

ANNUAL REPORT 2017

Anti- Money Laundering

MONEYVAL
Committee of Experts
on the Evaluation of Anti-Money
Laundering Measures
and the Financing of Terrorism

COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

ANNUAL REPORT 2017

MONEYVAL
Committee of Experts
on the Evaluation of Anti-Money
Laundering Measures
and the Financing of Terrorism

French edition:

Rapport annuel sur les activités de MONEYVAL 2017

The opinions expressed in this work are the responsibility of the authors and do not necessarily reflect the official policy of the Council of Europe.

All requests concerning the reproduction or translation of all or part of this document should be addressed to the Directorate of Communication (F-67075 Strasbourg Cedex or publishing@coe.int).

All other correspondence concerning this document should be addressed to the MONEYVAL Secretariat, Information Society and Action against Crime Directorate Directorate General I - Human Rights and Rule of Law Council of Europe, 67075 Strasbourg CEDEX, FRANCE
E-mail: moneyval@coe.int.

Cover and layout: Documents and Publications Production Department (SPDP), Council of Europe

Cover photo: shutterstock

This publication has not been copy-edited by the SPDP Editorial Unit to correct typographical and grammatical errors.

© Council of Europe, May 2018
Printed at the Council of Europe

Table of Contents

ABBREVIATIONS, ACRONYMS AND EXPLANATIONS	4
INTRODUCTION FROM THE CHAIRMAN	7
EXECUTIVE SUMMARY	9
INTRODUCTION AND BACKGROUND	11
AIM AND STATUS OF MONEYVAL	12
1. Members and observers	12
2. Activities and programmes	13
3. Working Group on Evaluations	14
4. Governance	14
5. Scientific Experts	15
6. Gender Equality Rapporteur	15
FIFTH MUTUAL EVALUATION ROUND	17
7. Objectives and format	17
8. Regular follow-up	17
9. Enhanced follow-up	17
10. Publication policy	17
11. Fifth round reports adopted in 2017	18
FOURTH MUTUAL EVALUATION ROUND	21
12. Objectives and format	21
13. Streamlined follow-up process as of 2016	21
14. Publication policy	21
15. Fourth round follow-up reports in 2017	21
COMPLIANCE ENHANCING PROCEDURES	26
16. Structure	26
17. CEPs for the 4th round of mutual evaluations considered in 2017	26
THIRD MUTUAL EVALUATION ROUND	29
18. Third-round progress report of the Holy See/Vatican City State	29
OTHER ACTIVITIES IN 2017	30
19. Terrorist Financing Fact-Finding Initiative	30
20. MONEYVAL roundtables on correspondent banking: “Re-connecting the de-risked”	30
21. Disrupting Financial Flows from Human Trafficking	31
22. Other issues discussed at MONEYVAL Plenaries	32
23. MONEYVAL’s 20th anniversary in December 2017 and departure of Professor William Gilmore	32
24. Key partnerships	33
25. Participation in other forums	35
26. Training and awareness-raising	35
27. The Conference of the Parties to CETS 198	36
28. Human resources	36
29. New websites	37
CONCLUSION	38
APPENDICES	39
Appendix I – Range of activities per State/territory in 2017	39
Appendix II – List of the 2003 FATF Recommendations (“40+9”)	40
Appendix III – List of the 2012 FATF Recommendations and the 11 Immediate Outcomes in the FATF Methodology of 2013	41
Appendix IV – List of FATF-style regional bodies	43

Abbreviations, acronyms and explanations

AML	Anti-money laundering
CDD	Customer Due Diligence
CDPC	European Committee on Crime Problems
CEPs	Compliance Enhancing Procedures
CETS 198	2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention
CFT	Countering the financing of terrorism
COP	Conference of the Parties to the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention (CETS 198)
Core Recommendations	FATF Core Recommendations R.1 Money laundering offence R.5 Customer due diligence R.10 Record keeping R.13 Suspicious transaction reporting SR II Criminalise terrorist financing SR IV Suspicious transaction reporting – terrorist financing
CTED	UN Counter-Terrorism Committee Executive Directorate
DNFBPs	Designated non-financial businesses and professions
EAG	Eurasian Group on Combating ML/TF
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FSRB	FATF-Style Regional Body
FT	Financing of terrorism
ICRG	International Co-operation Review Group of the FATF
IFIs	International financial institutions – IMF and World Bank
IMF	International Monetary Fund

Key Recommendations	FATF Key Recommendations R.3 Confiscation and provisional measures R.4 Secrecy laws consistent with the Recommendations R.23 Regulation, supervision and monitoring R.26 The FIU R.35 Conventions R.36 Mutual legal assistance R.40 Other forms of co-operation SR I Implement UN instruments SR III Freeze and confiscate terrorist assets SR V International co-operation
LEAs	Law enforcement authorities
MER	Mutual evaluation report
ML	Money laundering
MLA	Mutual legal assistance
NPO	Non-profit organisation
NRA	National risk assessment
OSCE	Organization for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PEP	Politically exposed person
R	Recommendation
SAR	Suspicious activity report
SR	Special Recommendation
STR	Suspicious transaction report
TCSP	Trust and company service provider
TF	Terrorist Financing
TFFFI	Terrorist Financing Fact-Finding Initiative
UN	United Nations
UNCTC	United Nations Counter-Terrorism Committee
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions
VTC	Voluntary Tax Compliance

Introduction from the Chairman



I am pleased to introduce MONEYVAL's annual report which covers the year 2017. During this period, we have witnessed money laundering scandals that make the headlines almost on a daily basis. Countless cases of grand corruption and money laundering are brought to the attention of the general public. Major strides in technology continue to facilitate the concealment and disguise of ill-gotten funds. The alarming deterioration of the rule of law and democracy in certain quarters of our own region encourages criminals to act with impunity. One would be forgiven for believing that not only has the laundering of proceeds of organised criminality, corruption, tax fraud and other major proceeds-generating crimes not declined but it has actually intensified.

The terrorist attacks on European soil which have plagued our societies in recent years and the emergence of new threats (such as ISIL) have necessitated a rethinking of the manner in which we pursue the combat against terrorist financing. European countries which for years had considered the threats posed by terrorism and its financing to be low were suddenly plunged into a new reality and had to think and act on their feet. The misuse of shell companies for the evasion of targeted financial sanctions also continues to pose a significant threat.

All of this is a sobering reminder that the work of the global network of anti-money laundering/counter-terrorist financing (AML/CFT) bodies led by the Financial Action Task Force (FATF) is more crucial than ever. MONEYVAL, as one of the nine FATF-style regional bodies, celebrated in December 2017 its twentieth anniversary. We can look back with pride at the numerous successes that have been achieved over the past two decades, but, more importantly, we should use the opportunity to reflect on the challenges that we are facing.

Despite the considerable passage of time since the advent of the first AML/CFT standards, certain obstacles continue to persist. The new round of evaluations focussing on effective implementation has brought the shortcomings of our systems into sharp relief. At MONEYVAL, we follow closely the patterns emerging from evaluations as we advance through this round. I would like to highlight a few of the most recurring issues.

Third party and stand-alone money laundering convictions are still very few and far in between. Money laundering is essentially seen as an adjunct to a predicate offence. In most countries, the spectrum of money laundering convictions only partially reflects existing risks. For instance, although in many of our countries organised criminality poses a major threat, professionals who launder proceeds on behalf of organised criminal groups are very rarely prosecuted. While meaningful measures to fight corruption have been set in train, law enforcement focus to target corruption-related money laundering is only at its inception. Turning to international financial centres, trust and corporate service providers are likely to go unpunished despite evidence suggesting that they have wittingly abetted criminals to conceal proceeds of crime through complex and opaque corporate structures.

As a result of missing expertise to conduct parallel financial investigations, little progress has been made in identifying and tracing the proceeds of crime, terrorist funds or any other assets at the earliest stages of a criminal investigation. Similarly, despite the large circulation of cash in many of our member countries and the attendant risks, the confiscation of cash transported across borders, although commonly identified as a priority, has often not been implemented in a sufficiently effective manner. Moreover, despite existing terrorist financing threats in some of our countries, there have been very few investigations, prosecutions and convictions for terrorist financing so far.

While the picture that I have painted is far from rosy, we have come a long way in the past twenty years from a time when most of our members did not even have basic AML/CFT legislation, requiring customer due diligence and reporting of suspicious transactions. We continue to achieve success stories. Many of our countries and jurisdictions have recently adopted new AML/CFT-legislation in order to implement the European Union's 4th AML/CFT Directive, which in particular strengthens measures for the prevention of money laundering and terrorist financing. Legislative changes take time, but can be accelerated when necessary: our so-called "Terrorist Financing Fact Finding Initiative", which we completed in 2017, has led fourteen MONEYVAL States and territories to successfully remedy fundamental or significant deficiencies in their counter-terrorist financing legislation in less than two years.

One area of major concern is the so-called phenomenon of "de-risking", which occurs when financial institutions decide to avoid - rather than to manage - possible money laundering or terrorist financing risks, by terminating business relationships with entire regions or classes of customers. It is alarming that the number of correspondent relationships by global banks with eastern European banks has decreased in past years more than in any other region of the world. In order to address this worrying trend, and facilitate the dialogue between all stakeholders, MONEYVAL has organised two roundtables in 2017. These events aimed at informing about the manner in which MONEYVAL reports can be used by global financial institutions and what respondent banks can

do to contribute to manage related money laundering and terrorist financing risks.

When investigating and prosecuting organised crime and terrorism and depriving criminals or terrorists of their illicitly acquired profits, many investigative methods used are intrusive by their very nature. This means that authorities have to be careful to respect fundamental rights when implementing the global AML/CFT-standards. Being part of the Council of Europe, MONEYVAL sees its particular responsibility in ensuring that these standards are implemented fully in line with human rights.

In our previous annual report, we stated that MONEYVAL was at a crossroad in light of past achievements and future expectations. This remains to be the case. We of course appreciate that the 2018-2019 Council of Europe budget foresees an additional post for the MONEYVAL's secretariat, in particular while being conscious of the overall financial situation of the organisation. At the same time, however, the FATF constantly widens the activities of the global AML/CFT network, with growing expectations on the regional bodies whose workload consequently increases. This has only worsened the situation. Given that the majority of FATF members are likewise Council of Europe member states, it is of utmost importance that MONEYVAL is sufficiently resourced to be able to meet the expectations of the global AML/CFT network.

Daniel Thelesklaf
President of MONEYVAL

Executive summary

In December 2017, MONEYVAL celebrated its 20th anniversary. Established in 1997 to evaluate its members against a set of international anti-money laundering (AML) standards, MONEYVAL has since 2003 also evaluated its members against the FATF standards for counter-terrorist financing measures (CFT). Both aspects of its mandate have remained highly relevant throughout 2017.

Evaluating its 34 member States and territories against the globally-agreed standard to combat money laundering and terrorist financing is the core mandate of MONEYVAL. Through peer pressure, its members are constantly updating their AML/CFT strategies, as well as the implementation of these measures. MONEYVAL's reports are crucial to demonstrate the level of compliance of a specific jurisdiction. They are public and widely used by financial institutions around the globe to assess AML/CFT compliance when conducting business in a given jurisdiction. A negative report can have detrimental economic effects: banks risk losing access to the global financial architecture and investments may decrease. MONEYVAL finds and helps reduce risks to the global financial system, identifies gaps in national AML/CFT-systems and actively follows up the progress countries make to rectify them.

Throughout 2017, MONEYVAL continued its 5th round of mutual evaluations on the basis of the 2012 standards and 2013 methodology by the Financial Action Task Force (FATF). Three mutual evaluation reports were adopted, four onsite visits were conducted, and four further members received the country training prior to their onsite visits scheduled for 2018. MONEYVAL also hosted an evaluator training seminar during which 25 AML/CFT MONEYVAL experts were trained on the applicable standards and methodology in order to participate in MONEYVAL evaluations. MONEYVAL continued the follow-up process of the current 5th round of mutual evaluations and its previous 4th round of mutual evaluations. For "historic" reasons, MONEYVAL also considered one follow-up report in its 3rd round of mutual evaluations. The

Committee adopted altogether 21 follow-up reports. In total, 21 MONEYVAL States or territories were subject to active monitoring processes in 2017 (through onsite visits, adopted reports, follow-up and compliance procedures).

With the recent series of horrific terrorist attacks in Europe and the world, MONEYVAL reaffirmed that the fight against the financing of terrorism remains one of its primary missions. To that effect, MONEYVAL continued to assist the FATF in conducting follow-up activities to the Terrorist Financing Fact-Finding Initiative (TFFFI), undertaken to identify jurisdictions in the global network with fundamental or significant gaps in their implementation of counter-terrorist financing legislation. MONEYVAL had established an *ad hoc* follow-up procedure to the TFFFI in 2016 which was finalised in the course of 2017. Overall, the initiative has led fourteen MONEYVAL States and territories to successfully remedy fundamental or significant deficiencies in their counter-terrorist financing legislation in less than two years.

In 2017, MONEYVAL organised two roundtables in New York City and Washington D.C. on correspondent banking and de-risking ("Re-connecting the de-risked"). De-risking occurs when financial institutions decide to avoid, rather than to manage, possible money laundering or terrorist financing risks, by terminating business relationships with entire regions or classes of customers. Although de-risking is not in line with the FATF Recommendations and is a serious concern to the international community, the number of correspondent relationships by global banks with eastern European banks has recently decreased more than in any other region in the world. This is a great concern for many MONEYVAL members. The roundtables were intended to address this worrying trend. Each roundtable brought together numerous participants from global financial institutions, respondent banks from several MONEYVAL jurisdictions and relevant international organisations.

