COUNCIL OF EUROPE

CONSEIL DE L'EUROPE

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

MONEYVAL(2014)1 SUMM

Report on Fourth Assessment Visit – *Executive Summary*

Anti-Money Laundering and Combating the Financing of Terrorism

"The former Yugoslav Republic of Macedonia"

3 APRIL 2014

"The former Yugoslav Republic of Macedonia" is a member of MONEYVAL. This evaluation was conducted by MONEYVAL and the mutual evaluation report on the 4th assessment visit of "the former Yugoslav Republic of Macedonia" was adopted at its 44th Plenary (Strasbourg, 31 March – 4 April 2014).

LIST OF ACRONYMS USED

AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Counter-Terrorism Financing
CDD	Customer Due Diligence
CPC	Criminal Procedure Code
CTRs	Cash Transaction Reports
CWC	Commission for Work on Cases
DNFBPs	Designated Non-Financial Businesses and Professions
DPML	Department for Prevention of ML
DPTF	Department for the Prevention of TF
ECDD	Enhanced Customer Due Diligence
FATF	Financial Action Task Force
FI	Financial Institution
FIO	Financial Intelligence Office
FIU	Financial Intelligence Unit
ILECU	International Law Enforcement Coordination Units
IMF	International Monetary Fund
ISA	Insurance Supervision Agency
LAF	Law on Associations and Foundations
LEA	Law Enforcement Agency
MAPAS	Agency for Supervision of the Fully Funded Pension Insurance
MER	Mutual Evaluation Report
ML	Money Laundering
MLA	Mutual legal assistance
MoU	Memorandum of Understanding
NBRM	National Bank of the Republic of Macedonia
NC	Non-compliant
NPO	Non-Profit Organisation
NRA	National Risk Assessment
PC	Partially compliant
PEPs	Politically Exposed Persons
QP	Quality Procedures
SEC	Securities and Exchange Commission
SELEC	Southeast European Law Enforcement Center
SR	Special recommendation
STRs	Suspicious transaction reports

TF	Terrorist Financing
UNSCR	United Nations Security Council Resolutions

4th Round Mutual Evaluation of "the former Yugoslav Republic of Macedonia"

EXECUTIVE SUMMARY

1. Background Information

1. This report summarises the major anti-money laundering and counter-terrorist financing measures (AML/CFT) that were in place in "the former Yugoslav Republic of Macedonia" at the time of the 4th on-site visit (2 to 8 June 2013) and immediately thereafter. It describes and analyses these measures and offers recommendations on how to strengthen certain aspects of the system. The MONEYVAL 4th cycle of evaluations is a follow-up round, in which Core and Key (and some other important) Financial Action Task Force (FATF) Recommendations have been re-assessed, as well as all those for which "the former Yugoslav Republic of Macedonia" received non-compliant (NC) or partially compliant (PC) ratings in its 3rd round report. This report is not, therefore, a full assessment against the FATF 40 Recommendations 2003 and 9 Special Recommendations 2001, but is intended to update readers on major issues in the AML/CFT system of "the former Yugoslav Republic of Macedonia".

2. Key findings

2. Steps have been taken by the authorities of "the former Yugoslav Republic of Macedonia" to assess the country risks by taking part in the on-line International Monetary Fund (IMF) project "Preliminary Assessment of the Risk of Money Laundering" in December 2011. No specific national risk assessment (NRA) has been conducted since the last evaluation, but there are indications that "the former Yugoslav Republic of Macedonia" is a transit country within the international channels for trafficking in human beings from high migration areas to Western Europe countries. In addition, links between domestic organised criminal groups and international ones were detected, particularly active in the field of the illicit trade in narcotics and psychotropic substances, smuggling of persons, smuggling of products, illegal trade in weapons and stolen luxury motor vehicles and in credit card fraud. The money laundering (ML) typologies identified by the Financial Intelligence Office (FIO) relate to the use of fast money transfer services; smurfed transactions; purchasing of movable and immovable property; various trade-based ML techniques and the use of legal entities from off-shore countries.

3. "The former Yugoslav Republic of Macedonia" has taken action to align its domestic anti-money laundering legislation even more closely with international standards. The removal of the value threshold from the wording of the ML offence, together with the explicit inclusion of the *"possession"* and *"use"* of proceeds from crime among the material elements of the offence, are particularly welcome. The number of criminal investigations, prosecutions, convictions and confiscations for ML indicate an increase since the last evaluation.

4. An autonomous terrorist financing (TF) offence was introduced in 2008, the scope of which was extended (by means of a further amendment being in force since April 2013), to cover the financing of terrorist organisations and individual terrorists. However, technical deficiencies still remain, limiting the country's compliance with the standards set by SR.II. There have not been any investigations or prosecutions for TF offences in "the former Yugoslav Republic of Macedonia".

5. In 2008, a new AML/CFT Law was adopted and subsequently amended, and as a result, the competences of the FIO have been extended to *i.a.*: cover the measures related to FT deterrence; notify the competent state authorities in case of suspicion of any crime (apart from ML and TF); issue written orders for temporary postponement of transactions; and submit monitoring orders. The FIO remains an administrative type of a financial intelligence unit (FIU) having the core-functions of an FIU and in addition supervisory responsibilities and powers.

6. The reporting obligations were brought more in line with the international standards, now covering the attempted transactions. The FIO issued a number of separate lists of indicators for suspicious transactions reporting, applicable for various industries, which are based only on international experience. The terrorism financing indicators are rather limited and drafted in a general manner. Nevertheless, since the last evaluation the number of suspicious transaction reports (STRs)

(including TF related) increased significantly, which is a positive outcome demonstrating the effectiveness of the reporting system.

7. Although detailed customer due diligence (CDD) measures are in place, there remain certain deficiencies including the incomplete definition of the beneficial owner and the absence of a requirement to take reasonable measures to verify the identity of the customer from *"reliable, independent source documents, data and information"*.

8. The situation of the CDD measures undertaken with regard to politically exposed persons (PEPs) has improved since the last evaluation. However, enhanced CDD measures do not extend to the beneficial owner and a requirement for the financial institutions to establish the *source of wealth* of customers who are PEPs is still missing.

9. The record keeping requirements are now largely in place in "the former Yugoslav Republic of Macedonia", but the obligation to maintain records on transactions, identification data, account files and business correspondence longer if requested by a competent authority in specific cases was not yet implemented and the requirement to provide the information on a timely basis to supervisory authorities is absent.

10. The situation relating to the transparency of wire-transfers has improved significantly since the last evaluation and only the fully effective application of the legal provisions remains to be demonstrated.

