

# ANNUAL REPORT FOR 2020



**Committee of Experts on the  
Evaluation of anti-money  
laundering measures and  
the financing of terrorism  
(MONEYVAL)**

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the Evaluation of anti-money  
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(MONEYVAL)

**French edition:**

*Rapport annuel sur les activités de MONEYVAL 2020*

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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](mailto:moneyval@coe.int).

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## Frequently used 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)
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
LEAs	Law enforcement authorities
MER	Mutual evaluation report
ML	Money laundering
MLA	Mutual legal assistance
NPO	Non-profit organisation
NRA	National risk assessment
OSCE	Organisation 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 Resolution
VTC	Voluntary tax compliance

## Introduction from the Chair

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**T**he past year has been marked by an unprecedented sanitary crisis which significantly affected economies and societies around the globe and in Europe. In this context, the MONEYVAL's work has been more important than ever to its member States and territories. MONEYVAL, as a part of the global community involved in anti-money laundering and combating the financing of terrorism (AML/CFT) has taken measures to identify and assess related challenges, share good practices and policy responses to new threats and trends arising from the crisis. MONEYVAL ensured the continuity of the evaluation process which required flexibility, creativity, and additional efforts on the part of the experts, evaluators and the Secretariat. Therefore, I would like to extend my thanks to all collaborators for their intensive work and contribution to the common endeavour during these challenging times.

I am pleased to announce that we managed to adjust our working methods accordingly and minimise negative impact of COVID-19 by maintaining a number of activities, essential for the continuity of the 5th round of mutual evaluations. In particular, MONEYVAL became the first AML/CFT international monitoring body to adopt mutual evaluation reports in hybrid mode (for Georgia and Slovakia), and conduct hybrid on-site visits (for Holy See and

San Marino). This pioneering experience has been successfully shared with our international partners and colleagues and highly commended by them. Additionally, three "written procedure" sessions and several hybrid working group meetings were carried out by the Committee.

The 60th Plenary meeting held in a hybrid mode in Strasbourg is another important achievement. I am proud to highlight that it was the first ever MONEYVAL hybrid Plenary, with participants being present virtually as well as physically. The Secretary General of the Council of Europe Marija Pejčinović Burić opened the session and emphasised MONEYVAL's contribution to the fight against money laundering and terrorist financing both as a monitoring body of the Council of Europe and as a part of the global AML/CFT system. The new Secretary General also involved MONEYVAL in important consultations with monitoring bodies on the response to the pandemic and the use of new working methods.

The MONEYVAL Committee remains vigilant towards the new and emerging risks and challenges stemming from the pandemic. Criminals all over the world took advantage of the situation and found new ways to abuse the financial system and gain additional profits by committing cybercrimes, engaging in fraudulent investment schemes, selling counterfeit medicines, and shamelessly exploiting the public health procurement sector. In response to these trends, MONEYVAL issued a document providing for a European view on the new threats and vulnerabilities stemming from COVID-19 related crimes and impacts on ML/TF risks. The report "Money laundering and terrorism financing trends in MONEYVAL jurisdictions during the COVID-19 crisis" inter alia contains measures to mitigate the COVID-19 impact on countries' financial systems and recommendations that jurisdictions might consider taking on board in response to the emerging risks. I invite our partners and all interested parties to familiarise themselves with the findings of the report made available on the MONEYVAL website.

In our previous annual report, we stated that virtual currencies require practical answers to how their criminal use can be identified, how they can be tracked, frozen and confiscated. Today the situation requires even more focused attention from the international community. The new reality motivated businesses and households to operate online more intensively which has considerably increased cyber-security risks. This year saw a push to improve transparency of virtual currencies, such as Bitcoin, and streamline institutional frameworks to tackle fraud in cyber-space. Prevention

of illegal enrichment through internet facilitated by the pandemic situation became one of the main tasks for many jurisdictions.

Jointly with the President of the Conference of the Parties to CETS 198 Dr. Ioannis Androulakis, MONEYVAL engaged in promoting the added value of the Council of Europe Warsaw Convention, including the necessity to enhance the capacities of financial intelligence units to monitor and postpone suspicious transactions. I would like to underline once again the importance of the FATF standards by national governments and the private sector, and the additional tools available to states through the Council of Europe Warsaw Convention.

The work of the Global AML/CFT Network led by the Financial Action Task Force (FATF) and the FATF-style regional bodies (FSRBs) is more crucial than ever. The FATF - our closest and most important external partner - continues to play a key role in MONEYVAL's activities. MONEYVAL's contribution to the FATF work programme included an increased focus on the transparency of transnational financial and non-financial groups, and proactive contributions to FATF Strategic Review. Our successful partnership with two FSRBs – the Asia Pacific Group on Money Laundering and the Eurasian Group – resulted in a joint initiative in the

FATF to develop a dedicated feedback and information sharing mechanism for FSRBs.

The joint meeting with FATF President Dr Marcus Pleyer and the Committee of Ministers of the Council of Europe was an important milestone of developing cooperation. The first ever appearance of an FATF President at this meeting makes this event even more significant, and I would like to express my gratitude once again to Dr Marcus Pleyer for his constructive engagement with MONEYVAL and the Council of Europe.

MONEYVAL is the largest among the nine FATF-style regional bodies in the world by the number of member-states and territories that we evaluate on our own. As we proceed into the second half of our 5<sup>th</sup> Evaluation Round, the challenges brought by the pandemic exert additional time pressure to complete the round by the global deadline set by the FATF – end of 2024. In this light, I express my sincere appreciation to the Committee of Ministers and member-states for the constant support of MONEYVAL, your recognition of the importance of our work for the Council of Europe and for the citizens of our member-states.

**Elżbieta Frankow-Jaśkiewicz**

Chair of MONEYVAL

# Executive summary

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**T**he 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, which includes 36 member States and jurisdictions. MONEYVAL peer pressure motivates members to constantly update their anti-money laundering and counter-terrorist financing (AML/CFT) legislation, institutions and operational practices. MONEYVAL's reports are public and widely used by financial institutions around the globe in determining whether to conduct business in a jurisdiction. The international AML/CFT standards monitored by MONEYVAL are defined by the Financial Action Task Force (FATF). MONEYVAL is an FATF-style regional body (FSRB) and an associate member of the FATF.

This Annual Report provides a comprehensive overview of key compliance trends in MONEYVAL member-jurisdictions, describes the anti-money laundering challenges brought by the COVID-19 pandemic, and presents the major MONEYVAL activities and results achieved in 2020 in the area of mutual evaluations and their follow-up.

MONEYVAL member states and jurisdictions continue on average to demonstrate a **moderate level of effectiveness** in their AML/CFT efforts. Thus, the median level of compliance is **below the satisfactory threshold**. MONEYVAL members demonstrate the best results in the areas of risk assessment, international cooperation and use of financial intelligence. Effectiveness remains particularly weak in financial sector supervision, private sector compliance, transparency of legal persons, money laundering convictions and confiscations, financial sanctions for terrorism and proliferation of weapons of mass destruction.

The COVID-19 pandemic has had a noticeable impact on the work of anti-money laundering authorities across the MONEYVAL membership. Particular criminal trends emerged in the context of COVID-19 lockdowns, however authorities have successfully adapted their working methods, including in the areas of law enforcement, supervision and financial intelligence. Some 26 MONEYVAL members continued active processes to reform their national anti-money laundering and combating the financing of terrorism (AML/CFT) systems, by adopting relevant legislation, strategic and institutional changes.