During its three Plenaries held in 2017, MONEYVAL held exchanges of views with experts on a number of topical issues for the AML/CFT field. These included the combatting of financial flows from human trafficking and other forms of modern slavery; threats and new trends of terrorist financing in light of recent terrorist attacks; recent developments in the area of FinTech/RegTech; risks posed by convertible virtual currency businesses which could be exploited by organised crime and terrorist groups; international efforts to combat money laundering/terrorist financing risks through manipulation of sports competitions or the sale of cultural property; as well as recent initiatives

to improve the prevention of grand corruption by politically exposed persons. In line with the Council of Europe's gender equality strategy, MONEYVAL also held an exchange of views with experts on the gender dimension of money laundering.

MONEYVAL continues its role as an internationally recognised and influential global player in the AML/CFT world. It is a leading associate member of the FATF and is respected as an effective monitoring mechanism for the quality of the outputs it delivers and the strength of its follow-up procedures. This in return strengthens the visibility and the relevance of the Council of Europe.

Introduction and background

Money laundering – i.e. the process through which criminals give an apparently legitimate origin to proceeds of crime – is an expanding and increasingly international phenomenon. Current estimates of the amount of money laundered worldwide range from \$500 billion to a staggering \$1 trillion, with disastrous effects on the global economy, especially on vulnerable, developing economies.

The Council of Europe was the first international organisation to emphasise the importance of taking measures to combat the threats posed by money laundering for democracy and the rule of law. The Council's efforts led to the creation in 1997 of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). After the terrorist attacks of 11 September 2001, the Committee also started to increasingly apply international standards designed to combat terrorist financing.

MONEYVAL now works in close co-operation with the FATF as one of the leading FATF-style regional bodies (FSRBs) and as an associate member of the FATF.

28 member States of the Council of Europe are assessed by MONEYVAL. In addition, Israel and the Holy See/Vatican City State, the UK Crown Dependencies of Jersey, Guernsey and the Isle of Man as well as the UK Overseas Territory of Gibraltar participate fully in the evaluation processes of MONEYVAL and are subject to its follow-up procedures. In total, MONEYVAL is now responsible for assessing 34 States and jurisdictions.

MONEYVAL's main activity consists in evaluating the implementation of the international AML/CFT standards. In 2015, it started its 5th round of mutual evaluations. The Committee has also continued to pursue the follow-up process for its 4th round of mutual evaluations, the last evaluation of which was conducted in the same year. Other activities include studies on typologies of money-laundering and terrorist financing, joint actions with other AML/CFT-related bodies as well as the review of Voluntary Tax Compliance programmes in its jurisdictions. Through

these activities, MONEYVAL contributes to the protection of the global financial system from abuse. It also actively contributes to the fight against organised crime, as money laundering provides organised crime with its cash flow and the opportunity to invest in the legitimate economy.

Within the Council of Europe, the work of MONEYVAL is complemented by the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198). This convention reinforces current international standards, inter alia, by setting high requirements with respect to freezing, seizure and confiscation measures, the management of frozen and seized property and the possibility to take into account international recidivism when determining a penalty. It is important to note that the monitoring procedure under this convention was designed so as not to duplicate the work of MONEYVAL or the FATF. The Convention's monitoring body, the Conference of Parties to CETS 198, therefore focuses on those parts of the Convention that strengthen or even go beyond the requirements of global standards.

This report starts by setting out the mission and working framework of MONEYVAL with key information on past and current activities. It goes on to present the results of MONEYVAL's main processes for 2017, namely the 5th round of mutual evaluations and the follow-up to the 4th round of mutual evaluations, as well as compliance enhancing procedures. The documents made reference to in this annual report are published on the MONEYVAL website. The report continues with other key activities for MONEYVAL, including its partnerships with other organisations, representation of MONEYVAL in other forums, links with the Conference of the Parties (COP) to the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), as well as training sessions and seminars. Finally, the report concludes with a section on staffing and resources.

1. <https://www.coe.int/en/web/moneyval/jurisdictions>

Aim and status of MONEYVAL

MONEYVAL is a 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.

MONEYVAL is a permanent monitoring mechanism of the Council of Europe reporting directly to the Committee of Ministers.

1. MEMBERS AND OBSERVERS

Evaluation by MONEYVAL currently covers, under Article 2 of the Statute of MONEYVAL:

- ▶ member States of the Council of Europe that are not members of the FATF (Article 2.2a of the Statute) and member States of the Council of Europe that become members of the FATF and request to continue to be evaluated by MONEYVAL (Article 2.2b of the Statute), currently:

- Albania
- Armenia
- Bosnia and Herzegovina
- Croatia
- Czech Republic
- Georgia
- Latvia
- Lithuania
- Republic of Moldova
- Montenegro
- Romania
- San Marino
- Slovak Republic
- "the former Yugoslav Republic of Macedonia"
- Andorra
- Azerbaijan
- Bulgaria
- Cyprus
- Estonia
- Hungary
- Liechtenstein
- Malta
- Monaco
- Poland
- Russian Federation²
- Serbia
- Slovenia
- Ukraine

- ▶ Non-member States of the Council of Europe (Article 2.2e of the Statute): Israel;
- ▶ The Holy See/Vatican City State by virtue of Resolution CM/Res(2011)5;
- ▶ The UK Crown Dependencies of Guernsey, Jersey and the Isle of Man by virtue of Resolution CM/Res(2012)6;
- ▶ The UK Overseas Territory of Gibraltar by virtue of Resolution CM/Res(2015)26;

According to Article 3, paragraph 3 of MONEYVAL's statute, the presidency of the FATF shall appoint to the meetings of MONEYVAL two delegations from among two members of the FATF, for a renewable term of office of two years. By letter of the FATF President of 5 December 2017, the participation of France and Italy was renewed for another two-year term to this effect.

In addition, the following countries, bodies, organisations and institutions have observer status with MONEYVAL and are entitled to send a representative to MONEYVAL meetings:

- ▶ the Parliamentary Assembly of the Council of Europe (PACE);
- ▶ the Council of Europe Development Bank (CEB);
- ▶ the European Committee on Crime Problems (CDPC);
- ▶ the Conference of the Parties of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (COP);

² The Russian Federation is also a member of FATF and the EAG (Eurasian Group on Combating Money Laundering and Financing of Terrorism).



- ▶ the European Commission and the Secretariat General of the Council of the European Union;
- ▶ States with observer status of the Council of Europe (Canada, Japan, Mexico and the United States of America);
- ▶ the Secretariat of the Financial Action Task Force (FATF);
- ▶ Interpol;
- ▶ the International Monetary Fund (IMF);
- ▶ the United Nations Office on Drugs and Crimes (UNODC);
- ▶ the United Nations Counter-Terrorism Committee (CTC);
- ▶ the United Nations Crime Prevention and Criminal Justice Division (CCPCJ);
- ▶ the World Bank;
- ▶ the Commonwealth Secretariat;
- ▶ the European Bank of Reconstruction and Development (EBRD);
- ▶ Group of International Finance Centre Supervisors (GIFCS);
- ▶ the Organisation for Security and Co-operation in Europe (OSCE);
- ▶ the Egmont Group of Financial Intelligence Units;
- ▶ the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG);
- ▶ any other FATF style regional body (FSRB) which is or becomes an associate member of the FATF, on the basis of reciprocity;
- ▶ any member of the FATF.

2. ACTIVITIES AND PROGRAMMES

Objectives

The objective of MONEYVAL is to ensure that its evaluated jurisdictions have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in these fields. MONEYVAL endeavours to achieve this by:

Methodology

- ▶ Assessing compliance with all relevant international standards in the legal, financial and law enforcement sectors through a peer review process of mutual evaluations;
- ▶ Issuing reports which provide tailored and concise recommendations on ways to improve the effectiveness of domestic regimes to combat money laundering and terrorist financing and States' capacities to co operate internationally in these areas;
- ▶ Ensuring an effective follow-up of evaluation reports, including Compliance Enhancing Procedures (CEPs), to improve levels of

compliance with international AML/CFT standards by the States and territories which participate in MONEYVAL's evaluation processes;

- ▶ Conducting typologies studies of money laundering and terrorist financing methods, trends and techniques and issue reports thereabout.

Mutual evaluation rounds and follow-up processes

MONEYVAL has completed four rounds of mutual evaluations. In 2015, it commenced its 5th round of mutual evaluations, which is based on the FATF 2012 Recommendations and the 2013 Methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT systems. For each round, evaluations of MONEYVAL States and territories give rise to mutual evaluation reports.

Mutual evaluation rounds

First evaluation round (1998-2000)

The first round of mutual evaluations, based on the 1996 FATF Recommendations, was initiated in 1998 and onsite visits were concluded in 2000. 22 Council of Europe member States were evaluated in the first evaluation round.

Second evaluation round (2001-2004)

This second round was also based largely on the 1996 FATF Recommendations and included evaluation against the FATF's 2000 Criteria for non-co-operative States and territories. MONEYVAL concluded its second round of onsite visits in 2003. 27 Council of Europe member States were evaluated.

Third evaluation round (2005-2009)³

The third round of mutual evaluations was based on the 2003 revised FATF Recommendations. In addition, the evaluation reviewed aspects of compliance with the European Union's Third Anti-Money Laundering Directive, which came into force in 2007. 28 Council of Europe member States together with the Holy See/Vatican City State and Israel have been evaluated in the third evaluation round.

3. Although the third round of evaluations concluded in 2009, the Holy See (including Vatican City State) was subsequently evaluated in 2011, with the report being adopted in 2012 following the adoption by the Committee of Ministers on 6 April 2011 of Resolution CM/Res(2011)5.

Follow-up evaluation round or “MONEYVAL’s Fourth Round” (2009-2014)

MONEYVAL commenced a follow-up round of onsite visits in 2009. For each country, these evaluations focused on the effectiveness of implementation of key and core and some other important recommendations in the FATF 2003 Recommendations, together with any recommendations for which the country received either a non-compliant or partially compliant rating in the third round. In addition, the evaluation also reviewed aspects of compliance with the EU’s 3rd Anti-Money Laundering and Counter-Terrorist Financing Directive (Directive 2005/60/EC).

Fifth evaluation round (started in 2015)

The FATF 2012 Recommendations and the “Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems” constitute the basis of the 5th MONEYVAL round of evaluations. In this new round which commenced in 2015, the main emphasis is on the effective implementation of the FATF Recommendations by States and territories, with each onsite visit lasting at least two weeks. The first MER report (on Armenia) under this new round was adopted in December 2015. By the end of 2017, seven mutual evaluation reports had been adopted, and two additional countries had received onsite visits in the current round.

In 2017, MONEYVAL has conducted the following onsite visits and adopted the following reports:

5th round onsite visits and adoption of reports in 2017

- ▶ Slovenia (onsite visit: 7-19 November 2016), the report was adopted in May/June 2017;
- ▶ Andorra (onsite visit: 6-18 March), the report was adopted in September 2017;
- ▶ Ukraine (onsite visit: 27 March – 8 April), the report was adopted in December 2017;
- ▶ Albania (onsite visit: 2-14 October) and Latvia (onsite visit: 30 October – 10 November); both reports are tabled for discussion and adoption at MONEYVAL’s 56th Plenary (2-6 July 2018).

3. WORKING GROUP ON EVALUATIONS

In 2015, MONEYVAL established a Working Group on Evaluations (WGE) to assist the Plenary by preparing the discussion and proposing solutions on technical and other significant issues. This allows the Plenary to focus primarily on effectiveness issues, matters of substance as well as recommendations to the assessed jurisdiction. The WGE met on the afternoon before the start of each MONEYVAL Plenary throughout 2017. Its terms of reference are contained in Appendix IV to MONEYVAL’s Rules of Procedure for the 5th Round of Mutual Evaluations. In 2016, the Plenary also adopted new Rules of Procedure for the WGE, which can be found in Appendix V to that document.

Professor William Gilmore (scientific expert) and Mr Nicola Muccioli (San Marino) were nominated in December 2015 to co-chair this group for a mandate of two years. On behalf of the Plenary, the Chair warmly thanked both at the December 2017 Plenary for their work in the past two years since the WGE’s creation. He recalled that the mandate of the Co-Chairs (one scientific expert, one expert from a delegation), who are appointed by the MONEYVAL Bureau, ends after two years, but is renewable. After the retirement of Professor Gilmore, the Chair reported that the Bureau had taken a decision to reappoint Mr Muccioli and to appoint Mr John Ringguth (scientific expert) as Co-Chairs of the WGE for the next two years. The Plenary also took the occasion, after two years of the operation of the WGE, to discuss experiences and improvements in its working methods.

