



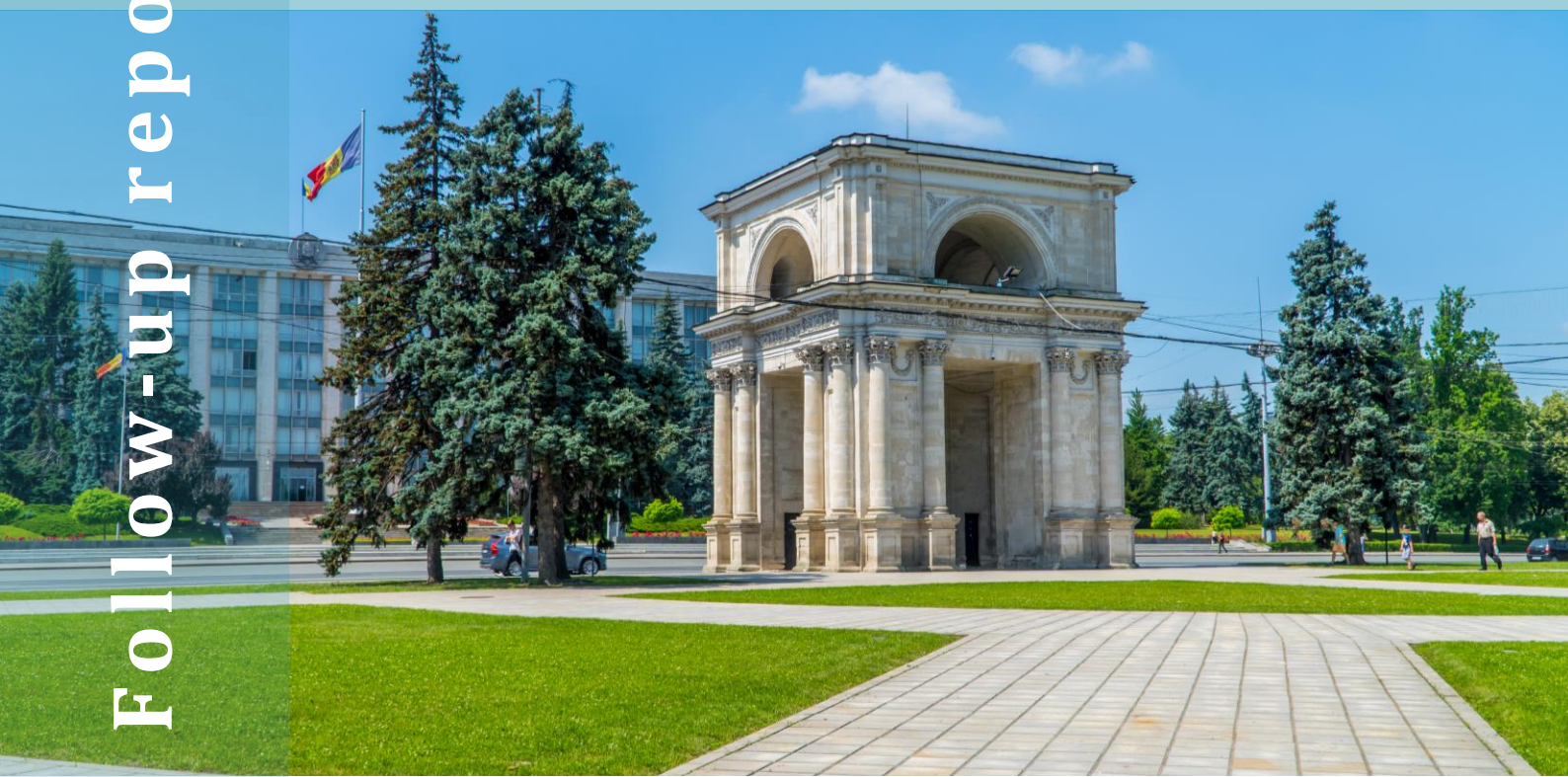
# Anti-money laundering and counter-terrorist financing measures

# Republic of Moldova

## 2<sup>nd</sup> Enhanced Follow-up Report & Technical Compliance Re-Rating

May 2024

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 2nd Enhanced Follow-up Report and Technical Compliance Re-Rating on Republic of Moldova was adopted by the MONEYVAL Committee at its 67th Plenary Meeting (Strasbourg, 24 May 2024).

# *Republic of Moldova: Second Enhanced Follow-up Report*

## **I. INTRODUCTION**

1. The mutual evaluation report (MER) of Republic of Moldova was adopted in July 2019.<sup>1</sup> Given the results of the MER, Republic of Moldova was placed in enhanced follow-up<sup>2</sup>. Its 1st Enhanced Follow-up Report (FUR) was adopted in May 2022.<sup>3</sup> Republic of Moldova did not ask any upgrade to be discussed at the May 2023 Plenary. This report analyses the progress of Republic of Moldova in addressing the technical compliance (TC) deficiencies identified in its MER or subsequent FUR. Re-ratings are given where sufficient progress has been made. 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.

2. The assessment of Republic of Moldova'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):

- Ukraine
- Andorra

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

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

4. This section summarises the progress made by Republic of Moldova to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER and applicable subsequent FUR for which the authorities have requested a re-rating (Recommendation R.6, R.7, R.8, R.24, R.25) and implementing new requirements where the Financial Action Task Force (FATF) Recommendations have changed since the MER was adopted (R.15).

5. This report takes into consideration only relevant laws, regulations or other anti-money laundering and combating financing of terrorism (AML/CFT) measures that are in force and effective at the time that Republic of Moldova submitted its country reporting template – at least six months before the FUR is due to be considered by MONEYVAL.<sup>4</sup>

### **II.1 Progress to address technical compliance deficiencies identified in the MER and applicable subsequent FURs**

6. Republic of Moldova has made progress to address most of the technical compliance deficiencies identified in the MER and applicable subsequent FURs on R.6 and R.7 and made some limited progress in respect of the deficiencies identified on R.15. As a result of this progress, Republic of Moldova has been re-rated on three Recommendations. The other Recommendations, R.8, R.24 and R.25, for which Republic of Moldova requested a re-rating, were also analysed, however insufficient progress has been made to justify an upgrade of these Recommendations.

7. Annex A provides the description of country's compliance with each Recommendation that is reassessed, set out by criterion, with all criteria covered. Annex B provides the consolidated list of remaining deficiencies of the re-assessed Recommendations.

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1. MER of Republic of Moldova, available at <https://rm.coe.int/moneyval-2019-6-5th-round-mer-repmoldova/168097a396>

2. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.

3. First Enhanced Follow-up Report, available at <https://rm.coe.int/fur-moldova-1st/1680a6d980>.

4. This rule may be relaxed in the exceptional case where legislation is not yet in force at the six-month deadline, but the text will not change and will be in force by the time that written comments are due. In other words, the legislation has been enacted, but it is awaiting the expiry of an implementation or transitional period before it is enforceable. In all other cases the procedural deadlines should be strictly followed to ensure that experts have sufficient time to do their analysis.

### III. CONCLUSION

8. Overall, in light of the progress made by Republic of Moldova since its MER and 1st FUR was adopted, its technical compliance with the FATF Recommendations has been re-rated as follows:

**Table 1. Technical compliance with re-ratings, May 2024<sup>5</sup>**

R.1	R.2	R.3	R.4	R.5
LC	LC	LC	C	LC
<b>R.6</b>	<b>R.7</b>	<b>R.8</b>	R.9	R.10
<b>LC (FUR2 2024)</b> <b>PC (FUR1 2022)</b> <b>PC</b>	<b>LC (FUR2 2024)</b> <b>PC (FUR1 2022)</b> <b>PC</b>	<b>PC (FUR2 2024)</b> <b>PC (FUR1 2022)</b> <b>PC</b>	LC	LC (FUR1 2022) PC
R.11	R.12	R.13	R.14	<b>R.15*</b>
LC	LC (FUR1 2022) PC	LC	C	<b>PC (FUR2 2024)</b> <b>NC (FUR1 2022)</b> <b>LC</b>
R.16	R.17	R.18	R.19	R.20
LC	LC	LC	LC (FUR1 2022) PC	C
R.21	R.22	R.23	<b>R.24</b>	<b>R.25</b>
C	PC	LC (FUR1 2022) PC	<b>PC (FUR2 2024)</b> <b>PC</b>	<b>PC (FUR2 2024)</b> <b>PC</b>
R.26	R.27	R.28	R.29	R.30
C	LC	LC	C	C
R.31	R.32	R.33	R.34	R.35
LC	LC	LC	C	C
R.36	R.37	R.38	R.39	R.40
LC	LC	PC	LC	LC

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

9. The 5th round MER was adopted in July 2019. Following the first FUR in May 2022, Republic of Moldova did not seek any re-rating in May 2023, at the time when they should have submitted a second FUR. In line with Rule 21 (8), it was expected that Republic of Moldova addresses most if not all of its technical compliance deficiencies<sup>6</sup> by July 2023.

10. Pursuant to Rule 25 (1), the Compliance Enhancing Procedures (CEPs) procedure may be launched by the plenary at the end of the 3rd year of follow-up if it becomes apparent that the jurisdiction has not reached the threshold of addressing “most if not all addressed deficiencies” as required by the Rules of Procedure.

11. Currently, 34 recommendations are rated as LC/C and 6 recommendations (R.8, R.15, R.22, R.24, R.25 and R.38) remain rated as PC.

12. The plenary decided to issue a CEPs warning to Republic of Moldova, according to which if Republic of Moldova does not reach the threshold of addressing “most if not all addressed deficiencies” by June 2025, step 1 of CEPs will automatically be applied.

13. Republic of Moldova will remain in enhanced follow-up and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. Republic of Moldova is expected to report back in one year’s time.

5. Recommendations with an asterisk are those where the country has been assessed against the new requirements following the adoption of its MER or FUR.

6. A jurisdiction in enhanced follow-up meets the threshold of the general expectation to have addressed most if not all technical deficiencies if thirty-six or more out of the forty FATF Recommendations are rated at the LC/C level, depending on the context of the jurisdiction.



## Annex A: Reassessed Recommendations

### Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

	Year	Rating
MER	2019	PC
FUR1	2022	PC (upgrade requested, no re-rating)
FUR2	2024	↑ LC (upgrade requested)

1. In its 5th round MER, Republic of Moldova was rated PC for R.6. There were no explicit legal provisions to appoint and authorise a competent authority for proposing persons or entities to the 1267/1989 and 1988 Committees and to identify designation targets based on the criteria set out in the relevant UNSCRs. The relevant legislation did not indicate the evidentiary standard to be applied by competent authorities when processing a designation. Authorities were not explicitly allowed to give effect to freezing actions initiated by other countries and no specific provisions for determination of “reasonable grounds” or “reasonable basis” when receiving foreign requests. There were also no legal provisions or procedures to be followed when requesting another country to give effect to freezing actions initiated by Republic of Moldova. These latter two deficiencies also had an impact on the implementation of targeted financial sanctions (TFS) based on UNSCR 1373. There were also deficiencies in relation to c.6.5 (e), c.6.6 (a) – g) and C.6.7.

