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10 Legal questions

10.2 Committee of Experts on the Evaluation of Anti-money Laundering Measures and the Financing of Terrorism (MONEYVAL)

b. Annual report for 2023

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FREQUENTLY USED ABBREVIATIONS AND ACCRONYMS

AML	Anti-money laundering
CDPC	European Committee on Crime Problems
CEPs	Compliance Enhancing Procedures
CETS 198	2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention
CFT	Countering the financing of terrorism
CoE	Council of Europe
COP	Conference of the Parties to the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention (CETS 198)
DNFBPs	Designated non-financial businesses and professions
EAG	Eurasian Group on Combating ML/T
EU	European Union
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FSRB	FATF-Style Regional Body
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	Organisation for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
R.	Recommendation
SAR	Suspicious activity report
SR.	Special Recommendation
STR	Suspicious transaction report
TF	Terrorist financing
TFS	Targeted financial sanctions
UN	United Nations
UNCTC	United Nations Counter-Terrorism Committee
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
VASPs	Virtual asset service provider
VTC	Voluntary tax compliance

INTRODUCTION FROM THE CHAIR

I am pleased to introduce the annual report of MONEYVAL, which highlights MONEYVAL's achievements in 2023. This is also the first occasion for me to do so since my election as the Chair of MONEYVAL last December.

In 2023, significant challenges in global affairs continued, impacting efforts to combat money laundering (ML) and the financing of terrorism (TF). Issues related to combating proliferation financing (CPF) also found a prominent place in the Global Network's agenda. Recognising the importance of those challenges and demonstrating a high-level commitment to combating ML/TF/PF on 25 April 2023, Ministers and high-level officials responsible for anti-money laundering policies from 35 MONEYVAL member States and territories met in Warsaw and discussed the role of MONEYVAL in taking action against money laundering, terrorist and proliferation financing, crimes that impact our society and threaten the rule of law, democratic governance and the integrity of the financial system. As a result, the Ministers adopted a declaration and endorsed MONEYVAL's Strategy on anti-money laundering, combating the financing of terrorism and proliferation financing, setting the vision for the committee for the period from 2023 to 2027.

The global community and multiple international organisations involved in anti-money laundering and counter-terrorism financing continued their efforts in response to the Russian Federation's aggression against Ukraine. Given the ties between AML/CFT efforts and sanctions policies, significant resources within competent authorities were reoriented towards tracing and freezing any funds and other assets of designated persons or entities.

When considering monitoring outcomes, it is clear that MONEYVAL members continue to encounter a number of challenges in effective implementation of the FATF Standards on combating ML/TF/PF. While the best results are achieved in the areas of risk assessment, international co-operation, and use of financial intelligence, weaknesses remain in financial sector supervision, compliance of private entities, transparency of legal persons, money laundering convictions and confiscations, and financial sanctions for TF and PF. MONEYVAL continues using its peer review mechanism for applying pressure on its member States to improve the level of implementation of requirements in these areas.

In addition, the standards involving transparency of legal persons and legal arrangements, measures to prevent non-profit organisations from being abused for TF purposes, and recovery of criminal assets, remain insufficiently applied. These are subject matters that are high on the agenda for both MONEYVAL and the FATF. MONEYVAL contributed extensively to the improvement of the global regulatory framework and the revision of the FATF Standards on these subjects by actively participating in the FATF's work which led to the adoption of revised standards and of new or updated guidance.

MONEYVAL continued supporting actively work in other sectors of the Council of Europe whenever their focus touched on areas of its expertise and mandate. Assessments conducted in MONEYVAL and throughout the Global Network have shown that most countries are not effectively tracing and recovering criminal assets and are challenged in matching the speed and sophistication of criminals' methods. Therefore, while contributing to global efforts to strengthen FATF recommendations, MONEYVAL also engaged in the discussions aimed at reviewing Council of Europe's standards in this area, and supporting the elaboration of an additional protocol to the CETS no. 198.

Data protection is another key area where there is a need to provide for an appropriate level of data protection while facilitating transborder data flows. This is why MONEYVAL engaged actively in the drafting process of the Guidelines on data protection for the processing of personal data for anti-money laundering/countering financing of terrorism purposes, which aim to provide orientation on how to integrate the requirements of Convention 108+ in the area of AML/CFT.

In 2023, MONEYVAL retained its recognition as the top-tier global performer according to the internal FATF ranking. We have strong expertise among delegations and within the Secretariat and delivered high-quality assessments. This is, in no doubt, the result of continuous efforts by several generations of AML/CFT experts actively taking part in the work of our Committee. I take this opportunity to thank all colleagues involved in the successful development of MONEYVAL since its establishment in 1997.

With the next round of mutual evaluation visits commencing in late 2024, MONEYVAL contributed substantively in 2023 to the preparations for the new round of evaluations led under the coordination of the FATF by having an extensive input into the drafting of the Universal Procedures. In parallel, MONEYVAL also developed its own package of key documents for its own 6th round of evaluations, consisting of the Rules and Procedures, questionnaires for presenting information on technical compliance, and on effectiveness of implementation of measures on combating ML/TF/PF. The MONEYVAL Plenary adopted the Rules of procedure and endorsed the template evaluation documents in December 2023.

In the coming years, we will focus our efforts on initiating the new round of assessments. The FATF entrusted MONEYVAL to be the first in initiating mutual evaluations in the new global round as of 2024. This remains a privilege and a key priority, as first evaluation reports set the standard in a new round. In the coming years we will also re-launch our own training program for preparing a new pool of assessors for the 6th round of MONEYVAL evaluations.

Our efforts for the years ahead will be focused on initiating the new assessment round and launching the next ambitious chapter in our work, based on the Warsaw Strategy (2023-2027). We will continue to focus our efforts on our primary goal, to enhance AML/CFT systems and their effectiveness in countries and territories assessed by MONEYVAL. Moreover, we are committed to expanding the regional role of MONEYVAL, enhancing its partnership with European Union institutions and ensuring it engages in regular dialogue with the private sector and civil society.

In 2023, the former Chair of MONEYVAL, Elżbieta Franków-Jaśkiewicz, concluded her 4-year Polish Presidency of MONEYVAL. I would like to express sincere gratitude for her leadership and dedication during those years. Elżbieta Franków-Jaśkiewicz's contribution resulted in important achievements for the Committee and defined a clear path for its development, based on support from its membership and the FATF. The High-level meeting of MONEYVAL held in Warsaw on 25 April 2023 is a key historic milestone in our efforts to enhance political and ministerial involvement in AML/CFT and to ensure that our common joint efforts lead to tangible results, as our members face new and emerging challenges.

I take this opportunity to express my sincere appreciation to our European and international stakeholders for their unwavering support and engagement with MONEYVAL as we continue our joint efforts to tackle money laundering, terrorism financing and the proliferation of weapons of mass destruction.

Nicola MUCCIOLI

MONEYVAL Chair

EXECUTIVE SUMMARY

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, which includes 35 member States and jurisdictions. MONEYVAL drives and supports its members to strengthen their anti-money laundering and counter-terrorist financing (AML/CFT) legislation, institutions, and operational practices. MONEYVAL's reports are public and widely used by financial institutions around the globe in determining whether to conduct business in a jurisdiction. The international AML/CFT standards monitored by MONEYVAL are defined by the Financial Action Task Force (FATF). MONEYVAL is an FATF-style regional body (FSRB) and an associate member of the FATF.

This Annual Report provides a comprehensive overview of key compliance trends in the MONEYVAL member-jurisdictions and presents key MONEYVAL activities and results achieved in 2023 related to mutual evaluations, follow-up, research typologies, training, as well as external and internal engagement.

MONEYVAL member States and jurisdictions are advancing in their AML/CFT efforts, and outcomes are being achieved in relation to countries' understanding of AML/CFT risk, international co-operation, and the use of financial intelligence. However, major improvements are still necessary across areas such as financial sector supervision, private sector compliance, transparency of legal persons, money laundering convictions and confiscations, implementation of targeted financial sanctions for terrorism and proliferation of weapons of mass destruction.

MONEYVAL continued to lead among its international peers in the overall count of completed mutual evaluations, ensuring the completion of the 5th round of evaluations according to the planning, by the end of 2024. MONEYVAL continued its 5th round of mutual evaluations, by adopting four mutual evaluation reports for Azerbaijan, Montenegro, North Macedonia and Romania and conducting the on-site visit for the evaluation of Jersey, to be completed in 2024. The mutual evaluation process was launched for two other members (Bosnia and Herzegovina and the Crown Dependency of Guernsey).

The Committee also adopted ten follow-up reports under the 5th Round of Mutual evaluations. Therefore, throughout 2023, a total of sixteen MONEYVAL States and territories were subject to active monitoring processes through onsite visits, adopted reports, follow-up, and compliance procedures.

In the course of 2023, a total of five MONEYVAL members were required to report to the FATF's International Co-operation Review Group (ICRG). Among them, Albania was successfully removed from the FATF "grey list" in October 2023, following the demonstration of significant progress in improving its AML/CFT regime to meet the commitments of its action plan and the commitment made to respect the FATF principles in case it would introduce a Voluntary tax compliance programme in the future. In October 2023, the FATF also agreed that Gibraltar had substantially completed its action plan and scheduled an onsite assessment to verify the implementation of AML/CFT reforms and political commitment for sustaining these reforms. Gibraltar's onsite took place in December 2023. Croatia and Bulgaria were "grey-listed" by the FATF in June and October 2023, respectively. Monaco remained in an observation period awaiting FATF's decision in 2024, which will be taken considering the progress achieved by Monaco during this period.

In 2023, MONEYVAL concluded the implementation of its first Strategy for 2020-2022, successfully delivering against all priorities set out in that document, despite the challenges posed by COVID. The Committee prepared a new Strategy which was adopted during a High-level meeting held in Warsaw in April 2023. The MONEYVAL Strategy on anti-money laundering, combating the financing of terrorism and proliferation financing, covers the period from 2023 to 2027.

MONEYVAL also continued to expand its engagement with the FATF and its regional bodies, strengthening its co-operation and exchanges with the Latin American region, contributing to joint FATF and FATF Style Regional Bodies (FSRBs) fora, and continuing its engagement with various organisations across the global network. MONEYVAL also worked closely with other Council of Europe bodies to deliver its mandate.

