

# ANNUAL REPORT 2018

# Anti- Money Laundering

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

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**French edition:**

*Rapport annuel sur les activités de MONEYVAL 2018*

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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.

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# 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 Chair

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It is my pleasure to introduce the annual report for MONEYVAL for the year 2018 after my election as chair of the Committee in July 2019.

The past year has highlighted again the importance of MONEYVAL's mandate. A widely-publicised money-laundering scandal allegedly involved financial institutions in several Council of Europe member States and a staggering estimated amount of 200 billion Euros. Terrorist attacks continued to plague Europe and other parts of the world.

This underlines the importance and urgency that countries and territories around the world apply robust measures to counter money laundering and terrorist financing, and that there exists a global network of assessment bodies which evaluates the effectiveness of such measures on the basis of the same international standard.

MONEYVAL's main occupation remains its monitoring work. In 2018, MONEYVAL continued its 5th round of mutual evaluations on the basis of the 2012 standards and the 2013 methodology by the Financial Action Task Force (FATF). Four 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 this year.

One additional evaluation was carried out jointly with the FATF.

MONEYVAL continued the follow-up processes of the current 5th round of mutual evaluations and its previous 4th round of mutual evaluations. The Committee adopted altogether 26 follow-up reports. In total, 24 MONEYVAL States or territories were subject to active monitoring processes in 2018 (through onsite visits, adopted reports, follow-up and compliance procedures). All this requires huge involvement of MONEYVAL members, but above all it is an enormous challenge for the MONEYVAL Secretariat which coordinates and directly participates throughout the whole evaluation process.

Over the past year, MONEYVAL sought to raise awareness of its members in many areas dedicated to the combating of terrorist financing, by initiating a series of discussions related to the practical aspects of combatting this phenomena (e.g. identification and assessment of risks, tracking and convictions and on dedicated countries' strategies).

MONEYVAL has also continued its cooperation with the FATF, the other eight "FATF-style regional bodies" as well as relevant international organisations (such as, for example, the European Union, the World Bank, the International Monetary Fund, the Egmont Group of Financial Intelligence Units and the United Nations Office on Drugs and Crime).

With the FATF as our closest and most important partner organisation, cooperation has intensified during the past year, through the organisation of joint workshops and consolidated assessor trainings.

Prosecutors and judges play a key role in the repressive side of money laundering, associated predicate offences and terrorist financing. However, evaluation reports show that it is necessary to raise awareness of these bodies and their effectiveness. For this reason, MONEYVAL held – as part of series of regional workshops – a two-day seminar jointly with the FATF and the Organisation for Security and Cooperation in Europe (OSCE) to bring together 100 anti-money laundering and counter-terrorist financing expert (including prosecutors, investigative and trial judges) to share their experiences and good practices.

Since MONEYVAL reports are peer reviews which require continuously sufficiently-qualified experts who are familiar with the methodology and the international standards used in the evaluations, we conducted (jointly with the FATF) two assessor trainings during which a total of 68 MONEYVAL experts. I would like



to take the occasion to warmly thank both Cyprus and the Russian Federation for hosting these events.

If countries receive poor ratings in their mutual evaluations or are subject to widely-publicised money laundering scandals, global banks often decide to terminate business relationships with entire regions or classes of customers, rather than to manage possible money laundering or terrorist financing risks. In the last decade, this phenomenon called “de-risking” has nowhere occurred more frequently than in eastern Europe.

For this reason, MONEYVAL continued in 2018 its series of roundtables (entitled “Re-connecting the de-risked”) with events in Frankfurt and London, bringing together global financial institutions, respondent banks from several MONEYVAL jurisdictions and relevant international organisations.

MONEYVAL is conscious that it is part of the Council of Europe as an intergovernmental organisation which promotes human rights. Therefore, MONEYVAL sees its particular responsibility in ensuring that the standards which form the basis for our evaluations are implemented fully in line with fundamental rights (including data protection and privacy rights).

Moreover, combatting the financial flows associated with slavery, human trafficking, forced labour and child labour is high on our agenda. In December, we organised during our Plenary a special panel discussion on this topic, together with a number of international experts including from the Council of Europe’s Group of Experts on Action against Trafficking in Human Beings (GRETA).

Throughout the year, MONEYVAL has continued its role as an internationally recognised and influential global player in the global network of anti-money laundering and counter-terrorist financing bodies. MONEYVAL 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. MONEYVAL strengthens the visibility and the relevance of the Council of Europe of which we form an integral element under its “rule of law”-pillar.

Meeting the expectations of the global network of anti-money laundering and counter-terrorist financing bodies led by the FATF will be possible by providing adequate resources to secure the functioning of MONEYVAL and its mission, both towards its members and the international community. This requires the continuous support from both the Council of Europe, as well as from its member States which need to build efficient anti-money laundering and counter-terrorist financing systems.

**Elzbieta Frankow-Jaskiewicz**  
President of MONEYVAL

## Executive summary

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**E**valuating 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 anti-money laundering and counter-terrorist financing (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 2018, MONEYVAL continued its 5th round of mutual evaluations on the basis of the 2012 standards and the 2013 methodology by the Financial Action Task Force (FATF). Four 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 2019. One additional evaluation was carried out jointly with the FATF. MONEYVAL also hosted two evaluator training seminars during which a total of 68 AML/CFT MONEYVAL experts were trained on the applicable standards and methodology in order to participate in MONEYVAL evaluations. MONEYVAL continued the follow-up processes of the current 5th round of mutual evaluations and its previous 4th round of mutual evaluations. The Committee adopted altogether 26 follow-up reports. In total, 24 MONEYVAL States or territories were subject to active monitoring processes in 2018 (through onsite visits, adopted reports, follow-up and compliance procedures). Apart from its monitoring work, MONEYVAL has also conducted a number of other activities which are considered below.

In March 2018, MONEYVAL hosted a workshop in Strasbourg for judges and prosecutors that focused on their experiences, challenges and best practices in investigating and prosecuting money laundering and terrorist financing and confiscating criminal proceeds. The workshop was jointly organised with the FATF and the Organisation for Security and Co-operation in Europe (OSCE). Approximately 100 delegates representing 43 delegations, including anti-money laundering and counter-terrorist financing expert prosecutors, investigative and trial judges participated in the workshop. These practitioners shared their experiences of the challenges they face during the investigation and prosecution of money laundering and terrorist financing offences and the confiscation of proceeds linked with crime or terror. They also shared examples of how to overcome these challenges and discussed effective mechanisms and good practices.

In 2018, MONEYVAL also continued its series of roundtables on correspondent banking ("Re-connecting the de-risked") with events in Frankfurt (Main) and London. 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 standards 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 around 40-50 participants from global financial institutions, respondent banks from several MONEYVAL jurisdictions and relevant international organisations (e.g. the European Commission, the FATF; the Financial Stability Board; and the European Bank for Reconstruction and Development).

MONEYVAL pursued its work on the topic of financial flows associated with slavery, human trafficking, forced labour and child labour. To this effect, MONEYVAL continued to be part of a project team group launched in the previous year within the FATF to research on the risk of money laundering and terrorist financing from human trafficking. At its Plenary in December 2018, MONEYVAL dedicated a special panel discussion on countering human trafficking and the proceeds thereof. On this panel, MONEYVAL experts were joined by experts from the FATF, the Egmont Group of Financial Intelligence Units (FIUs), the Wolfsberg Group (an association of thirteen global banks) and the Council of Europe's Group of Experts on Action against Trafficking in Human Beings (GRETA).

During its two Plenaries in 2018, MONEYVAL held numerous exchanges of views with and heard presentations from experts on topical issues. This included inter alia: breaking the anonymity of virtual currencies; amendments to the FATF standards to address the regulation of virtual assets; guidance on identifying, assessing and understanding the risk of terrorist financing in financial centres; the new 5th AML/CFT Directive by the European Union; selected cases on money laundering and financing of terrorism (some for which MONEYVAL members had been awarded with the Egmont Case Award for the best case of the year); the role of the FIU in the investigation of corruption; terrorist financing disruption strategies; as well as a horizontal review of the sector of designated non-financial businesses and professions (DNFBPs) in the new round of evaluations. Moreover, MONEYVAL adopted a regional operational plan to combat terrorist financing and a commenced a joint project (together with the Council of Europe's Group of States against Corruption, GRECO) on gender-related issues in the area of corruption and 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.

At the same time, the FATF constantly widens the activities of the global AML/CFT network, with growing expectations on the "FATF-style regional bodies" (such as MONEYVAL) whose workload consequently increases. Most notably, MONEYVAL is expected to soon commence follow-up assessments (with onsite visits of up to one week) for its members which have already been evaluated in the 5th round of mutual evaluations, while more than half of MONEYVAL's members are still to be evaluated in this on-going round. Without further reinforcement, MONEYVAL will either be unable to finalise the 5th round within the given timeframe (2022-2023) or compelled to postpone the beginning of these follow-up assessments. 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.

In this respect, it is worth mentioning the inter-ministerial Conference "No money for terror", which took place in Paris on 25-26 April 2018 upon invitation by French President Macron and which was attended by more than 50 ministers (many of which came from Council of Europe member States) and 500 experts from nearly 80 countries. In a common declaration adopted at the end of the conference, the attending ministers committed to reinforcing the mutual evaluation processes, by giving the FATF and FATF-style regional bodies (such as MONEYVAL) the necessary resources to that end. This was mirrored by Parliamentary Assembly recommendation 2154 (2019)<sup>1</sup> of 11 April 2019 which called upon the Committee of Ministers to "ensure that regardless of the future budgetary situation, [international activities to counter organised crime, corruption and money laundering], notably the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Group of States against Corruption (GRECO), continue to be adequately resourced."

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1. Parliamentary Assembly Recommendation 2154(2019), "Laundromats: responding to new challenges in the international fight against organised crime, corruption and money laundering", paragraph 1.2., adopted on 11 April 2019.

# Introduction and background

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**M**oney 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 is also continuing 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 standard.

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 2018, 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.<sup>2</sup> 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.

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2. [http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country\\_profiles\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country_profiles_en.asp)



## Aim and status of MONEYVAL

**M**ONEYVAL 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
- Andorra
- Azerbaijan
- Bulgaria

- Croatia
- Czech Republic
- Georgia
- Latvia
- Lithuania
- Republic of Moldova
- Montenegro
- Poland
- Russian Federation<sup>3</sup>
- Serbia
- Slovenia
- Cyprus
- Estonia
- Hungary
- Liechtenstein
- Malta
- Monaco
- North Macedonia
- Romania
- San Marino
- Slovak Republic
- 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 members of the

<sup>3</sup> The Russian Federation is also a member of FATF and the EAG (Eurasian Group on Combating Money Laundering and Financing of Terrorism).

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);
- ▶ 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);
- ▶ the Offshore Group of Banking Supervisors (OGBS);
- ▶ 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 cooperate 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)<sup>4</sup>

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.

