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

MONEYVAL

**Fifth Round of Mutual Evaluations
Second Compliance Enhancing Procedures Report
Czechia¹**

1. Adopted by MONEYVAL through written procedure (3 June 2025).

Czechia: Second Compliance Enhancing Procedures Report

I. INTRODUCTION

1. Rule 23(3) of the Rules of Procedure for MONEYVAL's 5th Round of Mutual Evaluations (RoP) provides for the mandatory application of CEPs at the end of the third year following adoption of a MER if any of the "big six" FATF Recommendations (R.3, R.5, R.6, R.10, R.11 and R.20) remain NC/PC. The Plenary has discretion only to decide on the appropriate compliance enhancing step to apply.
2. Rule 25(2) of the RoP also allows the plenary to apply CEPs to "non-big-six" Recommendations where a member has not addressed most technical compliance deficiencies by the end of their third year following adoption of a MER.
3. The 5th round mutual evaluation report (MER) of Czechia was adopted in December 2018. Czechia was placed into enhanced follow-up and has submitted three follow-up reports. At the time of adoption of the third follow-up report, R.6 was still rated as PC and so Czechia was placed in CEPs in December 2023 (66th Plenary) in respect of that Recommendation.
4. In December 2024, Czechia provided its first CEPs report, which highlighted some progress in relation to shortcomings under R.6. In particular: (i) a mechanism had been established to request other countries to give effect to freezing measures undertaken by Czechia; and (ii) the procedure to give a prior notification on freezing measures had been repealed. However, as progress was limited, plenary decided to continue to apply step 1.
5. This is the second CEPs report for Czechia. The purpose of this second report is to summarise the progress that Czechia has made to remedy identified remaining shortcomings in respect of R.6.

II. GENERAL PROGRESS MADE SINCE THE 68th PLENARY (December 2024)

6. The objective of CEPs is not to re-rate covered Recommendations, which may be done only under the follow-up process. Instead, CEPs reports provide a general overview on whether a member has made progress addressing shortcomings identified in the MER or subsequent FUR(s) and to what extent.
7. This section reviews progress in addressing shortcomings identified under R.6 in Czechia's third FUR (adopted November 2022).

Shortcoming 1: TFS pursuant to UNSCRs 1267/1989 and 1988 are not implemented without delay. (c.6.4)

<i>Action taken to address shortcoming:</i> The Financial Analytical Office (FAO) has issued a measure of general nature for the purposes of TFS in accordance with Section 8d of the IIS Act (hereinafter "the measure of a general nature"), that has made the UN sanctions list directly applicable in Czechia, until the UN sanctions are transposed onto the EU list. This measure of general nature has been in force since 27 November 2024.

<i>Remaining shortcoming:</i> No shortcoming remains.

Shortcoming 2: Application of freezing is based on a discretionary decision, and applied mechanism does not ensure permanent application of measures, for the duration of validity of

the UN actions. Delays in the transposition of UN designations actually result in prior notice to the designated persons or entities. (c.6.5(a))

Action taken to address shortcoming: Since the adoption of the measure of general nature, TFS are implemented without delay in Czechia. However, the FAO still has discretion, after the entry into force of a new “international sanction”, which include UNSCRs TFS (Act No. 69/2006 Sb., On Implementation of International Sanction (IIS Act), Section 2 “Definition”), to take a decision on the application of a restriction or prohibition to handle assets - within 30 days from receipt of a report from a supervised entity, or in a justified case, the FAO may prolong the timeframe (IIS Act, Section 12(1) (a)). This is not in line with the FATF Standard.

Remaining shortcoming: Application of freezing is based on a discretionary decision, and the applied mechanism does not ensure permanent application of measures, for the duration of validity of the UN actions.

Shortcoming 3: The scope of funds to be frozen is ambiguous in national legislation and does not extend to a sufficiently broad range of assets. (c.6.5(b))

Action taken to address shortcoming: Draft legislation to address this shortcoming is in the process of adoption but it has not been adopted yet.

The adoption of the measure of general nature does not address this shortcoming. According to Section 11 of the IIS Act, Czechia extends freezing obligation to “assets subject to international sanctions”. Whilst the definition of “international sanctions” (IIS Act, Section 2) is broad and includes UNSCRs TFS, the range of assets covered is not sufficiently broad (IIS Act, Section 3).

Remaining shortcoming: The scope of funds to be frozen are ambiguous in national legislation and does not extend to a sufficiently broad range of assets.

Shortcoming 4: Prohibitions are not sufficiently broad to cover all requirements as provided under the FATF Recommendation. (c.6.5(c))

Action taken to address shortcoming: The adoption of the measure of a general nature does not address this deficiency on the scope of the prohibitions required under c. 6.5(c). The measure of general nature, that is the implementing act of UNSCRs until the entry in force of EU regulations, only imposes a prohibition to make funds and other financial assets or economic resources available, directly or indirectly, for the benefit of designated persons (Measure of general nature, recital 1). The scope of this obligation does not include all the prohibitions listed under c.6.5(c).

Remaining shortcoming: Prohibitions are not sufficiently broad to cover all requirements as provided under the FATF Recommendation.

III. CONCLUSION

8. Czechia has made some progress to address the shortcoming under R.6.

9. However, shortcomings remain for R.6. Notwithstanding that Czechia is expected to submit its TC annex in October 2025 as part of MONEYVAL's upcoming 6th round mutual evaluation, Czechia remains under step 1 of CEPs and is expected to report again at the next plenary (December 2025) on additional action that has been taken.