

Strasbourg, 24 April 2024

MONEYVAL(2023)52

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

MONEYVAL

66th PLENARY MEETING
Strasbourg, 13 - 15 December 2023

MEETING REPORT

Memorandum prepared by the Secretariat
Directorate General Human Rights and Rule of Law (DGI)

LIST OF DECISIONS

At its 66th Plenary Meeting, held in Strasbourg from 13 to 15 December 2023, chaired by Ms Elżbieta Franków-Jaśkiewicz (Chair of MONEYVAL, Poland), MONEYVAL:

- took note of the information provided by the Chair and the Secretary to MONEYVAL;
- adopted the 5th round Mutual Evaluation Report and its Executive Summary on Azerbaijan, and decided to place the country under the enhanced follow-up procedure;
- adopted the 5th round Mutual Evaluation Report and its Executive Summary on Montenegro, and decided to place the country under the enhanced follow-up procedure;
- adopted the third follow-up report on Cyprus under the 5th Round of mutual evaluations and invited Cyprus to report back by May 2025;
- confirmed the application of Step 1 of Compliance Enhancing Procedures (CEPs) in respect of the Czech Republic and Lithuania; in application of Rule 25 paragraph 4 of the Rules of procedure, both countries are expected to report back orally to MONEYVAL in May 2024, and provide a written report in December 2024 on how they have achieved tangible progress by taking the necessary corrective measures to comply with the requirements of the Recommendation 6;
- adopted the 6th enhanced follow up report of Slovenia under the fifth round; terminated the application of Step 1 of CEPs and reporting under the follow-up procedures;
- adopted MONEYVAL's policy on observers, including the respective amendments to MONEYVAL's rules of procedure for its implementation, and authorised its publication;
- adopted amendments to the Rules of Procedure for the 5th round of mutual evaluations in respect of modalities for follow-up reporting and authorised their publication;
- adopted the Rules of Procedure for the 6th round of mutual evaluations; agreed on the provisional sequencing for the next biennium; took note of the technical compliance, effectiveness and materiality questionnaires; took note of the upcoming evaluator's trainings in preparation of the 6th Round; and noted the information on financing of MONEYVAL's work programme, staffing and implementation of the Strategy;
- warmly thanked the outgoing Chair, Ms Elżbieta Franków-Jaśkiewicz (Poland) for her excellent chairmanship over the last years, and the outgoing Vice-Chair (Richard Walker, Guernsey) and Bureau member (Ladislav Majernik, Slovak Republic) for their dedication and contributions to the work of the Committee;
- elected Mr Nicola Muccioli as Chair, elected Mr Matis Mäeker and re-elected Ms Astghik Karamanukyan as Vice-Chairs, and elected Mr Daniel-Marius Staicu and Ms Jennifer Palpacuer as Bureau members;
- discussed options for its future typology work and agreed to prioritize two out of the three typologies' projects;
- took note with interest of the information received on the Circumvention of Sanctions Work Stream, on terrorism financing risks in the current context; on the FATF's revision of the standards and Methodology and on FATF's work programme; and on AML/CFT and other relevant initiatives in the Council of Europe and in other fora; it entrusted the Bureau to follow any relevant developments which requires co-operation between MONEYVAL and those initiatives, and to prepare contributions, where necessary in-between plenary meetings;
- took note of the Rapporteurs and timelines for the follow-up reports for the 67th Plenary.

All evaluation and follow-up reports adopted by MONEYVAL under its evaluation procedures are made public after adoption, in accordance with MONEYVAL's Statute and publication policy, and after the quality and consistency review of the global AML/CFT network. Other documents are made public upon decision by the Committee.

MEETING REPORT

1. The Committee of Experts on the evaluation of anti-money laundering measures and the financing of terrorism (MONEYVAL) held its 66th Plenary meeting from 13-15 December 2023 in Strasbourg under the presidency of Ms Elżbieta Franków-Jaśkiewicz (Poland). The first two days of the Plenary were fully devoted to MONEYVAL's Working Group on Evaluations (WGE).