### 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 (since 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 under this new round was adopted in December 2015. By the end of 2018, twelve mutual evaluation reports had been adopted, and two additional countries had received onsite visits in the current round.

In 2018, MONEYVAL has conducted the following onsite visits and adopted the following mutual evaluation reports:

### 5th round onsite visits and adoption of reports in 2018

- ▶ Albania (onsite visit: 1-13 October 2017), the report was adopted in July 2018;
- ▶ Latvia (onsite visit: 30 October – 10 November 2017), the report was adopted in July 2018;
- ▶ Czech Republic (onsite visit: 5-16 March), the report was adopted in December 2018;
- ▶ Lithuania (onsite visit: 7-9 May) the report was adopted in December 2018;
- ▶ Moldova (onsite visit: 30 October – 10 November); and Malta (onsite visit: 5-16 November): both reports are tabled for discussion and adoption at MONEYVAL's 58th Plenary (15-19 July 2019).
- ▶ Israel was jointly evaluated by the FATF and MONEYVAL, with the onsite visit having taken place in March 2018 and the report being adopted by the FATF Plenary in October 2018. MONEYVAL endorsed the report in December 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 day before the start of each MONEYVAL Plenary throughout 2018. Its terms of reference are contained in Appendix IV to MONEYVAL's Rules of Procedure for the 5th Round of Mutual Evaluations. Mr Nicola Muccioli (San Marino) and Mr John Ringguth (scientific expert) were nominated in December 2017 to co-chair this group for a mandate of two years.

## 4. GOVERNANCE

The MONEYVAL Bureau has several tasks, including assisting the Chair, supervising the preparation of Plenary meetings and ensuring continuity between meetings. The MONEYVAL Bureau is composed of a Chair, two Vice-Chairs and two other Bureau members. The Bureau members are currently:

4. 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.

### MONEYVAL Bureau elected for a term of two years in 2017

<b>Chair:</b>	Mr Daniel Thelesklaf (Liechtenstein) Note: Mr Thelesklaf remained chair until 31 July 2019, as he was unable to complete his full term due to leaving the delegation of Liechtenstein after a professional change. MONEYVAL elected Ms Elzbieta Frankow-Jaskiewicz as his successor for the remainder of his term at its 58th Plenary in July 2019.
<b>Vice-Chairs:</b>	Ms Elzbieta Frankow-Jaskiewicz (Poland) Mr Alexey Petrenko (Russian Federation)
<b>Members:</b>	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 2018, the scientific experts were:

### MONEYVAL scientific experts

- ▶ Dr Lajos Korona, Public Prosecutor in Hungary – Legal scientific expert
- ▶ Mr John Ringguth LLB, 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 Andrew Le Brun, Director – Government of Jersey, Chief Executive's Office – Financial scientific expert

## 6. GENDER EQUALITY RAPPOREUR

In line with the general policy of the Council of Europe, MONEYVAL appointed in 2015 Ms Maja Cvetkovski (Slovenia) as Gender Equality Rapporteur. Ms Cvetkovski updated MONEYVAL at the July 2018 Plenary on the gender equality perspective with regard to trafficking in human beings, which remains an important predicate offence for money laundering in a number of MONEYVAL jurisdictions. She also was instrumental with regard to the special panel which MONEYVAL conducted on this topic at its December 2018 Plenary (see below). In 2018, MONEYVAL also commenced a joint project (together with the Council of Europe's Group of States against Corruption, GRECO) on gender-related issues in the area of corruption and money laundering.





# 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 2018



### 5th round mutual evaluation report of Albania

The report makes a comprehensive assessment of the effectiveness of Albania's anti money laundering and counter terrorist financing (AML/CFT) system and its level of compliance with the FATF Recommendations. MONEYVAL acknowledges that the Albanian authorities have a reasonably good understanding of the country's money laundering risks in the formal economy and have national coordination mechanisms for policy-making to address risks. However, these mechanisms have not proven to be fully effective and there are some areas that would benefit from a more detailed analysis of the threats posed.

Corruption poses major money laundering risks in Albania. Often linked to organised crime activities, it generates substantial amounts of criminal proceeds and seriously undermines the effective functioning of the criminal justice system. The authorities are aware of the risks from corruption but so far law enforcement has given limited attention to target corruption-related money laundering. A significant judicial reform is currently being implemented to better address the corruption risks prevalent in the country.

The competent authorities systematically use the General Directorate for the Prevention of Money Laundering reports and a wide range of other sources of information to initiate and facilitate investigations of money laundering, associated predicate offences and terrorist financing. Parallel investigations are systematically applied in money laundering cases and in other criminal proceedings. However, these investigations rarely result in indictments and money laundering proceedings connected to significant proceeds-generating offences are mostly suspended or dismissed by the prosecution.

The report underlines that Albania has a robust legal framework for confiscation of criminal proceeds but the number and values of seized and confiscated assets do not seem to be commensurate to the level of the criminality in the country.

With regard to terrorist financing, MONEYVAL notes that the perception and understanding of the related risks do not seem to adequately address the characteristics of potential terrorist financing activities in the country and the region. There is no systematic

approach to identify and investigate financing aspects of terrorism-related offences. In relation to the implementation of targeted financial sanctions there are some technical deficiencies, which may hamper effectiveness of Albania's compliance.

The report highlights that the Bank of Albania has a good understanding of money laundering and terrorist financing risks and has recently enhanced its offsite reporting system to support its assessment of risks of individual entities. The Financial Supervisory Authority is in the process of transitioning to a risk-based approach in supervision but its inspection activity undertaken so far has been very limited. Although some important efforts are made, neither the Bank of Albania nor the Financial Supervisory Authority consistently apply a risk-based perspective when reviewing applications for licenses by financial institutions, or take a systematic approach to monitor them in order to fully mitigate the risk of criminal infiltration.

Finally, the report notes that Albania has reportedly provided mutual legal assistance with an appropriate level of co-operation. However, the general legal mechanism for executing foreign mutual legal assistance requests has some deficiencies which may undermine their effectiveness.

Based on the results of its evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and invited Albania to report back at the last Plenary meeting in 2019 about the implementation of its recommendations under enhanced follow-up procedures.



### 5th round mutual evaluation report of Latvia

The report makes a comprehensive assessment of the effectiveness of Latvia's anti money laundering and counter terrorist financing (AML/CFT) system and its level of compliance with the Financial Action Task Force (FATF) Recommendations.

Latvia is a regional financial centre, with a majority of its commercial banks focusing on servicing foreign customers, mainly from the Commonwealth of Independent States (CIS) countries. Hence one of Latvia's key money laundering (ML) risks remains the vulnerability of CIS countries to economic crime, especially corruption. Latvia's own level of corruption, vulnerability to international organised crime and significant shadow economy are also key factors of the overall ML risk faced by Latvia.

The report concludes that the overall appreciation of ML and financing of terrorism (FT) risk in the financial sector is not commensurate with the factual exposure of financial institutions in general, and banks in particular, to the risk of being misused for ML and FT. The general understanding of risks among designated non-financial businesses and professions is limited to risks relevant for their particular businesses and professions; it does not amount to an appropriate perception and awareness of ML/FT risks.

MONEYVAL underlines that certain authorities, such as the Office for the Prevention of Laundering of Proceeds Derived from Criminal Activity (FIU) and the Financial Capital Market Commission (FCMC), demonstrated a rather broad understanding of the risks within the anti-money laundering and combating financing of terrorism (AML/CFT) system. However, there is uneven and overall inadequate appreciation of the potentially ML related cross-border flows of funds passing through Latvia.

The supervisors demonstrate widely varying views and knowledge about ML/FT risks. Despite the knowledgeable and persistent approach taken by the FCMC to the non-resident banking sector, change of risk-appetite in this sector remains slow.

The report acknowledges that since the last evaluation, Latvia has taken steps to improve its AML/CFT legal framework. At the same time the report states that Latvia's legal basis for targeted financial sanctions in the area of FT and proliferation financing calls for urgent clarifications and improvements. It is unclear whether the competent authorities have taken sufficient steps and have the necessary means to mitigate targeted financial sanctions-evasion risks.

The Enterprise Register will be populated by beneficial ownership information obtained from all legal entities. However, this functionality was not up and running as of the time of the visit. When fully implemented, information contained in the Enterprise Register will be publicly accessible.

The report states that, until recently, the judicial system of Latvia did not appear to consider ML as a priority. ML was not investigated and prosecuted in line with its risk profile as a regional financial centre. While results from conviction-based confiscation are hampered by the modest number of ML-convictions, non-conviction based confiscation brought some encouraging first results, allowing Latvian authorities to confiscate considerable amounts in both domestic and international cases.

International co-operation constitutes a critical component of the country's AML/CFT system. MONEYVAL praises Latvia for proactively co-operating with foreign counterparts, effectively providing and seeking not only mutual legal assistance, but also exchanging financial intelligence, and engaging in

joint investigations and co-operation meetings with positive results.

Based on the results of its evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and invited Latvia to report back at the last Plenary meeting in 2019 about the implementation of its recommendations under enhanced follow-up procedures.



## 5th round mutual evaluation report of Czech Republic

The report makes a comprehensive assessment of the effectiveness of the Czech Republic's anti money laundering and counter terrorist financing (AML/CFT) system and its level of compliance with the Financial Action Task Force (FATF) Recommendations.

MONEYVAL acknowledges that the Czech authorities carried out a transparent and realistic analysis of the ML/FT risks faced by the country. ML occurs mostly due to tax crimes, fraud, corruption, phishing and subvention frauds. Whilst FT was also under scrutiny due to its seriousness, the probability of its occurrence remains low. Whereas the national risk assessment is fairly thorough, certain aspects require further analysis and mitigation measures need to be more explicit, MONEYVAL experts said.

The banks have an appropriate understanding of the ML/FT risks whilst awareness is lower with other financial institutions. Designated non-financial businesses and professions (DNFBPs) appeared less clear about the risks. The Financial Analytical Unit and the National Bank are the two main regulators that simultaneously oversee the biggest part of Czech financial sector. This notwithstanding, the report casts doubts on the efficiency of the existing supervisory model in a view of limited resources.

Legislative reforms and increased efforts in pursuing ML investigations represent a commendable progress achieved since the last evaluation. Although MONEYVAL recognises that convictions were obtained in some large scale ML cases, it concludes that more investigative opportunities should be pursued with regard to serious third party and stand-alone ML. The prevalent practice within the Czech justice system of sanctioning multiple offences simultaneously makes it difficult to measure the precise impact of the sentence solely related to ML.

The report underlines the improvements in the legislative and institutional framework on seizure and confiscation. Law enforcement regularly carries out financial investigations in relation to proceeds-generating offences which resulted in significant amounts being seized and confiscated.