2. Republic of Moldova requested an upgrade for this Recommendation under the first follow-up, however at the time the progress made was insufficient to justify an upgrade.

3. The Regulation on the implementation procedure of financial sanctions related to terrorist activity and proliferation of weapons of mass destruction came into force on 1 December 2023 (hereinafter the Regulation) and replaced the previous set of regulations issued in October 2020.

#### 4. **Criterion 6.1 –**

(a) Pursuant to paragraphs 5 and 18 of the Regulation the Security and Intelligence Service (SIS) is the competent authority for proposing persons or entities to the 1267/1989 and 1988 Committees (see definition of sanctions committee under paragraph 4).

(b) The SIS actively monitors the territory of Republic of Moldova to identify persons with links to terrorism or financing of terrorism (FT) and is responsible for creating a supplementary list regarding the persons, groups and entities involved in terrorism activities (the “additional list”<sup>7</sup>) (Art. 34 (14) of the AML/CFT Law and paragraph 12 of the Regulation). In addition, the SIS has the obligation to create and manage the specialised database on the status, dynamics and trends of the extent of the international terrorism, terrorist, terrorist organisations, including international ones, its leaders, persons involved in the work of such organisations, natural and legal persons providing terrorist with support, including financial (Art. 8 of the Law no. 120/2017). An internal order regarding the operational activity of the competent structure within the SIS establishes the specific operational measures for detecting and preventing terrorist activities, including combating the FT. According to this same document, the SIS may apply special measures in order to obtain necessary information and data at national and international level. The identification of targets is based on the criteria for designation in the additional list, which are in line with most of the UN designation criteria (paragraph 12 of the Regulation), however paragraph 4 of UNSCR 2368(2017) is not fully covered. Once a person is included in the additional list the SIS must then determine whether the conditions for designation set out in the relevant UNSCR are fulfilled.

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7. The additional list is the list of persons, groups and entities involved in terrorist activities approved at the national level based on the unilateral decision of the state or at the request of a state or an international organisation - paragraph 4 of the Regulation.

- (c) According to paragraph 12(1) of the Regulation one of the designation criteria is the existence of a reasonable suspicion that a person, group, or entity is financing or committing other acts to support terrorist organisations or affiliated entities or organisations. This is not conditioned by the existence of a criminal proceeding. Final court decisions related to terrorist activities constitute another separate designation criteria envisaged under separate sub-paragraphs of paragraph 12. Reference to reasonable suspicion as a ground for proposing persons listed under the additional list (under paragraph 12) to the relevant UN Sanctions Committee is also envisaged under paragraph 18 of the Regulation.
- (d) According to paragraph 18 of the Regulation, the SIS shall complete, in a term of up to 10 days from the moment of designation at the national level, the standard form approved by the UN sanctions committee and submit a request for inclusion in the relevant UNSCR lists to the relevant Sanctions Committee in accordance with the procedure provided by the Security Council resolutions.
- (e) Paragraph 15 of the Regulation notes that the additional list shall be drawn up in such a way that the names of natural persons are accompanied by sufficient identification elements where available, such as date and place of birth, pseudonym, gender, citizenship, state identification number. It also indicates that in the case of groups and entities, the information shall include the main office, the place of registration, the date and the registration number, in so far as such information is available. The authorities confirmed that when proposing a person or entity, the authorities would provide as much relevant information as possible on the proposed name, a statement of the case, which contains as much details as possible on the basis for listing; and (in the case of proposing names to the 1267/1989 Committee), specify whether their status as a designating state may be made known as required by the Standards.

**5. Criterion 6.2 –**

- (a) Pursuant to paragraph 5, 12(1) and 20 of the Regulation the SIS is empowered to designate persons, groups and entities under the additional list, on its own motion or at the request of foreign countries and organisations.
- (b) The procedures developed by the SIS enable them to identify targets for designation, based on the designation criteria set out in UNSCR 1373. Section 4 of the Regulation allows the authorities to give effect to actions initiated under the freezing mechanisms of other countries pursuant to UNSCR 1373(2001).
- (c) In accordance with paragraphs 21 and 25 of the Regulation requests for designations by a foreign state are submitted to the SIS (through the Ministry of Foreign Affairs and European Integration (MFAEI)) to check whether the conditions for designation under Moldovan law are met. In terms of paragraph 24 of the Regulation, the designation request shall be examined by the SIS without delay, and the SIS informs that authority in writing about the results of the examination through the MFAEI.
- (d) Designation in the additional list (i.e. including listings on request of a foreign state) is possible on the basis of reasonable suspicion (paragraph 12(1) of the Regulation). As explained under c.6.1(c) designations are not conditioned on the existence of a criminal proceeding.
- (e) In accordance with paragraph 17 of the Regulation, the SIS, through the MFAEI, submits a request addressed to the competent authorities of the state where the person designated in the additional list is a citizen or resides or where the designated group or entity is registered and/or is established and managed, for inclusion in the list of designated persons of that country. In this case, the SIS transmits to the requested state the reasons for the requested designation based on the criteria set forth in paragraph 12, as well as their detailed identification information.

6. **Criterion 6.3 –**

- (a) The competent authorities have powers and procedures to collect and solicit information to identify persons or entities with respect to whom there are grounded suspicions of involvement in any form in terrorism or FT (Art. 7 and Art. 8(i) of the Law no. 120/2017; Art 34 (13) and (14) of the AML/CFT Law).
- (b) The SIS informs the concerned persons, groups and entities about the fact of their listing, reasons for listing and legal ways for contesting the decision (paragraphs 27 and 28 of the Regulation, Art. 34 (15) of the AML/CFT Law). There are no legal or judicial requirements to hear or inform the person or entity against whom a designation is being considered. Thus, it can be inferred that authorities can act *ex parte*.

7. **Criterion 6.4 –** Paragraph 9 and 29 of the Regulation, and Article 34(12) of the AML/CFT Act (applicable to REs) clearly provide that the designations made pursuant to the UNSCRs are directly applicable and have immediate legal effect on the territory of the Republic of Moldova. Their effect is not conditioned by their inclusion in the consolidated list (see definition of consolidated list under paragraph 4 of the Regulation<sup>8</sup>).

8. In respect of the additional list (also including designations upon a foreign country's request) paragraph 14 states that the additional list and changes thereto become mandatory for all natural or legal persons upon approval by the Director of the SIS and following their immediate publication on the SIS's website. Inclusion in the consolidated list and publication thereof on the website of the SIS should take place immediately (paragraph 10). Paragraph 29 of the Regulation stipulates that from the moment of designation in the consolidated list, a person, group or entity is subject to financial sanctions, and their assets are subject to restrictive measures.

9. **Criterion 6.5 –**

- (a) The reporting entities (REs) shall immediately apply restrictive measures, including freezing measures, in relation to goods owned or held or controlled by persons, group or entities included in the lists of persons, groups and entities involved in terrorism activities and proliferation of WMDs that are subject of TFS (Art. 33, 34(1) and (2) of the AML/CFT Law). The restrictive measure is immediately applied and maintained for an undetermined period of time. The REs shall inform the Service for Prevention and Fight of Money Laundering (SPCML) on the application of the restrictive measures, no later than 24 hours from the moment of application. In its turn the SPCML shall inform, no later than 24 hours, the SIS and MFAEI, in order for them to inform the competent bodies and authorities of UN (Art. 34 (4) of the AML/CFT Law). Violations of the AML/CFT law are subject to sanctions in terms of Art. 35.

Restrictive measures are also to be applied immediately, without prior notice, by any natural or legal person, regardless of the legal form of the organisation - paragraphs 31 and 32 of the Regulation. Natural or legal persons are required to inform the SIS and MFAEI, within no longer than 24 hours, about the application of restrictive measures – paragraph 36 of the Regulation. Article 24 of Law 25/2016 regarding the application of international restrictive measures states that violation of international restrictive measures attracts liability. There is however no indication, under this law or any other law, what such liability entails and thus no sanctions are established for natural and legal persons which are not REs.

- (b) The restrictive measures shall be applied in respect of “goods”, including of those obtained from or generated by goods owned or held or controlled, directly or indirectly, by persons, groups and entities included in the sanctions lists. The AML/CFT Law defines “goods” as

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8. The consolidated list is the list of all persons, groups and entities designated by the UN, EU or included in the additional list.

financial means, as well as funds, income, any category of corporeal or incorporeal, movable or immovable, tangible or intangible values (assets) and acts or other legal instruments in any form, including in electronic or digital form [...]. The definition of goods subject to restrictive measures is set out in paragraph 30 of the Regulation and largely comprises the funds and assets envisaged under this criterion. This definition does not however capture funds or assets of natural persons acting on behalf or at the direction of designated persons or entities.

- (c) A general provision in Law no. 25/2016 states that the UNSCR sanctions are directly applicable and constitute rights and obligations for individuals and any other subject of law of Republic of Moldova (Art. 5). AML/CFT Law prohibits REs from performing activities and transactions in the favour or in benefit of the listed persons, groups and entities (Art. 34 (2)). Any natural or legal person on the territory of the Republic of Moldova is likewise prohibited from making goods available (directly or indirectly, fully or jointly) for the benefit of designated persons or entities, or for legal persons owned or controlled by designated persons or entities. This prohibition does not extend to natural persons acting on behalf of, or at the direction of, designated persons and entities, as required under this sub-criterion (paragraph 32 of the Regulation).

Only the SPCML, in co-ordination with the SIS, may authorise an exception to the restrictive measures to ensure a minimum living standard; provide for urgent medical treatment; pay taxes and duties to budget and mandatory insurance premiums; or other extraordinary expenses or the maintenance of goods to which the restrictive measures were applied (Art. 34 (8) of the AML/CFT Law). Art. 16 of Law 25/2016 provides the mechanism for obtaining the exceptions on application of restrictive measures and indicates that such exceptions have to be admissible and not contradict the purpose of international restrictive measures.

- (d) The Secretariat of Interdepartmental Supervisory Council maintains a central record of all mandatory international restrictive measures in force and publishes the relevant information on the official website of the institution responsible for record keeping of the Council.<sup>9</sup> (Art. 7<sup>1</sup>(f) and 18(1) of the Law 25/2016). The SIS elaborates, updates and publishes in the Official Gazette of Republic of Moldova and on its website<sup>10</sup> the consolidated list of persons, groups and entities involved in terrorism and in proliferation of weapons of mass destruction activities which includes all categories of designations (paragraph 10, 14 of the Regulation and Art. 34 (16) of the AML/CFT Law). The information on the amendment of the UNSC lists, related to listing or delisting of one or more persons, groups or entities, shall be transmitted immediately by the SIS to the REs, authorities with supervision functions of the REs and to the SPCML (Art.34 (17) of the AML/CFT Law, paragraph 10 of the Regulation). In addition, the REs have the obligation to monitor the UN, EU and SIS websites (Art.34 (18) of the AML/CFT Law). Guidance and provision of training to REs on the implementation of TFS obligations is provided as explained under Immediate Outcome 10. No information on guidance provided to non-REs was available.