11. The supervisory responsibilities for the AML/CFT compliance monitoring for the financial institutions and the DNFBPs are divided between the FIO and the prudential supervisors of the financial institutions. The supervisory system is carefully constructed and steps have been taken towards the application of dissuasive and proportionate sanctions. However, deficiencies regarding the application of the fit and proper criteria still remain, together with effectiveness issues.

12. On the DNFBPs compliance and supervision, since the last evaluation, steps have been taken to align the requirements concerning these entities in "the former Yugoslav Republic of Macedonia" to the international standards. Supervisory actions have been undertaken and sanctions have been applied. The implementation of the necessary legal and regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino is still to be addressed.

13. The steps taken before and since the 3rd round evaluation to centralise the registration and to digitalise (and thereby to simplify and to speed up) the registration process for legal entities as well as to provide full availability of registered data are appreciated. Notwithstanding that, the concept of beneficial ownership is entirely absent from the legislation governing corporate entities and their registration.

14. Comprehensive mechanisms are in place for national and international cooperation and "the former Yugoslav Republic of Macedonia" actively cooperates with other jurisdictions at all levels. However, the application of dual criminality in the Criminal Procedure Code may negatively impact the ability of "the former Yugoslav Republic of Macedonia" to provide Mutual Legal Assistance (MLA) due to shortcomings in TF criminalisation.

3. Legal Systems and Related Institutional Measures

15. The explicit inclusion of the possession and use of proceeds from crime among the physical (material) elements of the ML offence is a major development, as a result of which the range of conducts that establish money laundering was brought more in line with the requirements of the Vienna and Palermo Conventions. The lack of criminalisation of the acquisition of proceeds is the only technical deficiency identified.

16. "The former Yugoslav Republic of Macedonia" achieved 10 final verdicts against 33 individuals for ML offence between 2008 and 2012 which makes 2 convictions every year in average. This is not an outstanding figure in itself nevertheless it is likely to be proportionate to the size of the country and the features of its financial sector. However, the significant backlogs in the trial stage of ML cases are threatening the effectiveness of the AML system.

17. In accordance with the recommendations made in the 3rd round of MONEYVAL evaluation, the legislators introduced an autonomous criminal offence for terrorist financing in 2008. However, serious technical shortcoming were identified in the new provisions, as the TF offence only covers 2 of the 9 *"treaty offences"* adequately, while 3 offences are covered partially and a 6th one is covered only implicitly; the remaining offences are not covered by the TF offence which limits its applicability. In addition, the generic offence of terrorist act appears to be territorially limited and there is no statutory definition for the term "terrorist" or "funds". There were no TF investigations or prosecutions in "the former Yugoslav Republic of Macedonia".

18. The confiscation regime retained its dual structure in the criminal substantive law of "the former Yugoslav Republic of Macedonia". The main provisions governing the confiscation of proceeds of crime and of instrumentalities remained practically the same as at the time of the 3rd mutual evaluation report (MER). The confiscation regime remains conviction-based.

19. It is an improvement that the law now clearly provides for the confiscation of all forms of indirect proceeds, including transformed and commingled assets as well as income or other benefits from the proceeds of crime. However, the confiscation regime is still too complicated which may hamper its effective application, particularly with regards to the provisional measures. Confiscation of instrumentalities is in most of the cases only discretionary and there is no value confiscation for instrumentalities and intended instrumentalities. Confiscations were successfully applied for a number of typical proceeds-generating offences including, among others, trafficking in human beings and smuggling of migrants, illegal production of and trafficking in narcotics and similar substances, trafficking in arms, extortion and corruption crimes.

20. Procedural rules on freezing of terrorist assets are provided only to a very limited extent by the legislation. Once a governmental decree is adopted on the introduction of a restrictive measure, it is up to the FIO to immediately communicate this decision to the relevant financial institutions as well as to the Agency for Real Estate Register and the Central Depository of Securities which are then obliged to immediately check and freeze assets of natural and legal persons subject to financial restrictive measures, if these persons have had business relations with them or have utilised their services, or shall refuse to establish such relations" and to inform the FIO.

21. Guidelines for financial institutions on the application of SR.III requirements were issued the FIO and appear to adequately answer some general questions on the subject and provide for practical details, but the dominant part simply reiterates the text of the Law with no particular added value. There is still no legislation available for freezing under procedures initiated by third countries, there is no designation authority in place for United Nations Security Council Resolution (UNSCR) 1373. Additionally, the protection of the interests of bona fide third parties is missing and there are no procedures for considering de-listing requests and for unfreezing funds or other assets of delisted persons or entities and persons or entities inadvertently affected by a freezing mechanism.

22. The AML/CFT Law describes the FIO competences, which broadly covers the core functions of an FIU. In line with the 3rd round MER recommendations, additional functions and responsibilities have been added within the scope of its work, including the TF responsibilities, the power to notify the competent state authorities in case of suspicion of any crime (apart from ML and TF), postponement of transactions and monitoring of bank accounts and supervisory functions.

23. The FIO receives STRs and cash transaction reports (CTRs) (both for single transactions and in several connected transactions) in cases when the amount exceeds €15,000 in denar counter-value or more and specific reports set for four categories of reporting entities as defined in the AML/CFT Law and has access to all databases managed by the State authorities. However, those databases are not integrated and thus, no automatic search can be performed in the course of the analytical work.

24. The analytical process in the FIO and the decision chain is to be found in five internal Quality procedures (QP) which regulate segments of the analytical process. The FIO has full authority to disseminate financial information to the domestic investigative bodies and the decision on the actual recipient of the FIO work is taken by the Commission for Work on Cases (CWC) created through the FIO Director's decision. Although both the QPs and the creation of the CWC is a welcome progress,

the evaluators maintain the opinion that the dissemination instructions should be more precise in the internal procedures.

25. If there are suspicions of money laundering or terrorism financing, the responsible employee of the FIO will prepare a ***Report*** (on suspicious activities). Where there is suspicion for other criminal offences, the employee shall prepare a ***Notification***. The evaluation team noticed a steady increase in both the number of Reports and Notifications sent to the law enforcement agencies (LEA) by the FIO since the last evaluation report.

26. The AML/CFT Law contains legal safeguards to ensure the FIO's autonomy and independence and the FIO Director has the final decision on the budget expenditures. Risks to the FIO's independence may reside in the fact that the mandate of a FIO Director, though in theory of duration of four years, may be revoked by the appointing authority at any time invoking the *"lack of positive results"*.

4. Preventive Measures – financial institutions

27. Since the 3rd round mutual evaluation "the former Yugoslav Republic of Macedonia" has made welcome progress in aligning its AML/CFT legal framework with international standards. At the time of the present assessment, the risk-based approach was embedded in the AML/CFT Law and in related guidance and regulation. All the financial institutions, as defined by the FATF Glossary, are covered by the legislation as having AML/CFT obligations.