Financial investigations carried out in relation to terrorism offences brought to light the possibility of FT activities to occur in the Czech Republic. As a response, the law enforcement managed to plausibly identify the respective roles of suspects in the FT-related schemes.

The Commercial Register in the Czech Republic can be accessed directly and free of charge whilst the quality and accuracy of information held therein vary. The report makes note of the recently established Trust and Beneficial Ownership Registers but also acknowledges that these registers are yet to be fully populated with data.

Finally, the report praises the Czech authorities for being active in co-operation with their foreign counterparts. This has further been substantiated with the fact that, in addition to mutual legal assistance, other forms of international co-operation are routinely used both spontaneously and upon request.

Based on the results of its evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and invited the Czech Republic to report back in mid-2020.



### 5th round mutual evaluation report of Lithuania

The report makes a comprehensive assessment of the effectiveness of Lithuania's anti money laundering and countering the financing of terrorism (AML/CFT) system and its level of compliance with the FATF Recommendations.

Lithuania faces various ML threats mainly deriving from corruption, the shadow economy, organised crime and the widespread use of cash. The authorities are aware of these threats and have taken steps to address a number of them, with concrete results, in particular, in reducing the shadow economy. However, further efforts are needed to mitigate some significant vulnerabilities, in particular in relation to investigation and prosecution of ML and AML/CFT supervision. With regard to FT, there is no information suggesting that Lithuania faces an elevated risk. MONEYVAL notes that the authorities have an uneven but broadly adequate understanding of FT risks, consistent with Lithuania's risk profile.

In recent years, major efforts have been made to target ML in relation to criminal activity posing the highest ML threat. The authorities presented a number of on-going cases of complex ML. However, these efforts are yet to result in convictions and most ML convictions obtained to date are for self-laundering. A national ML-specific operational policy is needed to



ensure a more uniform and effective approach across the law enforcement community. There is still some uncertainty as to the level of evidence that would be needed to convince the judiciary that funds derive from criminal activity in the absence of a criminal conviction. Sanctions have the potential to be dissuasive but have not been used effectively yet.

Depriving criminals of proceeds of crime is a policy objective endorsed at the highest levels. The level of sophistication of financial investigations to trace proceeds of crime has improved and the amount of provisionally seized assets has increased considerably. However, the volume of confiscated assets remains somewhat modest.

With regard to FT, there have only been two FT cases in Lithuania. Mechanisms for the identification, investigation and prosecution of FT are in place. However, the skills required to deal with such cases need to be developed further. There are certain aspects within the system which need to be improved to ensure that any potential FT suspicions are not overlooked: broader powers to the Customs Service to stop and restrain currency at the borders in order to ascertain whether evidence of ML/FT may be found and better implementation of reporting requirements by institutions providing fund transfer services.

Lithuania displays some elements of an effective system for targeted financial sanctions (TFS), both for FT and proliferation financing (PF). In particular financial institutions are aware of designations made by the United Nations and the European Union and have customer and transaction screening systems. However, the report notes that the legal framework for TFS is not fully in line with the FATF Standards. There is no formal procedure to identify targets for designations and no designation has been made or proposed. No funds have been frozen under the TFS regime in Lithuania. The operational framework for the implementation of TFS by the authorities lacks clarity. Outreach is provided to the private sector but remains insufficient. Supervisors exhibited limited proactivity in relation to PF-related TFS obligations and evasion challenges.

Finally, MONEYVAL acknowledges that Lithuania has a sound legal and procedural framework for exchanging information with foreign partners in a comprehensive, proactive and timely manner, both upon request and spontaneously, and in line with its risk profile. Lithuania actively seeks international co-operation from other States, which has resulted in convictions and the seizure and confiscation of proceeds of crime.

Based on the results of its evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and invited Lithuania to report back in mid-2020.



### **Joint FATF/ MONEYVAL mutual evaluation of Israel**

The FATF and MONEYVAL jointly assessed Israel's anti-money laundering and counter terrorist financing (AML/CFT) system. The assessment is a comprehensive review of the effectiveness of Israel's measures and their level of compliance with the FATF Recommendations.

Due to its geographic location, Israel faces a particularly high terrorist financing risk from sources outside Israel, while fraud, tax offences, organised crime, public sector corruption and the use of cash are among the sources of money laundering risk for the country. Israel has successfully identified and understood these risks, which is reflected in the country's anti-money laundering and counter terrorist financing (AML/CFT) policies and activities.

Israel has demonstrated its ability to identify, investigate and disrupt terrorist financing activity at an early stage using a wide range of effective instruments and mechanisms, as well as effectively prosecuting, and convicting those involved. However, it must improve its coordination on preventing the misuse of non-profit organisations for terrorist financing, in particular by increasing its resources to register and supervise these organisations.

Israeli authorities, including the financial intelligence unit and law enforcement, are successfully co-operating and using financial intelligence and other information to pursue money laundering and terrorist financing investigations and prosecutions. Authorities also co-operate well with international counterparts, given that most of the large domestic money laundering cases have international links and the country faces a high terrorist financing threat from abroad. Israel actively makes and responds to requests for international co-operation although some issues have arisen with delays to execute such requests.



Israel has made it a high-level priority to deprive criminals of their illicit gains and has demonstrated that it is doing so effectively with an average of over EUR 24 million per year in confiscations.

Financial institutions and their supervisors have a good understanding of the money laundering and terrorist financing risks they face, but this understanding is weaker in the money service business sector. However, there has recently been a significant increase in this sector's reporting of unusual activity. Financial supervisors generally have not yet developed a full risk-based AML/CFT-specific supervision. Israel has not included real estate agents, dealers in precious metals, and trust and company service providers in its AML/CFT system, and lawyers and accountants are not required to report suspicious transactions. The supervisors of designated non-financial businesses and professions are at an early stage in the development of a risk-based model for supervision.

Israel has developed an AML/CFT system that is sound and effective in many areas, and achieves good results in tackling money laundering and terrorist financing. The country has also achieved good results in understanding the risks it is exposed to, investigating and prosecuting money laundering and terrorist financing, including through the effective use of financial intelligence, depriving criminals of the proceeds of crime, and depriving terrorists and terrorist organisations of assets and instrumentalities. However, Israel needs to introduce major improvements to strengthen supervision and implementation of preventive measures.

FATF adopted this report at its Plenary meeting in October 2018. MONEYVAL endorsed the report at its Plenary meeting in December 2018.

With the publication of this assessment, Israel has met the FATF's membership requirements and has also become an official member of the FATF with immediate effect, for which MONEYVAL would like to congratulate its long-standing member.



### **First regular follow-up report in the 5th round by Armenia**

As a result of Armenia’s progress in strengthening its framework to tackle money laundering and terrorist financing since its mutual evaluation in December 2015, MONEYVAL has re-rated the country on two recommendations originally rated as “partially compliant”.

Armenia has been in a regular follow-up process, following the adoption of its mutual evaluation report, which assessed the effectiveness of Armenia’s anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the Recommendations by the Financial Action Task Force (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.

This report analysed Armenia’s progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. It also looked at whether Armenia has implemented new measures to meet the requirements of FATF Recommendations that have changed since the country’s 2015 mutual evaluation.

To reflect this progress, MONEYVAL has re-rated Armenia on Recommendations 1 (assessing risks) and 7 (targeted financial sanctions related to proliferation). These Recommendations are now re-rated as “largely compliant”. Recommendation 8 (non-profit organisations) has been re-rated as “compliant”.

MONEYVAL welcomed progress made on Recommendations 12 (politically exposed persons), 28 (regulation and supervision of DNFs) and 31 (powers of law enforcement and investigative authorities), but considered that shortcomings (which are more than just minor ones) remain. Consequently, the ratings for these Recommendations remain “partially compliant”. The ratings for Recommendation 5 (criminalisation of the financing of terrorism, originally rated as “largely compliant”) and Recommendations 18 (internal controls and foreign branches and subsidiaries) and 21 (tipping-off and confidentiality), both originally rated as “compliant”, the requirements of which changed since Armenia’s evaluation in 2015, remain unchanged.

MONEYVAL decided that Armenia will remain in regular follow-up and will continue to report back in two-and-a-half years to MONEYVAL on further progress to strengthen its implementation of AML/CFT measures.



### **First enhanced follow-up report in the 5th round by the UK Crown Dependency**

#### **of the Isle of Man**

In light of the Isle of Man’s progress in strengthening its framework to tackle money laundering and terrorist financing since the adoption of its mutual evaluation report in December 2016, MONEYVAL has re-rated the jurisdiction on 8 of the 40 Recommendations of the Financial Action Task Force (FATF).

In December 2016, the Isle of Man was placed in MONEYVAL’s enhanced follow-up procedure based on the results of its mutual evaluation, which assessed the effectiveness of the Isle of Man’s anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the 40 Recommendations.

In line with MONEYVAL’s rules of procedure, the Isle of Man reported back to MONEYVAL on the steps taken since 2016 to strengthen its AML/CFT framework.

This follow-up report analysed the Isle of Man’s progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. The report also looked at whether the Isle of Man has complied with the new requirements of those FATF Recommendations that have changed since 2016.

To reflect this progress, MONEYVAL has re-rated the Isle of Man to “compliant” with Recommendations 5 (criminalisation of the financing of terrorism), 6 (targeted financial sanctions on the financing of terrorism), 16 (wire transfers), 29 (financial intelligence unit), 32 (cash couriers) and 33 (statistics); and to “largely compliant” with Recommendations 24 (transparency of legal persons) and 35 (sanctions).

Further steps have been taken to improve compliance with the other Recommendations, but some gaps remain. The Isle of Man is encouraged to continue its efforts to address the remaining deficiencies.

MONEYVAL decided that the Isle of Man should remain in enhanced follow-up and report back to MONEYVAL within one year.



### **First enhanced follow-up report in the 5th round by Andorra**

As a result of Andorra’s progress in strengthening its framework to tackle money laundering and terrorist financing since its mutual evaluation in September 2017, MONEYVAL has re-rated the country on twelve

Recommendations, nine of which were originally rated as “partially compliant”.

Andorra has been in an enhanced follow-up process, following the adoption of its mutual evaluation report, which assessed the effectiveness of Andorra’s anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the Recommendations by the Financial Action Task Force (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.

This follow-up report analysed Andorra’s progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. It also looked at whether Andorra has implemented new measures to meet the requirements of FATF Recommendations that have changed since the country’s 2017 mutual evaluation.

To reflect this progress, MONEYVAL has re-rated Andorra on Recommendations 3 (money laundering offence), 12 (politically exposed persons), 16 (wire transfers), 22 (DNFBPs: customer due diligence), 23 (DNFBPs: other measures) and 34 (guidance and feedback). These Recommendations are now re-rated as “largely compliant”. Recommendations 2 (national co-operation and coordination), 11 (record keeping), 15 (new technologies), 20 (reporting of suspicious transactions), 21 (tipping-off and confidentiality) and 32 (cash couriers) have been re-rated as “compliant”.

