

# ANNUAL REPORT FOR 2021



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

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(MONEYVAL)

French edition:  
*Rapport annuel sur les activités de MONEYVAL 2021*

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Cover design and layout:  
Documents and Publications  
Production Department (DPDP),  
Council of Europe

Photo: Thomas Duroc/Agence Explorer  
Cover photo: Shutterstock

This publication has not been copy-edited by the DPDP Editorial Unit to correct typographical and grammatical errors.

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Printed at the Council of Europe

# Contents

<b>FREQUENTLY USED ABBREVIATIONS, ACCRONYMS AND EXPLANATIONS</b>	<b>4</b>
<b>INTRODUCTION FROM THE CHAIR</b>	<b>6</b>
<b>EXECUTIVE SUMMARY</b>	<b>8</b>
<b>1. STRATEGIC OUTLOOK</b>	<b>9</b>
1.1. Compliance trends	9
1.2. Mid-term strategic review and outlook for MONEYVAL	11
1.3. Covid-related research and assistance	13
1.4. Area of thematic focus: group-wide policies and supervision	13
<b>2. MUTUAL EVALUATIONS AND FOLLOW-UP</b>	<b>15</b>
2.1. 5 <sup>th</sup> round mutual evaluation report of San Marino	15
2.2. 5 <sup>th</sup> round mutual evaluation report of the Holy See (including Vatican City State)	16
2.3. 5 <sup>th</sup> round mutual evaluation report of Croatia	17
2.4. 5 <sup>th</sup> round mutual evaluation report of Poland	18
2.5. 5 <sup>th</sup> Round follow-up reports	19
2.6. 4 <sup>th</sup> Round follow-up reports	20
2.7. Voluntary tax compliance programmes	21
2.8. Compliance enhancing procedures (CEPs)	21
<b>3. HIGH-LEVEL AND VISIBILITY ENGAGEMENTS</b>	<b>22</b>
<b>4. OTHER ACTIVITIES IN 2021</b>	<b>23</b>
4.1. Typologies programme	23
4.2. MONEYVAL plenaries and intersessional consultations	23
4.3. Trainings	24
<b>5. KEY INTERNATIONAL PARTNERSHIPS</b>	<b>25</b>
5.1. Financial Action Task Force	25
5.2. FATF-style regional bodies	25
5.3. Other partnerships	26
<b>6. ENGAGEMENT WITHIN THE COUNCIL OF EUROPE</b>	<b>27</b>
<b>7. HUMAN RESOURCES</b>	<b>29</b>
<b>8. GOVERNANCE AND PROCEDURAL FRAMEWORK</b>	<b>30</b>
8.1. Members and observers	30
8.2. Bureau	31
8.3. Scientific Experts	31
8.4. Objectives	31
8.5. Mutual evaluation rounds and follow-up procedures	32
8.6. Compliance enhancing procedures	32
<b>APPENDICES</b>	<b>33</b>
Appendix I	33
Appendix II	35

# FREQUENTLY USED ABBREVIATIONS, ACRONYMS AND EXPLANATIONS

AML	Anti-money laundering
CDD	Customer due diligence
CDPC	European Committee on Crime Problems
CEPs	Compliance Enhancing Procedures
CETS 198	2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention
CFT	Countering the financing of terrorism
COP	Conference of the Parties to the 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – the Warsaw Convention (CETS 198)
CTED	UN Counter-Terrorism Committee Executive Directorate
DNFBPs	Designated non-financial businesses and professions
EAG	Eurasian Group on Combating ML/TF
EDD	Enhanced due diligence
EU	European Union
FATF	Financial Action Task Force
FIU	Financial intelligence unit
FSRB	FATF-Style Regional Body
FT	Financing of terrorism
ICRG	International Co-operation Review Group of the FATF
IFIs	International financial institutions – IMF and World Bank
IMF	International Monetary Fund
LEAs	Law enforcement authorities
MER	Mutual evaluation report
ML	Money laundering
MLA	Mutual legal assistance
NPO	Non-profit organisation
NRA	National risk assessment
OSCE	Organisation for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe

PEP	Politically exposed person
R.	Recommendation
SAR	Suspicious activity report
SR.	Special Recommendation
STR	Suspicious transaction report
TCSP	Trust and company service provider
TF	Terrorist financing
TFFFI	Terrorist Financing Fact-Finding Initiative
UN	United Nations
UNCTC	United Nations Counter-Terrorism Committee
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
VTC	Voluntary tax compliance

# INTRODUCTION FROM THE CHAIR



**T**he past year remained a challenging one for Europe and the world due to the persisting Covid-19 pandemic, its negative effects on society, the economy, and the continued turbulence in the financial system. The year was also marked by one of the largest global money laundering revelations in recent history – the “Pandora papers”. It demonstrated the growing scale of the money laundering threat and the persistence of launderers when it comes to abusing the international financial system to hide their illicit proceeds.

We are facing a combination of well-known money laundering methods and newer trends - both requiring co-ordinated action from governments in Europe and around the world. Traditional money laundering uses offshore jurisdictions, and complex corporate structures, while concealing the true ownership of assets behind several layers of so-called “shell” companies. Specialised “gatekeepers”, such as lawyers, accountants, and other service providers often help launderers set up such companies, as well as trusts and other corporate structures. The “Pandora papers”, just like the “Panama papers” five years ago, showed that “gatekeepers” can be complicit in large-scale transnational money laundering schemes involving corrupt politicians, as well as high-net worth individuals seeking to evade taxes. This is the reason why

MONEYVAL has been focusing on these professions, and working with the Financial Action Task Force (FATF) to enhance their regulatory regime. In 2021, we achieved an important change to the international FATF Standard to regulate the transnational operations of “gatekeepers” and improve their global compliance. This change will oblige the professions to establish group-wide anti-money laundering programmes, and pave the way for tighter supervisory co-operation among governments to carry out oversight. These measures will be challenging to implement, since supervisory co-operation in this area did not exist before. However, governments must mobilise their efforts in order to finally curb the money laundering abuses we have seen in recent years.

A newer money laundering trend is related to the emerging virtual assets sector, the increasing global use of cryptocurrencies, and other components of the rapidly evolving ecosystem of so-called “decentralised finance” (DeFi). This alternative system removes the traditional forms of control that banks and institutions have on financial flows and services, and creates new forms of financial products accessible through the internet from any point on the globe. In most cases, the components of one single crypto-business are spread across multiple countries. It creates enforcement and supervisory challenges for governments, due to rapidly evolving tech infrastructure, the cross-border nature of financial services, and difficulties in determining the national jurisdiction responsible for their oversight. Supervisory co-operation in this field is at its very nascent stages, and is not yet keeping pace with the rapid evolution of technology.

The difficulties with supervision of, both “gatekeepers” and virtual assets can only be overcome with innovative supervisory methods. Prompted by the challenges of the pandemic, MONEYVAL has completed a typologies study looking into supervisory practice in times of crisis and challenging external circumstances. Interestingly, the lessons drawn in the study are helping us to innovate and to improve supervision beyond the immediate circumstances arising during the pandemic. These key lessons and new tools may now be applied to enhance supervision of the elusive “gatekeepers”, as well as virtual asset providers, and to enhance cross-border co-operation among supervisors.

It is well known that money launderers have been abusing cryptocurrencies from their inception a decade ago, initially to transfer and conceal proceeds from drug trafficking. Nowadays, their methods are becoming ever more sophisticated, and larger in scale. Virtual assets are now abused to launder proceeds

from fraud and corruption, as well as for tax evasion. There is suspicion that some of the smaller cryptocurrencies are being set up specifically with the motive of laundering. The larger virtual assets are seeing heavy market manipulation, which is a major predicate offense for money laundering. These challenges require a clear and comprehensive response, and MONEYVAL is taking comprehensive measures in this field. MONEYVAL's evaluations and follow-up processes are now closely looking into the regulatory framework for virtual assets in member States, and a 2022 typologies study will be dedicated solely to cryptocurrency money laundering trends.

