

ANNUAL REPORT FOR 2015



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

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of Terrorism

French edition:

Rapport annuel sur les activités de MONEYVAL 2015

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Abbreviations and acronyms

AIF	Financial Information Authority, the financial intelligence unit of the Holy See/Vatican City State
AML	Anti-money laundering
APMLTF	Administration for the Prevention of Money Laundering and Terrorist Financing
CDD	Customer due diligence
CDPC	European Committee on Crime Problems
CEPs	Compliance enhancing procedures
CETS No. 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 No. 198)
CTED	UN Counter-Terrorism Committee Executive Directorate
CTIF-CFI	Belgian Financial Intelligence Processing Unit
DNFBPs	Designated non-financial businesses and professions
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
EDD	Enhanced due diligence
EPAS	Enlarged Partial Agreement on Sport
ERRG	Europe/Eurasia Regional Review Group
EU	European Union
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FSRB	FATF-style regional body
GDP	Gross domestic product
HS/VCS	Holy See/Vatican City State

ICPO-Interpol	International Criminal Police Organization-Interpol
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
OSCE	Organization for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PC-GR-COT	Ad hoc Drafting Group on Transnational Organised Crime
PEP	Politically exposed person
SAR	Suspicious activity report
STR	Suspicious transaction report
TCSP	Trust and company service providers
TF	Terrorist financing
UN	United Nations
UNCTC	United Nations Counter-Terrorism Committee
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions
VTC	Voluntary tax compliance
WGE	Working Group on Evaluations

Introduction from the Chairman



I am honoured to present the 5th annual report since MONEYVAL was granted its own statute. This is also the first occasion for me since I was elected as the Chair of MONEYVAL last December.

The report covers the year 2015, during which we have witnessed numerous terrorist attacks in Council of Europe member states and elsewhere. The attacks in Paris in January and November 2015 have shocked people all over the world. Unfortunately, since then we have seen further terrorist attacks in Ankara, Brussels, Istanbul and most recently in Nice. These gruesome attacks have highlighted the importance of combating terrorism vigorously. Since terrorists need sponsors to plan and organise their attacks, combating terrorist financing can be an effective element of a successful fight against terrorism – if all countries apply countermeasures consequently and effectively.

Moreover, the leaking of the so-called “Panama Papers” in early 2016 has demonstrated the need for a global response to combat the abuse of companies and trusts, to ensure more transparency of beneficial ownership.

This underlines how relevant the mandate of MONEYVAL remains. Assessing member states against the globally agreed standard to combat money laundering and terrorist financing is crucial. And it

is successful: Through peer pressure, our members are constantly updating their respective national strategies and legislation. This results in more confiscations, more convictions and more enforcement activity by the regulators. While these rising figures are encouraging, the results are still not effective enough in many countries to deter launderers and terrorists.

Against the background of its mandate, 2015 was an intense year for MONEYVAL. Of the 33 states and jurisdictions subject to evaluation by MONEYVAL at the beginning of 2015, 26 were subject to active monitoring processes (through on-site visits, adopted reports or follow-up procedures).

MONEYVAL completed the on-site visits and adoption of mutual evaluation reports for its 4th cycle of mutual evaluations in late 2015. It also conducted its first on-site visits under the 5th mutual evaluation round to Armenia and Serbia. This new round no longer focuses on technical compliance (i.e. having the necessary laws and regulations in place), but how to apply the measures effectively.

The terrorist attacks in Paris in 2015 have also highlighted the urgency to deter terrorist groups from obtaining the financial means to perpetrate their crimes. In close co-operation with the Financial Action Task Force (FATF), MONEYVAL undertook a “Terrorist financing fact-finding initiative” in order to review the current level of compliance of its members with the core standards. MONEYVAL will support those members where gaps have been identified to quickly close these, and increase peer pressure where necessary.

MONEYVAL is the only monitoring body in the Council of Europe that is part of a wider, global network of monitoring bodies, led by the FATF. This is a very positive aspect as far as the visibility of the organisation is concerned. But it comes with a price tag: The global network of assessor bodies expects MONEYVAL to finalise the new round of evaluations within a given time frame and to provide sufficient resources for this task. While the Committee is grateful for a very hard-working and committed secretariat, the latter needs to be urgently reinforced if this workload is to be tackled adequately.

This responsibility concerns all Council of Europe member states, whether they are members of the FATF or MONEYVAL. Every member state benefits from MONEYVAL's output. The 18 Council of Europe member states which are evaluated by the FATF are either neighbours of MONEYVAL jurisdictions (and thus have an interest that their neighbouring countries have a sound AML/CFT system), or they are directly or indirectly linked to one of the numerous international financial centres that are members of MONEYVAL. Member states can support MONEYVAL in many ways: through secondments to the secretariat, by providing assessors for the evaluations, or through voluntary contributions.

MONEYVAL's statute states that the Committee shall aim to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively. In 2015 and beyond, our Committee remains more determined than ever to honour this mission.

July 2016

Daniel Thelesklaf



Executive summary

The year 2015 has seen horrible terrorist attacks in Europe and other parts of the world committed by “Daesh” (also known as Islamic State or IS) and other terrorist groups. The atrocious terrorist attacks in Paris in January and November reminded Europe of the increasing threat. There is no terrorism without terrorist financing: terrorists need sponsors to plan and organise attacks on societies. Combating terrorist financing can be an effective element of a successful fight against terrorism – if all countries apply countermeasures consequently and effectively. Combating terrorist financing is also an important element in the overall strategy of the Council of Europe to combat terrorism. Through MONEYVAL, as part of the framework to fight money laundering, the Council of Europe can significantly contribute to a safer world.

Assessing member states against the globally agreed standard to combat money laundering and terrorist financing (the “FATF standard”) is the core mandate of MONEYVAL. Through peer pressure, the 34 MONEYVAL members are constantly updating their anti-money laundering (AML) and combating the financing of terrorism (CFT) strategies, as well as the implementation of these measures. In 2015, MONEYVAL also gave priority to its mission to contribute, through the evaluation of the counter-terrorist financing measures applied by its jurisdictions, to deter terrorist groups from obtaining the financial means to perpetrate their crimes. In close co-operation with the Financial Action Task Force (FATF), MONEYVAL undertook a “Terrorist financing fact-finding initiative” in order to review, as a matter of urgency, the current level of compliance with the core CFT standards. While most MONEYVAL members were in compliance with these standards, some have been identified not to be in line. MONEYVAL will support these members to quickly close the gaps, and increase peer pressure where necessary.

The publication of the mutual evaluation reports is the principle outcome of MONEYVAL’s activities. The reports are crucial to demonstrate the level of compliance of a specific jurisdiction. They are public and widely used by financial institutions around the globe to assess AML/CFT compliance when conducting business in a given jurisdiction. A negative report can have detrimental economic effects: banks risk losing access to the global financial architecture and investments may decrease.

During the year, MONEYVAL finalised the on-site visits and the adoption of reports of its so-called 4th round of mutual evaluations. In 2012/2013, the FATF revised the global AML/CFT standard and drafted a new methodology to assess countries’ compliance. In 2015, MONEYVAL conducted its first two on-site visits and adopted its first report under this new methodology, in the framework of the so-called 5th round of mutual evaluations. In all, 26 MONEYVAL members were subject to active monitoring processes in 2015 (within both the 4th and the 5th round of mutual evaluations).

While mutual evaluation shows consistent improvement of technical compliance with international standards, particularly on the preventive side, the effective implementation of the standards is a serious challenge. MONEYVAL’s work showed clearly that law enforcement and prosecutorial authorities should do more to achieve money-laundering convictions, in particular of perpetrators who did not commit the predicate offence (so-called “third-party money laundering”). Obtaining deterrent confiscation orders which take the profit out of crime, while still respecting the rule of law, also remains a priority. The focus of the 5th round will be on effectiveness, while MONEYVAL will continue to also assess technical compliance.

Peer pressure can only work if jurisdictions are subject to an effective compliance enhancing procedure (CEP). MONEYVAL's CEP includes four steps. Step 4 (which applies if all previous measures have not been sufficient to support the country to remove the deficiency) is a referral of the jurisdiction to the International Co-operation Review Group (ICRG) process of the FATF. In April 2015, the MONEYVAL Plenary decided to apply Step 4 to Bosnia and Herzegovina. Shortly after, Bosnia and Herzegovina adopted a number of key amendments to its Criminal Code to address the outstanding shortcomings in relation to the money laundering offence and the confiscation regime. In September 2015, MONEYVAL lifted its public statement on Bosnia and Herzegovina and removed the country from the CEP.

The past year also marked transitions at the helm of MONEYVAL. Mr Daniel Thelesklaf (Liechtenstein), previously Vice-Chair of MONEYVAL, took over the chairmanship from Mr Anton Bartolo (Malta). MONEYVAL's long-standing Executive Secretary, Mr John Ringguth,

retired and was succeeded in October by Mr Matthias Kloth. The Committee also remains grateful to a hard-working and highly committed staff at the MONEYVAL secretariat.

Following a resolution by the Committee of Ministers of the Council of Europe, the United Kingdom Overseas Territory of Gibraltar became a member jurisdiction. By the end of the year, MONEYVAL was thus responsible for the evaluation of AML and counter-terrorist financing measures in 34 jurisdictions.

MONEYVAL continues in its role as an internationally recognised and influential global player in the AML/CFT world. It is a leading associate member of the FATF and is respected as an effective monitoring mechanism for the quality of the outputs it delivers and the strength of its follow-up procedures. MONEYVAL finds and helps reduce risks to the global financial system, identifies gaps in national AML/CFT systems and actively follows up the progress countries make to rectify them.

Introduction and background

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

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

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

Twenty-eight member states of the Council of Europe are assessed by MONEYVAL.¹ In addition, Israel and the Holy See (including the Vatican City State) as well as the UK Crown Dependencies of Jersey, Guernsey and the Isle of Man participate fully in the evaluation processes of MONEYVAL, are subject to its follow-up procedures and have now been granted the right to vote and stand for election to the Bureau. In October 2015, by virtue of the Committee of Ministers Resolution CM/Res(2015)26, MONEYVAL has also been tasked with the evaluation of the UK Overseas Territory of Gibraltar. In total, MONEYVAL is now responsible for assessing 34 jurisdictions.

MONEYVAL's main activity consists in evaluating the implementation of international AML/CFT standards. In 2015, it started its 5th round of mutual evaluations.

1. See the full list of member states and territories below.

Other activities include studies on typologies of money laundering and terrorist financing, joint actions with other AML/CFT-related bodies as well as the review of voluntary tax compliance (VTC) programmes in its jurisdictions. Through these activities, MONEYVAL contributes to the protection of the global financial system from abuse. It also actively contributes to the fight against organised crime, as money laundering provides organised crime with its cash flow and the opportunity to invest in the legitimate economy.

MONEYVAL also assists in monitoring the implementation of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198). This convention reinforces current international standards, *inter alia*, by setting high requirements with respect to freezing, seizure and confiscation measures, the management of frozen and seized property and the possibility to take into account international recidivism when determining a penalty. It is important to note that the monitoring procedure under this convention was designed so as not to duplicate the work of MONEYVAL or the FATF. The convention's monitoring body, the Conference of Parties to CETS No. 198, therefore focuses on those parts of the convention that strengthen or even go beyond the requirements of global standards.

OVERVIEW OF WORK CONDUCTED IN 2015

With the start of the 5th round of mutual evaluations, 2015 was an intense and fruitful year for MONEYVAL. Of the 33 states and jurisdictions subject to evaluation by MONEYVAL at the beginning of 2015, 26 were subject to active monitoring processes (through on-site visits, adopted reports, follow-up and compliance procedures). Four further states were visited in advance of their 5th-round assessment. A table in Appendix I to this report shows the different activities mentioned above.

Principal achievements in 2015

- ▶ 2 on-site visits were undertaken under the 5th evaluation round, which resulted in the discussion, adoption and publication of one MER in December 2015 (Armenia), with the other MER to be discussed by the Plenary in April 2016 (Serbia);
- ▶ 1 fourth-round on-site visit was undertaken (the UK Crown Dependency of Jersey);
- ▶ 4 fourth-round MERs were subject to plenary discussion, adoption and publication (Bosnia and Herzegovina, Montenegro, as well as the UK Crown Dependencies of Guernsey and Jersey);
- ▶ 2 third-round progress reports were subject to secretariat review, plenary discussion, adoption and publication (Ukraine and the Holy See);
- ▶ 21 fourth-round follow-up reports on 16 countries were subject to secretariat review, and plenary discussion and adoption (Albania, Andorra, Azerbaijan, Bulgaria, Croatia, the Czech Republic, Georgia, Israel, Latvia, Lithuania, Malta, Republic of Moldova, Poland, San Marino, the Slovak Republic and “the former Yugoslav Republic of Macedonia”);
- ▶ 1 follow-up report on the special assessment of Cyprus;
- ▶ 1 special report from Andorra in response to the “Notice of Finding” under s.311 of the PATRIOT Act (2001) by the US Treasury;
- ▶ 3 biannual updates were reported (Cyprus, Monaco and Slovenia);
- ▶ 3 compliance reports for jurisdictions in CEPs were presented to the Plenary (two by Bosnia and Herzegovina and one by Lithuania);
- ▶ 3 reports on VTC legislation (Albania, Israel and Malta).

In 2015, MONEYVAL completed the on-site visits and adoption of mutual evaluation reports (MERs) for its 4th round of mutual evaluations, which had commenced in 2009. It conducted one final on-site visit and adopted four 4th-round reports alongside numerous follow-up reports of that round (see the box above).

MONEYVAL also conducted its first on-site visits under the 5th mutual evaluation round to Armenia and Serbia. The MER and Executive Summary of Armenia were adopted during the 49th plenary meeting in December, while the report of Serbia was discussed in April 2016.

To assist the Plenary during the 5th round of mutual evaluations by preparing the discussion and proposing solutions on technical and some other significant issues, MONEYVAL established a Working Group on Evaluations. This will allow the Plenary to focus primarily on effectiveness issues, matters of substance as well as recommendations to the assessed jurisdiction. The first Working Group meeting was held in December prior to the plenary to discuss the MER of Armenia.

MONEYVAL organised two training seminars for future 5th-round evaluators based on the FATF 2013 Methodology. The first seminar was held in March in Dilijan (Armenia), the second in November in Liechtenstein. The aim of the seminars was to train future evaluators in MONEYVAL's 5th round of mutual evaluations. MONEYVAL wishes to thank sincerely the authorities of Armenia and Liechtenstein for hosting these events, which are crucial in sending evaluation teams familiar with the 5th-round standards on its evaluations.

For countries which are expected to be evaluated under the 5th round of mutual evaluations in 2016, MONEYVAL continued to conduct on-site country trainings in order to raise awareness of the requirements of the revised FATF standards and to prepare major stakeholders for the on-site visits. Training seminars for the 5th-round assessment visits were organised in Hungary (February), the Isle of Man (May), Slovenia (October) and Ukraine (November). MONEYVAL completed its series of seminars held during plenary meetings aimed at raising awareness of the implications of compliance with the revised standards, and the new effectiveness Methodology.

With the series of horrific terrorist attacks in Europe and the world in the year 2015, MONEYVAL reaffirmed that the fight against financing of terrorism is one of its primary missions. In light of the growing threat of “Daesh” (also known as Islamic State or IS) and other terrorist groups, MONEYVAL participated in the FATF “Terrorist financing fact-finding initiative”. MONEYVAL provided valuable assistance with regard to its members to the FATF when undergoing this urgent review of all jurisdictions in the global network, aimed at ascertaining their preparedness to cut off terrorism-related financing. This exercise serves as a fine example of the very good co-operation between the FATF and MONEYVAL as a FATF-style regional body. A MONEYVAL delegation also participated in the FATF special plenary meeting on terrorist financing (Paris, 13-14 December 2015) which discussed the most appropriate way to ensure that countries improve their respective systems as quickly as possible. In 2016, MONEYVAL will continue its commitment to

give a proper follow-up to this initiative for those of its members who have been identified as having significant gaps in their legal systems with regard to terrorist financing, in order to ensure that they take appropriate measures within reasonable time to address the gaps identified.

