



Financial Action Task Force
Groupe d'action financière

SUMMARY OF THE
3RD MUTUAL EVALUATION REPORT ON
ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM

NORWAY

10 JUNE 2005

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SUMMARY

1. BACKGROUND INFORMATION

1. This report provides a summary of the AML/CFT measures in place in Norway as at the date of the on-site visit or immediately thereafter. It describes and analyses those measures, and provides recommendations on how certain aspects of the system could be strengthened. It also sets out Norway's levels of compliance with the FATF 40+9 Recommendations (see the attached table on the Ratings of Compliance with the FATF Recommendations).¹ Recent AML/CFT priorities have been to increase the effectiveness of measures to detect, prosecute, and confiscate proceeds of crime; enhance international co-operation; competence building; comply with the current EU Money Laundering Directive; and train the 27 specialised economic crime units.

2. In the last 10 years, Norway has seen an increase in profit-motivated crime (especially drug-related and economic crime). Serious crime in Norway has been characterised by the following general trends: better organisation and increased flexibility; increased internationalisation, specialisation and professionalism; increased co-operation between criminal networks and links with legal business activity, and more use of advanced technologies. Recent threat assessments conclude that organised crime and criminal networks are gaining more of a foothold and that money laundering continues to be characterised by extensive use of cash. A recent attempt to analyse possible connection between terrorist financing and organised crime does not provide basis for any definitive conclusions.

3. The following types of financial institutions are authorised to operate in Norway: savings banks, commercial banks, finance companies and mortgage companies; life and non-life insurance companies, e-money institutions, investment firms, security funds management companies and branches of foreign financial institutions. All are supervised by the Financial Supervisory Authority of Norway (*Kredittilsynet*) (the FSA). Foreign exchange offices (i.e. bureaux de change) and money/value transfer service (MVTS) providers are formally not permitted to operate in Norway as separate entities, though banks, finance companies and EEA branches of such undertakings are allowed to carry out such financial activities.

4. The following types of non-financial businesses and professions operate in Norway: real estate agents, auditors and accountants (supervised by the FSA), lawyers (supervised by the Supervisory Council for Legal Practice (Supervisory Council), and dealers in precious metals and stones (not supervised for AML/CFT). Notaries do not exist in Norway. Casinos (including Internet casinos) are not allowed to operate in Norway, though Norwegians may gamble on Internet casinos that are operated from a server located in another country, and Norwegians may offer such a service in Norway from outside Norway. Trust and company services are normally provided by lawyers and auditors. Trust and company services providers are not recognised as separate businesses.

2. LEGAL SYSTEM AND RELATED INSTITUTIONAL MEASURES

5. Norway has criminalised money laundering under s.317 of the Penal Code. Charges can be brought for different types of money laundering, ranging in seriousness from drug-related money laundering to negligent money laundering. Overall, these offences are broad in scope and apply to all crimes. The offences have also been actively and successfully used, with the prosecuting authorities bringing 1 693 cases since 2000, and achieving a high conviction rate (about 85%), particularly considering that all convictions are for third party money laundering. Negligent money laundering is also criminalised. Some minor enhancements that could be made to an otherwise

¹ Also see the attached table on the Ratings of Compliance with the FATF Recommendations for an explanation of the compliance ratings (C, LC, PC and NC).

effective regime include extending the offence to self-laundering and conspiracy (which is currently only an offence if three or more people conspire in the context of an organised criminal group), increasing the use of more serious money laundering charges, and modifying the structuring/penalties of the different types of money laundering offences.

6. Terrorist financing is an autonomous offence under s.147b of the Penal Code, and covers obtaining or collecting funds or other assets with the intention that they are to be used to finance terrorist acts. This term “terrorist acts” refers to a range of existing criminal offences committed with certain specific intentions. Although Norway’s criminalisation of terrorist financing is generally in line with the Terrorist Financing Convention, Norway should clarify its legislation to ensure that the offence covers collecting funds in the knowledge that they are to be used (for any purpose) by a terrorist organisation/individual terrorist. The offence is punishable by up to 10 years imprisonment. There has been one investigation but no prosecutions for terrorist financing in Norway.

7. In recent years, Norway has focused on measures that could enhance its ability to deprive criminals of the proceeds of crime, and the innovations adopted have been largely successful. The law provides for two types of provisional measures—charging and seizing (which in practice, operates like a freezing mechanism for certain types of assets, such as funds in a bank account) and these measures are sufficient in most cases. The police and the prosecution authorities have a full range of powers to identify and trace assets.

8. Confiscation of the proceeds from any criminal offence or property of corresponding value is mandatory. Proof on the criminal standard that a specific criminal offence generated the proceeds is required; however, the burden of proof is eased to the civil standard concerning the amount of the proceeds which may be confiscated. Extended confiscation measures are also possible in serious cases, meaning there is a presumption that all of the defendant’s property is illegally acquired. Proceeds or instrumentalities of crime can be confiscated from a third party in a range of circumstances. Overall, Norway has implemented a comprehensive confiscation system that is achieving results. In 2003, over 900 confiscation orders totalling over NOK 140 million (€17 million) were issued.