MONEYVAL is continuing to strengthen its working methods and priorities so as to help its members tackle money laundering more effectively. Several projects aimed at developing the studying of the financial sectors and horizontal trends within our membership have been launched and will allow MONEYVAL to develop further its "think tank" capacity. This capacity is greatly enhanced by our partnerships with other entities of the Council of Europe in the areas of human rights, data protection, cybercrime and others.

We are also continuously developing our external engagements and co-operation with our key international partner – the FATF. A MONEYVAL initiative to reform some aspects of the FATF-led Global Network has been launched. The objective is to further empower FATF-style regional bodies, such as MONEYVAL, in the FATF and its global governance processes.

Importantly, we have learned how to deal effectively with the challenges to our working methods posed by the pandemic, and we have progressed very well with our 5<sup>th</sup> Round mutual evaluation cycle. MONEYVAL is the largest among the nine FATF-style regional bodies by the number of member States and territories that we evaluate on our own. The resources required to undertake this work are significant, which is why I express my sincere appreciation to the Committee of Ministers and member States for their constant and indispensable support for MONEYVAL.

**Elżbieta Frankow-Jaśkiewicz**

Chair of MONEYVAL



# EXECUTIVE SUMMARY

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

This Annual Report provides a comprehensive overview of key compliance trends in the MONEYVAL member-jurisdictions, and presents major MONEYVAL activities and results achieved in 2021 in the area of mutual evaluations, follow-up, research typologies, training, as well as external and internal engagement.

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

The Covid-19 pandemic has had a noticeable impact on the work of anti-money laundering authorities across the MONEYVAL membership. Since the beginning of the pandemic, MONEYVAL has strived to explore Covid-related trends and assist national authorities in adjusting their working methods. In 2021, MONEYVAL adopted a comprehensive typologies report to help supervisors in MONEYVAL member States and territories to adjust their working methods to crisis situations based on good practices from the region.

The Covid-related procedural changes adopted in 2020 continued to serve MONEYVAL in 2021 as a solid foundation for the continuation of its work programme, and in particular its mutual evaluations and follow-up processes. The use of hybrid evaluation tools allowed MONEYVAL to complete four mutual

evaluations in 2021, and a total of six since the start of the pandemic – the highest number in the FATF-led Global AML/CFT Network.

Throughout 2021 a total of 17 MONEYVAL States or territories were subject to active monitoring processes (through onsite visits, adopted reports, follow-up and compliance procedures). MONEYVAL continued its 5<sup>th</sup> round of mutual evaluations by adopting four mutual evaluation reports for Croatia, the Holy See, Poland, and San Marino, and conducting on-site visits for Bulgaria and Liechtenstein. The mutual evaluation process was launched for four other members (Estonia, Monaco, North Macedonia, and Romania). The Committee adopted ten follow-up reports under the 5<sup>th</sup> Round of Mutual evaluations, and closed the 4<sup>th</sup> round follow-up with the adoption of the last report of Romania. The written procedure was actively used to adopt follow-up reports and other decision-making. Two Plenary meetings and several other events were held via hybrid means.

MONEYVAL continued to expand its engagement with the FATF and initiated a proposal to reform the Global AML/CFT framework and deepen the organisational relationship between the bodies. The Committee also made a significant impact in the on-going review of the FATF Standards and the FATF Assessment Methodology, in particular as regards the enhanced requirements for so-called “gatekeepers” to the financial system, that is lawyers, accountants and trust/company service providers. MONEYVAL devotes significant attention to the work of the FATF International Co-operation Review Group (ICRG), which undertakes the so-called “greylisting” of jurisdictions with low levels of compliance, including MONEYVAL members.

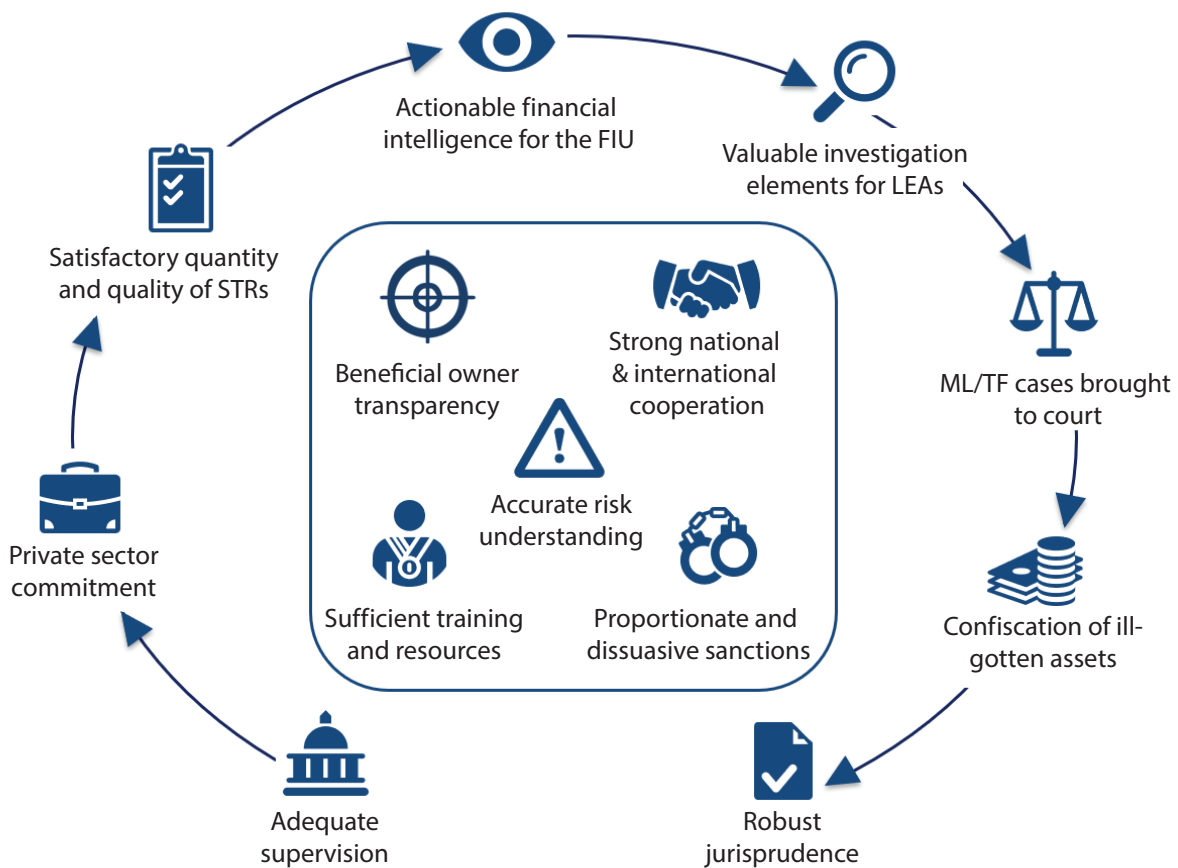
Building on the high-level exchange of views between the Council of Europe Committee of Ministers and the FATF President in September 2020, MONEYVAL worked to facilitate linkages between interested Council of Europe bodies and the FATF in the areas of human rights, data protection, cybercrime and others. MONEYVAL actively supports the application of the Council of Europe for observer status in the FATF, submitted by the Council of Europe Secretary General to the FATF President in November 2021.

In December 2021, MONEYVAL completed its mid-term strategic review, and outlined the Committee's key priorities and areas of focus for the future, including measures to further enhance the quality and consistency of its mutual evaluation processes, horizontal research projects, high-level engagement and visibility.