4. GOVERNANCE

The MONEYVAL Bureau has several tasks, including assisting the Chair, supervising the preparation of Plenary meetings and ensuring continuity between meetings. In September 2017, the Committee of Ministers (following a proposal by MONEYVAL) amended Article 6 of the MONEYVAL Statute, which provides for the composition of the Bureau. The provision was amended to the effect that the Bureau has a second Vice-Chair, while the overall number of Bureau members remains the same. This allows MONEYVAL to ensure high-level representation in other fora, including when the Chair is unable to represent MONEYVAL at a meeting (e.g. when participating in his capacity as Co-Chair of the Joint Group for Europe and Eurasia at FATF-level). As of September 2017, the MONEYVAL Bureau is thus composed of a Chair, two Vice-Chairs and two other Bureau members. The Bureau members are currently:

MONEYVAL Bureau elected for a term of two years in 2017

Chair:	Mr Daniel Thelesklaf (Liechtenstein)
Vice-Chairs:	Ms Elzbieta Frankow-Jaskiewicz (Poland) Mr Alexey Petrenko (Russian Federation)
Members:	Mr Franck Oehlert (France) Mr Richard Walker (UK Crown Dependency of Guernsey)

5. SCIENTIFIC EXPERTS

MONEYVAL is fortunate in having a panel of independent scientific experts. The role of a scientific expert is to provide neutral, experienced opinions and to assist the Chair and Secretariat in ensuring the consistency of MONEYVAL's outputs. This includes, among others, fulfilling a quality control function for draft MERs, attending all MONEYVAL Plenaries as well as enriching the debates with their experience and knowledge. In 2017, the scientific experts were:

MONEYVAL scientific experts

- ▶ Mr William Gilmore, Professor of Public International Law, Edinburgh University – Legal scientific expert
- ▶ Mr John Ringguth, former Executive Secretary to MONEYVAL – Legal scientific expert
- ▶ Mr Boudewijn Verhelst, Deputy Director of CTIF-CFI and Attorney General in Belgium – Law enforcement scientific expert
- ▶ Mr Andrew Strijker, former Head of the Dutch delegation to FATF – Financial scientific expert
- ▶ Mr Philipp Röser, Executive Officer, Legal and International Affairs, Financial Market Authority, Liechtenstein – Financial scientific expert

As Professor Gilmore and Mr Röser ended their mandate as scientific experts by the end of the year, the Director General of Human Rights and Rule of Law, Mr Christos Giakoumopoulos, warmly thanked both on behalf of the Plenary in December 2017 for their important work over many years as scientific experts. Mr Giakoumopoulos also informed the Plenary that the Directorate General had appointed, on behalf of the Secretary General, Mr Andrew LeBrun (UK Crown Dependency of Jersey) as financial scientific expert and Mr Lajos Korona (Hungary) as legal scientific expert as of January 2018 for an initial period of five years.



6. GENDER EQUALITY RAPPOREUR

In line with the general policy of the Council of Europe, MONEYVAL appointed in 2015 Ms Maja Cvetkovski (Slovenia) as a Gender Equality Rapporteur of MONEYVAL.

At the initiative of the Gender Equality Rapporteur and the Secretariat, the Plenary held at the May/June Plenary an exchange of views with two academic experts - Professor Wim Huisman and Dr Anne-Marie Slotboom of the VU University Amsterdam - on the gender dimension of money laundering. The Gender Equality Rapporteur introduced the agenda item and described various recent initiatives by other Council of Europe committees to explore the gender dimensions in the field of action against crime. She also underlined the importance of raising awareness and exchanging views on the issue in the MONEYVAL as an initial step towards exploring the need for further activities.

The Plenary had an exchange with the two professors on the shares and roles of women in white collar crime and organised crime, including in money laundering processes. This included studies of the presumed positive effect of gender diversity on corporate boards on regulatory compliance, as well as on the organisational roles of women in organised crime groups. Research so

far indicates that, while women are the minority with respect to money laundering, this minority is a sizeable one (around 20%) with mostly supportive roles in the laundering process. Two opposing hypotheses were presented by the experts to explain the lower ratio of women in white collar crime. According to the “vulnerability hypothesis”, women are less inclined to take risky behaviour; thus more women in leading positions would be expected to lead to less white collar crime in general. The “exposure hypothesis”, on the other hand, holds that the reasons for the gender

gap mostly have to do with access and possibilities to commit crime, and not with psychological differences between men and women; therefore, one can expect more female white-collar crime with advancing emancipation. However, the academics noted that more good-quality empirical research is needed to shed light on the value of these hypotheses.

For the Gender Equality Rapporteur’s contribution to the Plenary discussion on “Disrupting Financial Flows from Human Trafficking”, please see below.

Fifth mutual evaluation round

7. OBJECTIVES AND FORMAT

MONEYVAL commenced a new round of mutual evaluations in 2015. For each State or territory, these evaluations shall be undertaken on the basis of the 2012 FATF standards and the 2013 “Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems”, as amended from time to time. The assessment of technical compliance shall address the extent to which the country or territory complies with the specific requirements of the standards in laws, regulations or other required measures, which are in force and in effect, including in respect of the institutional framework and the existence, powers and procedures of competent authorities. The assessment of effectiveness shall evaluate the adequacy of the implementation of the standards and identify the extent to which the country or territory achieves a defined set of outcomes that are central to a robust AML/CFT system. The evaluation procedure is different from that of the 4th round, with each onsite visit lasting at least two weeks and the mutual evaluation reports (MERs) consisting of a large part on effectiveness (around 160 pages), with an annex on technical compliance (around 60 pages). The procedure also slightly differs in its follow-up processes. Unlike the 4th round, there are only two types of processes that can occur following the discussion and adoption of a 5th round evaluation report: regular follow-up and enhanced follow-up.

8. REGULAR FOLLOW-UP

Regular follow-up will be the default mechanism to ensure a continuous and on-going system of monitoring. This is the minimum standard that will apply to all members. Whenever a regular follow-up report is discussed, re-ratings for technical compliance are possible in appropriate cases. At the adoption of the country/territory’s MER, the normal first step is that the assessed country/territory would report back to the Plenary within two and a half years after the MER and provide information on the actions it has taken or is taking to address the priority actions and recommendations, and deficiencies in its MER. The expectation is that significant progress would have been made. In particular, it is expected by the global AML/CFT network that technical deficiencies are addressed within three years from the adoption of the MER.

9. ENHANCED FOLLOW-UP

After the discussion of the MER, a country/territory will be placed immediately into enhanced follow-up if any one of the following applies:

- ▶ (i) it has 8 or more NC/PC ratings for technical compliance, or
- ▶ (ii) it is rated NC/PC on any one or more of R.3, 5, 10, 11 and 20, or
- ▶ (iii) it has a low or moderate level of effectiveness for 7 or more of the 11 effectiveness outcomes, or
- ▶ (iv) it has a low level of effectiveness for 4 or more of the 11 effectiveness outcomes.

After the discussion of a follow-up report, the Plenary could also decide to place the country/territory into enhanced follow-up at any stage in the regular follow-up process, if a significant number of priority actions have not been adequately addressed on a timely basis

Countries in enhanced follow-up would typically first report back four plenary meetings after the adoption of the country’s MER, and subsequently report twice more at intervals of three plenary meetings. As in regular follow-up, the global AML/CFT network expects that technical deficiencies are addressed within three years from the adoption of the MER and re-ratings for technical compliance are possible in appropriate cases. The Plenary retains the discretion to vary the specific frequency of reporting. In addition to more frequent reporting, the Plenary may also apply other compliance measures to countries and territories, as set out under Compliance Enhancing Procedures (CEPs).

10. PUBLICATION POLICY

5th round MER are final and subject to publication once they have passed the quality and consistency review by the global AML/CFT network led by the FATF. Unlike 4th round follow-up reports, 5th round follow-up reports (together with the Secretariat’s analysis) are routinely published on the MONEYVAL website. Following a decision taken by the FATF at its November Plenary in 2017, MONEYVAL amended its rules of procedure in December 2017 to also allow for a quality and consistency review of 5th round follow-up reports for which re-ratings of technical compliance were requested by the country/jurisdiction concerned.

11. FIFTH ROUND REPORTS ADOPTED IN 2017



5th round mutual evaluation report of Slovenia

MONEYVAL discussed and adopted its 5th round mutual evaluation report on Slovenia at its 53rd Plenary in May/June 2017. In this report, MONEYVAL stated that the number of money-laundering investigations has risen in Slovenia since the last evaluation in 2010, but it is still not commensurate with the number of investigations and convictions for proceeds-generating crimes, such as tax evasion, fraud and other economic crimes, as well as drug trafficking. Given the existing risks of money laundering in Slovenia, a higher number of money-laundering investigations related to serious crimes is needed, the report stresses.



The report also says that banks in Slovenia have a sound understanding of the major sector-specific money-laundering risks, and measures to mitigate them are largely adequate. However, the degree of risk-awareness varies among other financial institutions, while other relevant professions (e.g. lawyers, notaries, trust and company service providers) lack understanding of the extent to which they are exposed to money-laundering risks. The report also found that Slovenia has undertaken certain measures to increase transparency of legal persons and prevent their misuse, but that these measures have not proven sufficient to effectively prevent criminals from setting up companies for illicit purposes.

While the Slovenian law enforcement and intelligence authorities have a good understanding of the risks of terrorist financing, the report concluded that existing limitations in criminalising the financing of terrorism would hinder the effective investigation and prosecution of this crime. The report praises Slovenia for having to a large extent an effective system of international co-operation in combatting money laundering and terrorist financing. This includes areas

of increased risks and has resulted in criminal convictions and confiscations of proceeds of crime.

Slovenia is to report back to MONEYVAL in December 2018 about the implementation of its recommendations under enhanced follow-up procedures.



5th round mutual evaluation report of Andorra

MONEYVAL discussed and adopted its 5th round mutual evaluation report on Andorra at its 54th Plenary in September 2017. In this report, MONEYVAL stated that the Andorran authorities have acquired a reasonably comprehensive understanding of the money laundering and terrorism financing risks faced by the country. It however called for a clear political oversight to be put in place in order to monitor the implementation of the action plans adopted to mitigate those risks. MONEYVAL noted positively that there has been the political commitment in Andorra to make sweeping changes to legislation concerning both money laundering and the financing of terrorism.

Whilst the authorities systematically use financial intelligence provided by the *Unitat d'Intelligència Financera d'Andorra* in developing investigations of money laundering cases, the ratio between investigations and prosecutions, and subsequent convictions obtained appears to be modest.



The report also stated that Andorra has enacted a robust legal framework for criminalising terrorist financing. The absence of prosecutions for this criminal offence appears to be broadly in line with the country's risk profile. At the same time, the report concluded that, whilst large financial institutions in Andorra assess and broadly understand their money laundering and terrorist financing risks, it seems that these risks may be down-played to some extent. It also pointed out that smaller financial institutions and designated non-financial businesses and professions (such as lawyers and accountants) appear to be less aware about the risks.

The report noted that the limited resources available to the country's financial intelligence unit have hampered its role of supervision. In addition, it stressed the need for better strategic engagement and coordination of activities between the financial intelligence unit and other supervisory authorities. Finally, MONEYVAL praised Andorra for proactively seeking and providing legal assistance to foreign jurisdictions and recommended removal of dual criminality as a requirement for rendering mutual legal assistance.

Andorra is to report back to MONEYVAL in December 2018 about the implementation of its recommendations under enhanced follow-up procedures.



5th round mutual evaluation report of Ukraine

MONEYVAL discussed and adopted its 5th round mutual evaluation report on Ukraine at its 55th Plenary in December 2017. In this report, MONEYVAL acknowledged that there is strong political commitment in Ukraine to prevent and combat ML and FT, and the measures undertaken have already had a positive effect. However, new legal provisions are required to render more dissuasive sentences for the crimes, more resources are needed, and high-level cases are to be investigated and prosecuted more actively. Ukraine faces considerable money laundering risks due to corruption and illegal economic activities, including fictitious entrepreneurship, tax evasion and fraud. The sheer size of the shadow economy exacerbated by the widespread use of cash makes the country especially vulnerable. Among the prevalent mechanisms to launder money in Ukraine are the so-called conversions centres through which funds are siphoned from the real to the shadow economy, and which are used to convert proceeds into cash and transfer them out of the country.

The Ukrainian authorities demonstrate a reasonably good understanding of ML/FT risks. However, understanding could be enhanced in such areas as cross-border risks and risks posed by the non-profit sector and legal persons. Besides, more robust statistics should back up the risk analysis.

Since the last evaluation in 2009, Ukraine has taken a number of welcome steps, namely the adoption of a dedicated law in 2014 strengthening the procedure of financial monitoring and enhancing efforts to fight corruption through the establishment of the National Anti-Corruption Bureau (NABU) of Ukraine and the National Corruption Prosecutors Office. Other positive initiatives, the report reads, include "very significant efforts" by the National Bank of Ukraine



to remove criminals from having controls of banks, and the successful development of complex money laundering cases.

The Financial Intelligence Unit produces good quality operational analysis; mechanisms of data collection and processing have proved effective and resulted in a significant number of cases referred to the law enforcement agencies. However, the Unit finds itself at a critical juncture as its IT system is outdated, and staffing levels are no longer adequate to cope with an ever-increasing workload. If not urgently addressed, this is likely to have a negative effect on the Unit's effective functioning.

Money laundering is still essentially seen as a "secondary level" crime, an adjunct to a predicate offence. Whenever a sentence for money laundering is given, it is almost always less than for the predicate offence. MONEYVAL opined that the sanctions generally need to be more dissuasive in practice. It recommends introducing a provision into a Criminal Code which would clearly state that a person may be convicted of money laundering, even in the absence of conviction for predicate offence. Before 2014, money laundering prosecutions usually involved the "low-hanging fruits", mostly local officials, rather than top-level figures. Since March 2014, the report further reads, active steps are being taken against persons with connections to the former regime; the complex investigations have resulted so far in two court convictions, one of which for money laundering in significant volumes.

More prosecutions and convictions are required in cases involving high-level corruption, theft and embezzlement of State assets not only by persons connected with the former regime, but also by current state officials and their associates. Besides, even though the authorities have recently started aggressively restraining funds in high-level corruption cases with a view to confiscation, the confiscation regime does not appear to be applied consistently in all proceeds-generating cases.

As far as terrorism financing is concerned, Ukraine has introduced it as a separate offence and is putting a system in place for countering it. However, there are still technical deficiencies that need to be addressed

to bring the framework in line with international standards.

Ukraine is to report back to MONEYVAL at the first Plenary in 2019 about the implementation of its recommendations under enhanced follow-up procedures.



First enhanced follow-up report in the 5th round by Serbia

Serbia presented its first enhanced follow-up report in the 5th round at the September Plenary in 2017. The country has been in an enhanced follow-up process, following the adoption of its mutual evaluation in April 2016, which assessed the effectiveness of Serbia's AML/CFT measures and their compliance with the Recommendations by the FATF. At this stage, the country did not make a request to the Plenary for any re-ratings on technical compliance.