- (e) REs shall transmit to the SPCML, no later than 24 hours after application, the information on the application of the respective measures, which in its turn, shall inform, within 24 hours, the SIS and MFAEI for transmission of information to competent bodies and authorities of the United Nations Organisation and European Union (Art. 34(4) of the AML/CFT Law and paragraph 34 of the Regulation).

In accordance with Art. 34 (2) REs are also required to refrain from carrying out activities and transactions that are in the process of preparation, and of attempted ones, which are also subject to notification by REs and other persons as set out above.

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9. Source available at <https://mfa.gov.md/ro/content/masuri-restrictive-internationale>.

10. Source available at <https://sis.md/ro/entitati?title=>



(f) The rights of bona fide third parties are protected (Arts. 16(8) and 12(4) of AML/CFT Law).

10. **Criterion 6.6** – Republic of Moldova applies the following publicly known procedures for de-listing and unfreezing the funds or assets of persons and entities no longer meeting the designation criteria.

(a) There are publicly known procedures to submit de-listing requests to the UN sanctions Committees 1267/1989 and 1988 (i.e. the UN Ombudsman or the co-ordinator designated by the sanctions committees, directly or indirectly through the MFAEI) in the case of persons and entities who do not or no longer meet the criteria for designation (paragraphs 58 and 59 of the Regulation).

(b) The SIS has the authority to issue a decision on removal of restrictive measures on one or more persons, groups or entities on the basis of the amendments on the exclusion of related persons, groups or entities from the UNSCRs lists (Art. 34 (10) of the AML/CFT Law). The decision of the SIS shall be taken immediately, but no later than 24 hours from the moment of the amendment of the UNSCRs list. The decision is further communicated to the SPCML, which in its turn has the obligation to communicate it to the RE which applied the freezing measure.

Section 1 of Chapter IV of the Regulation sets out the procedures, mechanism and the responsible authority (the SIS) to de-list and unfreeze the funds or other assets of persons and entities designated pursuant to UNSCR 1373, that no longer meet the criteria for designation.

(c) According to paragraphs 49, 52 and 53 of the Regulation, there are specific legal provisions in place to allow, upon request, review of the designation decision.

(d) The provisions of Chapter IV of the Regulation set out the procedure to facilitate revisions of designations and listing exclusions by the UN sanctions committee, including the 1988 Committee. Paragraph 58 provides information on the persons to whom requests should be addressed (inc. the co-ordinator designated by the sanctions committee) and the information or documents that need to be provided (paragraph 59).

(e) Paragraph 61 of the Regulation refers to procedures for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions.

(f) In case of doubt on the identity of a person, group or entity on the designation list, the REs should inform the SPCML, which, in turn after consultation with the SIS, informs the RE about the necessity of application or non-application of restrictive measures (Art. 34(6) of the AML/CFT Law).

In terms of Paragraphs 44(1), 45, 53-55 of the Regulation, persons or entities whose designation was done erroneously may request the SIS to be excluded from the additional list, which action may also take place *ex officio*, following due examination. Moreover, in terms of Art 18(5) and (6) of Law 25/2016, any person may notify the authority about any identification errors regarding listed individuals and targeted goods, and the authority shall take a decision and any ancillary action on that matter within 15 working days.

(g) The decisions on the application or non-application of restrictive measures shall be communicated to the RE that applied the respective measure (Art. 34(10) of the AML/CFT Law). Paragraphs 54-57 of the Regulation stipulate mechanisms for the immediate communication of delisting decisions via publication on the SIS's official website and via specific notices to the Public Services Agency, the Fiscal Service of the State and REs through their supervisors, requesting the revocation of the financial sanctions previous applicable. In the case of de-listing from the additional list and subsequent unfreezing the SIS shall also inform the interested persons, which the authorities explained would include any legal or

natural person subject to the restrictive measure or applying the restrictive measure (see paragraph 54).

This however does not apply to de-listings from other lists since the provisions of paragraph 57 only require the implementation of the notification mechanism envisaged in paragraph 55 which does not foresee all interested persons. Hence, other than in the case of delisting from the additional list, and to a limited extent, no instructions or guidance is provided to non-REs that may hold targeted funds or other assets, on their obligation to respect a de-listing or unfreezing action.

11. **Criterion 6.7** – Upon request of any interested party, the SPCML, in co-ordination with the SIS and in accordance with the provisions of the relevant United Nations resolution, may authorise payments from the amount of goods subject of restrictive measures for: (a) ensuring of minimum living standard according to official indices estimated for Republic of Moldova; (b) urgent medical treatment; (c) payment of taxes and duties to budget, (d) mandatory insurance premiums; and (e) other extraordinary expenses or related to maintenance of goods to which the restrictive measures have been applied (Art. 34 (8) of the AML/CFT Law). The decision of the SPCML on authorisation or refusal of the authorisation of payments can be claimed in the administrative litigation procedure and the decision of judge can be claimed on appeal in the manner established by the legislation (Art. 34 (9) of the AML/CFT Law).

#### **Weighting and conclusion**

12. Republic of Moldova has fully implemented most criteria under R.6. Minor deficiencies in relation to c.6.1(b), 6.5(a)-(d), and c.6.6. (g) remain. **R.6 is re-rated largely compliant.**

*Recommendation 7 - Targeted financial sanctions related to proliferation*

	<b>Year</b>	<b>Rating</b>
<b>MER</b>	2019	PC
<b>FUR1</b>	2022	PC (upgrade requested, no re-rating)
<b>FUR2</b>	2024	↑ LC (upgrade requested)

1. Republic of Moldova was rated PC with R.7 under its 5th round of evaluations. Sanctions could not be implemented in due time; there was no legal provision requiring all natural and legal persons to freeze funds or other assets of designated persons or entities and no obligation to freeze funds or other assets that are jointly owned or controlled by designated persons. The requirements laid down in c.7.5 were entirely absent from Moldovan legislation.

2. Republic of Moldova requested an upgrade for this Recommendation under the first follow-up, however at the time the progress made was insufficient to justify an upgrade.

3. **Criterion 7.1** – The legal basis for the application of TFS under UNSCRs 1718, 1737<sup>11</sup> and their successor resolutions is the same as for TFS related to terrorism and terrorism financing (see C.6.4).

4. **Criterion 7.2** – In accordance with paragraph 7 and 8 of the Regulation the MFAEI and the other public authorities (according to their functional competences) are responsible for implementing financial sanctions in respect of persons, groups and entities involved in terrorist activities and the proliferation of weapons of mass destructions.

(a) Any natural or legal person shall immediately and without prior notice apply restrictive measures as described under R6.5(a). The deficiency regarding the lack of sanctions for natural and legal persons which are not REs (explained in c.6.5(a)) likewise applies.

(b) The analysis and remaining deficiency with respect to c.6.5(b) applies in regard to proliferation financing (PF) TFS.

(c) See c.6.5(c).

(d) See c.6.5(d).

(e) See analysis under c.6.5(e) which also applies to this sub-criterion.

(f) The rights of bona fide third parties are protected through arts. 12(4) and 16(8) of the AML/CFT Law.

5. **Criterion 7.3** – Monitoring and ensuring compliance with the TFS legal requirements by all REs is ensured through Art. 15 of the AML/CFT Law. Failure to comply is considered an infringement to the Law and may result in administrative, pecuniary, civil and disciplinary sanctions (Art. 35 AML/CFT Law).

6. **Criterion 7.4** – As described in Criterion 6.6, the Regulation contains procedures to submit de-listing requests to the relevant UN sanctions Committee.

(a) Pursuant to paragraph 7 of the Regulation the MFAEI acts as a national focal point in respect of implementation of PF-TFS. In the case of designations by the UN, the designated person, group or entity may submit in writing a request for review or exclusion from the list, accompanied with the rationale for the requests and supporting information and documents. The request is to be addressed directly to the Office of the United Nations Ombudsman, the co-ordinator designated by the UN sanctions committee or through the MFAEI (paragraphs 58 and 59 of the Regulation).

(b) See analysis for c.6.6.(f) which likewise applies for this sub-criterion.

11. UNSCR 1737 and its successor resolutions were terminated with the adoption of UNSCR 2231 (2015).

- (c) On the request of a person, group, entity or any other interested party, the SPCML (in coordination with the SIS and in accordance with the provisions of the relevant United Nations resolution) may authorise the performance of payments from the amount of goods subject to restrictive measures, for the purposes of: ensuring a minimum living standard; urgent medical treatment: the payment of taxes and duties to budget and mandatory insurance premiums; other extraordinary expenses or related to maintenance of goods to which the restrictive measures have been applied (Art. 34(8) AML/CFT Law).
- (d) As described in Rec. 6.6(g), the decision on the application/lifting of restrictive measures is communicated to the REs (in accordance with Art. 34(10) of the AML/CFT Law, and paragraph 57 of the Regulation) requesting the revocation of the financial sanctions previously applicable, and also published on the SIS's official website. No further guidance is provided to persons and entities, other than REs, on their obligations in respect of a de-listing/un-freezing action.

7. **Criterion 7.5 –**

- (a) Paragraph 42(1) of the Regulation permits the addition of interest or other income accrued on accounts or payments (arising from contracts, obligations or agreements concluded prior to the application of sanctions), provided that these interests, income or payments are still subject to restrictive measures and are blocked.
- (b) Payments under a contract entered into prior to the listing of such person or entity are authorised under the relevant conditions reflecting those set out under this criterion (Paragraph 42(2) of the Regulation).

**Weighting and Conclusion**

8. Republic of Moldova complies or largely complies with all the criteria under this recommendation. Minor deficiencies remain under c.7.2(a)-(d) and c.7.4(d). **R.7 is re-rated largely compliant.**

### Recommendation 8 - Non-Profit Organisations

	Year	Rating
<b>MER</b>	2019	PC
<b>FUR1</b>	2022	PC (upgrade requested, no re-rating)
<b>FUR2</b>	2024	PC (upgrade requested, maintained at PC)

1. In its 2019 5th Round MER, Republic of Moldova was rated PC for R.8. Amongst other, deficiencies were identified with respect to the application of risk-based supervision of non-profit organisations (NPOs) and the risk assessment for NPOs. There were also no measures in place to encourage NPOs to conduct transactions via regulated financial channels beyond the obligation to have bank accounts.

2. Republic of Moldova requested an upgrade for this Recommendation under the first follow-up, however at the time the progress made was insufficient to justify an upgrade.

3. **Criterion 8.1** – The general legal framework that regulates the legal status, registration, functioning as well as the rights, obligations and accountability of non-profit organisations in Republic of Moldova is largely the same as it was at the time of the previous evaluation. The Civil Code regulates the legal status of all legal persons (registration, readjustment, liquidation and deregistration procedures), and Chapter II Section 5 provides specific provisions with regard to the NPOs, (which can operate in three legal forms: associations, foundations and institutions) and the compulsory clauses to be stipulated in their statutes.

