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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
Third Compliance Enhancing Procedures Report
Czechia[1]

1. Adopted by MONEYVAL at its 70th Plenary meeting (16 December 2025).

Czechia: Third 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measures undertaken by Czechia; and (ii) the procedure to give a prior notification on freezing measures had been repealed.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, the plenary decided to continue to apply step 1.

5. In June 2025, Czechia provided its second CEPs report, which highlighted some progress in relation to shortcomings under R.6. In particular, a mechanism had been established to ensure implementation of the TFS pursuant to UNSCRs 1267/1989 and 1988 without delay. This had also ensured that no prior notice to the designated persons or entities is made. However, as progress was limited, the plenary decided to continue to apply step 1.

6. This is the third CEPs report for Czechia. The purpose of this third 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 69th PLENARY (June 2025)

7. 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.

8. This section reviews progress in addressing shortcomings identified under R.6 in Czechia's third FUR (adopted November 2022).

Shortcoming 1: 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. (c.6.4)
Action taken to address the shortcoming: The mechanism for freezing assets in the implementation of international sanctions is based on the general obligation established in Section 11 of the IIS Act. Under this provision, anyone who has credible knowledge that they possess property subject to international sanctions shall refrain from dealing with that property, except to protect it from loss, impairment, destruction, or other damage, unless

otherwise specified in the IIS Act. This obligation applies from the moment the person becomes aware that the property is subject to international sanctions. The role of the Financial Analytical Office (FAO) (IIS Act, Section 12(1) (a)) is to analyse the notification and the assets concerned to confirm the positive match with the international sanctions and ensure the management of the frozen assets or otherwise to release the assets on the basis of a conclusion on a false positive match. This is in line with the FATF Standard.
Remaining shortcoming: No shortcoming remains.

Shortcoming 2: 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 the shortcoming: Czechia adopted an amendment to the IIS Act Section 3(f) to ensure the alignment of the definition of property subject to international sanctions with the FATF Standards. In particular, the IIS Act Section 3(f) now clearly includes a range of assets and property; including assets which potentially may be used to obtain funds, goods or services; and also stresses the modalities for ownership and control of those. The scope of this definition is broadly aligned with the FATF Standards but does not explicitly cover some of the assets as defined in the FATF Standards, which are broader. The shortcomings include, e.g. (i) the legislation specifically covers the interest, dividend or other income from a financial instrument but not the value accruing from or generated by funds or other assets; and (ii) the legislation specifies the list of financial instruments but does not provide that those shall not be limited to the mentioned ones.
Remaining shortcoming: The scope of funds to be frozen is largely in line with the FATF Standards but does not extend to some of the assets.

Shortcoming 3: Prohibitions are not sufficiently broad to cover all requirements as provided under the FATF Recommendation. (c.6.5(c))
Action taken to address the shortcoming: Czechia adopted legislation empowering the FAO to issue a measure of a general nature. The measure of a general nature is now stating that "*It shall be prohibited to make any funds, financial assets or economic resources available, directly or indirectly, for the benefit of the individuals, groups, undertakings and entities listed on the websites referred to in statement II[2]. or III.[3], or by persons acting on their behalf or at their direction."* While country took action to clarify the prohibition requirements, this definition falls short of explicitly covering: (i) other assets; (ii) financial or other related services; (iii) available wholly or jointly; (iv) entities owned or controlled, directly or indirectly, by designated persons or entities; (v) unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs.
Remaining shortcoming: Prohibitions are not sufficiently broad to cover all requirements as provided under the FATF Recommendation.

[2] Statement II – the List established and maintained pursuant to UN Security Council Resolution 1267/1989/2253

[3] Statement III – the List established and maintained pursuant to UN Security Council Resolution 1988 (2011)

III. CONCLUSION

9. Czechia has made tangible progress in addressing the shortcomings under R.6. Out of 3 shortcomings that remained following the CEPs report from June 2025, one is addressed fully, one is addressed largely, and one is addressed partially. Overall, the progress could be considered satisfactory. The amended legislation no longer provides discretionary decision-making power on the application of freezing measures to the FAO. In addition, the definition of funds subject to freezing is largely in line with the FATF Standards. Shortcomings in the scope of prohibition requirements, such as a sufficient coverage of assets, including in ownership and control of those by designated persons and entities, still remain.

10. Czechia is currently undergoing the MONEYVAL 6th round of mutual evaluation with the on-site envisaged in spring 2026. Within that process, Czechia will undergo a fully flagged assessment of the country's compliance with the FATF Recommendations.

11. Taking into consideration the progress made by Czechia in rectifying the deficiencies in relation to R.6 and taking into account that it is currently undergoing MONEYVAL 6th round of mutual evaluation, the Plenary confirmed that CEPs for Czechia are terminated.