1. STRATEGIC OUTLOOK

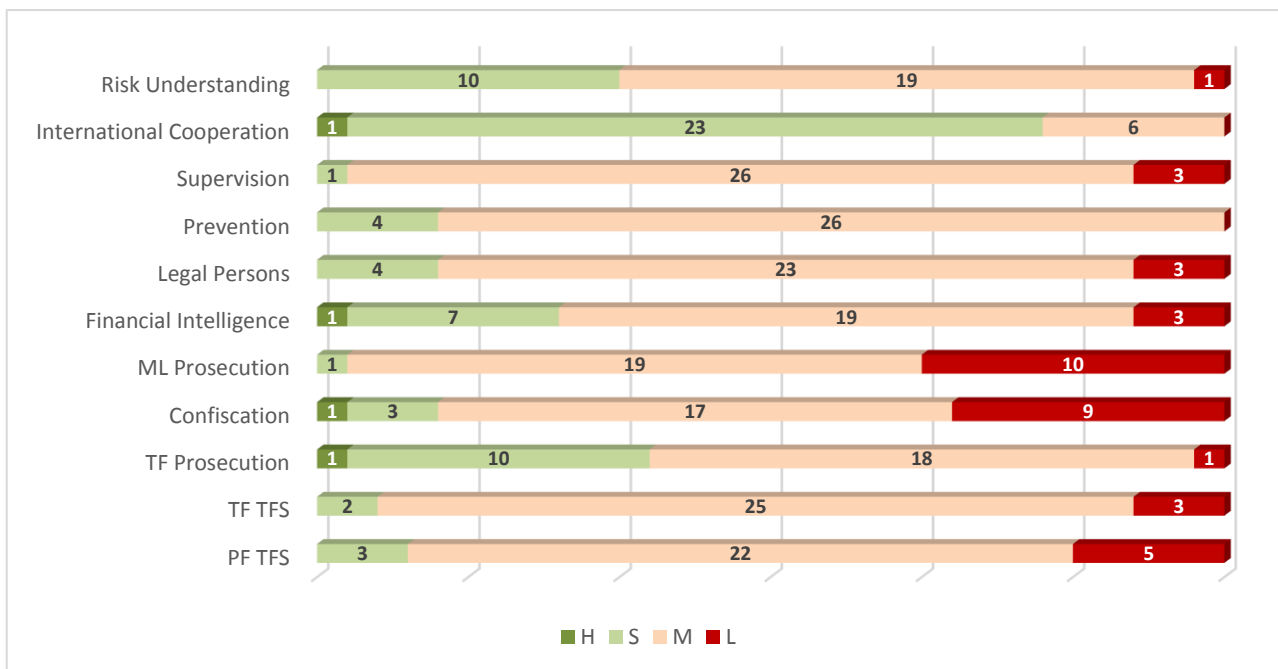
Money laundering, terrorism financing, and proliferation financing threaten stability of economies, peace, and security. Frequently linked with corruption, organised crime, trafficking in human beings, drugs, and arms - money laundering and terrorism financing undermine the rule of law and democracy while increasing economic inequality within and between nations. The United Nations Office on Drugs and Crime estimates the annual value of laundered proceeds of crime around to be 2-5% of global GDP, or \$800 billion - \$2trillion¹.

Significant and well-designed collective action is needed at national, regional and global level to tackle money laundering, terrorism financing and proliferation financing. MONEYVAL is committed to strengthening global efforts. In line with its 2023-2027 Strategy, it will do so by continuing and enhancing its AML/CFT/CPF monitoring and follow-up processes for its 33 member States and territories subject to its evaluation procedures (see full list in Section 8) by disseminating further material on major ML/TF trends and AML/CFT efforts, and strengthening its co-operation with other international bodies and partners.

1.1. Compliance trends

This section provides an outlook on how MONEYVAL member-jurisdictions have been assessed against the FATF's standards and how effectively they are implementing AML/CFT measures and achieving required outcomes. The trends discussed below consider ratings assigned to each jurisdiction in their most recent mutual evaluations against the FATF's AML/CFT monitoring standards.

Fig 1: Overview of Effectiveness Compliance Ratings (30 MERs)



H – High level of effectiveness; S – Substantial level of effectiveness; M - Moderate level of effectiveness; L - Low level of effectiveness

¹ Overview (unodc.org)

MONEYVAL member States and jurisdictions performed well when it comes to international co-operation, with 80% of all assessed countries achieving a positive level of compliance (i.e., High or Substantial level of effectiveness). This positive trend was further sustained in 2023, with three of the four adopted MERs having substantial levels of compliance for IO2. Alongside international co-operation, member States achieved good overall results in the areas of TF investigation and prosecution (37% positive ratings), risk understanding (33% positive ratings), and use of financial intelligence (27% positive ratings). Less positive results were achieved in the remaining seven areas, with effectiveness being notably weak with regard to ML prosecution and supervision (3% positive ratings for each) and financial sanctions for terrorism and proliferation of weapons of mass destruction (with 7% and 10% overall positive ratings respectively).

Risk Understanding (IO1)

Risk understanding is the central pillar of a robust AML/CFT system that can adapt to and adequately mitigate ML/TF risks. All countries and territories assessed under this round, so far, have conducted nationwide risk assessments or various iterations of such. The 10 jurisdictions (i.e. 33%) that have a substantial effectiveness rating for this IO developed comprehensive risk assessments, had good overall understanding of ML/TF risks, and adopted risk-based AML/CFT action plans and effective coordination and co-operation mechanisms. To varying degrees, such jurisdictions still needed to enhance their understanding of the specific risks they are exposed to, with the most recurrent gaps being with respect to ML risks associated with legal persons, overall TF risk exposure, and TF risks associated with NPOs. The remaining 67% of assessed countries and territories obtained fewer positive outcomes (i.e., 1 Low rating and 19 Moderate ratings). In the majority of cases, this was because of inadequate risk assessments (lacking in coverage of risks, data sets used, and stakeholders involved), action plans and strategies not being fully synchronised to ML/TF risks, and coordination and co-operation being limited.

MERs also consistently highlight the need for the retention of more granular and reliable ML/TF statistics, and the involvement of the widest pool of relevant public and private sector stakeholders to enhance risk assessment exercises.

International Co-operation (IO2)

Given the global nature of money laundering and financing of terrorism, efficient and meaningful international co-operation is key to detecting and deterring these serious crimes. As set out in the introductory remarks, international co-operation and information exchange are the strongest areas of work for MONEYVAL members. The positive rates in this area (i.e., 80 % positive ratings) stand out when compared to the compliance rates demonstrated by the entire global network (49% positive ratings). The majority of countries that obtained positive ratings for this IO provide and seek international co-operation, which is commensurate to the country's risks, and have a framework (i.e., laws, processes, and resources) that ensures timely and constructive co-operation. Where there are issues around inappropriate case management tools and/or prioritisation procedures, these were not considered to be material. All competent authorities engage in effective international co-operation, with supervisory authorities being comparatively less engaged.

Supervision (IO3)

AML/CFT supervision is perceived to be one of the main weaknesses of MONEYVAL countries' AML/CFT frameworks, with only one jurisdiction, so far, managing to obtain a positive rating for its licensing and AML/CFT supervisory efforts. It is worth noting that most jurisdictions have adequate licensing controls aimed at preventing criminals from entering the financial market. Most material deficiencies included market entry requirements for DNFBPs, which were either absent for some or inadequate to deter criminals from infiltrating these sectors. In fact, most of the assessed countries had one or several DNFBP sectors which were not subject to any market entry requirements. The large majority need to introduce enhancements of varying degrees to their DNFBP licensing / registration regimes.

Understanding general ML/TF risks is fairly adequate amongst FI supervisors as opposed to DNFBP supervisors, albeit TF risk is understood to a lesser degree. However, most MERs found that the understanding of sector and entity-specific risk is less developed, which is mostly owed to the lack of a comprehensive risk assessment framework. On a positive note, various supervisors were in the midst of introducing or enhancing sectorial and institutional risk assessment processes. Institutional risk understanding amongst DNFBP supervisors still remains underdeveloped in most jurisdictions, as was the case for the countries evaluated in 2023. Risk based approaches to the AML/CFT supervision of the financial sector require improvements, whereas supervisory efforts in DNFBP sector are rarely risk-based, and overall supervision is limited. The overall level of AML/CFT enforcement needs improvement. The majority of MERs show that sanctions are not adequate enough. Reflecting on the MERs adopted in the year under review, it is clear that the majority of these countries (3 out of 4) heavily rely on the remediation of AML/CFT breaches. In all four countries assessed in 2023, the imposed fines were limited in number, and also low in value, thus not considered effective or dissuasive.

Preventive Measures (Private Sector) (IO4)

Of the 30 countries and territories assessed so far, 4 have achieved positive results with regard to the implementation of preventive measures by FIs and DNFBPs. FIs and more material DNFBPs in these jurisdictions demonstrated a good understanding of ML/TF risks and obligations and adequate application of CDD. Underreporting by non-banking FIs and DNFBPs, as well as a limited understanding of ML/TF risks and AML/CFT obligations by DNFBPs, remains an issue even in such jurisdictions, although to a lesser extent when compared to the countries that were rated moderately effective. Significant effectiveness issues within the DNFBP sectors underpin moderate ratings in the vast majority of other countries, with most FIs demonstrating a fair level of effectiveness. When analysing the four MERs adopted in 2023 (where all assessed countries achieved a moderate rating), common gaps emerge with respect to the application of BO verification measures (particularly by non-bank FIs), application of EDD measures related to PEPs (minority of FIs and most DNFBPs), application of risk-based preventive measures, and low levels of reporting particularly in non-banking sectors.

Transparency of Legal Persons and Arrangements (IO5)

The availability of adequate, accurate, and current information on legal persons / arrangements and their beneficial owners is crucial for law enforcement and intelligence authorities to detect and pursue ML/TF cases involving the misuse of legal persons and arrangements. The current FATF standards provide for a number of mechanisms that can be used to ensure access to BO information without limiting the choice. Maintaining beneficial ownership registers is one of such measure, with more jurisdictions adopting this mechanism (3 of the 4 countries assessed in 2023 do so). At the time of their onsite evaluation, 18 of the 30 jurisdictions evaluated so far had put in place BO registers. Nonetheless, in the vast majority of cases, these were not fully populated at the time of the evaluation, and measures to verify the information held in these needed improvements.

Use of Financial Intelligence (IO6)

Actionable financial intelligence is a fundamental component of an effective AML/CFT regime, as it provides law enforcement authorities with valuable elements for their financial investigations. Under this round 8 jurisdictions have achieved a positive rating (1 high and 7 substantial ratings). In these jurisdictions, the FIUs and LEAs access a wide range of information in fulfilling their analytical and investigatory roles, with the LEAs systematically use financial intelligence, including high- quality FIU intelligence products. Suspicious transaction or activity reporting (STR/SAR) in these jurisdictions is largely aligned with the national risk profile, and a high number of reports are deemed useful. Concerns with the low number of reporting in some sectors, with the quality and usefulness of strategic analysis and resource issues were flagged for those jurisdictions having a substantial level of effectiveness.

In jurisdictions with poor results in this area, financial intelligence is used to a more limited extent or mainly for predicate offence investigations. Such limitations were seen to result mainly from limited expertise and capacity to exploit financial intelligence, operational focus on investigation of predicate offences as opposed to ML, and in some cases, low quality FIU operational products. The low number and quality of STRs/SARs is also a recurrent trend in such jurisdictions. All four countries assessed in 2023 obtained moderate ratings for IO6 displaying most of the above gaps.