# 1. STRATEGIC OUTLOOK

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

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



## 1.1. COMPLIANCE TRENDS

Initiated in 2020, MONEYVAL continued its horizontal review of implementation of the FATF Recommendations by its member-jurisdictions in 2021 by systematising and incorporating the results of the most recent mutual evaluations.<sup>1</sup>

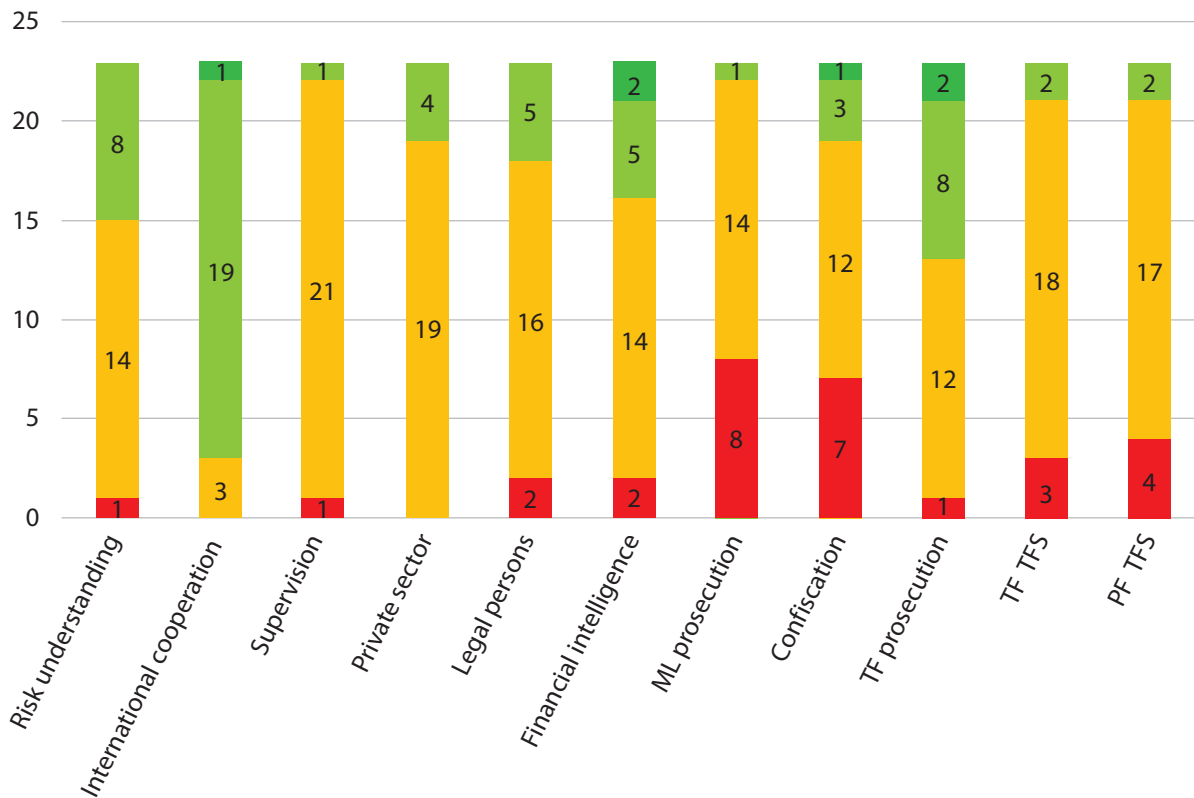
1. In the sequence of assessments carried out since 2016: Armenia, Serbia, Hungary, Slovenia, Isle of Man, Andorra, Ukraine, Albania, Latvia, Czech Republic, Lithuania, Israel, Republic of Moldova, Malta, Russian Federation, Gibraltar, Cyprus, Slovak Republic, Georgia, Holy See/Vatican City State, San Marino, Poland and Croatia.

The analysis below represents preliminary compliance trends in these MONEYVAL member jurisdictions.

It can be observed that MONEYVAL member States and jurisdictions continue on average to demonstrate a moderate level of effectiveness in their anti-money laundering and combating the financing of terrorism efforts. Thus, the median level of compliance continues to be below the satisfactory threshold. MONEYVAL members demonstrate the best results in the areas of risk assessment, international co-operation and use of financial intelligence. Effectiveness remains particularly weak in financial

sector supervision, private sector compliance, transparency of legal persons, money laundering convictions and confiscations, financial sanctions for terrorism and proliferation of weapons of mass destruction. The latest evaluations adopted in 2021 have improved the average median of compliance

in a number of areas, namely international co-operation, supervision and private sector compliance. However, the field of international co-operation remains the only area where average compliance is above the satisfactory threshold across the MONEYVAL membership.



Risk understanding is the central pillar of a robust AML/CFT system. An inadequate understanding of country risks is likely to lead to inappropriate policies. In almost 90% of the assessed countries, the analysis highlights the absence of in-depth assessment of certain specific risks, such as terrorism financing and offshore money laundering, where relevant to the particular context of a jurisdiction. Moreover, when the assessment of risks is not thorough, risk-based responses cannot be adequate. Indeed, the analysis points to the difficulty of six countries (26%) to successfully apply a risk-based approach to non-profit organisations (NPOs) potentially at risk of misuse for terrorism financing purposes.

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

Given the nature of money laundering and financing of terrorism, solid international co-operation is key to effective implementation of AML/CFT. The FATF Standards call for mutual legal assistance (MLA) and other forms of international co-operation to the greatest extent possible and an established system for expeditious actions to be taken in response to requests made by foreign countries. International co-operation and information exchange are the strongest point of MONEYVAL members. Twenty (87%) of the jurisdictions assessed by MONEYVAL proactively pursue international co-operation, and only three (13%) face difficulties in sending and receiving MLA requests, lack prioritisation mechanisms or cannot guarantee the provision of information in a timely manner.

Efficient supervision of the private sector lies at the basis of an effective AML/CFT regime. However, no country was awarded a high effectiveness rating so far, and supervision is one of the areas where countries are less effective. The analysis underlines the significant differences in the global risk understanding among the supervisors, that is the supervisors of the

designated non-financial sectors (lawyers, notaries, accountants, casinos, trust and company service providers, real estate agents, dealers in precious metals and stones). In all countries, having a sole supervisor for the different non-financial sectors passably enhances effectiveness, if and only if the supervisor benefits from adequate powers and resources; yet insufficient resources have been noted for 70% of the assessed jurisdictions.

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. When the private sector is poorly supervised and not committed to putting efforts into disrupting financial crime, it produces low quality suspicious transaction reports, or none at all. For nine countries (40% of the sample), the analysis strongly recommends addressing the lack of feedback provided by the FIUs to the private sector. It also highlights the low quality of internal controls in the non-financial sector for 74% of the countries.

Another condition for law enforcement authorities to successfully conduct their financial investigations is their ability to easily obtain beneficial ownership information in a timely manner. Nevertheless, the analysis shows that countries generally apply insufficient measures to ensure that this information is accurate and up to date. Maintaining beneficial ownership registers is one of the tools frequently used in the European space, and nine countries assessed so far have operational beneficial owners registers. At the same time, only five of them (22%) have efficient mechanisms to verify the information contained in those registers.

Regarding convictions for serious and complex money laundering offences, they still appear to be rare, and this is reflected in the effectiveness ratings: eight countries (35%) have been given a Low rating. Money laundering is mostly treated as a consequence of the underlying criminal activity, as illustrated by the lack of pursuit of systematic parallel financial investigations in 12 countries (52%).

The same can be noted for terrorism financing prosecutions: in 13 countries (56%) financing of terrorism investigations are either not systematically carried out in the context of terrorism investigations, or financing aspects are lacking in the investigations. For both ML and TF, this leads to a lack of robust jurisprudence, which is needed to facilitate the convictions of these crimes.

Targeted financial sanctions (TFS) prevent assets from being available to listed persons and entities such as terrorists and other designated criminals. It can be noted that 91% of the countries have received a moderate or a low rating for their TFS regime.

Six countries (26%) fail in the timely transposition of international official designations in their national framework. Besides, adequate measures to freeze, and even to identify funds, are often not taken.

Urgent improvement is required regarding overall sanctioning, that is when supervising the private sector, legal persons and arrangements, such as trusts. The analysis demonstrates that, in many cases, sanctions are either not proportionate, dissuasive, and effective enough, and in many cases they are not applied by, or not even available to, the competent authorities. Indeed, only in three jurisdictions (13%) was the sanctioning regime for banks considered effective. Sanctioning of non-financial institutions was not considered effective in any jurisdiction, whilst in 15 jurisdictions (65%) it was considered as fully ineffective.

