COUNCIL OF EUROPE'S COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

MONEYVAL(2025)4

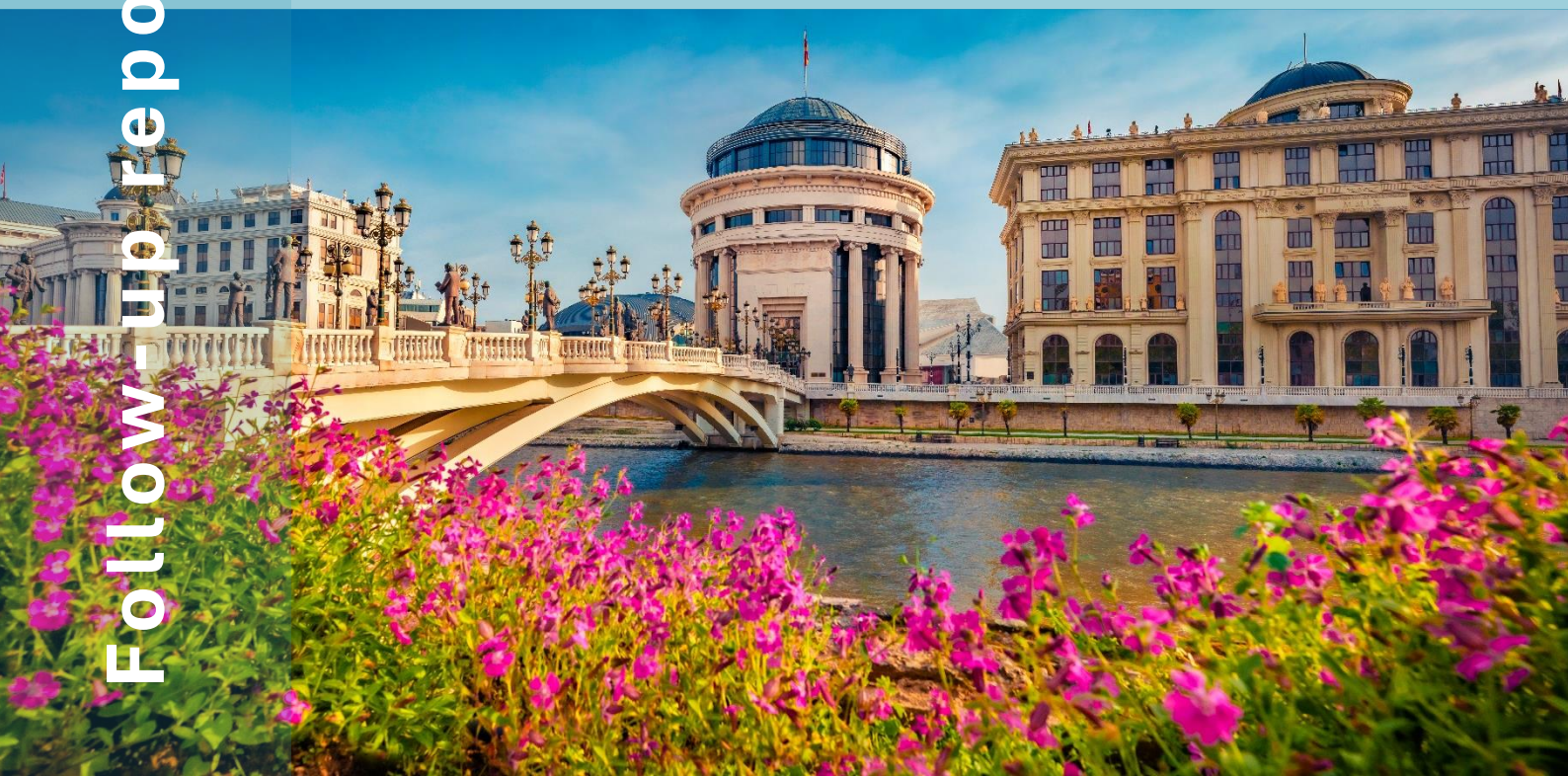
Anti-money laundering and counter-terrorist financing measures

North Macedonia

1st Enhanced Follow-up Report & Technical Compliance Re-Rating

May 2025

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.

The 1st Enhanced Follow-up Report and Technical Compliance Re-Rating on North Macedonia was adopted by the MONEYVAL Committee through written procedure (12 May 2025).

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North Macedonia: 1st Enhanced Follow-up Report

I. INTRODUCTION

1. The 5th round mutual evaluation report[1] (MER) of North Macedonia was adopted in May 2023. Given the results of the MER, North Macedonia was placed in enhanced follow-up.[2] This report analyses the progress of North Macedonia in addressing the technical compliance (TC) deficiencies identified in its MER, where requested to do so by the country. 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 the request of North Macedonia for technical compliance re-ratings and the preparation of this report were undertaken by the following Rapporteur team (together with the MONEYVAL Secretariat):

- Romania.

3. Section III of this report summarises the progress made by North Macedonia in improving technical compliance. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

4. In line with MONEYVAL's Rules of Procedure, the follow-up process is desk-based – using information provided by the authorities, including revised legislation. It does not address what progress a country has made to improve the effectiveness of changes introduced by the country.

II. BACKGROUND, RISK AND CONTEXT

5. A number of significant changes have been made since adoption of the MER or subsequent follow-up report (FUR) that are relevant for considering Recommendations that have been reassessed.

6. On October 3, 2024, the Parliament of North Macedonia adopted the Law on Amendments to the Law on Prevention of Money Laundering and Financing of Terrorism (AML/CFT Law), published in the Official Gazette No. 208 on October 9, 2024, and entered into force on October 17, 2024. The law incorporates/amends provisions to address shortcomings in the provisions identified in the 5th round MER. Those amendments mainly include provisions for the transfer of funds and transfer of virtual assets; policies, procedures, and internal controls applied on the group level; and obligation to procure ex officio on convictions data, i.e., non-convictions of individuals and its associates whose compliance with fit and proper criteria is being assessed. The Insurance Supervision Agency (ISA) has prepared and issued several bylaws to address the recommendations given in the MER. Moreover, The Council for Combating Money Laundering and the Financing of Terrorism adopted Risk Assessment for AML/CFT risks arising from the legal persons and legal arrangements addressing Recommendation (R.) 24 and R.25.

III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

7. This section summarises the progress made by North Macedonia to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER which the authorities have requested a re-rating (R.16, R.18, R.25, R.26).

8. For the rest of the Recommendations rated as partially compliant (PC) (R.4, R.5, R.6, R.7, R.15, R.24, R.28, R.35) the authorities did not request a re-rating.

9. 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 effect at

1. Source available at https://rm.coe.int/moneyval-2023-4-mer-northmacedonia/1680abebe9.
2. Enhanced follow-up involves a more intensive process of follow-up.

the time that North Macedonia submitted its country reporting template – at least six months before the FUR is due to be considered by MONEYVAL.[3]

IV. PROGRESS TO ADDRESS TECHNICAL COMPLIANCE DEFICIENCIES IDENTIFIED IN THE MER AND SUBSEQUENT FURS

10. North Macedonia has made progress to address the technical compliance deficiencies identified in the MER. As a result of this progress, North Macedonia has been re-rated on Recommendations 16, 18 and 25. The country asked for re-rating for Recommendation 26 which is also analysed but no re-rating has been provided.