Money Laundering Investigations, Prosecutions and Convictions (IO7)

MONEYVAL countries have comprehensive legal frameworks and powers to pursue ML. However, they are still struggling to achieve positive results in prosecuting and convicting ML offences. This is especially the case when it comes to tackling more serious and complex ML cases and ML as a stand-alone offence. It is a common tendency for investigators to seek to establish the existence of a predicate offence to prosecute ML, which amongst other factors (e.g. resource issues and limited use of financial investigations) contributes to the significant discrepancy between the low number of ML convictions and the higher number of ML investigations. In the year under review all the assessed countries obtained moderate ratings for IO7.

Confiscation of proceeds of crime (IO8)

The general trend across assessed countries is that the ratio of successful confiscations of proceeds of crime is rather low when compared to the estimated volume of proceeds of crime, when taking into account prosecutions and convictions of proceeds-generating crimes. Four of the assessed countries (i.e. 13%) achieved positive results in confiscating proceeds of crime, with one jurisdiction achieving a high level of effectiveness. The recurring main trends in these successful jurisdictions were: (i) the systemic conduct of parallel financial investigations, (ii) pro-active pursuance of confiscation measures, (iii) significant amount of confiscations in line with country risks, (iv) ability to confiscate different types of proceeds (e.g., domestic and foreign crime proceeds, and proceeds located abroad), and effective asset management systems. Some of these jurisdictions lacked the confiscation of falsely declared or undeclared cash movements and saw discrepancies between criminal proceeds seized and confiscated.

In the year under review, all the assessed countries achieved moderate ratings for IO8.

Terrorism financing Investigations, Prosecutions and Convictions (IO9)

Results achieved in the area of TF investigation and prosecution are relatively positive, with 37% of assessed countries having achieved positive ratings, including one of the assessed countries in 2023. The majority of these jurisdictions demonstrated a good understanding of their TF risks and undertook appropriate awareness-raising initiatives for CTF authorities. Different types of TF acts are prosecuted and convicted in some cases. Where such actions are absent, this is considered to be in line with the country's risk profile. TF cases are well identified and investigated using different sources of information, including useful FIU intelligence. Still, some jurisdictions lack the pro-activeness to explore and investigate the financing aspects of cases linked to terrorism. In addition, in some of the assessed jurisdictions, a low number of STRs and limited analysis/monitoring of STRs and wire transfers from/to high-risk jurisdictions from a TF perspective were observed.

Three countries assessed in 2023 were rated as having a moderate level of effectiveness for IO9. In general, these countries were considered to have a decent understanding of TF risks with room for improvement in some aspects (e.g., risks of foreign terrorist fighters (FTFs), TF related vulnerabilities in banking, money or value transfer services (MVTs), and NPO sectors, and TF risks associated with cross-border cash movements). In two of these jurisdictions, TF was effectively covered under national counter-terrorism strategies. Whereas two jurisdictions also had cases of TF prosecutions / convictions, their low number was not considered to be entirely in line with the countries' risk profiles. These three MERs recommended further training, additional resources, and guidelines to assist investigators and intelligence

authorities in detecting and investigating TF offences. The low number of TF SARs/STRs across almost all sectors (including material ones) indicated challenges for reporting entities to detect TF suspicions in all three of the jurisdictions, which received a moderate effectiveness rating for IO9.

Targeted Financial Sanctions (Terrorism Financing & Proliferation Financing) – (IO10 & IO11)

Targeted financial sanctions (TFS) are designed to deprive designated individuals and entities from accessing and making use of funds and other financial assets for the purpose of TF or PF. The large majority of countries (i.e., 93% in case of IO10 and 90% for IO11) received a moderate or a low rating for their TFS regimes throughout the 5th Round of evaluations. This trend remained in 2023, with all evaluated countries achieving a moderate level of effectiveness. Almost half of the reviewed countries under the 5th Round were (at the time of evaluation) identified as not having appropriate mechanisms in place to ensure the implementation of TF and/or PF-related TFS without delay. It is, however, positive to note that when considering the MERs adopted in the past two years (i.e., 2022/2023), this negative rate dropped significantly to 25%.

1.2 Declaration of Ministers and high-level delegates and MONEYVAL Strategy for 2023-2027

On 25 April 2023, Ministers and high-level officials responsible for AML/CFT policies from 35 MONEYVAL members and territories met in Warsaw to discuss the role of MONEYVAL in the fight against money laundering, terrorism financing, and proliferation financing.

At this meeting, the Ministers adopted a declaration and endorsed MONEYVAL's Strategy on anti-money laundering, combating the financing of terrorism and proliferation financing for 2023-2027.

(a) Declaration

In the Declaration, Ministers affirmed their commitment to combatting money laundering, terrorist, and proliferation financing at a regional and international level. They emphasised the threat of illicit finance to economic development and security, reinforcing the need for effective anti-money laundering and counter-terrorist financing measures.

The ministers recognised that the implementation of AML/CFT measures could be further enhanced and committed to strengthening their countries' compliance with the international standards in the next five years. In particular, they acknowledged the need for better outcomes related to prosecutions and convictions of money launderers, confiscations of proceeds of crime – including from organised crime, trafficking in persons, drugs and arms, corruption and extortion, cybercrime, smuggling, and fraud.

Joining the Council of Europe's Committee of Ministers in condemning the aggression of the Russian Federation against Ukraine, the ministers supported the development of further proportionate legal responses to the aggression, including seizure and confiscation measures. They also stressed that the Russian Federation actions are against the Financial Action Task Force's (FATF) core principles of promoting security, safety, and the integrity of the global financial system.

Finally, the ministers invited the further development of MONEYVAL's role in the Global Network led by the FATF, including by greater co-operation with other FATF-style regional bodies, the European Commission, and other EU institutions.

(b) Strategy for 2023-2027

The Ministers endorsed the MONEYVAL Strategy for 2023-2027, which sets out MONEYVAL's mission statement. The vision of MONEYVAL along with its various components, aims to embed MONEYVAL's mission and statutory aims into the forward-looking view of the Committee's institutional development into the regional and global AML/CFT landscape. *MONEYVAL's vision* is articulated as follows:

MONEYVAL aims to improve the capabilities of member States and territories' authorities in order to protect their societies and economies from the threats of money laundering, terrorism financing and the financing of proliferation of weapons of mass destruction. In doing so, MONEYVAL works to ensure the safety and security of individual citizens, economic as well as non-profit entities and governments from these threats. It thus contributes to safeguarding individual human, economic and social rights, reinforcing stable and equitable economic development and the rule of law in society.

MONEYVAL's vision is articulated as follows:

Through collective action, mutual support and capacity building MONEYVAL serves to enhance AML/CFT measures at the national and regional level, to facilitate the development of the FATF Global Network, and promoter of Council of Europe values and partnerships.

The Strategy aims to develop MONEYVAL in line with six Strategic Pillars:

Pillar 1 – Continuing and enhancing MONEYVAL's monitoring program. This includes activities directed to finalisation of the MONEYVAL's 5th round of evaluations; optimising the follow-up process and transition; preparations for the 6th round of mutual evaluations; and enhancing the member State's capacities and involvement in the mutual evaluation program.

Pillar 2 – Developing the role of MONEYVAL as a reference point on AML/CFT implementation in the region. This includes activities directed to developing and understanding the regional materiality and risks; developing a consistent understanding for the assessment of supranational measures; developing a research-based understanding of major ML/TF trends and underlying rule of law and economic factors; and developing benchmarks for measuring MONEYVAL's AML/CFT impact.

Pillar 3 – Developing MONEYVAL's role in the FATF Global Network and with external counterparts. This includes activities directed to further enhancement of relationships with the FATF and FATF-style regional bodies through the implementation of the Strategic Vision for the Global Network; developing a framework for engagement with observers; and developing a framework for coordinating technical assistance in the European region.

Pillar 4 – Developing synergies with the Council of Europe. This includes activities directed towards strengthening the synergies with the Conference of Parties to the Warsaw Convention (CETs 198); and developing further synergies with other bodies of the Council of Europe.

Pillar 5 – Development of political standing and media visibility. This includes activities directed to high-level political messaging to support the importance of AML/CFT; and developing a visibility strategy for MONEYVAL.

Pillar 6 – Resourcing of MONEYVAL. This includes ensuring that MONEYVAL has the budget to deliver its strategy and development objectives, through the Council of Europe's ordinary budget and voluntary contributions.

(c) Key Results deriving from the Strategy's implementation in 2023

MONEYVAL had already implemented a number of important measures outlined in the Strategy for 2023-2027.

Pillar 1 – Continuing and enhancing MONEYVAL's monitoring programme.

MONEYVAL continued the implementation of its monitoring programme under the 5th round, conducted evaluations, and adopted the reports of its member States. It also delivered country training to Latvia to prepare the jurisdiction for its upcoming on-site visit in 2024.

MONEYVAL adopted a new approach for conducting follow-up reports to better align with the approach anticipated for assessing countries under the new round of evaluations. Where countries did not demonstrate timely progress in implementing the FATF standards, MONEYVAL decided to apply automatic enforcement of compliance enhancing procedures and continued to monitor countries under this process.

In preparation for the next round of mutual evaluations, MONEYVAL revised its Rules of procedure for the ongoing 5th round, in order to optimise the follow-up reporting process, and updated its templates in this respect. It also developed its Rules of Procedure for the 6th Round of mutual evaluations as well as new template questionnaires for collecting information required for assessments. A new questionnaire for the collection of information on countries' technical compliance with the FATF recommendations was adopted at the December 2023 Plenary.

Pillar 2 – Developing the role of MONEYVAL as a reference point on AML/CFT implementation in the region.

MONEYVAL finalised the Materiality Research Project, which provided a horizontal review of the financial and non-financial sectors across MONEYVAL States and territories. MONEYVAL also initiated two new projects: (i) a horizontal review of the implementation of EU supranational measures in the Member States under the 5th round of mutual evaluations, and (ii) a review of the proceeds obtained from conflicts and/or military aggression.

Pillar 3 – Developing MONEYVAL's role in the FATF Global Network and with external counterparts.

(i) *the reform - role of FSRB in FATF decision making*

MONEYVAL took part in several meetings and initiatives related to the FATF standards and their global implementation and to progress the Strategic Vision of the Global Network to enhance inclusiveness and global cohesiveness in the prevention of ML/TF/PF. MONEYVAL contributed to the development of changes to the FATF's methodology and standards related to asset recovery and the prevention NPOs from the risk of TF abuse. MONEYVAL also engaged in dialogue on the preparation for the new mutual evaluation round, key challenges, and opportunities for further co-operation and support amongst the global network.

(ii) *developing horizontal ties with FSRBs*

MONEYVAL participated in the "FSRBs Forum" event hosted by the German Agency for International Co-operation (GIZ) in Bonn, Germany (15-16 June 2023). Representatives from other FSRBs (GAFILAT, MENAFATF, ESAAMLG, GIABA, and GABAC) attended the event.

MONEYVAL's participation in this event aimed to share recent developments in FSRB work, discuss best practices and challenges experienced by FSRBs, and enabled to hold bilateral and multilateral exchanges with Secretariat members from other FSRBs.

