

FATF



Anti-money laundering and counter-terrorist financing measures

Norway

Follow-up Report &
Technical Compliance Re-Rating

February 2023

Follow-up Report





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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Norway's 1st Regular Follow-up Report

Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Norway in December 2014.¹ This FUR analyses Norway's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendations 6 and 16. Re-ratings are given where sufficient progress has been made. This report also analyses Norway's progress in implementing new requirements relating to FATF Recommendations that have changed since the on-site visit of Norway in March 2014 and in the course of the follow-up process (R.15).

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Norway has made to improve its effectiveness.

Findings of the MER

The table below presents Norway's technical compliance ratings as last re-rated in February 2019:

Table 1. Technical compliance ratings, October 2019

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	C	C	C	PC	C	LC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	C	PC	C	C	PC	LC	LC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	PC	C	C	C	C	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	C	PC	LC	C	C	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Source:

- [Norway Mutual Evaluation Report, December 2014](#)
- [Norway 3rd Enhanced Follow-up Report, March 2018](#)
- [Norway 4th Enhanced Follow-up Report, March 2019](#)
- [Norway Follow-Up Assessment Mutual Evaluation Report, October 2019](#)

¹. <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Norway-2014.pdf>

Ms. Rebekah Sittner, Counsel, Office of Law and Policy, US Department of Justice, United States of America and Mr. Hervé Dellicour, Financial Services and Markets Authority, Supervision of Financial Service Providers and Anti-Money Laundering Policy, Belgium, conducted the analysis of the re-rating requests.

Section 3 of this report summarises Norway's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

Overview of progress to improve technical compliance

This section summarises Norway's progress to improve its technical compliance by:

- a) addressing some of the technical compliance deficiencies identified in the MER; and
- b) implementing new requirements where the FATF Recommendations have changed since the on-site visit in March 2014 and in the course of the follow-up process (R.15).

Progress to address technical compliance deficiencies identified in the MER

Norway has made progress to address the technical compliance deficiencies identified in the MER in relation to R.6 and R.16, which the MER rated as PC. As a result of this progress, the Norway has been re-rated to LC on R.6 and C on R.16.

Recommendation 6 (originally rated PC)

In its 4th round MER, Norway was rated PC on R.6, mainly due to the finding that Norway's domestic, UNSCR 1373-based asset freezing mechanism did not amount to a designation process, could only be used as part of an ongoing criminal investigation and did not establish a prohibition from making funds available to persons subject to a freezing action under this mechanism. Only one minor deficiency was identified in relation to Norway's implementation of the UN Taliban/Al Qaida sanctions - a lack of clear procedures for authorities to solicit or collect information necessary to identify targets for proposal to the UN. This has since been addressed.

In the context of designations pursuant to UNSCR 1373, Norway has made legislative changes. The TFS mechanism has been moved from the Criminal Procedure Act (CPA) to the Police Act (PA) so that the PA now governs domestic, UNSCR 1373-based freezing decisions. The rules pertaining to asset freezing have been transferred to the PA so that the freezing of financial assets is decided by the Norwegian Police Security Service (PST) and is independent of a criminal investigation.

Under the PA, in line with the UNSCR 1373 designation, the PST head or deputy head can identify any natural or legal person meeting the UNSCR 1373 designation criteria as part of a freeze decision. The freeze decision

applies to this entity regardless of whether assets potentially subject to a freeze have been identified. The PST has both the legal authority and the mechanisms to collect or solicit information necessary to identify persons and entities that meet the applicable designation criteria. The Extradition Act has been amended so that the PST may now also freeze assets upon the request of another state.

The PA requires a procedural review by the judiciary, upon which, the freezing order is published for as long as it is in force. However, this does not require an ongoing criminal investigation. The PST order automatically has legal effect. The freezing of assets will be published after it has been communicated to FIs and DNFBPs, who are obligated to have procedures in place for receiving such e-mails to ensure that new notifications of freezing of assets can be reflected in their systems without undue delay. While the legal basis to freeze is inferred from the prohibition against providing funds or assets to designated entities and is more clearly set out in Norway's preparatory works supporting the PA, which is authoritative in interpreting Norwegian law, there is no separate binding legal provision setting out an explicit obligation to comply with a freeze order. The FSA comprehensive guidance on asset freezing should be updated to reflect the current mechanism.

The PA lacks explicit protection for third parties wrongly implementing the freeze order in good faith. Under the PA, if the conditions for the freezing of assets are no longer satisfied, the freezing of assets shall cease without undue delay. Once a freeze order has expired, the PST will notify the FSA, who will then notify the FIs and DNFBPs. The order will also be removed from the official website. The procedures for unfreezing are communicated to FIs and DNFBPs in the same manner as for freezing.