The ratings for Recommendation 7 (targeted financial sanctions related to proliferation, originally rated as “compliant”) and Recommendations 18 (internal controls and foreign branches and subsidiaries, originally rated as “largely compliant”), the requirements of which changed since Andorra’s evaluation in 2017, remain unchanged. Recommendation 21 (tipping-off and confidentiality), the requirements of which had likewise changed since Andorra’s evaluation, has been re-rated as “compliant”.

MONEYVAL decided that Andorra will remain in enhanced follow-up and will continue to report back to MONEYVAL in December 2019 on further progress to strengthen its implementation of AML/CFT measures.



### **First enhanced follow-up report in the 5th round by Slovenia**

In light of Slovenia’s progress in strengthening its framework to tackle money laundering and terrorist financing since the adoption of its mutual evaluation report in June 2017, MONEYVAL has re-rated the

jurisdiction on one Recommendation originally rated “partially compliant”.

Slovenia has been in an enhanced follow-up process, following the adoption of its mutual evaluation report, which assessed the effectiveness of Slovenia’s anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the 40 Recommendations by the Financial Action Task Force (FATF). In line with MONEYVAL’s rules of procedure, Slovenia reported back to MONEYVAL on the steps taken to strengthen its AML/CFT framework.

This follow-up report analysed Slovenia’s progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. It also looked at whether Slovenia has implemented new measures to meet the requirements of FATF Recommendations that have changed since the country’s 2017 mutual evaluation.

To reflect this progress, MONEYVAL has re-rated Slovenia to “compliant” with Recommendation 16 (wire transfers). The ratings for Recommendations 7 (targeted financial sanctions related to proliferation, originally rated as “partially compliant”), 18 (internal controls and foreign branches and subsidiaries, originally rated as “largely compliant”), and 21 (tipping-off and confidentiality, rated as “compliant”), the requirements of which changed since the adoption of Slovenia’s mutual evaluation report, remain unchanged.

MONEYVAL decided that Slovenia will remain in enhanced follow-up and report back to MONEYVAL in December 2019 on further progress to strengthen its implementation of AML/CFT measures.



### **Second enhanced follow-up report in the 5th round by Hungary**

As a result of Hungary’s progress in strengthening its framework to tackle money laundering and terrorist financing since its mutual evaluation report in September 2016, MONEYVAL has re-rated the country on two Recommendations originally rated as “partially compliant”.

Hungary was placed in an enhanced follow-up process, following the adoption of its mutual evaluation report, which assessed the effectiveness of Hungary’s anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the Recommendations by the Financial Action Task Force (FATF). Hungary had previously submitted its first enhanced follow-up report in December 2017. In line with MONEYVAL’s rules of procedure, the country has

submitted its second enhanced follow-up report to MONEYVAL on the progress it has made to strengthen its AML/CFT framework.

This follow-up report analysed Hungary's progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. It also looked at progress made in implementing new requirements relating to FATF Recommendations which have changed since the since the first follow-up report.

To reflect this progress, MONEYVAL has re-rated Hungary on Recommendations 5 (terrorist financing offence) and 28 (regulation and supervision of DNFBPs). These Recommendations are now re-rated as "largely compliant".

The ratings for Recommendation 7 (targeted financial sanctions related to proliferation, re-rated "largely compliant" in Hungary's first enhanced follow-up report), Recommendations 18 (internal controls and foreign branches and subsidiaries, rated "partially compliant"), and 21 (tipping-off and confidentiality, rated as "largely compliant"), the requirements of which changed since the first follow-up report, remain unchanged.

MONEYVAL decided that Hungary will remain in enhanced follow-up and will continue to report back to MONEYVAL in December 2019 on further progress to strengthen its implementation of AML/CFT measures.

also looked at whether Serbia complies with the new requirements of those FATF Recommendations that have changed since the first follow-up report.

To reflect this progress, MONEYVAL has re-rated Serbia to "largely compliant" with Recommendations 1 (assessing risks and applying a risk-based approach), 7 (targeted financial sanctions related to proliferation), 10 (customer due diligence), 13 (correspondent banking), 19 (higher risk countries), 16 (wire transfers), 25 (transparency and beneficial ownership of legal arrangements), 26 (regulation and supervision of financial institutions) and 35 (sanctions); and to "compliant" with Recommendation 12 (politically exposed persons).

The ratings for Recommendation 5 (Terrorist financing offence, originally rated as "largely compliant"), 8 (Non-profit organizations, originally rated as "partially compliant"), 18 (internal controls and foreign branches and subsidiaries, originally rated as "largely compliant") and 21 (tipping-off and confidentiality, originally rated as "compliant"), the requirements of which changed since the first follow-up report, remain unchanged.

MONEYVAL decided that the Serbia will remain in enhanced follow-up and report back to MONEYVAL in December 2019 on further progress to strengthen its implementation of AML/CFT measures.



### **Second enhanced follow-up report in the 5th round by Serbia**

In light of Serbia's progress in strengthening its framework to tackle money laundering and terrorist financing since its mutual evaluation report in April 2016, MONEYVAL has re-rated the jurisdiction on ten Recommendations, nine of which were originally rated "partially compliant" or "non-compliant".

Serbia was placed in MONEYVAL's enhanced follow-up procedure based on the results of its mutual evaluation report, which assessed the effectiveness of Serbia's anti-money laundering and counter-terrorist financing (AML/CFT) measures and their compliance with the 40 Recommendations by the Financial Action Task Force (FATF). Serbia had previously submitted its first enhanced follow-up report in September 2017. In line with MONEYVAL's rules of procedure, Serbia submitted a second follow-up report to MONEYVAL on the steps taken to strengthen its AML/CFT framework.

This follow-up report analysed Serbia's progress in addressing the technical compliance deficiencies identified in the mutual evaluation report. The 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 2009.<sup>5</sup> 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 reviews 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

MONEYVAL’s 4th round follow-up process broadly followed the practices and procedures used by the FATF in its 3rd round of assessments. Until April 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 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).

<sup>5</sup> 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.

## 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 2018

Plenary meetings	
56th meeting (3 – 6 July 2018)	<ul style="list-style-type: none"><li>▶ Bulgaria (CEPs)</li><li>▶ Croatia (CEPs)</li><li>▶ Liechtenstein</li><li>▶ North Macedonia</li><li>▶ Poland (CEPs)</li><li>▶ Romania</li><li>▶ Slovak Republic (CEPs)</li></ul>
57th meeting (4 – 7 December 2018)	<ul style="list-style-type: none"><li>▶ Azerbaijan</li><li>▶ Croatia (CEPs)</li><li>▶ Liechtenstein</li><li>▶ North Macedonia</li><li>▶ Montenegro (CEPs)</li><li>▶ Romania (CEPs)</li></ul>



### Follow-up report of Azerbaijan (57th Plenary)

Following the adoption of its 4th round MER in December 2014, Azerbaijan reported to the Plenary in December 2015, 2016 and September 2017. The country submitted a fourth follow-up report at the Plenary in December 2018 and indicated that it would seek removal from the follow-up process.

The Secretariat's analysis of Azerbaijan's fourth follow-up report concluded that sufficient progress had been made under all the remaining recommendations (R.1, R.2, R.3, R.17, R.23, R.24, R.27, R.32, R.33, R.35 and SR.I). The Plenary decided that, following the adoption of a number of Presidential Decrees and amendments to the relevant legislation, the vast majority of the deficiencies identified in the 4th round MER had been addressed. Regarding R.2, the Plenary however concluded that the practical examples that were provided by the authorities did not fully demonstrate how the principle that criminal intent can be inferred from objective factual circumstances is being applied in practice.

The Plenary found that Azerbaijan had taken sufficient steps to remedy the technical deficiencies

identified under the Core and Key Recommendations rated "partially compliant" in the 4th round MER. The country was consequently removed from the follow-up procedure of the fourth round.



### Follow-up reports of Liechtenstein (56th and 57th Plenaries)

MONEYVAL adopted the 4th round MER of Liechtenstein in April 2014. As a result, Liechtenstein was rated "partially compliant" on 8 Recommendations and was placed under the regular follow-up. Liechtenstein had previously reported back in September 2016.

The 56th Plenary concluded that Liechtenstein had made significant progress in addressing most of the identified deficiencies from the 2014 MER. While this had already been acknowledged by MONEYVAL at its 51st Plenary in September 2016 on the occasion of Liechtenstein's first follow-up report, the country had made further progress since then, including on the implementation of the effectiveness concerns related to R.1. Regarding R.5, the Plenary concluded that the technical shortcomings had been addressed and the rating could be considered as equivalent to a "largely compliant", while the effective implementation had to be verified by the authorities through supervisory actions. On R.4, the Plenary considered that all the deficiencies identified in the 4th round MER had been addressed and that this also had an additional positive impact on the technical compliance with R.26 and R.40. Regarding R.1, Liechtenstein informed the Plenary that further amendments to the Criminal Code were underway which aimed to address outstanding deficiencies. The Plenary invited Liechtenstein to present further progress regarding R.1 (including on the legislative process) and eventually seek removal from the follow-up process at MONEYVAL's 57th Plenary in December 2018.

In line with that decision, the 57th Plenary considered a third follow-up report by Liechtenstein and concluded that substantial developments have been achieved on the implementation of the effectiveness concerns related to R.1. Cases of autonomous ML conviction were reported and progress had been made in relation to the creation of jurisprudence on the burden of proof to establish the predicate offense. Overall, Liechtenstein had taken significant steps to remedy the deficiencies identified under the Core and Key Recommendations and to a certain level under the other recommendations rated PC in the 4th round MER. In the view of that progress, the Plenary decided to remove Liechtenstein from the 4th round follow-up process.



### **Follow-up reports of North Macedonia (56th and 57th Plenaries)**

Following the adoption of the 4th Round MER in 2014, North Macedonia was rated “partially compliant” for 22 Recommendations and placed under regular follow-up process (with the first expedited report to be presented in April 2015). The country had reported back three times until the 2018 Plenaries.

The 56th Plenary meeting acknowledged some tangible progress, especially with regard to SR.I, SR.II, SR.IV and SR.V and SR.III, but North Macedonia was asked to submit a further follow-up report for December 2018 with regard to the remaining deficiencies. The 57th Plenary noted that the concerns expressed in relation to recommendations R.5 and R.13 had meanwhile been resolved through the adoption of the new AML/CFT Law. In relation to R.23, the Plenary found that, with the adoption of the amendments on the “Law on insurance supervision”, significant progress had been achieved and thus R.23 could be considered as having a level equivalent to “largely compliant” (which had been the last remaining core and key recommendation which had not yet been brought to a level of at least “largely compliant”). Progress was also noted in respect of other recommendations rated “partially compliant”.