The agenda and discussion points of the meeting were led by GAFILAT, who presented the most recent developments in their work, including dedicated IT tools for streamlining the mutual evaluation and follow-up processes, a virtual campus, or thematic guidance. GIABA also presented an IT tool aimed at enabling horizontal comparisons between MERs and ensuring consistency between assessment bodies.

MONEYVAL offered to host one of the meetings of the forum in the future, focusing on sharing the insights and experiences from the first 6th round mutual evaluation reports. The other FSRBs supported this, expressing that they would benefit from MONEYVAL's expertise in this area.

(iii) *Framework of engagement with observers*

Noting an increasing interest from countries and organisations to become observers, MONEYVAL adopted in December 2023 a dedicated policy on observers².

It also continued engagement with a range of other stakeholders. The Chair of MONEYVAL took part in the 5th and final regional consultation for non-profit organisations in the Asia-Pacific region (25-27 July) organised by the EU Global Facility in collaboration with the Global NPO Coalition on FATF. The Regional Consultation brought together 50 NPO representatives from Bangladesh, Cambodia, Hong Kong, India, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Croatia, Georgia, the Netherlands, the Republic of Moldova, Russia and the UK, as well as representatives of the APG Secretariat, and the EU delegation. Discussions focused on the upcoming revision of the Financial Action Task Force (FATF) Recommendation 8 Best Practices Paper (BPP). The Chair of MONEYVAL contributed to the discussions by providing insights on the conclusions of MONEYVAL's

² See <https://rm.coe.int/publication-policy-on-observers-en/1680afb63> .

assessments and its member countries' implementation of FATF Recommendation 8. This included a discussion of challenges and best practices to improve measures designed to combat money laundering and terrorist financing while safeguarding the legitimate activities of NPOs in MONEYVAL member States and territories.

Pillar 4 – Developing synergies within the Council of Europe

The Conference of the Parties to the Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (COP 198) remains the key partner in monitoring the AML/CFT and asset recovery systems across their membership. Details on particular achievements and further development of synergies between the two monitoring mechanisms are provided under Chapter 6 of this report.

MONEYVAL, in co-operation with GRETA, prepared a proposal to launch a typologies project on trafficking of human beings, which the Plenary considered in December 2023.

MONEYVAL participated in the Conference “Future of AML: building resilience in the evolving financial crime environment,” organised within the framework of Latvia’s presidency of the Council of Europe (6-7 November 2023). The opening session included speeches by Arvils Ašeradens, Minister for Finance of Latvia, Elżbieta Frankow-Jaśkiewicz, Chair of MONEYVAL, and Raja Kumar, FATF president.

Pillar 5 – Development of political standing and media visibility

Communication through traditional and social media is embedded in MONEYVAL’s work and allows information about MONEYVAL’s recommendations in every jurisdiction to be widely disseminated and debated. MONEYVAL’s monitoring receives considerable media attention, and its website is widely consulted.

MONEYVAL’s reports are automatically public. Its reports are published with the consent of the country concerned and all GRECO members adopt a practice of authorising publication. GRECO also issues a Newsletter, and its website is widely consulted. MONEYVAL’s mutual evaluation reports are published within 6 weeks of adoption, after having passed the quality and consistency review of the global AML/CFT network. The MONEYVAL Mutual Evaluation Reports of Estonia and Monaco were published in January 2023. The reports of North Macedonia and Romania were published in July 2023. These reports, together with the published follow-up reports, were well covered both in the international and national media.

Pillar 6 – Resourcing of MONEYVAL.

At the end of 2023, the MONEYVAL Secretariat was comprised of the Executive Secretary, the Deputy Executive Secretary, and eight Council of Europe administrators, five administrators on secondment from national administrations (from Andorra, Armenia, Isle of Man, Malta, and the UK), one project officer, and three administrative assistants. MONEYVAL would like to warmly thank the governments of the countries above for their support in 2023.

2. MUTUAL EVALUATIONS AND FOLLOW-UP

The conduct of mutual evaluations is a core part of MONEYVAL’s mandate to combat money laundering, terrorism financing, and proliferation of weapons of mass destruction. All members and territories of MONEYVAL have committed to implementing the FATF recommendations. The mutual evaluation, which entails a rigorous peer review, assesses whether countries have implemented the requirements of the FATF evaluations and how effectively their systems are tackling the risks they are exposed to, and combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction.

The mutual evaluation programme for the 5th Round continued as scheduled for 2023; four mutual evaluation reports were adopted (North Macedonia and Romania at the 65th plenary meeting and Azerbaijan and Montenegro at the 66th plenary meeting). During this year, MONEYVAL assessment teams also conducted an on-site evaluation visit to the Crown Dependency of Jersey, with the respective evaluation

process expected to conclude in 2024. The 5th round is nearing completion, with the last assessments expected to be discussed and adopted at the December 2024 Plenary.

The table below lists the member jurisdictions and other global network partners that have dedicated assessors and reviewers to the evaluation processes in 2023. Their valuable contribution and commitment to the work of MONEYVAL are appreciated.

Fig 2: Country Contributions to Evaluation Processes

Evaluated Country	Assessment Team Members	Reviewers
North Macedonia	Azerbaijan, Czechia, Latvia, Malta, Poland, United Kingdom	Andorra, Estonia, FATF Secretariat
Romania	Armenia, Czechia, Estonia, Georgia, Guernsey, Isle of Man	Hungary, Japan, Malta
Azerbaijan	Andorra, Georgia, Isle of Man, Republic of Moldova, Romania, United Kingdom	Czechia, FATF Secretariat, Liechtenstein
Montenegro	Armenia, Bosnia & Herzegovina Georgia, Ireland, San Marino, Slovakia	Cyprus, FATF Secretariat, Hungary

2.1. 5th round mutual evaluation report of North Macedonia

The mutual evaluation report for North Macedonia was adopted at MONEYVAL's 65th plenary in May 2023, with the on-site evaluation visit to the country having taken place from 21 September to 6 October 2022.

North Macedonia achieved a substantial level of effectiveness in understanding its ML/TF risks and implemented adequate AML/CFT policies and strategies to mitigate them. Further enhancements to tackling the risks posed by legal entities, casinos, and the informal economy, as well as a more in-depth assessment of the impact on AML/CFT efforts resulting from integrity issues in the judiciary and prosecution, were recommended.

Modest results were achieved related to ML investigations and prosecutions. The report recommends that law enforcement and prosecutors should systematically pursue parallel financial investigations and target more complex cases of ML involving organised crime, notably drug trafficking and trafficking in human beings, as well as tax evasion and corruption. MONEYVAL also called for improvements in confiscation levels.

The understanding of TF-related risks and inter-agency co-operation was found to be generally good. In the reviewed period, two persons were convicted for TF, while alternative measures were applied in other cases. MONEYVAL recommended a regular assessment of TF risks, given the concerns related to foreign terrorist fighters, the criminalisation of TF offence and the legal framework for implementing targeted financial sanctions.

North Macedonia improved the overall AML/CFT supervisory system. Nonetheless, major improvements were highlighted for effective risk-based supervision of financial institutions and most DNFBPs – such as lawyers, notaries, accountants, tax advisors, and real estate agents. Supervisory actions need to be intensified and facilitated with additional resources and stronger powers to enforce compliance. North Macedonia was called upon to adopt risk-based supervision or monitoring for NPOs exposed to higher TF risks while safeguarding their legitimate non-profit activities.

The report also recommended that the authorities strengthen their efforts to implement adequately beneficial ownership standards.

North Macedonia's authorities were found to co-operate internationally in a constructive manner, with some improvements being needed to enhance the timeliness and quality of responses through clear policy objectives and procedures, the integration of a case management system, and prioritisation mechanisms.

North Macedonia is expected to report back to MONEYVAL under the enhanced follow-up reporting process in May 2025.

2.2 5th round mutual evaluation report of Romania

Romania's evaluation report was adopted at MONEYVAL's 65th plenary in May 2023. The country's on-site evaluation visit took place from 21 September to 4 October 2022.

Romania achieved moderate levels of effectiveness in all areas assessed except for international co-operation, where it has achieved a substantial level of effectiveness and has been commended by other countries for its constructive assistance.

Romania demonstrated a fair understanding of ML risks and, to a lesser degree, of TF risks. Romania needs to immediately start implementing mitigating actions that target the highest risks to which the country is exposed.

The evaluation found that the authorities have yet to pursue the investigation and prosecution of ML as a priority overall. Additional measures are required to ensure more consistency in investigations and prosecutions. The report found that ML investigations and prosecutions related to domestic tax crimes and corruption were effectively conducted, although, in the case of trafficking of human beings and drugs, the focus was on tackling the predicate offences rather than the laundering of their proceeds.

Romania improved its ability to freeze, seize, and confiscate the proceeds and instrumentalities of domestic crime. It actively applied measures to confiscate the criminal proceeds and instrumentalities located in Romania for the most prevalent predicates committed domestically. Otherwise, confiscation was rare. Romania needs to strengthen the capacity of financial investigators to carry out parallel financial investigations, trace assets, and pursue asset recovery.

In the period under review, the authorities have successfully detected, investigated, prosecuted, and obtained a conviction for one TF case. An overarching national strategy and action plan to counter TF and the provision of further relevant training are needed. The report also highlighted a need to assess the risk of abuse of Romania's non-profit sector for terrorist financing.

MONEYVAL found that Romania has a sound legal framework in place for implementing targeted financial sanctions without delay. There were concerns with the implementation of those measures by the private sector and the adequacy of compliance monitoring in this respect.

Most material financial institutions are subject to risk-based supervision, but authorities need to further calibrate their supervisory actions with risk. MONEYVAL recommended, as a priority, that there should be a greater focus on money laundering and terrorist financing risks by the supervisor of the securities sector in its oversight. There should also be an increase in resourcing for the National Office for Preventing and Combating Money Laundering in order to align with statutory responsibilities, notably regarding the supervision of virtual asset services providers and legal professionals.

MONEYVAL acknowledged that Romania had taken important steps to prevent the misuse of legal persons, including the development and use of public registers of beneficial ownership and bank accounts. The authorities should develop existing controls to ensure that information held in the registers is accurate and up to date.

Romania is expected to report back to MONEYVAL under the enhanced follow-up reporting process in May 2025.

2.3 5th round mutual evaluation report of Azerbaijan

Azerbaijan's evaluation report was adopted at MONEYVAL's 66th plenary in December 2023. The onsite mission to the country took place from 1st to 15th March 2023.

Azerbaijan achieved a substantial level of effectiveness for countering terrorist financing where it demonstrated the ability to successfully investigate TF offences (with seven convictions having been secured during the review period). Similarly, in its international co-operation, Azerbaijan achieved a substantial level of effectiveness and was commended for the authorities' capacities to provide and seek constructive assistance. MONEYVAL noted that Azerbaijan demonstrates a fair understanding of ML/TF

risks, according to which domestic corruption, tax related crimes, smuggling, and drug trafficking are the main ML predicate offences.