This year presented challenges for the Committee and had a procedural impact on MONEYVAL's mutual evaluation process for 2020-2021 and its Workplan. The Committee adapted its working methods to the new circumstances by making a number of adjustments to its Rules of Procedure. MONEYVAL pioneered the use

of virtual and hybrid evaluation tools in the FATF-led Global AML/CFT Network, by becoming the first body to adopt a mutual evaluation reports by virtual means and carry out the first hybrid on-site visits.

The written procedure was actively used to adopt follow-up reports and other decision-making. One Plenary meeting and several working group meetings were held via hybrid means. The typologies programme of MONEYVAL was launched, and its first research report "Money laundering and terrorism financing trends in MONEYVAL jurisdictions during the COVID-19 crisis" was adopted and published. A particular area of thematic and research focus for MONEYVAL was the supervision and policies for transnational financial and non-financial groups.

Throughout 2020 a total of 15 MONEYVAL States or territories were subject to active monitoring processes (through onsite visits, adopted reports, follow-up and compliance procedures). MONEYVAL continued its 5<sup>th</sup> round of mutual evaluations by adopting two mutual evaluation reports for Georgia and the Slovak Republic, and undertaking on-site visits to the Holy See and San Marino. The mutual evaluation process was launched for four other members (Liechtenstein, Bulgaria, Estonia and Monaco). The Committee adopted an additional 7 follow-up reports and 1 report under compliance enhancing procedures.

Throughout 2020 the Council of Europe and MONEYVAL expanded their engagement with the FATF. The high-level exchange of views between the Council of Europe Committee of Ministers and the FATF President in September 2020 was an important milestone in the development of this relationship. In partnership with two FSRBs – the Asia-Pacific Group on Money Laundering and the Eurasian Group - MONEYVAL launched several initiatives in the FATF aimed at developing a mechanism for raising and interpreting contentious aspects in the FATF standards. MONEYVAL also worked jointly with the FATF to develop clarifications in the FATF Standards on the supervision and policies for transnational financial and non-financial groups. A Joint MONEYVAL/FATF assessor training was held in Berlin in February 2020.

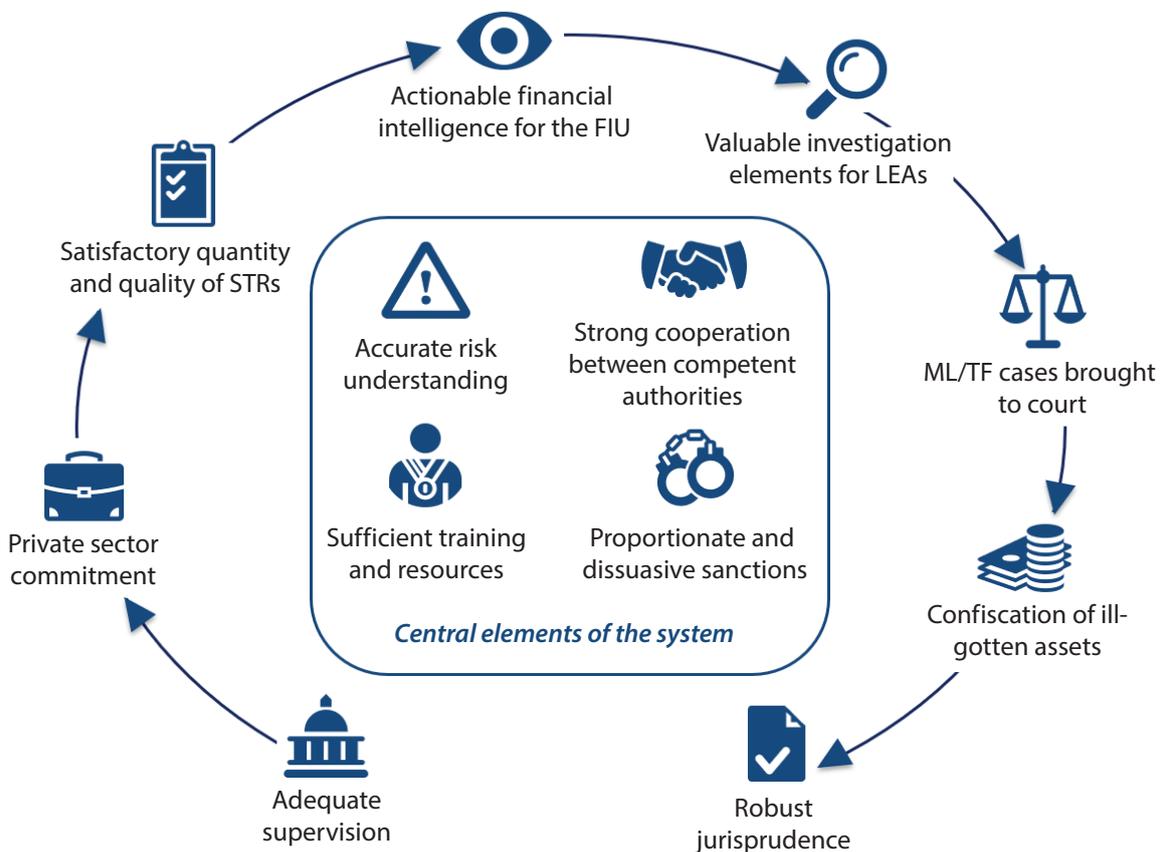
The Committee of Ministers adopted important amendments to the MONEYVAL Statute expanding its mandate to tackle the financing of proliferation of weapons of mass destruction, thus aligning it with the FATF Recommendations and priorities in this field. MONEYVAL continued engaging with other bodies of Council of Europe on areas of horizontal concern, in particular the Conference of the Parties to CETS 198, the Pompidou group, GRECO and the Committee on Counter-Terrorism.

# 1. Key trends in member-states and territories

**M**oney laundering is the process through which criminals give the appearance of legitimacy to proceeds of crime. It is an expanding and increasingly international phenomenon, with current estimates of money laundered worldwide ranging from \$500 billion to a staggering \$1 trillion, with disastrous effects on the global economy and society. Terrorism financing is the pre-requisite of all terrorist activity in its organised forms, and as such it is a principal threat to the safety and security of society and populations.

The international standards to combat the dual threats of money laundering and terrorism

financing have been developed by the Financial Action Task Force (FATF), and consist of the 40 Recommendations covering the legal and institutional aspects of compliance, as well as 11 Immediate Outcomes on effectiveness. The FATF Standards establish requirements for law enforcement, judiciary, financial intelligence units (FIUs), private sector and its supervisors (see full list of FATF Standards in Appendix I). MONEYVAL monitors the application of these requirements for its 34 member-states and territories (see full list in Section 7). The effectiveness cycle of AML/CFT measures is presented below:



## 1.1. COMPLIANCE TRENDS

In 2020 MONEYVAL initiated a mid-term horizontal review of implementation of the FATF Recommendations by its member-jurisdictions assessed thus far.<sup>1</sup> The analysis below represents

1. Armenia, Serbia, Hungary, Slovenia, Isle of Man, Andorra, Ukraine, Albania, Latvia, Czech Republic, Lithuania, Israel, Moldova, Malta, Russian Federation, Gibraltar, Cyprus, Slovak Republic, Georgia.