The Serbian delegation updated its follow-up report, in particular with regard to the draft AML/CFT Law which was about to be adopted by the Serbian government. The Plenary noted that there had been some progress in addressing the deficiencies in Serbia's AML/CFT-system. However, it recalled that the next follow-up report should set out how Serbia remedied all the technical deficiencies and how the country has achieved further progress on all effectiveness deficiencies identified in the mutual evaluation report of 2016 (see Rule 21.8 of MONEYVAL's Rules of Procedure for the 5th Round of Mutual Evaluations).

The Plenary invited Serbia to submit a second follow-up report for the 57th MONEYVAL Plenary in September 2018. In this regard, the Plenary took note of its recently amended Rule 21.10 of the Rules of Procedure for the 5th Round of Mutual Evaluations. This rule would narrow the scope of the follow-up process for MONEYVAL in case a parallel review of the AML/CFT-system in Serbia is continued at the level of the FATF.

Bulgaria and Croatia acted as rapporteur teams for this follow-up report.



First enhanced follow-up report in the 5th round by Hungary

Hungary presented its first enhanced follow-up report in the 5th round at the December Plenary in 2017. As a result of Hungary's progress in strengthening its framework to tackle money laundering and terrorist financing since its mutual evaluation in September 2016, MONEYVAL has re-rated the country on 13 of the 40 Recommendations. Hungary has been in an enhanced follow-up process, following the adoption of its mutual evaluation report, which assessed the effectiveness of Hungary's AML/CFT measures and their compliance with the Recommendations by the FATF.

In line with MONEYVAL's rules of procedure, the country has reported back to MONEYVAL on the progress it has made to strengthen its AML/CFT framework. The report analysed Hungary's progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. The report also looked at whether Hungary has implemented new measures to meet the requirements of FATF Recommendations that have changed since the country's 2016 mutual evaluation.

To reflect this progress, MONEYVAL has re-rated Hungary on Recommendations 1, 2, 6, 7, 10, 16, 19, 22, 23, 25, 34 and 35. These Recommendations are now re-rated as "largely compliant". Recommendation 15 has been re-rated as "compliant". MONEYVAL welcomed progress made on Recommendations 12, 13, 18, 24 and 28, but considered that shortcomings (which are more than just minor ones) remain. Consequently, the ratings for these Recommendations remain "partially compliant". Recommendations 5 and 8, the requirements of which changed since Hungary's evaluation in 2016, remain "partially compliant".

MONEYVAL decided that Hungary should remain in enhanced follow-up and next report back in December 2018 as per Rule 23, paragraph 1 of MONEYVAL's 5th round rules of procedure.

Armenia and the UK Crown Dependency of Jersey acted as rapporteur teams for this follow-up report.

Fourth mutual evaluation round

12. OBJECTIVES AND FORMAT

MONEYVAL commenced a follow-up round of on-site visits after the completion of its 3rd round of mutual evaluation in 2009⁴. 4th round onsite visits were concluded in January 2015, with the last reports being adopted later that year. For each state or territory evaluated, these evaluations focused on the effectiveness of implementation of core and key recommendations (as well as some other important 2003 FATF Recommendations) together with any recommendations for which the country received either a “non-compliant” or “partially compliant” rating. In addition, the evaluation also reviewed aspects of compliance with the European Union’s 3rd Anti-Money Laundering and Counter-Terrorist Financing Directive (Directive 2005/60/EC).

13. STREAMLINED FOLLOW-UP PROCESS AS OF 2016

MONEYVAL’s 4th round follow-up process broadly followed the practices and procedures used by the FATF in its 3rd round of assessments. Until 2016, there were three types of processes that could occur following the discussion and adoption of a 4th round evaluation report: biennial update, regular follow-up and enhanced follow-up. At its 50th Plenary in April 2016, MONEYVAL decided to streamline the remainder of its follow-up procedure for the 4th round in order to create further capacities for its 5th round of mutual evaluations. At the same time, it decided to maintain (and, where appropriate, increase) the peer pressure to ensure that MONEYVAL jurisdictions have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards. It was considered that such increased pressure may also help countries to prepare better for their forthcoming 5th round evaluation.

The Plenary adopted the proposal which can be broadly summarised as follows (the new procedure is laid out in detail in the amended Rule 13 of the 4th round rules of procedure, available on the MONEYVAL website): States or territories which were previously subject to the biennial update process are expected to regularly report any relevant developments to the Plenary through MONEYVAL’s *tour de table* procedure. States or territories which were previously subject

4. For the particular situation of the Holy See/Vatican City State which joined MONEYVAL in 2011, see the section on MONEYVAL 3rd round of mutual evaluations in this report.

to regular or enhanced follow-up will remain in a streamlined follow-up process. They are expected to report back to the Plenary, if they have not yet done so, under the previous follow-up procedure within two years after the 4th round MER was adopted. The States or territories which remain in the streamlined follow-up process are expected to seek removal from that follow-up process within four years after the adoption of the 4th round MER at the latest. The Plenary encourages an earlier application for removal. If the State or territory has taken sufficient action to be removed from the follow-up process, the Plenary will ask that State or territory to regularly report about any relevant developments through MONEYVAL’s *tour de table* procedure. If the State or territory has not taken sufficient action to be removed from the follow-up process, the Plenary will consider the application of Compliance Enhancing Procedures (CEPs).

14. PUBLICATION POLICY

Unlike the 3rd round progress reports, 4th round follow-up reports are not routinely published. Biennial reports were published on the MONEYVAL website, while follow-up reports, together with the Secretariat’s analysis, are only published once the assessed country has successfully been removed from follow-up.

15. FOURTH ROUND FOLLOW-UP REPORTS IN 2017

Plenary meetings	
53rd meeting (29 May – 1 June 2017))	<ul style="list-style-type: none">▶ Bulgaria▶ Lithuania▶ Montenegro (CEPs)▶ Romania▶ Poland▶ Slovak Republic
54th meeting (25-28 September 2017)	<ul style="list-style-type: none">▶ Azerbaijan▶ Croatia▶ Lithuania▶ Montenegro (CEPs)▶ Poland
55th meeting (4-7 December 2017)	<ul style="list-style-type: none">▶ Bulgaria▶ Croatia (CEPs)▶ Poland (CEPs)▶ Slovak Republic (CEPs)



Follow-up report of Azerbaijan (54th Plenary)

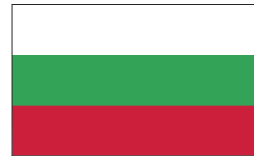
Following the adoption of its 4th round MER in December 2014, Azerbaijan reported to the Plenary at regular intervals in December 2015 and 2016 respectively. The country submitted a third follow-up report at the Plenary in September 2017 and indicated that it would seek removal from the follow-up process.

The Secretariat's analysis of Azerbaijan's third follow-up report concluded that sufficient progress had been made under R.5, R.12, R.16, SR.III, SR.VI, SR.VII and SR.IX. However, additional steps remained to be taken under R.1, R.2, R.3, R.17, R.23, R.24, R.27, R.32, R.33, R.35 and SR.I. In particular, important remaining gaps pertained to the effectiveness of the implementation of R.1 and R.3; the liability of legal persons; the criminalisation of the offences defined in the treaties annexed to the Convention on Terrorist Financing; the risk-based supervision; and the scope of the 'fit and proper' tests for financial institutions.

The Plenary noted that progress has been made under a broad range of recommendations, and that a number of important deficiencies had meanwhile been addressed. However, the Plenary concluded that Azerbaijan did not yet fulfil the conditions under Rule 13.4 of MONEYVAL's 4th round rules of procedure⁵ for removal from the follow-up process. The Plenary

5. Rule 13.4 requires that, in order to have taken sufficient action for removal by the Plenary from the follow-up process, it is necessary that the State or territory has an effective AML/CFT system in force, under which it has implemented the a number of recommendations at the level of or at a level essentially equivalent to a "compliant" or "largely compliant", which are listed in that provision. The rules of procedure are available on the website of MONEYVAL.

welcomed Azerbaijan's proposal to submit a further report in September 2018 and to seek removal from the 4th round at that occasion.



Follow-up reports of Bulgaria (53rd and 55th Plenaries)

Following the adoption of the 4th round MER in September 2013, Bulgaria was placed in regular follow-up. Until 2017, Bulgaria had submitted two follow-up reports (in September 2015 and September 2016, respectively). Bulgaria was invited to submit a further progress report and seek exit from the regular follow-up process at the 53rd Plenary (29 May – 1 June 2017).

The Secretariat analysis of Bulgaria's third follow-up report concluded at the outset that the country had taken positive steps to remedy shortcomings concerning SR.II. However, despite of additional amendments proposed to the Criminal Code, it appeared that the shortcomings identified under SR.II were not yet fully covered. This primarily concerned the criminalisation of the remaining offences as listed in the Annex to the United Nations FT Convention, as well as the abolition of the purposive element of the terrorism/FT offence. At the same time, the on-going reform of the Criminal Code also affects the country's compliance with R.3. The Plenary took the view that Bulgaria was taking considerable steps forward. However, it found that the country was not yet in a position to exit the regular follow-up procedure. The Plenary also considered that the on-going process of amending the Criminal Code should be awaited, given that further progress was needed in particular with respect to SR.II and R.3. Therefore, the Plenary decided to invite Bulgaria to submit a further progress report and to seek exit from the regular follow-up process at the 55th Plenary in

December 2017. Bulgaria was requested to inform the Plenary, through the *tour de table* in September 2017, on the progress made with regard to the above-mentioned legislative progress.

At the December Plenary, the Bulgarian delegation informed the Plenary that the legislative process was at an advanced stage, awaiting the adoption of Parliament, but not yet fully finalised. The Plenary found that the country was not yet in a position to exit the regular follow-up procedure given that the on-going process of amending the Criminal Code was ongoing. Whilst Bulgaria was encouraged to complete this legislative process as soon as possible, the Plenary, mindful of Rule 13, paragraph 6 of MONEYVAL's 4th round rules of procedure⁶ and the fact that more than four years have passed since the adoption of the MER, decided to apply Step 1 of its Compliance Enhancing Procedures (CEPs). Bulgaria was asked to report back at the 56th Plenary (first Plenary in 2018).



Follow-up report of Croatia (54th Plenary)

Following the adoption of the 4th round MER in September 2013, Croatia was placed in regular follow-up. Since then Croatia had submitted three follow-up reports (in September 2015, April 2016 and December 2016, respectively). Croatia was invited to submit a further progress report and seek removal from the regular follow-up process at the 54th Plenary.

The Secretariat analysis of Croatia's fourth follow-up report concluded that the country had taken positive steps to remedy some of the identified deficiencies core and key recommendations rated "partially compliant" (PC). However, despite of additional amendments proposed to the Criminal Code and the Criminal Procedures Code, the Secretariat noted that the majority of identified shortcomings remained unaddressed. The Croatian delegation informed the Plenary that the draft AML/CFT Law would address a number of deficiencies concerning core, key and other recommendations rated PC, once it enters into force. The delegation also pointed to a recent significant increase of investigations, prosecutions, confiscations, as well as an increase in the effectiveness of the supervision regime.

While noting recent progress, the Plenary considered that Croatia was not yet in a position to be removed from the regular follow-up procedure. A number

6. Rule 13.6 states that: "If the State or territory has not taken sufficient action to be removed from the follow-up process, the Plenary will decide to apply compliance enhancing procedures under Rule 14."

of significant deficiencies under both core and key recommendations remained unaddressed even four years after the adoption of the 4th round MER. The Plenary encouraged Croatia to finalise legislative work on the draft AML/CFT Law as soon as possible. Due to the limited progress made with respect to Core and Key Recommendations, and mindful of Rule 13, paragraph 6 of its 4th round Rules of Procedure, the Plenary decided to apply the Step 1 of the MONEYVAL's Compliance Enhancing Procedures. The Plenary invited Croatia to report on the state of the draft AML/CFT Law at its 55th Plenary (December 2017) and to further report on all other remaining deficiencies at the 56th Plenary (first Plenary in 2018). For the compliance report under Step 1 of CEPs in December 2017, see the following section on "Compliance Enhancing Procedures".



Follow-up reports of Lithuania (53rd and 54th Plenaries)

Lithuania's 4th round mutual evaluation report was adopted in 2012. The country was placed under regular follow-up and compliance enhancing procedures were applied. As of 2017, Lithuania had submitted three compliance reports (in April and September 2014 and in April 2015 when step 1 of the compliance enhancing procedures was lifted) and three follow-up reports (in April 2015 and in April and December 2016, respectively). At the latter occasion, Lithuania was invited to submit a further progress report and to seek exit from the regular follow-up process at the 53rd Plenary (29 May – 1 June 2017).

At that Plenary, MONEYVAL concluded that the country had made some progress since the previous follow-up report presented in December 2016, including through an update of the list of indicators to assess possible money laundering or terrorist financing in the NPO sector and by passing amendments to the Criminal Code to explicitly criminalise the financing of a terrorist organisation (in the absence of a link to a specific terrorist act). However, it noted that limited progress had been achieved in relation to R.5 and R.13/SR.IV, given that the new AML/CFT law which should address the deficiencies related to these recommendations had not yet been adopted. The Plenary also found that further progress needed to be achieved in respect of other non-core or key recommendations rated PC in the 4th round MER of Lithuania. Therefore, the Plenary took the view that Lithuania did not fulfil all the conditions under Rule 13, paragraph 4 for removal from the follow-up process and invited the country to adopt the draft AML/CFT Law as quickly as possible and to subsequently seek removal from the

4th round of mutual evaluations at the 54th Plenary in September 2017.