(a) Republic of Moldova has completed a specific study of the FT risks and use of non-profit organisations in terrorist financing. This study was developed in the context of the analysis of data and trends in the target segment for the 2017-2020 years. At the beginning of 2020, 13850 non-profit organisations were registered in Republic of Moldova, and according to the authorities, only 5592 were active. The identified subset of NPOs at risk has been analysed. The authorities have identified a set of terrorist financing risk indicators that apply to NPOs and have concluded that in Moldova the NPOs more vulnerable to FT risk are religious NPOs. In order to identify the types of NPOs vulnerable for being used in terrorist financing, the Service uses for its information the open sources, non-public information, as well as the line of co-operation and exchange of information at the national level with other competent authorities (Public Services Agency, Ministry of Justice, State Tax Service, Office for Prevention and Fight against Money Laundering, National Bank of Moldova, National Anticorruption Centre, Ministry of Internal Affairs), financial institutions, as well as at the international level especially with partner special services. The SIS undertakes periodical assessment of certain categories of NPOs which are considered as vulnerable from FT perspective and are therefore subject to an enhanced monitoring (including with regard to their financial activities).

(b) In establishing the nature of threats posed by terrorist organisations to NPOs, the SIS conducts the assessment of investigated cases, in terms of transfers with high-risk countries, connections with organised crime, promotion by the NPOs of extremist, fundamentalist-religious, hate, intolerance, discrimination messages and other destabilisation forms. No indications of terrorist financing associated with NPOs were identified.

(c) The Moldovan NPO risk assessment was focused on review of laws and regulations and adequacy of supervisory measures related to the NPO sector and mainly those that can be abused for FT support.

Following the NPO risk assessment, Republic of Moldova developed an Action Plan for the implementation of the National Prevention and Combat Strategy of Money laundering/terrorist financing (ML/TF) for the years 2020-2025 (approved by Parliament and published in February 2021 – see Decision 239/2020). Specific objective 4.2 focuses on reducing the risk of misuse of NPOs by terrorist organisations. Recommendations under this objective include: 1) elaboration of guidance and provision of training on risks to NPOs



(action point 4.2.9/4.2.10), 2) monitoring NPOs for compliance with measures to mitigate identified risks and fiscal obligations which covers the submission of financial activity reports (action point 4.2.13 and 4.2.15); and 3) elaboration of guidelines for REs for monitoring NPOs financial activity (action point 4.2.16).

The 2020 national risk assessment (NRA) moreover made the following recommendations relative to the NPO sector: 1) limit the use of cash in NPO sector, 2) promote risk-based approach and improve legal framework for the NPO sector; 3) enhance the records on financial activities; 4) increase the financial transparency of NPOs and strengthen state supervision; 5) increase the transparency of data on beneficial owners (BOs) of NPOs; and 6) promote a culture of security and increase the involvement of the sector of NPOs in prevention policies.

Moldovan authorities also took action to address some of these recommendations: (i) SIS held approximately 20 meetings/trainings, between 2020-2023, with representatives of NPOs identified as having a potential risk of being used for FT some of which aimed at discussing TF risks to which NPOs are exposed as identified in the NRA, (ii) clarified the definition of BO in case of NPOs (Law 66/2023 amending the AML/CFT Law) followed up by guidance issued by the SPCML (Order No. 34/2023) and Public Service Agency (PSA) Order 573/2023 that provides instructions regarding the verification, registration and update of data regarding the effective beneficiaries and (iii) State Tax Service provided a guide on the income tax regime related to NPOs (<https://sfs.md/ro/document/ghid-privind-regimul-fiscal-aferent-veniturilor-organizatiilor-necomerciale>) which provides guidance on the keeping of accounts and preparation of financial statements, and helps promote financial transparency.

No information was provided on actions taken to improve the legal framework of NPOs which was a specific action foreseen in the 2020 NRA Recommendations.

- (d) The NRA Action Plan for 2017 – 2019 included the action 2.1 “Identifying measures to periodically evaluate the non-profit sector from the perspective of terrorism financing risks”. As described under paragraph (a) an NPO sector risk assessment has been conducted. Moreover, the 2020-2025 National Strategy and Action Plan includes action point 4.2.11 requiring the review of categories of NPOs considered to be at high risk of TF misuse, which is to be conducted on a necessary basis. The SIS also undertakes periodical assessment of certain NPOs which are considered as vulnerable from FT perspective. The MoJ is required to provide the SIS with information on the initiation of the procedure for registration of NPO by citizens of countries from risk areas, as well as any changes in their incorporation, within 5 days from the date of the submission of an application (Art. 11 of Law 120/2017).

#### 4. **Criterion 8.2 –**

- (a) Republic of Moldova has policies to provide transparency in the setting up and activities of NPOs, to promote accountability, integrity and public confidence in the administration and management of the sector. The responsible authority for registration of any type of NPOs is the PSA. In order to establish the legal framework for creation, registration, activity rules, rights and obligations, and cessation of activity, the Moldovan Parliament adopted the Law no. 86/2020 on non-commercial organisations (NPO Law), repealing Law no. 837-XIII/1996 and Law no. 581/1999.

According to paragraph 3 Art. 7, NPOs are required to publish their annual activity report, or submit it to any requesting person if not published. The annual activity report contains information on the activities carried out, the value of financial means and materials obtained and used, as well as other relevant information. NPOs must also indicate in their charter, the purposes for which they are constituted, the procedure for establishing, reorganising and terminating the activity, management and control bodies, the method of appointment, competence and duration of their mandate and the way in which it will ensure the transparency of its activity. (Art. 12).

Accounting Law no. 113/2007 applies also for NPOs (Art. 2), so the NPOs are obliged, like any other type of legal entity, to respect the accountability, transparency of information and reporting rules. All the financial information reported on annual basis by NPOs is included in the database of the STS, which is accessible to authorities. In addition, in accordance with art. 14(9-11) of the AML/CFT Law, the registering competent authority (PSA) shall verify whether the founder, administrator or beneficial owner of an NPO is not included in the financial sanctions lists, or (suspected) affiliation to persons, groups and entities involved in terrorism. In case such suspicion occurs, a suspicious transaction report shall be submitted to the SPCML.

- (b) The SIS undertook outreach and educational programs to raise and deepen awareness among NPOs about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse. During 2015 – 2017 awareness raising programs were organised to which over 800 persons participated, with the main subject being the risk of abuse of NPOs by terrorist entities and other related topics.

The SPCML, in November 2022, organised an event, for the civil society to discuss the FT risks associated with NPOs and to strengthen the co-operation between civil society organisations and public authorities, to better understand risks faced by NPOs and to identify the most effective mitigation solutions. During 2020-2023, Security and Intelligence Service held approximately 20 meetings/trainings with the representatives of NPOs identified as having a potential risk of being used for the purpose of financing terrorism.

- (c) The authorities informed the (assessment team) AT that best practices to address the FT risk and vulnerabilities to protect NPOs from FT abuse have been developed together with a consortium of private institutions and independent experts. However, no document has been provided.
- (d) The NPOs are obliged to have bank accounts. According to Art.161 of the Fiscal Code, in order to be registered, the non-commercial organisations should present documents confirming the existence of bank accounts. In addition, the Law on state registration of legal persons and individual entrepreneurs limits the use of cash at the amount of 100 000 MDL (Moldovan lei).

5. **Criterion 8.3** – There are several state bodies involved in the supervision of NPOs and Republic of Moldova imposed a broad range of obligations. Until March 2018, the MoJ ensured the registration, recording and monitoring of the activities of NPOs and now ensures the power to develop and promote policies for this sector. It also retains the power to issue warnings for management of NPOs and to request the court to liquidate NPOs whose activities are considered, amongst others, to go against the prevention of crimes (Article 16(3) – NPO Law). This would include activities related to instigation and justification of terrorism or terrorist propaganda (see Article 44 of the Law on combating terrorism). The failure by an NPO to present its annual activity report also constitutes a ground for liquidation (Article 16(3) – NPO Law).

6. The PSA became responsible for NPOs' registration after March 2018. In October 2023 (order 675/2023) the PSA approved risk criteria to identify suspicious activities and transactions in ML/TF throughout the registration process of legal entities. These however are mainly intended for commercial entities, and only refer to one risk factor specific to NPOs (i.e. cases where founders, administrators or beneficiaries are designated under TF/PF sanction lists).

7. The State Tax Service (STS) monitors the economic and financial activity of NPOs insofar it concerns their tax obligations, and conditions for exemption or taxation on income tax (Article 52 of the Fiscal Code).

8. The National Council of Statistics monitors the consumption and expenditure of NPOs on a quarterly basis (Article 13(1) of Law on Official Statistics). The Customs Service monitors their compliance according to legal provisions on the goods crossing the customs border of Republic of

Moldova, the collection of import duties and customs export, customs clearance, customs control and surveillance (Article 2 of the Customs Code).

9. The SIS carries out actions to detect and prevent the factors and elements which can lead to terrorism and/or terrorist financing including through the involvement of non-profit organisations. (Article 11(2) of Law no. 120/2017). In this context, the SIS constantly carries out assessments of the threats and risks that could lead to terrorist financing.

10. Despite steps forward made by SPCML and PSA, apart from the SIS's monitoring for risk-assessment purposes, the supervision and monitoring measures applied by other Moldovan authorities, are not risk based and targeting NPOs at risk of TF abuse. Article 5(10) of the NPO Law stipulates that the state may establish rules for NPOs to prevent ML/TF. The authorities provided no information on any such rules or justification for lack of necessity thereof. Reference was made to Article 44 of the Law on Combating Terrorism which prevents NPOs from being established to pursue terrorist activities and bans NPOs from being involved in any activities of instigation and justification of terrorism or terrorist propaganda, which are monitored by the SIS.

**11. Criterion 8.4 –**

(a) Monitoring of the NPO sector was carried out by the Ministry of Justice (MoJ) (until March 2018) and by the PSA (since March 2018) based on the provisions of the Law 86/2020 in relation to compliance of the activity of the NPO (public association, foundation and private institution) with its statutory purposes and tasks. The sources of income, the obtained amount of the means, the payment of taxes and other financial activity of the NPOs is monitored by the bodies of the financial control and fiscal administration and specifically for fiscal purposes (Law no 113/2007 and Fiscal Code).

Even though the study of the TF risks of NPOs established the criteria for determining the subset of NPOs at FT risk (see c.8.1), this is not enough to confirm that the monitoring of those NPOs is risk based. As set out under c.8.3, except for the SIS's monitoring for risk-assessment purposes, the NPOs' compliance with requirements of R.8 is not monitored based on risks. The rating of 8.3 impacts on this sub-criterion.

(b) Sanctions for violations by NPOs or persons acting on behalf of these NPOs are available. The NPO may be forcibly liquidated, by court order, at the request of the Ministry of Justice, if its activity is contrary to the interests of national security, public safety, the defence of order or the prevention of crimes, the protection of health, morals and the rights and freedoms of others and this measure is necessary in a democratic society. The non-presentation of the annual activity report after the repeated request of the Ministry of Justice constitutes grounds for the initiation of the forced liquidation procedure if the activity report was not presented within 6 months of the second request. The examination of the application for forced liquidation is under the jurisdiction of the Chisinau Court. The court may offer the non-commercial organisation the opportunity to remove, within up to 6 months, the deficiencies cited in the application for forced liquidation. (Art. 16 Law no. 86/2020).