Representatives of MONEYVAL and its secretariat continued to represent the Committee in related bodies of the Council of Europe (notably the Committee of Experts on Terrorism, CODEXTER) and at numerous international and European events, seminars and conferences. Members of MONEYVAL also continued to act as reviewers of MERs by other international bodies, for example the FATF or the International Monetary Fund (IMF).

The Chairman and the Executive Secretary consider that the success of the above MONEYVAL activities clearly demonstrate that the Council of Europe Committee of Ministers' expectations of MONEYVAL have been met or exceeded in 2015.

STRUCTURE OF THIS REPORT

This report starts by setting out the mission and working framework of MONEYVAL with key information on past and current activities.

It goes on to present the results of MONEYVAL's main processes for 2015, namely the 4th and the 5th round of mutual evaluations, the follow-up to the 3rd and 4th round of mutual evaluations, CEPs and consideration of VTC programmes. The documents made reference to in this annual report are published on the MONEYVAL website.²

The report continues with other key activities for MONEYVAL, including its partnerships with other organisations, representation of MONEYVAL in other forums, adopted and ongoing typologies reports, links with the Conference of the Parties (COP) to the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198), training sessions as well as awareness-raising seminars.

Finally, the report concludes with a section on staffing and resources.

2. http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country_profiles_en.asp

Aim and status of MONEYVAL

MONEYVAL is a monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

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

MEMBERS AND OBSERVERS

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

- ▶ member States of the Council of Europe that are not members of the FATF (Article 2.2a of the Statute) and member states of the Council of Europe that become members of the FATF and request to continue to be evaluated by MONEYVAL (Article 2.2b of the statute), currently:
 - Albania
 - Armenia
 - Bosnia and Herzegovina
 - Cyprus
 - Estonia
 - Georgia
 - Latvia
 - Malta
 - Monaco
 - Poland
 - Russian Federation³
 - Serbia
 - Slovenia
 - “the former Yugoslav Republic of Macedonia”
 - Andorra
 - Azerbaijan
 - Bulgaria
 - Croatia
 - Czech Republic
 - Hungary
 - Liechtenstein
 - Lithuania
 - Republic of Moldova
 - Montenegro
 - Romania
 - San Marino
 - Slovak Republic
 - Ukraine

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

- ▶ non-member states of the Council of Europe (Article 2.2e of the statute): Israel;
- ▶ the Holy See (including 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.

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;
- ▶ 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 FATF;
- ▶ Interpol;
- ▶ the International Monetary Fund (IMF);
- ▶ the United Nations International Drug Control Programme (UNDCP);
- ▶ the United Nations Counter-Terrorism Committee (CTC);
- ▶ the United Nations Commission on Crime Prevention and Criminal Justice (CCPCJ);
- ▶ the World Bank;
- ▶ the Commonwealth Secretariat;
- ▶ the European Bank of Reconstruction and Development (EBRD);
- ▶ any members of the FATF.

ACTIVITIES AND PROGRAMMES

Objectives

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

Methodology

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

Mutual evaluation rounds and follow-up processes

MONEYVAL has conducted four rounds of mutual evaluations. In 2015, it commenced its 5th round of mutual evaluations, which is based on the 2012 FATF 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 MERs.

Mutual evaluation rounds

First evaluation round (1998-2000)

The first round of mutual evaluations, based on the 1996 FATF Recommendations, was initiated in April 1998 and on-site visits were concluded in December 2000. Twenty-two Council of Europe member states were evaluated in the first evaluation round.

Second evaluation round (2001-2004)

This second round was also based largely on the 1996 FATF Recommendations and included evaluation against the FATF's 2000 Criteria for non-co-operative states and territories. MONEYVAL concluded its second round of on-site visits at the end of 2003. Twenty-seven Council of Europe member states were evaluated.

Third evaluation round (2005-2009)⁴

The third round of mutual evaluations was based on the 2003 revised FATF Recommendations. In addition, the evaluation reviewed aspects of compliance with the European Union's Third Anti-Money Laundering Directive, which came into force on 15 December 2007. Twenty-eight Council of Europe member states together with the Holy See (including Vatican City State) and Israel have been evaluated in the third evaluation round.

Follow-up evaluation round or "MONEYVAL fourth round" (2009-2014)

MONEYVAL commenced a follow-up round of on-site visits in 2009. For each country, these evaluations focus on the effectiveness of implementation of core and key and some other important recommendations in the 2003 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 reviews aspects of compliance with the European Union's Third Anti-Money Laundering Directive.

Fifth evaluation round (started in 2015)

The 2012 FATF Recommendations constitute the basis of the 5th MONEYVAL round of evaluations. In this round of evaluations, there is a much greater emphasis on the effective implementation of the FATF Recommendations by states and territories, with each on-site visit lasting at least two weeks. The first two on-site visits were conducted in 2015. The first MER under this new round was adopted during the 49th plenary (December 2015).

In 2015, MONEYVAL has conducted the following on-site visits:

4th round onsite visits in 2014

- ▶ the UK Crown Dependency of Jersey (18-24 January)

5th round onsite visits in 2015

- ▶ Armenia (25 May-6 June)
- ▶ Serbia (28 September-9 October)

The MERs resulting from the 2015 on-site visit to Jersey and Armenia were considered during the 49th plenary in December 2015. The MER for Serbia will be considered at the 50th plenary meeting in April 2016.

4. Although the 3rd 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.

WORKING GROUP ON EVALUATIONS

At its 47th plenary meeting in April 2015, MONEYVAL established a Working Group on Evaluations (WGE) to assist MONEYVAL by preparing the plenary discussion and proposing solutions on technical and some other significant issues. This will allow the Plenary to focus primarily on effectiveness issues, matters of substance as well as recommendations to the assessed jurisdiction. The terms of reference of the WGE are contained in Appendix IV to MONEYVAL's Rules of Procedure for the 5th round of mutual evaluations. The MONEYVAL Bureau, after consultation with the Plenary, nominated Professor William Gilmore (scientific expert) in April 2015 and Mr Nicola Muccioli (San Marino) in September 2015 to co-chair this group for a mandate of two years.

GOVERNANCE

Article 6 of the MONEYVAL statute provides for a Bureau comprising a Chair, a Vice-Chair and three other members. The Bureau has several tasks including: to assist the Chair, supervise the preparation of plenary meetings and ensure continuity between meetings.

At the 49th plenary meeting the then Chair, Mr Anton Bartolo, had announced that due to his professional commitment in his home country, he had decided not to stand for re-election. The Plenary warmly thanked him for his involvement in the MONEYVAL Bureau in various functions over many years and gave him a standing ovation. The Plenary then elected a new Chair, Vice-Chair and three Bureau members for a renewable mandate of two years. The Plenary also warmly thanked Mr Nicola Muccioli for his successful conclusion of his term of four years as a Bureau member.

MONEYVAL Bureau elected at the 49th plenary meeting

- | | |
|------------|---|
| Chair | ▶ Mr Daniel Thelesklaf (Liechtenstein) |
| Vice Chair | ▶ Ms Elzbieta Frankow-Jaskiewicz (Poland) |
| Members | ▶ Mr Nedko Krumov (Bulgaria) |
| | ▶ Mr Franck Oehlert (France) |
| | ▶ Mr Alexey Petrenko (Russian Federation) |

SCIENTIFIC EXPERTS

MONEYVAL is fortunate in having a panel of independent scientific experts. The role of a scientific expert is to provide neutral, experienced opinions and to assist the Chair and secretariat in ensuring the consistency of MONEYVAL's outputs. This includes,

among others, fulfilling a quality control function for draft MERs, attending all MONEYVAL plenaries as well as enriching the debates with their experience and knowledge. In 2015, the scientific experts were:

MONEYVAL scientific experts in 2015

- ▶ Dr William Gilmore, Professor of Public International Law, Edinburgh University – Legal scientific expert
- ▶ Mr Boudewijn Verhelst, Deputy Director of CTIF-CFI, and Attorney General in Belgium – Law enforcement scientific expert
- ▶ Mr Giovanni Ilacqua, Head of International Cooperation Division, Banca d'Italia – Financial scientific expert
- ▶ Mr Andrew Strijker, former Head of the Dutch delegation to the FATF – Financial scientific expert with special responsibility for the EU directives
- ▶ Mr Philipp Röser, Executive Officer, Legal and International Affairs, Financial Market Authority, Liechtenstein – Financial scientific expert

Since the mandate of Mr Giovanni Ilacqua as scientific expert ended in December 2015, the Plenary warmly thanked him.

GENDER EQUALITY RAPPOREUR

In line with the general policy of the Council of Europe, MONEYVAL appointed at its 49th plenary meeting in December 2015 Ms Maja Cvetkovski (Slovenia) as a gender equality rapporteur of MONEYVAL.

COMMITTEE OF MINISTERS RESOLUTION CM/RES(2015)26 ON THE EVALUATION BY MONEYVAL OF THE UK OVERSEAS TERRITORY OF GIBRALTAR

On 14 October 2015, Committee of Ministers adopted Resolution CM/Res(2015)26 agreeing to a request of the United Kingdom that the United Kingdom Overseas Territory of Gibraltar be evaluated by the anti-money laundering and counter-terrorist financing body MONEYVAL, and be subject to its follow-up procedures. MONEYVAL's statute allows Council of Europe member states which are members of the FATF, such as the United Kingdom, to request evaluations by MONEYVAL to cover territories for whose international relations they are responsible, provided that these territories are not already evaluated by the FATF. MONEYVAL is now responsible for the evaluation of 34 states and territories. A representative of the United Kingdom Overseas Territory of Gibraltar first participated in MONEYVAL's 49th plenary in December.

Third mutual evaluation round

THIRD-ROUND PROGRESS REPORTS

Plenary meeting

48th meeting ▶ Ukraine

49th meeting ▶ The Holy See



Third progress report of Ukraine

Ukraine has made progress by taking a number of measures aimed at improving its level of compliance with the FATF standards, and in particular the 2003 FATF core recommendations. The adoption in 2014 of a new AML/CFT law which introduces key elements of the 2012 FATF standards is also a signal that the Ukrainian authorities remain committed to the implementation of the global standards.

The amendments which have been made to the Criminal Code and the Criminal Procedure Code have improved the legal framework, though certain gaps remain with respect to the money laundering (ML) offence, and the results reported raise questions as to the level of implementation in practice. All the identified deficiencies in relation to SR.II appear to have been addressed, including the issue on corporate criminal liability with respect to terrorist financing (TF).

As regards customer due diligence (CDD) obligations and record-keeping requirements, almost all of the deficiencies identified in the 3rd-round MER have been remedied. Nonetheless, clearer requirements of identification of the customers and verification where the transaction is carried out should be introduced.

With respect to R.13, Ukraine has continued to address the shortcomings previously identified. Steps have been taken to introduce a more suspicion-based approach to the reporting obligation. Nevertheless, the adequate implementation by the non-banking sector of its reporting obligation has yet to be demonstrated, despite the authorities' efforts and awareness-raising activities.

In relation to SR.IV, the gaps identified in respect of the criminalisation of the TF offence and the obligation to report TF-related suspicious transactions have

been largely remedied. The indicators for reporting suspicious transactions include several TF-related indicators and awareness-raising initiatives have been implemented by the authorities.

As concerns R.3, progress has also been noted. Nonetheless, confiscation appears to be possible with respect to ML only within the limited scope provided for under Article 209 of the Criminal Code (with respect to criminal proceeds and laundered property). The more extensive provisions on special confiscation do not appear to be available for ML nor for all categories of predicate offences, including TF. It is thus proposed that in the context of the 5th-round evaluation of Ukraine by MONEYVAL, the evaluators consider under their scoping exercise whether enhanced scrutiny should be given to the confiscation of proceeds and instrumentalities of crime.

As a result of the discussions held in the context of the examination of this third progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core recommendations. Pursuant to Rule 41 of the Rules of Procedure, the progress report will be the subject of an update every two years between evaluation visits (i.e. September 2017), though the Plenary may decide to fix an earlier date at which an update should be presented.



Second progress report of the Holy See

Following the adoption of the 3rd-round MER of the Holy See/Vatican City State (HS/VCS) at its 39th plenary (July 2012) and submission of the first 3rd-round progress report (43rd plenary, December 2013), the Holy See provided at the 49th plenary meeting a report on its further progress since 2013. The full progress report was subject to peer review by the Plenary, assisted by the rapporteur country (Lithuania) and the secretariat.

The secretariat analysis concludes that the Holy See addressed most of the technical deficiencies in its legislation and regulations. The main legislative development – the Regulation No. 1 on "Prudential Supervision of the Entities Carrying out Financial Activities on a Professional Basis" – came into effect on

13 January 2015. Its direct impact is that the Institute for Works of Religion is now a supervised financial institution authorised by the Financial Information Authority (AIF) (as prudential supervisor) since July 2015. Similarly, the Administration of the Patrimony of the Apostolic See, where applicable, has been authorised by the AIF since July 2015. In October 2015, a systematic screening process of all existing customer records in the HS/VCS (initiated in 2013) has been completed, thus generating a large number of SARs, while in cases where it was needed the customer relations were ended. Work on a domestic

national AML/CFT risk assessment by the Committee on Financial Security has begun, applying the World Bank methodology. Upon recommendation of the rapporteur country, the 49th plenary meeting concluded that it was satisfied with the information provided and progress achieved, and adopted the progress report and the analysis. However, the Plenary underlined that there is a need for the AML/CTF system to deliver effective results in terms of prosecutions, convictions and confiscation, while the HS/VCS expressed its willingness to keep the Plenary informed of further developments in this direction.

Fourth mutual evaluation round

OBJECTIVES AND FORMAT

MONEYVAL commenced a follow-up round of on-site visits in 2009. Fourth-round on-site visits were concluded in January 2015, with the last reports being adopted later that year. For each state or territory evaluated, these evaluations focused on the effectiveness of implementation of core and key recommendations (as well as some other important FATF recommendations from 2003) together with any recommendations for which the country received either a “non-compliant” or “partially compliant” rating. In addition, the evaluation also reviews aspects of compliance with the European Union’s Third Anti-Money Laundering Directive.

The evaluation procedure is similar to that of the 3rd round, as set out above, but differs in its follow-up processes.

MONEYVAL’s 4th-round follow-up process broadly follows the practices and procedures used by the FATF in its 3rd round of assessments. There are three types of processes that can occur following the discussion and adoption of a 4th-round evaluation report: biennial update, regular follow-up and enhanced follow-up.

BIENNIAL UPDATE

Countries which have received “compliant” or “largely compliant” ratings in the six core recommendations in their evaluation report are only required to provide a biennial update of their progress, in meeting the deficiencies identified in their MER or in taking other action to enhance their AML/CFT regime. The biennial update starts two years after their MER is discussed.

REGULAR FOLLOW-UP

When assessed countries have received “partially compliant” or “non-compliant” ratings in any of the six core recommendations, they are placed in regular follow-up. The country is then expected to report back to the Plenary, initially within two years – though the Plenary can decide on a more expedited timetable – and provide information on the actions it has taken to address the factors and deficiencies underlying

any of the respective recommendations. Countries are encouraged to seek removal from the follow-up process within three years of the adoption of the 4th-round MER, or soon thereafter. Before a state or territory can be removed from regular follow-up, it is required to demonstrate that it has an effective AML/CFT system in force, under which the state or territory has implemented the key⁵ and core recommendations at a level of, or essentially equivalent to, “compliant” or “largely compliant”.

ENHANCED FOLLOW-UP

Where the Plenary is concerned about the lack of progress against the findings in the 3rd round report as demonstrated in a 4th round evaluation report, the assessed country can be placed in an enhanced follow-up process. The procedures include requesting the country to provide regular reports on progress in remedying deficiencies earlier than two years from the adoption of the report, possibly coupled with placing the country into CEPs. These procedures provide further peer pressure to rectify deficiencies.