Item 1 – Opening of the Plenary Meeting

2. Ms Franków-Jaśkiewicz, Chair of MONEYVAL, welcomed all participants, including the newly appointed Heads of delegation and members.

Item 2 – Adoption of the agenda

3. The draft agenda was adopted with amendments to the order of business.

Item 3 – Information from the Chair

4. MONEYVAL took note of the information presented by the Chair regarding its correspondence, the 5th round evaluation visits completed as of December 2023, the published reports (5th round mutual evaluation reports: Romania, North Macedonia; follow-up reports: Albania, Slovenia); the 5th round follow-up reports adopted by written procedure (Croatia, Georgia, Poland, Serbia and Slovak Republic).

5. It welcomed the renewal of the appointment by the FATF Presidency of Germany and the United Kingdom from among State members of the FATF, for a term of office of 2 years (January 2024 to December 2025), in application of Article 3(3) of MONEYVAL's Statute.

6. The plenary also heard an update from both the Chair and Mr Richard Walker, Vice-Chair, regarding other events and activities to which they have contributed since May 2023¹. The Chair thanked warmly the Latvian delegation for the excellent organisation of its conference within the framework of the Latvian Presidency of the Committee of Ministers of the Council of Europe (7 November 2023), which she opened together with the Minister of Finance of Latvia and the FATF President.

Item 4 – Information from the Secretariat

7. The Plenary heard an update about the financial and human resources situation in the Secretariat. An update was also provided regarding the status of the procedure before the Committee of Ministers regarding the applications of the EPPO and Kazakhstan observer status with MONEYVAL.

¹ The Chair reported on the following events: the exchange of views with the Committee of Ministers and presentation of MONEYVAL's annual activity report (14 June 2023), the FATF working group and plenary (18-23 June 2023), the FATF-FSRB Annual High-Level Meeting (21 June 2023) gathering all Chairs and executive secretaries of the nice FATF-Style Regional Bodies, the 5th and final regional consultation for non-profit organisations of Asian Pacific region which was organised by the EU Global Facility in collaboration with the Global NPO Coalition on FATF (July 2023), the second global roundtable in FATF-INTERPOL's joint initiative to improve global asset recovery and combat financial crime (18-19 September 2023), an event on Risk and consequence : the future of FATF recommendation 8 for financial integrity and for civil society », organised by the EU AML/CFT Global Facility, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Global Program 'Combating Illicit Financial Flows', and the Global NPO Coalition on FATF (26-27 September 2023), the Conference "Future of AML: building resilience in the evolving financial crime environment" (Riga, 7 November 2023), the International Forum "Financial Monitoring 2023" organised by Ukraine, and the Conference on Sanctions: the increasing role of regulation in the AML process" (Warsaw, November 2023). The Vice-Chair reported on his participation in the Banking Supervision Conference (Malta, November 2023).

Item 5 – MONEYVAL’s policy on observers: proposed criteria and process and related amendments to MONEYVAL’s Rules of procedure

8. In May 2023, MONEYVAL had instructed its Bureau, with the support of the secretariat, to prepare a paper to clarify MONEYVAL’s policy on observers, and in particular the possible criteria that could be considered for decision-making processes on new applications. A call for comments on the draft proposal was issued prior to the plenary, and the draft proposal was presented to MONEYVAL delegations participating at the intersessional meeting (4 December 2023).

9. MONEYVAL adopted its Policy on observers, detailing admission criteria and processes to be applied to observer applications, as well as the related amendments to MONEYVAL’s rules of procedure for its implementation. It instructed the Secretariat to publish information on the website about the newly adopted policy, so that any interested applicants for observer status have clarify on the process and criteria applicable.

Item 6 – Rules of procedure for the 5th evaluation round: proposed amendments concerning follow-up processes

10. MONEYVAL discussed a proposal by the Bureau to amend the provisions of its rules of procedure concerning the follow-up process. As explained, those aimed at introducing more clarity on the current processes and set a cut-off date for the reporting under the follow-up process before the assessment under the 6th round of evaluations.