11. Annex A provides a description of the 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.

V. CONCLUSION

12. Overall, in light of the progress made by North Macedonia since its MER was adopted, its technical compliance with the Financial Action Task Force (FATF) Recommendations has been re-rated as follows.

Table 1. Technical compliance with re-ratings, May 2025

R.1	R.2	R.3	R.4	R.5
LC(MER)	LC(MER)	LC(MER)	PC(MER)	PC(MER)
R.6	R.7	R.8	R.9	R.10
PC(MER)	PC(MER)	LC(MER)	LC(MER)	LC(MER)
R.11	R.12	R.13	R.14	R.15
LC(MER)	LC(MER)	LC(MER)	LC(MER)	PC(MER)
R.16	R.17	R.18	R.19	R.20
LC(FUR1-2025) ~~PC(MER)~~	LC(MER)	**LC(FUR1-2025)** ~~PC(MER)~~	C(MER)	C(MER)
R.21	R.22	R.23	R.24	R.25
C(MER)	LC(MER)	LC(MER)	PC(MER)	**LC(FUR1-2025)** ~~PC(MER)~~
R.26	R.27	R.28	R.29	R.30
PC(FUR1-2025) ~~PC(MER)~~	LC(MER)	PC(MER)	LC(MER)	C(MER)
R.31	R.32	R.33	R.34	R.35
C(MER)	LC(MER)	C(MER)	LC(MER)	PC(MER)
R.36	R.37	R.38	R.39	R.40
LC(MER)	LC(MER)	LC(MER)	LC(MER)	LC(MER)

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

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

3. 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 of the plenary. 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.

Annex A: reassessed Recommendations

Recommendation 16 – Wire transfers

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In its 2023 MER, North Macedonia was rated PC with R.16 because: (i) the terms "to provide" of Article 50 of the AML/CFT Law and "to forward the data" of Article 50(4) were not equivalent to the data having to accompany the transfer (c.16.1); (ii) no specific provision that regulated the possibility, or lack thereof, of wire transfers bundled into a batch file (c.16.2); (iii) Article 50 of the AML/CFT Law did not require to ensure that the information on the originator and beneficiary is accurate and it was unclear whether a de minimis threshold is being applied (c.16.3); (iv) no provision empowering the Law Enforcement Authorities (LEAs) to be able to compel immediate production of information accompanying the domestic wire transfer (c.16.6); (v) no provision not allowing financial institutions (FIs) to execute wire transfers that do not comply with the requirements of c.16.1-c.16.7 (c.16.8); (vi) no requirement for intermediary FIs regarding beneficiary information (c.16.9; c.16.10); (vii) no provision requiring intermediary and beneficiary FIs to have risk-based policies and procedures for determining when to execute, reject or suspend transactions and the appropriate follow-up actions (c.16.12; c.16.15); (viii) beneficiary FIs were not required to adopt other measures, including post-event or real-time monitoring, where feasible (c.16.13); (ix) provisions covered in previous criteria applied also to Money or Value Transfer Services (MVTS) providers, including the deficiencies (c.16.16); (x) Shortcomings detected in R.6 were also applicable (c.16.18).

2. **Criterion 16.1** – According to Article 50-a of AML/CFT Law, the payment service provider of the payer must ensure accurate data (name, surname, payment account number, and address, including the name of the country, the number of the personal identification document, the unique identification number (unique citizen identification number) or the date and place of birth if the payer is a natural person, i.e., the registered office, including the name of the country, the unique identification number (unique entity identification number or entity identification code) if the payer is a legal entity) on the payer and the payee of the funds in any currency in paper or electronic form of the payment order and enter them in the e-message accompanying the transfer of funds from the payer to the payee. Moreover, under Article 50-b, the payee's payment service provider is obliged to confirm whether the data on the payer and the payee of the transferred funds are provided and contained in the e-message accompanying the transfer of funds.

3. **Criterion 16.2** – The bundled wire transfers are defined in Article 2(67) of the AML/CFT Law. According to the definition, "batch file transfer is a collective transfer of multiple individual transfers or transfers of virtual assets that are combined together for the purposes of transfer." Batch transfers are regulated through Article 50-a(5), and under this provision, Batch transfers should include payer and payee data required in c.16.1, and each individual transfer of funds should consist of at least the payer's payment account number or the unique identifier of the payment transaction.

4. **Criterion 16.3** – While Article 50-a(1) of the AML/CFT Law provides the complete set of data that should accompany a transfer of funds (regardless of a threshold), Article 50-a (6) clearly states that for a transaction (including the value of the linked transactions) below the *de minimis* threshold of 1 000 euros (EUR) or the equivalent in Macedonia's denar (MKD) the payment service provider of the payer is obliged to ensure that the transfer of funds is accompanied by at least the name and surname, i.e., the name of the payer and the payee and the payment account number of the payer and the payee, whereby if it is missing or cannot be determined, then it is necessary to identify the unique identification code of the payment transaction.

5. **Criterion 16.4** – Article 50-a(9) of the AML/CFT Law provides that the payer's FI is not obliged to verify the accuracy of the payer's data if the amount of the transfer, including the amount of the payment transactions related to that transfer, does not exceed EUR 1 000 (including denar equivalent).

However, if there are grounds for money laundering (ML) and terrorist financing (TF) suspicion and/or the payment service provider received the funds to be transferred in cash or as anonymous electronic money, the accuracy of the data must be verified regardless the amount.

6. **Criterion 16.5** – Article 50(2) of the AML/CFT Law requires financial institutions to provide the data on the payer on the basis of which its identity may be determined and verified in case of "payments" of EUR 1 000 (or any other currency in the value of EUR 1 000 or more in MKD equivalent more according to the middle exchange rate of the National Bank of the Republic of North Macedonia on the day of the payment) for the purpose of transferring the funds through the domestic payment operations. If the provided data cannot be forwarded due to technical reasons, only the data concerning the account number, or the reference number of the transaction shall be forwarded.

7. Article 50(3) of the AML/CFT Law states that financial institutions are obliged to make the data on the payer referred to in article 50(1) of the AML/CFT Law (see c.16.1) available in a period of three working days as of the submission of the request of the financial institution that should execute the payment, or of the competent bodies, at the latest.

8. **Criterion 16.6** – See c.16.5. Moreover, according to Article 67-a(1) of the AML/CFT Law, reporting entities are obliged to submit the data and information to the competent authorities (The Public Prosecutor's Office of the, the Ministry of Internal Affairs, the Ministry of Finance - Financial Police Directorate, the Ministry of Finance - Customs Directorate, the Intelligence Agency, the Ministry of Defense - Sector - Military Security and Intelligence Service, the National Security Agency and the State Commission for the Prevention of Corruption) and supervisory authorities.

9. **Criterion 16.7** – Article 62(2) of the AML/CFT Law sets requirement for obliged entities (OEs) to keep documents or electronic records for all transactions for ten years after their execution, including the accompanying evidence and records for the transactions that consist of original documents or copies that can serve as evidence in court proceedings, which are necessary to identify and enable the reconstruction of individual transactions.

10. **Criterion 16.8** – No legal provision meets requirements of c.16.8.