The evaluation found that major improvements are needed to effectively pursue the investigation and prosecution of money laundering. The law enforcement authorities have access to financial intelligence and other information but are not using it extensively to establish evidence and trace the proceeds of crime linked to money laundering, financing of terrorism, and predicate offences. Increased domestic co-operation at an operational level was also called for. Additional measures to ensure more consistency in investigations and prosecutions were recommended. Most of the prosecutions and convictions achieved pertained to self-laundering, while ML cases investigated and prosecuted were not fully consistent with the risk profile of the country. MONEYVAL also noted that legal persons have not been investigated for money laundering so far.

Azerbaijan pursued confiscation as a policy objective. While some commendable amounts of criminal proceeds were confiscated, the country needed to do more to trace assets by conducting systematically parallel financial investigations in all proceeds generating crimes, including TF.

MONEYVAL found that Azerbaijan has a sound legal framework in place for implementing targeted financial sanctions without delay both for TF and proliferation financing. Concerns were identified about the implementation of those measures by the private sector, as well as the adequacy of the supervision of compliance. Shortly before the MONEYVAL visit, Azerbaijan conducted an assessment of the TF risks within the NPO sector. MONEYVAL called on the authorities to swiftly apply preventive, targeted, and proportionate risk mitigation measures for the sector.

AML/CFT Supervision required fundamental improvements. While there were some market entry controls for senior management officials of financial institutions, these do not cover beneficial owners and potential association with criminals. The understanding of risks varied amongst supervisors, and the risk-based approach in supervision and subsequent enforcement needed to be strengthened.

Azerbaijan took important steps to prevent the misuse of legal persons. However, more proactive measures were required to ensure their transparency. Reporting entities should apply the necessary identification and verification measures in the cases of politically exposed persons and beneficial owners.

Azerbaijan is expected to report back to MONEYVAL under the enhanced follow-up reporting process in December 2025.

2.4 5th round mutual evaluation report of Montenegro

The mutual evaluation report for Montenegro was adopted at MONEYVAL's 66th plenary in December 2023, with the on-site evaluation visit to the country having taken place from 6 to 17 March 2023.

MONEYVAL found that in relation to the 11 Immediate Outcomes, Montenegro obtained a substantial level of effectiveness in two areas, i.e., in understanding money laundering and terrorist financing risks, as well as in international co-operation. The authorities were commended for their efficient and effective co-operation with respect to both evidence and intelligence exchanges. In the other nine areas, Montenegro was considered to have moderate levels of effectiveness, where major improvements were required.

Montenegrin authorities demonstrated a reasonable understanding of ML risks, and key authorities were able to articulate clear views on TF threats. MONEYVAL recommended enhancing the understanding of specific money-laundering threats and vulnerabilities, including within important financial and non-financial sectors.

The number of investigations, prosecutions, and convictions of money laundering cases was found to be low and only to a limited extent consistent with the country's risk profile. MONEYVAL recommended that the authorities pursue more effectively stand-alone and third-party money laundering, money laundering from foreign proceeds of crime, and put an increased focus on money laundering associated with high-risk

crimes (such as drug trafficking, high-level corruption, organised crime, and misuse of legal entities). MONEYVAL also called for more effective, proportionate, and dissuasive criminal sanctions.

Montenegro made a policy objective to deprive criminals of their profits and achieved encouraging results. The country was urged to make consistent use of financial investigations to trace and confiscate criminal proceeds, focusing on high-risk crimes, organised crime, and assets moved abroad. More robust controls on cross-border movements of cash are also needed.

Montenegro employed an intelligence-based approach to counter-terrorism and TF, coupled with a coordinated operational response. The legal framework ensures the automatic implementation of UN targeted financial sanctions related to TF and proliferation financing, although this still presented major technical deficiencies, mostly impacting smaller financial institutions and non-financial businesses. MONEYVAL called for further capacity building on TF-related financial investigations, synchronisation of authorities' CFT operational goals, and the implementation of risk-based mitigation measures for the non-profit sector following the conclusion of the relevant risk assessment.

The banking sector, other important financial institutions (namely money and value transfer services), and accountants showed a good understanding of ML risks and implementation of preventive measures. The non-financial sector, however, required significant improvements in ML risk understanding and preventive measures. The knowledge of TF risks was limited across all sectors and needed to be improved.

Licensing frameworks were solid for most financial sectors. Market entry requirements and procedures needed to be introduced for sectors like virtual asset service providers and various DNFBPs, and they needed to be strengthened for casinos. The Central Bank's AML/CFT supervision of financial institutions was commendable. The framework needed strengthening in the case of high-risk non-financial sectors, notably casinos, lawyers, notaries, and providers of company services. The enforcement regime required major enhancements, particularly by addressing the bureaucratic process for imposition of misdemeanour fines and the short prescription periods.

Specific recommendations were issued to ensure the availability of accurate and up-to-date beneficial ownership information for Montenegrin legal entities.

Montenegro is expected to report back to MONEYVAL in December 2025 as part of its enhanced follow-up reporting process.

2.5. 5th Round follow-up reports

MONEYVAL also continued its work in monitoring the remediation of technical gaps within national AML/CFT regimes as part of the follow-up processes. In line with Rule 21(8) of the Rules of Procedure, the expectation is that countries will have addressed most, if not all, technical deficiencies by the end of the third year from the adoption of their MER. The threshold of "most if not all addressed deficiencies" is thirty-six or more out of the forty FATF Recommendations at the LC/C level, depending on the context of the jurisdiction. None of the "big six" Recommendations (3, 5, 6, 10, 11, and 20) should remain NC/PC. The threshold may be adjusted upwards, depending on the context of the jurisdiction, considered in conjunction with the severity of deficiencies.

Throughout 2023, the MONEYVAL committee adopted ten 5th Round follow-up reports. The table below presents a general overview of the improvements made to technical compliance ratings under the 5th Round of follow-up reports so far. Moreover, four out of the 30 jurisdictions assessed so far have no partially or non-compliant technical ratings, while almost half of the assessed ones (i.e., 14) have four or fewer partially compliant or non-compliant ratings.

Fig 3: Improvements in Technical Compliance Ratings

Average No. PC/NC Ratings in MERs ³	Average no. of PC/NC Ratings following recent FURs	Countries with no PC/NC ratings	Countries with less than 4 PC/NC ratings
12	5	4 (i.e., 13%)	14 (45%)

Croatia – 1st Follow-Up Report

Since the adoption of the evaluation report in December 2021, Croatia has taken numerous steps to strengthen its AML/CFT systems. The AML/CFT legislation, as amended, addressed significant shortcomings, notably in relation to customer due diligence measures, third-party reliance, and correspondent banking. It also brought external accountants under the scope of application of AML/CFT obligations and introduced a disclosure system for the incoming and outgoing transportation of cash. New procedures reinforced the international co-operation powers of competent authorities.

Progress was also noted in the adoption of a national action plan, the introduction of a registration regime and fit and proper requirements for virtual asset service providers (VASPs), improvements to beneficial ownership registers, streamlined access to information on legal persons and changes to sanctions for non-compliance with transparency requirements.

Whilst recommendations 1, 2, 15, and 24 remained rated Partially Compliant, the country has been re-rated on recommendations 10, 17, 22, 23, 32, and 40 from Partially Compliant to Largely Compliant and from Partially Compliant to Compliant on Recommendation 13.

Croatia remained under MONEYVAL's enhanced follow-up procedure and is expected to report back to MONEYVAL on further progress made towards strengthening its AML/CFT system in December 2024.

Poland - 1st Follow-Up Report

Poland provided information on progress to improve the level of compliance with the FATF Recommendations 15 (New technologies) and 34 (Guidance and feedback). Poland continued to provide guidance and feedback to its reporting institutions. Poland also took important steps to enhance measures in the virtual asset service providers VASP sector, including the introduction of a registration regime; "fit and proper" requirements in relation to natural persons carrying out virtual asset-related activities or being partners, members of the governing bodies or beneficial owners of a VASP; and penalties for VASPs not complying with the registration requirements.

Whilst Recommendation 15 remained rated Partially Compliant, the country has been re-rated on Recommendation 34 from Partially Compliant to Largely Compliant.

Poland remained under MONEYVAL's enhanced follow-up procedure and is expected to report back to MONEYVAL on further progress made towards strengthening its AML/CFT system in December 2024.

Georgia – 2nd Follow-Up Report

Georgia improved its compliance with the Financial Action Task Force's Recommendation 12 (politically exposed persons) and addressed the technical compliance shortcomings identified in its 2020 Mutual Evaluation Report in this respect. As a result, the country was re-rated on recommendation 12 from "partially compliant" to "compliant."

Georgia remained under MONEYVAL's enhanced follow-up procedure and is expected to report back in December 2024 to MONEYVAL on further progress made towards strengthening its AML/CFT system.

Slovak Republic – 2nd Follow-Up Report

The Slovak Republic has taken positive steps towards improving its AML/CFT regime, in particular concerning compliance with the FATF Recommendation 26 on the regulation and supervision of financial institutions. Consequently, MONEYVAL has re-rated the country on this recommendation from Partially Compliant to Largely Compliant.

³ This figure includes Recommendations that were re-assessed throughout follow-up processes in view of changes to the FATF Standards (e.g., Recommendation 15).

Since November 2022, the Slovak authorities have introduced measures to prevent associates of criminals from holding (or being the beneficial owner of) a significant or controlling interest or holding a management function in banks and insurance undertakings. They have also adopted risk assessment procedures for exchange offices and non-banking lenders and improved their policies to review individual risk profiles for financial institutions.

The Slovak Republic remained under MONEYVAL's enhanced follow-up procedure and is expected to report back by December 2024 to MONEYVAL on further progress made towards strengthening the AML/CFT system.

Cyprus – 3rd Follow-Up Report

Cyprus improved its virtual asset service providers regime with only a few minor deficiencies remaining. In addition, several measures to assess terrorism financing risk exposure by the non-profit sector and strengthen oversight activities have been taken, although these have not yet been fully implemented. Whilst Recommendation 8 remained Partially Compliant, the country was re-rated on Recommendation 15 from Partially Compliant to Largely Compliant. Overall, Cyprus has made progress in addressing most of the technical compliance shortcomings identified in its 2019 Mutual Evaluation Report, and thus the frequency of reporting was reduced.

Cyprus remained under MONEYVAL's enhanced follow-up procedure and is requested to report back to MONEYVAL on progress achieved by May 2025.

Albania – 4th Follow-Up Report

Albania has improved its compliance with the FATF Recommendations 25 (transparency and beneficial ownership of legal arrangements) and 28 (regulation and supervision of designated non-financial businesses and professions). The country has been re-rated on these two recommendations from Partially Compliant to Largely Compliant. Recommendations 7 and 15 remain rated as Partially compliant.

Since June 2022, Albania has taken additional measures, which addressed important shortcomings concerning trustees being subject to AML/CFT requirements and streamlined access to beneficial ownership information for competent authorities. Moreover, Albania improved measures for regulating and supervising notaries and real estate agents. The licensing authority for notaries is now empowered to revoke licenses for the infringement of the AML/CFT legislation. Albania also introduced risk-based supervision over real estate agents.

