

MONEYVAL: Fifth Round Evaluation Report on Monaco



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News

On 23 January 2023, MONEYVAL published its [fifth-round evaluation report on the Principality of Monaco](#), based on an onsite visit concluded in March 2022. The fifth evaluation round builds on previous MONEYVAL assessments by strengthening the examination of how effectively Member States prevent and combat money laundering (ML) and terrorism financing (TF).

The report states that Monaco demonstrates a moderate level of effectiveness in relation to the following issues:

- ML/TF risk understanding;
- International cooperation;
- The application of AML/CFT preventive measures in the private sector;
- The use of financial intelligence;
- Implementation of the United Nations targeted financial sanctions (TFS) on TF and proliferation financing (PF).
- Major improvements are needed regarding the transparency of legal persons, the effectiveness of supervision, ML investigations and prosecutions, and confiscation of proceeds of crime. The country has undertaken efforts to identify ML/TF risks, but some sectors such as those involving casinos, company services providers, trusts, and virtual assets as well as organised crime-related and external ML threats have not yet been adequately addressed.

The Monegasque Financial Intelligence Unit (Financial Channels Supervisory and Monitoring Service, SIC-CFIN) has a significant lack of human and technical resources but still produces high-quality analyses, which are not fully used however by the investigative authorities. Most Suspicious Transaction Reports (STRs) come from banks, with the contribution from professionals in other at-risk sectors still limited.

Monaco needs to enhance its efforts to identify and prioritize ML cases, especially seizing, confiscating, and recovering the proceeds of ML and predicate offences. There is a need to fundamentally improve the supervisory system, where there are deficiencies in relation to beneficial ownership. Also, the shortcomings in risk understanding undermine authorities' capacity to apply tailored supervision for a number of obliged entities.

The private sector has implemented the AML/CFT obligations to some extent. According to the report, the number of STRs originating from the banking sector is satisfactory, but the large volume of defensive reporting and excessively long transmission times raise questions about their quality. The designated non-financial businesses and professions (DNFBPs) have a poorer AML/CFT risk understanding and compliance culture. The number of STRs filed by casinos and jewellers is still limited, even though the two sectors play an important role in the principality.

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The number of ML investigations and prosecutions remains modest. While they appear to be consistent with Monaco's risk profile, there are gaps relating to complex cases in particular. This is primarily due to an inadequate number of parallel financial investigations.

Monaco has secured convictions for ML involving the proceeds of crime generated abroad and stand-alone ML convictions. This does not cover ML committed by third parties, however, which is a significant deficiency given Monaco's status as an international economic and financial centre. The sanctions put in place are proportionate but not effective or dissuasive. The number of confiscation measures ordered is still low and they do not concern property of corresponding value or property held by third parties.

The principality's legal framework is appropriate for the implementation of TF- and PF-related TFS at the international, European, and national levels. As of May 2021, however, delays in the transposition of designations impacted the effectiveness of the mechanisms. The existing awareness-raising and supervision measures could no longer be regarded as proportionate and targeted. That there have been no convictions or prosecutions for TF in Monaco, which appears to be due to the shortcomings of the TF risk analysis, may not be consistent with the country's risk profile.

There is a good understanding of ML/TF risk associated with the activities of various types of legal persons, but there are major shortcomings in obtaining information on beneficial ownership. The mitigating measures applied are insufficient when a high-risk category of legal persons is involved and in relation to the non-for profit organisations. Most of the applicable sanctions on legal persons are not dissuasive and are rarely imposed.

Major improvements are also necessary regarding the principality's effective contribution to international cooperation. Monaco generally seeks the cooperation of its counterparts, although not entirely in line with the risk and context of the jurisdiction. The prosecution authorities execute requests satisfactorily, but systemic and unusual legislative obstacles hinder Monaco's provision of mutual legal assistance. As far as extradition is concerned, the restrictive interpretation by the courts of the dual criminality principle results in one out of two requests being refused.

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