For fiscal breaches, the general tax regime - which provides a complex set of sanctions including fines - applies. In this case, the sanctions shall be imposed by the STS (art. 235, art. 236 from Fiscal Code).

Sanctions (fines) can be also applied based on Art. 330 of Contravention Code (presentation of false or delayed statistics). The Customs can impose sanctions on NPOs for specific breaches related to regime of import and export of goods, since the custom contravention are applicable also to legal persons (Art. 229 from Custom Code). The sanctions available in relation to NPOs seem to be proportionate and dissuasive.

**12. Criterion 8.5 –**

(a) Generally, the data regarding NPOs can be found in the PSA Register. The information is publicly available and accessible by MoJ, STS, National Bureau of Statistics, Ministry of Foreign Affairs, SPCML, SIS etc. The PSA ensures access of the competent authorities to the

information of the registered entities. As described under R.40, the co-operation between relevant authorities on AML/CFT issues is regulated by the provisions of the AML/CFT Law which provides the comprehensive legal basis for exchange of information between competent authorities (Art. 17 from AML/CFT Law).

- (b) In relation to FT, Republic of Moldova has established authorities with a range of powers, especially through Law no. 120/2017 and AML/CFT Law and as consequence, the SIS, among other authorities, appears to have adequate investigative expertise and capability to examine NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations.
- (c) The authorities have full access to information on the administration and management of NPOs as this is publicly available in the PSA Register. As described in previous ECs, the NPOs are obliged to keep and present the tax declarations in paper or electronic format which include: primary documents, accounting registers, financial reports and other documents afferent to the organisation and keeping of accounting records (hereinafter called accounting documents). The accounting documents may be seized by the authorities as any other object. Both the NPOs and the accountants would be under an obligation by law to provide the requested information to the police, supplemented by coercive means available.
- (d) Republic of Moldova has in place a legal framework to ensure that information is shared between competent authorities. According to Art.19 (b) of the AML/CFT Law the SPCML shall inform immediately SIS in case of FT pertinent suspicions. According to Art.14 of the AML/CFT Law when there are suspicions regarding the affiliation of the founder, administrator or beneficial owner of the non-commercial organisation to terrorism entities and organisations, the PSA shall notify immediately the SPCML and the SIS. The natural and legal persons, irrespective of the type of property and legal form of organisation, are obliged to provide assistance to authorities with competences in the area, including to immediately make available at their disposal the movable and immovable goods, other objects and documents, as well as information held about activities, events, circumstances or persons of interest that are necessary for performing special investigative measures (Art.16 (2) of the LPCT).

13. **Criterion 8.6** – The SPCML uses procedures and mechanisms for international co-operation that are provided under the AML/CFT Law (Art. 17), to handle requests regarding to NPOs. In cases investigated at the level of Law Enforcement Agencies (LEAs), the information may be obtained from abroad in relation to investigated NPOs, through SPCML, as part of indirect co-operation. At international level, the SPCML may exchange information with competent authorities of other countries, regardless of their status, ex officio or upon request. Within the competent authorities, especially SPCML and SIS have set up specialised units that are entrusted with specific competences and attribution for performing exchange of information on NPOs. On the basis of Art. 48 of the Law no. 120/2017, the SIS co-operates with law enforcement agencies and special services of other states, as well as with international organisations according to the international treaties to which Republic of Moldova is party.

### **Weighting and Conclusion**

14. Republic of Moldova adopted various laws and specific provisions pertaining to NPOs through which is ensured the transparency of the activity of the sector and of the founders and beneficiaries of the dedicated actions of the NPOs. Nevertheless, moderate deficiencies remain in particular relating to the lack of application of risk-based supervision of NPOs. Moreover, (i) no information has been provided on actions taken to improve the legal framework of NPOs which was a specific action foreseen in the 2020 NRA Recommendations, and (ii) no information on any rules for NPOs to prevent ML/TF or justification for lack of necessity thereof was provided. **R.8 remains partially compliant.**

## Recommendation 15 - New Technologies

	Year	Rating
MER	2019	LC
FUR1	2022	NC (following re-assessment in view of amendments to R.15)
FUR2	2024	↑ PC (upgrade requested)

1. Under the 2019 MER, Republic of Moldova was rated LC with R.15. The FATF standards were in the meantime revised, introducing new requirements for virtual assets (VAs) and Virtual assets services providers (VASPs). The application of the new requirements for VASPs in Republic of Moldova was intended to be re-assessed as part of the first enhanced follow-up. Republic of Moldova however provided no information to assess its compliance with these new requirements nor on the materiality of the VASP sector. As a result, Republic of Moldova was re-rated as NC for R.15.

2. **Criterion 15.1** – The AML/CFT Law requires financial institutions (FIs) to assess the impact of launching and developing new products and services, and the use of new or developing technologies for new or pre-existing products and services on their ML/FT risk exposure (Art. 6(10)).

3. While the 2022 NRA does not contain a dedicated assessment of ML/FT risks related to new products and technologies as new payment methods or non-face to face verification systems of customers, it analyses the products and services offered by some of the FIs and Designated non-financial businesses and professions (DNFBPs) (covering banks, being by far the most material, Payment Service Providers (PSPs), being the ones to have relatively sophisticated products and gambling organisers). It hence includes any new products/services being offered, and new ways of doing business. With respect to banks and non-bank payment service providers it identifies which products and services pose a ML/TF risk, including products such as, virtual assets/currency transaction services, anonymous e-money based services and provision of e-wallets to unknown third parties. It also highlights the lack of specific precautionary measures in respect of non-face to face relationships. With respect to on-line casinos the NRA also highlights an emerging trend that is the organisation of gambling tours for foreigners to play in Moldovan casinos.

4. With respect to other sectors the NRA lacks a holistic analysis of the products and services offered including new products and business practices. These sectors however are either not considered to be significant or mainly provide traditional services with limited innovation.

5. **Criterion 15.2** –

(a) The AML/CFT Law provides for the timing when FIs must identify and assess ML/FT risks (Art. 6(10)): (i) before launching and developing new products and services; and (ii) before the use of new or developing technologies for new or pre-existing products and services.

(b) The AML/CFT Law provides for the general requirement for FIs to put in place procedures for managing and mitigating ML/FT risks (Art. 6 (3)). The National Bank of Moldova's AML/CFT regulations for banks (paragraph 12.13) and non-bank PSPs (paragraph 11.11) specifically require the inclusion of procedures in AML/CFT programs aimed at minimising ML/FT risks related to the use of information technologies acquired or developed by banks and non-bank PSPs. The National Commission for Financial Markets (NCFMs)' AML/CFT Regulation provides a similar requirement (paragraph 9(1)).

6. **Criterion 15.3** – In 2023, Republic of Moldova prohibited the activity of providing VA services on the territory of Republic of Moldova (Art. 4(1<sup>1</sup>) – AML/CFT Law), except when provided by foreign VASPs and to local clients. The latter permissible services are also subject to limitations which are sought to be enforced through the intervention of REs. In fact REs are required: (i) not to open or maintain accounts for non-resident clients to transact with foreign VASPs; (ii) not to open or maintain accounts for foreign VASPs or to open or maintain accounts at foreign VASPs; (iii)



prohibiting the conduct of occasional transactions for/at foreign VASPs; (iv) limit activity of local residents only with authorised foreign VASPs and up to a monthly threshold of approximately EUR 2,600 (50,000 MDL) - (Art. 5(4<sup>1-4</sup>). When providing such services REs are required to apply enhanced due diligence including opening special accounts and the implementation of information technology (IT) solutions for traceability of transactions.

7. Republic of Moldova has adopted VA and VASPs definitions aligned with the FATF Standards.

8. The authorities explained that they interpret the prohibition to provide services on the territory of Republic of Moldova to capture both the provision of VASP services to persons located in Republic of Moldova, as well as the provision of VASP services from Republic of Moldova (i.e. being offered by persons or entities based in Republic of Moldova) to persons or entities based outside Republic of Moldova. The authorities also provided case law supporting this interpretation.

(a) The 2022, Republic of Moldova NRA considers the risks associated with VAs (section 6.4.12). This analysis of risk is mainly a theoretical one reflecting on general ML/TF risks associated with VAs without any consideration of the specific risks to which Republic of Moldova is exposed. The analysis goes on to identify vulnerabilities within the national system to combat ML/TF arising from the use of VAs, including (i) the lack of regulation of the sector, (ii) the lack of knowledge by competent authorities in this field, (iii) limited tools available for authorities to detect and analyse VA transactions, and (iv) the potential exposure of financial organisations to ML/TF risks when acting as intermediaries for VA transactions.

(b) While neither the 2020-2025 National Action Plan, nor other strategic documents or action plans include specific objectives or actions aimed to reduce the risk of misuse of VAs/VASPs, particularly by addressing the vulnerabilities related to the misuse of VAs and VASPs highlighted in the 2022 NRA (see paragraph (a)), the authorities took some actions aimed at addressing these risks.

- The lack of knowledge by competent authorities in this field – representatives of the National Bank of Moldova, LEAs, the SPCML and supervisors attended a number of training events and seminars to boost their capacities to analyse, investigate and mitigate the risks associated with VAs;
- Limited tools available for authorities to detect and analyse VA transactions – The Prosecution’s Office, SPCML and the General Inspectorate of Police (the Centre for Combating Cybercrime) have been granted access to specialised analytical IT tools.
- Lack of regulation of the sector - Republic of Moldova took the high-level policy decision to limit the provision of VASP services. The authorities explained that this was mainly taken as a result of the potential misuse of VA transactions to circumvent financial sanctions. Particularly given that sanction evasion risks increased significantly following the war in Ukraine which unfolded following the conclusion of the NRA. While this demonstrates the authorities’ ability to react to emerging risks, the country provided no information on any vision or concrete actions to deal with this lack of regulation (see in particular c.15.5. and the concerns related to measures to proactively identify unauthorised activities). This is especially relevant in light of the continued operations of unauthorised cryptocurrency exchanges recognised by the country itself.<sup>12</sup>

The absence of a holistic assessment of ML/TF risks associated with VA activities and activities / operations of VASPs (see paragraph (a)) also impacts compliance with this sub-criterion.

(c) Not applicable in view of the prohibition of virtual asset services.

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12. Source available at <https://www.imf.md/pub-memo.html>.

9. **Criterion 15.4** – Not applicable in view of the prohibition of virtual asset services (see c.15.3).

10. **Criterion 15.5** – Republic of Moldova explained that a specialised unit within the General Inspectorate of Police (the Centre for Combating Cybercrime) is responsible for identifying unauthorised VASP activities. Article 15(2<sup>1</sup>) of the AML/CFT Act requires that supervisory authorities inform the criminal investigation body and the prosecutor's office when cases of unauthorised VASPs are identified. The authorities however provided no information on specific measures undertaken by the Centre for Combating Cybercrime or by supervisory authorities to proactively identify natural or legal persons that carry out VASP activities in Republic of Moldova against the law.