11. MONEYVAL adopted the proposed amendments to the Rules of Procedure for the 5th round of mutual evaluations in respect of modalities for follow-up reporting and authorised their publication as soon as possible.

Item 7– Discussion on the draft 5th round Mutual Evaluation Report of Azerbaijan

12. The Co-Chairs presented the outcomes of the discussions on the Working Group of Evaluations and advised the Plenary that the working group discussed seven key issues (KI) on the Mutual Evaluation Report of Azerbaijan. Four KIs related to discussion of ratings with a view to upgrades (IO.1, IO.3, IO.9, IO.10), while three (IO.2, IO.6, IO.11) covered the appropriateness of given ratings and possibility of downgrades. The possible downgrades for three Key Issues (IO.2, IO.6, IO.11) were not supported by delegations. There was some support for upgrading the rating on Key Issues 3 and 6 (IO.9 and IO3), which the Plenary was invited to examine further.

13. The Chair concluded that on the basis of the interventions made by the delegations with a voting right, the rating for IO.9 would be upgraded from Moderate Effectiveness to Substantial Effectiveness. Given the lack of consensus, the rating of IO.3 was maintained as Low.

14. MONEYVAL adopted the 5th round mutual evaluation report of Azerbaijan and its executive summary, subject to amendments agreed to by the Plenary and any amendments necessary to make the text consistent with Plenary decisions.

15. According to Rules 21 and 23 of MONEYVAL’s 5th Round Rules of Procedure, Azerbaijan was placed in enhanced follow-up and is required to report back to the Plenary in two years’ time (i.e., by December 2025). The report will be final and published after the quality and consistency review of the global AML/CFT network.

Item 8 – Fifth round follow-up: Cyprus : Third enhanced follow-up report

16. In line with MONEYVAL’s procedures, the third enhanced follow-up report of Cyprus was examined by MONEYVAL with a view to its adoption. MONEYVAL discussed the key issues submitted in this context with respect to measures taken to implement the requirements of FATF recommendations 8 and 31. As regards the rating of R. 31, it was clarified that the Rapporteur and

the Secretariat analysis applied the Rule 21(8) of the Rules of Procedure. The Plenary took note of the position of the Cyprus delegation, which also raised concerns regarding the written procedure at the time of the second enhanced follow-up report, and of the comments expressed by several delegations with respect to the weighting of measures taken. It was concluded that the rating of R. 31 would, at this time, remain unchanged. Similarly, the rating of R. 8 remained unchanged. As regards amendments to the follow-up report, it was recalled that all delegations should strictly respect the submission deadlines fixed for submission of information and for comments on draft reports as this is essential to ensure the proper conduct of the follow up reports.

17. MONEYVAL agreed to the Chair's proposal to instruct the Bureau to review the functioning of the written procedures with respect to follow-up reports, and report back at a future meeting on their findings and, where appropriate, to develop proposals to improve the written procedures, including regarding any needs to clarify the existing processes in situations where the assessed jurisdiction, the rapporteur(s) and scientific expert(s) did not achieve an agreement (footnote 28 of the Rules of procedures). The Chair also indicated that the FATF and other FSRB's secretariats could be consulted to see whether there were any positive experiences that should be considered by the Bureau for the purpose of this review.

18. The Plenary adopted the third enhanced follow-up report of Cyprus. Taking into consideration that Cyprus has 37 Recommendations at the LC/C level, including all "big six" Recommendations (3, 5, 6, 10, 11 and 20), the authorities are expected to report back to MONEYVAL in May 2025 on progress to strengthen the implementation of AML/CFT measures. The report will be final and published after the quality and consistency review of the global AML/CFT network.

