecutions and related proceedings involving ML, FT and associated predicate offences. The OPML has a legal basis to exchange the relevant information with its foreign counterparts.

61. Minor deficiencies remain in relation to sub-criteria 15.5 and 15.6(d) as the steps taken to identify non registered VASPs are not sufficient, and there is no clear indication in the APMLTF that a VASP's registration may be withdrawn, restricted or suspended in case of non-compliance with AML/CFT legislative requirements. Shortcomings remain also in relation to sub-criterion 15.9. The overall rating is impacted by the shortcomings on the definition of VASPs, therefore R.15 is re-rated as PC.

#### 4. CONCLUSION

62. Slovenia has made progress in addressing the TC deficiencies identified in its 5<sup>th</sup> Round MER and has been re-rated as C on Recommendation 12 (initially rated as PC) and as LC on Recommendations 6, 7, 8, 13, 26 and 28 (initially rated as PC). The measures taken by the Slovenian authorities with respect to VASPs are partly in compliance with the revised requirements of R.15 due to deficiencies in the definition of VASPs. Therefore, for this Recommendation, Slovenia has been re-rated as PC (initially rated as C).

63. For the remaining Recommendations rated as PC (R.1, 5 and 32), Slovenia did not request a re-rating therefore the authorities are encouraged to continue the efforts to address the remaining deficiencies.

64. Overall, in the light of the progress made by Slovenia since its MER was adopted, its technical compliance with the FATF Recommendations has been re-rated as follows:

**Table 2. Technical compliance with re-ratings, April 2021**

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
PC	LC	LC	LC	PC	<b>LC</b>	<b>LC</b>	<b>LC</b>	LC	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	<b>C</b>	<b>LC</b>	C	<b>PC</b>	C	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	<b>LC</b>	C	<b>LC</b>	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

*Note:* There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

65. Slovenia will remain in enhanced follow-up and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. In accordance with the provisions of Rule 23 (1) and Rule 21 (8) of the Rules of Procedures, Slovenia is expected to report back to the Plenary within one year.

## GLOSSARY OF ACRONYMS

AML	Anti-money laundering
BO	Beneficial ownership
CDD	Customer due diligence
CFT	Countering the financing of terrorism
DNFBP	Designated non-financial business and professions
FI	Financial institutions
FT	Financing of terrorism
LC	Largely compliant
ML	Money laundering
NGOs	Non-governmental organisations
NPOs	Non-profit organisations
NRA	National risk assessment
PC	Partially compliant
PF	Proliferation financing
R	Recommendation
STR	Suspicious transaction report
TFS	Targeted financial sanctions
UNSCR	United Nations Security Council Resolutions

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April 2021

Anti-money laundering and counter-terrorist financing measures -  
**Slovenia**

**3<sup>rd</sup> Enhanced Follow-up Report**

This report analyses Slovenia's progress in addressing the technical compliance deficiencies identified in the FSRB assessment of their measures to combat money laundering and terrorist financing of June 2017.

The report also looks at whether Slovenia has implemented new measures to meet the requirements of FATF Recommendations that changed since the 2017 assessment.