11. **Criterion 16.9** – FIs acting as intermediaries in the fund transfers are obliged to forward the data about the payer and the payee to the payee's FI and determine whether all the above-mentioned data is listed in the electronic message accompanying the transfer. (Article 50-d of the AML/CFT Law).

12. **Criterion 16.10** – Article 62(2) of the AML/CFT Law states that entities are obliged to keep documents or electronic records of all transactions for ten years after their execution, including supporting evidence and records of transactions consisting of original documents or copies that may serve as evidence in court proceedings, which are necessary to identify and enable the reconstruction of individual transactions.

13. **Criterion 16.11** – Article 50-d(4) and 50-d(5) states that when the transfer does not include the complete data, the intermediary institution is obliged to determine in its procedures in which situations: (i) it will refuse to carry out the transfer, (ii) it will postpone the execution of the transfer until it obtains the missing data (that must be requested from the intermediary institution or from the payer's FI), or (iii) it will carry out the transfer, requesting at the same time the missing data from the intermediary institution or the payer's FI. If the payer's FI or the payee's FI fails to provide accurate and complete data (including beneficiary data), the intermediary institution is obliged to warn that FI, informing it of the deadline within which it must provide the missing data (in accordance with the provisions of the AML/CFT Law). Ultimately, if the payer's FI or the payee's FI fails to provide the missing data after receiving such a warning and after the expiry of the specified deadline, the intermediary institution must refuse future transfers received from the payer's FI or the payee's FI or to limit or terminate business co-operation with it.

14. **Criterion 16.12** – Article 50-d(3) of the AML/CFT Law states that intermediary institutions shall be obliged, by applying a risk-based approach, to establish and implement procedures that regulate when to execute, reject, or suspend a wire transfer where it is not accompanied by originator

and beneficiary information. Procedures should also determine the appropriate follow-up actions. Article 50-b (5) stipulates that, in accordance with the risk assessment, the beneficiary FIs are obliged to verify the recipient's identity regardless of the transfer amount.

15. **Criterion 16.13** – According to Article 50-b of the AML/CFT Law, the beneficiary FIs must establish and apply procedures for checking the completeness of the data (on the originator and the beneficiary) accompanying a transfer. For transfers exceeding EUR 1 000 in MKD equivalent, the day before the beneficiary's FI approves the payment/makes funds available to the beneficiary, the FI must confirm the accuracy of the data obtained about the payee unless the payee is already identified, their identity has been confirmed and there are no grounds for ML/TF. Concerning the transfers that are below the above-mentioned threshold (including the value of the related transactions), on the day before the transaction approval/placement of funds at the beneficiary's disposal, the payee's FI is not required to confirm the accuracy of the data on the transfer's beneficiary, unless the funds are disposed in cash or anonymous e-money and there are grounds for suspicion for ML/TF. Article 50-b(5) stipulates that, per the risk assessment, the payee's FIs must verify the recipient's identity regardless of the transferred amount. FIs must apply a pre-event check of the information accompanying a transaction based on a threshold.

16. **Criterion 16.14** – In the case that the beneficiary is the customer of a business relationship with the FI, customer due diligence (CDD) measures should be applied according to article 15(1)(a) of the AML/CFT Law, which include the verification of the identity of the customer (see c.10.3). In the case of occasional transactions, according to article 13(c) of the AML/CFT Law, CDD must be performed where the occasional transaction constitutes a transfer of funds in the amount higher than EUR 1 000 in MKD (MKD equivalent according to the middle exchange rate of the National Bank of the Republic of North Macedonia). For cross-border wire transfers equalling or below EUR 1 000, Decision no. 42/2011 and the associated instructions described in c.16.2 apply. In terms of record keeping, article 62(2) of the AML/CFT Law sets requirements for all OEs including beneficiary financial institutions (See c.16.7).

17. **Criterion 16.15** – Article 50-b of the AML/CFT Law states that the beneficiary FIs are obliged to apply a risk-based approach and to establish and implement procedures for the transfers that do not include complete data (on the originator and the beneficiary) for determining (i) when to reject, suspend or execute a wire transfer requesting information from the originator's FIs and (ii) the appropriate follow-up actions (refusing future transfers or limiting/terminating the business relationship with it in case the originator's FIs do not provide the requested information within the specified deadline (according to their obligations provided by the AML/CFT Law) and in that case informing the supervisory authority about their failure to comply with this law. Beneficiary FIs are also required to determine whether the lack of complete, accurate data and other circumstances indicate the existence of ML/TF suspicions and to submit a report to the Financial Intelligence Unit (FIU).

18. **Criterion 16.16** – Article 2(9) of the AML/CFT Law defines legal entities that are not banks or savings houses that carry out payment services (fast transfer money service providers) as financial institutions. Therefore, provisions covered in previous criteria apply also to MVTS providers, including the deficiency identified in c.16.8 and negative effects of R.6. Regarding agents of the MVTS providers ("subagents"), article 27 of the Law on providing fast money transfer services requires the fast money transfer service providers and their subagents to prepare and to implement programs for the prevention of money laundering and terrorist financing and to act pursuant to the AML/CFT regulations, which would include Article 50 on obtaining and forwarding information in case of transfer of funds.

19. **Criterion 16.17** –

(a) According to Item 15 of the Decision on issuing license and approval for providing fast money transfer services, the service provider is required to possess complete data for the sender and the recipient (name and surname, address, national identification number, etc.) before executing the transaction. Furthermore, given their status as AML/CFT OEs, they are subject to obtain

information from the payer and the recipient of a transfer of funds by virtue of article 50 and to file suspicious transaction reports (STRs) in accordance with article 65.

(b) According to Article 2.1 (2-3) of the Law on providing fast money transfer services, service providers and their subagents have to be registered in North Macedonia, therefore not being able to file STRs in any other country.

20. **Criterion 16.18** – FIs that conduct wire transfers, as OEs under the AML/CFT Law, must implement the restrictive measures and freezing mechanisms according to Article 13 of the Law on Restrictive Measures. Article 13 requires OEs to implement restrictive measures (including measures stemming from United Nations Security Council Resolution (UNSCR) 1267, 1373 and their successor resolutions), and within 3 days inform the Coordination Body established by the Government of North Macedonia about the implemented measure. According to Article 12 of the AML/CFT Law, OEs are obliged to prepare and implement a Program for efficient reduction and management of the identified risk of ML and TF, which contains, among others, (i) a procedure and plan for performing internal controls of the implementation of measures and actions for preventing ML/TF appropriate to the size and type of the entity, (ii) screening procedures during employment and for employees in order to ensure high standards for preventing ML/TF and (iii) policies, procedures and internal controls for the application of restrictive measures in accordance with the law. However, shortcomings detected in R.6 are also applicable here.

Weighting and conclusion

21. The majority of the criteria are met, with shortcomings remaining only in the following criteria: the lack of provisions regarding the non-execution of transfers by the payer's FI with incomplete identification data (c.16.8) and its negative effect on MVTS (c.16.16); R.6's shortcomings having effect on c.16.16 and c.16.18**. R.16 is re-rated as LC.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In its 2023 MER, North Macedonia was rated PC with R.18 because: (i) the compliance officer's (authorised person) level/position in the structure of OEs was not explicitly prescribed by law, and the requirement to include an independent audit function only covered OEs that were required to establish a special AML/CFT department (c.18.1(d)); (ii) Article 48(1) of the AML/CFT Law did not cover majority-owned subsidiaries or all branches in North Macedonia itself, and neither Article 48(1) of the AML/CFT Law nor Article 119(2)(4) of the Banking Law explicitly required implementation of group-wide programs against ML/TF that included all the necessary elements required by c.18.2 (c.18.2); (iii) no explicit requirement for financial groups to apply appropriate additional measures to mitigate ML/TF risks when a country hosting a branch or majority-owned subsidiary does not permit the proper implementation of AML/CFT measures consistent with the home country requirements.