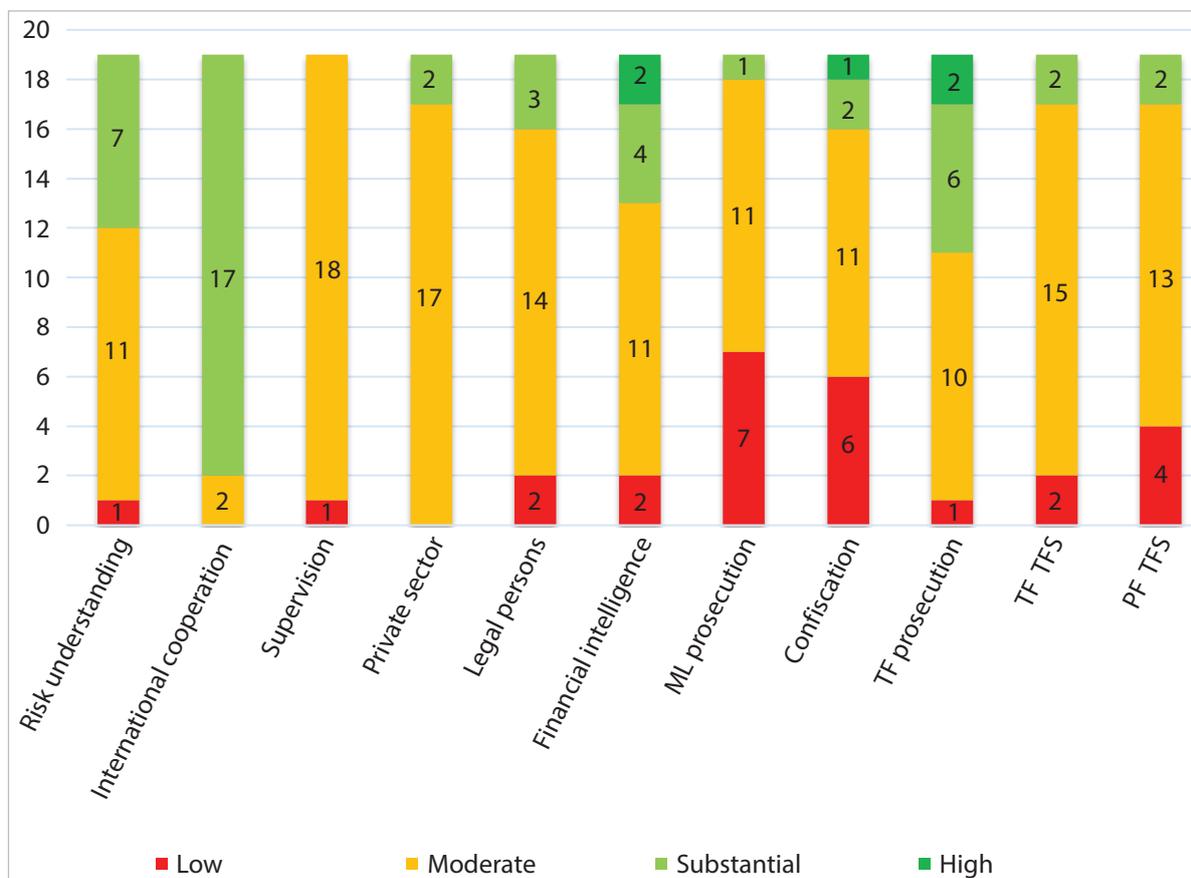
preliminary compliance trends in these MONEYVAL member jurisdictions.

It can be observed that MONEYVAL member states and jurisdictions continue on average to demonstrate a moderate level of effectiveness in their anti-money laundering and combating the financing of terrorism efforts. Thus, the median level of compliance is below the satisfactory threshold. MONEYVAL members demonstrate the best results in the areas of risk assessment,

international cooperation and use of financial intelligence. Effectiveness remains particularly weak in financial sector supervision, private sector compliance,

transparency of legal persons, money laundering convictions and confiscations, financial sanctions for terrorism and proliferation of weapons of mass destruction.

**Fig.1: Overview of the effectiveness ratings**



Risk understanding is the central pillar of a robust AML/CFT system. An inadequate understanding of country risks leads to inappropriate policies. In more than 80% of the assessed countries, the analysis highlights the absence of in-depth assessment of certain risks, such as the terrorism financing and offshore money laundering, where relevant to the particular context of a jurisdiction. Moreover, when the assessment of risks is not thorough, risk-based responses cannot be adequate. The analysis namely points out the difficulty of 4 countries (21%) to successfully apply a risk-based approach to NPOs potentially at risk of misuse for terrorism financing purposes.

A proper risk assessment cannot be conducted, and the performance of the regime cannot be evaluated without proper ML/TF statistics. All countries assessed thus far have room for improvement in gathering and maintaining high-quality and reliable ML/TF statistics. Countries should further engage with the private sector in the risk assessment process, in order to develop a more accurate full picture of ML/TF threats.

Given the nature of money laundering and financing of terrorism, solid international cooperation is

key to effective implementation of AML/CFT. The FATF Standards call for mutual legal assistance (MLA) and other forms of international cooperation to the greatest extent possible and an established system for expeditious actions to be taken in response to requests made by foreign countries. International cooperation and information exchange is the strongest point of MONEYVAL members. 90% of the jurisdictions assessed by MONEYVAL proactively pursue international cooperation, whilst only 10% face difficulties in sending and receiving MLA requests, lack prioritisation mechanisms or cannot guarantee the provision of information in a timely manner.

Efficient supervision of the private sector lies at the basis of an effective AML/CFT regime. However, supervision is one of the areas where countries are less effective, as no country was awarded a high effectiveness rating so far. The analysis underlines the significant differences in the global risk understanding among the supervisors, namely the supervisors of the designated non-financial sectors (lawyers, notaries, accountants, casinos, trust and company service providers, real estate agents, dealers in precious metals and

stones). In all countries, having a sole supervisor for the different non-financial sectors passably enhances effectiveness, if and only if the supervisor benefits from adequate powers and resources; yet insufficient resources have been noted for 63% of the assessed jurisdictions.

Actionable financial intelligence is a fundamental element of an effective AML/CFT regime, as it provides law enforcement authorities with valuable elements for their financial investigations. When the private sector is poorly supervised, and therefore not committed to putting efforts in disrupting financial crime, it produces low quality financial intelligence, or none at all. For 8 countries (42% of the sample), the analysis strongly recommends addressing the lack of feedback provided by the Financial Intelligence Units (FIUs) to the private sector. It also highlights the low quality of internal controls in the non-financial sector for 90% of the countries.

Another condition for law enforcement authorities to successfully conduct their financial investigations is their ability to easily obtain beneficial ownership information in a timely manner. Nevertheless, the analysis shows that countries generally apply insufficient measures to ensure that this information is accurate and up to date. Maintaining beneficial ownership registers is one of the tools frequently used on the European space, and 8 countries assessed thus far have operational beneficial owners registers. At the same time only 3 of them (16%) have efficient mechanisms to verify the information contained in these registers.

Regarding convictions for serious and complex money laundering offences, they still appear to be rare, and this is reflected in the effectiveness ratings: 7 countries (37%) have been given a Low rating. Money laundering is mostly treated as a consequence of the underlying criminal activity, as illustrated by the lack of pursuit of systematic parallel financial investigations in 12 countries (63%).

The same can be noted for terrorism financing prosecutions: in 11 countries (58%) financing of terrorism investigations are either not systematically carried out in the context of terrorism investigations, or financing aspects are lacking in the investigations. For both ML and TF, this leads to a lack of robust jurisprudence, which is needed to facilitate the convictions of these crimes.

Targeted financial sanctions (TFS) prevent assets from being available to listed persons and entities such as terrorists and other designated criminals. 90% of the countries have received a moderate or a low rating for their TFS regime. 4 countries (21%) fail in the timely transposition of international official designations in their national framework. Besides, adequate

measures to freeze, and even to identify funds, are often not taken.