Item 9 – Elections of the Chair, Vice-chairs and Bureau members

19. MONEYVAL held elections in line with its Statute's provisions. The composition of the Bureau for the period from 1st of January to 2024 to 31 December 2025 is as follows:

- Mr Nicola MUCCIOLI (San Marino) was elected Chair for a two-year term, which may be renewed;
- Ms Astghik KARAMANUKYAN (Armenia) was re-elected vice-chair for a second and last term of office;
- Mr Matis MÄEKER (Estonia) was elected vice-chair, for a two-year mandate, which may be renewed;
- Ms Jennifer PALPACUER (Monaco) and Mr Daniel-Marius STAICU (Moldova) were elected as Bureau members for a two-year term, which may be renewed.

20. MONEYVAL warmly thanked the outgoing Chair, Ms Elżbieta Franków-Jaśkiewicz (Poland) for her excellent chairmanship over the last years, and the outgoing Vice-Chair (Richard Walker, Guernsey) and Bureau member (Ladislav Majernik, Slovak Republic) for their dedication and contributions to the work of the Committee.

Item 10 – Discussion on the draft 5th round Mutual Evaluation Report of Montenegro

21. The Co-Chairs presented the outcomes of the discussions on the Working Group of Evaluations and advised the Plenary that the working group discussed five Key Issues on the Mutual Evaluation Report of Montenegro. Four Key Issues related to discussion of appropriateness of ratings IO.7, IO.8, IO 10 and IO.3 and one Key Issue of the weight given to the gap in the risk understanding in IO.1.

22. The Prime Minister of Montenegro, Mr. Milojko Spajić, made an opening speech emphasising the importance of the fight against ML/TF and indicating the high-level political commitment of Montenegro to address AML/CFT issues.

23. As a result of the Working Group discussion, the Plenary was invited to consider one Key Issue on the appropriateness of the rating for IO.10, with a view in favour of an upgrade of the rating. As a result of the discussion which followed, the Chair concluded that on the basis of the interventions made by a large number of delegations with a voting right, the rating for IO.10 was upgraded from Low Effectiveness to Moderate Effectiveness.

24. MONEYVAL adopted the 5th round mutual evaluation report of Montenegro and its executive summary, subject to amendments agreed to by the Plenary and any amendments necessary to make the text consistent with Plenary decisions.

25. According to Rules 21 and 23 of MONEYVAL's 5th Round Rules of Procedure, Montenegro was placed in enhanced follow-up and requested to report back to the Plenary in two years' time. The report will be final and published after the quality and consistency review of the global AML/CFT network.

Item 11 – Sixth round of mutual evaluations

26. The Chair informed delegations about the developments of the workstream on the preparations to the sixth round of mutual evaluations.

11.1 – Rules of procedure for the 6th evaluation round

27. The Secretariat presented the changes introduced to the draft rules following the intersessional meeting held on 4 December 2023, including in the light of the text of the FATF's Consolidated Processes and Procedures for AML/CFT/CPF Mutual Evaluations and Follow-Up ("Universal Procedures"). Delegations were also informed on the procedures for the follow-up reporting under the 6th round of mutual evaluations.

28. The FATF Secretariat proposed a few amendments. The Executive Secretary provided clarifications, noting that also that the rules embedded existing practices that had proved to be effective in MONEYVAL's experience over the past 5 rounds. She recalled that overall the text of the rules of the procedures mirrored almost entirely the FATF's Rules of Procedure, and as such were aligned with the Universal Procedures or any requirements set out under MONEYVAL's Statute. She indicated that any remaining differences should be read as reflecting also the flexibility in the procedural arrangements afforded under the Universal Procedures.

29. MONEYVAL adopted the Rules of Procedure for the 6th round of mutual evaluations including the amendments agreed upon during the discussion, and authorised their publication. It was noted that after the adoption of the Rules of Procedure, those would be subject to a quality and consistency review, in accordance with the procedures outlined in the Consolidated Processes and Procedures for AML/CFT/CPF Mutual Evaluations and Follow-Up ("Universal Procedures").

11.2 – Draft template questionnaires and support materials

30. The Secretariat presented the Technical Compliance and Effectiveness Questionnaires, clarified the synergies with the Materiality Assessment Project, which will serve as a compound part of the information gathering exercise. Information was presented also on the developments and minor amendments introduced into the Technical Compliance Questionnaire and Materiality Indicators - Definitions and Guidance.