Moreover, successful confiscations of ill-gotten funds as a criminal measure are rather rare in comparison with the estimates of the proceeds of crime. Countries should resort not only to freezing but also to seizure and confiscation of criminal funds. In at least seven countries (30%), enhancing the powers and resources of the countries' asset recovery and management offices will be crucial to improving their effectiveness.

Lack of adequate human resources and expertise on the part of the competent authorities is a cross-cutting issue in the majority of assessed countries. As regards supervisors, the analysis highlights insufficient resources and/or expertise in 15 (65%) of the assessed jurisdictions. Countries should therefore consider continuously strengthening their human resources capacities and the development of skills.

## 1.2. MID-TERM STRATEGIC REVIEW AND OUTLOOK FOR MONEYVAL

In 2021, MONEYVAL carried out a mid-term review of the implementation of its 2020-2022 Strategy and discussed the Strategic outlook for the Committee. This exercise served as the starting point for the preparation and development of the new Strategy for 2023-2025. The following summary describes some of the highlights for the MONEYVAL strategic outlook in the upcoming years which are considered particularly relevant for the Committee of Ministers:

### Mutual evaluations

MONEYVAL is on track to complete its current 5<sup>th</sup> Round mutual evaluations cycle in 2024. This is in line with, and in advance of, the 2025 deadline set for MONEYVAL by the FATF. This means that MONEYVAL would be able to start on-site visits for its 6<sup>th</sup> Round already in 2024: one in Q1 and two in Q4.

The number of four on-site visits in the transition year between the rounds would be important to keep, given that the Council of Europe Committee of Ministers has maintained this target for MONEYVAL.

The FATF plans to launch its first mutual evaluation in 2024. Discussions are on-going as to whether FATF-style regional bodies, like MONEYVAL, may launch their next evaluation round in parallel with the FATF, or only after the FATF completes its first evaluation. Given that the Methodology to be used by MONEYVAL in the next round will not differ significantly from the current one, MONEYVAL is negotiating for a parallel start.

The key differences in the next round Methodology would include increased emphasis on so-called “gatekeepers”, such as lawyers, notaries, trust and company service providers and other professions, which continue to exhibit high money laundering risks. Another emphasis will be on the financing of the proliferation of weapons of mass destruction and the risks associated therewith.

In line with changes to the FATF Methodology, MONEYVAL’s 6<sup>th</sup> evaluation round will have a particular focus on assessing the supranational framework of the European Union in the field of AML/CFT, including the new institutional mechanisms being set up for the new Anti-Money Laundering Authority (AMLA), and the new EU-wide regulatory framework. This framework will be assessed in the context of the individual mutual evaluations of EU members States which are members of MONEYVAL. It is expected that this new layer of assessment will require significant additional resources for the MONEYVAL Secretariat.

### **Horizontal research and analysis**

MONEYVAL has started a new workstream devoted to research and analysis of compliance trends, horizontal issues and comparative studies. As a monitoring mechanism with long-standing experience, MONEYVAL will explore and systematise various AML/CFT data-sets across its membership in order to identify regional trends and factors.

In 2021, MONEYVAL completed the first edition of a horizontal review of compliance trends in its membership, described in section 1.1 above. This review will continue as a live exercise incorporating the most recent mutual evaluation results. Furthermore, MONEYVAL is starting a Project on analysis of the financial sector materiality of its members, which will gather data on the size and profile of financial and non-financial sectors for comparative purposes. In the long term, these Projects should form the starting point for the development of an additional “think tank” capacity in MONEYVAL, which would enhance the effectiveness and focus of MONEYVAL’s anti-money laundering efforts.

Issues related to *citizenship-by-investment schemes* (or residence-by-investment) and the ML risks they create have been raised by several MONEYVAL counterparts, including the FATF and the Council of Europe Parliamentary Assembly. While this issue is on the FATF radar, there is no systemic approach to assess these programmes, given their number and the diversity of frameworks around the world. Some guidance has been developed by the IMF in the spirit of the FATF approach to VTC programmes; however no universal or binding process to review such programmes within the Global Network has been established. MONEYVAL plans to continue monitoring these programmes and the risks arising from them on a horizontal basis.

The issue of *unintended consequences of the FATF Standards* has emerged in MONEYVAL monitoring practice. In particular, a recent case of possible unintended consequences in one MONEYVAL member was raised with MONEYVAL by the NGO community and discussed in a MONEYVAL Plenary meeting. It can be expected that MONEYVAL will be paying increasing attention to these issues going forward, where specific cases arise.

### **Engagement within the Council of Europe**

Engagement with other bodies of the Council of Europe is not specified as a separate item in the current MONEYVAL Strategy 2020-2022; however in practice this is a key priority in the work of MONEYVAL and will be proposed as a separate workstream for the next edition of the Strategy. While current MONEYVAL engagement in the Council of Europe includes the topics of human rights, data protection, drug trafficking, cybercrime and counterterrorism, MONEYVAL may eventually seek other partnerships with interested Council of Europe sectors, for example in the field of manipulation of sports competitions, environmental crime, and medicrime.

### **Involvement in the Global Network**

The development and further strengthening of the Global Network is a strategic priority for MONEYVAL. Throughout 2020-2021, MONEYVAL has been taking a proactive approach to impacting the direction of development of the Global Network, in line with key principles espoused by the Committee. The FATF agreed to proceed with a key initiative by MONEYVAL and other regional bodies on the reform of the Global Network. The results of this Project will be available in 2023, and will impact some of the fundamental elements of the relationship between MONEYVAL and the FATF.

In the meantime, MONEYVAL will continue to promote discussions at the FATF in areas of particular interest to the Committee, with a view to clarifying and developing the FATF Standards. In the coming years, the specific areas of focus for MONEYVAL in

the FATF will be the regulation of virtual asset service providers/cryptocurrencies and recovery of stolen assets. The promotion of the Council of Europe Warsaw Convention (CETS 198) at the FATF level will continue to be a priority, with a view to incorporating its forward-looking asset recovery provisions into the global FATF standard.

## High-level engagement

The Covid pandemic has led to the postponement of plans to hold a meeting of ministers responsible for AML/CFT (in most cases Ministers of Finance). Such a meeting will be scheduled for the Plenary in December 2022, so as to coincide with the adoption of the new Strategy of MONEYVAL for 2023-2025. The timing of such a meeting should also accommodate preliminary results of the new FATF Project on the Strategic Vision for the Global Network, where political decisions may be needed from ministers of MONEYVAL member States.

### 1.3. COVID-RELATED RESEARCH AND ASSISTANCE

The Covid pandemic significantly impacted the economies and financial systems of MONEYVAL member States and territories in 2020 and 2021. It had a visible influence on the operations of anti-money laundering authorities. Following initial trend analysis research carried out in 2020, MONEYVAL continued in 2021 with a further systemic effort to assist financial sector supervisory authorities to adjust their working methods to the “new normal”. The Committee completed a comprehensive typologies study “AML/CFT supervision in times of crisis and challenging external factors”. The study highlighted the importance of managing effectively the business continuity risks of public and private sectors in their anti-money laundering tasks during the Covid pandemic and extrapolated the lessons learned to other challenging external factors, such as the supervision of remote territories.

The focus on supervisory authorities was made due to their broad public responsibilities for safeguarding and maintaining public confidence in the financial system in the event of a major operational disruption. As the mandates of supervisory authorities vary (e.g. some prudential supervisors are responsible for systemic issues while others, such as AML/CFT supervisors, are not), it was concluded that the approach to business continuity management must be tailored according to the circumstances, and a one-size-fits-all approach may not be always efficient.

Business Continuity Plans (BCP) proved to be a useful tool in helping financial supervisory authorities swiftly overcome crisis situations. Among other things, the BCPs set out (i) a risk assessment methodology, (ii) detailed governance arrangements, (iii) a division of

responsibilities and (iv) specific actions to be undertaken in relation to the crisis in order to ensure the continuity of business operations. When the AML/CFT supervision is distributed amongst several supervisors, setting up a coordination committee showed positive results.