11. Republic of Moldova has established sanctions for providing services on the territory of Republic of Moldova illegally. Sanctions range from 1000 to 1500 conventional units (i.e 50,000 MDL – 75,000 MDL - approximately EUR 2,500 – EUR 3,900 - Art. 263(9) of the Administrative Offences Code) and may increase up to triple the amount in case of repeated breaches (Art. 34(22) and (23)).

12. When the illegal activity results in large scale or especially large-scale profits (i.e. equivalent to or more than 20 or 40 average monthly salaries<sup>13</sup> respectively) the offender is criminally liable for sanctions up to a maximum of 167,500 MDL – approximately EUR 8,500 (in the case of natural persons) and 300,00 MDL i.e. approximately EUR 15,000 (for legal persons). In the case of legal persons the deprivation of the right to practice certain activities or liquidation is also foreseen (see Art. 241(1) and (2) of the Criminal Code (CC) and Article 126 of the CC for the definition of large-scale and especially large-scale profits.

13. The fines for more serious infringements (i.e. in cases of large-scale profits and especially large-scale profits) are however not considered to be appropriate. This when considering that the maximum fine that can be imposed on a legal person in such cases is that of EUR 15,000, and this is applicable when the profit derived from the breach is equivalent to or more than 40 average monthly salaries (i.e. approximately EUR 25,600).

14. **Criterion 15.6 to 15.10** – Not applicable in view of the prohibition of virtual asset services (see c.15.3).

15. **Criterion 15.11** – Competent authorities are able to provide mutual legal assistance and other forms of international co-operation in the manner outlined under R.37-40, and there is nothing prohibiting or limiting such co-operation in respect of suspicions or cases that involve VAs. Thus, the analysis and deficiencies outlined in the analysis of R.37-40 apply also to this criterion.

### **Weighting and Conclusion**

16. Republic of Moldova has analysed and assessed ML/FT risks related to new products and technologies employed by the most material FIs as part of its NRA, although not covering all sectors. Regarding VA and VASPs, Republic of Moldova partially complies with the applicable criteria (i.e. c.15.3(a), (b), c.15.5) and largely complies with international co-operation requirements in relation to VAs (c.15.11). The major shortcomings are the lack of assessment of ML/TF risks arising from VA/VASP activities in Republic of Moldova, the lack of application of risk-based approach to prevent or mitigate the ML/TF risks identified, while no information is available on any measures being taken to identify natural or legal persons that carry out VASP activities in Republic of Moldova against the law. Republic of Moldova has however not been identified as having materially important VASP activity.<sup>14</sup> **R.15 is re-rated partially compliant.**

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13. Average monthly salary in 2023 was 11700 MDL (approximately EUR 640), source available at <https://statistica.gov.md/en/statistic-indicator-details/2>.

14. Source available at <https://www.fatf-gafi.org/en/publications/Virtualassets/VACG-Snapshot-Jurisdictions.html>.

*Recommendation 24 - Transparency and Beneficial ownership of legal persons*

	<b>Year</b>	<b>Rating</b>
<b>MER</b>	2019	PC
<b>FUR1</b>	2022	PC (No upgrade requested)
<b>FUR2</b>	2024	PC (upgrade requested, maintained at PC)

1. Republic of Moldova was rated as PC with R.24 under its 5th round of evaluations. Republic of Moldova had made progress in making most of the basic information on legal entities available online and establishing mechanisms for obtaining the BO information and making it easily accessible to some competent authorities. However, deficiencies were identified in relation to a number of criteria, most importantly the lack of assessment of ML/FT risks related to all types of legal persons and the inability of the PSA to impose sanctions for failure to comply with the requirements.

2. In 2023, an amendment to the AML/CFT Law introduced improvements on the procedures of submitting BO information to the PSA, as well as provisions such as on reporting of discrepancies and access to BO information.

3. **Criterion 24.1** – Moldova regulates the creation of a range of legal entities, such as limited liability and joint stock companies, collective and limited partnerships, co-operatives, and state-owned and municipal enterprises, as well as non-commercial foundations, associations and institutions. Information about the types, forms and basic features of these entities is provided in the relevant pieces of legislation. The Law on State Registration of Legal Entities sets out the registration requirements and procedures for legal entities, and designates the PSA as the registration authority (Art. 11).

4. The processes for obtaining and recording information referred to in c.24.3 and identification data of founders (members) of legal entities by PSA are provided in the Law on State Registration of Legal Entities (Art. 7 and Art. 33). The shareholder registries of Joint Stock Companies (JSCs) and record-keeping requirements therein are dealt with under the Law on Joint-Stock Companies (Art. 17 and Art. 18). Moreover, the AML/CFT Law requires legal entities to obtain and record their beneficial ownership information (Art. 14(1)), to submit this information to the PSA. The PSA provides on its website (<http://asp.gov.md/en>) a description of the data and documents in Romanian, which must be submitted by applicants to register different types of legal entities.

5. **Criterion 24.2** – The 2020 NRA of Republic of Moldova includes a new section (5.11) dedicated to the risk of misuse of companies, partnerships, non-profit organisations and trusts. This section describes the entities that may set up in Republic of Moldova, their nature and purpose, and the legal framework regulating them including the application process. It also provides information on the number of registered companies and co-operatives, types of activities undertaken, and trends in registration over the years 2017-2020. Section 5.10 of the NRA provides a description of the method and type of information that is available and accessible in respect of legal entities.

6. The NRA does not however undertake an analysis of the specific risks associated with each type of legal entities in Republic of Moldova, including the threats and *modus operandi* of ML/TF impacting legal entities, the vulnerabilities of legal entities which may be exploited for these purposes as well as an analysis of the adequacy of the control framework to mitigate the risks of misuse of different types of legal entities.

**Basic Information**

7. **Criterion 24.3** – All types of legal persons must be registered by the PSA to be considered created. The information obtained and recorded by PSA in the process of registering legal persons under the Law on State Registration of Legal Entities covers all requirements of c.24.3 (Art. 33). Most

of this information is available online for free (<http://www.cis.gov.md/>) in Romanian, while a certificate of registration and copies of statutory documents can be obtained in 3 working days subject to a fee (Art. 34 and Art. 34<sup>1</sup>).

8. **Criterion 24.4** – The identification data on founders (members) of legal persons (except for members of co-operatives) and where appropriate, their ownership interest, as well as information referred to in c.24.3 for all legal persons must be submitted to and maintained by the PSA under the Law on State Registration of Legal Entities (Art. 33).

9. JSCs are required to maintain shareholder registries either on their own or via third party registrars (Art. 10, Sections 5 and 6, the Law on Capital Market). These registries contain information about the number and class of shares (including the nature of associated voting rights) held by each shareholder (Art. 17 of the Law on Joint-Stock Companies).

10. The shareholder registries of JSCs must be maintained within Republic of Moldova, although there is no requirement to notify the PSA about their location. Nonetheless, the AML/CFT Law requires all legal persons including JSCs to obtain and record BO information and to submit it to PSA (Art. 13, (2)). In case of public interest entities, which include some FIs and listed companies, shareholdings over 5% must also be notified to NCFM (Art. 125 (1)), the Law on Capital Market).

11. **Criterion 24.5** – The PSA examines the legality of the documents submitted for registration and verifies the identities of executive directors and founders (members), and repeats the same procedure whenever changes to the recorded data and documents are provided by legal persons under the Law on State Registration of Legal Entities (Art. 11 (1), Art. 16 (2) and Art. 36 (2)(b)). Such changes must be notified to the PSA within 30 days of their occurrence and unless notified, they won't be considered valid (Art. 16 (2)). PSA will also refer to LEAs those instances where forged documents have been identified (Art. 27 (4)).

12. The mechanism employed to ensure that changes in JSCs' shareholding are notified to JSCs or third-party registrars in due course (3 days) is that such changes are only deemed valid once reflected in the registry (Art. (18)(2) of the Law on JSCs). JSCs and third-party registrars are also required to register the categories of shares (including the nature of associated voting rights).

### **Beneficial Ownership Information**

13. **Criterion 24.6** – The AML/CFT Law requires legal persons to obtain and hold up-to-date information on their beneficial owners and provide this information to the PSA at the time of registration (Art. 14(2)). In relation to investment funds, investment firms managing those funds are required to obtain information on the identity of customers and their beneficial owners, as well as of founders and beneficiaries of funds. Additionally, the AML/CFT Law requires reporting entities to not rely exclusively on the BO information recorded by PSA when carrying out customer due diligence (CDD) measures, but to apply a risk-based approach (Art. 14(8)).

14. Amendments to the AML/CFT Law in 2023 introduced obligations on beneficial owners of legal persons to provide to the respective legal entities all the information necessary to comply with their BO transparency obligations.

15. **Criterion 24.7** – The PSA verifies the accuracy of BO information submitted by legal persons in accordance with the AML/CFT Law (Art. 14(1)). Legal persons must submit any subsequent changes to the BO information to the PSA immediately upon their occurrence (Art. 14(2)). As noted above, the investment firms, which are REs, must ensure that the information they hold about BOs of investment funds is up-to-date (Art. 14(12) the AML/CFT Law). Moreover, in order to reinforce accuracy, Republic of Moldova has established a mechanism for REs to report discrepancies between beneficial ownership information available in the public register and information obtained through

CDD. Following such notification, the PSA indicates within the state register the existence of an inconsistency and proceeds to solve it. The RE is barred from conducting any further activity for the customer, until the customer legal entity submits any necessary updates to the BO information on the state register (Art 5<sup>2</sup>(3)-(5) – AML/CFT Law).

16. **Criterion 24.8** – The failure to provide accurate, complete or updated BO information to the PSA will result in the refusal of registration under the AML/CFT Law (Art. 14(3)). Moreover, where a legal entity fails to declare, or provides incomplete or incorrect BO information, sanctions are envisaged under art 263<sup>2</sup> of the Code of Contravention. The authorities explained that as from July 2023 registered legal entities were given an 18-month period to provide and/or update BO information, with the above sanction regime being thereafter applicable in case of non-compliance. It is however not explicitly clear that such a sanction would cover failure to provide updated BO information on a continuous basis.

17. Otherwise, legal persons are not specifically required to appoint one or more persons resident in the country or DNFBP who will be accountable to competent authorities for the provision of BO information and giving further assistance.

18. **Criteria 24.9** – The PSA keeps the BO information obtained from legal persons and subsequent updates indefinitely based on its internal regulations (Art 15 of Law 220/2007).

19. FIs and DNFBPs including investment firms and registry societies are required to keep the information and records on their customers and BOs collected through CDD measures for 5 years from the day the customer ceases to be a customer as detailed in R.11 and R.22. In case of dissolution, the documents related to the economic and financial operations of a legal entity, as well as the minutes of general meetings of shareholders and executive boards are kept by the National Archive for 10 years. The authorities stated that these documents and records should normally include the relevant BO data.