In its 7th regular follow-up report, Lithuania reported that the new AML/CFT Law had meanwhile entered into force. Therefore, MONEYVAL took the view that Lithuania had taken sufficient steps to remedy outstanding deficiencies under core and key recommendations rated PC with the adoption of the new AML/CFT Law. Consequently, the Plenary considered that Lithuania fulfilled the conditions for removal from the follow-up process. The Secretariat had pointed to a number of minor technical issues, which could be discussed within Lithuania's 5th round of mutual evaluation.⁷ The Plenary encouraged Lithuania to make further progress on these remaining deficiencies in view of the forthcoming onsite visit for the 5th round which is scheduled for May 2018.



Follow-up report of Romania (53rd Plenary)

Romania's 4th round MER was adopted in April 2014. Two years later, in April 2016, the country presented a first interim report under the regular follow-up process. The Plenary noted at the time that, although a number of legislative remedial actions had been prepared, limited concrete progress had been achieved. Romania was asked to report back at the 53rd Plenary (29 May – 1 June 2017) and was encouraged to apply for removal from follow-up at that occasion.

At the 53rd Plenary, the Secretariat noted that three key legislative processes were still underway: legislative amendments aimed at addressing major deficiencies under R.26; a new AML/CFT Law intended to transpose the 4th EU AML/CFT Directive into national legislation; and amendments to the Emergency Ordinance on the implementation of international sanctions. Since none of those draft pieces of legislation were in force by the time it prepared its analysis, the Secretariat was not in a position to conduct a detailed evaluation of progress reported by Romania. However, it noted that the envisaged changes could address a number of significant gaps identified under the core and key Recommendations in the MER. During the Plenary meeting, Romania informed the Secretariat that the amendments regarding R.26 had been promulgated by the President of the Republic on 31 May 2017.

Considering the expected timeframe for the adoption of the other two pieces of legislation, the Plenary

⁷ For more details on these technical issues, see the meeting report of the 54th Plenary (MONEYVAL(2017)19), paragraph 35. The report is available on the website of MONEYVAL.

asked Romania to report back at the 56th Plenary (first Plenary in 2018), with a view to applying for exit from follow-up on that occasion. This would also be in line with the Plenary's expectation that countries seek removal from the 4th round follow-up procedure after four years, as set out by the revised Rule 13 of MONEYVAL's 4th round rules of procedure.



Follow-up reports of Poland (53rd and 54th Plenaries)

Poland's 4th round MER had been adopted in April 2013, when the country was put in regular follow-up. During the period 2013-2016, it submitted six follow-up reports. Following the 52nd Plenary in December 2016, MONEYVAL had invited Poland to provide another report for consideration at the 53rd Plenary (30 May – 1 June 2017), and urged the country to make progress until that Plenary on addressing the outstanding deficiencies. In line with MONEYVAL's revised Rules of Procedure, the Plenary recalled that Poland is expected at that occasion to seek removal from the 4th round of mutual evaluation.

The 53rd Plenary noted in May/June 2017 that Poland had made progress in addressing many of the deficiencies identified in the 4th round MER since the adoption of that report in 2013. This included recent progress, such as the criminalisation of the funding of terrorist organisation and individual terrorists for "any purpose", a deficiency the country rectified with amendments made to the Criminal Code in April 2017. Nevertheless, MONEYVAL stated that the draft AML/CFT Law which was expected to address the outstanding deficiencies in relation to preventive measures (R.5, R.13 and SR.IV) as well as the deficiencies in relation to targeted financial sanctions (SR.III) and confiscation (R.3) had not yet been adopted. In light of the very short time between the 53rd and the 54th Plenaries, and given the fact that the Polish delegation had reported that the finalisation of the draft AML/CFT Law was imminent, MONEYVAL invited Poland to submit another follow-up report in September 2017. Should the draft AML/CFT Law not yet been in force by then, MONEYVAL would consider the application of CEPs.

Poland reported at the 54th Plenary in September 2017 that the draft AML/CFT had advanced in the legislative process, but had not yet been adopted. In light of this, the Plenary decided to apply Step 1 of CEPs with regard to Poland and asked the country to report back at its 55th Plenary in December 2017. For the compliance report under Step 1 of CEPs in December 2017, see the following section on "Compliance Enhancing Procedures".



Follow-up report of the Slovak Republic (53rd Plenary)

Following the adoption of the 4th round MER in September 2011, the Slovak Republic was placed in regular follow-up. The country submitted in total seven follow up reports between 2012 and 2017. At the 53rd Plenary (29 May – 1 June 2017), the Slovak Republic submitted a further follow-up report and requested to be removed from the regular follow-up process under the 4th round.

MONEYVAL considered that, since the adoption of its 4th round MER, the Slovak Republic had taken a number of measures with a view to addressing the remaining shortcomings identified in respect of the key and core recommendations. However, there still remained deficiencies related to R.26 and SR.III. With regard to SR.III, the Slovak Republic had made

progress with the new “Act on the implementation of the international sanctions” covering the freezing of assets in the event of control or possession of assets. However, deficiencies remained with regard to the timely amendment of lists published under UNSCR 1267. With regard to R.26, the concerns raised in the 4th round MER relating to the weak formal position of the FIU in the police structure remained. Moreover, no formal safeguards had been introduced to ensure the FIU’s operational independence and autonomy.

In light of the above, the Plenary decided to apply Step 1 of CEPs, taking into account the outstanding deficiencies and the fact that the 4th round MER of the Slovak Republic had been adopted in September 2011, i.e. more than five and a half years ago. The Slovak Republic was requested to submit a compliance report under Step 1 of CEPs to the Plenary on progress made in December 2017. For this compliance report under Step 1 of CEPs in December 2017, see the following section on “Compliance Enhancing Procedures”.

Compliance enhancing procedures

16. STRUCTURE

MONEYVAL's Compliance Enhancing Procedures (CEPs) ensure that countries take steps to meet the international standards and follow MONEYVAL recommendations within an appropriate timeframe. For both the fourth and the fifth round of mutual evaluations, the graduated process is as follows:

Steps in CEPs process

Step 1: MONEYVAL inviting the Secretary General of the Council of Europe to send a letter to the relevant Minister(s) of the State or territory concerned, drawing his/her/their attention to non-compliance with the reference documents and the necessary corrective measures to be taken.

Step 2: Arranging a high-level mission to the non-complying State or territory to meet relevant Ministers and senior officials to reinforce this message.

Step 3: In the context of the application of the 2012 FATF Recommendation 19 by MONEYVAL States and territories, issuing a formal public statement to the effect that a State or territory insufficiently complies with the reference documents and inviting the members of the global AML/CFT network to take into account the risks posed by the non-complying State or territory.

Step 4: Referring the matter for possible consideration under the FATF's International Co-operation Review Group (ICRG) process, if this meets the nomination criteria set out under the ICRG procedures.

The CEPs process can be applied flexibly according to need. Countries may be placed in the CEPs process as a result of Plenary discussions on mutual evaluation reports, follow-up reports, as a result of horizontal reviews of overall progress at the end of an evaluation round, or for other reasons.

Throughout the application of these steps, the country concerned is required to report to the Plenary according to the calendar set, detailing the steps taken to achieve compliance, which in certain cases may include action plans endorsed at government level. If the Plenary is satisfied with the progress, the application of CEPs steps can be terminated. Although the Plenary has not yet applied CEPs in the fifth round (in which evaluated States or territories are referred automatically to the ICRG if they do not achieve a

certain result based on ratings for technical compliance and effectiveness), MONEYVAL commenced or continued CEPs in its 4th round with regard to a number of countries in 2017 which are described in the following.

17. CEPs FOR THE 4TH ROUND OF MUTUAL EVALUATIONS CONSIDERED IN 2017

Croatia (Step 1): Compliance report at the 55th Plenary

Following the adoption of the 4th round MER in September 2013, Croatia was placed in regular follow-up. Since then Croatia submitted four follow-up reports (in September 2015, April 2016, December 2016 and September 2017 respectively). At the last occasion in September 2017, Croatia was invited to seek removal from the regular follow-up. The Plenary had however found in September 2017 that, despite of additional amendments proposed to the Criminal Code and the Criminal Procedures Code, the majority of identified shortcomings remained unaddressed and that Croatia was thus not yet in a position to be removed from the regular follow-up procedure. The Plenary then decided to apply Step 1 of the MONEYVAL's Compliance Enhancing Procedures in September 2017 and invited Croatia to report on the state of the draft AML/CFT Law at its 55th Plenary in December 2017. Croatia was invited to further report on all other remaining deficiencies at the 56th Plenary (first Plenary in 2018).

At that occasion, the Croatian delegation informed the Plenary that the new AML/CFT Law had been adopted by the Croatian Parliament on 27 October 2017 and published in the Official Gazette on 8 November 2017. The new law seeks the implementation of the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (4th EU AML/CFT Directive) and as well as MONEYVAL recommendations from the 4th round MER regarding a number of core and key recommendations.

The Plenary congratulated the Croatian delegation for the adoption of the AML/CFT Law. It asked the country to provide as soon as possible an English translation of the law for analysis by the Secretariat ahead of the 56th Plenary (first Plenary in 2018), when Croatia is invited to also report in a second compliance report on the remaining deficiencies which are not addressed by the AML/CFT Law.



Montenegro (Step 2): Compliance reports at the 53rd and 54th Plenaries

Montenegro's 4th round mutual evaluation report was adopted by MONEYVAL in April 2015. At the same time, the country was placed under Step 1 of CEPs. In the following, the country submitted a number of compliance reports under CEPs on the progress and actions taken to address the deficiencies underlying each of the FATF Recommendations rated "partly compliant" or "non-compliant" in its 4th round report. In December 2016, MONEYVAL welcomed certain progress made by Montenegro, but decided to apply Step 2 of CEPs in light of significant concerns about the progress on the remaining deficiencies. Step 2 entails a high-level mission to Montenegro and involves meetings with relevant ministers and senior officials in order to stress the importance of prioritising actions to address deficiencies identified in the 4th round MER.

The high-level mission took place on 3-4 May 2017. The MONEYVAL delegation was composed of Mr Daniel Thelesklaf (Chair of MONEYVAL), Mr Jan Kleijssen (Director of Information Society and Action against Crime) and Mr Matthias Kloth (Executive Secretary to MONEYVAL). The delegation held meetings with the Minister of Foreign Affairs as well as with the Deputy Ministers of Justice and of Finance. This allowed MONEYVAL to explain at a high political level the urgency of introducing and/or completing certain legislative proposals and to explain the possible consequences for failing to do so. The delegation also held a meeting with representatives from the Montenegrin Parliament to explore ways to accelerate the legislative process in line with the constitutional requirements.

At the 53rd Plenary (29 May – 1 June 2017), the Chair reported about the high-level mission, and thanked the Montenegrin delegation for having organised that mission in a very professional and effective manner. The country's commitment had subsequently been confirmed by a letter of the responsible state secretary in the Ministry of Foreign Affairs which was sent in May to the Chair and the Executive Secretary (a copy of which was circulated in the Chair's correspondence file). The letter stated a high-level commitment to swiftly adopt and implement the laws necessary to comply with MONEYVAL's recommendations from the 2015 MER, and to also enact and implement related regulations.

The Plenary welcomed both the broad high-level commitment by the Montenegrin government, together with the positive and substantial progress made through the recent legislative developments. It noted

in particular progress made through legislative developments, notably in relation to the Criminal Code, the Law on International Restrictive Measures, the Law on Misdemeanours and the new Law on the Prevention of Money Laundering and Terrorist Financing. Despite the fact that most of the legislation was yet to enter into force, the Plenary welcomed the commitment by the Montenegrin government to finalise the legislative process before the Parliament's summer recess. In light of these developments, no additional steps under the Compliance Enhancing Procedures (CEPs) were deemed necessary by the Plenary for the time being. However, Montenegro was urged to bring the various legislative instruments into force before the 54th Plenary in September 2017, otherwise the Plenary would consider taking additional steps under the CEPs.

At the 54th Plenary in September 2017, Montenegro reported about the progress made since the previous Plenary. The country confirmed that the amendments to the Criminal Code, the Law on International Restrictive Measures and the Law on Misdemeanours had in the meantime been adopted by Parliament and entered into force. The Secretariat noted that a number of important deficiencies had been addressed, notably in relation to Recommendation 1, Special Recommendation II and Special Recommendation III. The Law on the Prevention of Money Laundering and Terrorist Financing, although not yet adopted, had undergone a consultation process and submitted to the European Commission for its opinion, as part of Montenegro's EU pre-accession programme. Once in force, the new law would address the large majority of technical deficiencies under Recommendations 5 and 13.

In light of the above, the Plenary was broadly satisfied that the high-level mission conducted on 3-4 May 2017 (Step 2 of the CEPs) had had a positive effect and triggered accelerated legislative action. However, since some significant deficiencies (both technical and effectiveness-related) were still outstanding, the Plenary requested Montenegro to report back on those deficiencies ahead of the 56th Plenary (first Plenary in 2018). It was therefore decided to maintain Montenegro under Step 2 of the CEPs. To facilitate the process, it was agreed that the Secretariat would take stock of the remaining deficiencies immediately after the September Plenary meeting and submit a memorandum containing these deficiencies to Montenegro (this memorandum was sent in October 2017). Should Montenegro fail to meaningfully address all the deficiencies identified in the MER by the 56th Plenary (first Plenary in 2018), the Plenary would consider applying Step 3 of the CEPs. Montenegro was also requested to provide a verbal update through the *tour de table* procedure at the 55th Plenary in December 2017 on the status of the Law on the Prevention of Money Laundering and Terrorist Financing.