2. **Criterion 18.1** – Article 12(1) of the AML/CFT Law specifies that OEs have to prepare and apply a program for efficient reduction and management of the identified risk of ML/TF, which has to be adopted and regularly monitored by the senior management of the entity. This program includes:

(a) appointment of the authorised person (AML officer) and his/her deputy responsible for compliance with ML/TF and their position in the organisational structure); However, clear requirements concerning the AML/CFT compliance officer that should be appointed at the management level are not present;

(b) screening procedures for the employees in order to ensure high standards for prevention of ML/TF;

(c) plan for continuous training of the employees in the field of prevention of ML/TF that provides delivery of at least two training events during the year;

(d) independent audit function for testing the entire internal system for prevention of ML/TF depending on the size and nature of the activity of the entity (article 12(2) of the AML/CFT Law). Nevertheless, independent audit requirement does not cover all OEs.

3. **Criterion 18.2** – Article 48(3) of the AML/CFT Law stipulates that "[OEs] that are part of a group, including a financial group, are obliged to implement a Program for effective reduction and management of the identified risk of ML and TF of the group, i.e., the financial group, in all subsidiaries and branches that are part of the group, i.e., the financial group." The Program, detailed by Article 48(4), should include AML/CFT measures among which: "(i) policies and procedures for information sharing for the purpose of customer analysis and ML/TF risks management; (ii) ensuring compliance at the group level in the application of measures for the prevention of ML and TF, regarding the information on customers, accounts and transactions by branches and subsidiaries, for the purposes of preventing money laundering and terrorist financing and (iii) application of appropriate confidentiality safeguards when using the exchanged data and information. However, shortcomings identified in c.18.1 also negatively affect c.18.2.

4. **Criterion 18.3** – Article 48 of the AML/CFT Law requires OEs to ensure application of the measures for prevention of ML/TF in the subsidiaries or branches in foreign countries. If the regulations of the foreign country where the subsidiary or the branch is located do not allow application of the measures for prevention of ML/TF, OE is obliged to apply additional measures for the effective management of the risk of ML/TF and to immediately notify the supervisory authority.

Weighting and conclusion

5. The AML/CFT legal framework of North Macedonia has significantly improved since the MER, even though with regard to criteria 18.1 and 18.2 there are still small improvements to be made, since clear requirements concerning the AML/CFT compliance officer that should be appointed at the management level are not present (c.18.1(a)) and independent audit requirement does not cover all OEs (c.18.1(d)). **R.18 is re-rated as LC.**

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

	Year	Rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In its 2023 MER, North Macedonia was rated PC with R.25 because: (i) it was not explicitly stated that the information to be obtained and retained by a trustee would include that in relation to other regulated agents and service providers involved with the trust (c.25.1(c)); (ii) no express requirement for a trustee to disclose to an OE in what capacity it is acting (c.25.3); (iii) no requirement obliging trustees or other OEs to hold information on other service providers to a trust, therefore the information may not be accessible to FIU or other supervisors (c.25.5); (iv) there were concerns about the proportionality, effectiveness and dissuasiveness of the sanctions to be applied: (i) to a trustee located in North Macedonia or any other OE for failures to fulfil its' AML/CFT obligations or hold beneficial ownership information; and (ii) for failures to reply to requests for information by the FIU (c.25.7&c.25.8); (v) the deficiencies identified under c.35.1 and c.35.2 were also applicable;

2. **Criterion 25.1** –

(a) North Macedonia does not allow for trusts or similar legal arrangements to be established under its laws, and it has not ratified The Hague Convention on the Law applicable to Trusts and on their Recognition.

(b) The laws of North Macedonia do not provide for the establishment of trusts governed by its laws.

(c) One of the activities that attracts AML/CFT obligations under the current AML/CFT Law is that of providers of services to legal entities or trusts ("TCPS") which includes situations where an individual or legal entity in the scope of their operations acts as or engages another entity to act as a trustee or a similar legal arrangement established by an explicit statement.

3. As such the said OEs would have to comply with CDD obligations and retain on file data, information and documentation on the parties to the foreign trust that they service up to ten years from the date of the executed transaction or from when the business relationship is terminated (Article 62 of the AML/CFT Law), including on its beneficial owners (Article 19). In terms of Article 22(1) the beneficial owner of a trust, would cover the following: (i) the settlor; (ii) the trustee; (iii) protector, if any; (iv) a beneficiary or a group of beneficiaries under the conditions that the future beneficiaries are determined or may be determined; (v) another natural person who through direct or indirect ownership or in any other manner controls the trust. It is not explicitly stated that the information to obtain and retain would include that in relation to other regulated agents and service providers involved with the trust.

4. **Criterion 25.2** – OEs under the current AML/CFT Law have on-going monitoring obligations, which includes the obligation to 'regularly check and update the documents and data on the clients, the beneficial owners and the risk profile of the clients with which it has established a business relationship' (Article 37 of the AML/CFT Law). This would include trustees residing or established in North Macedonia.

5. Under the AML/CFT Law, trusts and other legal arrangements are also bound to hold adequate, accurate and up-to-date beneficial ownership information and documents, even if not established under the laws of North Macedonia, if they meet one or more of the specific conditions set out under Article 28(1) indicative of ties with North Macedonia.[4]

4. In addition, as of January 2025, trustees established or residing in North Macedonia as well as trustees of trusts having only links with North Macedonia will have the additional obligation under Article 31(2) of the AML/CFT Law to report beneficial ownership information of any such trusts in the same manner as is done at present for legal persons established under the laws of North Macedonia. It is noted that unlike what is provided for in the case of legal entities, there is no obligation on the said trustees to update the information provided to the Beneficial Ownership Register should there be a change in the same.

6. **Criterion 25.3** – According to Article 19(5) of the AML/CFT Law, when the trustee/the person acting on behalf of a trust/legal arrangement establishes a business relationship or carries out a transaction with an OE must (i) provide information supported by documents establishing that the person acts in that capacity, and (ii) provide information on the identity of the beneficial owners of the trust/legal arrangement, as well as to provide data on the name, address, legal form of the trust or other legal arrangement.

7. **Criterion 25.4** – Trustees are under no such impediment under the laws of North Macedonia. As explained in R.9, articles 71 and 74 of the AML/CFT Law do not allow for business secret or classified data to be impediments for the submission of data, information or documents in accordance with the Law.

8. **Criterion 25.5** – Any information collected by an OE, be it a trustee or another OE contracted by the trustee, on a trust, including its beneficial ownership, would be accessible to the FIU and to AML/CFT supervisors. This may very well not include information on other service providers as there is no CDD requirement obliging the trustee or any other OE to hold such information. With respect to access to the said information by other competent authorities, in particular law enforcement authorities, reference can be made to the analysis under R.9(a) which would be equally applicable with respect to information collected in the course of complying with one's AML/CFT obligations even if one is a designated non-financial business and profession.