PUBLICATION POLICY

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

MONEYVAL FOLLOW-UP PROCEDURES AND TRANSITION TO THE FIFTH ROUND

The MONEYVAL 5th round is based on the revised FATF standards of 2012 and the 2013 Methodology for assessing compliance with the FATF Recommendations

5. The core recommendations are Recommendations 1, 5, 10, 13 as well as Special Recommendations II and IV. The key recommendations are Recommendations 3, 4, 23, 26, 35, 36 and 40 and Special Recommendations I, III and V.

and the effectiveness of AML/CFT systems. As MONEYVAL has meanwhile commenced its 5th round, the aim of the follow-up of the 4th round is to bring all jurisdictions to a satisfactory level of compliance with the previous standards within a reasonable time frame. Countries should be able to seek exit from follow-up within three years of the adoption of the 4th-round report. Numerous countries are reaching that point and still have work to do to fully meet the previous standards. MONEYVAL has now extended the outside limit to five years, while still exhorting jurisdictions to aim to seek exit from follow-up within three years. If however a MONEYVAL state or territory has not been able to successfully exit follow-up within five years, the Committee will nonetheless suspend follow-up reporting one year before their 5th-round visit. In return, MONEYVAL will ensure that its evaluators give increased scrutiny to any remaining problematic issues from the 4th-round report in the 5th-round evaluation. If necessary, MONEYVAL will then restart the follow-up process for any outstanding 4th-round issues that still persist after the adoption of the 5th-round report. The MONEYVAL secretariat is maintaining a table of dates for expected removal requests from 4th-round follow-up for all jurisdictions participating in that round.

Those countries that have already exited 4th-round follow-up (Slovenia, Hungary, San Marino, Andorra and Albania) will likewise cease to report under the biennial update system one year before their 5th-round visit. As already mentioned above, countries that are undergoing a 3rd-round follow-up will see their progress reports continued until one year before their 5th-round on-site visits.

FOURTH ROUND MUTUAL EVALUATION REPORTS

The following MERs were considered and adopted in 2015:

Plenary meeting	
47th Meeting	▶ Montenegro
48th meeting	▶ the UK Crown Dependency of Guernsey ▶ Bosnia and Herzegovina
49th meeting	▶ the UK Crown Dependency of Jersey



Montenegro⁶

The money laundering offence is now broadly in line with the Vienna and Palermo Convention and provisions dealing with liability of legal persons are in place. The authorities have not been very effective in securing ML convictions.

The financing of terrorism offence now also applies to the financing of terrorist organisations and individual terrorists without any link to the commission of a specific terrorist act. Technical deficiencies remain, especially in relation to the acts which constitute an offence within the scope of, and as defined in, the treaties listed in the annex to the Terrorist Financing Convention.

The legal framework governing confiscation and provisional measures is still not comprehensive enough. There were very few instances where property was seized and confiscated in ML cases and none for proceeds-generating offences and TF. There are no specific laws and procedures for the freezing of terrorist funds or other assets of designated persons listed under UNSCR 1267 and 1373. No terrorist assets have been frozen in Montenegro.

The Administration for the Prevention of Money Laundering and Terrorist Financing (APMLTF) is an administrative-type financial intelligence unit (FIU) with a sound legal basis for receiving, analysing and disseminating of disclosures of suspicious transaction reports (STRs) and other information. The APMLTF has sufficient operational independence and autonomy. The staff of the APMLTF perform their functions professionally. Some effectiveness issues were identified regarding the APMLTF's analysis and dissemination process.

Law enforcement authorities have all the necessary powers to conduct ML/FT investigations. Nevertheless, there is no concrete law enforcement policy to proactively investigate ML/FT. The number of ML investigations is very low. There were no investigations of TF.

There are no powers to stop or restrain currency or bearer negotiable instruments in order to ascertain whether evidence of ML/FT may be found. The Customs Administration periodically submits information to the APMLTF on cash declarations and suspicions of ML/FT. However, false and non-declarations are rarely identified.

The Montenegrin authorities have taken some measures to revise the preventive requirements since the last evaluation. However, significant deficiencies

6. Montenegro's on-site visit took place from 3 to 8 March 2014.

remain with respect to requirements for CDD and politically exposed persons (PEPs). The financial sector was found to have adequate knowledge of preventive measures. However, issues were identified with respect to the identification of beneficial owners. Awareness of preventive measures within the designated non-financial businesses and professions (DNFBP) sector is very low.

The reporting of ML/FT suspicions is not entirely in line with the standards. Financial institutions over-rely on indicators established by the APMLTF and do not submit STRs unless the suspicion is linked to a transaction. Reporting by DNFBPs is not effective.

To a large extent, most financial supervisory authorities have adequate powers to monitor and ensure compliance by financial institutions with preventive requirements. However, the AML/CFT supervision of some financial institutions was not found to be comprehensive. A number of issues have a negative impact on the sanctioning regime available for financial institutions.

The supervisory framework for DNFBPs needs to be significantly enhanced. Supervisors for lawyers, notaries, accountants and auditors have no powers to conduct AML/CFT supervision. The APMLTF, which is responsible for a number of categories of DNFBPs, is not sufficiently staffed.

There are legal provisions in place which provide for co-operation between competent authorities domestically. However, in practice, operational co-ordination remains an issue and affects the timely flow of information among competent authorities.

Mutual legal assistance is provided in a timely, constructive and effective manner. Information exchange by the APMLTF and law enforcement authorities with their foreign counterparts is conducted effectively. Some issues were identified with respect to exchange of information by supervisory authorities.



The UK Crown Dependency of Guernsey⁷

Guernsey is a major international finance centre with a mature legal and regulatory system. The finance sector is the largest single contributor to GDP of the Bailiwick. While deposits taken by the banking sector have almost halved since its highest peak in 2008, the funds under management and administration by the collective investment fund sector have more than doubled during the same period and stood at

GBP 220 billion at the end of 2014. Hence, Guernsey is globally one of the largest fund domiciles (especially private equity). Another significant amount of assets is managed and administered by the fiduciary sector. Guernsey is also the fourth largest captive insurance domicile in the world with premium written in excess of GBP 4.8 billion.

Though the legislative structure to prosecute ML cases remained as complex as it was at the time of the previous assessment, it reflects the international standards and does not appear to have presented problems in practice. While the statistics show an undeniable increase in the number of ML investigations, prosecutions and convictions in the last four years, the figures are still disproportionately low.

The legal framework governing confiscation and provisional measures is comprehensive. The overall number of restraint and confiscation orders, and particularly those made in relation to ML or other forms of economic crimes involving the financial industry, is still relatively low.

The financing of terrorism offence now applies to the funding of terrorist organisations and individual terrorists in all cases. Concerns remain with regard to the immediate communication of UN/EU designations to the obliged entities and about the practical applicability of criminal procedural rules to seize/freeze assets in the interim period between an UN and an EU freezing designation.

The Financial Intelligence Service (FIS) is a unit within the Financial Investigation Unit of the Guernsey Border Agency. Although the authorities are explicit in interpretation that the FIS has an adequate level of operational independence, no legal safeguards have been introduced in this regard.

The Bailiwick has substantially strengthened the AML/CFT preventive measures to which its financial institutions are subject. While the relevant regulations and rules generally provide a sound basis for determining the situations requiring enhanced due diligence (EDD) and the methods for performing it, these requirements are not extended on a mandatory basis to non-resident customers, private banking, or legal persons and arrangements that are personal-asset-holding vehicles. A further concern is that the rules regarding simplified or reduced CDD provide for the discretion to refrain entirely from any of the mandatory CDD measures. The requirements for the DNFBPs for preventive measures are similar to those for financial services businesses. In addition to the technical shortcomings identified above, the risk classifications applied by obliged entities do not always sufficiently take into account that the accumulation of risks (which appears to be relevant for a significant portion of the customer base of some financial institutions and DNFBPs) present overarching ML/TF risks.

7. The UK Crown Dependency of Guernsey's on-site visit took place from 6 to 11 October 2014.

Furthermore, the CDD measures applied to certain customers do not appear adequate to mitigate their inherent risks.

Concerns still remain with regard to the size and nature of the financial sector in the Bailiwick of Guernsey, while the available maximum financial penalty for AML/CFT breaches for legal persons is not sufficiently dissuasive and proportionate. Furthermore, the use of financial penalties for legal persons cannot act as an effective deterrent for non-compliance.

The reporting level by financial institutions appears to be adequate. No explicit requirement to report attempted transactions is prescribed in the legislation although the reporting obligation refers to suspicious activity reports to ensure that reports can be made in situations where no actual transaction is involved.

Information on beneficial ownership of legal persons and legal arrangements is obtainable in the Bailiwick where licensed trust and company service providers (TCSPs) are involved in the formation, management or administration of these entities. However, their involvement is not mandatory with few exceptions. Insufficient measures are in place where no licensed TCSP is involved. According to the authorities' estimates, the number of these legal persons amounts to 25% of all Bailiwick legal persons. No such estimates exist with respect to legal arrangements. Insufficient measures are also in place where financial institutions are allowed to undertake CDD on the intermediary (e.g. foreign bank acting on the account of the ultimate investor) rather than on the beneficial owner and underlying principal(s) for whom the intermediary is acting. This is of relevance in the area of authorised or registered open-ended or closed-ended investment companies or legal arrangements that are authorised or registered collective investment schemes. It is also a concern, that in the absence of a registration, reporting or a resident agent requirement, the Guernsey authorities have no precise indication of the total number of trusts and general partnerships governed under Guernsey law, which inhibits a proper risk assessment of this area.

The Bailiwick has in place a range of measures to facilitate various forms of international co-operation. Some issues were identified with respect to FIS power to request information only in cases when there was an initial STR. That might be important in view of the international character of business in Guernsey.

Co-operation and co-ordination between competent authorities on a domestic level appears to be conducted in an effective manner.

As a result of the discussion at the 49th plenary meeting and subsequent adoption of the MER, Guernsey was placed under the biennial follow-up procedure, pursuant to Rule 13 of the revised Rules of Procedure. This process requires the country to provide, no

later than two years after the adoption of the report (September 2017), a succinct update describing the new measures that have been adopted and implemented to deal with the identified deficiencies in relation to any of the 40+9 recommendations that are rated partially compliant (PC) or non-compliant (NC) and relevant updated data or statistics under the 2003 FATF Recommendation 32.



Bosnia and Herzegovina⁸

Bosnia and Herzegovina has taken several important steps to improve compliance with the FATF Recommendations and has made progress in several areas since the 3rd-round evaluation. An action plan to remedy deficiencies was agreed between MONEYVAL and the Bosnian authorities in 2011 and progress against it is still being monitored by MONEYVAL under the CEPs. Several pieces of legislation were amended and new acts and ordinances were issued to address deficiencies identified in the 3rd-round evaluation and to implement the requirements of international legal instruments.

Many indicators suggest that Bosnia and Herzegovina is susceptible to money laundering and terrorist financing, and that it is attractive to organised criminals and tax evaders. This is due in part to its strategic position on the Balkan route. In terms of criminal activity, drug and human trafficking and corruption account for a substantial amount of the sources of proceeds generated by organised crime in Bosnia and Herzegovina. These predicate offences have also been the subject of ML prosecutions. The country's economy remains, to a large extent, cash based and the estimated size of the shadow economy remains significant. The financial market is relatively small. The banking sector accounts for approximately 84% of the financial sector. The securities sector is the second largest. Investment products tend to be based on securities issued in the course of the privatisation process. However, there are indications that the sector is not entirely safe from abuse as one important ML investigation involved a number of securities brokers. Integration of laundered proceeds in real estate is a problem, which is being addressed in some criminal cases through confiscation.

The terrorism risk was not assessed by the authorities, although several terrorism cases are under investigation. During the interviews the authorities pointed out that cash in small amounts (€300–€1 000) is regularly

8. Bosnia and Herzegovina's on-site visit took place from 18 to 29 November 2014.

brought into the country by Bosnian nationals living or working abroad. They also indicated that TF funds appear to be accumulated outside the country and subsequently smurfed, and then distributed in the country using money transfer services. The providers of these services have not been given guidance on the TF risk and did not demonstrate real awareness of this issue. Given the TF risks in the country, it is positive that most financial institutions acknowledge that non-profit organisations (NPOs), which hold bank accounts, are high risk and that enhanced measures should be applied to them. However, overall, the public authorities throughout Bosnia and Herzegovina appear to neglect the risks of terrorist financing through the activities of NPOs.

The mental and physical elements of the money-laundering offence in all four criminal codes are largely in line with the Vienna and Palermo Conventions. While there are some technical aspects which still need clarifying it appears that progress has been made in terms of both the number and quality of money-laundering cases. The evaluation also noted that some parts of the country have been less successful than others in prosecuting money-laundering cases.

Bosnia and Herzegovina has improved its ability to freeze, seize and confiscate property, and the introduction of provisions on reversed burden of confiscation and their application in practice have undoubtedly reinforced the confiscation regime. The system has begun to achieve better outcomes. However, effective implementation needs to be enhanced, in particular with regard to the routine application of provisional measures and effective enforcement of confiscation orders.

A number of technical deficiencies remain in place with regard to the TF offence. These are of a particular concern given the terrorist risks faced by Bosnia and Herzegovina. Initiatives were however reported, which address the threat of terrorism and TF, in particular a new offence of joining foreign paramilitary organisations was introduced and a number of investigations are under way in this respect. A framework has been established to enable freezing of funds of persons and entities designated under UNSCR 1267. It has however not yet been applied in practice. No system has yet been established to implement UNSCR 1373.

The Financial Intelligence Department, the FIU of Bosnia and Herzegovina, is vested with a broad range of powers and its institutional arrangements ensure its functioning to a satisfactory level. Nevertheless, there were concerns with regard to the effectiveness of its analytical process and the quantity and quality of its output.

The effectiveness of the system for control of the physical cross-border transportation of currency raises serious concerns. A comprehensive legislative framework is in place. Nevertheless, it appears that

the competent authorities are not clear as to their powers which lead to inconsistencies of application. There were also concerns about the effectiveness of controls of cross-border transportation of currency and bearer negotiable instruments at the maritime border and land crossings.

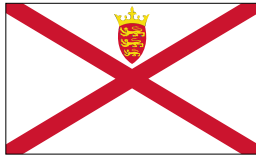
The level of compliance of the AML/CFT framework was significantly enhanced by the adoption of the AML/CFT law (adopted after the implementation of MONEYVAL's CEPs in June 2014). This law brought significant improvements to the AML/CFT preventive framework and introduced the concept of risk to be applied by obliged entities. At the time of the on-site visit new by-laws implementing the AML/CFT law had not yet been issued. The financial institutions and DNFBPs that were met on-site showed an uneven understanding as to whether the law was in force or if they had a period of grace of one year until the by-laws are issued before they have to revise their procedures to bring them into line with the AML/CFT law.

The financial institutions broadly understand and apply the CDD measures required under the new AML/CFT law, but the identification and verification of beneficial ownership is often limited to the first layer of companies that forms a complex legal structure. Further guidance is required for obliged entities for the identification of PEPs and to raise awareness of high-risk jurisdictions. Obligated entities met on-site were aware of the reporting obligation. Nevertheless, the level of reporting remains low, in particular in the non-banking sectors.

Concerns still stand with the level of implementation of the AML/CFT supervisory action by the various supervisory authorities and sanctioning for non-compliance with the requirements. Supervisory powers on AML/CFT need to be clarified. Resources of all authorities need to be increased and supervisory action strengthened to ensure that both financial and non-financial institutions are adequately implementing AML/CFT requirements. In particular, expertise on AML/CFT supervision needs to be increased and supervisory planning should be based on AML/CFT risks, and not merely accompany prudential supervision.

Further efforts are also required to put in place an effective AML/CFT co-ordination mechanism on a policy level and to ensure the risks and vulnerabilities of the system are appropriately identified and addressed by the policies and strategies formulated by the authorities.

The Plenary decided to place Bosnia and Herzegovina into expedited follow-up and it shall submit the first expedited follow-up report in September 2016. In addition, Bosnia and Herzegovina shall continue reporting on the action plan resulting from the 9th compliance report within the 4th-round expedited regular follow-up procedure.



The UK Crown Dependency of Jersey⁹

The UK Crown Dependency of Jersey is a well-established international financial centre. Although it has a mature and sophisticated AML/CFT regime, Jersey is nevertheless confronted with a range of money-laundering risks, stemming from the nature of its financial sector business conducted in or from its jurisdiction, which creates a material vulnerability to being used in the layering and integration stages of money-laundering schemes. These generally involve proceeds generated outside the island. ML risks arising from the very low and falling domestic criminality rate are generally not considered as high. With respect to TF risks, Jersey's vulnerability arises from its global connections rather than local criminal/terrorist activity. The authorities, through the Financial Crime Strategy Group, monitor ML/TF risks on an ongoing basis and have taken a number of measures aimed at mitigating identified risks.