28. The general requirement for financial institutions to apply CDD measures (including the ongoing due diligence on business relationship) is provided in the AML/CFT Law and applies when establishing a business relationship; when carrying one or several linked transactions amounting to €15,000 or more in denar counter-value; when there is a suspicion of money laundering or financing terrorism, regardless of any exception or amount of funds, and when there is a doubt about the veracity or the adequacy of previously obtained client identification data.

29. If a transaction is carried out on behalf and in the name of a third party, the financial institutions are obliged to establish and verify the identity of a person performing the transaction (proxy), the holder of rights (principal) and the power of attorney. The definition of the *"beneficial owner"* prescribes it as the natural person who is the owner or who has direct influence on a client and/or the natural person in whose name and on whose behalf the transaction is being performed. Although the definition is broadly in line with international standards, it doesn't cover the ***ultimate*** ownership or control of a client and/or a person on whose behalf a transaction is being conducted.

30. The representatives of the banking sector appeared to be largely aware of the CDD requirements expressed in the AML/CFT Law which are in some cases further enhanced by group-wide procedures. However the non-banking financial institutions demonstrated a lower awareness of AML/CFT risks and threats and expressed uncertainty on the obligation to perform a risk analysis and to apply the CDD measures according to its results.

31. Significant steps have been taken to introduce the PEPs related requirements in the AML/CFT regime which now defines the *holders of public functions* and prescribes the additional measures that the financial institution (FI) must take to address the respective risks. However, the AML/CFT Law still does not contain a requirement to apply enhanced CDD measures when the beneficial owner is a PEP and to obtain the senior management approval to continue business relationship when the beneficial owner is subsequently found to be, or subsequently becomes a PEP in the course of the relationship is still absent.

32. At the time of the 4th round on-site visit, according to the explanations provided to the evaluators by the authorities, the AML/CFT Law clearly requires that the obligations for client analysis/identification and other measures are implemented by the obliged entities. The AML/CFT Law does not include provisions that allow the entities to rely on mediators or third parties and/or introducers in the implementation of the measures and activities required by the AML/CFT legislation. Although *not applicable*, the authorities should adopt general legal or regulatory provisions applicable to third parties and intermediaries to cover the requirements of R.9 on intermediaries and introduced business or alternatively, *expressis verbis* prohibit the use of 3rd parties.

33. The AML/CFT Law prescribes that the reporting entities are obliged to keep the copies of documents that confirm: the identity of the client or the beneficial owner; the client's and beneficial owner's analysis procedure; the performed transactions or the transactions being performed; and the client's file and the business correspondence, for at least ten years after the performed transaction starting from the moment of last transaction performed. The requirement is broadly in line with the standard, however there is no requirement to keep records longer if requested by a competent authority in specific cases and upon proper authority.

34. Significant progress was achieved by "the former Yugoslav Republic of Macedonia" on the wire transfers rules since the last evaluation. Pursuant to the AML/CFT Law, the entities performing fast money transfers, shall be obliged to determine the identity of the client, the sender (*i.e.* beneficial owner) prior to each transaction exceeding the amount of €1,000 or another equivalent currency. However, more awareness raising is required for the FI to implement effectively risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator information.

35. According to the AML/CFT Law, the entities are obliged to give special attention to the business relations and transactions with natural persons or legal entities from countries that have not implemented or have insufficiently implemented measures for the prevention of money laundering and financing terrorism. The Ministry of Finance, upon the proposal of the FIO, shall determine the list of countries with weaknesses in the AML/CFT system. While it appears that a general awareness in relation to the large and complex transactions with countries not sufficiently applying FATF Recommendations is in place, this is mainly understood in the context of CDD. Beyond that, the counter-measures are limited to enhanced customer due diligence (ECDD) and the information provided by the authorities is not regularly up-dated.

36. STR reporting obligations were expanded since the last MER to cover attempted transactions. The authorities have elaborated sets of indicators for recognising suspicious transactions for all financial institutions that are reporting entities (banks, exchange offices, fast money transfers, post offices and telegraphic delivery of valuable shipments, brokerage companies and managing investment funds, saving houses, voluntary pension funds and for the insurance industry). However, in terms of the number of STRs submitted by the non-banking financial sectors, limited success has been achieved.

37. With regard to the TF submitted STRs, although some technical deficiencies were identified, the reporting system seems to work properly in practice. STRs were constantly filled by the reporting entities (not only by banks) and their volume varies between 1% to 8% of the ML related STRs which seems a fair ratio taking into account the size of the financial system and the country risk.

38. In accordance with the AML/CFT Law, and in the context of the preparation of the internal programmes, each reporting entity is obliged to appoint an authorised person. There is, however, no direct and unconditional obligation to appoint an AML/CFT compliance officer. The AML compliance function seems well established and resourced in banks. There remains, however, a concern that the AML/CFT issues are not tied well into the internal audit procedures with the exception of banks/savings houses. The representatives of the obliged entities interviewed on-site showed very low awareness of employee screening procedures and referred exclusively to educational/professional standards which are checked during the interview.

39. The fit and proper requirements are to be found in the sector specific laws applicable to the respective FI, but are not fully in line with the international standards. In addition to the limited provisions on fit and properness of shareholders and directors, the assessors gained the conviction that such checks are carried out only to a very limited extent in practice. The supervisory system in "the former Yugoslav Republic of Macedonia" over the financial institutions consists of five primary responsible supervisory authorities (National Bank of the Republic of Macedonia, Insurance Supervision Agency, Agency for Supervision of the Fully Funded Pension Insurance, Securities and Exchange Commission and the Postal Agency) which usually carry out the prudential supervision. In addition to these supervisory authorities, for AML/CFT purposes the FIO acts as additional supervisor. The allocation of supervisory competences and powers over specific financial institutions is laid out in the AML/CFT Law.

40. For the misdemeanours listed in the AML/CFT Law, the supervisory authorities are obliged to propose an alignment procedure before submitting a request for a criminal procedure. The sanctions are provided both for legal entities and for the *"responsible person of the legal entity"*. The highest fines for legal persons range from €80,000 to €100,000 in denar counter-value, while highest fines for responsible persons range from €5,000 to €10,000 in denar counter-value. The information about the sanctions imposed in practice to the financial sector for AML/CFT breaches as provided by the authorities shows a very limited sanctioning system.

5. Preventive Measures – Designated Non-Financial Businesses and Professions

41. Welcome progress has been made by "the former Yugoslav Republic of Macedonia" authorities in order to increase the technical compliance with the FATF Recommendations targeting the designated non-financial businesses and professions (DNFBP) sector.