Albania remained under MONEYVAL's enhanced follow-up procedure and is requested to report back to MONEYVAL on progress achieved by May 2025.

Lithuania – 4th Follow-Up Report







MONEYVAL found Lithuania to have improved its compliance with the FATF Recommendation 2 (national co-operation and co-ordination). Since December 2022, Lithuania has improved its national AML/CFT co-ordination framework, particularly in relation to proliferation financing. The country's level of compliance with Recommendation 2 was re-rated from Partially Compliant to Compliant.



Recommendations 6 (targeted financial sanctions related to terrorism and terrorist financing), 7 (targeted financial sanctions related to proliferation), and 28 (regulation and supervision of DNFBPs) were also assessed. However, these remained rated Partially Compliant.

Given the lack of sufficient progress observed at this stage of the follow-up process, Step 1 of the CEPs was applied with effect from 15 December 2023. Lithuania was requested to provide an oral report to MONEYVAL in May 2024 and a written report in December 2024 on further progress made towards strengthening its AML/CFT system.

Serbia – 5th Follow-up Report

Serbia took additional measures to identify and assess ML/TF risks emerging from virtual asset activities and the activities or operations of VASPs; to apply a risk-based approach; to ensure the implementation of the "travel rule" by VASPs; and took steps with respect to the exchange of information on prudential and

 mutual evaluation report  follow-up report		Azerbaijan	Montenegro	North Macedonia	Romania	Albania	Croatia	Cyprus	Georgia	Lithuania	Poland	Serbia	Slovak Republic	Slovenia
Technical Compliance	 Compliant  Largely compliant  Partially compliant  Non compliant													
	Assessing risk & applying risk-based approach (R.1)													
	National co-operation & coordination (R.2)													
	Money laundering offence (R.3)													
	Confiscation & provisional measures (R.4)													
	Terrorist financing offence (R.5)													
	Targeted financial sanctions-terrorism & TF (R.6)													
	Targeted financial sanctions-proliferation (R.7)													
	Non-profit organisations (R.8)													
	Financial institutions secrecy laws (R.9)													
	Customer due diligence (R.10)													
	Record keeping (R.11)													
	Politically exposed persons (R.12)													
	Correspondent banking (R.13)													
	Money or value transfer services (R.14)													
	New technologies (R.15)													
	Wire transfers (R.16)													
	Reliance on third parties (R.17)					N/A								
	Internal controls & foreign branches /subsidiaries (R.18)													
	Higher risk countries (R.19)													
	Reporting of suspicious transactions (R.20)													
	Tipping-of and confidentiality (R.21)													
	DNFBPs- customer due diligence (R.22)													
	DNFBPs- other measures (R.23)													
	Transparency & BO of legal persons (R.24)													
	Transparency & BO of legal arrangements (R.25)													
	Regulation & supervision of financial institutions (R.26)													
	Powers of supervision (R. 27)													
	Regulation & supervision of DNFBPs (R.28)													
	Financial intelligence units (R.29)													
	Responsibilities law enforcement / investigative authorities (R.30)													
	Powers law enforcement / investigative authorities (R.31)													
	Cash couriers (R.32)													
	Statistics (R.33)													
Guidance and feedback (R.34)														

		Azerbaijan	Montenegro	North Macedonia	Romania	Albania	Croatia	Cyprus	Georgia	Lithuania	Poland	Serbia	Slovak Republic	Slovenia
 mutual evaluation report  follow-up report														
	Sanctions (R.35)													
	International instruments (R. 36)													
	Mutual legal assistance (R.37)													
	Mutual legal assistance: freezing and confiscation (R.38)													
	Extradition (R.39)													
	Other forms of international co operation (R.40)													

2.7 A 6th round of mutual evaluations in the making

In 2023, MONEYVAL and its Secretariat placed a significant focus on the preparations for the next round, contributing actively to the various streams of work led by the FATF. This included contributing to FATF's work to clarify and refine the 5th round methodology for assessments, the global procedures for assessments and follow-up, and MONEYVAL's own procedures in this context. As regards the new round, the following changes will be implemented:

- The next round of mutual evaluations will place an even greater focus on effectiveness, to ensure that countries are implementing and making use of the laws, regulations and policies that are being passed.
- There will also be a greater emphasis on the major risks and context. This will ensure that countries, and the assessors reviewing them focus on the areas where the risks are highest, not just lower-risk areas where it is comparatively easier to launch investigations and secure convictions.
- With the new Methodology, mutual evaluations will assess the effectiveness of the financial sector and the non-financial businesses and professions separately. This will provide a clearer overview of the level of effectiveness of these distinct areas, and stronger and more targeted recommendations for improvement.
- Recommendations from the mutual evaluation reports will be more results-oriented, focusing on specific actions and timelines to tackle money laundering, terrorist financing and the financing of weapons of mass destruction.
- The next round of mutual evaluations will be for the FATF a six-year cycle, and for MONEYVAL 7 years, significantly shorter than the earlier round (which lasted 10 years for FATF, and 9 years for MONEYVAL).

Under the new evaluation round, FSRBs are expected to use the same or similar procedures as the FATF, and while there is some flexibility in the procedural arrangements, there is a set of core elements that now apply to all mutual evaluations (ME). Those are set out in the *High-Level Principles and Objectives for FATF and FATF-style regional bodies* (updated in 2019), which govern the relationship between FATF and FSRBs, as well as in the Universal Procedures – Consolidated processes and procedures for mutual evaluations and follow up which apply to all assessment bodies in the Global Network (i.e., FATF, FATF-style regional bodies, the International Monetary Fund and the World Bank), adopted by the FATF in October 2023 and last updated in May 2024.

As a result, of the changes introduced for the MONEYVAL is expected to adopt more evaluation reports in a shorter timeframe. A priority will thus be to identify the resources necessary to support the shorter evaluation cycle, while ensuring consistent and high-quality assessments, providing training and the necessary support to members throughout the evaluation process and for follow-up processes, and completing the remaining follow-up processes under the 5th round (which may last until 2028).

3. HIGH-LEVEL AND VISIBILITY ENGAGEMENTS

In 2023, the MONEYVAL Chair and Secretariat carried out a number of high-level activities and engagements with external counterparts, including the following actions:

- On 25 April, upon the initiative of the Chair of MONEYVAL, Elżbieta Franków-Jaśkiewicz, Ministers and high-level officials responsible for anti-money laundering policies from 35 MONEYVAL members and territories met in Warsaw and discussed the results achieved over the last years. They also discussed challenges in taking action against money laundering, terrorist and proliferation financing, and the impact of those on human rights, democracy, and the rule of law. On this occasion, they discussed their commitment to effectively tackling these crimes and also agreed on MONEYVAL's future strategic direction and priorities. The high-level meeting was organised by the Ministry of Finance of Poland and MONEYVAL.
- From 8-9 May, the Chair of MONEYVAL spoke, alongside the FATF president and other senior officials, at the Annual Private Sector Consultative Forum (PSCF) in Vienna, Austria, hosted by the United Nations Office on Drugs and Crime (UNODC). This is a unique platform for the FATF and its members to engage directly with the private sector and civil society and deepen partnership in the fight against money laundering and terrorist financing. The event brought over 250 representatives from the financial sector, non-financial businesses and professions, civil society, academia, FATF members and other stakeholders.
- On 21 June, the Chair of MONEYVAL took part in the FATF-FSRB Annual High-Level Meeting, which brought together the FATF President T. Raja Kumar, and the Chairs and Executive Secretaries of the nine FATF-Style Regional Bodies (FSRBs). Discussions focused on selected issues that impact the global implementation of the FATF standards, progress in the implementation of the Strategic Vision for the Global Network, and future priority actions to enhance the inclusiveness and cohesiveness of the Global Network. Participants also touched upon the state of progress in preparation for the new mutual evaluation round, key challenges and opportunities for further co-operation and support, as well as actions to strengthen asset recovery. The Chair welcomed the formalisation of this annual meeting as a forum to discuss priority issues and deepen the ties between the FATF and FRSBs.
- From 25 to 27 July, the Chair of MONEYVAL took part in the 5th and final regional consultation for non-profit organisations of the Asia-Pacific region, which was organised by the EU Global Facility in collaboration with the Global NPO Coalition on FATF. Discussions focused on the upcoming revision of the FATF Best Practices Paper for Recommendation 8. The Chair of MONEYVAL contributed to the discussions by providing insights into the state of play regarding the conclusions of assessments conducted under the 5th evaluation round by MONEYVAL with respect to the implementation of Recommendation 8, including challenges and best practices to improve the effectiveness of measures designed to combat money laundering and terrorist financing while safeguarding the legitimate activities of NPOs in MONEYVAL member States and territories. The Regional Consultation brought together 50 NPO representatives from the APG and Central Asia countries⁴, representatives of the APG Secretariat, and an EU delegation.
- From 19 to 20 September, the Chair of MONEYVAL and three experts from MONEYVAL members (Dejan Djurovic from Montenegro, Canòlic Mingorance Cairat from Andorra and Anca-Luminița Stroe from Romania) took part in the second FATF-Interpol Roundtable Engagement (FIRE II). The Chair contributed to the discussions on revisions of FATF standards in the asset recovery field emphasising good practices in MONEYVAL jurisdictions regarding postponement of suspicious transactions. FIRE II event brought together over 200 senior experts from across the globe as part of the continued joint FATF-Interpol initiative to deprive criminals of their dirty money. The event was hosted in the Interpol General Secretariat in Lyon, France.
- From 26 to 27 September, the Chair of MONEYVAL took part in an event on *Risk and consequence: the future of FATF recommendation 8 for financial integrity and for civil society*, organised by the EU AML/CFT Global Facility, Deutsche Gesellschaft für Internationale

⁴ Bangladesh, Cambodia, Hong Kong, India, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, and Thailand, as well as from Croatia, Georgia, the Netherlands, the Republic of Moldova, Russia and the UK.

Zusammenarbeit (GIZ) GmbH Global Program ‘Combating Illicit Financial Flows,’ and the Global NPO Coalition on FATF. The MONEYVAL Chair contributed to the high-level panel “What does a proportionate and risk/based implementation of Recommendation 8 look like?”. The event brought together approximately 150 participants from NPOs, FATF, other FSRBs, FIUs, regulators, supervisors, and banks.