9. **Criterion 25.6** –

(a) North Macedonia does not, at present, require trustees to register any information on the trusts they service to any form of register or other authority. However, there would be no obstacle to authorities exchanging information in their possession on trusts with foreign counterparts.

(b) As already remarked under R.9 there is no obstacle for competent authorities to exchange information domestically one with the other.

(c) Under R. 40, LEAs are empowered to satisfy requests on behalf of foreign counterparts, including those that relate to legal arrangements.

10. **Criterion 25.7** – The Article 192-a of the AML/CFT Law holds liable the trustees/trust managers for any failure to comply with the provisions of the AML/CFT Law, namely: (i) failure to notify the entity and provide information supported by documents that he is acting in that capacity, as well as to provide data on the identity of the beneficial owners, (ii) failure to possess and keep appropriate, accurate and up-to-date data on the beneficial owners and (iii) failure to register the data on the beneficial owners, as well as the data on changes in beneficial owners in the register, in accordance with this Law. The minimum fine amount imposed for a misdemeanour on a trustee is EUR 10 000. This value can reach up to EUR 15 000 in denar equivalent. The quantum of the sanctions imposed on the trustees seems to be dissuasive and proportionate (considering the immateriality of the trust sector). However, shortcomings identified in c.25.8 and R.35 negatively affects this criterion.

11. **Criterion 25.8** – The AML/CFT Law considers a failure to reply to a request for information by the FIU as a misdemeanour and as therefore attracting a fine under Article 186 and Article 189 of the said law, depending upon whether information is requested from an entity or an individual. In the case of an entity, the fine varies depending upon its classification as a large, medium, small or micro trader, with the highest possible fine being EUR 120 000 and the lowest EUR 20 000 in MKD equivalent. For individuals the highest possible fine is EUR 40 000 and the lowest EUR 30 000. With regards to whether they are proportionate, effective and dissuasive, reference is made to the analysis under R.35.

12. In addition, North Macedonia has also provided information as to what would be the applicable sanctions where the refusal relates to a request for information received from the public prosecutor. In such instances, a demand can be made by the said prosecutor to the courts to impose a fine in the amount of 2 500 to 5 000 EUR in MKD for the responsible, officer and a fine in the amount of 5 000 to 50 000 EUR in MKD for the legal entity. However, no additional information was provided as to what

would be the applicable sanctions if the request is received from an authority other than the FIU or the public prosecutor.

13. Moreover, it has to be considered that as highlighted under Criterion 25.1(c) not all the information referred to under the same would be available to OEs.

Weighting and conclusion

14. Although minor shortcomings, such as the lack of requirement regarding obtaining and retaining information on other service providers to the trust (c.25.1(c) and c.25.8) and negative effects of R.35 remain, North Macedonia's improvements concerning legal arrangements support the upgrade. Thus, **R.25 is re-rated LC.**

Recommendation 26 – Regulation and supervision of financial institutions

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remains at PC)

1. In its 2023 MER, North Macedonia was rated PC with R.25 because: (i) two possible issues gave rise to confusion related to the investment services sector and the supervisory remit of the SEC in this regard. There was the need for some further alignment between the AML/CFT Law and the Law on Securities to ensure that there is clarity as to what is exactly the supervisory remit of the SEC (c.26.1); (ii) investment management companies for private funds and private funds themselves were subject to a registration system (for which there have been instances of refusal due to ML concerns), which was not up to the same standards of a licensing regime, as the actual level and extent of checks carried out could not be determined (c.26.2); (iii) only 'unconditional' convictions were considered when assessing the reputation of a qualifying shareholder (c.26.3); (iv) the concept of 'associate' under Article 2(7a) of the Banking Law was quite limited, and the restrictions with respect to associates of criminals are only applicable with respect to appointments to the Management Board of banks. For other FIs, there were no prohibitions against associates of criminals holding a director position (SEC) or a qualifying shareholding (ISA) (c.26.3); (vi) the ISA: did not have powers to remove a shareholder who becomes convicted or members of the Supervisory Board that no longer meet the appointment requirements; and did not apply controls to key personnel of insurance companies (besides actuaries) or to Board members of agents and brokers (c.26.3); (vii) there was no assessment in relation to the International Organization of Securities Commissions (IOSCO) Principles of footnote 78 of the FATF Methodology and it was unclear whether supervisors have the ability to carry out group supervision (besides for banks) (c.26.4(a)); (viii) the supervisory approaches adopted for MVTS providers and exchange offices cannot be considered to be risk-based and the frequency of supervision and allocated staff by the ISA could benefit from further improvements (c.26.5(a)); (ix) no information with respect to how the country ML/TF risks are taken into account and influence the risk understanding and supervisory plans of supervisors (c26.5(b));

2. **Criterion 26.1** – The supervisory authorities responsible to ensure compliance with AML/CFT obligations by FIs are set out in Article 151(1) of the AML/CFT Law. The NBRNM is responsible for supervising banks, savings houses, exchange offices, money remitters (fast money transfer providers) and payment service providers (banks and intermediaries in micropayments). The ISA is responsible for supervising insurance companies, brokers and agents. On the other hand, the SEC supervises brokerage companies, persons providing services to investment advisors, banks that are licenced to work with securities as well as the funds sector comprising investment management companies for open-ended, close-ended and private funds as well as the said funds themselves. Managers of voluntary pension funds are subject to supervision by the Agency for Supervision of Fully Funded Pension Insurance (MAPAS). The Postal Agency is then responsible for supervising the Post of North Macedonia, although as already stated it offers no money remittance services.

3. Article 151(2) of the AML/CFT Law states that the FIU acts as the AML/CFT supervisor for those entities which are not expressly assigned to the supervisory remit of an authority in terms of Article 151(1). This would include those entities conducting the following services listed under Article 2(9) of the AML/CFT Law: (a) financial leasing, crediting, issuance of payment guarantees, avals and other forms of collateral and the issuing of payment means when these activities are not carried out by banks or by saving houses; (b) advising legal entities on capital structuring, business strategy or other related issues, the provision of services related to merger or acquisition of legal entities, and intermediation in the conclusion of credit and loan agreements, and processing and analysing information on the legal entities' creditworthiness; and (c) keeping or administering/distributing cash. In addition, the FIU also has supervisory remit over the entities that in terms of Article 151(1) of the current AML/CFT Law are already subject to supervision by another authority, which remit would however be limited to 'extraordinary, control supervision', which involves checking specific customer/s and/or transaction/s that either the FIU itself or some other authority would have flagged.

The FIU can exercise its supervisory powers either independently or in co-operation with the other supervisory authority.

4. Two possible issues that may give rise to confusion relate to the investment services sector and the supervisory remit of the SEC in this regard. The first one relates to Article 199 of the Law on Securities, granting the SEC the remit to supervise adherence of all market participants with the requirements of the law, including AML/CFT obligations, which would include entities other than those referred to under Article 151 of the AML/CFT Law (CSD), even if, according to the AML/CFT Law the CSD would fall within the supervisory remit of the FIU. The second issue is the different manner in which particular investment services are referred to under the definition of 'financial institution' under the AML/CFT Law and under Article 94 of the Law on Securities.