31. MONEYVAL took note of the Technical Compliance and the Materiality Questionnaires and Materiality Indicators - Definitions and Guidance. The Committee decided to hold a further intersessional meeting early 2024 to finalise the Effectiveness Questionnaire. It also decided that

following the first 3 evaluations, the evaluated jurisdictions will be invited to provide feedback on the questionnaire's use, with a view to considering whether the questionnaires should be revised.

15.3 – Sequencing for the 6th Round of mutual evaluations

32. The Executive Secretary presented the sequencing for the 6th round of mutual evaluations and explained the rationale and prioritisation criteria applied. A few delegations requested that further bilateral discussions should be held on their country's sequencing, some indicating that the timeline coincided with their time when they hold the EU Presidency, and that would trigger concerns as regards the authorities' resources.

33. MONEYVAL agreed the proposed sequencing, in particular as regards the next biennium, on the understanding that MONEYVAL will keep under review the sequencing and revisit it, if necessary, at the end of its 5th round cycle (i.e.. December 2024) of evaluations. The Chair invited the Secretariat and new Chair to hold additional bilateral discussions with the two requesting members.

15.4 – Update on evaluators training in 2024 and beyond

34. MONEYVAL took note of the information provided by the Secretariat regarding the trainings for evaluators for the 6th round of mutual evaluations, namely regarding the first Joint Assessors Training organised jointly with the FATF (online, November 2023) and the planned joint training with the FATF (Helsinki, January 2024). In line with the adopted Strategy, it was recalled that MONEYVAL would strive to organise its own evaluators trainings, subject to availability of additional funding. The Committee took note and thanked Latvia, Armenia, Monaco, Poland and Malta who had generously offered to host future trainings.

15.5 – Financing of MONEYVAL's work programme and implementation of the Strategy

35. The Executive Secretary presented briefly information on financing of MONEYVAL's work programme, staffing and implementation of the Strategy.

Item 12 – Fifth Round Follow-up Procedures and Compliance Enhancing Procedures

36. The Chair of MONEYVAL informed the Plenary that the Bureau had held a preliminary discussion with respect to the specific situation of the Czech Republic, Lithuania and Slovenia. Although the reports reflected the outcome of the written procedure consultation, their reports were included on the agenda, for a discussion on the next steps in application of the Rules of procedure, notably in relation to the applicable compliance enhancing procedures.

16.1 – Czech Republic: Fourth enhanced follow up report – Secretariat paper

37. The Secretariat introduced the report and the analysis contained therein. Taking into consideration that the Czech Republic had not reached the general expectation to address most, if not all, of the technical compliance deficiencies at the time of the end of the fourth year since the adoption of its mutual evaluation report, MONEYVAL decided on the modalities and scope of the reporting under step 1 of the Compliance Enhancing Procedures.

38. MONEYVAL adopted the fourth enhanced follow-up report. MONEYVAL confirmed the application of Step 1 of Compliance Enhancing Procedures (CEPs) in respect of the Czech Republic and agreed that the CEPs procedure should aim to ensure a swift progress with respect to Recommendation 6 as a priority. In application of Rule 25 paragraph 4 of the Rules of procedure, the Czech Republic was required to report back orally to MONEYVAL at its May 2024 plenary meeting, and provide a written report in December 2024 on how it has achieved tangible progress by taking necessary corrective measures to comply with the requirements of the Recommendation 6.

39. The Chair thanked the outgoing head of delegation for his contribution and co-operation in his role over the past year and welcomed the newly appointed head of delegation.

16.2 – Lithuania: Fourth enhanced follow-up report

40. The Secretariat introduced the report and the analysis contained therein. It was recalled that in the light of the previous decision of the Plenary and given the lack of sufficient progress observed at this stage of the follow-up process, Step 1 of the Compliance Enhancing Procedures applies.

