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EDITORIAL

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Dear Readers,

The past year was again a challenging one for Europe and the world, due to the persisting COVID-19 pandemic. 2021 was also marked by one of the largest global money laundering scandals in recent history – the “Pandora Papers.” It demonstrated the growing scale of the money laundering threat and the persistence of launderers in abusing the international financial system to hide their illicit proceeds.

We are facing a combination of older and newer money laundering methods – both requiring coordinated action from governments in Europe and around the world. Traditional money laundering uses offshore jurisdictions while concealing the true ownership of assets behind several layers of “shell” companies. Specialised “gatekeepers,” e.g., lawyers, accountants, and other service providers often help launderers set up such companies, trusts, etc. The “Pandora papers,” like the “Panama Papers” five years ago, showed that “gatekeepers” can be complicit in large-scale, transnational money laundering schemes involving corrupt politicians and high-net worth individuals seeking to evade taxes. This is the reason why MONEYVAL has been focusing on such professions and working with the FATF to enhance their regulatory regime. In 2021, we achieved an important change in the international FATF standard to regulate the transnational operations of “gatekeepers.” This change will oblige certain professions to establish group-wide anti-money laundering programmes and pave the way for tighter supervisory cooperation among governments. These measures will be challenging to implement, since supervisory cooperation in this area did not exist before. However, governments must mobilise their efforts in order to finally curb the money laundering abuses we have witnessed in recent years.

One 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 “decentralised finance”. This alternative system removes the traditional forms of control that banks and institutions have on financial flows and services. 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 which national jurisdiction is responsible for their oversight. Supervisory cooperation in this field is in 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 by using innovative supervisory methods. Necessitated by the challenges of the pandemic, MONEYVAL has just completed a typologies study looking into supervisory practice in times of crisis and under challenging external circumstances, which is sure to help us improve supervision.

It is well known that money launderers have been abusing cryptocurrencies from their inception over a decade ago, initially to transfer and conceal proceeds from drug trafficking. Nowadays, their methods are becoming increasingly sophisticated and take place on a larger scale. Today, virtual assets are abused to launder proceeds from fraud, corruption, and tax evasion. 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 extensive measures in this area. 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 solely dedicated to cryptocurrency money laundering trends.

It is clear that Europe continues to face significant money laundering challenges. However, enhanced cooperation and commitment between our law enforcement agencies, supervisory authorities, financial intel-

ligence units, and the private sector as well as effective cross-border cooperation will give us the capacity to tackle existing and new threats.

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