5. **Criterion 26.2** – Core Principles financial institutions are mostly subject to licensing. Banking activity can only be carried out by those entities that have been granted a licence by the Governor of the NBRNM as per Article 3 of the Banking Law. Insurance activities are subject to licensing by the ISA under Article 7 (insurance companies), Article 134 and Article 134-a (insurance agency), and Article 137 and Article 145 (insurance brokerage). With respect to the securities sector, the SEC is responsible for licensing stock exchanges (Article 74), depositories (Article 33), brokerage activities (Article 97) and investment advisory companies (Article 148) in terms of the Law on Securities. Under the Law on the Investment Funds, the SEC is also responsible for licensing investment management companies for close-ended and open-ended funds (Article 9) as well as the respective funds themselves (Article 148). Investment management companies for private funds and private funds themselves are subject to a registration system (for which there have been instances of refusal due to ML concerns), which may not be up to the same standards of a licensing regime, as the actual level and extent of checks carried out could not be determined.

6. With respect to other FIs, according to Chapter II of Law on Payment Services and Payment Systems which, non-banking payment service providers (MVTS) are subject to licencing by NBRNM. Currency exchange activities are also subject to authorisation by the NBRNM while leasing and financial companies (small credit providers) are subject to licensing by the Ministry for Finance, the latter of which carry out financial leasing, factoring, issuing guarantees and approving credits. MAPAS is responsible for licensing managers of mandatory and voluntary pension funds.

7. With respect to shell banks, the AML/CFT Law (Article 59) prohibits OEs from establishing a correspondent banking relationship with any such bank. In addition, shell banks are prohibited from providing their services within North Macedonia which, together with the requirements imposed under the Banking Law when it comes to the physical presence of banks, excludes the possibility that shell banks are established or allowed to operate within North Macedonia.

8. **Criterion 26.3** –

9. Banking Activity – A qualifying shareholding is defined in Article 2(21) of the Banking Law as the direct or indirect ownership of at least 5% of the total number of shares or the issued voting shares in a bank or through which it is possible to exercise a significant influence over the management of that bank. Article 13(2) provides that no person may be allowed to acquire a qualifying shareholding if, inter alia, one is not judged to be of good repute. This 'denotes honesty, competence, hardworking and character that makes sure that the person will not act towards jeopardising the safety and soundness of the bank and undermining its reputation and credibility' [Article 2(28)]. In terms of Article 13(3), one is not considered to be of good repute if one has been convicted, by an effective court decision, for unconditional imprisonment of more than six months, in the period of duration of the legal consequences of the conviction and/or has an associate who has been so convicted. A contrario sensu, it can therefore be easily argued that anyone who has not been so convicted is to be considered as a reputable person notwithstanding any other characteristics. Furthermore, it is not clear why this is limited to 'unconditional' convictions only. Therefore, the law as it currently stands may pose a restriction on the NBRNM's ability to effectively assess reputation.

10. The said conditions have to be met upon applying for a licence as well as when one is intent on acquiring directly or indirectly, immediately or gradually, a holding of over 5%, 10%, 20%, 33%, 50% and over 75% in an institution [Article 59(6) paragraph 3]. Should the conditions no longer be met subsequent to approval being granted, Article 153 of the Banking Law allows the NBRNM to withdraw its approval. The acquisition of a qualifying holding by a legal entity would require the disclosure of any of its shareholders holding 10% or more of its share capital, ensuring that any beneficial owner of a qualifying holding is equally identified. In addition, an approval to acquire a qualifying shareholding may not be granted or may be revoked if there are doubts as to the legitimacy of the source of the funds being used or with respect to the reputation or the identity of the qualifying shareholder.

11. In addition, one has to remark that even the concept of 'associate' is quite limited as one can only be deemed an associate of a convicted criminal only if one shares, directly or indirectly, control over a trading company with such an individual [Article 2 (7a)]. Authorities advised that this would be mitigated by taking into consideration the "connected persons and entities" of the applicant, a concept that is present in the Banking Law and further developed in the "Decision on the method of determining connected persons/entities and exposure limits", although the assumptions for "connected persons" are still quite restrictive and, in any case, this concept does not cover up for the shortcomings in the definition of associate.

12. Similar conditions apply with respect to the appointment of someone to the Supervisory or Management Board of a bank as well as to any other person that falls to qualify as key personnel which are described under the Banking Law as persons with special rights and responsibilities [Article 83]. In the event that they no longer meet the conditions for their appointment, the NBRNM has the ability to order their removal or replacement. However, in this case the restriction with respect to one being an associate of a convicted criminal is only applicable with respect to appointments to the Management Board.

13. Insurance Activity – Anyone wishing to acquire a qualifying shareholding, defined as a direct or indirect shareholding of 10% or more [Article 16 of the Law on Insurance Supervision], in an insurance company cannot be the subject of a conviction resulting in imprisonment for at least 6 months for specific offences [Article14(1) para 2 of the Law on Insurance Supervision]. However, it does not result that there is a continuing obligation to observe this condition nor does the ISA have the ability to withdraw any authorisation granted in case a shareholder becomes so convicted once he acquires the holding. There does not seem to be any grounds on which an associate of a criminal may be refused authorisation to acquire a qualifying holding.

14. Similar grounds are applicable with respect to appointments to an insurance company's Supervisory and Management Boards [Article 28 and Article 23 respectively of the of the Law on Insurance Supervision]. According to Rulebook on the Method and Procedure for Conducting the Selection and Evaluation of the Suitability of a Supervisory Board Member of an Insurance Company and Reporting to the Insurance Supervision Agency, ISA has powers to request the company/shareholders to appoint a new member of Supervisory Board if the fit and proper criteria are not met according to Article 28(5) (obligation for continuous fulfilment of the fit and proper criteria) of the Law on Insurance Supervision. Also, article 6 of the Rulebook empowers ISA to request the Supervisory Board to appoint a new member of the Management Board if the fit and proper criteria are not continuously met. If the Supervisory Board does not appoint a new board member, then according to Article 27(1)(3) of the Law on Insurance Supervision (obligation for continuous fulfilment of the fit and proper criteria), the ISA can revoke the license of the company. With respect to other insurance activities (insurance agents and brokers), it does not seem that there is any form of controls applied on members of their Board.

15. Securities – Qualifying shareholders need to be of good repute [Article 152-a(2) para 4 of the Law on Securities] and the SEC has issued regulations setting out (Article 4(1)) what documentation it will require to be submitted to it, including 'evidence from a competent authority that the natural person has not been sentenced to imprisonment for criminal offenses in the area of banking, finance, labour relations, property, bribery and corruption'. It is however not clear whether any form of

conviction would be considered as detrimental to one's assessment or otherwise. This is also applicable in the case of qualifying shareholdings under the Law on the Investment Funds. However, the SEC does have the ability to withdraw any authorisation so granted in the event that the holder no longer meets the necessary conditions and to withdraw any qualifying shareholding that would have been acquired without its prior approval (Article 152-c(6) of the Securities Law).