42. At the time of the present assessment, all the DNFBPs listed in the FATF Glossary are covered by the AML/CFT Law, with the only exception of the internet casinos. The dealers in precious metals and stones are not included in the AML/CFT regime, because the Law explicitly prohibits any payment or receipt of cash in an amount of €15,000 or more in denar counter-value outside the banking system. All the obligations applicable to the FI are relevant for the DNFBPs subject to the AML/CFT Law too.

43. The CDD measures applied by the casinos and the real estate representatives seemed to broadly cover the AML/CFT Law requirements to a satisfactory level. However, during the on-site interviews, the representatives of other DNPBPs demonstrated lower awareness of the concept of beneficial owner and PEPs. No attempt is made by the notaries, lawyers and accountants to identify the beneficial owner of the transactions they assist or intermediate. The on-site interviews also lead to the conclusion that DNFBPs do not apply risk-based approach in respect of CDD.

44. The statistical data provided by the authorities showed that the number of STRs received by the FIO from DNFBP's remains very low. No TF related STRs were ever submitted to the FIO by the DNFBP sectors.

45. The on-site interviews confirmed that the notaries are the most knowledgeable category of DNFBP in terms of AML/CFT requirements and actually filed STRs. The evaluation team was told that an initial reluctance of the lawyers vis-à-vis the reporting obligation did exist, but now the issue was solved through awareness raising programs and by introducing the legal privilege excepting them from the reporting obligations in case of criminal procedures carried out in relation to the client. The rest of the DNFBP sectors (the accountants, the auditors, the real estate agents and the legal/natural entities engaged sale/purchase of vehicles) did not file any STR or filed STRs only as an exception. Their level of awareness on the AML/CFT issues confirmed the statistics.

46. The main legal provision for the regulation and supervision of DNFBPs in the area of AML/CFT legislation is the AML/CFT Law which provides that the supervision of the application of measures and actions shall be performed by the Public Revenue Office, the Bar Chambers and Notary Chambers, within their competences. The FIO supervises the application of the measures and actions determined by the AML/CFT Law over the entities in cooperation with these bodies or independently.

47. The necessary legal or regulatory measures to prevent criminals or their associates from holding or being the beneficial owner of a significant or controlling interest, holding a management function in, or being an operator of a casino are still to be addressed by the "the former Yugoslav Republic of Macedonia" authorities.

6. Legal Persons and Arrangements & Non-Profit Organisations

48. Similarly to the time of the previous round of evaluation, the basic law regulating the incorporation and business activity of the commercial entities in "the former Yugoslav Republic of Macedonia" is the Company Law, whose main structure and scope has not significantly changed. The trade register that had previously been maintained by the competent courts was transferred to and re-established as the Unique Trade Register within the framework of the Central Register.

49. The changes in main rules regulating the registration are related to the digitalisation of the public administration through the establishment of a legal basis for the submission of documents in an electronic format.

50. As it was already noted by the 3rd round evaluators, controls that are performed on the information presented by the legal entities are rather formal on the completeness of the documents and the registering authority is only obliged to determine whether the application contains all requirements and if the necessary attachments have been enclosed. There is no further enquiry into the veracity of the data entered for registration: there is no authority to check, for example, the identity of the natural persons subject to registration. As a consequence, there is no room for the Central Register to verify the submitted documentation and thus any rejection of entry would only be possible in case of obvious incorrectness or invalidity of the data or attachments submitted.

51. There are no provisions under the Macedonian legislation that permit the formation of trusts. Furthermore, as trusts are not recognised, it is not possible for a trust to conclude or enforce a contract through the courts. Therefore it can be concluded that R.34 does not apply in "the former Yugoslav Republic of Macedonia".

52. Similarly to the time of the 3rd round of MONEYVAL evaluation, the non-profit sector comprises mainly associations and foundations. The key legislation that regulates this area, including the establishment, registration and legal status of these entities is the Law on Associations and Foundations (LAF) which entered in force in April 2010, replacing the old Law on Citizens' Associations and Foundations.

53. The associations and foundations have to be registered in their respective register as kept by the Central Register. Pursuant to the LAF these are the register of associations and unions (of associations), the register of foundations and the register of organisational forms of foreign organisations which all make part of the Register of Other Legal Entities. Registers are kept in a written form as well as in a single central electronic database that is publicly accessible on the website of the Central Register.

54. No systemic domestic review of the non-profit organisations (NPO) sector, as required by Criterion VIII.1(ii) has ever been performed in the "the former Yugoslav Republic of Macedonia"; not even any notable *ad hoc* surveys were carried out in this field.

55. In order to raise awareness in the NPO sector the FIO developed and issued various documents in this field, starting with the Guideline for the NPOs on Prevention of Financing of Terrorism issued in May 2009, which is publicly available on the official FIO's website. Since the previous round of evaluation, the FIO delivered 4 trainings specifically for the NPOs. The evaluators were informed that these trainings, which involved a large number of participants from many NPOs, had particularly been focused at issues in the area of financing of terrorism and the risk of abuse to which these organisations are exposed in this field.

56. The evaluation team found appropriate measures being in place to sanction NPOs. The generally unlawful functioning of an NPO (including terrorism-related activities) can lead to a specific court procedure and eventually to the prohibition of operations of the NPO and the deprivation of its assets.

7. National and International Co-operation

57. The main legal basis for national cooperation in the area of AML/CFT between relevant competent authorities is set out in the AML/CFT Law, which states that the FIO may exchange information with the authorities competent for carrying out investigation of money laundering or financing terrorism and the supervisory bodies, for the prevention of money laundering and financing terrorism. In order to promote inter-institutional cooperation, the Government has formed the Council for Fight against Money Laundering following a proposal of the Minister for Finance.

58. From the prosecution perspective, the operational cooperation on national level is regulated by the Law on Public Prosecutor's Office, which provides that the Public Prosecutor, for issues related to the implementation of the prosecution function, as well as for issues related to detection of criminal acts and their perpetrators, manages the cooperation and coordinates the activities with other state bodies

and legal entities. The domestic cooperation between law enforcement authorities is also regulated in the *"Guideline on the Manner of Implementation of Criminal Investigations in the Police in the Ministry of Interior"* which includes a special section on *"Implementation of Joint Criminal Investigation"* on inter-institutional and international level.

59. For the supervisory authorities the provisions of the AML/CFT Law are complemented by the sector laws. According to the National Bank of the Republic of Macedonia (NBRM) Law, in carrying out its supervisory tasks, the NBRM may co-operate with other regulatory and supervisory authorities, both domestically and abroad and may exchange confidential information with other domestic or foreign supervisory authorities, which will be used only for supervisory purposes and shall be treated as confidential by the receiving party. The particular laws regulating the Securities and Exchange Commission (SEC), the Insurance Supervision Authority (ISA) and the Agency for Supervision of the Fully Funded Pension Insurance (MAPAS) have similar provisions.