- From 18 to 20 October, the secretariat took part in the Corporate Registries Forum held in Malta. The main themes of the forum were the digitalisation of corporate registries and the evolution of corporate registries to align with various international standards, including on anti-money laundering, taxation, and data protection regulations, amongst others. MONEYVAL presented key findings of its mutual evaluation on the transparency of legal persons beneficial ownership, highlighting that the level of adherence was still not adequate. Throughout this intervention, MONEYVAL also highlighted best practices and common deficiencies identified through a horizontal analysis of its reports published so far. Registries of beneficial owners and other authorities showed a lot of interest in learning how to improve their regimes when it comes to mitigating the risks of misuse of legal persons for ML/TF purposes.
- From 6 to 7 November, the Chair of MONEYVAL and the Secretariat participated in a conference on the “Future of AML: building resilience in the evolving financial crime environment” organised within the framework of the Latvian Presidency of the Committee of Ministers of the Council of Europe. This high-level international conference included four thematic sessions on specific topics: (i) mastering sanctions: strategies for effective implementation and compliance; (ii) securing the future: crypto assets, regulation, and AML solutions; (iii) effective asset recovery in compliance with European and international standards; and (iv) harnessing digital transformation for financial crime prevention. Alongside the Minister of Finance of Latvia and the President of the FATF, the Chair of MONEYVAL addressed participants at the opening session. Representatives from the secretariat contributed to the panel discussion under item (iv). This Conference brought together about 200 anti-money laundering experts from member States of the Council of Europe and beyond, representatives of European and international organisations, private sector and civil society.

4. OTHER ACTIVITIES IN 2023

In addition to its regular evaluation cycles, progress and follow-up reports, and other monitoring processes, MONEYVAL engages in the activities listed below.

4.1. Identifying risks, trends and methods

Understanding how criminals launder proceeds of crime or how they raise, use or move funds in support of terrorism, or proliferation is crucial to detect, disrupt and prevent these financial crimes. MONEYVAL continued its typologies research by focusing on various aspects of the potential misuse of virtual assets (VA) and virtual asset service providers (VASPs) in money laundering or terrorism financing schemes.

The topic of VA and VASPs has evolved tremendously in recent years. A range of new products, services, and business models have been developed that have the potential to drive financial innovation and efficiency and improve financial inclusion. Nevertheless, they also create new opportunities for criminals and terrorists to launder their proceeds or finance their illicit activities. The typologies report on “Money laundering and financing of terrorism risks in the world of virtual assets and their service providers,” led by the Isle of Man, was adopted by the Plenary in May 2023, and made public in July 2023.

The report found that MONEYVAL members continue to struggle with implementation of the FATF Recommendation 15, around 80% of the assessed members are only partially or not compliant with the FATF requirements. It includes an overview of the measures taken to regulate and supervise the virtual asset service providers, as well as some features of the identified risks that criminals use virtual assets service providers and virtual assets to launder proceeds of crime (i.e., exchangers, aggregators, and other cryptocurrency platforms including e-gaming, sports betting and non-fungible tokens). The report also considers whether law enforcement agencies have adequate powers and tools to investigate, locate, and

impose interim measures with respect to virtual assets and includes examples of types of virtual assets platforms used for financial support of criminal activity and of cases investigated by the relevant authorities. It also highlights good practices and challenges in applying risk-based supervision of the sector.

In December 2023, the MONEYVAL Plenary decided to initiate a new typology research on Proceeds and conflict (including military aggression and war), which was proposed by Ukraine.

Furthermore, MONEYVAL members and the secretariat contributed to FATF's Typologies work, such as on Money laundering and Terrorist Financing in the Art and Antiquities Market and on Illicit Financial Flows from Cyber-enabled Fraud.

4.2. MONEYVAL plenaries and intersessional consultations

At its Plenary meetings in 2023, MONEYVAL discussed a number of topical issues in the AML/CFT field. The following lists some of the decisions and exchanges that took place. In particular, the MONEYVAL Plenary:

- Agreed on the appointment of Rapporteurs and timelines for the follow-up reports for the 66th, 67th and 68th Plenary meetings;
- In preparations for MONEYVAL's 6th round of mutual evaluations, adopted the Rules of Procedure for the 6th round of mutual evaluations; agreed on the provisional sequencing for the next biennium (subject to bilateral discussions); took note of the technical compliance, effectiveness, and materiality questionnaires that are used to collect information to support mutual evaluations; took note of the evaluator training in preparation for the 6th Round; and noted information on the financing of MONEYVAL's work programme, staffing and implementation of the Strategy.
- Agreed on changes to the procedure on follow-ups to mutual evaluations, including a new approach to reporting, its link with the Compliance Enhancing Procedures, and increased engagement between the rapporteur team and the country under review.
- Elected Nicola Muccioli (San Marino) as Chair, elected Matis Mäeker (Estonia) and re-elected Astghik Karamanukyan (Armenia) as Vice-Chairs, and elected Daniel-Marius Staicu (Moldova) and Jennifer Palpacuer (Monaco) as Bureau members.

4.3. Training

In preparation for the 6th round of mutual evaluations, which will be launched in 2024, MONEYVAL and the FATF organised an online Joint Assessor Training Update Course (14-16 November). The training was focused on delivering information on: (i) key changes to the mutual evaluation procedures in the new round (amended Universal Procedures adopted in October 2022); and (ii) key amendments to the FATF Standards and Methodology. The training was organised for experts who had already been trained under the 5th round of mutual evaluations. The training enabled the participation of 31 experts, of which 11 were experts from MONEYVAL members.

MONEYVAL will continue to organise in-person trainings for the new assessors and will continue delivering online trainings for the assessors who took part in the 5th round of mutual evaluations. These trainings sessions will enable countries to put forward their experts and participate in the upcoming evaluations. This will ensure the effective implementation of the peer review mechanism for evaluating the MONEYVAL members' compliance with the FATF Standards and their effective implementation.

In addition, MONEYVAL organised two trainings for its secretariat members, focusing on the following topics: (i) Money laundering and financing terrorism using Trusts (on 19 January), and (ii) UN Targeted Financial Sanctions of proliferation financing (on 16 May). One Secretariat member successfully completed the "train the trainer" program at the FATF training Institute in Busan, South Korea, and obtained a trainer's certificate.

5. KEY INTERNATIONAL PARTNERSHIPS

MONEYVAL is a key partner in the FATF's Global Network of AML/CFT assessment bodies. The development of horizontal partnerships within this Network is essential to MONEYVAL's coherent functioning and overall global effectiveness.

5.1. Financial Action Task Force

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

As an associate member of the FATF since 2006, MONEYVAL contributes to the policy-making work of the FATF. The Chair, the Vice-Chairs, and the Executive Secretary regularly attend and actively contribute to the FATF working groups and plenary meetings, together with delegates from MONEYVAL States and territories. Thus, MONEYVAL members have been able to provide valuable input into the FATF's global AML/CFT policy-making.

Considerable MONEYVAL Secretariat resources are devoted to following the work of each of the main FATF working groups and attending inter-sessional meetings. In particular, the International Co-operation Review Group (ICRG), to which six MONEYVAL members had been referred in the past years; the Policy and Development Group (PDG) responsible for the FATF Standards; and the Evaluations and Compliance Group (ECG), which deals with issues involving the interpretation of the FATF standards and the development of the global AML/CFT Methodology. MONEYVAL's involvement is essential in these working groups, given that amendments to the FATF standards or decisions on their interpretation will have direct consequences on future MONEYVAL evaluations. It is, therefore, in the interest of all its members that MONEYVAL is properly and sufficiently represented in these working groups at FATF Plenaries.

In 2023, the MONEYVAL delegation attended three FATF Plenaries and numerous other FATF working group and project meetings. MONEYVAL's contribution had a significant impact on the ongoing revision of FATF Standards (including a revision to Recommendations 8, 25, 4 and 38 and where relevant, subsequent development of related guidance), Universal Procedures and other procedural issues discussed by the FATF. The Secretariat and membership contributed actively by providing substantive comments and written elements to FATF's Guidance on Beneficial ownership and transparency of legal arrangements, as well as for the amendments to Recommendation 8 and its Interpretative Note to address the misapplication and misinterpretation of Recommendation 8, that had led countries to apply disproportionate measures on Non-Profit Organisations (NPOs).

An important subject of engagement between the FATF and MONEYVAL is the FATF International Co-operation Review Group (ICRG), which reviews countries subject to the FATF's lists of jurisdictions under increased monitoring and subject to call for action. In 2023, there were five MONEYVAL jurisdictions being monitored under the various phases of the ICRG process. One jurisdiction exited the ICRG process in October. Jurisdictions are reviewed by the ICRG when their mutual evaluation reports (as carried out by MONEYVAL or other FATF-style regional bodies) include a large number of low and moderate ratings as a part of the assessment of the effectiveness of countries' AML/CFT systems.

Council of Europe delegations representing a range of committees within the Organisation attended FATF Plenary meetings in February, June, and October 2023. Broader engagement of the Council of Europe with the FATF facilitates greater co-operation on more cross-cutting issues dealt with organisations such as the Venice Commission, GRECO, and those dealing with cybercrime, data protection, and counterterrorism issues.

5.2. FATF-style regional bodies

MONEYVAL has observer status with other FATF-style regional bodies (FSRBs) and remained engaged in joint initiatives which concern the reform of the Global Network.

In June 2023, the MONEYVAL Executive Secretary and a member of the secretariat attended the FSRB Exchange Forum. The aim of this forum was to share recent developments, experiences, best practices, and challenges between FSRBs and explore further opportunities for collaboration. In this context, GAFILAT presented the most recent developments of several tools that can be used by the FSRBs (including by MONEYVAL) to enhance mutual evaluations quality and consistency throughout the Global Network. MONEYVAL suggested the possibility to host an FSRB Forum in the future once the 6th round of mutual evaluations starts. The other attending FSRBs expressed their interest in participating and benefitting from MONEYVAL acquired expertise.

5.3. Other partnerships

MONEYVAL continued to actively develop its partnership with the **European Union**, which has been actively involved in MONEYVAL since its inception. It is represented in MONEYVAL through the European Commission, which actively participated in MONEYVAL mutual evaluation discussions in the course of 2023 and provided updates to MONEYVAL members on developments to the AML/CFT legislative framework in the EU.

In the past two decades, the role of the international financial institutions (IFIs), including the **World Bank and the International Monetary Fund (IMF)**, in the AML/CFT-field has expanded. In 2023, representatives from both the World Bank and the IMF participated in MONEYVAL Plenary meeting, actively providing inputs to the MONEYVAL mutual evaluation reports.

The **United Nations Office on Drugs and Crime (UNODC)** regularly sends representatives to MONEYVAL Plenaries who inform its members of respective developments in the work of UNODC.

The **Organisation for Security and Co-operation in Europe (OSCE)** takes an interdisciplinary approach to AML/CFT, mainly focused on issues of counterterrorism and security. OSCE is a permanent observer to MONEYVAL.

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

The **European Bank for Reconstruction and Development (EBRD)** is an international financial institution founded in 1991. As a multilateral developmental investment bank, the EBRD uses investment as a tool to build market economies. Representatives of the EBRD attend MONEYVAL meetings on a regular basis and informed the Plenary about ongoing developments.

The **Islamic Development Bank (IsDB)** is a multilateral development bank (MDB), working to improve the lives of those we serve by promoting social and economic development in Member countries and Muslim communities worldwide, delivering impact at scale. Representatives of the IsDB attend MONEYVAL meetings on a regular basis and informed the Plenary about ongoing developments.

The **Group of International Finance Centre Supervisors (GIFCS)** is a long-established group of financial services supervisors with a core interest of promoting the adoption of international regulatory standards especially in the banking, fiduciary and AML/CFT arena. Representatives of the GIFCS attended MONEYVAL meetings on a regular basis and contributed to a number of specialised discussions.