Jersey has made significant progress since its last evaluation by the IMF, by bringing its AML/CFT regime more closely in line with the FATF 40 recommendations (2003) and nine special recommendations (2004), and by taking measures to consolidate its legal and institutional framework for combating money laundering and terrorist financing (TF). These reforms reflect the authorities' political commitment to counter money laundering and the financing of terrorism, which is also embodied in the AML/CFT strategy and action plan which were developed since the last evaluation. A number of important legal changes were implemented shortly before or days after the on-site visit, bringing the legal framework at a high level of compliance with the global standards assessed in this report.

Jersey has amended its legislation to bring both the money laundering and the financing of terrorism offences in line with the relevant international standards. Most of the previously identified shortcomings have been addressed prior to or shortly after the visit. While the TF offence has so far not been tested before the courts in Jersey, there have been several important convictions for money laundering.

The legal framework governing provisional measures and confiscation is comprehensive and has been efficiently used in several cases regarding both proceeds of predicate offences and in respect of money laundering. However, the total confiscated sums are considered to be low.

Several legal and operational changes have been implemented since the previous evaluation, which impact positively on the effectiveness of the work carried out by the FIU. Jersey has yet to address the remaining issues with respect to the autonomy of the FIU, by reviewing its legal status and positioning within the police's overall structure.

The AML/CFT preventive measures, to which financial institutions and DNFBPs are subject, have been strengthened and updated and are largely in line with the international standard, although some technical deficiencies remain. Reporting entities have a good understanding of their AML/CFT risks and obligations. Most financial institutions are adequately regulated and supervised, on a risk sensitive basis, with the securities and insurance sector having received relatively little supervisory attention in terms of on-site visits. The Financial Services Commission has adequate powers, and has effectively applied sanctions and other measures available in its supervisory function.

Jersey has very well-functioning AML/CFT co-ordination processes at both policy and operational levels. With respect to international co-operation, Jersey authorities have adopted a proactive approach. This is reflected by the active FIU information exchanges with foreign counterparts, as well as, in the context of mutual legal assistance, by several positive examples of assistance provided to assist foreign countries to locate and confiscate the proceeds of crime and to prosecute the associated predicate and money laundering offences, either in Jersey or abroad. Concerning the Provisional Measure and Confiscation (R.3) recommendation the report states that, with a view to increasing effectiveness in this area, the Jersey authorities might consider introducing a non-conviction-based confiscation scheme.

Pursuant to Rule 13 of the revised Rules of Procedure, Jersey was placed under the biennial follow-up procedure. This process requires the jurisdiction to provide, no later than two years after the adoption of the report (i.e. December 2017), a succinct update describing the new measures that have been adopted and implemented to deal with the identified deficiencies in relation to any of the 40+9 recommendations that are rated PC or NC and relevant updated data or statistics under the 2003 FATF Recommendation 32.

⁹ Jersey's on-site visit took place from 18 to 24 January 2015.

FOURTH ROUND FOLLOW-UP REPORTS

Plenary meetings	
47th meeting	<ul style="list-style-type: none"> ▶ Andorra (Regular follow-up) ▶ Czech Republic (Expedited follow-up) ▶ Georgia (Regular follow-up, interim report) ▶ Malta (Regular follow-up, interim report) ▶ Poland (Regular follow-up, interim report) ▶ San Marino (Regular follow-up) ▶ Slovenia (First biennial update) ▶ “The former Yugoslav Republic of Macedonia” (Expedited follow-up)
48th meeting	<ul style="list-style-type: none"> ▶ Albania (Regular follow-up) ▶ Andorra (Enhanced follow-up) ▶ Bulgaria (Regular follow-up, interim report) ▶ Croatia (Regular follow-up, interim report) ▶ Czech Republic (Expedited follow-up) ▶ Georgia (Regular follow-up) ▶ Latvia (Regular follow-up, interim report) ▶ Slovak Republic (Regular follow-up, interim report)
49th meeting	<ul style="list-style-type: none"> ▶ Azerbaijan (Expedited follow-up) ▶ Cyprus (2nd biennial follow-up report) ▶ Georgia (Regular follow-up) ▶ Israel (Regular follow-up, interim report) ▶ Latvia (Regular follow-up, interim report) ▶ Malta (Regular follow-up) ▶ Republic of Moldova (Regular follow-up, interim report) ▶ Poland (Regular follow-up, interim report) ▶ Slovak Republic (Regular follow-up, interim report)

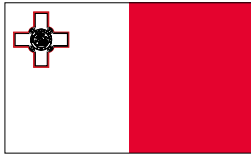


Regular follow-up report of Andorra (enhanced follow-up)

The 4th-round MER on Andorra was adopted in March 2012. As a result, Andorra was placed in regular follow-up, requiring it to report back two years after the evaluation. A follow-up report was presented in April 2014, when the Plenary decided that further steps needed to be taken and requested Andorra to report back at the 47th plenary meeting in April 2015. At that stage, the Plenary examined the follow-up report submitted by Andorra and the secretariat analysis. The secretariat summarised the developments made, as well as remaining areas of concern, stressing that the framework and practical application of supervision remained unchanged since the adoption of the 4th-round MER. The analysis concluded that insufficient

progress had been achieved since the adoption of the 4th-round MER. It was also noted that three years had passed since the adoption of the MER, and according to the Rules of Procedure, Andorra should have been in the position to exit from regular follow-up at that stage. Considering the limited progress achieved, the Plenary decided that Andorra should report back in September 2015 under enhanced follow-up procedures, without the application of CEPs.

At the 48th plenary, acknowledging the progress demonstrated by Andorra since April 2014, the Plenary decided to terminate enhanced follow-up and to remove Andorra from the regular follow-up process. Given the fact that the 5th-round on-site visit to Andorra is scheduled to take place in the fourth quarter of 2016, Andorra was not required to submit any further reports under the 4th round of evaluations.



Regular follow-up report of Malta (interim report)

Following the adoption of the 4th-round MER at its 38th plenary meeting in April 2012, Malta was placed in regular follow-up and requested to provide a progress report in April 2014. On that occasion, the Committee agreed that progress appeared to have been made on effective implementation of R.13 and SR.IV, but on the technical shortcomings only draft bills were reported.

Malta presented interim reports to the Plenary in December 2014 and April 2015 respectively. In the meantime, the country adopted necessary legislative amendments further addressing (wholly or partially) the remaining shortcomings identified in the 4th-round MER. The amendments to both AML legislation and the Criminal Code were brought into force in December 2014 and in February 2015 respectively. A specialised AML/CFT unit within the Malta Financial Services Authority (MSFA) was set up to carry out AML/CFT on-site examinations on behalf of the Financial Intelligence Analysis Unit in respect of entities which are licensed and regulated by the MFSA. A law has also been introduced that empowers the Minister for Justice to establish by regulation a bureau for tracing, freezing and confiscation of criminal assets. Further improvements have also been reported with regard to provision of AML/CFT training and sector specific guidance to particular sectors subject to AML/CFT obligations. The secretariat analysis of the fourth follow-up report of Malta confirmed that the country has substantially addressed the majority of the deficiencies related to R.13, SR.IV, R.3 and SR.III, and has brought the level of technical compliance with these recommendations up to a largely compliant level. Most notably, Malta adopted amendments to the Prevention of Money Laundering and Funding of Terrorism Regulations, the Prevention of Money Laundering Act and the Criminal Code, which addressed the shortcomings identified in the 2012 MER. An important development in the context of R.3 is the recent establishment of an asset recovery bureau responsible for the tracing, freezing, management and confiscation of criminal assets.

The Plenary concluded that Malta has made adequate progress in respect of all core and key recommendations. It adopted the fourth follow-up report of Malta and the analysis of the secretariat. Malta was also instructed to keep the Plenary updated on progress made in the effective application of asset-freezing mechanisms to EU internal terrorists. The Plenary decided to remove Malta from regular follow-up and ask the country to submit a biennial report.

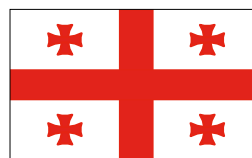


Regular follow-up report of Poland (interim report)

Poland's 4th-round report was adopted in April 2013. At the 47th MONEYVAL plenary in April 2015 it was agreed that the Polish authorities need to take measures to ensure that the ML and TF offence and the confiscation and terrorist-freezing regime are properly aligned with the FATF standards and are implemented effectively.

The Plenary required Poland to provide a further interim follow-up report at the 49th plenary meeting in December 2015 to be satisfied that outstanding issues were on track, especially the deficiencies identified in relation to the legal aspects of the 4th-round MER. The secretariat presented its analysis on Poland's 2nd follow-up report during the 49th plenary meeting. With regard to the criminalisation of ML and TF, it was stressed that, although the amendments to the Criminal Code (entering into force on 13 February 2016) addressed some deficiencies identified in the 4th-round MER, several significant technical deficiencies remain valid. No additional steps have been reported by the authorities concerning the deficiencies in relation to confiscation and the terrorist-freezing regime. Although the fourth EU Anti-Money Laundering Directive has meanwhile been adopted, the secretariat stated that no measures appear to have been taken to address the deficiencies identified in the 4th-round MER with regard to preventive measures and ML/FT reporting requirements.

The Plenary asked Poland to provide a further interim follow-up report at the 50th plenary in April 2016, to satisfy itself that further progress has been achieved, especially on the deficiencies concerning preventive measures, reporting requirements and remaining deficiencies in relation to the legal aspects. On account of this information, the Plenary would then be in a position to make a decision on the further follow-up procedures to be applied.



Regular follow-up report of Georgia

Georgia's 4th-round report was adopted in July 2012. The first regular follow-up report by Georgia was considered at the 45th plenary, two years after the adoption of its report. Progress appears to have been achieved by the country in the criminalisation of terrorist financing, which positively impacts on some other recommendations. Terrorist assets have been frozen under UNSCR 1267, although further amendments are awaited for full compliance with the international requirements on freezing terrorist assets. On

CDD measures, only one of the technical deficiencies appears to have been fully addressed. For others, draft amendments to the AML/CFT law and other relevant acts were reported.

Given that a number of deficiencies remain outstanding on core and key recommendations, Georgia was asked to report back to the 47th plenary.

At the 47th plenary, in view of the result of the discussions on the report, the Committee agreed that progress has been made to address the deficiencies identified with regard to several core and key recommendations rated PC or NC in the 4th round (SR.II, R.5, R.23 and R.26). However, the authorities were strongly encouraged to adopt the draft amendments as soon as possible in order to address the technical deficiencies under SR.III. Following the Plenary decision, it was recommended that Georgia continue implementing the recommendations made in the 4th-round MER and to seek removal from the regular follow-up process in September 2015.

At the 48th plenary in September, the Committee decided that, given the current threats faced by the international community in relation to financing of terrorism, especially in the context of Daesh, the absence of appropriate measures to freeze terrorist assets under SR.III continues to raise concern. Georgia was requested to adopt the draft amendments to the Administrative Procedure Code without any further delay. It was also proposed that Georgia should seek to exit the regular follow-up process at the 49th plenary meeting in December 2015.

On that occasion, the Plenary considered that, since the adoption of the 4th-round MER in 2011, Georgia has made significant progress in addressing many of the identified deficiencies. The most serious concern raised during the last plenary on the lack of progress in relation to SR.III, which prevented Georgia from exiting the regular follow-up process, has been successfully addressed with the adoption of the new legislation on targeted financial sanctions. The Plenary agreed that Georgia has taken sufficient steps to be removed from the regular follow-up process. Georgia was therefore required to submit a biennial update in December 2017.



Regular follow-up report of San Marino

The 4th-round report was adopted in September 2011. San Marino had subsequently reported that they had taken steps to deal with the deficiencies and that progress was being made regarding the implementation of the MONEYVAL recommendations. However they indicated that they would need further time before being able to apply for removal from the follow-up

process. The Plenary agreed that the examination of San Marino's follow-up report and request for removal from regular follow-up should be in April 2015.

At the 47th plenary, San Marino submitted its follow-up report, with a request to be removed from the regular follow-up process. The Plenary noted that San Marino had made considerable progress in remedying deficiencies and in bringing the relevant FATF Recommendations (R.5, R.23, SR.I, SR.II and SR.III) to a satisfactory level of compliance, as required under the procedures. It adopted the follow-up report of San Marino and decided that San Marino had taken sufficient measures to be removed from the regular follow-up process. San Marino is expected to report back to the Plenary under biennial follow-up in two years' time (by April 2017).

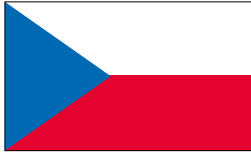


Expedited follow-up of "the former Yugoslav Republic of Macedonia"

The 4th-round report was adopted in April 2014. Before the adoption of that report, the Plenary recalled its previous decision in September 2013 with regard to the "non-compliant" (NC)/"partially compliant" (PC) process in respect of "the former Yugoslav Republic of Macedonia", that "if the 4th round report will conclude that there is no substantial progress with SR.II, the Plenary shall consider applying CEPs at the appropriate step". The rating for SR.II in the 3rd-round MER was PC and, while the authorities took measures to criminalise financing of terrorism as a separate crime, technical shortcomings were identified in the 4th-round MER and the rating approved by the Plenary remained PC. Thus, "the former Yugoslav Republic of Macedonia" was placed under regular follow-up and was asked to report back in an expedited manner in April 2015.

A number of measures have been implemented since the adoption of the 4th-round MER. Amendments to the Criminal Code were drafted and are expected to be adopted by no later than December 2015 to address the concerns of the 4th-round evaluation team regarding the TF offence. Amendments to the law governing the freezing of terrorist assets were also drafted and reported to be under consultation process. A new AML/CFT law was adopted in September 2014 which appeared to address many of the deficiencies relating to preventive measures.

The Plenary decided that "the former Yugoslav Republic of Macedonia" should report back in April 2016. In the interim period, "the former Yugoslav Republic of Macedonia" should adopt the amendments to the Criminal Code in relation to the TF offence as soon as possible and in any case before the 49th plenary meeting and keep the Plenary updated on this matter.

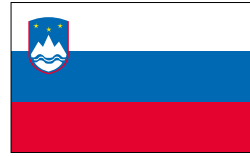


Expedited follow-up of the Czech Republic

Following the adoption of the 4th-round MER in April 2011, the Czech Republic was placed in expedited follow-up and requested to report back to the Plenary in July 2012. The Czech Republic presented follow-up reports at MONEYVAL's 39th and 43rd plenaries and sought to exit follow-up at the 44th plenary. Given the limited progress to address the technical deficiencies concerning a number of core and key FATF Recommendations, the request by the Czech Republic to be moved to biennial follow-up was not accepted by the Plenary. The Czech Republic was required to report back at the 45th plenary on further progress made. After considering the information submitted by the Czech Republic, the 45th plenary decided that insufficient progress had been made. The Czech Republic was again requested to report back at the 47th plenary meeting in April 2015, with a view to considering whether the progress made would be adequate in order to exit the regular follow-up process.

In April 2015, given the absence of progress to address the outstanding technical deficiencies on two core recommendations (R.1 and SR.II) and three key recommendations (R.3, 23 and 35), the Plenary decided that the Czech Republic should report back in September 2015. It was also decided that if the Czech Republic failed to adopt the Criminal Code amendments and to address the remaining deficiencies on preventive measures by the date of the next plenary, a recommendation will be made to the Plenary to move the Czech Republic into enhanced follow-up and apply one of the steps under the CEPs.

The Plenary took note of the follow-up report presented by the Czech Republic in April 2015. The continuous lack of progress on two core recommendations (R.1 and SR.II) and two key recommendations (R.3 and 35) raised significant concerns, given that the Czech Republic has now been under the expedited follow-up process since the adoption of the MER in 2011. It was therefore decided to move the Czech Republic into enhanced follow-up and apply Step 1 under the MONEYVAL CEPs. The Czech Republic was requested to report back to the Plenary on any progress made by April 2016.