16. With respect to members of the Supervisory Board of a company licensed by the SEC, proposed appointees have to provide evidence that they have not been subject to conviction for criminal offences. The SEC has issued a series of Regulations which set out in more detail the requirements for one to be appointed as director to a company licensed by the SEC, which refer to providing evidence from a competent authority that no misdemeanour sanctions, prohibitions from performing the profession, activity or duty or convictions for crimes in the field of banking, finance, labour relations, property, bribery or corruption have not been imposed against the proposed candidate for director, although no further information seems to be taken into consideration. In addition, it is not clear whether this would be applicable with respect to both members of a Supervisory and Management board where a licensee applies a two-tier board system nor is it clear how extensively the categories of different offences are interpreted. No reference has been made to whether the SEC has the power to remove a director should the said person no longer meet the necessary requirements. There also seems to be no prohibition against associates of criminals holding such positions.

17. With respect to non-banking payment service providers (MVTS), Law on Payment Services and Payment Systems requires persons intending to own qualifying shares to be fit and proper, and have good repute which inter alia means they haven't been convicted, by an effective court decision, for unconditional imprisonment of more than six months, in the period of duration of the legal consequences of the conviction and/or has an associate who has been so convicted (Arts. 2; 16; 19; 23 of Law on Payment Services and Payment Systems). For Management Board members, in addition to reputation requirements, there are requirements for relevant experience and competence (Arts. 2; 16 of Law on Payment Services and Payment Systems). Also, regarding exchange offices, Chapter II of Decision on Currency Exchange Operations of the NBRNM stipulates the criteria for the manager/responsible person: 1) no misdemeanour sanction has been imposed against the responsible person of the applicant, banning them from performing a profession, activity or duty; 2) no final court sentence to over 6 months of unconditional imprisonment has been pronounced against the responsible person of the applicant for the duration of the legal consequences of the sentence. The criteria for no final court sentence of over 6 months of unconditional imprisonment should also be fulfilled by the associate of the person responsible for the exchange office.

18. With respect to any other financial activities that may be licensed in terms of the Law on Leasing and the Law on Financial Companies, the checks ensure that founders and the manager of the said entities are not subject to prohibitions to carry out a profession, activity or duty, and, for leasing companies, also a lack of an unconditional conviction of at least six months, maintain a reputation that will not risk the company's stable operation, and do not have any business partners with final court verdicts resulting in prison sentences over six months. Regarding pension fund management companies, only a limited element of fit and properness is considered in regards to qualifying shareholders.

19. **Criterion 26.4** –

(a) North Macedonia was the subject of a full Basel Core Principles assessment in 2018, and it does not seem that there were any major deficiencies highlighted, with North Macedonia being considered Compliant with 21 of the 29 principles and Largely Compliant with the remaining 8. With respect to the Principles referred to in footnote 78, it was rated Largely Compliant with 5 principles and Compliant with the rest.

Similarly, North Macedonia was also the subject of an International Core Principles observance exercise in 2018. There were 7 principles that are relevant even in the area of AML/CFT that were only Partly Observed, including the ICP dealing with Suitability of Persons, and an additional principle that was assessed as not being Observed at all. Since then, several actions have been taken

to address the shortcomings, including legislative amendments and an increase in the focus on AML/CFT.

With respect to the SEC, it has made available a self-assessment questionnaire which considers that it is compliant with IOSCO standards. However, the said questionnaire only focuses on IOSCO Principles 1 to 5 which are outside the scope of this assessment.

In terms of Article 151 of the AML/CFT Law, all FIs present in North Macedonia are subject to supervision, be they be part of a group or otherwise. With respect to group supervision, information has only been provided in relation to banks, although there are no banking groups in North Macedonia. In this regard, the NBRNM could perform group-wide supervision by extending the same principles and measures applicable to individual banks being extended to the whole group. Article 120 of the Banking Act providing for consolidated supervision does not make direct reference to AML/CFT but a series of decisions have been adopted by the NBRNM which would see ML/TF risks and the measures adopted to manage said risks as part of the wider category of operational risk to which individual banks or banking groups would be exposed to. It has to be remarked that the previously applied methodology within the context of both individual and consolidated supervision was not intended to assess compliance with AML/CFT obligations but rather to assess risks' (including ML/TF risks) influence on the bank's solvency, liquidity and/or profitability, or to impede the fulfilment of the bank's development plan and business policy. Since April 2022, however, a new methodology, targeted to AML/CFT, has been adopted and is in the process of implementation (see c.26.5 and IO.3).

(b) All other financial institutions are subject to supervision for compliance with their AML/CFT obligations as indicated under Criterion 26.1 above.

20. **Criterion 26.5** –

(a) In terms of Article 152 of the AML/CFT Law, the supervisory bodies are obliged to apply the approach based on the risk assessment of money laundering and financing of terrorism. In the process of preparation and implementation of the program or the plan for supervision, the supervisory bodies are obliged to at least take into account: (i) the data on identified risks of money laundering or financing of terrorism in accordance with the findings of the report for the national risk assessment; (ii) the data on the specific national or international risks related to clients, products and services; (iii) the data on the risk of particular categories of entities, particular entities and other available data on the entities, and (iv) the important events or changes related to the management of the entity and each change of its business activities. It is unclear how this legal provision is ultimately reflected in the supervisory procedures and practices of the supervisors or how it influences the frequency and intensity of supervisory activities undertaken. It is equally unclear how any information on the controls applied by the particular OE, which is not referred to in the said provision, is factored in.

The NBRNM took into account the size, activities and risk profile of the individual bank subject to supervision through the supervisory review and evaluation process, which considers ML risk as part of operational risk, and could lead to prioritisation of banks which are not of a particular ML/TF concern for examination. A new standalone ML/TF methodology has been adopted in April 2022 and is in the process of implementation, based on information from questionnaires sent to the sector on a half-year basis, aiming at providing a more focused ML/TF risk score.

The NBRNM can carry out different kinds of examinations which allow it to vary the intensity of an examination on the basis of risk, however, no information has been provided as to it would decide to undertake one kind of examination (including AML/CFT) rather than another.

With respect to other FIs falling within the supervisory remit of the NBRNM, their supervisory cycles and intensity of examinations are either not based on risk (MVTS providers) or cannot be considered to be fully risk based (exchange offices)(see IO.3).

The SEC has formulated a 1.5-year (for high-risk entities) and 3-year (for low-risk ones) supervisory plan. It has a risk assessment methodology for individual OE, upon which to base the

frequency and intensity of its supervision, even if, so far, the onsite supervision conducted has not fully matched the risk categorisation of entities.

On the other hand, the ISA's risk assessment did not take into account some aspects that are key to determine ML/TF risk such as the risks presented by the particular products offered or the kind of customers, including beneficiaries, they may be serviced, although since 2022 it started circulating a new annual questionnaire intended to provide a more granular understanding of the risks to which the sector and individual entities are exposed to. The frequency and staff allocated to its onsite supervisory cycle under this new methodology (5 years for all insurance companies, as well as those entities being rated as critical or high risk during the off-site scoring being inspected the subsequent year) could still benefit from further reinforcements.

With respect to the FIU, please see the supervisory processes describer under c.28.5. Regarding MAPAS, its supervision covers all OEs under its remit, which are rated as low risk. There is no information on how this supervision would be applied to financial groups.

(b) Please refer to c.26.5(a). The article quoted above does provide for supervisors to take into account the ML/TF risks of the country. No information was provided with respect to how the said risks are taken into account and influence the risk understanding of the respective supervisor in formulating its supervisory plan and determining the frequency and intensity of the supervisory activity it is to undertake with respect to a given sector or a given OE, although it could be argued that the participation in the NRA has influenced the new methodologies recently adopted by the NBRNM, the SEC and the ISA that are in the process of implementation.