6. ENGAGEMENT WITHIN THE COUNCIL OF EUROPE

Engagement with the bodies of the Council of Europe is a key priority in the work of MONEYVAL. In the course of 2023, MONEYVAL engaged with the following bodies of the Council of Europe:

The Conference of the Parties to CETS no. 198

The Conference of the Parties (COP) to the CETS 198, which is served by the same secretariat as MONEYVAL, continued with its regular activities in 2023. The 15th COP plenary meeting took place on 9 and 10 November 2023. Under its monitoring procedures, the body examined and adopted the report of Estonia, which became a Party to the Convention in January 2023. The COP continued to build synergies with MONEYVAL through its in-depth engagement in the FATF's revision of the asset recovery standards. To that effect, the COP significantly contributed in launching the initiative to supplement the Warsaw Convention (CETS 198) with an additional protocol. In particular, the COP presented to the European Committee on Crime Problems (CDPC) the proposal for additional protocol to the CETS 198, as well as the draft Terms of Reference (ToR) of the Committee of Experts on Criminal Asset Recovery (PC-RAC). This committee is tasked with the preparation of this Protocol and explanatory report thereto by 2025. The ToR, alongside setting out the key subject matter to be addressed by the protocol, also makes reference to the human rights and rule of law standards of the CoE, as well as the case law of the ECHR. The ToR was adopted by the Committee of Ministers of the Council of Europe on 23 November 2023,

Parliamentary Assembly of the Council of Europe (PACE)

PACE is an important partner of MONEYVAL due to its interest in the topic of money laundering and the public effect of the parliamentary discussions on this matter. The dialogue with PACE adds to MONEYVAL's institutional standing in and outside the Council of Europe. Exchanges on priorities greatly facilitate the promotion of MONEYVAL's objectives, including at the level of the FATF, as well as in international media.

Sectoral bodies

Engagement with the various institutions and committees of the Council of Europe allows MONEYVAL to engage internal partners in the fight against ML/TF and contribute its expertise on topics of shared relevance. It leverages these internal partnerships in its engagements with the FATF and the broader Global Network.

In 2023, the MONEYVAL Secretariat engaged with the following institutions and committees of the Council of Europe:

- Venice Commission and European Court of Human Rights (ECtHR): engagement on unintended consequences of the FATF Standards, notably as regards NPOs. MONEYVAL continues to facilitate the exchange of relevant findings of the Venice Commission and the case law of the ECtHR to the FATF;
- Data Protection Consultative Committee to Convention 108: MONEYVAL participated in the 44th Plenary Meeting of the Consultation Committee of the Convention for the Protection of individuals about the automatic processing of personal data (Convention 108+) with a particular engagement on the AML/CFT Data Protection Guidelines adopted in June 2023. The Guidelines were developed taking into account contributions from several members, experts and the Secretariat of MONEYVAL, which also facilitated a dialogue between C108 and FATF in this context;
- Group of Experts on Action against Trafficking in Human Beings (GRETA): engagement on a proposal to launch typologies project on trafficking in human beings.
- Cybercrime Convention Committee (TC-Y): MONEYVAL engaged on cybercrime issues with the TC-Y Secretariat, especially in the context of the typologies report on ML/TF risks in the world of virtual assets and the virtual assets service providers. MONEYVAL also facilitated engagement between the FATF and TC-Y;

Additionally, MONEYVAL is exploring further partnership with the PC-OC (Committee of Experts on the Operation of European Conventions on Co-operation in Criminal Matters) and the Follow-up Committee to the Macolin Convention on Manipulation of Sports Competitions (CETS No. 215). The MONEYVAL Secretariat also maintains working level contacts with the Secretariat of GRECO regarding any shared issues arising out of the body's monitoring work.

7. HUMAN RESOURCES

At the end of 2023, the MONEYVAL Secretariat was comprised of the Executive Secretary, the Deputy Executive Secretary, eight Council of Europe administrators, five administrators on secondment from national administrations (from Andorra, Armenia, Isle of Man, Malta, and the UK), one project officers, and three administrative assistants. MONEYVAL would like to warmly thank the governments of the above countries for their support in 2023.

8. GOVERNANCE AND PROCEDURAL FRAMEWORK

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

MONEYVAL is a permanent monitoring body of the Council of Europe reporting directly to the Committee of Ministers. MONEYVAL is 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. It also makes recommendations to national authorities on necessary improvements to AML/CFT their frameworks.

8.1. Members and observers

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

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

<ul style="list-style-type: none"> - Albania - Armenia - Bosnia and Herzegovina - Croatia - Czechia - Georgia - Latvia - Lithuania - Republic of Moldova - Montenegro - Poland - Serbia - Slovenia 	<ul style="list-style-type: none"> - Andorra - Azerbaijan - Bulgaria - Cyprus - Estonia - Hungary - Liechtenstein - Malta - Monaco - North Macedonia - Romania - San Marino - Slovak Republic - Ukraine
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- Non-member States of the Council of Europe (Article 2.2e of the Statute):
 - Israel (a FATF member as of 2018);
 - The Holy See/Vatican City State by virtue of Resolution CM/Res(2011)5;
 - The UK Crown Dependencies of Guernsey, Jersey and the Isle of Man by virtue of Resolution CM/Res(2012)6;
 - The UK Overseas Territory of Gibraltar by virtue of Resolution CM/Res(2015)26.

According to Article 3, paragraph 3 of MONEYVAL's Statute, the presidency of the FATF shall appoint to the meetings of MONEYVAL two members of the FATF, for a renewable term of office of two years. By letter of the FATF President, the current nominated FATF members are Germany and the UK.

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

- the Parliamentary Assembly of the Council of Europe (PACE);
- the Council of Europe Development Bank (CEB);
- the European Committee on Crime Problems (CDPC);
- the Conference of the Parties of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (COP);
- the European Commission and the Secretariat General of the Council of the European Union;
- States with observer status of the Council of Europe (Canada, Japan, Mexico and the United States of America);
- the Secretariat of the Financial Action Task Force (FATF);
- Interpol;
- the Islamic Development Bank;
- the International Monetary Fund (IMF);
- the United Nations Office on Drugs and Crimes (UNODC);
- the United Nations Counter-Terrorism Committee (CTC);
- the World Bank;
- the Commonwealth Secretariat;
- the European Bank of Reconstruction and Development (EBRD);
- Group of International Finance Centre Supervisors (GIFICS);
- the Organisation for Security and Co-operation in Europe (OSCE);
- the Egmont Group of Financial Intelligence Units;
- the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG);
- any other FATF style regional body (FSRB) which is or becomes an associate member of the FATF, on the basis of reciprocity;
- any member of the FATF.

8.2. Bureau

The MONEYVAL Bureau is the key governance body of MONEYVAL. Its tasks include assisting the Chair, supervising the preparation of Plenary meetings and ensuring continuity between meetings. The MONEYVAL Bureau is composed of a Chair, two Vice-Chairs and two other Bureau members. The Bureau members as at the end of 2023 were:

MONEYVAL Bureau⁵	
Chair:	Ms Elzbieta Frankow-Jaskiewicz (Poland)
Vice-Chairs:	Ms Astghik Karamanukyan (Armenia) Mr Richard Walker (UK Crown Dependency of Guernsey)
Members:	Mr Ladislav Majernik (Slovak Republic) Mr Matis Mäeker (Estonia)

8.3. Scientific Experts

MONEYVAL work is supported by a panel of independent scientific experts. The role of a scientific expert is to provide neutral, experienced opinions and to assist the Chair and Secretariat in ensuring the consistency of MONEYVAL's outputs. This includes, among others, fulfilling a quality control function for draft evaluation reports, attending all MONEYVAL Plenaries as well as enriching the debates with their experience and knowledge. In 2023, the scientific experts were:

⁵ In December 2023 the Plenary elected Nicola Muccioli (San Marino) as Chair, Matis Mäeker (Estonia) and Astghik Karamanukyan (Armenia) as Vice-Chairs, and Daniel-Marius Staicu (Moldova) and Jennifer Palpacuer (Monaco) as Bureau members.

MONEYVAL scientific experts

- Lajos Korona, Public Prosecutor in Hungary – Legal scientific expert
- John Ringguth, former Executive Secretary to MONEYVAL – Legal scientific expert
- Andrew Strijker, former Head of the Dutch delegation to FATF – Financial scientific expert
- Lia Umans, former member of the FATF Secretariat – Law enforcement scientific expert
- Ian Matthews, former supervisor in the UK, and former Co-chair of the FATF Evaluations and Compliance Group - Financial scientific expert

8.4. Objectives

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

Methodology

- Assessing compliance with all relevant international standards in the legal, financial and law enforcement sectors through a peer review process of mutual evaluations;
- Issuing reports which provide tailored and concise recommendations on ways to improve the effectiveness of domestic regimes to combat money laundering and terrorist financing and States' capacities to co-operate internationally in these areas;
- Ensuring an effective follow-up of evaluation reports, including Compliance Enhancing Procedures (CEPs), to improve levels of compliance with international AML/CFT standards by the States and territories which participate in MONEYVAL's evaluation processes;
- Conducting typologies studies of money laundering and terrorist financing methods, trends and techniques and issue reports thereabout.

8.5. Mutual evaluation rounds and follow-up procedures

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

Mutual evaluation rounds**First evaluation round (1998-2000)**

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

Second evaluation round (2001-2004)

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

Third evaluation round (2005-2009)⁶

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

Follow-up evaluation round or "MONEYVAL's Fourth Round" (2009-2014)

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

Fifth evaluation round (2015 - 2024)

The FATF 2012 Recommendations and the 2013 "Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems" constitute the basis of the 5th MONEYVAL round of evaluations. In this new round which commenced in 2015, the main emphasis is on the effective implementation of the FATF Recommendations by States and territories, with each onsite visit lasting between 10 and 14 days, or longer as appropriate. The first MER report under this new round was adopted in December 2015. By the end of 2021, twenty-one mutual evaluation reports were adopted, and two other countries received onsite visits. By the end of 2022, twenty-six mutual evaluation reports were adopted, and two additional countries (North Macedonia and Romania) received onsite visits in the current round.

8.6. Compliance enhancing procedures

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

Steps in CEPs process

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

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

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

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

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

APPENDICES

Appendix I









List of the 2012 FATF Recommendations and the 11 Immediate Outcomes in the FATF Methodology of 2013

A. 2012 FATF Recommendations

R.1	Assessing Risks and applying a Risk-Based Approach
R.2	National 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

B. Immediate Outcomes	
IO.1	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.
IO.2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
IO.3	Supervisors appropriately supervise, monitor and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks.
IO.4	Financial institutions, DNFBPs and VASPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
IO.5	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.
IO.6	Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
IO.7	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO.8	Proceeds and instrumentalities of crime are confiscated.
IO.9	Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
IO.10	Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.
IO.11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant resolutions of the UN Security Council.

Appendix II

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