Following the discussion of the report, the Plenary considered that North Macedonia had brought in the meantime all core and key recommendations to the level of at least “largely compliant”, as required by Rule 13, paragraph 4 of MONEYVAL’s Rules of Procedure for the 4th round of mutual evaluations. Therefore, the country had taken sufficient steps to be removed from the 4th round follow-up process. The Plenary invited North Macedonia to regularly inform MONEYVAL through the tour de table procedure on further developments until the beginning of its 5th round mutual evaluation. In addition, the Plenary strongly encouraged the authorities to continue with the legislative process to address the remaining deficiencies highlighted in the Secretariat’s analysis, and to have them sufficiently addressed at the latest by the time of the 5th round mutual evaluation.



### **Follow-up report of Romania (56th Plenary)**

Following the adoption of the 4th round MER in April 2014, Romania was placed in regular follow-up. Since then, Romania has submitted two follow-up reports (in April 2016 and May 2017 respectively). Romania was invited to submit a further progress report and seek exit from the regular follow-up process at the 56th Plenary.

The 56th Plenary discussed Romania’s third follow-up report and considered that, despite some steps that had been undertaken, the majority of the deficiencies with regard to eight Core and Key recommendations had not yet been sufficiently addressed. These concerned notably recommendations R.5, R.13, R.23, R.26 and SR.I, SR.III and SR.IV. Significant improvement was noted only with regard to SR.II where the Plenary concluded that the amendments to the Criminal Code had brought the compliance of this special recommendation to the level equivalent to a level of at least “largely compliant”. Certain improvements had also been made with regard to R.13 and R.26, resulting from the amendments to the current AML/CFT Law which had been already approved in June 2017. As the Plenary found that the country was not yet in a position to exit the regular follow-up procedure, it decided to apply Step 1 of the CEPs. Consequently, Romania was asked to submit a compliance report at the 57th Plenary (for this report, 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. MONEYVAL commenced or continued CEPs in its 4th round with regard to a number of countries in 2018 which are described in the following.

## 17. CEPS FOR THE 4TH ROUND OF MUTUAL EVALUATIONS CONSIDERED IN 2018



### Bulgaria (Step 1): Compliance report at the 56th Plenary

Following the adoption of the 4th round MER in September 2013, Bulgaria was placed in regular follow-up. Until 2017, Bulgaria had submitted three follow-up reports (in September 2015, September 2016, and May/June 2017 respectively). Since they were still a number of deficiencies outstanding, Bulgaria was put under Step 1 of the Compliance Enhancing Procedures (CEPs) by the 55th Plenary in December 2017.

The 56th Plenary in June/July 2018 concluded that Bulgaria had made further progress on the outstanding deficiencies on Recommendation (R.3) and Special Recommendation II (SR.II) by adopting amendments to the Criminal Code as well as other legislation. This led the Plenary to conclude that, for the purposes of the 4th round of mutual evaluations, the country had brought the level of compliance for these two recommendations to a level of "largely compliant". Nevertheless, the Plenary encouraged Bulgaria to make further progress on the remaining deficiencies (as outlined by the Secretariat in its analysis) in view of Bulgaria's forthcoming 5th round mutual evaluation. The Plenary noted that these two recommendations were the last outstanding Key and Core recommendations for fulfilling the conditions for removal from the 4th round follow-up process.

The Plenary considered that Bulgaria had taken sufficient steps to be removed from CEPs in light of the progress made, in particular with regard to R.3 and SR.II. At the same time, the Plenary considered that Bulgaria had fulfilled the conditions for removal from the follow-up of the 4th round. The Plenary decided that Bulgaria should regularly inform MONEYVAL through the tour de table procedure on further progress.



### Croatia (Step 1): Compliance report at the 56th and 57th Plenaries

Following the adoption of the 4th round MER in September 2013, Croatia was placed in regular follow-up. Since then Croatia had submitted four follow-up

reports between 2015 and 2017. At the 54th Plenary (26-28 September 2017), the Plenary decided to apply Step 1 of Compliance Enhancing Procedures (CEPs).

At the 56th Plenary (3-6 July 2018) Croatia submitted its first compliance report. The Plenary noted that, with the adoption of a new AML/CFT Law and the Law on Financial Operations and Accountancy of NPOs, a number of important deficiencies had been addressed, notably in relation to R.6, R.7, R.17, R.22, R.32, R.33 and SR.VIII. However, the Plenary also noted that there still remained deficiencies with regard to a number of other recommendations, notably R.1, R.3, R.5, R.23, R.35, SR.I, SR.III, R.12, and R.16. The Plenary urged Croatia to use the additional time given until December 2018 to address all outstanding deficiencies which fall into the scope of the Criminal Code and to review its AML/CFT Law with regard to outstanding deficiencies in a number of relevant Core recommendations. Croatia was invited to report back at the 57th Plenary in December 2018.

The 57th Plenary acknowledged that Croatia introduced new amendments into the yet draft Criminal Code and into the recently adopted AML/CFT Law to ensure compliance with R.1, R.3, R.5, R.35. Moreover, it noted that Croatia continued consultations among competent authorities regarding drafting the necessary legislative amendments to the International Restrictive Measures Act to address the deficiencies with respect to SR.I and SR.III. Mindful of the fact that these outstanding deficiencies had already identified in the MER of 2012, and that progress made by Croatia since the 56th Plenary (July 2018) had fallen short of the expectation by the Plenary, it decided to apply Step 2 of CEPs which would entail a high-level mission. However, in light of the flexibility provided under the CEPs procedure, the Plenary decided that the high-level mission could be suspended should the remainder of the deficiencies be addressed by completed legislative amendments by the end of February 2019.



### **Montenegro (Step 2): Compliance reports at the 56th and 57th 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. Since then, six compliance reports have been adopted 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. This mission had been conducted in mid-2017.

At its 56th meeting in July 2018, the Plenary took note of the amendments to the Law on the Prevention of Money Laundering and Terrorist Financing (LPMLTF) adopted on 26 June 2018, which addressed the vast majority of the outstanding deficiencies identified by the Secretariat in the stock-taking exercise. While noting some progress in relation to SR.III, the Law on International Restrictive Measures (LIRM), which was intended to address the most serious deficiencies under SR.III, had not yet been adopted by Parliament by the end of June 2018, despite the political commitment made during the high-level mission in 2017, indicating that the law would be adopted before the 54th MONEYVAL Plenary in September 2017 and the call upon Montenegro by MONEYVAL at the 55th Plenary to address the most significant deficiencies by the 56th Plenary meeting at the very latest. This raised significant concern and the Plenary urged Montenegro to proceed with the adoption of the new LIRM by 31 July 2018 at the latest, before Parliament's summer recess. Failing the adoption of the LIRM, the Plenary would place Montenegro under Step 3 of CEPs, which would involve the publication of a statement on 1 August 2018. Following the 56th Plenary meeting, the Montenegrin authorities informed the MONEYVAL Secretariat that the Parliament of Montenegro adopted the LIRM on 27 July 2018. As a result, it was decided to maintain Montenegro under Step 2 of the CEPs and not to proceed with the publication of a statement. The decision was communicated by the MONEYVAL Secretariat to all delegations on 31 July 2018.

The 57th Plenary in December 2018 took note of the fact that, upon the coming into force of the LIRM, Montenegro had broadly addressed the deficiencies under SR.III, which were the last remaining serious deficiencies examined under the CEPs. In light of this development, the Plenary decided to remove Montenegro from the CEPs and place the country in regular follow-up. The Plenary invited Montenegro to report back at the 58th Plenary (15-19 July 2019) and urged the country to seek removal from the 4th round follow-up process at that occasion.



### **Poland (Step 1): Compliance report at the 56th Plenary**

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. In September 2017, the Plenary decided to apply Step 1 of Compliance Enhancing Procedures

(CEPs), due to delays in the adoption process of the draft AML/CFT Law. At the time of the first compliance report in December 2017, the legislative process for the draft AML/CFT law had not yet been completed. Poland was therefore urged to complete the legislative process by the time of the 56th Plenary (3-6 July 2018) in order to avoid the application of Step 2 of CEPs.

Upon consideration of Poland's second compliance report, the 56th Plenary concluded that the new AML/CFT law, which had meanwhile been adopted by the Polish Parliament in March 2018, rectified most of the outstanding deficiencies identified in the 4th round MER (relating to R.5, 13 and SR. IV). The Plenary also concluded that Poland had achieved substantial progress with regard to other Core and Key recommendations. In particular, amendments made to the Criminal Code addressed major outstanding technical deficiencies, such as the criminalisation of the funding of terrorist organisations and individual terrorists for "any purpose", as well as the elimination of the purposive supplementary elements for some of the acts constituting offences in the treaties annexed to the UN Terrorist Financing Convention. The Plenary considered that Poland had brought all outstanding Core and Key recommendations to a level of "largely compliant", as required by the removal-conditions in Rule 13, paragraph 4 of MONEYVAL's 4th round rules of procedure.

The Plenary consequently removed Poland from that follow-up process. Nevertheless, it urged Poland to make further progress on the remaining deficiencies as outlined by the Secretariat in its analysis in view of Poland's forthcoming 5th round mutual evaluation in 2020. The Plenary also decided that Poland should regularly inform MONEYVAL through the tour de table procedure on such progress.



### **Romania (Step 1): Compliance report at the 57th Plenary**

For Romania's follow-up report at the 56th Plenary in June/July 2018, please see the relevant section above.

At the time of the first compliance report in December 2018, the Romanian delegation informed the Plenary about the adoption of the new AML/CFT Law by the Romanian Parliament on 24 October 2018. The Secretariat introduced its analysis and concluded that the new law, once it has entered into force, would rectify a large number of outstanding deficiencies identified in the 4th round MER and bring the level of compliance with R.13, 23, 26, and SR.IV to the level equivalent to "largely compliant". However, the new law was not yet in force, as an application in relation to its unconstitutionality had meanwhile been submitted to the Constitutional Court. Therefore, Romania was

invited to inform the Plenary (through the Secretariat) of any developments with regard to this issue.

The Secretariat analysis also concluded that there were no significant developments on R.5, SR.I and SR.III (which thus remained at the level of "partially compliant"). In particular, some deficiencies related to the requirements (d) and (e) of the criterion 5.2 of the methodology and the post-office licensing remained outstanding. Moreover, the Government Emergency Ordinance in relation to the implementation of international sanctions remained in draft form.