Urgent improvement is required regarding overall sanctioning, namely when supervising the private sector, legal persons and arrangements. The analysis demonstrates that in many cases, sanctions are often either not proportionate, dissuasive, and effective enough, in many cases they are not applied, or not even available at all to competent authorities. Indeed, in only 3 jurisdictions (16%), the sanctioning regime for banks was considered effective. Sanctioning of non-financial institutions was not considered effective in any jurisdiction, whilst in 15 jurisdictions (79%) it was considered as fully ineffective.

Besides, successful confiscations of ill-gotten funds as a criminal measure are rather rare in comparison with the estimates of the proceeds of crime. Countries should resort not only to freezing, but also to seizure and confiscation of criminal funds. In at least 6 countries (31%), enhancing powers and resources of the countries' asset recovery and management offices is crucial in improving their effectiveness.

Lack of adequate human resources and expertise of competent authorities is a cross-cutting issue in the majority of assessed countries. As regards supervisors, the analysis highlights insufficient resources and/or expertise in 12 (63%) of the assessed jurisdictions. Countries should therefore consider continuously strengthening their human resources capacities and development of skills.

## 1.2. LEGISLATIVE AND INSTITUTIONAL TRENDS

Despite complications caused by the COVID-19 pandemic MONEYVAL members continued to be active in the development of their national AML/CFT frameworks. In additions to the regular process of mutual evaluations and follow-up, MONEYVAL collects general information on key AML/CFT institutional reforms carried out by its members. While the pace of reforms has expectedly been slower than in prior years, 28<sup>2</sup> of MONEYVAL's 36 member jurisdictions noted legislative and institutional changes in the AML/CFT area in the course of 2020.

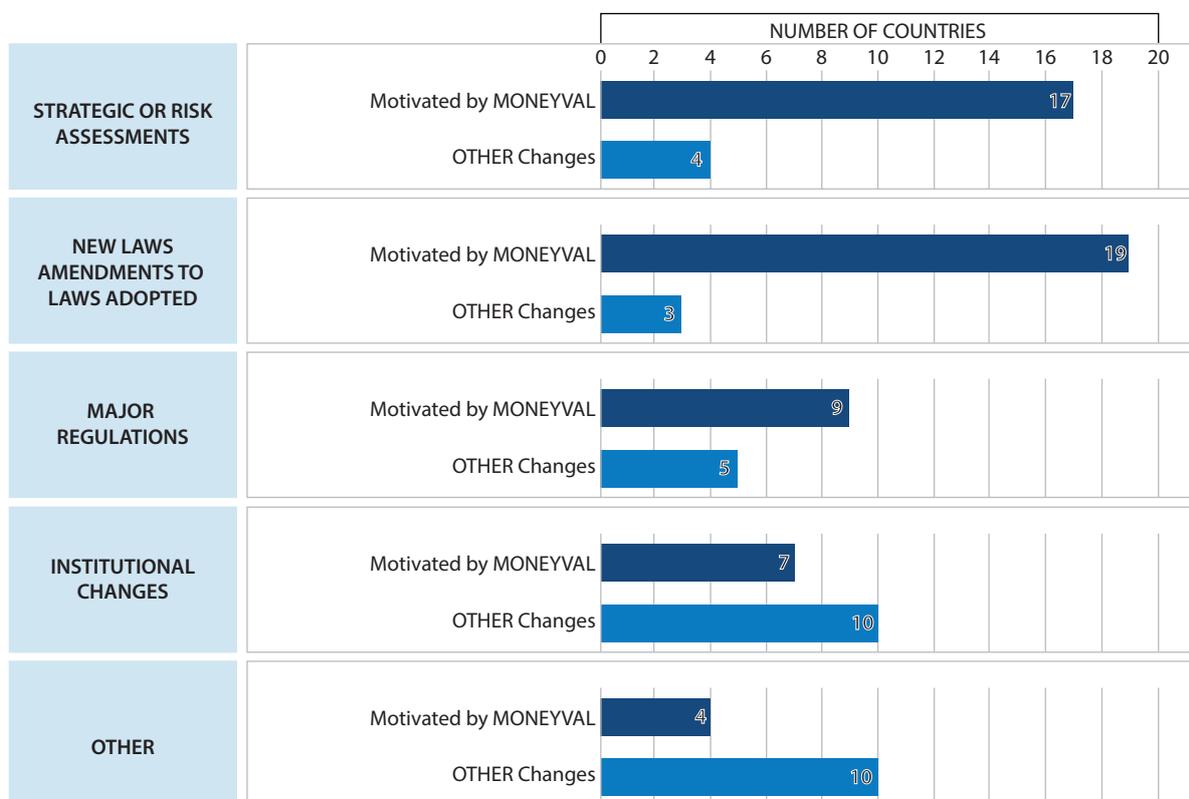
MONEYVAL carried out a mapping of national AML/CFT reforms carried out by members in 2020 covering the areas of strategic or risk assessments, new laws/amendments to laws adopted, major domestic regulations, institutional challenges and other related AML/

2. Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Georgia, Germany, Gibraltar, Estonia, Hungary, Isle of Man, Jersey, Latvia, Liechtenstein, Lithuania, Malta, Montenegro, North Macedonia, Poland, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Ukraine.

CFT initiatives. The analysis of the responses provided indicates, at this stage, that:

- ▶ Generally, most changes have occurred around new laws and amendments to existing national legislation and major national AML/CFT regulations. Domestic legislative changes were mostly motivated by MONEYVAL, as opposed to other domestic legislative drivers.
- ▶ Jurisdictions confirm their commitment in properly conducting risk assessments to prepare MONEYVAL 5<sup>th</sup> round evaluations, which is visible by the large number of risk assessments carried out in 2020.
- ▶ Institutional changes to establish further related AML units/department both in law enforcement, supervisory and in Prosecutor general Offices were put in place, in some cases to respond to the new threats lead by COVID 19 epidemic.
- ▶ Finally, a wide variety of other initiatives, such as meetings, conferences and working groups have been listed by respondents. The desire for raising awareness about AML/CFT risks can be considered as a positive indicator.

### Legislative amendments and major institutional changes



Almost all the jurisdictions consulted have by now conducted the required national risk assessment (NRA) in the area of anti-money laundering and combating the financing of terrorism, as well as a number of specific sectorial assessments. Many countries and territories - Albania, Andorra, Hungary, Isle of Man, Latvia, Liechtenstein, Lithuania, Malta, North Macedonia and Slovenia - declared to have operated a risk analysis of a wide range of targeted sectors, such as on NPOs, virtual assets and misuse of legal entities. There is a broad-based effort among jurisdictions to mitigate risks from virtual currencies and new technology. Some states- Albania, Germany, North Macedonia, Poland, Romania, Russian Federation and Serbia- set up new national AML/CFT strategies.

New domestic legislation was adopted to regulate significant issues like the identification of beneficial ownership of legal entities – in Albania, Georgia, Gibraltar, Latvia, Liechtenstein and Malta - or the establishment of new centralized registers for legal entities. Amendments to national Criminal Codes or Codes of Criminal Procedures were introduced in Andorra, Armenia, Croatia, Hungary, North Macedonia and Slovakia – aimed to better define and prosecute ML and TF offences. Furthermore, several new acts or seek to regulate ML/TF risks stemming from new technologies. Namely a number of countries- Albania, Germany, Gibraltar, Liechtenstein, Lithuania, Malta, Romania, Russian Federation and Serbia – published legal instruments on virtual currencies.