### **Other Requirements**

20. **Criteria 24.10** – The basic information on legal persons recorded by the PSA (except for the identities of members of co-operatives that are not recorded by PSA), is publicly available. The SPCML and supervisory authorities are entitled to request and receive all data held by the PSA, hence including shareholder information – Article 14(5) of the AML Law. Moreover, all public authorities have access to information held by the PSA through the MConnect Platform, without any fee – Article 4(3) of the Law on State Registration of Legal Entities. Competent authorities and LEAs have access to shareholder data of JSCs that is held by the Registrar (Article 10<sup>4</sup>(2) of the Law on Capital Market).

21. LEAs, SPCML and supervisory authorities are also granted access to the information maintained by the PSA through the MConnect Platform (see AML/CFT Law Art. 14(5)) and Article 4(3) of the Law on State Registration).

22. LEAs and the Financial Intelligence Unit (FIU) may obtain basic and beneficial ownership information also directly from legal entities and REs through their investigatory and analytical powers (see c.31.1(a) and c.29.3 respectively). Supervisory authorities, for the purpose of carrying out their supervisory functions, are empowered to request from REs any necessary documents and information (see art. 15(2)(d) of the AML/CFT Law).

23. **Criteria 24.11** – Legal persons in Republic of Moldova are not able to issue bearer shares or bearer share warrants since 2007. The Law on Capital Market says that securities can only be issued in a dematerialised nominative form, which permits the identification of shareholders (Art. 7(7)). The authorities explained that bearer shares and warrants had not been issued prior to 2007.



24. **Criteria 24.12** – Nominee shareholders in Republic of Moldova are restricted to regulated capital market intermediaries (e.g. investment firms) and their nominee status is recorded by registry societies, which mitigates the risks of abuse. There are no legal provisions prohibiting the use of nominee directors, although Moldovan authorities stated that the duty of directors to take decisions in good faith and avoid the conflict of interest (Art. 185-188, the Civil Code) would restrict the appointment of nominees. The NCFM may refuse the request for, or suspend, a licence of an investment firm if there are objective and demonstrable grounds to believe that the respective firm's management is not sound and prudent (Art. 39(5) Law on Capital Market). No other mechanisms were mentioned to prevent the misuse of nominee directors.

25. **Criteria 24.13** – In terms of Article 263<sup>2</sup> of the Contravention Code of the Republic of Moldova (Law 218/2008), legal entities are subject to sanctions in the event of failure to declare, of incomplete declarations, or incorrect declarations regarding BO information. This however does not explicitly cover failures to provide updated BO information. The applicable sanction is a fine from 1,000 to 1,500 conventional units (i.e. 50,000 to 75,000 MDL approximately EUR 2,500 to EUR 3,900). These fines are considered appropriate considering the economical context of Republic of Moldova.<sup>15</sup>

26. It is also a criminal offence to make false declarations to a competent body for the purpose of generating legal consequences, which is punishable by a fine of MDL 12,000 (approximately EUR 600) or by imprisonment for up to 1 year (Art. 352<sup>1</sup>, Criminal Code).

27. REs are subject to sanctions for violating AML/CFT obligations including for failure to identify and verify the identity of clients that are legal entities, their beneficial owners and to keep this information updated (see R.35).

28. Other than mandating the provision of basic and shareholder information as a pre-requisite for incorporation purposes under the Law on State Registration of Legal Entities and Law on Joint Stock Companies, there are no sanctions envisaged for legal or natural persons for violating other information requirements under R.24, in particular when it comes to the provision of accurate and up-to-date basic and shareholder/members information (c.24.3 and c.24.5).

29. **Criteria 24.14** – As described above (see c.24.1), most of the basic information on legal persons (except for the identities of members of co-operatives and JSCs' shareholder registries), recorded by PSA is available online for free, although in Romanian only. The certificates of registration and statutory documents of legal entities are provided by PSA in 3 working days upon request in accordance with the Law on State Registration of Legal Entities (Art. 34(3)). The data recorded in shareholder registries of JSCs can be rapidly exchanged internationally via SPCML, as well as by the NCFM, which may co-operate with international organisations, similar entities in foreign jurisdictions as well as with supervisory authorities of other states (Article 5 – Law 192 of 1998).

30. LEAs can use general investigative powers to obtain the BO information on behalf of foreign counterparts (see R.40). Deficiencies identified under R.40 and namely (i) the possibility of the SPCML to refuse to provide information where this is considered irrelevant for the purposes it is sought for (c.40.5) and (ii) the fact that LEAs and supervisory authorities do not have the

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15. Total annual profit made by SMEs in 2021 amounted to MDL 20,237 mn (approximately EUR 1,050 mn), generated by 59,000 SMEs, source available at [https://statistica.gov.md/en/activity-of-small-and-medium-enterprises-in-the-republic-of-9557\\_59645.html](https://statistica.gov.md/en/activity-of-small-and-medium-enterprises-in-the-republic-of-9557_59645.html).

competence to access different sources of information held by other authorities (c.40.8), impact this criterion.

31. **Criteria 24.15** – The SPCML monitors the quality of responses provided by other FIUs to its requests for information including on basic and BO information of legal entities. The findings of this exercise are then reflected in the SPCML’s annual activity reports. Other authorities do not have similar processes in place to monitor the quality of assistance provided by foreign countries.

### **Weighting and Conclusion**

32. Republic of Moldova has made progress in making most of the basic information on legal entities available online and establishing mechanisms for obtaining the BO information and making it easily accessible to competent authorities. However, deficiencies still persist in respect of some criteria, most importantly (i) the lack of assessment of ML/FT risks related to all types of legal persons, (ii) the lack of sanctions for violating the requirements to provide accurate and up-to-date basic and shareholder/members information, and (iii) doubts whether sanctions are applicable for failures to provide updated BO information. **R.24 remains partially compliant.**

## Recommendation 25 - Transparency and Beneficial ownership of legal arrangements

	Year	Rating
MER	2019	PC
FUR1	2022	PC (no re-rating requested)
FUR2	2024	PC (upgrade requested, maintained at PC)

1. In the 5th round MER, R.25 was rated PC. Republic of Moldova’s legal framework, at the time of the on-site mission, did not recognise express trusts or similar legal arrangements, and thus, a number of sub-criteria did not apply. There were: no obligations on trustees to disclose their status to REs, no direct obligation on a trustee to meet the requirements set out in R.25 (except for lawyers) and thus trustees (except for lawyers) were not subject to any sanctioning regime. It was also unclear what specific sanctions can be used when competent authorities are not given timely access to information concerning trusts.

2. In November 2018 the Moldovan Civil Code was amended by virtue of Law 133/2018,<sup>16</sup> which introduced the possibility of establishing “fiducia” (i.e. trust relationships). Article 2055 of the Civil Code defines the fiducia or trust as: a legal relationship in which a party (trustee) is obliged to become the owner of a patrimonial mass (fiduciary patrimonial mass), to administer it and dispose of it, in accordance with the conditions governing the relationship (terms of the trust), for the benefit of a beneficiary or to promote a purpose of public utility.

3. Moreover in 2023 (by virtue of Law 66/2023) the AML/CFT Law was amended to include a BO definition in the case of trusts (see article 5<sup>2</sup>(2)) which is in line with the BO definition for trusts under the FATF Standards, and also provided for the setting up of a Register of Trust administered by the State Tax Service (see article 14(21)).

#### 4. **Criterion 25.1 –**

- (a) Article 4(1) of the AML/CFT law includes as REs all natural/legal persons that carry out fiduciary activities, as well as legal professionals involved in the creation, functioning, or administration of trusts. There is no definition under the AML/CFT law to clearly establish what constitutes fiduciary activity. The authorities explained that this is interpreted to include trustees.

As all other REs, legal professionals and persons carrying out fiduciary activity must undertake CDD measures when they conduct a business relationship (which is defined as a professional or commercial relationship). Thus, the CDD provisions of the AML/CFT Act are considered to be applicable to those trustees providing their services by way of business (i.e. professional trustees), and not covering all resident trustees of express trusts governed under Moldovan law. CDD measures include the identification and verification of BOs of trusts (see art 5(2)(b)), and the carrying out of on-going monitoring obligations including keeping BO information up-to-date (see analysis under c.10.7 which likewise applies). REs are also bound to keep records of BO information (see paragraph (c)).

In respect of all express Moldovan trusts Article 2075 provides that these are constituted by virtue of a trust contract entered between the settlor and the trustee. The contract must include (among other things) the identity of the beneficiaries or category of persons who are or may become beneficiaries, and the assistant of the trust.<sup>17</sup> There is however no

16. These amendments came into force in March 2019.

17. Assistant of the trust is the person who, according to the conditions of the trust, has the right to appoint or revoke the trustee or to give his consent to the resignation of the trustee, as well as other discretions and powers expressly provided for- Article 2056(4) of the Civil Code.

requirement for the contract to also include information on: (i) other trustee(s) if any, (ii) the protector (where applicable) and (iii) any other person who may exercise ultimate effective control over the trust.

Article 2104 requires the trustee to keep records of the fiduciary estate (i.e. trust records). It is unclear whether this includes information other than on the patrimonial assets held in trust (i.e. the estate).

Thus, there are no requirements for non-professional resident trustees of Moldovan trusts to (i) obtain and hold information on the identity of other trustees, and protectors, and (ii) to obtain and hold adequate, accurate and current information on all trust parties. It is however not possible to duly weigh this gap given the lack of information on materiality of trusts in Republic of Moldova.

- (b) The authorities indicated no legal provisions requiring trustees of trusts governed under Moldovan law to hold basic information on other regulated agents and service providers of the trust.
- (c) Article 4(1)(n) of the AML/CFT law includes as REs all natural/legal persons that carry out fiduciary activity, other than legal professionals or investment management companies. While there is no definition under the AML/CFT law of what constitutes fiduciary activity, this is interpreted to include all trustees.

Lawyers are designated as REs under the AML/CFT Law (see art. 4(1)(j) when involved in the creation, functioning, or administration of trusts, hence including when they act as trustees. As all other REs lawyers and persons providing fiduciary services must undertake CDD measures including the identification and verification of BOs of trusts (see art 5(2)(b)), and record keeping obligations covering also CDD (and BO) information for a period of 5 years after a business relationship ends or an occasional transaction is executed (art. 9(2)).

5. **Criterion 25.2** – Professional trustees are subject to CDD and record-keeping obligations requiring them to ensure that BO information is kept accurate and up-to-date. For non-professional resident trustees the deficiencies outlined under c.25.1(a) impact compliance with this criterion.

6. Information envisaged under c.25.1(b) is not required to be kept, and hence also impacts compliance with this criterion.

7. **Criterion 25.3** – REs must determine BOs of their customers (Art. 5(2)(b)), which in the case of trusts (see Art 5<sup>2</sup>(2)) would also include identifying and verifying the identity of the trustee. There are however no obligations on trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction.

8. **Criterion 25.4** – Trustees are not prevented by legislation from providing competent authorities or FIs and DNFBPs with any information about trusts.

9. **Criterion 25.5** – LEAs are authorised to obtain information held by trustees and other parties such as FIs and DNFBPs via their general investigative powers (see R.30 and R.31). SPCML and supervisors also have necessary powers to be able to obtain timely access to information held by reporting entities (see R.27, R.28 and R.29).