In view of the Secretariat analysis and the discussion of the report, the Plenary agreed that Romania had undertaken some important steps to remedy identified deficiencies under core and key recommendations rated PC. Even though the entry into force of the new AML/CFT Law had been suspended by a complaint to the constitutional court (which however fell outside the sphere of influence of the domestic authorities), the Plenary decided to keep Romania under Step 1 of CEPs for the time being. However, the Plenary also noted that significant developments under other recommendations (notably R.5, SR.I and SR.III) had not yet been achieved. Bearing in mind that that the MER was adopted in April 2014, i.e. more than 4 years prior to the 1st compliance report, Romania was urged to adopt the legal acts under review, address the outstanding deficiencies and report back to the 58th Plenary (15-19 July 2019). At that Plenary, MONEYVAL will review the situation of Romania under its CEPs and decide under which step the country should then be placed.



### **Slovak Republic (Step 1): Compliance report at the 56th 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. Even though the Slovak Republic had made sufficient progress on all other outstanding Core and Key recommendations, the 53rd Plenary (30 May – 1 June 2017) noted that there were still deficiencies with regard to Special Recommendation III (SR.III) and Recommendation 26 (R.26). Consequently, the Plenary decided to apply Step 1 of the CEPs with regard to the Slovak Republic.

At the 56th Plenary (3-6 July 2018), the Slovak Republic submitted its second compliance report. The Plenary considered that, with the adoption of the amendments to the "Act on the implementation of the international sanctions" in January 2018, the Slovak Republic had

demonstrated sufficient progress on SR.III which made it overall unnecessary for the Plenary to revert to any additional steps in the CEPs. At the same time, some deficiencies - in particular with regard to R.26 - remained outstanding. The Plenary regarded Rule 13, paragraph 8 (as revised in April 2016) of MONEYVAL's 4th round Rules of Procedure which states that "[r]eporting under this follow-up procedure will be discontinued upon commencement of the 5th round process (i.e. within one year of a 5th round on-site visit)". The Plenary noted that the onsite visit for the Slovak Republic in the 5th round of mutual evaluations will take place in October 2019, with the country

training to be held and the evaluation process to commence in October 2018. Mindful that the next Plenary would take place in December 2018, i.e. less than one year prior to the 5th round onsite visit, the 56th Plenary decided to suspend the CEPs once the official preparations for the Slovak Republic's evaluation have commenced in October 2018. The Plenary invited the Slovak Republic to provide an update on developments through the tour de table procedure. It further agreed that the Secretariat would draw the attention of the future assessment team to the outstanding deficiencies under R.26.

# Voluntary Tax Compliance Programmes

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**A** voluntary tax compliance (VTC) programme refers to any programme that is designed to facilitate legalisation of a taxpayer's situation vis-à-vis funds or other assets that were previously unreported or incorrectly reported. Countries may introduce VTC programmes for a variety of purposes including: raising tax revenue; increasing tax honesty and compliance; and/or facilitating asset repatriation for the purpose of economic policies, especially when the country is in an economic crisis. Such programmes come in a variety of forms and may involve voluntary disclosure mechanisms, tax amnesty incentives and/or asset repatriation. In many cases, VTC programmes are introduced by a highly political decision reacting to the immediate economic or fiscal situation of the country. In such circumstances, the programme may be introduced at short notice (e.g. in response to a serious financial crisis).

The Financial Action Task Force (FATF) has recognised the potential for VTC programmes to be abused by criminals for the purpose of moving funds. The level of potential money laundering (ML) and terrorist financing (FT) risk varies greatly, depending on the characteristics of the particular VTC programme being implemented. In general, a programme that is being used solely for the purpose of allowing taxpayers to voluntarily correct tax reporting information would not seem to carry a significant ML/FT risk. However, the ML/FT risk is greater when the programme fully or partially incorporates elements of tax amnesty or asset repatriation. An issue of particular concern is that some VTC programmes, explicitly or in practice, exempt full or partial application of AML/CFT measures. For example, some programmes exempt financial institutions from the requirements to conduct full customer due diligence (CDD) on taxpayers and verify that the funds or other assets being declared or repatriated come from a legitimate source, or may grant the taxpayer immunity from investigation or prosecution for money laundering in relation to declared or repatriated funds or other assets.

In 2010, the FATF has agreed four basic principles which underscore the importance of ensuring that countries address and mitigate the ML/FT risks of VTC programmes, and are able to effectively investigate and prosecute their abuse. MONEYVAL is responsible for ensuring that these basic principles are respected

whenever one of its members decides to establish a VTC programme, which it did in 2018 on the following two occasions:

## VOLUNTARY TAX COMPLIANCE SCHEME OF SAN MARINO

The Plenary considered the Secretariat analysis of the voluntary tax compliance (VTC) programme adopted by San Marino in February 2018 (Delegated Decree No. 15). On the basis of the material provided by San Marino prior to the Plenary which had been analysed by the Secretariat, and in light of further clarifications made by the country during the discussion, the Plenary concluded that the VTC programme was compatible with the four basic principles of the FATF for VTC programmes and did not appear to have any negative impact on the implementation of AML/CFT measures in San Marino. Therefore, the Plenary decided to adopt the Secretariat analysis and concluded that no further action was needed with regard to San Marino's VTC programme.

## VOLUNTARY TAX COMPLIANCE SCHEME OF THE REPUBLIC OF MOLDOVA

The Plenary considered the Secretariat's analysis of the voluntary tax compliance (VTC) programme by the Republic of Moldova. In July 2018, the "Law on Voluntary Disclosure and Fiscal Incentives" (hereinafter: the VDFI Law) was adopted by the Parliament of Republic of Moldova and entered into force on 17 August 2018. Based on the Secretariat's analysis and the information provided by the Republic of Moldova during the Plenary meeting, it was concluded that the VDFI Law does contain a number of safeguards compatible with the FATF Four Basic Principles. Therefore, the Plenary agreed that no further action is required for the time being, but urged Republic of Moldova to continue to observe the FATF Best Practices Paper and the recommendations made by MONEYVAL in the implementation of the VTC programme. The Republic of Moldova was invited to present a brief outline of the results of the VTC programme at the next Plenary meeting in July 2019. The Republic of Moldova should also keep MONEYVAL informed of any developments or new elements added in the programme.



## Other activities in 2018

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.

### 18. FATF/MONEYVAL/OSCE WORKSHOP ON THE ROLE OF JUDGES AND PROSECUTORS IN TACKLING MONEY LAUNDERING AND TERRORIST FINANCING IN EUROPE

On 26-27 March 2018, MONEYVAL - together with the Financial Action Task Force (FATF) and the Organisation for Security and Co-operation in Europe (OSCE) – jointly organised a workshop for judges and prosecutors that focused on their experiences, challenges and best practices in investigating and prosecuting money laundering and terrorist financing and confiscating criminal proceeds. MONEYVAL hosted the event in Strasbourg.

Approximately 100 delegates representing 43 delegations, including anti-money laundering and counter-terrorist financing expert prosecutors, investigative and trial judges participated in the workshop. These practitioners shared their experiences of the challenges they face during the investigation and prosecution of money laundering and terrorist financing offences and the confiscation of proceeds linked with crime or terror. They also shared examples of how to overcome these challenges and discussed effective mechanisms and good practices.

The FATF President (Mr Santiago Otamendi, Argentina), the Director General of Human Rights and Rule of Law of the Council of Europe (Mr Christos Giakoumopoulos), the MONEYVAL Chair (Mr Daniel Thelesklaf) and the Co-ordinator of OSCE Activities to address Transnational Threats (Ms Rasa Ostrauskaite), opened the event and in their remarks highlighted the importance of the event.



The FATF President and the Chair of MONEYVAL jointly chaired the workshop. The workshop consisted in three sessions which covered the contents established for the exercise: challenges and good practices in (1) investigating and prosecuting Money Laundering and (2) Terrorist Financing cases, and (3) seizing and confiscating criminal proceeds and instrumentalities. In each of the sessions, several panellist experts made short presentations, followed by open discussion where participants shared expert opinions.

The work of judges and prosecutors is crucial to consolidating stable and effective institutions, integrity, transparency and the rule of law, which are all pillars of an effective anti-money laundering and countering terrorist financing system.

The Argentinian Presidency of the FATF therefore initiated a global outreach programme to the prosecutorial services and criminal justice systems. This initiative aims to learn about their experience, challenges and best practices in investigating and prosecuting money laundering and terrorist financing, and in confiscating proceeds of crime. In the course of this initiative, the FATF brought together judges and prosecutors from all around the world in a series of regional workshops. These workshops gathered experiences from practitioners on the challenges and difficulties they face while investigating and prosecuting money laundering and terrorist financing. This contributed to improve the effectiveness in fighting money laundering and terrorist financing. The FATF Presidency published a report in June 2018 on the outcomes of this initiative with a focus on the factors that can result in a more effective system for prosecution and confiscation. MONEYVAL is grateful for having been given the opportunity to host the European/Eurasian part of this workshop series, and would like to thank the FATF and the OSCE for the excellent co-operation in conducting this workshop.

### 19. MONEYVAL ROUNDTABLES ON CORRESPONDENT BANKING: "RE-CONNECTING THE DE-RISKED"

On 28 March and 9 April 2018, MONEYVAL continued its series of roundtables on correspondent banking ("Re-connecting the de-risked") with events in Frankfurt (Main) and London.

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 European Commission, the Financial Action Task Force, FATF;



the Financial Stability Board; and the European Bank for Reconstruction and Development). Amongst the numerous speakers at the workshops was Mr David Lewis (FATF Executive Secretary), Mr Wim Mijs (Chief Executive of the European Banking Federation), Mr Gil Thomson (Deputy Director, Sanctions and Illicit Finance, UK Treasury), Mr Jens Führhoff (Head of Department, German Federal Financial Supervisory Authority) and Mr Daniel Thelesklaf (Chair of MONEYVAL).

Correspondent banking is essential for customer payments, especially across borders, and for the access of banks themselves to foreign financial systems. In many MONEYVAL jurisdictions, de-risking has occurred and, as a consequence, the money laundering and terrorist financing risks have increased. 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.

The roundtables formed part of a series of events on de-risking organised by MONEYVAL, which had started in October 2017 with workshops in Washington D.C. and New York City. MONEYVAL would like to warmly thank Deutsche Bank for hosting the event in Frankfurt, and UK Finance for hosting the event in London.

## 20. PANEL DISCUSSION ON COUNTERING THE LAUNDERING OF PROCEEDS FROM HUMAN TRAFFICKING

In 2018, MONEYVAL continued its work on 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. This project culminated in July 2018 in the FATF report "Financial Flows from Human Trafficking" which is publicly available on the website of the FATF.

At the 57th Plenary in December 2018, a panel discussion was organised on human trafficking and the proceeds thereof, with experts from the FATF, the Egmont Group, the Wolfsberg Group (an association of thirteen global banks) and the Council of Europe's Group of Experts on Action against Trafficking in Human Beings (GRETA). The panel was chaired by the Chair of MONEYVAL.