The Covid pandemic proved that in crisis situations where employees are unable to return to the office, technology is key to continuing effective on-going financial sector supervision. Moreover, this can be used in case of other challenging circumstances, such as the supervision of entities having only limited or no physical presence in a given jurisdiction (e.g. for offshore zones).

The study found that supervisors sought additional sources of data to allow the monitoring of ML/TF risks at reporting entities. Shifting to remote or hybrid inspections to replace traditional on-site visits was the main solution to continue the AML/CFT supervision during the crisis. Supervisory focus has also been diverted to thematic (horizontal) supervision to enable an assessment of the vulnerabilities of internal systems and controls across a broad range of financial sector entities. Guidelines and/or regulations were developed to permit the use of digital ID systems by reporting entities. A partial relaxation of customer identification requirements for low-risk scenarios was allowed, in order to enable reporting entities to on-board clients and facilitate the delivery of government benefits in response to the pandemic.

Importantly, the study recommended to adjust existing cross-border operational agreements between supervisors to include specific provisions on assistance in times of crisis and in case of force majeure. In the absence of a specific provision, the general MoU rules should allow and/or encourage communication and co-operation using electronic means, when available, to exchange supervisory data.

The study was prepared under the project leadership of Poland, with the participation of the majority of MONEYVAL members and several observers, including the FATF and the Eurasian group on combating money laundering and financing of terrorism (EAG). A MONEYVAL typologies workshop to finalise the study was held in September 2021.

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

Since 2020, MONEYVAL has been paying special attention to the regulation of so-called “gatekeepers”, that is lawyers, accountants, trust and company service providers, and other designated non-financial businesses and professions. Previously, these types of entities were involved in money laundering scandals disclosed for example in the “Panama Papers”,

the “Paradise Papers”, the “Bahamas leaks” etc. In September 2021, the “Pandora papers” disclosure once again revealed the pivotal role that such types of entities may play in guiding money laundering operations through their cross-border networks and group structures.

In this context, MONEYVAL has been spearheading an effort in the FATF to further enhance the regulation

of these entities, and in particular their transnational operations. Initiated in 2020, this work has been finalised with the adoption of changes to the global FATF Standard on this issue at the FATF Plenary in October 2021. The change will oblige such entities to adopt transnational group compliance programmes and paves the way for international co-operation among their supervisors.



## 2. MUTUAL EVALUATIONS AND FOLLOW-UP

**M**utual evaluations are the central pillar of the MONEYVAL mandate. After an initial six-month delay caused by the Covid lockdown in 2020, the mutual evaluation programme continued on schedule in 2021, with four on-site visits carried out to Poland, Croatia, Bulgaria and Liechtenstein, and four mutual evaluation reports adopted for San Marino, Holy See/Vatican City State, Poland and Croatia.

MONEYVAL maintained the use of hybrid means for mutual evaluations, in order to mitigate risks related to Covid travel cancellations and possible infections among evaluation team members. MONEYVAL continues to be the FATF-style regional body with the most mutual evaluations conducted in the Global Network of AML/CFT assessor bodies since the start of the pandemic.

### 2.1. 5<sup>TH</sup> ROUND MUTUAL EVALUATION REPORT OF SAN MARINO



The mutual evaluation of San Marino was initiated in 2020 and the assessment report adopted by MONEYVAL at its 61<sup>st</sup> Plenary meeting in April 2021.

MONEYVAL complimented the overall framework and practical actions in place for international co-operation, which enables San Marino to provide

generally timely and constructive mutual legal assistance. MONEYVAL acknowledges also that the country demonstrated a substantial level of effectiveness in national AML/CFT policies and co-ordination, financial intelligence, confiscation and terrorist financing investigating and prosecution. The report finds that further improvements are needed in enhancing supervision, preventative measures related to transparency of legal persons and legal arrangements, money laundering investigation and prosecution and financial sanctions for terrorist financing.

San Marino should establish and apply a criminal justice policy on investigating and prosecuting money laundering of the widest range of foreign predicates and where the country runs the risk of being involved across several stacked jurisdictions. Proactive parallel money laundering investigations should be actively promoted and conducted as a policy objective. A solution should be found for the lack of prisons' capacity.

Moreover, appropriate initiatives need to be taken, in line with the national risk assessment, to ensure that all private sector categories conduct proper regular checks of their business-specific money laundering and terrorist financing risks. Competent authorities should also heighten the understanding of the private sector and their controls in relation to implementation of customer due diligence and targeted financial sanctions. More guidance needs to be provided on suspicious transactions where reporting appears not to be commensurate with the risks.





San Marino should enhance market entry controls to prevent criminals from potentially holding a management function in designated non-financial businesses and virtual assets' service providers. For financial institutions, the country should clarify the internal procedures of the Central Bank in relation to checking association with criminals. The application of the risk-based approach in supervisory activities should also be reinforced together with relevant remedial activities and sanctions available to the national Financial Intelligence Agency.

The Financial Intelligence Agency should intensify its work on strategic analysis of specific money laundering trends, patterns and complex money laundering schemes where San Marino might be used as one of the several jurisdictions to launder money. Awareness training should be stepped up.

Finally, the report states also that San Marino should implement procedures to ensure a better access to basic information of trusts and to ensure that beneficial ownership information held for all types of legal persons and arrangements is accurate and up to date.

San Marino will be subject to MONEYVAL's regular follow-up reporting process as a result of the positive report.

## 2.2. 5<sup>TH</sup> ROUND MUTUAL EVALUATION REPORT OF THE HOLY SEE (INCLUDING VATICAN CITY STATE)



The mutual evaluation of the Holy See (Vatican City State) was initiated in 2020 and the assessment report adopted by MONEYVAL at its 61<sup>ST</sup> Plenary meeting in April 2021.

The report states that the jurisdiction's authorities have a generally good high-level understanding of their money laundering and financing of terrorism threats and vulnerabilities. In fact, in a range of areas, there is a detailed understanding of risk. However, domestic cases which have raised a red flag for potential abuse of the internal system by mid-level and senior figures (insiders) for personal or other benefits have not been addressed within the national risk assessment.

MONEYVAL notes that money laundering investigations during the period under review (until October 2020) were protracted, partly because of late responses from foreign counterparts to requests for assistance and partly because of under-resourcing on both prosecutorial and law enforcement sides, where there has been insufficient specialisation of

financial investigators. Consequently, results in court have been modest with only two convictions for self-laundering. Recent developments highlighted in the report in this area are encouraging.

The report highlights as well the importance given to confiscation as a policy objective, which is illustrated by the adoption in 2018 of a robust framework for non-conviction-based confiscation - which has since been used in a high-profile case. Although the competent authorities are tracing and seizing proceeds effectively, there is a considerable gap between the amounts seized and those confiscated.

The Holy See (including the Vatican City State) has a domestic mechanism in place that allows to give effect to United Nations' sanctions without undue delay. However, some delays persist in transposing such designations into national lists.

With regard to preventative measures, MONEYVAL underlines that the sole authorised institution has a sound understanding of its money laundering and financing of terrorism risks. In general, customer due diligence (CDD) and record-keeping obligations have been applied diligently and there is a rigorous risk-based transaction monitoring programme that requires the collection of information and documentation as necessary throughout the course of a business relationship.

Supervisory controls over the financial sector prevent criminals and their associates from sitting on the board

of the authorised institution and the body representing its shareholder. Adequate controls are in place over senior management. The supervisor has a good to very good understanding of the risk profile of the authorised institution and its most recent inspection took place in 2019. Coverage and quality look to be very good, including consideration of risks presented by insiders.

The report compliments the national authorities for efforts invested in rendering constructive and timely international co-operation.

The Holy See (including the Vatican City State) will be subject to MONEYVAL's regular follow-up reporting process as a result of the positive report.