9. United Nations Security Council Resolution (UNSCR) S/RES/1267(1999) and its successor resolutions are implemented by an enabling statute and regulations. These laws provide some of the necessary measures by creating an authority to freeze, automatically incorporating any changes to the lists into the legal system, prohibiting anyone from making any funds available to entities listed, and providing for penalties of fines or imprisonment. Freezing can be legally challenged using normal legal mechanisms for challenging government decisions. Despite this, there is a lack of guidance to institutions and persons holding targeted assets, and no measures to monitor compliance. Norway has frozen one bank account under S/RES/1267(1999), and the effectiveness of the regime is noticeably reduced by the absence of further policies and procedures to handle freezing cases.

10. Norway has implemented S/RES/1373(2001) by enacting special provisions in its criminal procedure law, thus allowing property to be frozen when a person is suspected of terrorist offences. The decision to freeze is not based on a national list, but on a case-by-case assessment based on evidence (to the “more than 50% likely” standard) that the person has/has attempted to obtain/collect funds and assets in respect of the commission of terrorist acts or made funds available to terrorists/terrorist organisations. However, because the scope of the terrorist financing offence is not quite broad enough, Norway would be unable to freeze the assets of a person who is considered to have collected funds in the knowledge that they are to be used generally (for any purpose) by a terrorist organisation/individual terrorist. Moreover, there are no clear channels for communicating freezing actions taken under S/RES/1373(2001), no guidance to entities that may be holding assets covered by such a freezing action, and no system for monitoring compliance. With regards to S/RES/1373(2001), Norway has never found any funds/assets inside of Norway. Consequently, the

freezing mechanisms that it has enacted in its criminal procedure law for this purpose has never been triggered. Overall, the freezing regime in Norway has implemented only some of the elements of Special Recommendation III. There is a lack of clear procedures for unfreezing and de-listing requests, authorising access to assets on humanitarian grounds, monitoring compliance and applying sanctions. An effective system for communication between government and the private sector needs to be established, and clear guidance provided to financial institutions.

11. Norway's financial intelligence unit, the Money Laundering Unit (MLU), is located within the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) and has been a member of the Egmont Group since 1995. Suspicious transaction reporting in Norway takes place in two stages: (a) where a reporting entity suspects that a transaction is associated with the proceeds of crime, it must make further inquiries; (b) if those inquiries do not dispel the suspicion, then an STR has to be made to the MLU. The transaction can be temporarily frozen by the MLU: this power is exercised only a few times a year. In January 2005, the MLU had 11½ employees, seven of which analysed STRs. This level of staffing is inadequate to deal with the volume of STRs that the MLU currently receives (more than 5 000 in 2004). This is exacerbated by the MLU's manual processes such as an inability to receive STRs electronically and the lack of analytical software tools. An electronic reporting system and a new, improved STR database are due to be implemented. MLU staff have sufficient powers to obtain information from police, other government officials and foreign FIUs, can demand additional information from reporting entities, and has direct access to a wide range of databases. The MLU is subject to the oversight of the Control Committee; however, this oversight only extends to the protection of privacy and personal data. The Committee is an independent body that reports to the Ministry of Finance. While the Committee does not interfere with the MLU's independence; its intervention does impact the overall effectiveness of the MLU in that a disproportionate amount of the MLU's limited resources are now directed towards considering whether to delete or justify retaining old STR files. Information about an STR must be deleted if a suspicion is rebutted, or if after five years no investigation or legal measures have been initiated. Although, on paper, the MLU generally meets the literal requirements of Recommendation 26, its lack of effectiveness causes concerns and impedes the overall effectiveness of Norway's AML/CFT system. The MLU is understaffed, under-resourced and technologically ill-equipped, and though MLU staff are doing what they can given these limitations, the whole issue needs to be addressed. Norway should ring-fence the responsibilities and resources of the MLU.

12. The Norwegian police service is comprised of the Police Directorate, the Police Security Service (PST), the 27 police districts, and centralised institutions like ØKOKRIM, New Kripos and the Police College. They work closely with the Prosecution Authority. ØKOKRIM is responsible for investigating complex economic crime (including money laundering), while all police districts have established separate teams to combat economic crime. Money laundering offences and confiscation cases are investigated in every police district, and terrorist financing is investigated by the PST or by ØKOKRIM. Law enforcement has initiated 2 342 money laundering investigations. Police and prosecutors have all the normal search and seizure powers, as well as powers to use special investigative techniques such as secret search and seizure, though some powers can only be used for more serious offences, thus limiting their availability for use in money laundering. Other covert measures, such as undercover operations are available, but are not statutorily regulated. Training is provided to police and prosecutors on economic crime, however, this should be expanded to meet the needs in the area.

3. PREVENTIVE MEASURES - FINANCIAL INSTITUTIONS

13. The current Norwegian AML legislation was adopted in June 2003, but does not yet take into account the full obligations set out in the revised FATF Recommendations (2003). Norway's customer identification measures are based on implementation of the 1st and 2nd EU Money Laundering Directives and the FATF Recommendations (1996). Norway reports that it has been waiting until the 3rd EU Money Laundering Directive (which was just adopted) was finalised before doing so. There are no higher risk categories of customers or products, and the lower risk categories

have been implemented in line with the EU Directives. The AML measures under the Money Laundering Act (MLA) and Regulations (MLR) apply to all the financial institutions that must be covered under the FATF Recommendations (referred to as “Reporting FIs” in Norway).