Poland (Step 1): Compliance report at the 55th Plenary

MONEYVAL adopted the mutual evaluation report of Poland under the 4th round of mutual evaluations at its 41st Plenary meeting (April 2013). Poland was placed into regular follow-up and has submitted in total six follow-up reports. In September 2017, the Plenary decided to apply Step 1 of CEPs, in particular because the draft AML/CFT Law which is expected to address the outstanding deficiencies in relation to preventive measures (R.5, R.13 and SR.IV) as well as the deficiencies in relation to targeted financial sanctions (SR.III) had still not been adopted. The Polish delegation informed the Plenary in its first compliance report about progress made since the September Plenary. According to the compliance report, the adoption by the Council of Ministers and the subsequent adoption of the Law by the Polish Parliament was envisaged by the end of 2017.

The Plenary noted that there had been some progress since the September Plenary with regard to the outstanding deficiencies of the 4th round MER. This was notably with regard to the legislative process of the draft AML/CFT Law, in particular the adoption of the draft law by the Permanent Committee of the Council of Ministers. For that reason, the Plenary invited Poland to report back at the 56th Plenary (first Plenary in 2018). Should the draft AML/CFT Law still not have entered into force by then, the Plenary would consider adopting Step 2 of CEPs.⁸ The Plenary also noted that some of the outstanding deficiencies under R.3 with regard to instrumentalities, albeit of a technical nature, were related to a recommendation on effectiveness and were not required to be implemented by the FATF 2003 recommendations. In this respect, the Chair also noted that CEPs would not be the most suitable instrument to address effectiveness issues, as the procedure is initially either desk-based or involves an onsite visit on a high-level (rather than a technical level).



Slovak Republic (Step 1): Compliance report at the 55th Plenary

Following the adoption of the 4th round MER in September 2011, the Slovak Republic was placed in regular follow-up. The country submitted in total seven follow-up reports between 2012 and 2017. At the 53rd Plenary (30 May – 1 June 2017), the Plenary decided to move the Slovak Republic to enhanced follow-up and apply Step 1 of CEPs. Even though the Slovak Republic had made sufficient progress on all other outstanding core and key recommendations, the Plenary noted that there were still deficiencies with regard to Special Recommendation III (SR.III) and Recommendation 26 (R.26).

The Plenary welcomed the high-level commitment made by the Prime Minister of the Slovak Republic, Mr Robert Fico, in a letter to the Secretary General of the Council of Europe in early December 2017. The Slovak Republic reported that, in light of the outstanding deficiencies identified by MONEYVAL, it is preparing amendments to the “Act on international sanctions”, in particular a new draft provision which would include a procedure in law for the publication of relevant UNSCRs without undue delay on the website of the Ministry of Foreign Affairs. The Plenary also noted that the issues of requests by third states and requests for unfreezing or de-listing are currently not regulated in more detail by a particular procedure, and suggested that the planned amendments to the “Act on international sanctions” cover these issues. The Slovak Republic submitted that the adoption by Parliament of the amendments is envisaged for January 2018.

On the basis of the progress reported and envisaged by the Slovak Republic by the time of the Plenary in December 2017, the Secretariat noted that the legislative proposals would widely address the concerns about SR.III and may bring the compliance with this recommendation to a level of “largely compliant”. The Plenary urged the Slovak Republic to finalise these amendments as speedily as the constitutional process allows. Should these amendments not be adopted by the time of the 56th Plenary (first Plenary in 2018), to which the Slovak Republic should be invited to report back, the Plenary should consider the adoption of Step 2 of its CEPs. At that time, the Plenary should also further be presented with progress on the outstanding deficiencies under R.26. The Plenary underlined that progress on both recommendations was necessary to be demonstrated in the current procedure.

⁸. Note that the law was eventually adopted on 1 March 2018 and signed by the President on 28 March 2018.

Third mutual evaluation round

18. THIRD-ROUND PROGRESS REPORT OF THE HOLY SEE/VATICAN CITY STATE

The Holy See/Vatican City State joined MONEYVAL in 2011. Although MONEYVAL members had by then all been evaluated in MONEYVAL's 3rd round of mutual evaluations on their compliance with the 2003 FATF standards, it was decided that the Holy See/Vatican City State would undergo a full evaluation in the 3rd round in 2012 (as the ongoing 4th round only focused on a selected number of recommendations from the 2003 FATF standards). It is for this reason that the Holy See/Vatican City State remains the only jurisdiction in the follow-up to the 3rd round, which requires the submission of a progress report on a biennial basis.

At the Plenary in December 2017, MONEYVAL discussed and adopted the third progress report of the Holy See/Vatican City State. The report evaluates the Holy See/Vatican City State's compliance with the recommendations made by MONEYVAL in its MER in July 2012 and developments since the last progress report submitted in December 2015.

MONEYVAL recognised that – judging from a desk-based review – the Financial Information Authority (AIF) seemed to be working efficiently as both a

financial intelligence unit and as supervisor of the one financial entity in the Holy See. In the past two years, the Holy See has established a functioning reporting system. Both the AIF and the judicial authorities have sought and were responding to international cooperation requests in their work.

MONEYVAL noted that the Holy See had still not brought a money laundering case to court. While considerable amounts of money continued to be frozen, no criminal case had yet produced a confiscation order. MONEYVAL recommended the Holy See to assure that the money laundering aspects of all outstanding investigations in financial crime cases are proactively pursued. In this regard, the Committee noted that the overall effectiveness of the Holy See's engagement with combatting money laundering depends on the results that are achieved by the prosecution and the courts.

Following MONEYVAL's rules, the Holy See should present an update on action taken to implement the Committee's recommendations by December 2019. The Holy See will be fully evaluated against the 2012 FATF Recommendations and their effective implementation within MONEYVAL's ongoing 5th round of mutual evaluations, with the exact date of the evaluation to be determined.

Other activities in 2017

In addition to its normal evaluation cycles, progress and follow-up reports and other peer pressure assessment mechanisms, MONEYVAL engages in other activities, including those listed below.

19. TERRORIST FINANCING FACT-FINDING INITIATIVE

In light of the unabated threat of “Da’esh” (also known as ISIL) and other terrorist groups, the FATF and the global AML/CFT network continued to focus on the global threat of terrorist financing. MONEYVAL, as well as the other FSRBs, assisted the FATF in conducting follow-up activities to the “Terrorist Financing Fact-Finding Initiative” (TFFFI), undertaken to identify jurisdictions in the global network with fundamental or significant gaps in their implementation of FATF Recommendations 5 and 6. This initiative had been commenced in 2015 and had scrutinised FT legislation in 196 States and jurisdictions at global level. In the course of 2017, MONEYVAL finalised the follow-up process for its remaining members for which significant deficiencies had previously been identified in this *ad hoc*-exercise.

To that effect, MONEYVAL continued in 2017 to request from the remaining States/jurisdictions with significant deficiencies to provide the Secretariat with an update of achieved and planned progress. At each of the three Plenaries in 2017, the Secretariat presented an analysis of the information received. In light of sufficient progress reported, the Plenary decided to remove Cyprus, Lithuania and Poland from the list of remaining States/jurisdictions during its first two Plenaries in 2017. The Plenary also noted positively the legislative amendments made by the Czech Republic whose follow-up was addressed at FATF-level (and which led to a removal from the process in February 2017).

In 2018, “The Former Yugoslav Republic of Macedonia” will report back on progress made on its draft law on international restrictive measures (which is aimed at rectifying outstanding deficiencies with regard to the implementation of targeted financial sanctions) at the 56th Plenary. As the country is scheduled to provide a full 4th round follow-up report and seek removal from that round at this occasion, MONEYVAL decided that the issue of targeted financial sanctions is fully covered by this follow-up report. As the “The former Yugoslav Republic of Macedonia” was the only remaining country in the TFFFI, the Plenary decided in December 2017 to terminate this *ad hoc* procedure.

Overall, the initiative has led fourteen MONEYVAL States/jurisdictions to successfully remedy fundamental or significant deficiencies in their FT legislation in less than two years.

20. MONEYVAL ROUNDTABLES ON CORRESPONDENT BANKING: “RE-CONNECTING THE DE-RISKED”



On 11 and 12 October 2017, MONEYVAL organised two roundtables in New York City and Washington D.C. on correspondent banking (“Re-connecting the de-risked”). The roundtables aimed at informing about the work of MONEYVAL, in particular about the mutual evaluation process and how MONEYVAL reports can be used by global financial institutions. It also sought to clarify the regulatory expectations and explain the relevant global standard set by the FATF for the provision of correspondent banking. Participants discussed what correspondent banks can expect from respondent banks, and what respondent banks can do to contribute to manage related money laundering and terrorist financing risks.

Correspondent banking is essential for customer payments, especially across borders, and for the access of banks themselves to foreign financial systems. The FATF states that “financial institutions have increasingly decided to avoid, rather than to manage, possible money laundering or terrorist financing risks, by terminating business relationships with entire regions or classes of customers. De-risking is not in line with the FATF Recommendations, and is a serious concern to the international community” (Source: FATF Guidance on Correspondent Banking Services, October 2016). According to data by the Financial Stability Board of July 2017, the number of correspondent relationships by global banks with eastern European banks has decreased between 2011-2016 by 20% (almost twice as much as in other regions of the world, such as the Caribbean or Africa). In many MONEYVAL jurisdictions,

de-risking has occurred and, as a consequence, the money laundering and terrorist financing risks have increased. In light of these numbers, the roundtables were also aimed at increasing the dialogue between relevant correspondent and respondent banks as well as with international stakeholders in the AML/CFT-field.

Each roundtable brought together around 40-50 participants from global financial institutions, respondent banks from several MONEYVAL jurisdictions and relevant international organisations (e.g. the UN Counter-Terrorism Committee; the World Bank; the Financial Stability Board; the International Monetary Fund; and the Financial Action Task Force, FATF). Representatives from the US Treasury, the Federal Reserve and the State Department also attended. Amongst the numerous speakers was the Vice-President of the FATF, Ms Jennifer Fowler, the FATF Executive Secretary, Mr David Lewis, and MONEYVAL's Chair, Mr Daniel Thelesklaf. In his speech, Mr Lewis commended MONEYVAL for having a leading role as a FSRB, and for contributing significantly to the work of the FATF. Mr Lewis also stated that MONEYVAL reports are meeting the FATF's expectations and are subject to a global quality and consistency review. For these reasons, and with regard to the assessment process, MONEYVAL membership can be considered as equivalent to FATF membership.

MONEYVAL would like to warmly thank Citibank for hosting the event in New York City, and the World Bank for hosting the event in Washington, D.C. In 2018, MONEYVAL will continue this initiative with further roundtables in Frankfurt (28 March 2018) and London (9 April 2018).

21. DISRUPTING FINANCIAL FLOWS FROM HUMAN TRAFFICKING

Throughout 2017, MONEYVAL has actively pursued the topic of financial flows associated with slavery, human trafficking, forced labour and child labour. To this effect, MONEYVAL has formed part of a project team group launched in June 2017 within the FATF's Risks, Trends and Methods Group (RTMG) to research on the risk of money laundering and terrorist financing from human trafficking, with particular focus on the smuggling of migrants. These efforts have also taken an increased urgency following the adoption of the first UNSCR on human trafficking in December 2016.

At its May/June-Plenary, the Chair reported about the attendance of a workshop at the United Nations University in New York in early 2017 on disrupting the financial flows from slavery, human trafficking, forced labour and child labour (which could be featured under the umbrella term "modern slavery"). Stressing the profitability of this sector of organised crime which is estimated by the International Labour Organisation (ILO) to exceed 100 billion US \$ per year and concerns

an estimated 45 million victims (in particular women and children), he underlined the importance to disrupt the laundering of the proceeds deriving from these predicate offences. Moreover, there are indications that proceeds from the crimes associated with "modern slavery" have also been used to finance terrorist organisations. The Chair underlined the increasing role of financial sector supervisors and FIUs in detecting financial flows related to money laundering activity with regard to modern slavery. In some FATF countries, reporting of suspicious activities have increased multiple times in recent years. This in return helped law enforcement authorities to rescue numerous victims of sexual exploitation and human trafficking, and to provide evidence during subsequent criminal trials for human trafficking (thereby reducing the reliance on victim testimony). He also stressed that this topic is one in which MONEYVAL should become more active, given that it can be presumed that human trafficking is an important predicate offence in numerous of its jurisdictions. The Chair also suggested the strengthening of synergies between MONEYVAL and other Council of Europe bodies. This was very welcomed during delegates' comments, as well as by the Executive Secretary of the Council of Europe's Group on Action against Trafficking in Human Beings (GRETA), Ms Petya Nestorova, who was present during the discussion and who made a subsequent short intervention. In return, MONEYVAL's Executive Secretary took part in an exchange of views with GRETA during its Plenary in November 2017.

In December 2017, Ms Maja Cvetkovski (Slovenia), Gender Equality Rapporteur of MONEYVAL, informed the Plenary of a gender equality perspective with regard to financial flows from trafficking in human beings. Trafficking in human beings has been one of the most lucrative criminal activities in recent times. The large majority of victims are female, since the purpose of human trafficking has been mostly sexual trafficking and forced labour. Ms Cvetkovski provided the Plenary with several studies of international bodies and of the on-going projects on financial flows of trafficking in human beings. She stated MONEYVAL could contribute to the fight against human trafficking and help to end criminals' exploitation of both women and men. Particularly relevant is research on the financial investigations, asset recovery and financial compensation of victims. The level of arrest, prosecution and conviction for human trafficking remains low, whereas financial investigations should be an integral part of a trafficking investigation. FIUs hereby play an important role to identify illicit proceeds and money laundering. Governments should also take the necessary steps to seize and confiscate assets, as well as measures to compensate victims. This is often difficult, due to the cross-border dimension of cases with regard to victims, perpetrators and assets. In this respect, she noted that the Egmont Group has initiated a human

trafficking project which is related to the new FATF project on financial flows from trafficking. The Gender Equality Rapporteur encouraged MONEYVAL to seek a more proactive role in recovering assets in trafficking of human being cases in MONEYVAL jurisdictions.