### 2.3. 5<sup>TH</sup> ROUND MUTUAL EVALUATION REPORT OF CROATIA



The mutual evaluation of Croatia was initiated in 2020 and the assessment report adopted by MONEYVAL at its 62<sup>nd</sup> Plenary meeting in December 2021.

The report notes that Croatia made efforts to implement the FATF Standards, but further improvements are needed in ensuring a uniform and comprehensive understanding of ML and especially TF risks;



ensuring transparency of legal persons, arrangements, and their beneficial ownership; improving the supervisory efforts; strengthening implementation of ML/TF preventive measures by the private sector; ensuring confiscation of proceeds of crime; and establishing a national framework for implementation of TF-related United Nations targeted financial sanctions, including strengthening the attention and capacities of the designated State authority.

The report acknowledges that Croatia has capacity to co-operate internationally, especially in providing mutual legal assistance and extradition to EU Member States. However, more focused efforts are needed in seeking co-operation with non-EU Member States.

While the Croatian Financial Intelligence Unit (FIU) is a key source of financial intelligence, the results of its analysis are not effectively used by the law enforcement agencies (LEAs). Croatia is therefore encouraged to prioritise identification, investigation and prosecution of ML cases in line with its risk profile, align interpretations and understanding of the ML offence by the judiciary and LEAs with the international standards, and tackle undue delays in judicial proceedings of complex criminal cases. Croatia is also suggested to improve coordination between the FIU, LEAs and prosecutors when dealing with detection of TF cases,

to ensure that all potential TF activities are identified, thoroughly analysed, investigated and prosecuted.

The report concludes that Croatia should take measures to develop understanding of the NPO sector's exposure to TF risks, and apply targeted measures to those entities which are more vulnerable to TF abuse.

Croatia will be subject to MONEYVAL's enhanced follow-up reporting process as a result of the report.

#### 2.4. 5<sup>TH</sup> ROUND MUTUAL EVALUATION REPORT OF POLAND



The mutual evaluation of Poland was initiated in 2020 and the assessment report adopted by MONEYVAL at its 62<sup>nd</sup> Plenary meeting in

December 2021.

The report calls on Polish authorities to improve the AML/CFT regulatory framework and to strengthen the practical application of repressive measures to tackle money laundering and financing of terrorism more effectively. Most of the legal requirements and practical actions put in place by the authorities ensure a satisfactory level of transparency of legal persons, arrangements, and their beneficial ownership.



The report acknowledges that the private sector demonstrated a substantial level of effectiveness in applying the money laundering (ML) and terrorist financing (TF) preventive measures, including customer due diligence and internal controls. Positive conclusions have been drawn on Poland's capacity to co-operate internationally.

Further improvements are needed in enhancing the country's capacity to understand ML threats emanating from certain types of predicate offences, given that authorities did not display a comprehensive view of the factual and potential amounts of the proceeds of crime. More efforts should be placed in ensuring a uniform and comprehensive understanding of ML/TF vulnerabilities and appropriate identification and reliable assessment of TF risks.

While the Polish Financial Intelligence Unit is a key source of financial intelligence, with full access to a wide variety of information from the private and public sectors, the results of their analysis are not sufficiently exploited at the investigative stage. Poland is encouraged to take procedural and institutional measures to ensure that ML is detected and investigated efficiently, including by adopting a coherent practice in tasking law enforcement agencies with ML investigations, and detailed guidelines on effective parallel financial investigations. Fundamental improvements are needed with regard to the seizure and confiscation of proceeds of crime from ML and associated predicate offences.

Moreover, the authorities should take measures to clarify that terrorism financing is a stand-alone crime and not a by-product of terrorism in terms of risk and criminalization. The cash control mechanisms at the border should be strengthened by providing a legal basis to stop and restrain suspicious assets. A specific risk assessment on the NPO sector's exposure to TF risks should be conducted, and targeted measures should be applied for those entities which are more vulnerable to TF abuse.

Poland should address the existing gaps in relation to preventing criminal control of obliged institutions and provide resources to allow for the comprehensive exercise of those controls and supervision. This should include additional domestic coordination to ensure that supervision by each individual authority is risk-based and effective.

Finally, the report states that a supervisory system, including a sanctioning regime, on proliferation financing must be urgently put in place. There should be further awareness-raising activities to enhance knowledge and understanding of some authorities and entities of the private sector on their respective obligations.

Poland will be subject to MONEYVAL's enhanced follow-up reporting process as a result of the report.

## 2.5. 5<sup>TH</sup> ROUND FOLLOW-UP REPORTS

MONEYVAL considered ten 5<sup>th</sup> Round follow-up reports throughout 2021.



The follow-up report for **Albania** has found that this country has not significantly improved measures to combat money laundering and terrorist financing in line with

the FATF Recommendations. Among other issues, the report examined the application of new international requirements for virtual assets, including, cryptocurrencies and the providers of these assets. MONEYVAL decided that Albania should remain in the enhanced follow-up procedure and report back on further progress to strengthen its implementation of AML/CFT measures on a yearly basis.



In its follow-up report for **Hungary** MONEYVAL concluded that Hungary has improved legislation regarding politically exposed persons. At the same time, the

new international requirements concerning Virtual Assets and Virtual Asset Service Providers have not yet been fully implemented. Hungary remains in the enhanced follow-up process with yearly reporting.



MONEYVAL found significant progress in **Malta**, which has succeeded to meet general expectation for countries to have addressed most if not all of the technical compli-

ance deficiencies after the adoption of the mutual evaluation report, within two years. Malta has achieved full compliance with 12 of the 40 FATF Recommendations and retains minor deficiencies in the implementation of another 28 Recommendations where it has been found "largely compliant". Malta no longer has "non-compliant" or "partially compliant" ratings. As per the MONEYVAL procedures, the follow-up report studies the legislative, regulatory and institutional reforms, and does not assess the degree to which the implemented reforms have been effectively implemented. Malta is currently in the FATF "listing" process, which is reviewing the effectiveness of measures implemented by Malta.



MONEYVAL noted **Slovenia's** positive progress in the implementation of its sanctioning regime for terrorism financing and assigned Slovenia a higher compliance ratings for its efforts made in the areas of regulation

of non-profit organisations, correspondent banking relationships, supervision and preventing the money laundering risks by politically exposed persons. In the field of virtual assets MONEYVAL registered certain progress in the implementation, but also found deficiencies in Slovenia's compliance with new standards in this field. Since still Slovenia significant deficiencies for four FATF Recommendations (national risk assessment, terrorism financing offence, virtual assets, cash couriers), MONEYVAL decided that Slovenia will remain in the enhanced follow-up process and will report back on further progress in one year.



MONEYVAL considered that **Lithuania** is making commendable progress to address most of the technical compliance deficiencies after the adoption of the mutual evaluation

report within two years, however continued efforts remain necessary. The Committee positively noted Lithuania's progress in the field of regulation and supervision of financial institutions considering the adoption of a new anti-money laundering and counter terrorist financing supervision policy for financial institutions and related risk assessment methodology. Lithuania will provide a report to MONEYVAL on further progress to strengthen its implementation of AML/CFT measures in one year.



In its follow-up report of **Andorra**, MONEYVAL noted progress to improve AML/CFT regulation of the non-profit sector and decided to upgrade the respective recommenda-

tion. The follow-up report also assessed the implementation of new international requirements for virtual assets. Andorra has not yet taken sufficient measures to implement of this revised standard, and consequently its rating has been downgraded. Andorra retains three recommendations (new technologies, powers of law enforcement and international instruments) at the "partially compliant" level and shall report to MONEYVAL in one year.



MONEYVAL considers that the **Czech Republic** has demonstrated substantial progress in its level of compliance. MONEYVAL's follow-up report looked into the Czech

Republic's sanctioning regime for breaching preventative measures, non-profit organisations, the reporting obligation, tipping-off and compliance of designated non-financial businesses and professions. MONEYVAL upgraded the compliance ratings of the Czech Republic for six recommendations, and five remain outstanding.



**Serbia** has improved its AML/CFT measures in the regulation of designated non-financial businesses and professions, as well as to international co-operation.

