



MONEYVAL evaluation of the Holy See/Vatican City State

Q & A for journalists

What is MONEYVAL?

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is a monitoring mechanism that aims to ensure that its member states have in place effective anti-money laundering and counter-financing of terrorism systems and comply with the international standards in this field.

MONEYVAL was established by the Council of Europe in 1997 to monitor the anti-money laundering and counter-financing of terrorism situation in states of the Council of Europe which do not belong to the Financial Action Task Force (FATF).

MONEYVAL is an associate member of the FATF, which is an inter-governmental body working to combat money laundering and the financing of terrorism. The FATF was established by the G7 in 1989 and some of its founding members were Council of Europe member states. These states continue to be evaluated by the FATF.

Which are the jurisdictions evaluated by MONEYVAL?

MONEYVAL currently evaluates 30 jurisdictions, 28 of which are Council of Europe member states (Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, "the former Yugoslav Republic of Macedonia" and Ukraine), and two that are not Council of Europe members states (The Holy See [including Vatican City State] and Israel).

What is the Council of Europe?

The Council of Europe, based in Strasbourg (France), is an intergovernmental political organisation that brings together 47 European states (all of them except for Belarus). Founded in 1949, it seeks to develop throughout Europe human rights, the rule of law and democracy based on the European Convention on

Human Rights. It is a separate organisation from the European Union, which has 27 member states.

Why is the Vatican State being monitored by MONEYVAL?

The Holy See is a permanent observer to the Council of Europe. Following its request to be evaluated, in April 2011 the Council of Europe Committee of Ministers adopted a resolution allowing for its full participation in MONEYVAL's evaluation processes.

As for other states, the evaluation is based on the Forty Recommendations 2003 and the Nine Special Recommendations on Terrorist Financing 2001 of the Financial Action Task Force (FATF), complemented by issues linked to the Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

The MONEYVAL team of evaluators visited the Holy See (including Vatican City State) from 21 to 26 November 2011 and between 14 and 16 March 2012 and met the competent authorities to gather information for the preparation of the report, and to discuss any clarifications needed.

How does MONEYVAL work?

Through a peer review process of mutual evaluations, MONEYVAL assesses the effectiveness of legal, financial and law enforcement measures in force to counter money-laundering and terrorist financing, as well as progress made. The evaluations are conducted according to a methodology agreed with the FATF, the IMF and the World Bank.

MONEYVAL adopts reports that rate compliance with international standards according to four levels (Compliant, Largely Compliant, Partly Compliant and Non-Compliant). These reports also include an Action Plan which contains detailed recommendations on improvements which need to be made. After the adoption of the report, the Committee regularly considers follow up reports from the evaluated country. MONEYVAL organises its work in evaluation rounds. It is now carrying out its fourth round.

How is the mutual evaluation report prepared?

It is prepared following a detailed analysis of laws and other documents that are provided by the assessed country. This analysis is supported by an on-site visit whereby the assessors pose questions to the authorities in order to clarify points and also to enable them to form a view on the effectiveness of the procedures that are operating in practice.

The evaluators are required to make an objective assessment of the extent to which the country has formally implemented the applicable standards into their system and also the effectiveness of the practical implementation of the standard.

What are the basic requirements of the evaluation?

The basic requirements member states must comply with are:

- - Establishing a legal system that criminalises money laundering and the financing of terrorism and prosecutes these cases effectively and pursues confiscation of criminal proceeds effectively;
- - Establishing an effective preventive regime that ensures that financial institutions and other relevant bodies have controls in place to prevent their systems being used for money laundering or the financing of terrorism (which includes proper customer identification and record keeping requirements);
- - Establishing a Financial Intelligence Unit, which is a central national agency responsible for receiving, analysing, and disclosing suspicious transactions made by a range of financial and non-financial institutions to the competent authorities;
- - Ensuring that there are mechanisms in place to facilitate both national and international co-operation on anti-money laundering and counter-financing of terrorism matters.

States must have in place legislation or other measures to implement all the relevant anti-money laundering and countering terrorist financing standards:

- - Financial Action Task Force (FATF) 40+9 Recommendations; 16 of them are considered key or core recommendations. (See questions below on the follow-up processes for mutual evaluations for more explanation about core and key Recommendations).
- - the 1988 United Nations Convention on illicit traffic in narcotic drugs and psychotropic substances;
- - the United Nations Convention against Transnational Crime;
- - the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism;
- - Directive 2005/60/EC of the European Parliament and the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;

- the 1990 Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime.

How are the delegations to the Committee selected?