Valuable legal changes occurred also to address ML risks in the sector of real estate – in Czech Republic, Germany and Malta- as well as to enhance customer due diligence (CDD) requirements – in Czech Republic, Hungary, North Macedonia and Romania. Application of corrective sanctions for infringements of legislation has been a further area of focus for national legislators – e.g. in Gibraltar, Estonia, Jersey and Malta - the aim is to make sanctions for violations of anti-money laundering standards more effective and dissuasive. Although the efforts of the countries consulted are to be commended, the impact of COVID-19 has also impacted the anti-money laundering reform agenda. Some countries were forced to postpone certain reform deadlines.

Other regulatory policies put in place – in Croatia, Estonia and Montenegro - stress a notable effort to enlarge info systems and the availability of databases among public authorities, like FIUs. Some countries – Hungary, Serbia and Ukraine - have aimed to strengthen the risk-based supervisory approach publishing new guidelines and procedural rules. Also, some new domestic regulations – in Croatia, Montenegro and Romania - aimed to ensure better coordination amongst AML supervisory authorities. Many jurisdictions demonstrated enactment of procedural rules in order to guarantee more transparency of beneficial ownership registers.

Recent AML/CFT institutional changes in member jurisdictions are driven by the MONEYVAL agenda to a slightly lesser extent, and to a larger extent by domestic reform priorities. Some countries – Albania, Armenia and Latvia - declared to have established new departments/divisions in the General Prosecutor Office with specific competency to investigate and prosecute ML/TF crimes. Important investments have also been made in the law enforcement sectors. Not only have human resources been increased through the creation of new units specifically tasked with fighting ML/TF crimes, but funds have also been reserved for the organisation of trainings – e.g. in Gibraltar, Isle of Man, Latvia, Malta, North Macedonia, Romania and Slovenia. Following MONEYVAL recommendations, a relevant number of respondents – Gibraltar, Estonia, Latvia, Liechtenstein and North Macedonia – reorganized FIUs; In particular some of them re-qualified FIU into independent governmental agencies. Finally, in the context of digital technology issues, Jersey introduced a new digital register which leverages AI technology and third-party KYC data for improved vetting of beneficial ownership and control.

Other correlated AML/CFT initiatives, such as, meetings at institutional level, conferences and trainings were developed by jurisdictions to boost a uniform understanding about key AML/CFT trends. Here, countries concerned have implemented changes mainly

in response to new COVID-related challenges. For instance, Bosnia Herzegovina has reinforced banks' monitoring activities; and Slovakia issued public statements and recommendations about new COVID threats in the field of AML.

### 1.3. COVID-RELATED MONEY LAUNDERING TRENDS

COVID-19 significantly impacted the economies and financial systems of MONEYVAL member states and territories in 2020. It had visible influence over money laundering and terrorism financing trends in the peak periods of population confinements and lock-downs in member-states. MONEYVAL carried out monitoring of COVID-related ML and TF trends, and produced the following key findings:

- a) The overall level of sophisticated economic criminality remained stable or slightly decreased. Nevertheless, the countries reported a surge in certain crimes, especially with transnational elements, such as fraud (through electronic means) and cybercrime, creating new sources of proceeds for money laundering purposes.
- b) The authorities had to promptly implement emergency economic relief measures (such as financial aid and tax incentives) to support businesses and population. This created opportunities for abuse.
- c) The need for specific medical equipment and supplies swiftly skyrocketed due to the overwhelming global demand. To avoid an administrative blockage, some countries temporarily suspended complex controls in public procurement procedures to avoid disruptions. This created a vulnerability for fraud, corruption and subsequent money laundering.
- d) Supervisors identified potential risks related to the use of cash for money laundering purposes.
- e) There was a shift in private sectors' way of working, with limits imposed to physical meetings and a significant increase in non-face-to-face business relationships and remote operations. This raised supervisors' concerns with regards to the full application of customer due diligence (CDD) measures.
- f) Suspicious transactions reporting from the private sector to financial intelligence units (FIUs) remained steady.
- g) Challenges in conducting on-site supervisory controls were reported by the authorities. Off-site and desk-based reviews have been conducted instead, without a significant impact on the volume of the supervisory actions.

- h) To effectively complete the off-site monitoring, supervisors found innovative ways to exchange sensitive information such as client files, by using secure electronic means, or reviewing these documents remotely *e.g.* through the shared screen facilities offered by video conferencing.
- i) Law enforcement authorities have not encountered significant difficulties in pursuing ML/TF related criminal activities. Sporadic delays due to the limitation on physical meetings have been kept to a minimal. Courts had to postpone some trials, this being a general situation, rather than ML/TF related.
- j) Domestic information exchange has been minimally disrupted and no difficulties in obtaining financial information were experienced.
- k) International cooperation involving law enforcement and supervisors does not appear to have been negatively impacted by COVID-19. Cooperation between FIUs has not been affected and has proven to be particularly relevant on exchanging information on cross-border cases related to fraudulent offerings of medical and sanitary equipment, counterfeit products, non-delivery scams and illegal over-pricing.

#### 1.4. AREA OF THEMATIC FOCUS: GROUP-WIDE POLICIES AND SUPERVISION

In 2020 MONEYVAL initiated research into the area of group-wide policies and supervision for designated non-financial businesses and professions.

The series of major offshore scandals, which surfaced since 2016 (*e.g.* “Panama Papers”, “Paradise Papers”, “Bahamas leaks” etc.) identified significant ML/TF risks from transnational operations of certain types of DNFBPs, which operated in groups. For example, the key TCSPs and law firms involved in these scandals were established as global structures, with dozens of branches and partner offices in foreign countries.

While some form of coordinated effort was undertaken by the international community on the law enforcement and investigative side to address the ML/TF risks in the immediate aftermath of the scandals, there has not been a global consolidated response in order to address oversight and supervisory aspects related to transnational DNFBP group operations. The FATF has not yet had an explicit “ruling” on this issue. The discussion of this issue is also of relevance to the issue of VASPs, whereby the issue of group-wide policies and supervision are particularly acute given the transnational nature of VASP operations.

In this context, MONEYVAL carried out comprehensive research and submitted a proposal to the FATF for the clarification of the FATF Recommendations on the abovementioned issues. In October 2020 FATF Plenary agreed to proceed with clarifications into the FATF Recommendations on this issue.



## 2. Mutual evaluations and follow-up

**D**ue to the COVID-19 pandemic Moneyval adjusted its working methods in order to ensure a smooth continuation of its mutual evaluation programme and its follow-up. Several adjustments were made to the mutual evaluation procedures in order to allow for the use of virtual and hybrid means at various stages of the mutual evaluation process. Procedures were streamlined in order to ensure the use of written procedure for the adoption of follow-up reports.

MONEYVAL became the first in the FATF-led Global Network of AML/CFT monitoring bodies to adopt two mutual evaluation reports in a virtual Plenary meeting – Slovakia and Georgia. Throughout the first year of the pandemic MONEYVAL remained the first and only FATF-style regional body (FSRB) to carry out mutual evaluation on-site visits in hybrid format in its member-states (Holy See and San Marino). MONEYVAL's unique experience in conducting hybrid on-site visits was systematised in a guidance document and shared by the FATF across the Global AML/CFT Network.

MONEYVAL also adopted 5th Round follow-up reports of the Czech Republic, Isle of Man, Lithuania, Ukraine, as well as 4th Round follow-up reports for Bosnia and Herzegovina, Montenegro and Romania.

