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**Exchange of views with the Committee of Ministers
(30 May 2018, Strasbourg)**

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Mr Chairman
Secretary General
Excellencies

I am honoured to present the 6th annual report to the Committee of Ministers since MONEYVAL was granted its own statute. This is the third occasion for me to have an exchange with you since I was elected as the Chair of MONEYVAL in 2015.

In December 2017, MONEYVAL celebrated its 20th anniversary. Established in 1997 to evaluate its members against a set of international anti-money laundering (AML) standards, MONEYVAL has since 2003 also evaluated its members against the international standards for counter-terrorist financing measures (CFT). Both aspects of its mandate have remained highly relevant throughout 2017.

I hardly need to remind you of the money laundering scandals that make the headlines almost on a daily basis. Countless cases of money laundering are brought to the attention of the general public. In this context, MONEYVAL has naturally also been in the news on a frequent basis. Let me just highlight a few examples:

Last year, a fearless investigative journalist has been killed in Malta. She had worked on a number of money laundering stories and the attack on her is striking evidence that money laundering remains to be a serious threat. Malta is going to be assessed by MONEYVAL later this year. This report is very much anticipated. As usual, MONEYVAL will strive to produce a thorough picture of the AML/CFT system of the assessed country.

Some weeks ago, a Latvian bank had to declare bankruptcy after it became public that it was accused of circumventing targeted financial sanctions of third countries. This incident has a massive impact on the entire financial system of Latvia and has triggered a discussion in Europe on the way banking supervision should be conducted in the future. Latvia is currently undergoing a MONEYVAL assessment of its full AML/CFT regime which will also assess the effectiveness of Latvia's supervisory regime.

Last February, one Council of Europe member state has been listed by the Financial Action Task Force (FATF) as a country with significant strategic deficiencies to combat money laundering and terrorist financing. This "grey-listing" has been the consequence of the lack of a timely implementation of MONEYVAL's recommendations.

Another Council of Europe member state avoided the same fate of being "grey-listed", but only as a result of an extraordinary, costly and highly resource-intensive effort by the country to follow-up on MONEYVAL's recommendations.

These examples demonstrate that many Council of Europe members are struggling to demonstrate effectiveness in their AML/CFT assessments – and a lack of commitment to implement our recommendations. These assessments, as you may know, are either conducted by the FATF or by MONEYVAL, based on the same methodology and applying the same standard. The results are particularly disappointing for MONEYVAL members, but also for some European FATF member states which are struggling to achieve a positive report. MONEYVAL countries assessed so far only achieve an effectiveness rating of 35%, which is just a tick higher than the global average of 32% (and significantly lower than the FATF countries' performance). This has a negative consequence of disconnecting a large number of European countries from the global financial network, as I will explain in a moment.

What can countries do to perform better and to avoid the detrimental economic effect of “grey-listing”? Here are a few suggestions:

- **Implement the FATF recommendations as fast as possible:** Do not wait for the next assessment to come and remind you of the shortcomings.
- **Engage with your private sector** to ensure an effective implementation. There is a high willingness in the private sector to do more and we need to exploit this better.
- **Better understand your money laundering and terrorist financing risks** and do not shy away from making this assessment as candid as possible. The first step in the risk management process is to acknowledge the reality of risk. Denial is a common tactic that substitutes deliberate ignorance for thoughtful planning.
- **Act upon detected risks:** In most countries, the spectrum of money laundering convictions only partially reflects existing risks. For instance, although in many of our countries organised criminality poses a major threat, professionals who launder proceeds on behalf of organised criminal groups are very rarely prosecuted.
- **Increase transparency**, in particular in financial centres: trust and corporate service providers are likely to go unpunished despite evidence suggesting that they have wittingly abetted criminals to conceal proceeds of crime through complex and opaque corporate structures.
- **Demonstrate that your systems work effectively:** Show cases, data and any other kind of evidence to convince the assessors that you perform well.
- And finally, and this is what YOU, in your role as ambassadors, can do: **Ensure that MONEYVAL is properly functioning.** For years, a series of MONEYVAL Chairs have been calling on you to ensure that MONEYVAL is properly resourced. The result is disappointing. We of course appreciate that the new budget

foresees an additional post for the MONEYVAL's secretariat, in particular while being conscious of the overall financial situation of the organisation. At the same time, however, the FATF constantly widens the activities of the global AML/CFT network, with growing expectations from the regional bodies whose workload consequently increases. This has only worsened the situation. The Council of Europe has accepted to carry out this task as a regional body for 34 European countries and territories, and consequently should devote sufficient resources to do this. This should worry you: An insufficiently resourced process will lead to insufficient reports and increase the risk of being "grey-listed".

Being listed by the FATF - or being accused by another country of being a money laundering or terrorist financing haven - comes with a huge price tag: The financial institutions of the concerned countries will find it increasingly difficult to do business with their foreign counterparts. These foreign counterparts - often large banks in the US or the Euro zone - protect themselves by stopping doing business with banks from third countries, a process generally referred to as "de-risking". This will make international payments (including remittances by expatriates) far more difficult, if not impossible. It also has a detrimental effect on foreign investments in your countries. It is estimated that a "grey- or black-listing" could cost a concerned country up to several billion euros.

Recognising the impact of de-risking and its potential to increase money laundering and terrorist financing risks, MONEYVAL has recently held a number of roundtable discussions in Europe and the US with relevant governments, international organisations and the private sector to "reconnect the de-risked", and to explain how MONEYVAL assessments can be used by global financial institutions to better inform their approach to risk management. But these efforts will fail if we are not able to perform better as countries, and to ensure a proper functioning of MONEYVAL.

In addition to this, it is evident that the threats of being exposed to money laundering and terrorist financing are increasing: The lack of transparency of legal entities and trusts persist and internation-

al cooperation is still not working as effective as it should be. We also need to improve information-sharing with the private sector and across borders.

Moreover, there is a need for more specialised training for investigators and prosecutors and we need to involve prosecutors at the early stages of investigations. Greater use can be made of multi-agency task forces to discuss specific cases and joint investigations, including Financial Intelligence Units.

Technological innovation in financial services (usually referred to as “FinTech”) and the ability to share and analyse large volumes of complex data provides unique opportunities. As criminals and terrorists are also using FinTech, governments and Fintech providers need to understand and take action to mitigate those risks. But FinTech and its underlying technology also offers opportunities for following the money behind crime and terrorism, and for increasing financial inclusion.

In a speech given to the European Parliament two weeks ago, FATF Executive Secretary David Lewis has recognised the vital work of MONEYVAL, and has urged European states to ensure that it has the resources and support necessary to conduct timely and robust evaluations of their 34 members.

Last month, French President Macron has invited the competent ministers of 80 countries as well as the heads of all relevant international organisations and bodies (including MONEYVAL) to attend the conference “No Money for Terror” in France. President Macron underlined the importance of assessment bodies such as MONEYVAL and urged all countries to ensure that these bodies are adequately resourced. As you can see, I am not alone with my claim.

Ladies and Gentlemen,

While the picture that I have painted is far from rosy, my intention is not to dishearten you. On the contrary, I wish to encourage us to continue challenging the status quo. MONEYVAL can become a highly effective model for international cooperation and coordi-

nated action against money laundering and terrorist financing, if you want this to happen. Your support is therefore critical.

Thank you very much!