Delegations and representatives are designated by governments of states evaluated from senior officials and experts with responsibility for regulation or supervision of financial institutions, senior members of financial intelligence units, and law enforcement or judicial bodies with particular knowledge of questions related to money laundering and financing of terrorism. States evaluated generally appoint three experts each, one from each sector. Additionally, the FATF appoints two experts from FATF countries.

The Committee elects a Chairperson and a Vice-Chairperson for a period of two years renewable once. It is assisted by a Secretariat provided by the Council of Europe.

How many people compose the MONEYVAL evaluation team in the evaluation of the Holy See?

The evaluation team was composed of very experienced assessors (3 of which are scientific experts to MONEYVAL) and very experienced secretariat staff: one legal evaluator, one law enforcement evaluator, two financial evaluators and the Executive Secretary of MONEYVAL, together with a senior administrator in the MONEYVAL secretariat.

What is a scientific expert?

MONEYVAL's Statute allows for the appointment of scientific experts to the Committee. These are persons with considerable experience and expertise in the legal, or financial or law enforcement areas covered by MONEYVAL reports. They can advise the chair, secretariat and Plenary on issues arising in their areas of expertise, particularly in relation to the interpretation of the standards, and consistency with decisions in previous reports, where contentious issues arise in plenary debates. They also participate generally in MONEYVAL's quality control procedures.

What is the procedure once the evaluation team has finalised a draft report?

Once the MONEYVAL evaluators have finalised a draft report and discussed it with the country, it is sent to two groups of experts for comment. These quality assurance procedures are in place to ensure that the international standards have been correctly interpreted and that the draft assigned ratings are consistent with previous MONEYVAL reports where the factual situation is similar.

The draft report is then fully subjected to peer review in the plenary by all states and jurisdictions evaluated by MONEYVAL, observer states and observers from international organisations. The draft report may be amended in the light of these discussions before adoption.

How are MONEYVAL reports adopted?

Evaluation reports are adopted by consensus, and without a vote. The same applies to proposals to amend parts of the report. If a consensus cannot be reached on proposals to amend the draft report, including changes to proposed ratings, the report would remain unchanged on the relevant issue.

Which time frame is taken into consideration for the evaluation?

MONEYVAL evaluates the effectiveness of the anti-money laundering and counter terrorist financing system at the time of the onsite visit, or shortly thereafter – not normally beyond two months. This evaluation takes into account in the text of the report and for ratings purposes the situation up to 25 January 2012, and not any developments after that date. Significant developments after 25 January until the date of adoption of the report are covered by way of footnotes only and do not count for ratings purposes.

Who was able to participate in the MONEYVAL debate on the Holy See?

This MONEYVAL report was adopted on 4 July 2012 after a thorough peer review process by technical experts during a day-long debate. Participants in the meeting included AML/CFT experts in the legal, financial and law enforcement sectors from all the MONEYVAL states, experts from FATF observer countries (including the United States of America, Germany, France, Austria and Italy), the FATF secretariat, the IMF and the World Bank and the Council of the European Union, together with an experienced evaluator from the United Kingdom who had been appointed as an ad hoc scientific expert for this report, as 3 of MONEYVAL's permanent scientific experts acted as evaluators.

Does the plenary often amend the ratings of the draft report?

As a result of plenary discussions and debate and sometimes as a result of fresh information received draft ratings can change. This is not exceptional as the plenary is the final arbiter.

When will the report be published?

MONEYVAL adopted the report on 4 July. All States evaluated by MONEYVAL have the opportunity to check the accuracy of the amended version of the report after it has been adopted, and to provide any comments for publication. The state should provide its response within one month of receipt of the amended report.

The Holy See report will now be finalised in line with plenary decisions and sent to the Vatican authorities. Once any comments are provided, MONEYVAL will publish on 18 July the report as adopted on 4 July together with any comments from the Holy See on its website.

What are core and key FATF recommendations?

The core Recommendations are:

- R.1 (money laundering offence)
- R.5 (Customer due diligence)
- R.10 (Record keeping)
- R.13 (Suspicious transaction reporting)
- SR.II (terrorist financing criminalisation)
- SR.IV (Suspicious transaction reporting on financing of terrorism)

The key Recommendations are:

- R.3 (Confiscation and provisional measures)
- R.4 (Secrecy laws should not inhibit implementation of the FATF Recommendations)
- R.23 (Regulation, supervision and monitoring)
- R.26 (Financial Intelligence Unit)
- R.35 (Becoming party to and implementing specific Conventions)
- R.36 (Mutual legal assistance)
- R.40 (Other forms of co-operation)
- SR.I (Implementing UN instruments)
- SR.III (Freezing and confiscating terrorist assets)
- SR.V (International co-operation relating to financing of terrorism)

What are the core and key FATF Recommendations used for?