### 2.1. 5TH ROUND MUTUAL EVALUATION REPORT OF THE SLOVAK REPUBLIC



The mutual evaluation report (MER) of Slovakia commenced in mid-2019 and was completed with the adoption of the Slovak mutual evaluation report at the MONEYVAL hybrid Plenary in September 2020.

The evaluation report highlights that there are some concerns about the accuracy of the National Risk Assessment's (NRA) findings. The assessment of terrorism financing (TF) risks is an area for improvement. In case of supervisory authorities, the understanding of ML/TF risks is also based to some extent on the results of supervisory activities, information exchange with foreign supervisory authorities, and supra-national risk assessment. Law enforcement authorities (LEAs) understanding of risk is based on practice and on the GPO's sectoral vulnerabilities assessment.

Regarding the use of the financial intelligence there are only two law enforcement agencies (LEAs) that make more use of it while the other Police Forces

use it minimally. In general, the FIU products are not successfully utilised by LEA in ML cases. However, LEA have exploited the FIU's intelligence packages for investigations into predicate crimes.

With regard to the financial intelligence unit (FIU), all officers are knowledgeable and have the ability of producing complex analysis, but for most of the evaluation period there was insufficient coherence in the competent management to gear their activities into becoming effective. One of the important shortcomings lays with the FIU's dissemination system which dissipates its resources into less relevant cases, often not related to ML.

The confiscation measures are rarely imposed in criminal cases and only a fragment of the secured assets will finally be confiscated.

The Ministry of Foreign Affairs (MFA) has the clear role to communicate the potential targeted financial sanctions (TFS) proposals to United Nations (UN) Committees, although has a limited role in the designation itself. There are no clear regulatory instructions in the designation process and there is a risk that the authorities would rely on each other to make a designation if the case may occur.

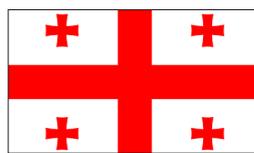
The report underlines that banks has demonstrated a good understanding of the ML/FT risks, while some non-bank financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs) were unable to clearly articulate how ML might occur within their institution or sector. Also, FIs and DNFBPs were less confident in their understanding in relation to FT risk. At the same time banks and most non-bank FIs demonstrated knowledge of the AML/CFT requirements including an adequate application of basic customer due diligence and record-keeping requirements, although some common gaps persist. DNFBPs have a moderate understanding of the preventive measures.

Slovakia created the "Register of legal entities, entrepreneurs and public authorities" (hereafter the UBO register) in 2018. At the time of the onsite, the register was still being populated, though the filling in of the register progressively continues.

Finally, authorities have generally been active in providing mutual legal assistance (MLA) in relation to foreign requests in a constructive and timely manner. At the international level the FIU is active and responsive and the feedback provided by the international community was generally positive.

Based on the results of its evaluation, Slovakia was placed in enhanced follow-up and requested to report back in two years' time, namely in September 2022.

## 2.2. 5TH ROUND MUTUAL EVALUATION REPORT OF GEORGIA



The mutual evaluation of Georgia commenced in mid-2019 and was completed with the adoption of the Georgian mutual evaluation report at the MONEYVAL hybrid Plenary in September 2020.

The report notes important advancements in Georgia's AML/CFT system, including developing the National Risk Assessment (NRA), addressing technical deficiencies in legislation and by-laws, taking steps to strengthen co-operation between LEAs and the Financial Monitoring Service (FMS), and refining mechanisms for implementation of the United Nations Securities Council Resolutions (UNSCRs).

Georgia displays a fair understanding of many of its ML and TF risks. The level of risk understanding varies across the public sector. Shortcomings exist regarding identification and deepening analysis of some threats and vulnerabilities and subsequent understanding of some of the ML/TF risks. The NRA does not fully consider some inherent contextual factors. The NRA findings have not all yet been transposed into national policies and activities.

The report highlights that the LEAs collect financial intelligence and other relevant information from a wide range of various sources, and use it to conduct investigations of predicate offences and detect their proceeds, but to a lesser extent with regard to investigation of ML. A requirement to obtain a court order to request financial intelligence from the FMS hinders effective collaboration between the FMS and the LEAs in supporting investigation of ML-related predicate offences. The GPO Criminal Prosecution of Legalisation of Illegal Income Division is the only LEA primarily focused on detection and investigation of ML, and the only one that prevalently uses financial intelligence for investigation of ML. FMS operational analysis is usually conducted efficiently but frequently not comprehensively enough. FMS conducts limited strategic analysis.

With regard to TF Georgia has a new legislative framework for implementation of the TF and PF UNSCRs. Georgian implements UN TFS on TF and proliferation financing (PF) with a significant delay. Though delays are shortened as a result of the revised legislative framework, this is still not in line with the notion of implementation of UN TFS without delay. Mostly due to the private sector's responsiveness, weaknesses in the national mechanism do not have a fundamental impact on the system. Detected false positive matches indicate the capability of the obliged entities to prevent assets from being used for TF.

The majority of TF investigations are triggered by STRs. There is scope to raise awareness of different types of TF among the LEAs and private sector in order to further increase the detection of potential TF that is linked to other offences. TF is well integrated into counter-terrorism strategies and investigations, and Georgia makes effective use of alternative measures. Sanctions applied to the persons convicted of TF are sufficiently effective, proportionate and dissuasive.

Country recognises the importance of confiscation and has the necessary regime in place to address this. Georgia has achieved a significant level of confiscation overall, and a wide range of criminal proceeds and instrumentalities is being confiscated. No assets outside the jurisdiction have been confiscated. The application of value-based confiscation is limited and there are concerns about the understanding of some authorities in this respect.

The level of understanding of risks highlighted in the NRA and/or outlined in the AML/CFT Law and guidance notes was generally good for financial institutions. Significant gaps were observed in the application of customer due diligence (CDD) measures by most designated non-financial businesses and professions (DNFBPs) and National Agency of Public Registry for the property sector. Banks account for the

majority of suspicious transaction reports (STRs), and the number of reports in this sector seems reasonable. Other FIs meet their reporting obligations to a moderate extent.

The report underlines that the National Bank of Georgia (NBG) applies robust “fit and proper” entry checks for the FIs under its supervision, as well as on-going scrutiny of licencing requirements. It has a comprehensive understanding of risks and applies a fully risk-based supervisory approach. The approach of the Insurance State Supervision Service is broadly similar. The Ministry of Finance does not undertake any AML/CFT supervision of casinos in practice. The application of “fit and proper” entry checks amongst other DNFBPs is mixed, and the level of AML/CFT supervision is insufficient and uneven. The NBG’s use of its sanctioning powers appears effective, proportionate and dissuasive by contrast with the other supervisors.

Finally, Georgia has a sound legal framework for international cooperation and has mechanisms in place to conduct it.

Based on the results of its evaluation, MONEYVAL decided to place Georgia in enhanced follow-up and requested to report back in two years’ time, namely in September 2022.



### 2.3. 5TH ROUND FOLLOW-UP REPORTS

MONEYVAL considered four 5th Round follow-up reports in the framework of their 2nd Intersessional Consultation via written procedure in accordance with Rule 21, paragraph 9 of the MONEYVAL Rules of Procedure, namely those of the Czech Republic, Isle of Man, Lithuania and Ukraine.



For the **Czech Republic** MONEYVAL found progress in addressing several the deficiencies related to national cooperation and coordination, high-risk countries, correspondent banking.



MONEYVAL found that **Lithuania** has made some progress in addressing the deficiencies pertaining to risk assessment. Measures taken by the Lithuanian authorities with respect to virtual assets and virtual asset service providers were deemed not sufficiently in compliance with the revised requirements of the FATF.