However, in the field of new technologies, where new international requirements for virtual assets have been introduced, the rating of Serbia was downgraded. Minor deficiencies remain, including the definition of the beneficial owners, record-keeping requirements fulfilled by lawyers and notaries, as well as the application of countermeasures proportionate to the risks identified. In the field of virtual assets, MONEYVAL noted Serbia's significant progress in the implementation of the new requirements for virtual assets, but highlighted some remaining loopholes. Only one Recommendation (on new technologies) remains "partially compliant", allowing Serbia to report back to MONEYVAL in two years.



MONEYVAL noted **Gibraltar's** progress on a wide range of recommendations on the risk-based approach, preventative measures, transparency of beneficial ownership of legal

persons and arrangements, regulation and supervision of financial institutions and designated non-financial businesses and professions. Gibraltar was also among the first MONEYVAL territories to implement the regulatory and institutional framework for virtual assets, and to conduct assessment of money laundering and terrorist financing risks, in this area. Gibraltar met the general expectation for countries to have addressed most, if not all, of the technical compliance deficiencies identified by MONEYVAL within two years of the adoption of its mutual evaluation report, and will report back to MONEYVAL in two years.



MONEYVAL assessed the progress made by **Cyprus** on legislative, regulatory and institutional measures monitoring of its non-profit sector; assessment by correspondent banks

of respondent relationships; the powers available to investigative authorities to intercept communications and apply controlled delivery techniques to cash and bearer negotiable instruments. A number of the measures, including those addressing the sector of virtual currencies were taken too late to be accounted in the follow-up report. Thus, Cyprus received no ratings upgrades in this round of reporting.

## 2.6. 4<sup>TH</sup> ROUND FOLLOW-UP REPORTS

MONEYVAL considered the follow-up report of Romania under its 4<sup>th</sup> Round of mutual evaluations,

and decided that Romania has taken sufficient steps to remedy remaining deficiencies, as regards the functioning of its financial intelligence unit. With Romania being the last member on 4<sup>th</sup> Round follow-up, and with the adoption of the report, MONEYVAL thus concluded the Committees 4<sup>th</sup> Round follow-up process.

## **2.7. VOLUNTARY TAX COMPLIANCE PROGRAMMES**

MONEYVAL continued to monitor and evaluate voluntary tax compliance (VTC) programmes in its member States and territories. In 2021 MONEYVAL reviewed the VTC legislation and its implementation in Ukraine

and provided several recommendations to mitigate the money laundering risks stemming from several loopholes in this programme.

## **2.8. COMPLIANCE ENHANCING PROCEDURES (CEPS)**

There are currently no MONEYVAL members on compliance enhancement procedures, however Hungary, Slovenia have been given a CEPs warning by the 61<sup>st</sup> Plenary meeting, which will come into effect if several key remaining deficiencies are not rectified for their next follow-up reporting due in May 2022.

### 3. HIGH-LEVEL AND VISIBILITY ENGAGEMENTS

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In 2021 the MONEYVAL Chair carried out a number of high-level and visibility activities and engagements with external counterparts, including the following actions:

- ▶ On the occasion of the International Women's Day the MONEYVAL Chair addressed the women working in the field of anti-money laundering and combating the financing of terrorism, as part of the 8th of March campaign of the Council of Europe.
- ▶ In April the Chairs of MONEYVAL, the Conference of the Parties to CETS 198 and Council of Europe Committee on Counterterrorism (CDCT) met to discuss areas of future co-operation and coordination under the Council of Europe Counterterrorism Strategy 2018-2022. This initiative started a framework of co-operation between the three Committees, which will last through 2022.
- ▶ In June the MONEYVAL Chair took part in an exchange of views with the Committee of Ministers of the Council of Europe. She presented the MONEYVAL Annual Report for 2020, and information on current money laundering and terrorism financing risks and trends. Sixteen delegations in the Committee of Ministers made interventions supporting the work of MONEYVAL and noted, inter alia progress in the field of mutual evaluations, engagement with the FATF and other bodies of the Council of Europe.
- ▶ The MONEYVAL Chair and Secretariat further participated in a number of high-level international engagements and discussion panels. This included events by the governments of Malta, Russia, Ukraine, the Eurasian Group, the Banking Association for Central and Eastern Europe, ACAMS, Baker and Partners, Estonian Banking Association and Finesto Advisors, and Financial Transparency Advisors.





- ▶ Approved the Research Project on materiality of MONEYVAL members to gather data on the size and profile of their financial sectors;
- ▶ Held an exchange of views with the Executive Secretary of the Egmont Group, Mr Jerome Beaumont.

### 4.3. TRAININGS

In 2021 MONEYVAL continued to contribute trainers to FATF assessor training activities, including two joint trainings in September and December 2021.

In March 2021 MONEYVAL conducted a Standards Implementation Training with the participation of

more than 130 delegates representing 34 MONEYVAL members and six observers. The training aimed to raise awareness on main findings and trends emerging from the mutual evaluation reports (MER) adopted so far by the Committee, and to create a platform for discussions and exchanges of views amongst participants on the key issues of consistency. The substance of the training was based on a horizontal analysis of nineteen MERs adopted by MONEYVAL, providing a mid-cycle illustration of common trends across the FATF Immediate Outcomes (IOs), typical deficiencies and their impact on the overall situation of ratings. Vertical conclusions have been drawn where it was possible to identify correlations between the findings under various IOs.



## 5. KEY INTERNATIONAL PARTNERSHIPS

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

### 5.1. FINANCIAL ACTION TASK FORCE



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

As an associate member of the FATF since 2006, MONEYVAL contributes to the policy-making work of FATF. The Chair, the Vice-Chairs and the Executive Secretary systematically attend and actively contribute in FATF working groups and plenary meetings, together with delegates from MONEYVAL States and territories who participate under the MONEYVAL flag. Thus, MONEYVAL members have real opportunities of providing input to the FATF's global AML/CFT policy-making.

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

In 2021, the MONEYVAL delegation attended three virtual FATF Plenaries, and numerous other FATF working group and project meetings. MONEYVAL's contribution had a significant impact on the on-going revision of FATF Standards, and a number of procedural issues in the FATF workstream. MONEYVAL is an active contributor to the on-going process of the FATF Strategic Review, which will determine the parameters of the next assessment round for the entire Global Network.

An important subject of engagement between the FATF and MONEYVAL is the FATF International Co-operation Review Group (ICRG), which works on the so-called "grey" and "blacklists" lists of jurisdictions. There are currently four MONEYVAL jurisdictions at various phases of the ICRG process. In prior years during the 5<sup>th</sup> Round four other MONEYVAL jurisdictions were subject to the ICRG. Jurisdictions are reviewed by the ICRG, when their mutual evaluations (as carried out by MONEYVAL or other FATF-style regional bodies) contain a large number of low and moderate ratings.

Building on the high-level exchange of views between the Council of Europe Committee of Ministers and the FATF President in September 2020, MONEYVAL worked to facilitate linkages between interested Council of Europe bodies and the FATF in the areas of human rights, data protection, cybercrime, and others. MONEYVAL actively supports the application of the Council of Europe for observer status in the FATF, submitted by the Council of Europe Secretary General to the FATF President in November 2021.

### 5.2. FATF-STYLE REGIONAL BODIES

MONEYVAL has mutual observer status with other FATF-style regional bodies (FSRBs), in particular the Asia-Pacific Group on Money Laundering and the Eurasian Group on Combating Money Laundering (APG) and the Financing of Terrorism (EAG)<sup>2</sup>. MONEYVAL, EAG and APG actively participated in each other's Plenary and working group meetings in the course of 2021. MONEYVAL has also launched co-operation with the Financial Action Task Force on Money Laundering of Latin America (GAFILAT). Furthermore MONEYVAL successfully launched a joint initiative with the APG, EAG, and other FSRBs on the reform of the Global Network.

<sup>2</sup>. The full list of associate members appears in Appendix IV to this report.