10. Moreover article 14(21) of the AML/CFT law caters for the setting up of a Register of Trusts which contains information on beneficial owner of trusts. Republic of Moldova however provided no further information on how this register is populated, given that there is no obligation posed on trustees to submit BO information of trusts they administer to the State Tax Service. The authorities also explained that this Register is likewise accessible to all competent authorities via the MConnect

Platform (see c.24.10), however did not indicate any legal provision establishing this power of access.

11. **Criterion 25.6** – Republic of Moldova’s ability to provide rapid access to basic information held by domestic registries and authorities, and LEAs powers to obtain the beneficial ownership information on behalf of foreign counterparts is discussed in c.24.14. Deficiencies identified under R.40 impact the implementation of c.25.6 (see c.24.14).

12. **Criterion 25.7** – In respect of professional trustees that are considered REs (see c.25.1(a)), the sanctions envisaged under R.35 for breaches of AML/CFT obligations likewise apply.

13. As set out under c.25.1 non-professional resident trustees are not bound to obtain and hold all the envisaged BO information for trusts they administer, while there are no requirements to hold the information set out under c.25.1(b). These deficiencies impact compliance with this criterion.

14. **Criterion 25.8** – The failure to comply with requests for information made by LEAs may incur criminal liability for persons acting as trustees or other parties. Authorities did not explain what specific criminal, civil or administrative sanctions can be used when competent authorities are not given timely access to information concerning trusts.

### **Weighting and Conclusion**

15. There are major deficiencies that impact compliance with R.25. These include: (i) the fact that there are no requirements for non-professional resident trustees of Moldovan express trusts to obtain and hold information on the identity of other co-trustees and protector/s and (ii) no requirements for non-professional resident trustees to obtain and hold information on trust parties that is adequate, accurate and current. Moreover, Republic of Moldova indicated no requirements obliging trustees to hold information on other regulated agents or service provider of the trust (c.25.1(b)), and to disclose their status to FIs/DNFBPs when forming a business relationship or carrying out an occasional transaction (c.25.3). The deficiencies outlined under c.25.1 also impact technical compliance with c.25.2 and c.25.7. **R.25 remains partially compliant.**

## Annex B: Summary of Technical Compliance – Deficiencies underlying the ratings

### Remaining deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating
6. Targeted financial sanctions related to terrorism and terrorist financing	PC (MER) PC (FUR 1 2022) <b>LC (FUR 2 2024)</b>	<ul style="list-style-type: none"> <li>The identification of targets is in line with most of the UN designation criteria (point 10(b) paragraph 12), however paragraph 4 of UNSCR 2368(2017) is not fully covered. (c.6.1(b) - As per FUR1 – May 2022)</li> <li>There are no sanctions envisaged for the non-implementation of freezing obligations by natural and legal persons which are not REs. (c.6.5(a) – As per FUR2 – May 2024)</li> <li>The definition of goods subject to restrictive measures does not capture funds or assets of natural persons acting on behalf or at the direction of designated persons or entities. (c.6.5(b) – As per FUR2 – May 2024)</li> <li>The prohibition to make funds, other assets, economic resources and financial or related services does not extend to natural persons acting on behalf of, or at the direction of, designated persons and entities - (c.6.5(c))</li> <li>Other than in the case of delisting from additional lists (and to a limited extent), no guidance is provided to non-REs that may hold targeted funds or other assets, on their obligation to take action under freezing mechanisms and to respect a de-listing or unfreezing action. (c.6.5(d) and c.6.6(g) – As per FUR2 – May 2024)</li> </ul>
7. Targeted financial sanctions related to proliferation	PC (MER) PC (FUR1 2022) <b>LC (FUR 2 2024)</b>	<ul style="list-style-type: none"> <li>The deficiency regarding the lack of sanctions for natural and legal persons which are not REs (explained in c.6.5(a)) applies c.7.2(a).</li> <li>The deficiency identified under c.6.5(b) applies in regard to PF TFS. (c.7.2(b) – As per FUR2 – May 2024)</li> <li>The deficiency identified under c.6.5(c) applies in regard to PF TFS. (c.7.2(c))</li> <li>The deficiency identified under c.6.5(d) applies in regard to PF TFS. (c.7.2(d))</li> <li>No guidance is provided to persons and entities, other than REs, on their obligations in respect of a de-listing/un-freezing action. (c.7.4(d) – As per FUR2 – May 2024)</li> </ul>
8. Non-profit organisations	PC (MER) PC (FUR1 2022) <b>PC (FUR 2 2024)</b>	<ul style="list-style-type: none"> <li>No information was provided on actions taken to improve the legal framework of NPOs which was a specific action foreseen in the 2020 NRA Recommendations and. (c.8.1(c) – As per FUR1 – May 2022)</li> <li>The measures applied to promote effective supervision to NPOs at risk of FT are not applied by supervisory authorities in a risk-based manner, and the authorities provided no information on rules for NPOs to prevent ML/TF or justification for lack of necessity thereof. (c.8.3 – As per FUR1 – May 2022 and FUR2 – May 2024)</li> <li>The monitoring of NPOs' compliance with</li> </ul>



15. New Technologies	<p>LC (MER)  NC (FUR1  2022)  <b>PC (FUR2  2024)</b></p>	<p>requirements of R.8 is not risk-based (c.8.4)</p> <ul style="list-style-type: none"> <li>• In relation to sectors other than banks, PSPs and gaming operators, the NRA conducted in 2020/22 does not contain the assessment of ML/FT risks related to new products and technologies as new payment methods or non-face to face verification systems of customers. (c.15.1 - As per FUR2 – May 2024)</li> <li>• 2022 NRA fails to identify and assess the ML/TF risks posed by VAs and VASPs to which Republic of Moldova is exposed. (c.15.3(a) - As per FUR2 – May 2024)</li> <li>• Measures undertaken to prevent or mitigate the risks associated with misuse of VAs and VASPs are not commensurate to or based on risks identified. (c.15.3(b) – As per FUR2 – May 2024)</li> <li>• Republic of Moldova has not developed measures to pro-actively identify natural or legal persons that carry out unauthorised VASP activities. (c.15.5 – As per FUR2 – May 2024)</li> <li>• The pecuniary fines applicable for serious infringements of the prohibition to provide VASP services are not considered appropriate. (c.15.5 – As per FUR2 – May 2024)</li> <li>• Deficiencies identified under R.37-40 impact compliance with c.15.11. (c.15.11 – As per FUR2 – May 2024)</li> </ul>
24. Transparency and Beneficial ownership of legal persons	<p>PC (MER)  PC (FUR1  2022)  <b>PC (FUR2  2024)</b></p>	<ul style="list-style-type: none"> <li>• No assessment was conducted on the specific risks associated with each type of legal entities in Republic of Moldova, and on how legal entities could be used for ML/FT purposes. (c.24.2)</li> <li>• Legal entities are not specifically required to appoint one or more persons who will be accountable to competent authorities for the provision of beneficial ownership information and giving further assistance. (c.24.8)</li> <li>• It is unclear what mechanisms are used to prevent the misuse of nominee directors. (c.24.12)</li> <li>• The sanctions for breaches of BO obligations imposed on legal entities do not explicitly cover failures to provide updated BO information. (c.24.13 - As per FUR2 – May 2024)</li> <li>• There are no sanctions envisaged for legal or natural persons for violating other information requirements under R.24, in particular when it comes to the provision of accurate and up-to-date basic and shareholder/members information (c.24.3 and c.24.5). (c.24.13 As per FUR2 – May 2024)</li> <li>• Deficiencies identified under Rec. 40 have an impact on the implementation of c.24.14. (c.24.14)</li> <li>• There are no processes in place to monitor the quality of responses received to requests for basic and BO information from abroad, except from within the SPCML regarding other FIUs' responses. (c.24.15)</li> </ul>

25. Transparency and Beneficial ownership of legal arrangements	PC (MER) PC (FUR1 2022) <b>PC (FUR2 2024)</b>	<ul style="list-style-type: none"> <li>• There is no clear definition of what constitutes fiduciary activity under the AML/CFT Law. (c.25.1(a) – As per FUR2 – May 2024)</li> <li>• No requirements for non-professional resident trustees of Moldovan express trusts to obtain and hold information on the identity of other co-trustees and protector/s. (c.25.1(a) – As per FUR2 – May 2024)</li> <li>• No requirements for non-professional resident trustees to obtain and hold information on trust parties that is adequate, accurate and current. (c.25.1(a) – As per FUR2 – May 2024)</li> <li>• Republic of Moldova indicated no requirements obliging trustees to hold information on other regulated agents or service providers of the trust. (c.25.1(b) – As per FUR2 – May 2024)</li> <li>• Deficiencies under c.25.1(a) and (b) impact compliance with c.25.2 and c.25.7. (c.25.2 and c.25.7) – As per FUR2 – May 2024)</li> <li>• There is no requirement on trustees to disclose their status to FIs and DNFBPs. (c.25.3)</li> <li>• The deficiency identified in c.24.14 has an impact on the implementation of c.25.6. (c.25.6)</li> <li>• It is unclear what specific criminal, civil or administrative sanctions can be used when competent authorities are not given timely access to information concerning trusts. (c.25.8)</li> </ul>
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## GLOSSARY OF ACRONYMS

AML/CFT Law	Law on prevention and combating money laundering and terrorism financing
AML/CFT	Anti-money laundering and combating financing of terrorism
AT	Assessment team
BOs	Beneficial owners
C	Compliant
CC	Criminal Code
CDD	Customer due diligence
CEPs	Compliance Enhancing Procedures
DNFBPs	Designated non-financial businesses and professions
EU	European Union
FATF	Financial Action Task Force
FI	Financial institution
FIU	Financial Intelligence Unit
FT	Financing of terrorism
FUR	Follow-up report
IT	Information technology
JSC	Joint Stock Companies
LC	Largely compliant
LEA	Law Enforcement Agency
MDL	Moldovan Lei
MER	Mutual evaluation report
MFAEI	Ministry of Foreign Affairs and European Integration
ML	Money laundering
MoJ	Ministry of Justice
NC	Non-compliant
NCFM	National Commission for Financial Markets
NPO	Non-profit organisation
NRA	National risk assessment
PC	Partially compliant
PF	Proliferation financing
PSA	Public Service Agency
PSPs	Payment Service Providers
R.	Recommendation
RE	Reporting entity
SIS	Security and Intelligence Service
SPCML	Service for Prevention and Fight of Money Laundering
STS	State Tax Service
TC	Technical compliance
TF	Terrorist financing
TFS	Targeted financial sanctions
UN	United Nations
UNSCR	United Nations Security Council Resolution
VA	Virtual asset
VASP	Virtual assets services provider

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May 2024

Anti-money laundering and counter-terrorist financing measures -

**Republic of Moldova**

**2nd Enhanced Follow-up Report &**

**Technical Compliance Re-Rating**

This report analyses Republic of Moldova's progress in addressing the technical compliance deficiencies identified in the July 2019 assessment of their measures to combat money laundering and terrorist financing and in subsequent follow-up reports.

Follow-up report