For **Ukraine** MONEYVAL noted progress in the areas of terrorism financing criminalization, as well as in the area of applying financial sector sanctions.

MONEYVAL retained the Czech Republic, Lithuania and Ukraine in enhanced follow-up and requested another report back from each country in one year's time.



The follow-up report of the **Isle of Man** was partially adopted by the 60th MONEYVAL Plenary meeting in September, with an indication that a decision on deficiencies regarding application of group-wide policies to DNFBPs shall be placed on hold pending a discussion by the FATF of this issue scheduled for October 2020.

### 2.4. 4TH ROUND FOLLOW-UP REPORTS

In 2020 MONEYVAL considered three follow-up reports under its 4<sup>th</sup> Round of mutual evaluations: Bosnia and Herzegovina, Montenegro and Romania.



Since the adoption of the 4<sup>th</sup> round MER in 2015, **Montenegro** has made significant progress in addressing many of the identified

deficiencies. With the adoption of the AML/CFT Law and the application of the FIU for Egmont Group membership, the level of compliance remains satisfactory. Considering the jurisdiction's 5th forthcoming round mutual evaluation, Montenegro was urged to successfully conclude its application for membership of the Egmont Group and take all necessary steps to bring its legal framework in line with the requirements of the 2012 FATF standards, particularly those relevant to the work of financial intelligence units.

The Plenary considered that Montenegro has taken sufficient steps to remedy deficiencies and decided that Montenegro fulfils the conditions for removal from the 4<sup>th</sup> round follow-up process.



MONEYVAL concluded that **Bosnia and Herzegovina** has taken sufficient steps to remedy the outstanding deficiencies for the terrorist financing freezing regime, following the adoption of Decision to amend the Ordinance governing the implementation of the UNSCR 1267(1999) on 30 June 2020. The MONEYVAL Plenary consequently removed BiH from the 4th round follow-up process and invited the country to pay closer attention to the outstanding minor gaps identified under other Recommendations, in light of the jurisdiction's forthcoming 5th round mutual evaluation.



With regard to **Romania** MONEYVAL noted the lack of progress on the issue of reform of its financial intelligence unit, and invited Romania to submit further information on the restructuring of the Romanian FIU.

### 2.5. COMPLIANCE ENHANCING PROCEDURES (CEPS)



The 60th Plenary meeting of MONEYVAL considered the progress of the **UK Crown Dependency of the Isle of Man (IoM)** in applying appropriate supervisory tools and sanctions in the financial sector. The Plenary took note of the continuing positive progress made by IoM in the implementation of its sanctioning regime. IoM has been demonstrating use of powers to sanction as appropriate in severe cases and the authorities have ensured that the supervisor has the required suite of powers, including civil penalties, to deter and to sanction industry as and when such action is called for. The Plenary considered the steps taken by IoM sufficient to address the outstanding recommended actions and decided to remove the IoM from CEPs.

### 3. High-level activities and engagements

In June the Committee of Ministers adopted **amendments to the MONEYVAL Statute**, emphasising the need to combat the financing of proliferation of weapons of mass destruction. This amendment brings the MONEYVAL Statute into line with the FATF Recommendations, which require a particular focus on proliferation financing issues.

In September the **MONEYVAL Chair and the FATF President Dr Marcus Pleyer held an exchange of views with the Ministers' Deputies of the Council of Europe**.

Both Presidents emphasized the successful cooperation between MONEYVAL and the FATF, elaborated on the new money laundering and terrorism financing trends (including in the COVID environment). The MONEYVAL Chair presented the Annual Report for 2019, which was adopted by the Committee. Numerous Council of Europe member delegations expressed their support for the work of MONEYVAL and the FATF, and emphasized the importance of AML/CFT efforts in maintaining the rule of law and stable economies.



In June the MONEYVAL Chair participated in a **conference organised by the Greek Chairmanship** of the Committee of Ministers of the Council of Europe on “Protection of human life and public health in the context of a pandemic – Effectively responding to a sanitary crisis in full respect for human rights and the principles of democracy and the rule of law”. The MONEYVAL Chair emphasised the need to maintain a robust monitoring mechanism in order to ensure that states do not stray away from their commitments to

tackle economic crime with a view to gain additional financial revenue from the so-called capital amnesties and voluntary tax compliance programmes, in the aftermath of the COVID-19 first wave.

The MONEYVAL Chair and Secretariat further participated in a number of high-level international engagements and discussion panels organised by the governments and private sector associations of Estonia, Malta, Ukraine, ACAMS as well as the European Court of Auditors.

## 4. Other activities in 2020

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.

### 4.1. MONEYVAL WORKPLAN FOR 2020-2022

The Workplan for 2020-2022 was been developed to ensure practical-level implementation of the MONEYVAL Strategy 2020- 2022. The Workplan outlines the key MONEYVAL workstreams and explains the resourcing which is necessary for the successful completion of all activities in this Workplan. The Workplan also assesses in detail the resourcing needs of MONEYVAL necessary for the successful implementation of its workstreams. This analysis concluded that the optimal level of staffing should be 21 persons, including administrators and support staff.

### 4.2. TYPOLOGIES PROGRAMME

MONEYVAL launched a typologies research programme aimed at analysing key money laundering and terrorism financing methods and trends. A procedural framework for the typologies work was developed and adopted by MONEYVAL members via written procedure.



In the framework of this programme MONEYVAL prepared its first report outlining threats, vulnerabilities and best practices identified during the COVID-19 pandemic based on the information collected from its members. The report aims to assist policymakers, practitioners and the private sector in applying a more targeted and effective response to the emerging money laundering and terrorist financing risks in the European context. Some findings of the report are also relevant for the general public as a source of information against potential criminal schemes.

### 4.3. MONEYVAL PLENARIES AND INTERSESSIONAL CONSULTATIONS

At its Plenary and Intersessional consultations in 2020, 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 decisions. In particular, MONEYVAL:

- ▶ adopted a procedural framework for the consideration of quality, consistency and horizontal issues in MONEYVAL mutual evaluations;
- ▶ adopted two typologies research topics for 2020 – 2022 : supervision practices in the time of crisis; money laundering from drug trafficking with the use of virtual currencies;
- ▶ adopted amendments to the MONEYVAL Rules of Procedure for the 5<sup>th</sup> Round of Mutual Evaluations concerning follow-up reports and decision-making through virtual and 'hybrid' means;
- ▶ held an exchange of view with the Council of Europe Counterterrorism Coordinator Mr Carlo Chiaromonte, and the President of the Conference of the Parties to CETS n° 198 Dr. Ioannis Androulakis;
- ▶ heard a presentation by the EU Commission on recent AML/CFT developments in the EU;
- ▶ heard a presentation by the MONEYVAL Secretariat on the horizontal review of Immediate Outcome 9.



#### 4.4. EVALUATOR TRAININGS

In 2020 MONEYVAL, jointly with FATF, organised a training seminar for future evaluators involved in the 5th round of mutual evaluations. The training was held in Berlin (Germany) on 24-28 February 2020. 50 participants originating from a total of 31 different countries

from four continents were trained on the 2012 FATF Recommendations and FATF 2013 Methodology. Participants heard a key address by Dr Marcus Pleyer, President of the FATF. MONEYVAL wishes to extend its gratitude to the German Federal Ministry of Finance and the Federal Academy for Security Policy in Berlin for hosting this event.