60. During the on-site interviews, the evaluators were left with the opinion that in general, the cooperation between the FIO and law enforcement agencies is satisfactory. Information flows go both ways upon request: from the FIO to law enforcement agencies and vice-versa.

61. The international judicial cooperation in criminal cases is still regulated by the relevant chapters of the Criminal Procedure Code (CPC) as it was at the time of the 3rd round MONEYVAL evaluation. However, in the meantime, "the former Yugoslav Republic of Macedonia" has adopted a new Law on International Cooperation in Criminal Matters which can only be applied, from the day when the new CPC starts to be applied.

62. According to the CPC provisions in force at the time of the 4th round on-site visit, the Ministry of Justice remains the central judicial authority responsible for mutual legal assistance in criminal cases. The Ministry of Justice is thus responsible for delivering the requests of domestic courts to foreign counterparts via the diplomatic channel (through the Ministry of Foreign Affairs), as well as for receiving foreign letters rogatory and forwarding them to the domestic courts. Consequently, the courts still have a central and exclusive role in the circulation of letters rogatory in both ways; only they are entitled to issue a motion for legal assistance and only they have competence to execute a foreign letter rogatory.

63. While the CPC remained silent on the potential grounds for refusal of international cooperation, the new AML/CFT Law provides for a list of circumstances under which the international cooperation can generally be rejected: if the execution of a letter rogatory is contrary to the Constitution or violates its sovereignty, security or safety; refers to an act which is considered to be, or related to, a political criminal act; or it refers to a criminal act consisting in breach of military duties.

64. On a less positive side, the principle of dual criminality is, though implicitly, still present in the CPC that is the domestic legislation to be taken into account for the purposes of the evaluation. This is why the technical shortcomings of the domestic TF offence may possibly cause difficulties in providing mutual legal assistance.

65. The legal basis for cooperation between the FIO and foreign authorities is set out in the AML/CFT Law. The FIO may, within the international cooperation, request data and submit the data received pursuant to the AML/CFT Law, to the authorised bodies and organisations of third countries, spontaneously or upon their request and under condition of reciprocity, as well as to international organisations dealing in the field of fight against money laundering and terrorism financing. The FIO signed 49 Memorandums of Understandings (MoUs) with the FIUs from foreign countries and jurisdictions, out of which, 29 were signed since the last MER.

66. The international cooperation of the MoI is carried-out on the basis of the ratified international conventions, current laws and memorandums or protocols for the international cooperation concluded with third parties. Since 2009, "the former Yugoslav Republic of Macedonia" is member of International Law Enforcement Coordination Units (ILECU). In addition, the international cooperation in the MoI is implemented through the channels of Interpol, Europol, Southeast European Law Enforcement Center (SELEC), as well as through liaison officers in foreign Embassies, located in the neighbouring countries.

67. The FIO may refuse the request for information exchange if: it is contrary to the AML/CFT Law or if it impedes the conduct of the investigation of another competent state authority, or the criminal procedure against the person on which data is requested. The FIO shall be bound to explain the reasons for refusing the request. During the on-site visit, the authorities advised the evaluation team that the reciprocity principle does not impose limitations in the international exchange of information and that no request was rejected so far by the FIO and information request was left unanswered.

68. The legal provisions on international cooperation and exchange of information by the supervisory authority are limited and do not provide for details as laid out in R.40. Despite this shortcoming, the supervisory authorities seem to participate internationally to a certain degree, which is based on MoUs with relevant foreign counterparts.

8. Resources and statistics

69. A total of 51 staff is provided for the FIO in the Rulebook on Systematization of Work Positions in the FIO. At the time of the on-site visit only 30 positions were actually occupied, out of which 16 analysts performing functions related to the core-mandate of the FIO. 16 new staff was employed since the last evaluation. The Rulebook on Systematisation of Work Positions in the FIO provides for special requirements for each and every position of the employees within the unit. Most of the employees must have economic, legal and other relevant background. However, the number of i2 licences is insufficient for all financial analysts within the FIO and not all the positions available in the FIO structure are occupied by employees. The authorities should consider revising the human resources allocation between the Department for Prevention of ML (DPML) and the Department for the Prevention of TF (DPTF) to match the actual number of specific reports.

70. From the perspective of supervisory authorities of the financial sector, the conclusion of the evaluation team is that the general supervisors have adequate human and technical resources. However the FIO's human resources are considered insufficient as together with the other supervisory authorities the FIO is in charge of supervision of more than 370 financial institutions.

71. In the course of this assessment, the authorities of "the former Yugoslav Republic of Macedonia" provided statistics which each contained valuable information. It proved, however, difficult to bring together these multiple statistics in order to get a complete picture of the situation.

72. The authorities do not maintain adequate statistics on the predicate offences and on autonomous/third party laundering cases. The supervision statistics are not complete and integrated, and the statistics on MLA are not comprehensively maintained.

RATINGS OF COMPLIANCE WITH FATF RECOMMENDATIONS

The rating of compliance vis–à-vis the FATF 40+ 9 Recommendations is made according to the four levels of compliance mentioned in the AML/CFT assessment Methodology 2004 (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC)), or could, in exceptional cases, be marked as not applicable (N/A).

The following table sets out the ratings of Compliance with FATF Recommendations which apply to "the former Yugoslav Republic of Macedonia". *It includes ratings for FATF Recommendations from the 3rd round evaluation report that were not considered during the 4th assessment visit. These ratings are set out in italics and shaded.*

Forty Recommendations	Rating	Summary of factors underlying rating[1]
Legal systems		
1. Money laundering offence	**LC**	• The acquirement of proceeds is not criminalised; **<u>Effectiveness</u>** • Significant backlogs in the trial stage of ML cases are threatening *the effectiveness* of the AML system.
2. Money laundering offence Mental element and corporate liability	*Largely Compliant*	• *Potential backlogs both in general terms and especially in money laundering cases, apparently due to the lack of expertise, threaten the effectiveness of the AML system;* • *Low number of convictions and relatively low number of indictments compared to the number of open investigations;* • *No prosecutions or convictions of legal entities for money laundering, raising concerns as to effective implementation of corporate criminal liability. Restrictiveness of the specific provision in Art. 273(7) as regards criminal liability of legal persons in money laundering cases.*
3. Confiscation and provisional measures	**LC**	• The confiscation regime is still too complicated which may hamper its effective application; this refers particularly to the provisional measures (Art. 203 and 203-a CPC) the respective coverage of which is inaccurately defined; • Confiscation of instrumentalities is in most of the cases only discretionary and the same goes for instrumentalities of money laundering offences; • No value confiscation for instrumentalities and intended instrumentalities; • In lack of statistics or any other data related to the application of seizing and freezing/securing orders in general, the effectiveness of the provisional measures regime in case of proceeds-generating criminal offences (i.e. beyond ML related criminal cases) could not be assessed.
Preventive measures		
4. Secrecy laws consistent with the Recommendations	**LC**	• Financial institutions are not specifically authorised to share information for the implementation of Recommendation 7.

