

# Moneyval: Fifth Round Evaluation Report on Gibraltar

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## News

On 12 February 2020, Moneyval published its [fifth round evaluation report](#) on the British Overseas Territory of Gibraltar. MONEYVAL calls on the authorities of Gibraltar to better use the tools and mechanisms they have in place to combat ML and FT.

The financial sector in Gibraltar accounts for approximately 20% of Gibraltar's GDP and consists primarily of branches or subsidiaries of international firms. The sector provides services primarily to non-resident clients, including clients from high-risk jurisdictions. The national risk assessments (NRA) conducted by Gibraltar identify the geographic proximity to areas where organised crime is active as a threat. The main sources of criminal proceeds generated domestically are fraud, tobacco smuggling, tax crimes, drug trafficking, and robbery/theft. Electronic money, the trust and corporate service providers sector, and private banking (wealth management) were identified in the 2018 NRA as being among the most vulnerable areas. The FT risk is considered low to medium in Gibraltar. Although several FT investigations were commenced during the period under review (2014-2018), no cases have reached the prosecution phase yet. According to the 2018 NRA, there is no proof that the FT risk has materialized, and there was no evidence that such a risk arises from links to organized criminal groups operating in neighbouring countries.

The authorities have devoted significant effort to raising awareness of the 2018 NRA findings, although their understanding of the results and, in general, of the ML and FT risks varies. The key supervisors have a robust understanding of risks at the sectoral level, but the jurisdiction's overall understanding of ML/FT risks is limited by several shortcomings related to the NRA: in particular, by the limited analysis of quantitative and qualitative data and by underestimating the cross-border threat that Gibraltar faces as an international financial centre. The authorities demonstrated a good understanding of the risk of terrorism, but their understanding of FT risk is affected by insufficient consideration of available data on transactions to/from conflict zones and high-risk jurisdictions.

The FIU has increased its capacity in recent years and extended domestic cooperation with law enforcement and supervisory authorities. This is one of the strengths of the overall regime.

However, law enforcement authorities have made only limited use of the FIU's analytical products, which therefore had only a marginal impact on the development of investigations into ML and predicate offences. Better results were achieved with regard to FT investigations.

The report recognises improvements in the legal framework, which provides the authorities with a solid basis by which to detect, investigate, and prosecute ML/FT. Still, the effective investigation and prosecution of ML offences remains poorly represented. There were several convictions for self-laundering involving domestic

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predicate offences, but no successful prosecutions or convictions in relation to third-party and stand-alone ML. This is not in line with the jurisdiction's risk profile.

The legislation provides all that is necessary for the detection, restraint, and confiscation of proceeds and forfeiture of the instrumentalities of crime. Nevertheless, this field needs fundamental improvements as well. In particular, assets deriving from foreign predicates in complex and international cases remain largely undetected and therefore that crime is being neither restrained nor confiscated.

Law enforcement authorities demonstrated a good understanding of potential FT risks in an international financial centre such as Gibraltar. However, the relative lack of reports on suspicious transactions raises concern as to whether the lack of any prosecutions for TF is in line with the jurisdiction's risk profile.

Through legislation enacted prior to the MONEYVAL on-site visit, Gibraltar now ensures the implementation of the UN's targeted financial sanctions regimes on TF and the financing of proliferation of weapons of mass destruction without delay. The report also reflects that obligations are being implemented to some extent by reporting entities such as financial institutions and designated non-financial businesses and professions (DNFBPs). Their understanding of the ML risk is satisfactory overall but differs across the sectors. On the contrary, the FT risk is not properly understood, and the quality of reporting suspicious transactions remains a concern.

MONEYVAL noted that the supervisory authorities apply licensing and screening measures to prevent criminals and their associates from abusing financial institutions and DNFBPs. However, they target only new applications and not already licensed individuals. Although the competent authorities apply a risk-based approach when carrying out their supervision duties, further improvements are needed in this area. Sanctions for non-compliance with anti-ML and CTF requirements are not considered proportionate and dissuasive.

As regards the misuse of legal persons and arrangements for ML and FT purposes, the report states that Gibraltar has taken a number of measures, but understanding of the risks is limited. Therefore, the establishment of a Register of Ultimate Beneficial Owners was an important preventive measure.

Lastly, the report notes that Gibraltar's legislation has a comprehensive framework for international cooperation, which enables the authorities to provide assistance, receiving generally positive feedback from international partners.

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