

MONEYVAL: Fifth Round Evaluation Report on Montenegro



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News

On 1 February 2024, MONEYVAL published its [fifth round evaluation report on Montenegro](#). Even though Montenegro is not an EU Member State, the country uses the EURO as its *de facto* official currency since 2002, with the banking sector – the country’s most significant financial industry – holding 93% of the total assets in the financial system in 2021.

The geographical location of Montenegro in the Balkan region impacts the risks related to the smuggling of drugs, migrants, tobacco, and arms as well as human trafficking, with transnational organised crime groups (OCGs) exploiting the system to undertake these crimes and pursuing loan sharking activities (usury).

Since the last comprehensive evaluation in 2015, Montenegro has taken a number of actions to strengthen its legal and institutional anti-money laundering (AML) and countering the financing of terrorism (CFT) framework

MONEYVAL found that under the Financial Action Task Force (FATF) standards used for assessment, Montenegro obtained a substantial level of effectiveness in two out of 11 areas: (1) in understanding money laundering (ML) and terrorist financing (TF) risks, and (2) in international cooperation where the authorities are commended for their efficient and effective cooperation with respect to both evidence and intelligence exchanges.

In the other nine areas Montenegro was considered to have moderate levels of effectiveness, where major improvements are required. The main findings by MONEYVAL can be summarised as follows:

- The understanding of the competent authorities on ML risks is reasonable and goes beyond the analysis and findings of the national risk assessments (NRAs), which often lack depth. The AML/CFT strategic action plans address the identified ML/TF risks to a large extent, however a number of actions are still pending.
- Law enforcement authorities have access to a wide range of financial intelligence and other relevant information; they actively communicate and coordinate with each other and the financial intelligence unit (FIU) during investigations. The FIU accesses a broad range of information which is routinely used for operational and tactical analysis but to a lesser extent for strategic analysis. Financial intelligence is mainly used to develop evidence on and trace proceeds of crime but is not sufficiently used to identify and investigate ML. Reporting is low across all sectors.
- The number of ML investigations and prosecutions is relatively low compared to the volume of convictions for high-risk predicates. The prosecutors often prefer pursuing the confiscation of proceeds of crime rather than investigating and prosecuting associated ML. The number of ML convictions is also low. The type of ML prosecutions and convictions is inconsistent with the country risks, with

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third-party ML, stand-alone ML, and ML from foreign predicates being insufficiently pursued. Criminal sanctions should be more effective, proportionate, and dissuasive.

- The overall value of confiscated assets derived from the commission of high-risk predicate offences (including drug trafficking perpetrated by Montenegrin OCGs and high-level corruption) remains low. More efforts are necessary to trace, seize, and confiscate foreign proceeds and proceeds moved abroad. The controls on cross-border cash movements have yielded some results; more efforts are needed however. Confiscation of falsely/not declared cross-border movements of cash is not available as a sanction in Montenegro. Direct access to information on cross-border cash movements by the FIU recently started being used for tactical analysis to detect ML/TF suspicions and is yielding positive results.
- The authorities demonstrated a good understanding of TF risks going beyond the conclusions of the NRA. The understanding of the TF risk exposure of certain sectors such as banks, money or value transfer services, and non-profit organisations is limited. Montenegrin authorities adopt an intelligence-based approach to detect terrorism and TF suspicions, which ensures a sufficient and effective level of detection and immediate coordinated response. There have been neither convictions nor prosecutions for TF, which is in line with the country's risk profile to a certain extent.
- The most material sector by far in Montenegro is the banking sector which demonstrated a good understanding of ML risks and good level of implementation of AML/CFT obligations. The understanding of ML risks was adequate across most other non-bank financial institutions. The understanding of TF risks is limited across sectors.
- There is a solid licensing regime for banks, a good understanding of ML risks, but a limited understanding of TF risks. The Central Bank of Montenegro has established an adequate risk assessment framework and risk-based supervision for several years, which requires further development in particular regarding the imposition of pecuniary fines via the misdemeanour procedure. An adequate level of understanding of the ML risks posed by legal persons was demonstrated by some authorities.
- Montenegro has put in place several measures aimed at preventing the misuse of legal persons including the requirements of registration and holding a bank account. However, there are concerns surrounding the availability of accurate, adequate, and up-to-date beneficial ownership information.
- Montenegro provides a wide range of legal assistance in an efficient manner using bilateral and multilateral agreements and international networks. The FIU however is not as proactive when it comes to the spontaneous sharing of intelligence with its counterparts.

MONEYVAL's report provides a number of recommendations on how the Montenegrin AML/CFT system can be strengthened. The country is expected to report back to MONEYVAL in December 2025 as part of its enhanced follow-up reporting process.

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