(c) Please refer to c.26.5(a). There does not even seem to be an obligation on the respective supervisor to consider the discretion allowed to OEs in the application of the risk-based approach as there is no reference thereto under Article 152 of the AML/CFT Law.

21. **Criterion 26.6** – The AML/CFT Law does not make any express reference to any periodical review of an institution or a group's risk assessment unless there are changes to its management or its business model. Subject to what has already been stated in c.26.5, information has been provided that the NBRNM does revise its risk assessment for banks at least on an annual basis or even before in the event of significant developments taking place. The SEC and the ISA have circulated questionnaires in 2022 to gather more information from entities under their remit for the purposes of their risk categorisation methodologies, although, at the time of the onsite, the SEC's methodology was not yet formally adopted. No information was provided with respect to any periodical revision of risk at an individual level by MAPAS or the FIU.

Weighting and conclusion

22. There are limitations to the controls applied to ensure that criminals or their associates do not acquire a significant or controlling interest in a FI (c.26.3). In addition, there are serious questions as to supervisory processes applied by supervisors as it does not seem that all of them are fully applying a risk-based approach to AML/CFT supervisory activities as required by R.26 (c.26.5-c.26.6). In addition, group supervision, in those areas where it is actually catered for, is not considered adequate, which is somewhat mitigated by the fact that there are no group-wide FIs in North Macedonia (c.26.4). Minor issues also remain with respect to the licensing of private funds and their management companies (c.26.2). Equally minor issues may be present in so far as clarifying the AML/CFT supervision remit over FIs carrying out investment services is concerned (c.26.1). **R.26 remains PC.**

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

Recommendations	Rating	Factor(s) underlying the rating[5]
16. Wire transfers	PC (MER) **LC (FUR1 2025)**	• There is no provision not allowing FIs to execute wire transfers that do not comply with the requirements of c.16.1-c.16.7. (c.16.8). • The absence of the regulation regarding c.16.8 negatively affects MVTS. (c.16.16). • Shortcomings detected in R.6 are also applicable. (c.16.16 & c.16.18).
18. Internal controls and foreign branches and subsidiaries	PC (MER) **LC (FUR1 2025)**	• The compliance officer's (authorised person) level/position in the structure of OEs is not explicitly prescribed by law. (c.18.1(a)). • The requirement to include an independent audit function only covers OEs that are required to establish a special AML/CFT department. (c.18.2(d)).
25. Transparency and beneficial ownership of legal arrangements	PC (MER) **PC (FUR1 2025)**	• It is not explicitly stated that the information to be obtained and retained by a trustee would include that in relation to other regulated agents and service providers involved with the trust. (c.25.1(c)). • There is no requirement obliging trustees or other OEs to hold information on other service providers to a trust, therefore the information may not be accessible to FIU or other supervisors. (c.25.5). • Shortcomings identified in c.25.8 and R.35 negatively affect c.25.7. (c.25.7). • There is no information as to what the applicable sanctions for failures would be to reply to requests received from an authority other than the FIU or the public prosecutor. (c.25.8).
26. Regulation and supervision of financial institutions	PC (MER) **PC (FUR1 2025)**	• Two possible issues that may give rise to confusion relate to the investment services sector and the supervisory remit of the SEC in this regard. There may be the need for some further alignment between the AML/CFT Law and the Law on Securities to ensure that there is clarity as to what is exactly the supervisory remit of the SEC. (c.26.1). • Investment management companies for private funds and private funds themselves are subject to a registration system (for which there have been instances of refusal due to ML concerns), which may not be up to the same standards of a licensing regime, as the actual level and extent of checks carried out could not be determined. (c.26.2). • The Banking Law, as it currently stands, may pose a restriction on the NBRNM's ability to effectively assess reputation. (c.26.3). • Only 'unconditional' convictions are considered when assessing the reputation of a qualifying shareholder. (c.26.3). • The concept of 'associate' under Article 2(7a) of the Banking Law is quite limited, and the restrictions with respect to associates of criminals are only applicable with respect to appointments to the Management Board

5. Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

		of banks. For other FIs (except insurance companies, MVTS, currency exchanges and financial companies), there are no prohibitions against associates of criminals holding a director position (SEC). (c.26.3 - FUR1). • In relation to the SEC Regulations setting the requirements for appointments to the Board of Directors, it is unclear: (i) if they would apply to two-tier board systems; (ii) how extensively the categories of offences are interpreted; (iii) if any other information would be considered; v and (iv) if a director could be removed if no longer meeting the requirements. (c.26.3). • The fit and proper checks conducted on pension fund management companies are limited. (c.26.3 -FUR1). • There is no assessment in relation to the IOSCO Principles of footnote 78 of the FATF Methodology. • It is unclear whether supervisors have the ability to carry out group supervision (besides for banks). (c.26.4(a)). • It is unclear how requirements of Article 152 of the AML/CFT, which do not include information on the controls applied by OEs, are reflected in the supervisory procedures and practices or in the frequency and intensity of supervision. (c.26.5(a)). • The supervisory approaches adopted for MVTS providers and exchange offices cannot be considered to be risk-based. (c.26.5(a)). • The frequency of supervision and allocated staff by the ISA could benefit from further improvements. (c.26.5(a)) • There is no information with respect to how the country ML/TF risks are taken into account and influence the risk understanding and supervisory plans of supervisors. (c.26.5(b)). • The AML/CFT Law does not make any express reference to any periodical review of an OE or a group's risk assessment unless there are changes to its management or its business model. (c.26.6). • The SEC's risk categorisation methodology was not yet formally adopted at the time of the onsite. (c.26.6).

GLOSSARY OF ACRONYMS

AML/CFT	Anti-money laundering and combating the financing of terrorism
C	Compliant
CDD	Customer due diligence
CSD	Central Securities Depository
EU	European Union
FATF	Financial Action Task Force
FI	Financial institution
FIU	Financial Intelligence Unit
FUR	Follow-up report
ICP	International Core Principles
IOSCO	International Organization of Securities Commissions
ISA	Insurance Supervision Agency
LC	Largely compliant
LEAs	Law Enforcement Authorities
MAPAS	Agency for Supervision of Fully Funded Pension Insurance
MER	Mutual evaluation report
ML	Money laundering
MKD	Macedonia's Denar
MLA	Mutual Legal Assistance
MVTS	Money or Value Transfer Services
NBRNM	National Bank of the Republic of North Macedonia
NC	Non-compliant
OEs	Obliged entities
PC	Partially compliant
R.	Recommendation
SEC	Securities and Exchange Commission
STR	Suspicious transaction report
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TC	Technical compliance
TCSPs	Trust and company service providers
TF	Terrorist financing
UNSCR	United Nations Security Council Resolution

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May 2025

Anti-money laundering and counter-terrorist financing measures -

North Macedonia

1st Enhanced Follow-up Report & Technical Compliance Re-Rating

This report analyses North Macedonia's progress in addressing the technical compliance deficiencies identified in the May 2023 assessment of their measures to combat money laundering and terrorist financing and in subsequent follow-up reports.

Follow-up report