[1] These factors are only required to be set out when the rating is less than Compliant.

5. Customer due diligence	**PC**	• No explicit prohibition to open and maintain accounts in fictitious names; • Financial institutions are not required to verify customer's identity from *"reliable, independent source documents, data and information"*; • Definition of beneficial owner does not cover a person who *ultimately* owns or control a client or/and the person on whose behalf a transaction is being conducted; • The requirement to verify the identity of the beneficial owner does not mention *"relevant information or data obtained from a reliable source"*; • Financial institutions are not required to determine whether the customer is acting on behalf of another person in all cases, but only in case of suspicion; • Financial institutions are not bound to meet the CDD requirements when the client is a bank from "the former Yugoslav Republic of Macedonia", EU or equivalent countries; • Apart from the specific situations indicated in the AML/CFT Law, where enhanced CDD measures should be applied compulsorily, regardless of the banks' risk assessment, there are no provisions describing what enhanced CDD measures should mean; • No requirement to prohibit the application of simplified CDD when there are specific higher risk scenarios in case of life insurance policies and insurance policies for pension schemes; • No requirement to terminate the business relationship and to consider making a STR, when the business relationship with the customers has been established, but there are doubts about the veracity or adequacy of the data, or the identity of the existing customers has to be confirmed (under the criteria 5.17), but the financial institutions is unable to comply with criteria 5.3 to 5.5; **<u>Effectiveness</u>** • Financial institutions use documents in foreign languages to carry out CDD measures; • Apart from the banking sector, there is low awareness of the concept of the beneficial owner. No clear understanding among some of the non-banking financial institutions on the distinction between the beneficial owner with the customer or proxy; • Some of financial institutions met on-site maintain a business relationship despite the fact that the ultimate beneficial owner is unknown.
6. Politically exposed persons	**PC**	• Definition of *"holder of public function"* refers only to close members of the family with whom

		holder of the public function lives in communion at the same address; • There is no obligation to apply enhanced CDD measures and to conduct enhanced ongoing monitoring when the beneficial owner is a PEP; • No requirement for the non-banking financial institutions to obtain senior management approval to continue business relationship when the beneficial owner is subsequently found to be, or subsequently becomes a PEP; • No requirement to establish the *source of wealth* of customers or beneficial owners who are PEPs; **Effectiveness** • Some non-banking financial institutions demonstrated a low level of awareness of the concept of PEP and experience difficulties in identifying them.
7. Correspondent banking	**LC**	• Undue exemption from additional measures for correspondent relationships with credit institutions established in EU countries or other equivalent countries.
8. New technologies and non face-to-face business	**LC**	• There is no obligation for the financial institutions to have policies and procedures to address the specific risks associated with non-face-to-face business relationships when conducting on-going due diligence; **Effectiveness** • Financial institutions (apart from banks) demonstrated low awareness of threats arising from misuse of new or developing technologies.
9. Third parties and introducers	**N/A**	
10. Record keeping	**LC**	• No requirement to maintain records on transactions, identification data, account files and business correspondence longer if requested by a competent authority in specific cases; • No requirement to provide the information on a timely basis to supervisory authorities; • Financial institutions are not required to ensure that all customer and transaction records and information are available upon law enforcement authorities' request.
11. Unusual transactions	**LC**	**Effectiveness** • Insufficient instruction provided in respect of the *analysis* required to be carried out negatively impact effective application of the requirements of the Recommendation.
12. DNFBPS – R.5, 6, 8-11	**PC**	• Internet casinos are not subject to the AML/CFT Law; ***Applying Recommendation 5*** • Deficiencies related to financial institutions also apply to DNFBPs; **Effectiveness** • The understanding and awareness of the

		obligations dealing with identification of the beneficial owners is insufficient; ***Applying Recommendation 6*** • Deficiencies related to financial institutions also apply to DNFBPs; **Effectiveness** • DNFBP demonstrated very low awareness of the concept of PEP and related CDD measures; ***Applying Recommendation 8*** • Deficiencies related to financial institutions also apply to DNFBPs; **Effectiveness** • There is very low awareness of risks arising from new and developing technologies across all DNFBPs; ***Applying Recommendation 9*** • N/A; ***Applying Recommendation 10*** • Deficiencies related to financial institutions also apply to DNFBPs; ***Applying Recommendation 11*** • Deficiencies related to financial institutions also apply to DNFBPs.
13. Suspicious transaction reporting	**PC**	• The reporting obligation does not refer to funds that are *proceeds of criminal offences* but is limited to suspicion of *laundering of proceeds;* • TF reporting obligation does not extend to: funds related or linked to *terrorist organisations* and *those who finance terrorism;* and funds used by *those who finance terrorism* as required by 13.2 and IV.1; **Effectiveness** • Contradicting provisions of NBRM Decision 103 which defines STRs as a form of UTRs might impact effectiveness.
14. Protection and no tipping-off	*Largely Compliant*	• *Apart from the special situation concerning banks, there are no tipping-off provisions in relation to directors of financial institutions;* • *The existing tipping-off provisions are not sanctionable.*
15. Internal controls, compliance and audit	**PC**	• No requirement, for the securities companies foreign exchange offices and providers of fast money transfers to maintain an adequately resourced and independent audit function to test compliance with AML/CFT procedures, policies and controls; • Inadequate staff screening requirements; **Effectiveness** • Ineffective procedures regarding the internal programs; • AML/CFT not effectively integrated in the internal audit programs (except for banks & savings houses); • Effectiveness of employee training of institutions