First biennial update of Slovenia

The Rules of Procedure do not envisage an analysis by the secretariat with respect to a biennial update. Slovenia was invited to provide in April 2015 a brief overview of the new measures adopted to deal with the deficiencies identified in relation to the recommendations rated partially compliant in the 4th-round MER of Slovenia. The biennial update was subject to peer review by the Plenary, assisted by the rapporteur country (Monaco).

As decided at the 46th plenary meeting (December 2014), 4th-round biennial follow-up procedures shall be terminated in respect of MONEYVAL states and territories one year prior to the 5th-round evaluation. Slovenia is expected to be evaluated under the 5th round in November 2016.



Regular follow-up report of Albania (interim report)

Albania's evaluation under the 4th round was conducted by the International Monetary Fund on behalf of MONEYVAL and the report was adopted in April 2011. In line with MONEYVAL's procedures, Albania was expected to be in a position to meet the criteria for exiting regular follow-up by April 2014. The authorities submitted several reports to that effect in 2014.

At the 45th plenary, Albania was considered to have made real progress and taken positive action to remedy the most significant deficiencies, including in respect of certain aspects of effectiveness. However, further substantive and contextual information was still required on a number of aspects before the Plenary could be in a position to firmly conclude that Albania has achieved a level of compliance equivalent to largely compliant for some recommendations. It was agreed to maintain Albania on the regular follow-up process and they were asked to report back in December 2014.

At the 46th plenary meeting the progress achieved by the Albanian authorities in respect of the core and key recommendations rated PC in the 4th-round MER was analysed. The Committee agreed that since the on-site visit in November 2010, Albania has made real progress and had taken positive action to remedy significant deficiencies. However, Albania's follow-up report did not substantiate that Albania has achieved a sufficient level of improvement in all the core and key recommendations.

MONEYVAL decided that Albania should be given additional time in order to fully demonstrate that it has taken action to improve its level of compliance on all core and key recommendations.

The Plenary encouraged Albania to continue efforts aimed at addressing the remaining deficiencies and decided that it should report back to the 48th plenary in September 2015. Exit from this process should be achieved by the end of 2015 at the latest.

At the 48th plenary meeting, the Committee acknowledged further progress made by Albania and decided to remove Albania from regular follow-up. Albania shall present its first biennial update to the Plenary in September 2017, unless this falls within the one-year period before the 5th-round on-site visit.



Regular follow-up report of Latvia (interim report)

Latvia's 4th-round report was adopted in July 2012. The country was placed into regular follow-up and was requested to submit a progress report by September 2014. Furthermore, Latvia was encouraged to seek removal from the follow-up process in September 2015 or very soon thereafter.

In September 2014, the Plenary decided that progress achieved by the Latvian authorities on the law enforcement and financial sections was on the right track. However, it was underlined that no significant development was reported on the technical side of SR.III and, in order for Latvia to achieve enough progress to seek removal from the follow-up process within the time frame foreseen, the deficiencies identified under SR.III should be addressed.

Given the fact that the legislative process aimed to improve the national legal framework for applying targeted financial sanctions was still ongoing in September 2015, Latvia was not in the position to seek removal from the follow-up at that point. Following the Plenary decision, Latvia was requested to inform the Plenary on further steps that have been taken on SR.III in December 2015, and to seek removal from the regular follow-up process once the deficiencies under SR.III are rectified. The information provided by Latvia to the secretariat for this plenary indicated that the legislative work on adoption of the new draft law concerning targeted financial sanctions is on the right track.

Latvia was therefore invited to complete the introduction of the law on sanctions and related regulations and seek removal from the regular follow-up process once the deficiencies under SR.III are rectified, but no later than September 2016.



Regular follow-up report of the Slovak Republic (interim report)

Slovakia's 4th-round report was adopted in September 2011. At the 46th MONEYVAL plenary it was reported that Slovakia had taken some steps to remedy the identified deficiencies in criminalisation of ML and TF and in relation to confiscation; however several significant technical deficiencies still remain in the draft revised texts of the Criminal Code.

With regard to the financial aspects, technical deficiencies identified had not been addressed as the authorities were awaiting the final text of the European Union's fourth directive before amending the AML law. With the aim of raising the effectiveness of implementation of ML requirements by the reporting entities, further awareness raising had been conducted. New organisational changes within the Financial Market Supervision Division of the National Bank of Slovakia were reported.

The Plenary agreed that Slovakia should submit a further follow-up report at the 48th plenary meeting in September 2015 and encouraged the country to seek removal from the follow-up process by December 2015.

In September 2015, the Plenary took note of the interim follow-up report presented by the Slovak Republic and invited the Slovak Republic to seek removal from the regular follow-up process in April 2016. The 49th plenary took note of the interim follow-up report on the steps undertaken to remedy the deficiencies identified in the 4th-round MER, recalling the invitation to seek removal from the regular follow-up process in April 2016.



Regular follow-up report of Bulgaria (interim report)

Bulgaria's 4th-round report was adopted in September 2013. At the 48th plenary meeting, Bulgaria presented its first interim report under the 4th-round regular follow-up process. It was encouraged to seek exit from the follow-up process in September 2016.



Regular follow-up report Croatia (interim report)

Croatia's 4th-round report was adopted in September 2013. At the 48th plenary meeting, Croatia presented

its first interim report under the 4th-round regular follow-up process. In view of the fact that limited progress had been achieved since the adoption of the MER in 2013, Croatia was requested to provide a 2nd interim follow-up report at the 50th plenary in April 2016. It was decided that the Plenary would then consider the progress achieved and the likely date for exit from the 4th-round follow-up.



Regular follow-up report of Republic of Moldova (interim report)

Following the adoption of the 4th-round MER in December 2012, the Republic of Moldova was placed into regular follow-up and was requested to submit an interim report in December 2014 on the progress and actions taken. Furthermore, the Republic of Moldova was encouraged to seek removal from the follow-up process in December 2015 or very soon thereafter.

Based on the results of the discussion of the first follow-up report in December 2014, the Plenary considered that the Republic of Moldova is making satisfactory progress, but that it was too early to consider its removal from the regular follow-up process. The Republic of Moldova was thus requested to provide a progress report at the 49th plenary in December 2015.

The results of the secretariat's analysis of the Republic of Moldova 2nd follow-up report have shown that the overall situation concerning the progress made in respect of the FATF key/core recommendations has mainly remained unchanged since the time of the first follow-up report. The Plenary agreed that the continued lack of significant progress achieved in relation to R.5, R.13, R.23, SR.I, SR.III and SR.IV, three years after the adoption of the 4th-round MER, gives rise for concern. The authorities were strongly recommended to adopt and bring into force, as soon as possible, the draft law on the application of international restrictive measures and draft amendments to the Criminal Code, as well as the new provisions of the AML/CFT law. Therefore, the Republic of Moldova was encouraged to seek removal from the follow-up process in December 2016. In the interim period, the Republic of Moldova should continue to report to the Plenary regularly on progress achieved in relation to key and core recommendations. Interim reports should be submitted ahead of the 50th plenary in April 2016 and ahead of the 51th plenary in September 2016.



Regular follow-up interim report of Israel (interim report)

The analysis of Israel's 4th-round expedited follow-up report was presented by the secretariat during the December plenary meeting. The analysis confirmed that – although the authorities have taken some steps to address the deficiencies identified in the 4th-round MER in respect of R.5 and R.10 – only partial progress appears to have been achieved since the adoption of the MER in 2013. The secretariat proposed that Israel provides another interim follow-up report in 2016. Israel requested and got approval by the Plenary to provide an interim follow-up report at the 52nd plenary in December 2016 on progress with regard to core recommendations and on progress in applying the AML/CFT regime to all categories of DNFBPs and to money service bureaux. The 52nd plenary would then consider the progress achieved and envisage a date for exit from the 4th-round follow-up.



Expedited follow-up of Azerbaijan

Azerbaijan was requested to submit an expedited follow-up report on actions taken to address certain significant shortcomings concerning R.1, R.5 and SR.III by December 2015. The results of the secretariat's analysis of the Republic of Azerbaijan expedited follow-up report have shown that clear progress appears to have been achieved by the country in addressing deficiencies in relation to R.1 and R.5 as well as SR.III. Important amendments were introduced to the AML/CFT law to strengthen and improve the legal framework for applying targeted financial sanctions under SR.III. Amendments to the Criminal Code addressing the concerns of the 4th-round evaluation in relation to the ML offence were adopted and came into force in April 2015. New criminal cases on self-laundering were opened and training sessions for investigators, judges and prosecutors were organised to continue increasing awareness and understanding of third-party and stand-alone ML. On the preventive side, a new regulation on simplified CDD was adopted to provide more clarity regarding the scope of application of simplified CDD measures. Given the progress made, the Plenary agreed that Azerbaijan should not be required to submit another expedited follow-up report and should seek to exit the regular follow-up process by no later than December 2017.



Second biennial report – Cyprus

Cyprus was invited to provide a brief overview of the new measures adopted to deal with the deficiencies identified in relation to the recommendations rated partially compliant in the 4th-round MER. The biennial update was subject to peer review by the Plenary, assisted by the rapporteur country (Malta).

The Plenary adopted the 2nd biennial follow-up report of Cyprus. As decided at the 46th plenary meeting (Strasbourg, 8-12 December 2014), 4th-round biennial follow-up procedures shall be terminated in respect of MONEYVAL states and territories one year prior to the 5th-round on-site evaluation. Given that the assessment of Cyprus under the 2012 FATF Recommendations is expected to take place towards the end of 2017 or in early 2018, the Plenary decided not to request Cyprus to report back further under the 4th-round biennial follow-up procedures

Special assessment on the effectiveness of customer due diligence measures in the banking sector in Cyprus

For detailed background information on this special assessment, please see MONEYVAL's Annual Report 2014 (pp. 29-30). At the 49th plenary meeting, the secretariat and the Cypriot authorities provided an overview of the progress achieved by Cyprus since the 45th plenary (September 2014) in relation to the Special Assessment of the Effectiveness of Customer Due Diligence Measures in the Banking Sector in Cyprus dated 24 April 2013 (the special assessment). In light of the progress made by Cyprus, especially the fact that all credit institutions that had

been inspected by the special assessment team in 2013 had been subject to an on-site inspection and were in the process of discussing any necessary corrective measures with the Central Bank of Cyprus (CBC), it was agreed that Cyprus should not be requested to provide any further progress reports in relation to the special assessment. However, Cyprus was requested to continue informing the Plenary, through the tour de table procedure, on any sanctions or other administrative actions imposed on credit institutions as a result of the on-site inspections carried out by the CBC.

Fifth mutual evaluation round¹⁰

OBJECTIVES AND FORMAT

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

REGULAR FOLLOW-UP

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

The country/territory will provide a follow-up report to the secretariat, before the report is due to be discussed by MONEYVAL. This report will be analysed and a summary report will be prepared which is a desk-based review. The Plenary will consider the report (whether as a discussion or information item) and the progress made by the country/territory, and decide whether the country/territory should report back on a regular basis (its follow-up assessment), or should be placed in enhanced follow-up and report back sooner. A similar process would apply for subsequent regular follow-up reports.

ENHANCED FOLLOW-UP

In deciding whether to place a country/territory in enhanced follow-up, the Plenary would consider the following factors:

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

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

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

In addition to more frequent reporting, the Plenary may also apply other compliance measures to countries and territories as set out under CEPs.

10. See the MONEYVAL Rules of Procedures for the 5th round of mutual evaluations adopted at its 46th plenary meeting in December 2014 (meanwhile revised in April 2016). The current version of the rules can be found under: [www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVAL\(2014\)36REV2_ROP5th_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVAL(2014)36REV2_ROP5th_en.pdf).

PUBLICATION POLICY

Unlike 4th-round follow-up reports, 5th-round follow-up reports together with the secretariat's analyses are routinely published on the MONEYVAL website.

MONEYVAL 5TH-ROUND FOLLOW-UP ASSESSMENT

The MER follow-up assessment shall take place at the latest seven years after the adoption of the country/territory's MER, and will occur regardless of whether the country/territory has been in regular or enhanced follow-up.

The follow-up assessment is intended to provide a more comprehensive update on the country/territory's AML/CFT regime. The focus is on the progress made by the country/territory on the priority actions in its MER, and other areas where the country/territory had significant deficiencies. The follow-up assessment could also examine any areas where the standards have changed since the MER, other elements of the country/territory's AML/CFT regime which had changed significantly as well as high-risk areas identified in the MER or noted subsequently in the follow-up process.

The process for the follow-up assessment shall include a short on-site visit (up to five days) to assess improvements in effectiveness and other areas. In duly justified circumstances, the length of the visit could be extended. This on-site visit is to be conducted by a small team of experts, including experts that were on the original assessment team where available, and supported by the secretariat. The team would prepare a progress assessment report (including when possible re-ratings on both technical compliance and effectiveness) for Plenary discussion and decision.

At that time, the Plenary will also decide on the application of follow-up or other procedures as appropriate.



MONEYVAL's first "Fifth-round mutual evaluation report": Armenia

In the first report adopted by MONEYVAL in December 2015 in the framework of the 5th mutual evaluation round, Armenia is urged to develop an effective national policy to investigate and prosecute money laundering. The report analyses the implementation by Armenia of international standards on money laundering and terrorist financing since the last evaluation in 2009, and recommends an action plan to address the shortcomings.

The evaluation team identified significant weaknesses in the investigation and prosecution of money laundering in Armenia and have urged the authorities to

take immediate action to ensure that law enforcement efforts are fully commensurate with the money-laundering risks faced by the country. However, Armenia has made adequate progress in establishing a sound legal framework, and the financial sector was found to be effective in the application of preventive measures. The mechanisms for detecting and preventing financing of terrorism and proliferation are to a large extent effective.

Key findings of the report confirm that Armenia has a broadly sound legal and institutional framework to combat ML and TF. Level of technical compliance is generally high with respect to a large majority of FATF Recommendations. Armenia is not an international or regional financial centre and is not believed to be at major risk of ML. The predicate offences, identified by the 2014 national risk assessment as posing the biggest threat, are fraud (including cybercrime), tax evasion, theft and embezzlement. The findings of this assessment indicate that corruption and smuggling also constitute a ML threat. The real estate sector, the shadow economy and the use of cash all constitute significant ML vulnerabilities. Competent authorities have assessed and demonstrated an understanding of some, but not all, ML risks in Armenia. The national risk assessment also concludes that the risk of TF is very low. Although Armenia shares a border with Iran, which is considered by the FATF to pose a higher risk of TF, the evaluation team found no concrete indications that the Armenian's private sector and NPOs are misused for TF purposes. There have never been any investigations, prosecutions and convictions for TF. There is an effective mechanism for the implementation of targeted financial sanctions. No terrorist-related funds have been frozen under the relevant UNSCRs. The FIU has access to a wide range of information sources and is very effective in generating intelligence for onward dissemination to law-enforcement authorities (LEAs). Law enforcement access to information is somewhat restricted by a combination of issues connected with the legislation dealing with law enforcement powers to obtain information held by financial institutions and law enforcement ability to successfully convert intelligence into evidence. LEAs did not demonstrate that they make effective use of FIU notifications to develop evidence and trace criminal proceeds related to ML. The number of ML investigations and prosecutions has increased in the period under review. However, it appears that LEAs target the comparatively easy self-laundering cases mainly involving domestic predicate offences. One ML conviction (described as autonomous) was secured, although the judiciary appears to have based its ruling on the admission that the predicate offence had been committed. Overall, law enforcement efforts to pursue ML are not fully commensurate with the ML risks faced by the country. Seizure and confiscation of criminal proceeds, instrumentalities and property

of equivalent value are not pursued as a policy objective. It is doubtful whether LEAs are in a position to effectively identify, trace and seize assets at the earliest stages of an investigation, since proactive parallel financial investigations for ML and predicate offences are not conducted on a regular basis. The banking sector is the most important sector in terms of materiality. Banks understand the risks that apply to them according to the FATF standards and the AML/CFT law. However, they have not demonstrated that they have incorporated the risks identified in the national risk assessment into their internal policies. The real estate sector, notaries and casinos pose a relatively higher risk compared to other DNFBPs. Their understanding of risk is limited.