As part of this panel, the Plenary heard a presentation by the Chair of MONEYVAL on the "Financial Sector Commission on Modern Slavery and Human Trafficking" launched at the United Nations during the 73rd Session of the UN General Assembly. The Commission, known as the Liechtenstein Initiative, was formed as a public-private partnership between the Government of Liechtenstein together with the Department of Foreign Affairs and Trade of the Australian Government and the Centre for Policy Research at United Nations University. The Commission is comprised of 23 leaders and experts in the field, survivors of human trafficking and child slavery, leaders from hedge funds, commercial and retail banks, institutional investors, international financing organisations, global regulators, the United Nations, and leaders in the fight against modern slavery and human trafficking.

The panel discussion was continued by the FATF Secretariat which gave a presentation on the basis of the recent FATF report on "Financial Flows from Human Trafficking". The FATF Secretariat stressed the need of genuine effort and energy in taking action by governments, financial institutions and NPOs. Several typologies and best practices were introduced to the Plenary. Amongst the key challenges are: limited international co-operation, a lack of awareness by LEAs, the difficulties in detecting funds and the risks not adequately understood and enunciated. Understanding the ML/FT risks from human trafficking in as much detail as possible is an important first step in detecting the financial flows. Partnerships between



the public sector, the private sector and NPOs may help to leverage access to relevant information and expertise and help to unlock some of the knowledge gaps to effectively tackle human trafficking.

The Plenary also heard a presentation by the Egmont Group of Financial Intelligence Units which introduced the Information Exchange Working Group Human Trafficking Project Update and the Strategic Plan of the Egmont Group for 2018-2021. Its aim is to enhance the operational capacities of the FIUs, facilitate innovations and usage of new technologies within the AML/CFT community and enhance co-operation with the private sector. The main goals of the Human Trafficking Project are the sharing of operational best practices, enhancing bilateral information sharing, increasing reporting by financial institutions and identifying human trafficking networks.

A representative of the Wolfsberg Group discussed the work of financial institutions in tackling “human trafficking and modern slavery” (HTMS). Collaboration and Public Private Partnerships are critical for a more effective financial crime compliance and anti-HTMS regime. There are a number of such collaborative projects already. Banks should play an important role in identifying victims of HTMS because the institutions have a social responsibility in society. To this aim, the Group developed an approach which allowed support (i.e. provide bank account facilities) to victims, so that the latter can re-build their lives.

Finally, a representative from GRETA introduced the role and the work of GRETA and the impact of the Council of Europe’s Convention on Action against Trafficking in Human Beings, which adopts a human rights perspective and focuses on victim protection. It also promotes international co-operation in the efforts to combat trafficking and a multidisciplinary approach incorporating prevention, protection of victims’ rights and prosecution of traffickers. GRETA will soon start its third evaluation round, for which it concentrates on access to justice and effective remedies for victims of trafficking, including victim compensation. Noteworthy are GRETA’s measures to ensure effective investigations, for which it examines the implementation of special investigative techniques and the financial investigations conducted (including the application of seizure and confiscation) in the framework of human trafficking investigations. While almost all GRETA States Parties have legislative rules in place with regard to corporate liability, very few cases on their application have been demonstrated in practice.

The presentations were followed by a very fruitful discussion, and the Plenary decided to keep this issue on the agenda for future meetings.

## **21. PRACTICAL RECOMMENDATIONS ON HOW TO PREPARE A COUNTRY ASSESSMENT – LESSONS LEARNT FROM THE FIRST NINE MONEYVAL MUTUAL EVALUATIONS IN THE FIFTH ROUND**

In order to reflect on practical approaches and experiences from the first nine MONEYVAL mutual evaluations in the 5th round, a panel was organised for the July 2018 Plenary to take stock of the lessons learnt from these evaluations. The purpose of the panel was to provide insights from various stakeholders in a mutual evaluation, including assessed countries, evaluators and the FATF/FSRB Secretariats. Presentations were provided by Mr Francesco Positano (Policy Analyst at the FATF Secretariat), Mr Michael Stellini (Deputy Executive Secretary to MONEYVAL), Mr Dmitry Kostin (Administrator at the EAG Secretariat), Mr Ladislav Majernik (Prosecutor General of the Slovak Republic), Ms Maja Cvetkovski (Head of Delegation of Slovenia) and Mr Igor Gaievskiy (Head of Delegation of Ukraine). The Plenary also heard the views of two representatives from the private sector, notably Ms Gabriele Dunker (Executive Director at Financial Transparency Advisors) and Mr Thomas Iverson (Director at the Financial Integrity Network).

The purpose of the presentations and the subsequent panel discussion was to guide countries in the preparation of their 5th round mutual evaluation and provide them with useful recommendations on how to maximise their effectiveness while responding to the mutual evaluation challenges. The presentations were also divided by the period before, during and after the on-site visit.

All panel participants agreed on the importance of a good organisation and internal co-ordination already during the period before the on-site visit. In particular, countries undergoing an evaluation should communicate in an easily accessible and presentable way the available information (legal documents, statistics, case studies) to the evaluation team. In relation to the mutual evaluation questionnaires (MEQs), countries should sufficiently guide their authorities responsible for their completion in order to avoid inaccuracies and submit a detailed questionnaire. Regarding the technical compliance MEQ, although “last minute” legislative changes are allowed by the rules of procedure, it is essential that these are communicated to the evaluation team on time. At this stage, the establishment of a contact point between the assessed country and the Secretariat is viable in order to ensure regular communication and observe the timelines. Internal co-ordination, with a high-level commitment, is also of significance as it guarantees smooth interplay of the authorities involved in the evaluation and unobstructed flow of information.

Good internal co-ordination is also very important during the on-site visit. Countries undergoing an evaluation should carefully select and prepare the authorities to be interviewed by the assessment team on the topic and requirements of each meeting. The authorities should adopt a constructive approach towards the strengths and weaknesses of their system and be prepared to provide the assessment team with concrete information (case studies, statistics). Countries should take into account the short time of the on-site visit and the issue of interpretation (simultaneous interpretation being more time-efficient than consecutive interpretation, but requiring technical facilities).

The ability of the assessed countries to respond to the assessment team's information requests is a standing issue, both during and after the on-site visit. Countries should establish a mechanism to process and monitor such requests (online share-space or other automated systems). The panellists agreed that it is significant that the countries which are undergoing an evaluation are well-prepared for all sorts of eventualities and adopt a proactive approach in order to achieve realistic recommendations.

## 22. OTHER ISSUES DISCUSSED AT MONEYVAL PLENARIES

At each of its two Plenaries in 2018, 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 a presentation from British Overseas Territory of Gibraltar on breaking the anonymity of virtual currencies;
- ▶ heard a presentation from UK Crown Dependency of Guernsey on guidance on identifying, assessing and understanding the risk of terrorist financing in financial centres;
- ▶ heard a presentation from EU Commission on the new 5th AML/CFT Directive by the European Union;
- ▶ heard a case presentation from Estonia on a prosecution and conviction of financing of terrorism;
- ▶ heard presentations from Ukraine on the role of the FIU in the investigation of corruption and the case which was awarded the Best Egmont Case Award 2018;
- ▶ heard a presentation from Basel Institute on Governance on Basel Open Intelligence (BOI) and e-learning products;
- ▶ heard presentations from the FATF Secretariat on amendments to the FATF Recommendations

to address the regulation of virtual assets and Terrorist Financing Disruption Strategies;

- ▶ heard a presentation of a questionnaire for a joint MONEYVAL/GRECO project on gender-related issues in the area of corruption and money laundering;
- ▶ heard a presentation from the MONEYVAL Secretariat on a horizontal review of the DNFBP sector in the new round of evaluations;
- ▶ heard a presentation from the Russian Federation on the International Training and Methodology Centre for Financial Monitoring;
- ▶ held an exchange of views with Mr Branislav Bohaçik, President of the Conference of the Parties to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism;
- ▶ adopted a regional operational plan to counter terrorism financing.

## 23. 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-sessional 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 2018, 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. Throughout 2018, MONEYVAL co-operated with the FATF on a number of activities, notably by holding the joined FATF/MONEYVAL/OSCE workshop on the role of judges and prosecutors in tackling money laundering and terrorist financing in Europe (see above), and by conducting two joint assessor trainings in order to train new assessors for the forthcoming evaluations (see below). MONEYVAL also conducted jointly with the FATF the mutual evaluation of Israel (see above).

### **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 2018 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 2018, representatives from both the World Bank and the IMF participated in MONEYVAL Plenary meetings.

### **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 not<sup>6</sup> – 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 2018, this included most notably a presentation by the European Commission on the recent 5th AML/CFT Directive by the EU at the July MONEYVAL Plenary.

### **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.

### **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

6. 12 MONEYVAL jurisdictions are currently member States of the EU.

activities. All 57 participating States enjoy equal status, and decisions are taken by consensus on a politically, but not legally binding basis. In 2018, MONEYVAL hosted the joined FATF/MONEYVAL/OSCE workshop on the role of judges and prosecutors in tackling money laundering and terrorist financing in Europe (see above). The MONEYVAL Secretariat participated in a workshop on practical challenges in achieving stand-alone ML and FT in October 2018 in Odessa (Ukraine), which was co-organised by the OSCE (see below).

### **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. Representatives of the Egmont Group attended the MONEYVAL Plenaries in 2018, and participated in a number of activities (including the panel discussion on countering the laundering of proceeds from human trafficking, see above).

### **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. Representatives of the EAG Secretariat attend MONEYVAL meetings on a regular basis and inform the Plenary about ongoing developments. Representatives of the EAG attended the MONEYVAL Plenaries in 2018, and participated in a number of activities (including the panel discussion on countering the laundering of proceeds from human

trafficking, see above). Moreover, MONEYVAL conducted a joint assessor training together with the EAG in September 2018 in Moscow (Russian Federation), in order to train new assessors for the forthcoming evaluations (see below).

### **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 attended MONEYVAL meetings on a regular basis and informed the Plenary about ongoing developments. Moreover, a representative of the EBRD served as assessor on one of MONEYVAL's mutual evaluations in 2018.

### **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 attended MONEYVAL meetings on a regular basis and informed the Plenary about ongoing developments.

## **24. PARTICIPATION IN OTHER FORUMS**

During the year 2018, MONEYVAL representatives participated in a number of seminars and conferences.

The Chair of MONEYVAL (Mr Daniel Thelesklaf), accompanied by a Secretariat member, attended the inter-ministerial Conference "No money for terror", which took place in Paris (France) on 25-26 April 2018 upon invitation by French President Macron. The conference was attended by more than 50 ministers and 500 experts from nearly 80 countries. It discussed ways and means to strengthen the efficiency of action against terrorism financing, on the basis of the work accomplished and past experiences. A common declaration adopted at the end of the conference by the attending ministers aimed to step up the national and collective involvement in the fight against the financing of terrorist entities, groups and individuals. In that declaration, the ministers committed to reinforcing the mutual evaluation processes, by



giving the FATF and FATF-style regional bodies such as MONEYVAL the necessary resources to that end. It also called for increased transparency, in particular to address the risks potentially arising from the use of new technologies.