#### **4.5. TRAINING FOR MONEYVAL 5TH ROUND ASSESSED COUNTRIES**

The MONEYVAL Secretariat conducts a 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 suitable occasion to inform countries about practical challenges and discuss any country-specific issues regarding the evaluation process. In 2020 virtual training seminars for the 5th round assessments were organised for Liechtenstein, Bulgaria, Estonia and Monaco.

## 5. Key international partnerships

**M**ONEYVAL is a key partner in the Global Network of AML/CFT assessment bodies, which is led by the FATF. The development of horizontal partnerships within this Network is essential to its coherent functioning and overall global effectiveness.

### 5.1. 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 countering 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 systematically 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 2020, the MONEYVAL delegation attended two virtual FATF Plenaries, and 24 other FATF working

group and project meetings. MONEYVAL's contribution had a significant impact on the shaping of the new FATF Standard on proliferation financing risk assessment (as amended in FATF Recommendation 1), Risk-Based Supervisory Guidance and a number of procedural issues in the FATF workstream. MONEYVAL is an active contributor to the on-going process of the FATF Strategic Review, which will determine the parameters of the next assessment round for the entire Global Network.

### 5.2. FATF-STYLE REGIONAL BODIES

MONEYVAL has mutual observer status with other FATF-style regional bodies (FSRBs), in particular the Asia-Pacific Group on Money Laundering and the Eurasian Group on Combating Money Laundering (APG) and the Financing of Terrorism (EAG)<sup>3</sup>. MONEYVAL, EAG and APG actively participated in each other's Plenary and working group meetings in the course of 2020. Furthermore MONEYVAL successfully launched a joint initiative with the APG and EAG, requesting the FATF to establish a procedural gateway for FSRBs to raise horizontal issues in the FATF Working groups and Plenary. If adopted (the paper is scheduled for discussion in February 2021), this procedure will allow FSRBs to request an FATF interpretation on specific issues in the FATF Standards, where the FSRB needs additional clarity.

### 5.3. OTHER PARTNERSHIPS

In 2020 MONEYVAL continued to actively develop its partnership with the **European Union**, which has been actively involved in MONEYVAL since its inception. It is represented in MONEYVAL through the European Commission, which actively participated in MONEYVAL mutual evaluation discussions in the course of 2020, and provided updates to MONEYVAL members on the developing legislative framework on AML/CFT in the EU.



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. In 2020, representatives from both the World Bank and the IMF participated in MONEYVAL Plenary meeting, actively providing inputs to the MONEYVAL mutual evaluation reports.

3. The full list of associate members appears in Appendix IV to this report.



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. In 2020 meaningful

UNODC contributions were provided into the developing MONEYVAL typologies discussions.



The **Organisation for Security and Co-operation in Europe (OSCE)** takes an interdisciplinary approach to AML/

CFT mainly focused on issues of counterterrorism and security. Representatives OSCE took part in the hybrid MONEYVAL Plenary in 2020.

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 in the course of 2020, which were also held in virtual format. Mutual collaboration with the Egmont Group enriches the evaluators' and the Secretariat's understanding of the working methods of FIUs.



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. Representatives of the EBRD attend MONEYVAL

meetings on a regular basis and informed the Plenary about ongoing developments.

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 contributed to a number of specialised discussions.

**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 37 States Parties and 6 signatories (including the European Union).

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 12th meeting in Strasbourg from 27 to 28 October 2020. Amongst other issues, the COP adopted the Thematic monitoring report on the implementation of the Articles 7(2c) / 19(1) of the Convention by the States Parties. The COP also adopted selected follow up reports for Bulgaria, Croatia and Sweden, as well as amendments to the 2018 and 2019 Thematic monitoring reports following the ratification of the Convention by Monaco and inputs received by the Russian Federation. The COP heard a presentation by a representative of the ECHR on the Case of Phillips v. the United Kingdom.

## 6. Human resources

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**B**y the end of 2020, the MONEYVAL Secretariat was comprised of the Executive Secretary, the Deputy Executive Secretary and four Council of Europe administrators, five administrators on secondment from national administrations (from Armenia, Germany, the Russian Federation,

Latvia and the Republic of Moldova), two project officers, and four administrative assistants. MONEYVAL would like to warmly thank the governments of the above five countries which made seconded experts available in 2020.

## 7. Governance and procedural framework

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 Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV), later renamed to 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 began applying international standards designed to combat terrorist financing.

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

### 7.1. MEMBERS AND OBSERVERS

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

- ▶ 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
  - Andorra
  - Armenia
  - Azerbaijan
  - Bosnia and Herzegovina
  - Bulgaria
  - Croatia

- Cyprus
- Czech Republic
- Estonia
- Georgia
- Hungary
- Latvia
- Liechtenstein
- Lithuania
- Malta
- Monaco
- Montenegro
- North Macedonia
- Poland
- Republic of Moldova
- Romania
- Russian Federation<sup>4</sup>
- San Marino
- Serbia
- Slovak Republic
- Slovenia
- Ukraine

- ▶ Non-member States of the Council of Europe (Article 2.2e of the Statute):

- Israel (an FATF member as of 2018);
- 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 FATF, for a renewable term of office of two years. By letter of the FATF President, the current nominated FATF members are Italy and Germany.

<sup>4</sup> The Russian Federation is also a member of FATF and the EAG (Eurasian Group on Combatting Money Laundering and Financing of Terrorism).

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 World Bank;
- ▶ the Commonwealth Secretariat;
- ▶ the European Bank of Reconstruction and Development (EBRD);
- ▶ Group of International Finance Centre Supervisors (GIFICS);

- ▶ 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.

## 7.2. BUREAU

The MONEYVAL Bureau is the key governance body of MONEYVAL, carrying a number of 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:

MONEYVAL Bureau elected for a term of two years in 2019	
Chair:	Ms Elzbieta Frankow-Jaskiewicz (Poland)
Vice-Chairs:	Mr Alexey Petrenko (Russian Federation)
	Mr Richard Walker (UK Crown Dependency of Guernsey)
Members:	Mr Ladislav Majernik (Slovak Republic)
	Mr Matis Mäeker (Estonia)



## Scientific Experts

MONEYVAL work is supported by 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 evaluation reports, attending all MONEYVAL Plenaries as well as enriching the debates with their experience and knowledge. In 2020, 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 Andrew Strijker, former Head of the Dutch delegation to FATF – Financial scientific expert
- ▶ Ms Lia Umans, former member of the FATF Secretariat – Law enforcement scientific expert

## 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 through the following methodological tools:

### 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 procedures

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 Criteria for non-co-operative States and territories. MONEYVAL concluded its second round of onsite visits until 2003. 27 Council of Europe member States were evaluated.

#### Third evaluation round (2005-2009)<sup>5</sup>

The third round of mutual evaluations was based on the 2003 revised FATF Recommendations. In addition, the evaluations 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 a number of priorities FATF 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 3<sup>rd</sup> Anti-Money Laundering and Counter-Terrorist Financing Directive (Directive 2005/60/EC).

#### Fifth evaluation round (since 2015)

The FATF 2012 Recommendations and the 2013 "Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems" constitute the basis of the 5<sup>th</sup> 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 between 10 and 14 days, or longer as appropriate.

5. 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](#).

The first MER report under this new round was adopted in December 2015. By the end of 2020, nineteen mutual evaluation reports were adopted, and two additional countries received onsite visits in the current round.

### **Compliance enhancing procedures**

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 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.

# APPENDICES

## APPENDIX I

### 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>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, DNFBCs and VASPs for compliance with AML/CFT requirements commensurate with their risks.
IO.4	Financial institutions, DNFBCs and VASPs 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 II

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 (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)**

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