The application of CDD, record-keeping and reporting measures by financial institutions is adequate. Major improvements are needed by the DNFBP sector with respect to preventive measures.

The approach of the Central Bank of Armenia to anti-money laundering/counter financing of terrorism (AML/CFT) supervision is to some extent based on risk. Developments in this area are ongoing. Adequate procedures for the imposition of sanctions are in place.

However, the level of fines could be improved. The supervision of the DNFBP sector was found to be in need of improvement relative to casinos and notaries, and inadequate relative to real estate agents, dealers in precious metals and stones, lawyers and accountants. Most basic information on legal persons is publicly available through the state register. All legal persons in Armenia are required to disclose the identity of their beneficial owners to the state register upon registration and, inter alia, whenever there is a change in shareholding. Information on beneficial ownership of legal entities is also ensured through the application of CDD measures by banks. While all the banks understand that they have to apply freezing of funds to proliferation financing and there is an innovative system in place in financial institutions to ensure that matches are detected, there is a concern that the legal framework based on the AML/CFT law could be open to legal challenge. Co-ordination between the different competent authorities involved in this area needs to be further developed.

Armenia is to report back to MONEYVAL in April 2018 on the follow-up measures. An interim report will be submitted in December 2016 on some aspects of the action plan.

Compliance enhancing procedures

STRUCTURE

MONEYVAL's CEPs ensure that countries take steps to meet the international standards and follow MONEYVAL recommendations within an appropriate time frame. The Rules of Procedure in respect of CEPs changed at the end of 2013. The graduated process is as follows:

Steps in CEP 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 complied 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 ICRG process, if this meets the nomination criteria set out under the ICRG procedures.

The steps in the CEPs prior to the decisions taken at the 43rd plenary were as follows:

- i) A letter from the MONEYVAL Chair to the head of delegation drawing attention to the non-compliance with the reference documents. The letter is copied to the plenary meeting.
- ii) A letter from the MONEYVAL Chair to the Secretary General drawing his attention to the non-compliance by a MONEYVAL participating state. The letter is copied to the head of delegation concerned.
- iii) A letter from the Secretary General of the Council of Europe to the relevant government minister drawing attention to non-compliance with the reference documents.
- iv) A high-level mission to the country concerned, to reinforce this message from step iii).
- v) A formal public statement drawing attention to the state's failure to comply with MONEYVAL's reference documents.

The CEPs process can be applied flexibly according to need. Countries may be placed in the CEPs process as a result of plenary discussions on MERs,¹¹ progress reports, as a result of horizontal reviews of overall progress at the end of an evaluation round, or for other reasons.

Throughout the application of these steps, the country concerned is required to report to the plenary meeting according to the calendar set, detailing the steps taken to achieve compliance, which, in certain cases, may include action plans endorsed at government level. If the Plenary is satisfied with progress, the application of CEPs steps can be terminated.

¹¹ Compliance Enhancing Procedures can be applied in tandem with the follow-up procedures described above

CEPS REPORTS CONSIDERED IN 2015

Plenary meeting	
47th meeting	<ul style="list-style-type: none"> ▶ Lithuania (Step 1 under the CEPs) ▶ Bosnia and Herzegovina (Step 4 under the CEPs)
48th meeting	<ul style="list-style-type: none"> ▶ Bosnia and Herzegovina (Step 4 under the CEPs)

The findings of the reports are indicated below:



Lithuania

Upon adoption of the MER of Lithuania at its 40th plenary meeting (3-7 December 2012), MONEYVAL concluded that, overall, there had been a lack of progress since the 3rd round. It was decided that Lithuania should report under regular follow-up in an expedited manner (by April 2014) and that, in addition, compliance enhancing procedures would be applied, as additional pressure measures, at step (ii).

Lithuania reported back under MONEYVAL's Rules of Procedure in April 2014, providing updated information on measures taken to address the identified deficiencies. The information provided served also as a basis for the secretariat's analysis for the purpose of the review of progress under the compliance enhancing procedures. MONEYVAL concluded at that plenary that Lithuania had taken a number of essential measures to address the issues of concern.

The 2nd compliance report of Lithuania was discussed and adopted at the 45th MONEYVAL plenary, focusing particularly on progress related to the core recommendations.

Lithuania gave an overview of progress achieved, notably the amendments made to the Criminal Code and the money laundering offence, the improvements to the structure of the FIU, and the adoption of the law on amendments to the AML/CFT law in April 2014 through which the reporting system had been changed in line with the recommendations of the adopted MER.

The Plenary acknowledged the progress made but concluded that some of the deficiencies identified could not be considered as being fully addressed. It was thus decided that Lithuania be given until April 2015 to pursue the implementation of the corrective measures so as to be in a position to demonstrate that all identified deficiencies scrutinised under the CEPs procedures have been adequately addressed, including effectiveness issues. No additional steps in the compliance procedures were proposed.

Considering that, pursuant to the 4th-round processes, Lithuania was expected to demonstrate progress at an adequate level on the majority of recommendations in order to request exiting follow-up procedures in December 2015. It was also decided to invite the country to provide a comprehensive interim report on measures taken to implement all core and key recommendations at the 47th plenary in 2015. Lithuania was expected to request exiting the regular follow-up process within three years from adoption of the MER (i.e. by December 2015) or shortly after.

In September 2015, the Plenary examined the compliance and interim follow-up report submitted by Lithuania. The secretariat presented the changes that took place since the last report was discussed in September 2014 and highlighted several positive developments with respect to the criminalisation of ML and TF and a number of key recommendations.

The Plenary acknowledged the progress made by Lithuania, in the context of examination of Lithuania's third report under Step 1 of the CEPs. It adopted the report and decided to lift the application of CEPs. The Plenary also noted the progress reported by Lithuania in the context of examination of its 4th-round follow-up report and invited Lithuania to request exit from regular follow-up procedures by December 2015 or at the latest by April 2016.



Bosnia and Herzegovina

In view of significant concerns about the extent of progress and speed of progress overall to rectify deficiencies identified in the 3rd-round MER, the 35th plenary placed Bosnia and Herzegovina under step (i) of CEPs, which required a non-complying member to provide a report or regular reports on its progress in implementing the reference documents.

As satisfactory progress had not been demonstrated by the 43rd plenary it was agreed that a high-level mission should be undertaken. The high-level mission to Bosnia and Herzegovina was carried out from 24 to 26 February 2014 by Dr Anton Bartolo, Chairman of MONEYVAL; Jan Kleijssen, Director of the Information Society and Action against Crime and John Ringguth, Executive Secretary of MONEYVAL. The objective of the mission was to convey to the authorities a clear message on the importance of urgent adoption of the amendments to the AML/CFT law and to the Criminal Code.

At its 44th plenary meeting, it was agreed that as no progress had still been achieved on the necessary legislative amendments that Bosnia and Herzegovina should be moved to step (iv) of the CEPs (public

statement). It was agreed that the issuing of the public statement would be deferred until 1 June 2014, in order to give Bosnia and Herzegovina sufficient time to adopt the relevant legislation and bring it into force.

On 1 June 2014, MONEYVAL issued a public statement under its CEPs as the required legislative amendments to meet MONEYVAL recommendations had not been enacted within the agreed deadlines. The AML/CFT (preventive) law was subsequently adopted on 6 June 2014 and came into force on 25 June 2014. However, the amendments to the Criminal Code were not adopted and the public statement remained in place at the end of 2014.

During the 46th MONEYVAL meeting in December 2014, the Executive Secretary informed the Plenary about the preliminary findings from the on-site visit (18 to 29 November 2014). In the light of this the Plenary decided to maintain Bosnia and Herzegovina at Step 3 but underlined that real progress was required on the Criminal Code amendment (especially Financing of Terrorism).

In April 2015, the Plenary took note of the 10th report submitted by Bosnia and Herzegovina under Step 3 of the CEPs. The Executive Secretary shortly presented the information note prepared by the secretariat in this respect, summarising the key developments which took place since the 46th plenary meeting.

The Executive Secretary recalled the main key findings of the on-site visit carried out in November 2014, which were presented during the 46th plenary meeting. The Plenary was then reminded of the decision taken during the December plenary that, in the absence of meaningful progress by the current Plenary, MONEYVAL would consider applying Step 4 of the CEPs, namely referring Bosnia and Herzegovina to the ICRG. The Plenary was also informed that a number of FATF countries jointly nominated Bosnia and Herzegovina for immediate referral to the ICRG process for failing to address serious and long-standing deficiencies in the AML/CFT regime. The Executive Secretary further reported that, bearing in mind the decision taken at the 46th plenary meeting and the number of outstanding deficiencies, the Bureau advised the Plenary to stand by its previous decision and apply Step 4 of the CEPs.

The Plenary decided to apply Step 4 of the CEPs to Bosnia and Herzegovina, and therefore to refer Bosnia and Herzegovina to the ICRG. In this regard, the Chairman noted that the Europe/Eurasia Regional Review Group (ERRG) would hold a meeting with Bosnia and Herzegovina in May 2015. The Plenary also decided to publish a revised public statement in order to reflect the developments which took place in the country since the plenary meeting in December 2014. The amended public statement is reproduced beneath:

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

**Public statement under Step 3 of MONEYVAL's Compliance
Enhancing Procedures in respect of Bosnia and Herzegovina**

14 April 2015

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has been concerned since December 2010¹² with deficiencies in the anti-money laundering/combating the financing of terrorism (AML/CFT) regime in Bosnia and Herzegovina.

At its 35th plenary meeting (between 11-14 April 2011) in Strasbourg, MONEYVAL invited Bosnia and Herzegovina to develop a clear action plan in response to MONEYVAL's third-round MER with realistic timescales for remedying the major deficiencies identified. Additionally, MONEYVAL emphasised that, in order to show a firm political commitment, the agreed action plan should be approved at the Government level. At the 37th plenary meeting (13-16 December 2011) MONEYVAL noted that the Council of Ministers of Bosnia and Herzegovina had considered and adopted the action plan on 10 October 2011. MONEYVAL, at its 44th plenary meeting (31 March to 4 April 2014), noted that the majority of the objectives of the action plan had still not been fully addressed, since necessary amendments to remedy important deficiencies in the Anti-Money Laundering and Counter Financing of Terrorism Law had not been adopted and important amendments to the Criminal Code had been rejected. As a consequence of this MONEYVAL issued a public statement on 1 June 2014.

Although the amendments to the Anti-Money Laundering and Counter Financing of Terrorism Law were adopted and came into force on 25 June 2014, the by-laws need also to be rapidly issued and brought into effect. **Amendments to the financing of terrorism offence in the Criminal Code were adopted and entered into force on 24 March 2015. However, other necessary amendments to the Criminal Code have still not been adopted.** MONEYVAL urges Bosnia and Herzegovina to immediately and meaningfully address its AML/CFT deficiencies, in particular by adopting the remaining amendments to its Criminal Code.

MONEYVAL continues to call on states and territories evaluated by MONEYVAL and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence measures to transactions with persons and financial institutions from or in Bosnia and Herzegovina in order to address the money laundering and financing of terrorism risks.

Furthermore, the 48th plenary took note of the 11th report submitted by Bosnia and Herzegovina under Step 4 of the CEPs.

Since a number of key amendments to the Criminal Code were adopted in May 2015 to address outstanding shortcomings in relation to the money laundering offence and the confiscation regime and considering the fact that Bosnia and Herzegovina will be subject to the 4th-round follow-up process after the adoption of the MER at the 48th plenary, the Plenary agreed to remove Bosnia and Herzegovina from the CEPs and to lift the revised MONEYVAL public statement on Bosnia and Herzegovina.

Consequently, the outstanding action points referred to in the 9th compliance report would be followed up together with the deficiencies identified in the 4th-round MER. Bosnia and Herzegovina shall continue reporting on the action plan resulting from the 3rd-round MONEYVAL report within the 4th-round expedited regular follow-up procedure.

12. A graduated series of steps have been applied since December 2010, culminating in February 2014 with a high level mission, under step (iv) of the Rules of Procedure in force at that time, to reinforce MONEYVAL's concerns about Bosnia and Herzegovina's non-compliance with its reference documents.

Voluntary tax compliance programmes and AML/CFT requirements

A VTC programme refers to any programme that is designed to facilitate legalisation of a taxpayer's situation in respect of funds or other assets that were previously unreported or incorrectly reported. Countries may introduce VTC programmes for a variety of purposes including: raising tax revenue; increasing tax honesty and compliance; and/or facilitating asset repatriation for the purpose of economic policies, especially when the country is in an economic crisis. Such programmes come in a variety of forms and may involve voluntary disclosure mechanisms, tax amnesty incentives and/or asset repatriation. In some cases, VTC programmes may be introduced as a political reaction to the immediate economic or fiscal situation of the country.

In 2007, MONEYVAL had already taken action through the application of CEPs in a situation where a VTC programme adopted by a MONEYVAL member raised serious concerns as regards the effective application of AML/CFT measures.

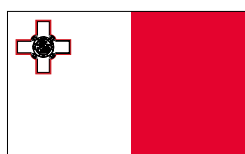
In October 2012, the FATF published a Best Practices report on "Managing the anti-money laundering and counter-terrorist financing policy implications of voluntary tax compliance programmes". This report recognised the potential for VTC programmes to be abused by criminals for the purpose of moving funds and it notes that the level of potential money laundering and terrorist financing risk varies greatly, depending on the characteristics of the particular VTC programme being implemented.

Taking these developments into account, the 43rd plenary adopted procedures related to the implementation of VTC programmes and AML/CFT requirements by states and territories evaluated by MONEYVAL. MONEYVAL will consider these issues in respect of these states and territories when they arise. At its 46th plenary meeting, MONEYVAL revised its VTC procedures.¹³

In 2015, three states with such programmes were under consideration.

Voluntary Tax compliance programmes considered in 2015

- 47th plenary meeting ▶ Malta
- 48th plenary meeting ▶ Israel
- 49th plenary meeting ▶ Albania



Malta

Malta's proposed VTC scheme was first discussed at the 44th plenary. The Maltese authorities had prepared a draft Investment Registration Scheme Regulations under Malta's External Transactions Law. It was considered that the scheme complied with the four FATF principles, as also set out in MONEYVAL's VTC procedures. At the 45th plenary, it was reported that the scheme had come into effect. The MONEYVAL secretariat analysed the relevant legislation and guidelines and confirmed that the Maltese VTC programme remained in full compliance with the four basic principles. At the 46th plenary meeting, the Maltese authorities reported that the scheme had concluded but that it was too early to fully analyse the results of the scheme. The Plenary agreed that a full report on the outcome of the scheme would be considered at the 47th plenary meeting in 2015. At that occasion, the Plenary received an update and agreed that the Maltese authorities should continue reporting any future developments on the programme during the MONEYVAL's *tour de table* procedure.

13. See full text at: [www.coe.int/t/dghl/monitoring/moneyval/Activities/MONEYVAL\(2014\)45_VTC%20procedures%20ENG.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Activities/MONEYVAL(2014)45_VTC%20procedures%20ENG.pdf)



Israel

Following the discussion of the Israel's VTC programme at the 48th plenary meeting, the Committee decided that Israel should submit information on the monitoring measures carried out by the supervisory authorities without delay to enable the secretariat to conclude its analysis and make possible recommendations. The authorities should continue exercising vigilance on the functioning of the VTC programme to ensure that it is not abused for ML/FT purposes. In particular, the Israeli Tax Authority (ITA), the police, the Attorney General's Office and the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA) should continue co-operating in order to identify any suspicions of ML/FT, with a view to conducting ML/FT investigations and prosecutions, where so required. The Israeli authorities provided updated information on this matter at the 49th plenary meeting. Moreover, the conclusion of the Plenary was that the Israeli authorities should continue to provide further updates under the MONEYVAL's *tour de table* procedure in respect of any future developments.



Albania

The 49th plenary meeting received updated information from the Albanian delegation regarding their country's VTC programme which was scheduled to be completed by the end of 2015. It was agreed that the Albania authorities should continue updating the Plenary under the MONEYVAL's *tour de table* procedure with regard to any future developments on the programme.