		under the supervision of ISA and the Postal Agency not demonstrated; • Insufficient staff screening practices.
16. DNFBPS – R.13-15 & 21[2]	**PC**	***Applying Recommendation 13*** • The reporting obligation does not refer to *funds* that are proceeds of criminal offences but to suspicion of laundering of proceeds; • TF suspicions are limited to transactions and clients and do not extend to *"funds"* related to terrorist activities, terrorist organisations or those who finance terrorism; • The internet casinos are outside of the scope of the reporting obligations; **Effectiveness** • The Rulebook 38 does not provide a field for the reporting entities to describe the transaction considered as suspicious; • No instruction on on-line STR reporting; • The lists on suspicion indicators do not include TF indicators; • Limited awareness of most of the DNFBP sector on risk situations and on suspicion indicators; • Low level of reporting for all DNFBPs except the notaries; ***Applying Recommendation 15*** • No guidance applicable for the DNFBP sectors to further explain the content of the AML/CFT internal programs requirements; ***Applying Recommendation 21*** • No possibility for the "former Yugoslav Republic of Macedonia" to introduce counter-measures.
17. Sanctions	**PC**	• No possibility to revoke the licence of foreign exchange operations in case of violation of AML/CFT provision; • No designation of authorities to impose sanctions in relation to several violations; • Undue procedural hurdles for the FIO to initiate procedures for violation of AML Law provisions; **Effectiveness** • Procedural hurdles of the sanctioning system and low numbers of sanctions do not allow demonstrating a satisfactory level of effectiveness.
18. Shell banks	**C**	
19. Other forms of reporting	***C***	
20. Other DNFBPS and secure transaction techniques	*Largely Compliant*	• *The application of the AML Law is extended to an overly wide range of non-financial businesses and professions (other than DNFBP) without undertaking a risk assessment which seems to be counterproductive with regard to effective*

[2] The review of Recommendation 16 has taken into account those Recommendations that are rated in this report. In addition it has also taken into account the findings from the 3rd round report on Recommendations 14.

		implementation. Moreover, for these entities no supervisory regime is in place and no other legislative acts apart from the AML Law have been issued for AML/CFT purposes.
21. Special attention for higher risk countries	**PC**	• There is no legal basis for "the former Yugoslav Republic of Macedonia" to apply countermeasures; **Effectiveness** • No appropriate updates by the MoF to the list of countries with weaknesses in the AML/CFT system.
22. Foreign branches and subsidiaries	**LC**	• No explicit reference to: home country standards, except for banks; respectively the higher standards.
23. Regulation, supervision and monitoring	**PC**	• No clear legal prohibition which would prevent criminals and their associates from holding qualifying participations in insurance companies and insurance agencies; • Fit & proper criteria for FI do not cover all the aspects required by EC 23.3.1, that is in terms of all criminal records and in relation to persons that are "associates" to criminals; • Only limited measures regarding leasing companies; **Effectiveness** • Effectiveness of the FIO's supervision not sufficiently demonstrated; • Very limited cooperation in supervisory measures between the FIO and the relevant sector supervisor; • Several sectors were not subject to supervision by the FIO in recent years (insurance companies/brokers, pension funds, postal offices, leasing companies).
24. DNFBPS - Regulation, supervision and monitoring	**PC**	• No measures to prevent criminals or their associates from holding or being the beneficial owner of a casino; **Effectiveness** • The effective performance of AML/CFT supervision by the PRO was not demonstrated; • The Attorney Committee is not actively pursuing its supervisory function.
25. Guidelines and Feedback	**PC**	• Guidance on TF suspicions is week; • No guidance on the application of the Recommendation 11 requirements; • Insufficient feed-back to the private sector; • No sector specific guidelines for the application of the AML/CFT requirements other than STR reporting; • The feedback from the supervisors and the FIO to the DNFBP sector is made on ad-hoc basis; **Effectiveness** • General feedback provided on ad-hoc bases does

		not reach all the reporting entities; • No awareness on the sector specific guidance in the application of all AML/CFT requirements.
Institutional and other measures		
26. The FIU	**LC**	• No guidance on the documentation required to be attached to the STR form; • Unclear and incomplete criteria for allocation of disseminated cases (both for ***Reports*** and ***Notifications***): conflicting provisions in case of money laundering suspicions derived from OC; conflicting provisions in case of the ML generating from *"financial crimes"* predicates; • Unclear criteria for the authority competent to receive the disseminations in case of financing terrorism; • Risks to the FIOs independence reside the fact that the mandate of a FIO Director, though in theory, of a duration of four years, may be revoked by the appointing authority at any time invoking the *"lack of positive results";* **Effectiveness** • Failure to reply to the FIO request for additional information according to Art. 34 (3) it is not mentioned in Art. 49 in relation to sanctions; • Low number of databases the FIO has on-line access to impede effectiveness; • Inconsistent dissemination system in case of TF suspicions.
27. Law enforcement authorities	*Largely Compliant*	• *The MLPD is disseminating its reports for further investigation either to the Financial Police or to the MoI, but there are no clear legal criteria determining which body is competent in which cases;* • *Money laundering investigations are almost exclusively focused on money laundering in relation to tax evasion.*
28. Powers of competent authorities	*Compliant*	
29. Supervisors	**PC**	• No explicit powers for the NBRM to compel the production of records from FX operators; • No explicit powers for the Postal Agency to compel production of records outside the on-site visits; • No possibility to sanction ***senior*** management for all supervisors. ISA neither empowered to sanction directors nor senior management; • The FIO can initiate enforcement procedures and sanctions only upon the findings of on-site inspections; **Effectiveness** • Effectiveness of the powers of enforcement and sanction was not established.

30. Resources, integrity and training	**LC**[3] *(composite rating)*	*FIO* • The human resources allocation between DPML and DPTF do not match the actual number of specific reports; • Not all positions available in the FIO structure are occupied by employees; • FIO's human resources (in its capacity of supervisor) are considered insufficient considering the scope of its supervisory responsibilities.
31. National co-operation	**LC**	**Effectiveness** • No clear rules or consultation mechanisms between competent authorities on supervision; • The information flow between the FIO and the general supervisors incomplete.
32. Statistics	**PC**[4] *composite rating*	• The authorities do not maintain adequate statistics to allow them to review the effectiveness of their system for combating ML and TF on a regular basis; • No statistics on provisional measures; • Statistics on the predicate offences were only available for final convictions; • No statistics indicating the autonomous/third party laundering cases; • Lack of complete and integrated AML/CFT supervision statistics; • Statistics on MLA are not comprehensively maintained; • The statistics on rogatory letters do not contain reliable information on the respective criminal offences involved, the typical investigative measures requested, the foreign states, and the overall number of refused foreign requests.
33. Legal persons – beneficial owners	**PC**	• The registration of corporate entities still does not ensure an adequate level of reliability of information registered; • The transparency of ownership structure does not provide information on beneficial ownership.
34. Legal arrangements – beneficial owners	**N/A**	
International Co-operation		
35. Conventions	**LC**	• Reservations about certain aspects of the implementation of the ML and FT Conventions: o ML and TF offences do not meet the standards set forth by these conventions; o unclear whether the TF offence can be considered a political crime;

[3] The review of Recommendation 30 has taken into account those Recommendations that are rated in this report. In addition it has also taken into account the findings from the 3rd round report on resources integrity and training of law enforcement authorities and prosecution agencies.