Under the PA, if a designated person or entity requires access to frozen funds for basic expenses they would make a claim to the PST, which would consider the necessity of making funds available to the person or entity for the specific purpose. The scope of the term "maintenance" is not defined in law but is based on a concrete consideration in each case. It is unclear if this would cover the provision of frozen funds for extraordinary expenses.

Norway has largely addressed most of the deficiencies identified in its MER, and minor deficiencies remain. **On this basis, R.6 is re-rated largely compliant.**

Recommendation 16 (originally rated PC)

In its 4th round MER, Norway was rated PC on R.16 as there were no requirements on financial institutions, and intermediary institutions to maintain the required beneficiary information in cross-border and domestic wire transfers. The definition of transfers within the EEA in the EU Regulations was wider than that permitted as a domestic transfer in R.16 and it was unclear whether the EU Regulation applied to cases where a credit, debit or prepaid card is used as part of a payment system to effect a person-to-person (PSP) wire transfer.

Since the adoption of the MER, Norway has adopted the new EU Regulation on information accompanying transfers of funds (TFR) which require

financial institutions and intermediary institutions to maintain the beneficiary information in cross-border and domestic wire transfers where required by R.16. The TFR distinguishes between transfers of funds where all PSPs involved in the payment chain are established in the EU and where they are not, which addresses the deficiency brought about by the definition of transfers. Finally, the definition of transfer of funds in the TFR now makes it clear that the EU Regulation applies to PSP transfers by credit, debit or pre-paid cards.

Norway has addressed the deficiencies identified in its MER. **On this basis, R.16 is re-rated compliant.**

Progress on Recommendations which have changed since adoption of the MER

Since the adoption of Norway's MER, the FATF amended R.15. This section considers Norway's compliance with the new requirements.

Recommendation 15 (PC in MER, re-rated to LC in 3rd enhanced FUR, re-rated to C in its 4th enhanced FUR)

In June 2019, R.15 was revised to include obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risks associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to regulate VASPs and to apply adequate risk-based AML/CFT supervision (including sanctions) and for such supervision to be conducted by a competent authority; as well as requirements to ensure that VASPs apply preventive measures and to provide the widest international co-operation in relation to VASPs.

In its enhanced FUR in March 2019, Norway was rated C on R.15. Norway significantly meets many of the revised requirements of R.15 in relation to virtual currencies (VCs) and virtual currency service providers (VCSPs). The AML/CFT obligations related to the sector are covered under the Anti-Money Laundering Act (AML Act) and the Anti-Money Laundering Regulation (AML Regulation). These apply to providers engaged in exchange services between virtual currencies, and between virtual currencies and fiat currencies, as well as to providers of virtual currency custodianship services but not to the transfer of virtual assets and to services related to virtual asset sales. However, the population of VASPs that are not covered by the AML legislation is very low. The scope of the national and sectoral risk assessments, including the FSA's 2022 risk assessment, would benefit from a broader coverage of all types of VASP activities as well as associated TF risk as this affects the risk-based approach and mitigating measures in place.

Norway identifies and assesses ML/TF risks related to VCSPs and requires these service providers to be registered with the Financial Supervisory Authority (FSA) and to understand and mitigate their risks. Norway applies a broad range of AML/CFT obligations to VCSPs and supervises them for compliance. Norway has established guidance and provided feedback to

VCSPs on how to apply AML/CFT measures and has a range of sanctions available for non-compliance with AML/CFT obligations.

Norway applies preventive measures to VCSPs but does not require them and other type of VASPs to hold originating or beneficiary information, and make them available to appropriate authorities, as required by R.16. This impacts the information available to the appropriate authorities. The FSA can exchange information with its foreign counterparts in the EEA and with certain counterpart supervisors established outside the EEA.

On this basis, R.15 is re-rated largely compliant.

Conclusion

Overall, Norway has made progress in addressing most of the technical compliance deficiencies identified in its MER and has been upgraded on R.6 and R.16. R.15 is re-rated to largely compliant because, although Norway has met many of the requirements introduced for VASPs, minor deficiencies remain.

Considering progress made by Norway since the adoption of its MER, its technical compliance with the FATF Recommendations has been re-evaluated in the following manner:

Table 2. Technical compliance ratings

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	C	C	C	LC	C	LC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	C	PC	C	LC	C	LC	LC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	PC	C	C	C	C	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	C	PC	LC	C	C	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Norway will remain in regular follow up.

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February 2023

Anti-money laundering and counter-terrorist financing measures in Norway

Follow-up Report & Technical Compliance Re-Rating

As a result of Norway's progress in strengthening its measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendation 6 and Recommendation 16.

Follow-up report