Typologies work and other research reports

STRUCTURE OF TYPOLOGIES AND RESEARCH WORK

Another important function of MONEYVAL is to identify new and emerging money laundering and terrorist financing techniques and trends, to assess the level of these threats and report on the findings. Each year, MONEYVAL undertakes typologies research to better understand the money laundering and terrorist financing environment in the European region and to provide decision makers and operational experts with up-to-date information so that they may develop sound policies and strategies to combat these threats.

REPORTS CONSIDERED IN 2015

Projects in 2015

Laundering the proceeds of organised crime “De-risking” within MONEYVAL states and territories MONEYVAL Grand Corruption Survey

LAUNDERING THE PROCEEDS OF ORGANISED CRIME

In October 2013, a first meeting was held in Strasbourg to consider typologies in respect of laundering the proceeds of organised crime. In May 2014 two meetings were held in San Marino to consider aspects of this project. The first meeting brought prosecutors and judges from Europe and the United States together to explore the reasons for the apparent absence of ML convictions of third parties who launder on behalf of organised crime. Apart from providing a substantial contribution to the final typologies report, the seminar was helpful in raising awareness of how more success can be achieved in this area. Prosecutors present recognised the continuing need to challenge the courts with more third-party ML cases based on circumstantial evidence. The second meeting was a project core-group workshop which took place immediately after the seminar with prosecutors and judges. The core-group members discussed the emerging findings from the prosecutors meeting and mapped out the steps for production of the draft report for presentation to the December 2014 MONEYVAL plenary.

The draft report was presented to the 46th plenary meeting. It was agreed that more time was needed for delegations to fully consider the detailed report. It was agreed that the report should be recirculated to all delegations for further comments. In April 2014, the secretariat presented the finalised typology report on “Laundering the proceeds of organised crime”. The report was adopted by the Plenary and published on the MONEYVAL website.

“DE-RISKING” WITHIN MONEYVAL STATES AND TERRITORIES

The FATF “de-risking” initiative was elaborated during its plenary session held in October 2014. According to the FATF, “de-risking” refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid risk, rather than manage it in line with the FATF’s risk-based approach. De-risking can be the result of various drivers, such as concerns about profitability, prudential requirements, anxiety after the global financial crisis and reputational risk. It is a misconception to characterise de-risking exclusively as an anti-money laundering issue. Based on this initiative, MONEYVAL conducted a short survey on the extent to which de-risking is taken into account by its member states and territories. The survey questionnaire was designed to gather information to help MONEYVAL understand the level of de-risking in its jurisdictions, the drivers behind it and sectors, products and services most affected by de-risking. The final report was released in April 2015, detailing the extent to which de-risking is given consideration by states and territories and how entities under supervision manage risks, as opposed to avoiding them.¹⁴

The report concluded that de-risking was happening to some extent within MONEYVAL countries, however it was not systemic. There have been instances where de-risking behaviour was observed and resulted in closing down of a significant number of high-risk customer relationships. Still, these examples appear to be sporadic. There are no signs of wholesale de-risking with regard to Money or Value Transfer Services (MVTs) and NPOs, although correspondent banks seem to be more affected by de-risking. Almost all MONEYVAL countries

14. https://www.coe.int/t/dghl/monitoring/moneyval/Publications/Report_De-risking.pdf.

and territories indicated that they had policies and programmes in place to ensure that socially disadvantaged persons (migrant workers, persons on low incomes, etc.) were able to obtain basic access to the financial system. The majority of countries consider sound risk-based approach as an adequate response to de-risking behaviour. Potential sanctions and reputational risk were named by financial institutions of MONEYVAL countries and territories as the most significant drivers behind de-risking.

Competent authorities in MONEYVAL were encouraged to keep this issue under review.

MONEYVAL GRAND CORRUPTION SURVEY

A workshop on money laundering stemming from “grand corruption” took place in Warsaw in November 2015, organised by the Polish FIU, which was attended by many MONEYVAL delegations. The term “grand

corruption” has been previously referred to in the 2011 FATF typology report on “Laundering the proceeds of corruption” and refers to influencing decision makers who use their office to enrich themselves, their families and their associates. Consequently, delegations were encouraged to provide money-laundering case studies that involve grand corruption instances.

Prior to the workshop, the delegations were requested to complete a short typologies questionnaire to determine whether there was sufficient experience and expertise in this area. Some delegations also presented case studies during the workshop. Given that the outcome of the questionnaire and workshop was positive, MONEYVAL discussed the typologies exercise at its 49th plenary meeting. The Plenary invited Poland to continue to make proposals for typology work in this area. It also expressed support for a proposal to initiate a typologies exercise on grand corruption, on the basis of previous preparatory work already conducted by the secretariat.

Other important activities and initiatives in 2015

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

KEY PARTNERSHIPS

As previously noted, MONEYVAL is a key partner in the global network of interdependent AML/CFT assessment bodies.



The Financial Action Task Force

The FATF continues to be MONEYVAL's primary international partner and collaborator. The FATF is an inter-governmental body established in 1989 and designed to set standards and promote effective implementation of anti-money laundering and terrorist financing measures. The FATF is therefore a policy-making body which works to generate the necessary political will to bring about national legislative and regulatory reforms. It operates in combination with FSRBs, 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-Chair and the Executive Secretary regularly attend and actively contribute in FATF working groups and plenary meetings, together with delegates from MONEYVAL countries and territories who participate under the MONEYVAL flag. Thus, MONEYVAL states and territories have real opportunities of inputting into 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 – particularly the ICRG and the Evaluations and Compliance Group, which deals with issues involving interpretation of the global standards and the development of the global AML/CFT Methodology.

In 2015, MONEYVAL attended three regular FATF plenaries, as well as the special plenary on counter-terrorist financing in December. Mr Je-Yoon Shin, President of the FATF, opened MONEYVAL's 49th plenary in December.

MONEYVAL has mutual observer status with other associate members of the FATF and co-operates with them on a number of levels. The full list of associate members appears at Appendix IV to this report.

A new form of quality and consistency review has been introduced as part of the FATF mutual evaluation process including an external element. The main functions of the reviewers are to ensure MERs are of an acceptable level of quality and consistency, and to assist the assessment team by reviewing and providing timely input on the scoping note and the draft MER and Executive Summary including:

- ▶ commenting on the assessors' proposals for the scope of the on-site visit;
- ▶ commenting on whether there has been a correct interpretation of the FATF standards and application of the Methodology (including the assessment of risks, integration of the findings on technical compliance and effectiveness, and areas where the analysis and conclusions are identified as being clearly deficient);
- ▶ checking whether the description and analysis supports the conclusions (including ratings), and whether, based on these findings, sensible priority recommendations for improvement are made;
- ▶ where applicable, highlighting potential inconsistencies with earlier decisions adopted by the FATF on technical compliance and effectiveness issues; and
- ▶ checking that the substance of the report is generally coherent and comprehensible.

Mr John Ringguth acted as a reviewer of the first FATF evaluation report of Italy, which is the first evaluation to be conducted by the IMF in the new round. The report was adopted by the FATF Plenary in October 2015.

International Co-operation Review Group and the Europe/Eurasia Regional Review Group

In 2009, the G20 called on the FATF to identify jurisdictions which threatened the global financial system. Countries can be nominated directly or are considered automatically if their evaluation reports have a number of low ratings in important core and key recommendations. All European jurisdictions identified for review by the ICRG are referred to the Europe/Eurasia Regional Review Group (ERRG). The ERRG, which was co-chaired in 2015 by the MONEYVAL Chairman, Dr Bartolo, in turn analyses the factual situations and reports from the region to the ICRG. Finally, the ICRG decides whether a full targeted review is required and final decisions are taken on this by the FATF Plenary. The ICRG process is intended to complement the follow-up procedures of the regional bodies.

MONEYVAL jurisdictions in the ICRG/ERRG process

Albania

In January 2015, the ERRG conducted an on-site visit to confirm that the process of implementing the required reforms and actions is under way to address deficiencies previously identified by the FATF. A member of the MONEYVAL secretariat participated and contributed to this mission. Albania was subsequently removed from the ICRG process.

Bosnia and Herzegovina

MONEYVAL decided at its April plenary to refer Bosnia and Herzegovina to the ICRG process of the FATF, which is currently under way.

The International Monetary Fund and the World Bank

Since 11 September 2001, the role of the IFIs in AML/CFT has expanded. The clear engagement of the IFIs with the FATF and MONEYVAL was based on the decisions of their boards after the events of 11 September 2001 that AML/CFT issues should be routine parts of all their much larger financial sector assessments in their member states.

MONEYVAL and the FATF negotiated with the IFIs in 2003-2004 “burden-sharing” agreements, under which the IMF or World Bank¹⁵ could conduct a small number of MONEYVAL or FATF evaluations in a given evaluation round, and present the report for adoption at MONEYVAL and FATF plenaries. In 2013, the IMF led the MONEYVAL on-site evaluation to Liechtenstein, with a MONEYVAL secretariat member as part of the team covering law enforcement issues. This report was adopted at the 44th MONEYVAL plenary in 2014.

MONEYVAL benefits from this burden-sharing as the IFIs can also accept recent MONEYVAL reports (prepared by MONEYVAL alone) as the AML/CFT components of their own wider financial sector assessments in other MONEYVAL countries.

In 2015, representatives from both the IMF and the World Bank actively participated in MONEYVAL plenary meetings. In particular, a representative of the World Bank informed the Plenary about the technical assistance project that the World Bank is carrying out in MONEYVAL jurisdictions. In particular, 20 MONEYVAL members are at different stages of undergoing a national risk assessment. In addition, the World Bank noted that Armenia requested technical assistance on the financial inclusion part of the national risk assessment and it will be the first MONEYVAL member having financial inclusion as part of the risk model.

15. In practice only the IMF has undertaken MONEYVAL countries, so far.

A member of the MONEYVAL Bureau, Mr Nicola Muccioli (San Marino) participated in the IMF Conference on Risk Assessments (Syracuse, 27-30 April, 2015). Also, at the 48th plenary, the IMF expressed to the Committee its interest in participation in reviewing draft reports of the 5th-round mutual evaluations under the foreseen MONEYVAL procedures



The European Union

The EU has been actively involved in MONEYVAL since its inception. In fact, the EU encouraged its creation. It is represented in MONEYVAL through the European Commission and the Council of the European Union. As a distinctly European monitoring mechanism, MONEYVAL

has always had the European Union directives as part of its mandate. Currently, MONEYVAL additionally evaluates all its jurisdictions – whether EU members or not¹⁶ – on those parts of the third AML/CFT EU directive¹⁷ that depart from the FATF standards. This assessment is published with each report that MONEYVAL produces, though without ratings. This is unique to MONEYVAL. Older members of the EU – evaluated by the FATF – are not assessed on the EU directives through a peer-review process, as the FATF only evaluates against global standards. It is now possible for Council of Europe member states not evaluated by MONEYVAL to apply for an evaluation by MONEYVAL in respect of the standards in the third EU AML/CFT directive. MONEYVAL would anticipate assessing the upcoming fourth EU AML/CFT directive on the same basis.

Representatives from the EU regularly attend the MONEYVAL plenary meetings and have provided the following updates.

At the 47th plenary, a representative of the European Commission provided a short overview of the fourth AML directive. The Plenary was informed that the European Parliament and the Council adopted the directive in May 2015 and the directive was published in the Official Journal in June 2015. Following the publication, the directive will have to be implemented by member states within two years. The fund transfers regulation will enter into force in June 2017.

Additionally, the European Commission is focused on three main issues: (i) the transposition of the directive; (ii) the adoption of implementing measures; and (iii) new initiatives to fight ML/TF. Concerning the transposition of the directive, a transposition workshop was

16. Twelve MONEYVAL jurisdictions are currently member states of the EU.

17. Directive 2005/60/EC.

organised by the European Commission at the end of September 2015 to provide member states with the needed support and to discuss interpretation issues. Regarding the implementing measures, the European Commission outlined the EU supranational risk assessment, which is being conducted by the European Commission in order to identify, analyse and mitigate ML and TF risks affecting the internal market, to be undertaken to the extent it complements member states' national risk assessments. Concerning new measures to fight AML/CTF, the European Agenda on Security was adopted on 28 April 2015 and is based on three pillars: fight against organised crime, fight against terrorism and fight against cybercrime. And in each of these three areas AML/CTF is the focal point. The need for centralised tracking of financial operations in order to identify criminal and terrorist networks was also stressed by the European Commission. A European Counter Terrorism Centre was created with EUROPOL in January 2016.

The representative informed the Plenary about the existence of national asset recovery offices in order to improve cross-border freezing and confiscation of criminal assets. In addition, he expressed that mutual recognition of freezing confiscation orders should definitely be improved and in 2016 the Commission will issue a feasibility study on common rules on non-conviction property derived from criminal activities.



United Nations

The United Nations' global AML/CFT standards are embodied in the FATF standards. The United Nations Office on Drugs and Crime and the

Counter-Terrorism Committee Executive Directorate (CTED) send representatives to MONEYVAL.

MONEYVAL has successfully collaborated on several occasions with CTED on its separate assessments of UN Security Council Resolution 1373 on terrorist financing in MONEYVAL countries.

During the 47th plenary, a representative of the UNSCR 1267 Committee introduced the mandate and activities of the Analytical Support and Sanctions Monitoring Team of the UNSCR 1267 Committee. He stressed the role of the team in liaising with intelligence and security services and presented its activities in this respect. He emphasised that the perspective of the team lies more in assessing operational functioning of national frameworks than in the technical manner in which individual frameworks are established in respect of the UN sanctioning regime. He further presented the outcomes of an analysis on financial implications of the operation of Daesh, as well as the foreseen future activities of the UN Security Council Committee on foreign terrorist fighters. The

importance of measures designated to counter the provision of ransom payments to persons connected with terrorism was stressed.



The Organisation for Security and Co-operation in Europe

In July 2015, a representative from the MONEYVAL secretariat attended the Regional Workshop on Supporting the Prevention of Abuse of NPOs for Financing of Terrorism for OSCE participating states of South-Eastern Europe. He provided an overview of how MONEYVAL members in the region implemented relevant FATF standards aimed to guard NPOs against being abused for terrorist financing and addressed common issues faced by countries in meeting their obligations under the 4th round of evaluation concerning NPO requirements.

Representatives from the OSCE have attended MONEYVAL plenaries during 2015 and provided updates on their current initiatives.

Egmont Group

The Egmont Group was established in 1995 as an international forum bringing together FIUs¹⁸ in order to improve and systemise AML/CFT co-operation, particularly at intelligence level. The work of the FIU is an integral part of the FATF standards, and MONEYVAL evaluations. MONEYVAL has observer status and has actively participated in Egmont Group meetings and contributed to training of FIU staff.

Mutual collaboration by MONEYVAL with Egmont enriches the evaluators' and the secretariat's understanding of the working methods of FIUs. The Egmont Group was instrumental in pressing for FIU standards to be covered in an international legal instrument and contributed actively to the negotiation of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. MONEYVAL's law enforcement scientific expert, Mr Boudewijn Verhelst, was the Chair of the Egmont Group from 2010 to 2013.

At the 47th plenary, in April 2015, the Egmont Group representative informed the Plenary that, following the meeting of heads of FIUs held in Berlin in January 2015, the former Europe region was split into three groups: Region 1; Region 2 and Eurasia. A large number of MONEYVAL FIUs are now members of Region 2.

At its 48th plenary, the Egmont Group representative informed MONEYVAL that the Group is committed

18. The receiving units for suspicious transaction reports from the private sector.

to utilising its unique global network to combat money laundering and terrorist financing and supports the efforts of its international partners and others to give effect to statements by the G20 finance ministers, the FATF and the United Nations Security Council's Monitoring Team for greater international co-operation and exchange of operational information to combat Daesh and foreign terrorist fighters (FTFs). The representative also informed the Plenary that the Group is undertaking an in-depth analytic study on terrorist financing of Daesh/FTFs which is expected to be finalised by the end of September 2015.

The Eurasian Group on combating money laundering and financing of terrorism

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body bringing together Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. Fourteen more states and 18 international and regional organisations have observer status within the EAG. Representatives from the EAG regularly attend MONEYVAL plenary meetings and the 3rd-round evaluation of the Russian Federation was conducted jointly with the FATF and the EAG.