The MONEYVAL Secretariat participated in a workshop held in Monaco (8-10 April 2018) on "Identifying, Assessing and Understanding the Risk of Terrorist Financing in Financial Centres". The workshop was attended by representatives from financial centres (amongst them eight MONEYVAL members, one FATF and one MENAFATF member). The workshop's output was a guidance paper on terrorist financing threats and vulnerabilities in international financial centres (IFCs) which was prepared on the basis that the primary terrorist financing risk for most financial centres is likely to arise from their use as transit jurisdictions for the movement of funds linked to terrorist activity outside the jurisdiction, or from their involvement in the management of foreign funds or businesses that are linked to such activity. The guidance-paper mentions two aspects for the assessment of the terrorist financing threat of an IFC. The first is to look at connections between the IFC and a target jurisdiction, including the extent to which the IFC's businesses or non-profit organisations (NPOs) may be involved in the international movement of goods that could be used for terrorism or to finance terrorist activities. The second is to consider the extent to which terrorism or terrorist financing is occurring in jurisdictions with which the IFC has close geographical and/or political links. The assessment of vulnerabilities also contains two aspects: an examination of the extent to which the services or products offered by IFCs are likely to be attractive for terrorist financing purposes; and

the extent to which the IFC has adequate measures in place to address terrorist financing. At a presentation of this paper at its 56th Plenary in July 2018, MONEYVAL welcomed and endorsed the document.

On 13-14 September 2018, the MONEYVAL Secretariat participated in a workshop organised by the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the Russian Federal Financial Monitoring Service (Rosfinmonitoring) and the International Training and Methodology Centre for Financial Monitoring (ITMCFM) on effective supervision as a mechanism for involvement of DNFBPs in the AML/CFT system. At the event which took place in St. Petersburg (Russian Federation), the Secretariat presented a comparative analysis on the supervision of DNFBPs in all the countries that have been evaluated so far by the global AML/CFT network.

The MONEYVAL Secretariat was invited to intervene in one of the workshops in September at the 36th International Symposium on Economic Crime held annually at Cambridge University (United Kingdom).

The MONEYVAL Secretariat participated in a workshop in October 2018 in Odessa (Ukraine) organised by the Ukrainian FIU, the European Union Anti-Corruption Initiative in Ukraine (EUACI) and the Organisation for Security and Co-operation in Europe (OSCE) on practical challenges in achieving stand-alone ML and FT.

On 10-11 December 2018, the MONEYVAL Secretariat participated in and held a presentation at the 6th International Anti-Money Laundering and Compliance Conference, which was organised by the Institute of Banking Education and the Banking Association of Central and Eastern Europe and held in Bratislava (Slovak Republic).

## 25. TRAINING AND AWARENESS-RAISING

### Evaluator trainings

In 2018, MONEYVAL, jointly with FATF, organised two training seminars for future evaluators in MONEYVAL's 5th round of mutual evaluations.

The first training was held in Larnaca (Cyprus) from 23-27 April 2018. 48 participants (33 from MONEYVAL members and 15 from FATF members) were trained on the 2012 FATF Recommendations and FATF 2013 Methodology.

The second training was held in Moscow (Russia) from 24-28 September 2018, during which 48 participants (25 from MONEYVAL members and 15 from FATF members) were trained on the above-mentioned standards.

MONEYVAL wishes to extend its gratitude to the Unit for Combating Money Laundering (MOKAS) of



Cyprus as well as to the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the Russian Federal Financial Monitoring Service (Rosfinmonitoring) and the International Training and Methodology Centre for Financial Monitoring (ITMCFM) for hosting these events.

It would also warmly like to thank its trainers, Mr John Ringguth, Mr Yehuda Shaffer and Mr Richard Walker for their invaluable input and their longstanding commitment to MONEYVAL activities.

### Training for MONEYVAL 5th round assessed countries

The MONEYVAL Secretariat regularly conducts a two-day country training seminar for each evaluated country one year in advance of the onsite visit. The training 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 2018, training seminars for the 5th round assessment visits were organised in the UK Overseas Territory of Gibraltar (March), Cyprus (May), the Slovak Republic (October) and Georgia (December). This initiative will continue in 2019 for the States and jurisdictions which will receive their onsite visit in 2020.

## 26. 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 35 States Parties and 8 signatories (including the European Union). In 2018, the Convention entered into force for the Russian Federation and Greece which had both ratified the Convention already in 2017. Denmark ratified the Convention in February 2018, while Liechtenstein signed it in November 2018. The most recent ratification came from Monaco (April 2019).

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 10th meeting in Strasbourg from 30 to 31 October 2018. Amongst other issues, the COP adopted two transversal thematic monitoring reports on the implementation by all States Parties of Article 11 ("International recidivism") and Article 25, paragraphs 2 and 3 ("Confiscated property and asset-sharing") of the Convention; examined the follow-up reports of Belgium and Malta; updated a document on the COP's involvement in the implementation of the Council of Europe Action Plan on Combating Transnational Organised Crime (2016 – 2020); held exchanges of views with a law enforcement expert on current challenges in tracking the proceeds of crime in the field of virtual assets; and discussed different cases on the practical implementation of the Convention.

The COP also elected new members of its Bureau which is currently composed as follows: Mr Branislav Bohaçik, President (Slovak Republic); Mr Jean-Sébastien Jamart, Vice-President (Belgium); Mr Ioannis Androulakis (Greece); Ms Ana Boskovoc (Montenegro); and Ms Oxana Gisca (Republic of Moldova). Mr Paolo Costanzo (Italy) serves as scientific expert to the COP.

At its Plenary in December 2018, MONEYVAL held an exchange of views with the President of the COP, Mr Branislav Bohaçik.

## 27. FAREWELL TO MR VLADIMIR NECHAEV

In December 2018, the Plenary said farewell to Mr Vladimir Nechaev, who had attended MONEYVAL Plenaries since 2002 and who had been chairing the Committee from 2009 to 2013. Mr Nechaev had subsequently been the President of the FATF and attended MONEYVAL in recent years in his capacity as Executive Secretary of the EAG. On behalf of MONEYVAL, the Chair as well as Mr John Ringguth (in his role as scientific expert and previous Executive Secretary of MONEYVAL) gave farewell speeches. The Plenary gave Mr Nechaev a big applause for his achievements in MONEYVAL.

## 28. HUMAN RESOURCES

By the end of 2018, the MONEYVAL Secretariat was comprised of the Executive Secretary, the Deputy Executive Secretary and four Council of Europe administrators, four administrators on secondment from national administrations (Ms Ani Melkonyan from Armenia, Mr Alexey Samarin from the Russian Federation, Mr Jérémie Ogé from Luxembourg and Ms Kotryna Filipaviciute from Lithuania), three administrative assistants and two temporary programme assistants (i.e. with a maximum contract duration of nine months per year).

MONEYVAL would like to warmly thank the above four countries which made seconded experts available in 2018. Moreover, MONEYVAL would like to extend its gratitude to the following Council of Europe member States which made voluntary contributions in 2018: Andorra, the Czech Republic, France, San Marino, the Slovak Republic, Ukraine and the United Kingdom. All Council of Europe member States are strongly encouraged to consider making such voluntary contributions in order to improve the staff situation in the MONEYVAL Secretariat.

## Conclusion

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**T**he negative impact by economic crime, organised criminal groups and terrorists has been felt in Europe throughout 2018. 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.

Throughout 2018, MONEYVAL adopted four mutual evaluation reports, one joint mutual evaluation report (with the FATF) and 26 follow-up reports. In total, 24 MONEYVAL States or territories were subject to active monitoring processes in 2018. Apart from its monitoring work, MONEYVAL has also conducted a number of other activities which were described in the present report.

Being now in existence for more than 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.

At the same time, the FATF constantly widens the activities of the global AML/CFT network, with growing expectations on the FATF-style regional bodies (such as MONEYVAL) whose workload consequently increases. Most notably, MONEYVAL will soon be expected to commence follow-up assessments (with onsite visits of up to one week) for its members which have already been evaluated in the current 5th round of mutual evaluations, while more than half of MONEYVAL’s members are still to be evaluated in this on-going round. Without further reinforcement, MONEYVAL will either be unable to finalise the 5th round within the given timeframe (2022-2023) or compelled to postpone the beginning of these follow-up assessments. 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.

# Appendices

## APPENDIX I – RANGE OF ACTIVITIES PER STATE/TERRITORY IN 2018

Note: Some of the States/territories below reported twice during 2018 in the course of MONEYVAL's 4th round follow-up procedure, which is not reflected in this table. In total, MONEYVAL adopted 26 follow-up reports (which included reports for the follow-up of the 5th round and 4th round, CEPs and VTC programme analyses).

	5th Round Training	5th Round onsite visit	5th Round MER	5th Round Follow-up	4th Round Follow-up	CEPs	VTC programme analysis	No action
Albania			x					
Andorra				x				
Armenia				x				
Azerbaijan					x			
Bosnia and Herzegovina								x
Bulgaria						x		
Croatia						x		
Cyprus	x							
Czech Republic		x	x					
Estonia								x
Georgia	x							
Holy See								x
Hungary				x				
Israel		x (jointly with the FATF)	x (jointly with the FATF)					
Latvia			x					
Liechtenstein					x			
Lithuania		x	x					
Malta		x						
Monaco								x
Montenegro						x		
North Macedonia					x			
Poland						x		
Republic of Moldova		x					x	
Romania					x	x		
Russian Federation								x
San Marino							x	
Serbia				x				
Slovak Republic	x					x		
Slovenia				x				
UK Crown Dependency of Guernsey								x
UK Crown Dependency of Jersey								x
UK Crown Dependency of the Isle of Man				x				
UK Overseas Territory of Gibraltar	x							
Ukraine								x
<b>Total</b>	<b>4</b>	<b>4 (plus 1 jointly with the FATF)</b>	<b>4 (plus 1 jointly with the FATF)</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>8</b>

## 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
SR.I	Implement UN instruments
SR.II	Terrorist financing offence
SR.III	Freezing and confiscating terrorist assets
SR.IV	Reporting of suspicious transactions
SR.V	International co-operation
SR.VI	Money or value transfer services
SR.VII	Wire transfers
SR.VIII	Non-profit organisations
SR.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

<b>Immediate Outcomes</b>	
IO.1	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.
IO.2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
IO.3	Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBNs for compliance with AML/CFT requirements commensurate with their risks.
IO.4	Financial institutions and DNFBNs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
IO.5	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.
IO.6	Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
IO.7	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO.8	Proceeds and instrumentalities of crime are confiscated.
IO.9	Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO.10	Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.
IO.11	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](http://www.coe.int/moneyval)

**[www.coe.int](http://www.coe.int)**

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