MONEYVAL (and FATF) use the core and key Recommendations in the context of their follow up processes for mutual evaluations. Countries can be required to demonstrate positive progress remedying shortcomings identified in those core and key Recommendations for which they may have received partially or non-compliant ratings.

What are the next steps by way of follow up after the publication of the report?

The Holy See has not been placed into MONEYVAL's Compliance Enhancing Procedures as a result of the adoption of the report. They are subject to the normal 3rd round progress report system.

The jurisdiction under a 3rd round evaluation (in this case, the Holy See) must provide MONEYVAL with a progress report **one year** after the adoption of a mutual evaluation report. [Jurisdictions concerned may send written updates on progress on the implementation before that deadline]. The information provided in the one year progress report is then examined by MONEYVAL:

- a) If satisfied with the information provided in the progress report and the progress achieved, MONEYVAL adopts and publishes the progress report and secretariat analysis. Once adopted, the progress report is normally subject to an update every two years
- b) If the plenary is not satisfied with the information provided in the progress report, the jurisdiction under evaluation can be invited under Rule 42 to provide a more complete progress report before deciding whether to adopt it.
- c) If the progress report (or resubmitted progress report) raises significant concerns about the extent of or speed of progress overall the Plenary may apply Rule 43, which requires a report or regular reports until there is a Plenary decision that sufficient action has been taken implementing core and key Recommendations at the level of or at a level essentially equivalent to a Compliant or Largely Compliant rating, and/or apply further peer pressure through its Compliance Enhancing Procedures.

More information on paragraphs 38-45 and 55-60 of the MONEYVAL rules of procedure (http://www.coe.int/t/dghl/monitoring/moneyval/About/Rules_en.pdf)

Does MONEYVAL sanction states for non-compliance?

At any time MONEYVAL may take action in respect of countries subject to its evaluation procedures for failure to implement its recommendations. MONEYVAL's Compliance Enhancing Procedures involve a graduated series of Steps which it may take at any time to deal with non-complying states. The Steps are:

1. Letter from MONEYVAL chairman to the head of the delegation concerned drawing attention to non-compliance and requesting a report or regular reports on progress in implementing recommendations
2. Letter from MONEYVAL chairman to the Council of Europe Secretary General, with copy to the head of the delegation concerned, about the lack of compliance
3. Letter from the Council of Europe Secretary General to the relevant Minister of the state concerned drawing attention to non-compliance
4. High level mission to the participating jurisdiction to reinforce the message of non-compliance

5. Formal public statement on insufficient compliance with Moneyval standards

More information on paragraphs 38-45 and 55-60 of the MONEYVAL rules of procedure:

http://www.coe.int/t/dghl/monitoring/moneyval/About/Rules_en.pdf

All these steps have been applied by MONEYVAL where the circumstances have required.

Will MONEYVAL include the Vatican in a "white list" as a result of MONEYVAL's evaluation? Will the FATF use MONEYVAL's report to decide if it includes the Holy See in a "white list" or a "black list"?

MONEYVAL does not publish a "white list". The overall performance of other States evaluated by MONEYVAL in its 3rd round of evaluations is fully described in the horizontal review of MONEYVAL's 3rd round of mutual evaluation reports, which was adopted in December 2010 and published in 2011 (before the Holy See participated in MONEYVAL). This review is available on the MONEYVAL website under Publications/Horizontal Reviews and contains charts showing the ratings achieved by other countries in the third round, most of which had participated in the earlier rounds. MONEYVAL has published in the past public statements of insufficient compliance with its reference documents in the context of step 5 of MONEYVAL's Compliance Enhancing Procedures and would do so again if any other country found itself at Step 5 in the Compliance Enhancing Procedures. As noted, the Holy See has not been placed into MONEYVAL's Compliance Enhancing Procedures.

The FATF likewise does not publish a "white list" of countries. The FATF does however publish a list of countries identified as having strategic deficiencies in their AML/CFT systems. If you wish to know more please consult the FATF directly on how the list is produced or updated. I attach links that may be useful.

<http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/more/moreabouttheinternationalco-operationreviewgroupicrg.html>

<http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

<http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/fatfpublicstatement-22june2012.html>

Will the FATF use the report in the preparation of its next public statement on high risk and non-co-operative jurisdictions?

I should refer you to the FATF with regard to any questions related to their processes in respect of high risk and non-co-operative jurisdictions (see as well the answer to the preceding question).

Additional information on: www.coe.int/MONEYVAL and www.coe.int

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