### 5.3. OTHER PARTNERSHIPS

In 2021 MONEYVAL continued to actively develop its partnership with the **European Union**, which has been actively involved in MONEYVAL since its inception. It is represented in MONEYVAL through the European Commission, which actively participated in MONEYVAL mutual evaluation discussions in the course of 2020, and provided updates to MONEYVAL members on the developing legislative framework on AML/CFT in the EU.



In the past two decades, the role of the international financial institutions (IFIs), including the **World Bank and the International Monetary Fund (IMF)**, in the AML/CFT-field has expanded. In 2021, 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. Representatives OSCE took part in the hybrid MONEYVAL Plenary in 2021.

The **Egmont Group of Financial Intelligence Units (FIUs)** was established in 1995 as an international forum bringing together FIUs in order to improve and systemise AML/CFT co-operation, particularly at intelligence level. The work of the FIUs is an integral part of the FATF standards and MONEYVAL evaluations. MONEYVAL has observer status and has actively participated in Egmont Group meetings in the course of 2021, which were also held in virtual format. The 61<sup>st</sup> Plenary Meeting of MONEYVAL held a productive exchange of views with the Executive Secretary of the Egmont Group. Mutual collaboration with the Egmont Group enriches the evaluators' and the Secretariat's understanding of the working methods of FIUs.



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

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

**The Conference of the Parties to CETS 198:** The 2005 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (or Warsaw Convention, CETS 198), which came into force on 1 May 2008, builds on the success of the 1990 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (or Strasbourg Convention, CETS 141). The Warsaw Convention is currently the only comprehensive internationally-binding treaty worldwide which is entirely devoted to AML/CFT. It covers prevention, repression and international co-operation as well as confiscation. More specifically, this instrument:

- ▶ provides States Parties with enhanced possibilities to prosecute money laundering and terrorist financing more effectively;
- ▶ equips States Parties with further confiscation tools to deprive offenders of criminal proceeds;
- ▶ provides important investigative powers, including measures to access banking information for domestic investigations and for the purposes of international co-operation;
- ▶ covers preventive measures, and the roles and responsibilities of financial intelligence units and the principles for international co-operation between financial intelligence units;
- ▶ covers the principles on which judicial international co-operation should operate between States Parties.

The Warsaw Convention counts to date 37 States Parties and six signatories (including the European Union).

The Warsaw Convention provides for a monitoring mechanism through a Conference of the Parties (COP) to ensure that its provisions are being effectively implemented. The monitoring procedure under the Convention is particularly careful not to duplicate the work of MONEYVAL or of the FATF. MONEYVAL's Executive Secretary is also the Executive Secretary to the COP, due to the relevance and interconnection of the COP's mandate to the work of MONEYVAL. Similarly, MONEYVAL's Secretariat staff also provides full support to the COP.

The COP reports separately to the Committee of Ministers, and in May 2021 it presented its three-year activity report for 2018-2020.



## 6. ENGAGEMENT WITHIN THE COUNCIL OF EUROPE

**E**ngagement with the bodies of the Council of Europe is a key priority in the work of MONEYVAL. In the course of 2021, MONEYVAL has engaged with the following bodies of the Council of Europe:

► *Parliamentary Assembly of the Council of Europe (PACE)*

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

In 2020-2021, PACE has issued two dedicated resolutions on ML topics, including one on the strengthening of FIUs. MONEYVAL members and the Secretariat have contributed substantive input to their preparation. Issues related to FIUs, asset recovery, and supervision of DNFBP operations were included in the Resolution text as a result of MONEYVAL input. In turn, PACE has flagged a number of issues and requested responses from MONEYVAL, including on the issue of Citizenship by Investment programmes, and tax evasion with the use of cryptocurrencies.

► *Sectorial bodies*

Contacts with the various sectorial bodies 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, and then to leverage these internal partnerships in our engagements with the FATF and the broader Global Network.

In 2021, the MONEYVAL Secretariat engaged with the following sectorial bodies of the Council of Europe:

- Venice Commission (VC) and European Court of Human Rights (ECHR): engagement on unintended consequences of the FATF Standards. MONEYVAL also facilitated dialogue between VC, ECHR and FATF;
- Data Protection Consultative Committee to Convention 108: engagement on the draft AML/CFT Data Protection Guidelines under development by C108. MONEYVAL also facilitated a dialogue between C108 and FATF;
- Cybercrime Convention Committee (TC-Y): MONEYVAL engaged on cybercrime issues with the TC-Y Secretariat, which expressed an interest to join Council of Europe typologies work on cryptocurrencies. MONEYVAL also facilitated engagement between the FATF and TC-Y;
- Committee on Counterterrorism (CDCT): joint experts group with C198-COP and the CDCT has been set up to explore possible changes to Council of Europe CFT standards.

Additionally, MONEYVAL contributed to the events of the Pompidou Group (on issues of drug trafficking), and it 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 on any shared issues arising out of the bodies' monitoring work.

## 7. HUMAN RESOURCES

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**A**t the end of 2021, the MONEYVAL Secretariat was comprised of the Executive Secretary, the Deputy Executive Secretary and seven Council of Europe administrators, five administrators on secondment from national administrations (from Armenia,

Germany, Montenegro, the Republic of Moldova and the Russian Federation), two project officers, and four administrative assistants. MONEYVAL would like to warmly thank the governments of the above countries which made seconded experts available in 2021.

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

### 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:
  - Albania
  - Andorra
  - Armenia
  - Azerbaijan
  - Bosnia and Herzegovina
  - Bulgaria
  - Croatia
  - Cyprus
  - Czech Republic
  - Estonia
  - Georgia
  - Hungary
  - Latvia

- Liechtenstein
- Lithuania
- Malta
- Monaco
- Montenegro
- North Macedonia
- Poland
- Republic of Moldova
- Romania
- Russian Federation<sup>3</sup>
- San Marino
- Serbia
- Slovak Republic
- Slovenia
- Ukraine

▶ 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 Italy and Germany.

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);

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

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

## 8.2. BUREAU

The MONEYVAL Bureau is the key governance body of MONEYVAL, carrying a number of tasks, including assisting the Chair, supervising the preparation of Plenary meetings and ensuring continuity between meetings. The MONEYVAL Bureau is composed of a Chair, two Vice-Chairs and two other Bureau members. The Bureau members as at the end of 2021 were:

### MONEYVAL Bureau elected for a term of two years in 2019

Chair:	Ms Elzbieta Frankow-Jaskiewicz (Poland)
Vice-Chairs:	Mr Alexey Petrenko (Russian Federation) – outgoing (replaced as of January 2022 by 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 2021, the scientific experts were:

### MONEYVAL scientific experts

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

## 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)<sup>4</sup>

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

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

MONEYVAL commenced a follow-up round of onsite visits in 2009. For each country, these evaluations focused on the effectiveness of implementation of

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

a number of priority FATF recommendations, together with any recommendations for which the country received either a non-compliant or partially compliant rating in the third round. In addition, the evaluation also reviewed aspects of compliance with the EU's 3<sup>rd</sup> Anti-Money Laundering and Counter-Terrorist Financing Directive (Directive 2005/60/EC).

#### Fifth evaluation round (since 2015)

The FATF 2012 Recommendations and the 2013 "Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems" constitute the basis of the 5<sup>th</sup> MONEYVAL round of evaluations. In this new round which commenced in 2015, the main emphasis is on the effective implementation of the FATF Recommendations by States and territories, with each onsite visit lasting between 10 and 14 days, or longer as appropriate. The first MER report under this new round was adopted in December 2015. By the end of 2021, 21 mutual evaluation reports were adopted, and two additional countries 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.

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

R.38	Mutual legal assistance: freezing and confiscation
R.39	Extradition
R.40	Other forms of international co-operation

<b>B. Immediate Outcomes</b>	
IO.1	Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.
IO.2	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
IO.3	Supervisors appropriately supervise, monitor and regulate financial institutions, 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)	



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

For more information on MONEYVAL, please visit our website: [www.coe.int/moneyval](http://www.coe.int/moneyval)

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

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