In 2015, Ms Kuralay Igembayeva from the EAG secretariat joined the MONEYVAL evaluation team as an observer in the first MONEYVAL 5th-round evaluation of Armenia. This agreement was reached on the basis of reciprocity, considering that MONEYVAL may take up the opportunity to participate in an EAG assessment, to the mutual benefit of both bodies.

PARTICIPATION IN OTHER FORUMS

AML/CFT compliance conference

Mr John Baker from the MONEYVAL secretariat attended a conference on the international perspectives and challenges for the Isle of Man in the field of AML/CFT, organised by the Alliance of Isle of Man Compliance Professionals, held in the Isle of Man on 30 January 2015. The conference brought together compliance professionals and business leaders from the Crown Dependencies' financial services community.

Expert seminar on "Daesh" funding

Mr John Ringguth attended in his function as Executive Secretary to MONEYVAL an expert seminar concerning the funding of Daesh in February 2015, which was organised by the EU and the USA in Brussels. The aim of the seminar was to share information and experience in respect of Daesh funding and to prioritise further actions and measures to be implemented. Some of the main issues discussed were: ransom payments;

foreign terrorist fighters and how countries handle returnees; implications in this context for cross-border movement of money and goods and particularly the use of cash couriers.

Additional Protocol to the Council of Europe Convention on the Prevention of Terrorism (CETS No. 217)

Mr Boudewijn Verhelst, one of MONEYVAL's scientific experts, represented MONEYVAL in the drafting process by the Council of Europe's Committee of Experts on Terrorism (CODEXTER) of the Additional Protocol to the Convention on the Prevention of Terrorism (CETS No. 217) concerning foreign terrorist fighters, which was negotiated in the record time of only seven weeks. The protocol was adopted by the Committee of Ministers in May 2015. The CODEXTER secretariat presented the protocol at the MONEYVAL plenary in December.

International Banking Congress

Mr John Ringguth spoke in his function as Executive Secretary to MONEYVAL at the XXIV International Banking Congress, held in Saint-Petersburg, Russia (3-5 June 2015). Mr Ringguth took part in a panel discussion "Financial inclusion: development challenges and possibilities". He informed the participants about the role and objectives of MONEYVAL and the work done so far by the Committee on the issue of financial inclusion.

Conference on the financing of proliferation of weapons of mass destruction

Mr Michael Stellini from the MONEYVAL secretariat attended the Weapons of Mass Destruction (WMD) Proliferation Financing Conference held in Vienna (23-25 July 2015). He made a presentation focused on the way countries should prepare themselves for a mutual evaluation on terrorist financing issues. The conference was organised by the US Department of State and focused on practical issues such as the specific methods proliferators employ to exploit the international financial system, the existing international framework and national practices to disrupt and deter financing of proliferation-related trade, and ways to build effective national and international capabilities to combat the financing of proliferation.

Conference on counteracting money laundering stemming from corruption

Mr John Ringguth co-chaired a conference on counteracting money laundering stemming from corruption held in Warsaw, Poland, on 17-18 November 2015. This conference was an initiative of the Polish government addressed to the MONEYVAL members. The conference was an occasion to gather MONEYVAL

experts and provide them with suitable platform for the discussion, as well as for international experience sharing on methods of combating money laundering with corruption as a predicate offence.

TRAINING AND AWARENESS-RAISING

Evaluator trainings

In 2015, MONEYVAL organised two training seminars for future 5th-round evaluators and the FATF 2013 Methodology. The first seminar was held in March in Dilijan (Armenia), the second in November in Liechtenstein which gathered 25 participants from 23 MONEYVAL jurisdictions. The aim of the seminars was to train future evaluators in MONEYVAL's 5th round of mutual evaluations. MONEYVAL wishes to sincerely thank the authorities of Armenia and Liechtenstein for hosting these events, which are crucial in sending evaluation teams familiar with the 5th-round standards on its evaluations.

Introduction to the FATF Immediate Outcomes at MONEYVAL plenaries

The new round of evaluations, which MONEYVAL started in 2015, focuses even more directly on effective implementation. Technical issues will primarily be covered in an annex to the MER. The 2013 Methodology for assessing compliance with the FATF Recommendations has introduced a separate effectiveness methodology comprising 11 Immediate Outcomes which are necessary for a fully performing system. This represents a significant development. MONEYVAL continued and completed its work already started in 2014 to cover at its plenaries special introductory sessions on each immediate outcome.

Presentations of ongoing work on national risk assessments

At the 48th plenary, several MONEYVAL jurisdictions (Israel, Hungary and the Isle of Man) and one FATF jurisdiction (Switzerland) made their presentations of ongoing work on national risk assessments. Hungary and the Isle of Man are to be evaluated by MONEYVAL under the new round in 2016. The aim of the presentations was to share the national experience on the methodology, approaches and mechanisms utilised to identify, assess and understand ML/TF risks. Each of the presentations raised a genuine interest and was followed by a number of questions from delegations. This initiative laid the groundwork for future presentations on national risk assessments in 2016. The MONEYVAL secretariat also decided to create an online library of all national risk assessments conducted by MONEYVAL and FATF members. At the 49th plenary, when examining the 2nd progress report for the Holy

See, it was noted that the process of a national AML/CFT risk assessment had begun, applying the methodology of the World Bank for national risk assessments.

Training for MONEYVAL fifth-round assessed countries

As there are some significant changes from the 4th-round procedures, the MONEYVAL secretariat regularly conducts a two-day country training seminar for each evaluated country one year in advance of the on-site visit. The seminar addresses all the main stakeholders in the public and private sectors and in particular those people who will be involved in preparing the materials to be submitted by the country and who will be interviewed on-site. In 2015, training seminars for the 5th-round assessment visits were organised in Hungary (February), the Isle of Man (May), Slovenia (October) and Ukraine (November). This initiative will continue in 2016.

THE CONFERENCE OF THE PARTIES TO CETS No. 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), 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). It is the first comprehensive anti-money laundering treaty covering prevention, repression and international co-operation in anti-money laundering and confiscation. More specifically, this instrument:

- ▶ provides states with enhanced possibilities to prosecute money laundering 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 FIUs and the principles for international co-operation between FIUs;
- ▶ applies all its provisions to financing of terrorism;
- ▶ covers the principles on which judicial international co-operation should operate between states parties.

The convention provides for a monitoring mechanism through a COP to ensure that its provisions are being effectively implemented. It came into force on 1 May 2008 and counts to date 13 signatories, including the European Union, and 27 states parties. In 2015, new ratifications came from the United Kingdom and France. Lithuania signed the

convention in 2015, while Germany signed the convention in January 2016. Mr Paolo Costanzo (Italy) has acted as scientific expert to the COP since 2011.

The monitoring procedure under the convention is particularly careful not to duplicate the work of MONEYVAL or of the FATF; it therefore focuses on those parts of the convention that add value to the current global standards. The assessment is undertaken by three rapporteurs (on legal aspects, FIU-related issues and international co-operation) in conjunction with the secretariat and is based on the replies of the authorities to a detailed questionnaire. Where necessary, MONEYVAL and FATF reports are also drawn upon.

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 7th meeting of the COP took place in Strasbourg from 5-6 November 2015, at which the evaluation report on Bosnia and Herzegovina and the follow-up report on Poland were adopted. Mr Branislav Bohacik (Slovak Republic) was elected as Chair and Mr Jean-Sébastien Jamart (Belgium) as Vice-Chair. Mr Besnik Muci (Albania), Ms Ani Melkonyan (Armenia) and Mr Sorin Tanase (Romania) were elected as Bureau members. Ms Liljana Kaçi (Albania) was appointed as the conference's gender equality rapporteur. The activity report of the Committee, which has now been operating for five years, had been adopted by the Committee of Ministers on 14 October 2015. Moreover, the amendments to the annex of the convention, which lists the predicate offences to money laundering, entered into force in October 2015.

Training for the COP to CETS No. 198

The MONEYVAL/COP secretariat held a training of rapporteurs to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198) from 15 to 17 July 2015 in Strasbourg. Eighteen experts from 16 countries evaluated by MONEYVAL and two countries (Portugal and Turkey) evaluated by the FATF were trained on the implementation of legal requirements of the convention.

TERRORIST FINANCING FACT-FINDING INITIATIVE

In light of the growing threat of Daesh and other terrorist groups, the FATF and the global AML/CFT network have agreed to bring a renewed focus on the global threat of terrorist financing. To this end, the FATF completed an urgent review of all jurisdictions in the global network, aimed at ascertaining their preparedness to cut off terrorism-related finance.

This review resulted in a report to the G20 finance ministers in November 2015.

The FATF was assisted in this "Terrorist financing fact-finding initiative" (TF FFI) by the global network of FSRBs. MONEYVAL, as the other FSRB secretariats, provided valuable assistance to facilitate the collection of information and to support the FATF in the understanding of members' counter-terrorist financing systems.

The main conclusion of the TF FFI was that, while most countries have comprehensive legal CFT frameworks, important gaps remain. With regard to the 2012 FATF Recommendation 5, many jurisdictions do not yet criminalise financing an individual terrorist for a purpose unrelated to committing a terrorist act. For 2012 FATF Recommendation 6, many jurisdictions still show gaps in their legal frameworks to implement targeted financial sanctions.

The FATF and FSRBs are taking action to deal with these problems. At the Special FATF plenary on Terrorist Financing in December, they agreed on a follow-up process for those jurisdictions which do not have adequate legal frameworks for implementing key elements of Recommendations 5 and 6. Countries with fundamental gaps will be encouraged to seek technical assistance and monitored by the ICRG. Countries with other significant problems will be subject to light-touch dedicated follow-up within the FATF and FSRB plenaries.

In 2016, MONEYVAL will continue its commitment to give proper follow-up to this initiative, in order to ensure that individual members take appropriate measures within reasonable time to address the problems identified.

A MONEYVAL delegation also participated in the FATF special plenary meeting on terrorist financing (Paris, 13-14 December 2015) which discussed the most appropriate way to ensure that countries improve their respective systems as quickly as possible.

HUMAN RESOURCES

The MONEYVAL secretariat went through a period of significant staff changes in 2015. Mr John Ringguth, who had been Executive Secretary to MONEYVAL since 2003, retired at the end of September. As the 48th plenary in September was his last meeting in his capacity as Executive Secretary, the Chairman warmly thanked Mr Ringguth for the important role that he has played in the work of MONEYVAL and made a presentation to him on behalf of the Committee. The Committee joined the Chairman in expressing their best wishes for his retirement and gave him a standing ovation. Mr Ringguth will continue his work within MONEYVAL as scientific expert as of 2016.

Mr Ringguth was succeeded in October by Mr Matthias Kloth, who has been a staff member of the Council of Europe for more than 10 years, and has previous work experience with the German Federal Ministry of Economics and the United Nations Office of Legal Affairs. Mr Kloth was introduced to the MONEYVAL Plenary in September, and served as Executive Secretary for the first time at the December plenary.

Ms Livia Stoica-Becht, who had been a member of the MONEYVAL secretariat since 2009, moved to the Directorate General of Democracy in December 2015. The MONEYVAL Plenary thanked her warmly for her work in the past years.

The Secretary General of the Council of Europe has agreed for several years that MONEYVAL should additionally be supported by secondees. In 2015, MONEYVAL continued to benefit from the secondments

of Ms Astghik Karamanukyan (Armenia) and Mr Andrey Frolov (Russian Federation) who joined the secretariat in 2014. In September 2015, two new national experts were seconded to MONEYVAL: Ms Veronika Mets from Estonia (Ministry of Finance of Estonia) and Mr Mehmed Yerlikaya from Turkey (Ministry of Justice of Turkey). The authorities of the officials concerned are warmly thanked for their contributions.

As at the end of the year, MONEYVAL is still seeking to recruit new secondees.

For the sustainability of MONEYVAL, it is paramount that sufficient permanent staff members with the necessary profiles and expertise are recruited to the secretariat. The Committee therefore welcomes the decision by the Committee of Ministers to assign to the MONEYVAL secretariat another post which is expected to be filled in the first half of 2016.

Conclusions

MONEYVAL's work to fight money laundering and terrorist financing continues to be central to the work of the Council of Europe. The continuous threats faced by the international community by Daesh and other terrorist groups underlined once again the importance of its mission on countering the financing of terrorism.

MONEYVAL's work on anti-money laundering is central to the integrity and protection of democracy and the rule of law in Council of Europe states, as well as other states and territories evaluated by it. This is because effective anti-money laundering measures take the profit out of crime and disrupt organised criminality.

In 2015, MONEYVAL has once again demonstrated that it is an important and irreplaceable partner in the global network of AML/CFT assessment bodies. Its work is highly valued at the international level. Its outputs bring great credit to the Council of Europe.

Given that the MONEYVAL secretariat largely depends on seconded officials who may remain only for a short period of time, it is crucial that there is no discrepancy between the number of permanent staff members with the necessary skills and expertise and the immense workload the secretariat faces in carrying out MONEYVAL's 5th round of mutual evaluations.

Appendices

Appendix I – Range of activities per state/jurisdiction in 2015

	ERRG	3rd-round progress report	4th-round follow-up ¹⁹	CEPs	4th-round MER	5th-round training	5th-round MER	VTC	No Action
Albania	x		x					x	
Andorra			x			x			
Armenia						x	x		
Azerbaijan			x						
Bosnia and Herzegovina	x			x	x				
Bulgaria			x						
Croatia			x						
Cyprus			x						
Czech Republic			x	x					
Estonia									x
Georgia			x						
Holy See		x							
Hungary						x			
Israel			x					x	
Latvia			x						
Liechtenstein									
Lithuania			x	x					
Malta			x					x	
Monaco									x
Montenegro				x	x				
Poland			x						
Republic of Moldova			x						
Romania									x
Russian Federation									x
San Marino			x						
Serbia							x ²⁰		
Slovak Republic			x						
Slovenia			x						x
“the former Yugoslav Republic of Macedonia”			x						
UK Crown Dependency of Guernsey					x				
UK Crown Dependency of Jersey					x				x
UK Crown Dependency of the Isle of Man									x
UK Overseas Territory of Gibraltar									x
Ukraine		x							
Total	2	2	18	4	4	4	2	3	8

19. This includes follow up to the Special Assessment on Cyprus

20. The on-site visit took place from 29 September to 9 October 2015 while the MER was discussed in April 2016

Appendix II – List of 2003 40+9 FATF Recommendations

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

Appendix III – 2012 40 FATF Recommendations and 11 Immediate Outcomes as per FATF Methodology from February 2013

2012 FATF Recommendations	
R.1	Assessing risks and applying a risk-based approach
R.2	National co-operation and co-ordination
R.3	Money laundering offence
R.4	Confiscation and provisional measures
R.5	Terrorist financing offence
R.6	Targeted financial sanctions related to terrorism and terrorist financing
R.7	Targeted financial sanctions related to proliferation
R.8	Non-profit organisations
R.9	Financial institution secrecy laws
R.10	Customer due diligence
R.11	Record-keeping
R.12	Politically exposed persons
R.13	Correspondent banking
R.14	Money or value transfer services
R.15	New technologies
R.16	Wire transfers
R.17	Reliance on third parties
R.18	Internal controls and foreign branches and subsidiaries
R.19	Higher-risk countries
R.20	Reporting of suspicious transactions
R.21	Tipping-off and confidentiality
R.22	DNFBPs: customer due diligence
R.23	DNFBPs: other measures
R.24	Transparency and beneficial ownership of legal persons
R.25	Transparency and beneficial ownership of legal arrangements
R.26	Regulation and supervision of financial institutions
R.27	Powers of supervisors
R.28	Regulation and supervision of DNFBPs
R.29	Financial intelligence units
R.30	Responsibilities of law enforcement and investigative authorities
R.31	Powers of law enforcement and investigative authorities
R.32	Cash couriers
R.33	Statistics
R.34	Guidance and feedback
R.35	Sanctions
R.36	International instruments
R.37	Mutual legal assistance
R.38	Mutual legal assistance: freezing and confiscation
R.39	Extradition
R.40	Other forms of international co-operation

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

Appendix IV – FATF-style regional bodies (FRSBs)

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 in South America (GAFISUD)	
Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)	
Middle East and North Africa Financial Action Task Force (MENAFATF)	

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

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

www.coe.int

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