41. MONEYVAL adopted the fourth enhanced follow-up report. It also agreed that the CEPs procedure should aim to ensure a swift progress with respect to Recommendation 6 as a priority. In application of Rule 25 paragraph 4 of the Rules of procedure, Lithuania is expected to report back orally to MONEYVAL in May 2024, and provide a written report in December 2024 on how it has achieved tangible progress by taking necessary corrective measures to comply with the requirements of the Recommendation 6.

16.3 – Slovenia: Sixth enhanced follow-up report

42. The Secretariat introduced the report and the analysis contained therein. It was noted that based on the information received and analysed, the compliance with R.5 was re-rated as “Largely Compliant”.

43. MONEYVAL adopted the sixth enhanced follow-up report of Slovenia. Taking into consideration that Slovenia had implemented all 40 recommendations at the level of Largely Compliant or Compliant, with 11 recommendations rated Compliant, and 29 recommendations rated Largely Compliant, it decided that no further reporting shall be required under MONEYVAL’s 5th round of evaluations. In addition, the application of Step 1 of Compliance Enhancing Procedures shall be terminated.

Item 13 – Thematic session: international standards on artificial intelligence and potential effects on using AI in AML

44. The item was postponed.

Item 17 – Information on FATF’s revision of the Standards and Methodology and on FATF’s work programme

45. MONEYVAL took note with interest on the FATF’s revision of the Standards and the Methodology and the FATF’s work programme as presented by the FATF Secretariat.

Item 15 – Typology work: proposals

46. The Secretariat presented three typology proposals developed following the call issued to all delegations, developed on the basis of the priorities set by MONEYVAL’s Strategy for 2023-2027. The Secretariat had developed proposals covering: (i) a horizontal review of the implementation of voluntary tax compliance (VTC) programmes across MONEYVAL members; (ii) a joint GRETA/MONEYVAL project to examine the financial side of the phenomenon of trafficking in human beings and develop tools in the areas of AML/CFT and the fight against human trafficking. Ukraine proposed a typology project on Proceeds from conflict (including military aggression, war) and presented it to the Committee.

47. Several MONEYVAL members supported, as a priority, to initiate work under the project proposed by Ukraine and the joint MONEYVAL/GRETA project. Interested delegations were invited to confirm to the MONEYVAL Secretariat their participation in the selected typologies projects.

Item 16 – Information on AML/CFT and other relevant initiatives in the Council of Europe and in other fora

48. The plenary took note with interest of the findings presented in the interventions made by Andrew Strijker, scientific expert, with respect to the Circumvention of Sanctions Work Stream, and by the head of delegation of Israel to MONEYVAL on the terrorism financing risks in the current context and identified typologies. Speakers stressed the importance of the adequate implementation of FATF's standards on criminalisation of TF and of the UN sanctions, and the materiality of the MVTs and VASP sectors in abusing those for the TF purposes.

49. The Plenary also heard an update from observers to MONEYVAL on their AML/CFT and other relevant initiatives. The Executive Secretary presented information on collaborative work conducted within the Council of Europe. In particular, Plenary was informed about the implementation of the Council of Europe Counter-terrorism Strategy, which will aim at initiating standard-setting work to update the terrorism conventions. She also highlighted the work to be initiated in 2024 by the Committee of Experts on criminal asset recovery (PC-RAC) tasked with the elaboration of an additional protocol to Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS no. 198) and to which MONEYVAL would be expected to contribute, in line with the PC-RAC's terms of reference.

50. The Plenary took note of the information received and agreed to entrust the Bureau to follow any relevant developments which requires co-operation between MONEYVAL and those initiatives, and to prepare relevant contributions where it is necessary in-between plenary meetings.

Item 19 – Rapporteurs and timelines for the follow-up reports for the 67th Plenary

51. MONEYVAL took note of the Rapporteurs for the follow-up reports for the 67th Plenary meeting, as revised. The follow-up reports will be presented to the 67th Plenary within the timeframes outlined in the Rules of Procedure for the 5th round of mutual evaluations.

Item 20 – Dates of future meetings

52. MONEYVAL took note that MONEYVAL's 67th Plenary meeting will be held in Strasbourg from 21-24 May 2024.