22. OTHER ISSUES DISCUSSED AT MONEYVAL PLENARIES

At each of its three Plenaries in 2017, MONEYVAL discussed a number of topical issues in the AML/CFT field, heard presentations by, or had exchanges of views with, AML/CFT experts. Apart from the issues already covered elsewhere in this report, the following lists a selection of these additional activities. In particular, MONEYVAL:

- ▶ heard two presentations on and discussed threats and new trends of terrorist financing in light of recent terrorist attacks;
- ▶ heard presentations on the new Council of Europe Convention on the Manipulation of Sport Competitions and the Council of Europe Convention on Offences relating to Cultural Property, and their connections with AML/CFT;
- ▶ hosted within the margins of the Plenary a workshop on the “Egmont Group/World Bank/UNODC-GPML project on FIU cooperation with law enforcement authorities and prosecutors”;
- ▶ heard presentations from Israel and the Russian Federation on case studies which were awarded the “Best EGMONT Group Case Award” in 2016 and 2017, respectively;
- ▶ had an exchange of views with representatives from the Basel Institute on Governance on the “Basel AML Index”, which covers ML/FT risk-ratings for 146 countries worldwide;
- ▶ heard a presentation from the UK Crown Dependency of Jersey and discussed recent developments in the area of FinTech/RegTech;
- ▶ heard a presentation from and held an exchange of views with the UK Crown Dependency of the Isle of Man on registration and oversight of convertible virtual currency businesses;
- ▶ heard a presentation from and held an exchange of views with the European Commission on the “EU supranational risk assessment on money laundering and terrorist financing” which was published in 2017;
- ▶ heard a presentation from the Russian Federation on practical examples to demonstrate effectiveness under Immediate Outcomes 3, 4 and 5;
- ▶ heard a presentation from Azerbaijan about practical approaches to the implementation of targeted financial sanctions; and

- ▶ had an exchange of views with the Executive Director of the Anti-Corruption Action Centre in Ukraine about an online database of domestic politically exposed persons in Ukraine.

23. MONEYVAL'S 20TH ANNIVERSARY IN DECEMBER 2017 AND DEPARTURE OF PROFESSOR WILLIAM GILMORE

The December 2017 Plenary was the last MONEYVAL meeting which was attended by Professor Gilmore before his retirement. Professor Gilmore had been involved for twenty-five years with numerous Council of Europe intergovernmental committees in the field of combatting crime. In particular, since MONEYVAL's creation in 1997, he had held various functions in that Committee (e.g. as scientific expert and Co-Chair of the Working Group on Evaluations). His book “Dirty Money – the evolution of international measures to counter money laundering and the financing of terrorism” had been published by the Council of Europe in four editions over the past twenty years; it has become the authoritative textbook on the global AML/CFT-system. To honour these achievements, Mr Giakoumopoulos (Director General of Human Rights and Rule of Law) handed over - on behalf of the Secretary General - to Professor Gilmore the Council of Europe medal of honour for his service to the organisation in the past twenty-five years.



To mark MONEYVAL's 20th anniversary as well as the departure of Professor Gilmore in December 2017, the Secretariat asked a number of experts to the podium

who had been closely involved with MONEYVAL during the past two decades. Those were notably: Mr Anton Bartolo (Malta, former Chair of MONEYVAL), Mr Vladimir Nechaev (Russian Federation, former Chair of MONEYVAL and the FATF), Mr John Ringguth (United Kingdom, former Executive Secretary to MONEYVAL), Ms Eva Rossidou-Papakyriacou (Cyprus, former Chair of the Conference of Parties to CETS 198) and Mr Boudewijn Verhelst (Belgium, scientific expert). In short interventions, each of them shared some memories of their time in MONEYVAL and with regard to Professor Gilmore, who joined them on the podium for a farewell speech. The Chair also thanked Professor Gilmore for his longstanding service to MONEYVAL and handed over a present on behalf of MONEYVAL. The Plenary gave Professor Gilmore a standing ovation.

24. KEY PARTNERSHIPS

As previously noted, MONEYVAL is a key partner in the global network of AML/CFT assessment bodies. The following partner organisations play a key role in the AML/CFT-field and regularly attend MONEYVAL Plenaries:

Financial Action Task Force



The Financial Action Task Force (FATF) continues to be MONEYVAL's primary international partner and collaborator. The FATF is an inter-governmental body established in 1989 and designed to set standards and promote effective implementation of anti-money laundering and terrorist financing measures. The FATF is therefore a policy-making body which works to generate the necessary political will to bring about national legislative and regulatory reforms. It operates in combination with nine FATF-style regional bodies, among which MONEYVAL is recognised as a leading member.

As an associate member of the FATF since 2006, MONEYVAL contributes to the policy-making work of FATF. The Chair, the Vice-Chairs and the Executive Secretary regularly attend and actively contribute in FATF working groups and plenary meetings, together with delegates from MONEYVAL States and territories who participate under the MONEYVAL flag. Thus, MONEYVAL members have real opportunities of providing input to the FATF's global AML/CFT policy-making.

Considerable MONEYVAL Secretariat resources are applied to following the work of each of the main FATF working groups, and in attendance at inter-essional meetings. This concerns in particular the International Co-operation Review Group (ICRG), to which four MONEYVAL members had been referred to in past years. But it also concerns the Policy and

Development Group (PDG), responsible for amending the FATF standards, as well as the Evaluations and Compliance Group (ECG) which deals with issues involving the interpretation of the FATF standards and the development of the global AML/CFT Methodology. MONEYVAL's involvement is essential in these working groups, given that amendments of the FATF standards or decisions on their interpretation have direct consequences for all future MONEYVAL evaluations. It is therefore in the interest of all its members that MONEYVAL is properly and sufficiently represented in these working groups at FATF Plenaries. In 2017, a MONEYVAL delegation attended three FATF Plenaries. Moreover, MONEYVAL has mutual observer status with other associate members of the FATF and co-operates with them on a number of levels. The full list of associate members appears at Appendix IV to this report.

In 2013, a new form of quality and consistency review for the 5th round of mutual evaluations was introduced as part of the FATF mutual evaluation process. Any mutual evaluation report in the global AML/CFT network adopted by the FATF or the nine FATF-style regional bodies (FSRBs) will be sent to the global AML/CFT network. If two members (one of them has to be present during the discussion of the report) object to a report because it is considered not to be of adequate quality and consistency (in particular with regard to the proper interpretation of the FATF standards), the report is not final and must not be published until the matter is resolved (discussion will commence at FATF-level and the report may be referred back to the relevant body which adopted it in the first place). In 2017, the FATF decided to apply this quality and consistency review also to those follow-up reports in which countries seek re-ratings for technical compliance, in order to ensure consistency for those ratings throughout the global network.

International Co-operation Review Group & Joint Group for Europe/Eurasia

In 2009, the G20 called on the FATF to identify jurisdictions which threatened the global financial system. Countries can be nominated directly or are considered automatically if their evaluation reports have a number of low ratings in important core and key recommendations. All European jurisdictions identified for review by the International Co-operation Review Group (ICRG) are referred to the Joint Group for Europe/Eurasia. The Joint Group was co-chaired in 2017 by the MONEYVAL Chair, Mr Daniel Thelesklaf. The group analyses the factual situations and reports from the region to the ICRG. Finally, the ICRG decides whether a full targeted review is required and final decisions are taken on this by the FATF Plenary. The ICRG process is intended to complement the follow-up procedures of the FSRBs.

International Monetary Fund and the World Bank



In the past two decades, the role of the international financial institutions (IFIs), including the World Bank and the International Monetary Fund (IMF), in the AML/CFT-field has expanded. The clear engagement of the IFIs with the FATF and MONEYVAL was based on the decisions of their boards after the events of 11 September 2001 that AML/CFT issues should be routine parts of all their much larger financial sector assessments in their member States. In 2017, representatives from both the World Bank and the IMF participated in MONEYVAL Plenary meetings. The World Bank kindly hosted the MONEYVAL roundtable on co-respondent banking/de-risking on 12 October 2017 in Washington D.C., to which members of both the World Bank and IMF participated.

European Union



The European Union (EU) has been actively involved in MONEYVAL since its inception. It is represented in MONEYVAL through the European Commission. As a distinctly European monitoring mechanism, MONEYVAL additionally evaluated all its jurisdictions – whether EU members or not⁹ – on those parts of the EU's 3rd Anti-Money Laundering and Counter-Terrorist Financing Directive (Directive 2005/60/EC) that departed from the FATF standards. Representatives from the European Commission regularly attend MONEYVAL Plenaries and provide relevant updates. In 2017, this included most notably a presentation of the new "EU supranational risk-assessment on money laundering and terrorist financing".

United Nations



The United Nations' global AML/CFT standards are embodied in the FATF standards. The United Nations Office on Drugs and Crime (UNODC) regularly sends representatives to MONEYVAL Plenaries who inform its members of respective developments in the work of UNODC. Moreover, MONEYVAL has successfully collaborated on several occasions with the UN Counter-Terrorism Committee Executive Directorate (CTED) on its separate assessments of UN Security Council Resolution 1373 on terrorist financing in MONEYVAL countries.

9. 12 MONEYVAL jurisdictions are currently member States of the EU.

Organisation for Security and Co-operation in Europe



The Organisation for Security and Co-operation in Europe (OSCE) has a comprehensive approach to security that encompasses politico-military, economic and environmental, and human aspects. It therefore addresses a wide range of security-related concerns, including arms control, confidence- and security-building measures, human rights, national minorities, democratisation, policing strategies, counter-terrorism and economic and environmental activities. All 57 participating States enjoy equal status, and decisions are taken by consensus on a politically, but not legally binding basis. Representatives of the OSCE have regularly participated in MONEYVAL Plenaries throughout 2017. Moreover, the OSCE co-organised a Joint International Workshop "Key Risks of the AML/CFT System: MONEYVAL 5th Round Evaluation Outcomes" which was held on 14-15 December 2017 in Lviv (Ukraine). Several MONEYVAL experts and members of the Secretariat participated in this event.

Egmont Group of Financial Intelligence Units

The Egmont Group of Financial Intelligence Units (FIUs) was established in 1995 as an international forum bringing together FIUs in order to improve and systemise AML/CFT co-operation, particularly at intelligence level. The work of the FIUs is an integral part of the FATF standards and MONEYVAL evaluations. MONEYVAL has observer status and has actively participated in Egmont Group meetings and contributed to training of FIU staff.

Mutual collaboration by MONEYVAL with the Egmont Group enriches the evaluators' and the Secretariat's understanding of the working methods of FIUs. The Egmont Group was instrumental in pressing for FIU standards to be covered in an international legal instrument and contributed actively to the negotiation of the Council of Europe's Convention CETS 198. MONEYVAL's scientific expert for law enforcement matters, Mr Boudewijn Verhelst, was the Chair of the Egmont Group from 2010 to 2013. MONEYVAL's Chair, Mr Daniel Thelesklaf, was the Chair of the Egmont Technical Assistance and Training Group and is currently co-chairing the Egmont Europe II Regional Group.

Eurasian Group on Combating Money Laundering and Financing of Terrorism

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body bringing together Belarus, China, India, Kazakhstan, Kyrgyzstan, the Russian Federation,

Tajikistan, Turkmenistan and Uzbekistan. 14 more States and 18 international and regional organisations have observer status within the EAG. Ms Ani Melkonyan (Armenia, currently seconded to the MONEYVAL Secretariat) acted as assessor in the EAG mutual evaluation of Kyrgyzstan. Representatives of the EAG Secretariat attend MONEYVAL meetings on a regular basis and inform the Plenary about ongoing developments.

European Bank for Reconstruction and Development



The European Bank for Reconstruction and Development (EBRD) is an international financial institution founded in 1991. As a multilateral developmental investment bank, the EBRD uses investment as a tool to build market economies. Initially focused on the countries of the former Eastern Bloc, it has expanded to support development in more than 30 countries from central Europe to central Asia. Besides Europe, member countries of the EBRD are from all five continents. Representatives of the EBRD attend MONEYVAL meetings on a regular basis and inform the Plenary about ongoing developments.

Group of International Finance Centre Supervisors

The Group of International Finance Centre Supervisors (GIFCS) is a long-established group of financial services supervisors with a core interest of promoting the adoption of international regulatory standards especially in the banking, fiduciary and AML/CFT arena. Representatives of the GIFCS attend MONEYVAL meetings on a regular basis and inform the Plenary about ongoing developments.

25. PARTICIPATION IN OTHER FORUMS

During the year 2017, MONEYVAL experts and members of the Secretariat participated in a number of seminars and conferences. Mr Andrey Frolov (Russian Federation, then seconded to the MONEYVAL Secretariat) participated in the FATF joint expert meeting and national risk assessment workshop which was held from 26-29 April 2017 in Moscow. Ms Ani Melkonyan (Armenia, currently seconded to the MONEYVAL Secretariat) participated as expert for the EAG evaluation of Kyrgyzstan. Mr Yehuda Shaffer (Israel) participated in an international workshop organised by EAG and Rosfinmonitoring on "Effective supervision as a mechanism for the financial system's transparency and stability" (held on 20-21 September 2017 in Moscow). MONEYVAL's Executive Secretary, Mr Matthias Kloth, gave a key address on the work of MONEYVAL with regard to counter-terrorist financing

at the 15th Annual Conference on AML/CFT, organised by BankersCampus from 13-15 September 2017 in Potsdam (Germany).

