

MONEYVAL: Fifth Round Evaluation Report on North Macedonia



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News

On 12 July 2023, MONEYVAL published the [fifth round mutual evaluation report on North Macedonia](#). It calls for improvements particularly in the investigation and prosecution of money laundering (ML) and terrorist financing (TF) as well as the financing of proliferation (FP).

According to the report, North Macedonia has strengthened its legal framework since the last mutual evaluation and laid the foundation for a sound regime to tackle ML and TF. Two National Risk Assessments (NRA) have been generated, and the North Macedonian authorities generally have a good understanding of them. The FIUs, law enforcement authorities (LEAs), and financial supervisors have a better understanding of the risks than the prosecutorial and judicial authorities. The conclusions of the NRAs were widely distributed to the obliged entities (OEs) by the FIU and supervisory agencies. Against this background, the report presented the following key findings:

- The authorities have access to a wide range of financial, administrative, and law enforcement information. Law enforcement authorities (LEAs) and Public Prosecutor's Offices (PPOs) make limited use of financial information provided by the FIU to develop evidence and launch investigations in relation to ML/TF and underlying predicate offences, mainly due to the lack of adequate resources;
- The financial information produced by the FIU is considered useful and of good quality by LEAs and PPOs, but it is only passed on to LEAs with limited filtering and prioritization of the information. This might restrict LEAs in their ability to focus on the most material cases given the risk profile of the country. The lack of feedback from LEAs and PPOs affects the way the FIU adapts its work to the operational needs of these authorities;
- The country has established an appropriate institutional framework to investigate and prosecute ML. Parallel financial investigations are not systematically pursued; they rarely follow the money of unidentified origin to detect their potential criminal source and are mostly conducted in relation to predicate offences. The number of ML convictions is modest – one of the main reasons for this is that third-party and stand-alone ML cases usually require a conviction for a predicate offence;
- Confiscation of the proceeds of crime, instrumentalities, and property of equivalent value is a policy objective in the relevant strategic documents. Some technical deficiencies are in place, such as limitation in the application of temporary freezing measures during the pre-investigative stage of criminal proceedings, but the statistics available confirm that the amounts confiscated are considerable. The application of cross-border cash controls resulted in large amounts of restrained cash, although these actions were rarely followed by investigations into potential ML;
- Authorities have a good understanding of TF-related risks. However, recent developments call for reconsideration of the TF risk level. There has been one case (against two individuals) so far where TF

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was subject to prosecution and conviction; this does not fully correspond to the country's risk profile and its threat environment;

- Targeted Financial Sanctions (TFS) listing obligations have been given immediate legal effect without delay, although broader implementation shortcomings exist. No TFS-related assets have been identified and frozen to date. Authorities have taken action to identify TF threats and the vulnerabilities of non-profit organisations (NPOs) and undertaken initiatives to provide guidance and conduct outreach since 2021. North Macedonia implements proliferation financing (PF) through the same legal framework as that for TF TFS;
- TFS obligations relating to changes to relevant UN sanctions lists were given immediate legal effect without delay. The understanding of TFS obligations is uneven across sectors. Supervisors do not generally distinguish between TF and PF TFS in their checks, and some financial supervisors have more robust approaches than others;
- The overall supervisory system applied in North Macedonia presents some positive aspects, and the financial supervisors and the FIU have undertaken efforts to adopt risk-based approaches; it is still unclear to which extent these approaches have led to positive results, considering the low number of findings from most of the supervisory actions carried out by all authorities;
- Considerable issues surround the application of market entry requirements, in particular the lack of harmonisation of the checks carried out by financial supervisors, the lack of consideration of beneficial ownership (BO) when it comes to casinos, and the lack of controls to ensure that BO information is updated;
- Despite the number of corrective and coercive actions available to supervisors, the number and amount of pecuniary sanctions is low overall, and concerns exist about the proportionality, dissuasiveness, and effectiveness of the misdemeanour penalties provided under the AML/CFT law;
- Some efforts were taken to identify the ML/TF risks associated with legal persons, but they proved to be insufficient, due to uneven consideration of the use of strawmen, the presence of shelf companies and providers of services, and the significant number of companies being struck off the register on an annual basis. Such shortcomings need to be addressed by more in-depth analysis;
- Steps have been taken to increase the transparency of legal persons and arrangements, such as the centralisation of public registers, the implementation of a data processing tool, and the establishment of a BO Register. There are issues, however, with the quality of data populating the BO Register. No sanctions are being imposed for failures related to BO information. The presence and risks of trusts and other similar legal arrangements is almost completely disregarded by the authorities;
- Mutual legal assistance is provided across a range of requests for ML/TF and predicate offences, including those on extradition. While the feedback received from foreign partners is mostly positive, there are shortcomings related to timelines and response quality. The lack of a specific and integrated case management system for all the relevant authorities and of prioritisation mechanisms have, to some extent, had an effect on the timely execution of international cooperation;
- In relation to extradition, the authorities remain active in requesting and executing extradition requests; unsatisfactory prison conditions are the main refusal ground.

North Macedonia is expected to report back to MONEYVAL under its enhanced follow-up reporting process in May 2025.

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