[4] The review of Recommendation 32 has taken into account those Recommendations that are rated in this report. In addition it has also taken into account the findings from the 3rd round report on Recommendations 38 and 39.

36. Mutual legal assistance (MLA)	**LC**[5]	• The application of dual criminality in the CPC may negatively impact the ability of "the former Yugoslav Republic of Macedonia" to provide MLA due to shortcomings in FT criminalization; **Effectiveness** • Effectiveness cannot be demonstrated.
37. Dual criminality	*Largely Compliant*	• *The shortcomings of the domestic legislation intended to cover the financing of terrorism as well as the value threshold applied in the money laundering offence may limit mutual legal assistance based on dual criminality;* • *Because financing of terrorism is insufficiently criminalised in the current domestic legislation, the requirement of dual criminality for extradition would mean that not all kinds of terrorist financing offences would be extraditable and the same refers to money laundering cases below the threshold of five officially declared monthly salaries.*
38. MLA on confiscation and freezing	*Largely Compliant*	• *In the complete absence of statistics it is not possible to determine whether and to what extent "the former Yugoslav Republic of Macedonia" provides effective and timely response to foreign requests concerning freezing, seizure or confiscation;* • *No consideration has been given to establishing an asset forfeiture fund into which all or a portion of confiscated property will be deposited and will be used for law enforcement, health, education or other appropriate purposes;* • *There are no arrangements for coordinating seizure or confiscating actions with other countries.*
39. Extradition	*Largely Compliant*	• *In the absence of proper statistics it is not possible to determine whether extradition requests are handled without undue delay.*
40. Other forms of co-operation	**LC** *(composite rating)*	• No legal provision for the FIO to exchange information on underlying predicate offence; • Financial supervisory authorities: Unclear and incomplete legal situation regarding certain aspects of international cooperation: o NBRM and MAPAS: Lack of clarity on the manner of cooperation and information exchange in the Law; o ISA: No legal basis for the provision of the widest range of international cooperation and for the prompt and constructive exchange of information; o The Postal Agency may not cooperate and exchange information with foreign

[5] The review of Recommendation 36 has taken into account those Recommendations that are rated in this report. In addition it has also taken into account the findings from the 3rd round report on Recommendation 28.

		counterparts; o No authorisation for supervisory authorities to make inquiries on behalf of foreign counterparts; • No safeguards on the use of information exchanged in all supervisory laws, but only in the NBRM Law;
Nine Special Recommendations		
SR.I Implement UN instruments	**PC**	• Reservations about certain aspects of the implementation of the FT Convention; • Deficient and incomplete implementation of UNSCRs 1267 and 1373.
SR.II Criminalise terrorist financing	**PC**	• The TF offence only covers 2 of the 9 *"treaty offences"* adequately, while 3 offences are covered partially (with various deficiencies) and a 6th one covered only implicitly; the remaining offences are not covered by the TF offence which limits its applicability; • The generic offence of terrorist act in Art. 394-c (1) CC appears to be territorially limited and thus cannot formally be applied to acts committed in order to compel (the government of) "any country"; • There is no statutory definition for the term "terrorist" as used in Art. 394-c (2) CC while the generally understood scope of this term, as derived from logical and systemic interpretation of different articles of the Criminal Code, appears narrower than envisaged by the FATF standards; • The definition of "funds" (property) contains no indication whether it refers to all assets "however acquired" including funds whether from a legitimate or illegitimate source.
SR.III Freeze and confiscate terrorist assets	**PC**	• Lack of clear, comprehensive and reliable procedural rules for freezing of terrorist funds or other assets of designated persons and entities in accordance with UNSCRs 1267/1988 and 1373; • No legislation available for freezing under procedures initiated by third countries and funds or assets controlled by designated persons; • No designation authority in place for UNSCR 1373; • No protection is provided to the interests of bona fide third parties; • No procedures for considering de-listing requests and for unfreezing funds or other assets of delisted persons or entities and persons or entities inadvertently affected by a freezing mechanism; • No procedure available for court review of freezing actions.
SR.IV Suspicious transaction	**PC**	• TF reporting obligation does not extend to: funds

reporting		related or linked to *terrorist organisations* and *those who finance terrorism;* and funds used by *those who finance terrorism* as required by 13.2 and IV.1; • Shortcomings under SRII impact the reporting requirements; **Effectiveness** • The failure to produce an adequate list of TF indicators undermines the effectiveness of reporting.
SR.V International co-operation	**PC**[6]	• Application of dual criminality in the CPC may negatively impact the ability of "the former Yugoslav Republic of Macedonia" to provide MLA due to shortcomings in FT criminalisation; • Shortcomings in the terrorist financing offense described in SR.II may affect the implementation in terrorist financing cases; • Technical shortcomings under R40 apply; **Effectiveness** • Effectiveness cannot be demonstrated.
SR.VI AML requirements for money/value transfer services	**PC**	• Deficiencies in the AML/CFT Law relating to the preventive measures, particularly on CDD, apply to MVT operators; **Effectiveness** • There is an insufficient number of inspections and unsatisfactory level of monitoring over MVT operators; • Low awareness of preventive measures among MVT operators and subagents.
SR.VII Wire transfer rules	**LC**	**Effectiveness** • The Postal Office did not display sufficient awareness of their obligations; • The effectiveness of the risk-based procedures for identifying and handling wire transfers not demonstrated.
SR.VIII Non-profit organisations	**PC**	• No review of the adequacy of domestic laws and regulations that govern the NPO sector; • No mechanism introduced for the periodic/systemic reassessment of the FT vulnerabilities of the NPO sector; • Lack of an adequate control mechanism to ensure the veracity and validity of data and documents registered; • No systemic/programmatic monitoring of the sector with a view to detecting potentially FT-related illicit activities.
SR.IX Cross Border declaration and disclosure	**PC**	• Bearer negotiable instruments are not covered by the declaration system; • No clear procedures for the Customs' Administration regarding cases of non-disclosure

[6] The review of Special Recommendation V has taken into account those Recommendations that are rated in this report. In addition it has also taken into account the findings from the 3rd round report on Recommendations 37, 38 and 39.

		or false declaration of currency over the threshold; • The designation of the Customs Administration in SRIII related matters is highly questionable; • No specific legal provision dealing with the unusual movement of gold, precious metals and stones nor a methodology describing how to proceed in cases such assets are identified at the border; • No information concerning any training program deployed by the authorities concerning ML/TF risk identification with a view of STRs submission to the FIO; **Effectiveness** • No sign or billboard requiring the declaration of cash or other bearer instruments at the frontier.