Ms Veronika Mets (MONEYVAL Secretariat) participated as expert in the FintechForum organised on 16-17 November 2017 in Tallinn by Estonia as part of its then EU presidency. Mr John Ringguth (scientific expert for legal matters) as well as Mr Michael Stellini (Deputy Executive Secretary to MONEYVAL) and Ms Solène Philippe (MONEYVAL Secretariat) participated in a joint international workshop "Key Risks of the AML/CFT System: MONEYVAL 5th Round Evaluation Outcomes" which was held on 14-15 December 2017 in Lviv (Ukraine) with the assistance of the Organisation for Security and Co-operation in Europe (OSCE) and the European Union Anti-Corruption Initiative in Ukraine (EUACI). Mr Alexey Samarin (Russian Federation, currently seconded to the MONEYVAL Secretariat) participated in a FATF standard training course in Busan (South Korea), which was funded and hosted by the FATF Training and Research Institute (TREIN), from 14-18 December 2017.

26. TRAINING AND AWARENESS-RAISING

Evaluator trainings

In 2017, MONEYVAL organised a training seminar for future evaluators in MONEYVAL's 5th round of mutual evaluations. The training was held in Nice (France) from 15-19 May 2017. For the first time, this annual event was organised as a consolidated training with the FATF (i.e. including one FATF trainer and participants from FATF member states). 50 participants (25 from MONEYVAL members and 25 from FATF members) were trained on the FATF 2013 Methodology. MONEYVAL wishes to sincerely thank the UK Crown Dependency of Guernsey for co-funding and co-organising this event, as well as the MONEYVAL trainers - Mr John Ringguth, Mr Yehuda Shaffer, Mr Richard Walker and Mr Michael Stellini (Deputy Executive Secretary) - for their excellent longstanding work of preparing experts for MONEYVAL evaluations on an annual basis.

Training for MONEYVAL 5th round assessed countries

As there are significant changes from the 4th round evaluation procedures, the MONEYVAL Secretariat regularly conducts a two-day country training seminar for each evaluated country one year in advance of the onsite visit. The seminar addresses all the main stakeholders in the public and private sectors and in particular the persons who will be involved in preparing

the materials to be submitted by the country and who will be interviewed onsite. The training is a very suitable occasion to inform countries about practical challenges and discuss any country-specific issues regarding the evaluation process. In 2017, training seminars for the 5th round assessment visits were organised in the Czech Republic (March), Lithuania (May), the Republic of Moldova (June) and Malta (November). This initiative will continue in 2018.

27. THE CONFERENCE OF THE PARTIES TO CETS 198

The 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (or Warsaw Convention, CETS 198), which came into force on 1 May 2008, builds on the success of the 1990 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (or Strasbourg Convention, CETS 141). The Warsaw Convention is currently the only comprehensive internationally-binding treaty worldwide which is entirely devoted to AML/CFT. It covers prevention, repression and international co-operation as well as confiscation. More specifically, this instrument:

- ▶ provides States Parties with enhanced possibilities to prosecute money laundering and terrorist financing more effectively;
- ▶ equips States Parties with further confiscation tools to deprive offenders of criminal proceeds;
- ▶ provides important investigative powers, including measures to access banking information for domestic investigations and for the purposes of international co-operation;
- ▶ covers preventive measures, and the roles and responsibilities of financial intelligence units and the principles for international co-operation between financial intelligence units;
- ▶ covers the principles on which judicial international co-operation should operate between States Parties.

The Warsaw Convention counts to date 34 States Parties and 12 signatories (including the European Union). In 2017, new ratifications came from Azerbaijan, Germany, Greece, Italy and the Russian Federation, while Monaco signed the Convention. Denmark ratified the Convention in February 2018.

The Warsaw Convention provides for a monitoring mechanism through a Conference of the Parties (COP) to ensure that its provisions are being effectively implemented. The monitoring procedure under the Convention is particularly careful not to duplicate the work of MONEYVAL or of the FATF. MONEYVAL's Executive Secretary is also the Executive Secretary to

the COP, due to the relevance and interconnection of the COP's mandate to the work of MONEYVAL. Similarly, MONEYVAL's secretariat staff also provides full support to the COP.

The COP held its 9th Plenary in Strasbourg from 21 to 22 November 2017. Amongst other issues, the COP discussed a proposal concerning a transversal thematic monitoring of the implementation of the Convention by all States Parties; adopted a document on the COP's involvement in the implementation of the Council of Europe Action Plan on Combating Transnational Organised Crime (2016 – 2020); adopted an interpretative guidance on various provisions of the Convention; examined the follow-up reports of the Republic of Moldova and Poland; and held exchanges of views with representatives from the United Nations Office of Drugs and Crime (UNODC), the Committee of Experts on the Operation of European Conventions on Co-operation in Criminal Matters (PC-OC), the Committee of Experts on Terrorism (CODEXTER) and the Cybercrime Programme Office of the Council of Europe.

The COP also re-elected Mr Branislav Bohačik (Slovak Republic) as the Chair and Mr Jean-Sebastian Jamart (Belgium) as Vice-Chair for a term of office of two years. Mr Besnik Muci (Albania), Ms Oxana Gâscă (Republic of Moldova) and Mr Sorin Tanase (Romania) had been elected in 2016 as members of the Bureau, likewise for a term of office of two years. Mr Paolo Costanzo (Italy) acts as scientific expert to the Conference of the Parties since 2011.

28. HUMAN RESOURCES

In December 2017, Mr Michael Stellini was appointed as Deputy Executive Secretary of MONEYVAL. At the end of the reporting period, the MONEYVAL Secretariat thus comprised the Executive Secretary, the Deputy Executive Secretary, four Council of Europe administrators, two administrators on secondment from national administrations (Ms Ani Melkonyan from Armenia and Mr Alexey Samarin from the Russian Federation), three administrative assistants, two temporary programme assistants (i.e. with a maximum contract duration of nine months per year) and one communication officer. One of the four administrator positions was established in April 2017 through voluntary contributions from the following MONEYVAL members: Andorra, Liechtenstein, Malta and Monaco. MONEYVAL would like to warmly thank these countries for having made these important contributions. The Committee likewise expresses its gratitude to Estonia, the Russian Federation and the UK Crown Dependency of Jersey for having arranged secondments which all terminated in August 2017 (Ms Veronika Mets, Mr Andrey Frolov and Mr Andrew LeBrun, respectively).

29. NEW WEBSITES

In mid-2017, the MONEYVAL Secretariat introduced both new public and restricted websites. The new websites aim to be more user-friendly in light of the high number of documents circulated by the global

AML/CFT network and materials for both MONEYVAL evaluations and Plenaries. These websites were presented to MONEYVAL at the Plenary in September 2017. The Secretariat recalled at this occasion that all FATF documents are available on MONEYVAL's restricted website.

Conclusion

The negative impact by economic crime, organised criminal groups and terrorists has been felt in Europe throughout 2017. The fight against money laundering and terrorist financing plays a central role in the work of the Council of Europe in protecting human rights, democracy and the rule of law in its 47 member States. Countries need to ensure that they have the appropriate legal and regulatory measures in place to combat “dirty money”, and that these are effectively put to use against transnational organised crime and terrorist groups.

Being now in existence for two decades since its foundation in 1997, MONEYVAL continues its role in the global network of AML/CFT bodies by assessing

34 members and territories against the international standards set by the FATF. Through its role as an associate member, MONEYVAL also represents its members at FATF Plenaries. MONEYVAL's work is highly valued in the global AML/CFT network and raises the visibility of the Council of Europe.

As the FATF continues to augment its activities of the global AML/CFT network, there are growing expectations on the regional bodies whose workload consequently increases. Given that the majority of FATF members are likewise Council of Europe member states, it is of utmost importance that MONEYVAL is sufficiently resourced to be able to continue to meet the expectations of the global AML/CFT network.

Appendices

APPENDIX I – RANGE OF ACTIVITIES PER STATE/TERRITORY IN 2017

	Joint Group for Europe/Eurasia	4th Round Follow-up	CEPs	5th Round Training	5th Round MER/onsite visit	5th Round Follow-up	No Action
Albania					x (onsite visit only)		
Andorra					x		
Armenia							x
Azerbaijan		x					
Bosnia & Herzegovina	x						
Bulgaria		x					
Croatia		x	x				
Cyprus		x (TFFFI only)					
Czech Republic				x			
Estonia							x
Georgia							x
Holy See		x (3rd round)					
Hungary	x					x	
Israel							x
Latvia					x (onsite visit only)		
Liechtenstein							x
Lithuania		x		x			
Malta				x			
Monaco							x
Montenegro			x				
Poland		x	x				
Republic of Moldova				x			
Romania		x					
Russian Federation							x
San Marino							x
Serbia	x					x	
Slovak Republic		x	x				
Slovenia					x		
"The former Yugoslav Republic of Macedonia"		x (TFFFI only)					
UK Crown Dependency of Guernsey							x
UK Crown Dependency of Jersey							x
UK Crown Dependency of the Isle of Man	x				x		
UK Overseas Territory of Gibraltar							x
Ukraine					x		
Total	4	10	4	4	6	2	11

APPENDIX II – LIST OF THE 2003 FATF RECOMMENDATIONS (“40+9”)

R.1	Money laundering offence
R.2	Criminalisation of Money laundering
R.3	Confiscation, freezing and seizing of proceeds of crime
R.4	Financial institution secrecy laws
R.5	Customer due diligence
R.6	Politically exposed persons
R.7	Correspondent banking
R.8	New technologies
R.9	Third parties and introduced business
R.10	Record keeping
R.11	Monitoring of transactions and relationships
R.12	Customer due diligence and record-keeping
R.13	Reporting of suspicious transactions
R.14	Tipping-off and confidentiality
R.15	Internal controls and foreign branches and subsidiaries
R.16	Suspicious transaction reporting
R.17	Sanctions
R.18	Shell banks
R.19	Higher-risk countries
R.20	Other designated non-financial businesses and professions
R.21	Higher-risk countries
R.22	Internal controls and foreign branches and subsidiaries
R.23	Regulation and supervision of financial institutions
R.24	Regulation and supervision of DNFBPs
R.25	Guidance and feedback
R.26	Financial intelligence units
R.27	Responsibilities of law enforcement and investigative authorities
R.28	Powers of law enforcement and investigative authorities
R.29	Powers of supervisors
R.30	Resources of Competent Authorities
R.31	National co-operation and coordination
R.32	Statistics
R.33	Transparency and beneficial ownership of legal persons
R.34	Transparency and beneficial ownership of legal arrangements
R.35	International instruments
R.36	Mutual legal assistance
R.37	Extradition
R.38	Mutual legal assistance: freezing and confiscation
R.39	Extradition
R.40	Other forms of international co-operation
RS.I	Implement UN instruments
RS.II	Terrorist financing offence
RS.III	Freezing and confiscating terrorist assets
RS.IV	Reporting of suspicious transactions
RS.V	International co-operation
RS.VI	Money or value transfer services
RS.VII	Wire transfers
RS.VIII	Non-profit organisations
RS.IX	Cash couriers

APPENDIX III – LIST OF THE 2012 FATF RECOMMENDATIONS AND THE 11 IMMEDIATE OUTCOMES IN THE FATF METHODOLOGY OF 2013

A. 2012 FATF Recommendations

R.1	Assessing Risks and applying a Risk-Based Approach
R.2	National Cooperation and Coordination
R.3	Money laundering offence
R.4	Confiscation and provisional measures
R.5	Terrorist financing offence
R.6	Targeted financial sanctions related to terrorism and terrorist financing
R.7	Targeted financial sanctions related to proliferation
R.8	Non-profit organisations
R.9	Financial institution secrecy laws
R.10	Customer due diligence
R.11	Record-keeping
R.12	Politically exposed persons
R.13	Correspondent banking
R.14	Money or value transfer services
R.15	New technologies
R.16	Wire transfers
R.17	Reliance on third parties
R.18	Internal controls and foreign branches and subsidiaries
R.19	Higher-risk countries
R.20	Reporting of suspicious transactions
R.21	Tipping-off and confidentiality
R.22	DNFBPs: Customer due diligence
R.23	DNFBPs: Other measures
R.24	Transparency and beneficial ownership of legal persons
R.25	Transparency and beneficial ownership of legal arrangements
R.26	Regulation and supervision of financial institutions
R.27	Powers of supervisors
R.28	Regulation and supervision of DNFBPs
R.29	Financial intelligence units
R.30	Responsibilities of law enforcement and investigative authorities
R.31	Powers of law enforcement and investigative authorities
R.32	Cash Couriers
R.33	Statistics
R.34	Guidance and feedback
R.35	Sanctions
R.36	International instruments
R.37	Mutual legal assistance
R.38	Mutual legal assistance: freezing and confiscation
R.39	Extradition
R.40	Other forms of international co-operation

Immediate Outcomes	
IO1	Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.
IO2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
IO3	Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBDs for compliance with AML/CFT requirements commensurate with their risks.
IO4	Financial institutions and DNFBDs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
IO5	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.
IO6	Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
IO7	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO8	Proceeds and instrumentalities of crime are confiscated.
IO9	Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO10	Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.
IO11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant resolutions of the UN Security Council.

APPENDIX IV – LIST OF FATF-STYLE REGIONAL BODIES

Asia/Pacific Group on Money Laundering (APG)	
Caribbean Financial Action Task Force (CFATF)	
Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)	
Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)	
Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)	
Financial Action Task Force on Money Laundering of Latin America America (GAFILAT)	
Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)	
Middle East and North Africa Financial Action Task Force (MENAFATF)	
Task Force on Money Laundering in Central Africa (GABAC)	

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a 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.

For more information on MONEYVAL, please visit our website: www.coe.int/moneyval

www.coe.int

The Council of Europe is the continent's leading human rights organisation. It comprises 47 member states, 28 of which are members of the European Union. All Council of Europe member states have signed up to the European Convention on Human Rights, a treaty designed to protect human rights, democracy and the rule of law. The European Court of Human Rights oversees the implementation of the Convention in the member states.