14. Although Norway has implemented basic customer identification obligations, it has not implemented full customer due diligence (CDD) requirements. Reporting FIs are required to identify permanent and occasional customers (for large value transactions). A natural person’s identity is normally verified by producing a document issued by a public authority, which normally contains full name, signature, photograph and personal identity number or D-number. (Non-residents liable to pay tax are registered with a unique D-number.) A legal person’s identity is verified by checking certain Registers. Where the customer is unable to produce the required identity documents, the Reporting FI should generally refuse to establish a customer relationship. There are exemptions from the identification obligations if the customer is a Norwegian or EEA credit institution or investment firm, and for low value insurance contracts.² Overall, there are weaknesses regarding the implementation of Recommendation 5, as the only measure currently in place is a bare requirement to identify customers. Elements going beyond the initial establishment of the customer relationship such as beneficial ownership and other elements of CDD are not required. These deficiencies need to be addressed. In addition, specific identification requirements and procedures should be introduced that are tailored to the business practices of sectors other than banking. Norway should also implement the applicable measures for politically exposed persons (PEPs) and correspondent banking (R.6 & 7).

15. Normally, the establishment of non-face-to-face business relationships is not allowed and the customer must physically appear either at the Reporting FI or at an agent or outsourcee, where identification and verification is performed. Where there is outsourcing, the Reporting FI must ensure that the outsourcee conducts the customer identification and verification properly, maintains proper records, and properly trains its employees. Reporting FIs cannot rely on verification performed by another Reporting FI, even those that are part of the same financial group, and introductory business is generally not permitted. A legal duty of confidentiality requires employees of financial institutions to keep customer information confidential, but does not inhibit disclosure of information to the MLU, nor impede the FSA in performing its supervisory role. Indeed, banks, finance companies and insurance companies are allowed to exchange customer data when investigating suspicious transactions. It is recommended this authority be extended to other types of financial institutions. Record keeping requirements are generally satisfactory, with Reporting FIs being obligated to retain copies of any documents used to verify the customer’s identity for five years after termination of the customer relationship, and to keep transaction records for ten years. The MLA requires relevant originator information to be kept for all permanent customers and the Currency Register Act and Regulations effectively extend this to occasional customers conducting any cross border wire transfer. However, in other respects, SR VII has not been implemented and this should be rectified.

16. Banks and finance companies were legally obliged to establish electronic monitoring systems before the end of 2004. Norway’s initial experience with its new electronic monitoring system for banks and finance companies is a pattern of reporting that focuses more on the nature of the transaction, and not just the nationality of the customer and cash transactions. Monitoring of unusual transactions is conducted, the NCCT list is published and additional NCCT countermeasures applied. Reporting FIs are required to report transactions to the MLU when there is a suspicion that the transaction is related to money laundering or terrorist financing, and are exempt from liability when they report to the FIU in good faith. “Tipping off” a customer or any third party in connection with reporting a STR to the MLU is prohibited. Banks and MVTs providers report the largest number of STRs, though none of them were related to terrorist

² In the context of Recommendation 5, the Norwegian regime exempts their financial institutions from certain AML/CFT obligations in relation to financial institutions that are located in countries belonging to the European Economic Area. The FATF decided at the June 2005 Plenary to further consider this subject.

financing. It is a concern that the number of STRs being reported by other non-bank financial institutions is very small, and the number of STRs from banks is also decreasing.

17. Norway has recently revised its declaration system and also its systems for monitoring cross-border transportations of currency (cash). The declaration system is now administered by the customs authorities and is regulated in the customs legislation. A new Currency Register Act provides for storing declaration information in a Currency Transaction Register. The police have direct access to the Register when a criminal investigation has been initiated. The declaration system applies to all incoming and outgoing cross-border transportations of currency equal to or exceeding NOK 25 000 (€ 3 000) or the equivalent value in a foreign currency. Name, date of birth, personal identification number or passport number, the amount/value transported and the date are recorded as is for amounts above NOK 100 000 (€ 12 100), the purpose of the transportation. The legal measures are broadly adequate, and allow the police to stop smuggled money when it is detected, giving the police time to investigate the money in question. There is no obligation to declare bearer negotiable instruments when entering or leaving Norway. However, when foreign negotiable instruments are cashed, this is reported to the Currency Transaction Register. Norway indicates that the reason for this is that the transaction occurs when the instrument is cashed, and also avoids the double reporting of transactions in the Register.

18. All Reporting FIs must establish certain internal control and communications procedures, and appoint an AML officer. Reporting FIs must have an internal audit function and designate an AML/CFT compliance officer person within senior management. Special training programmes for employees and other relevant persons on AML/CFT obligations are required. While these measures are generally satisfactory regarding checking the existing laws, they do not implement the full range of measures required under the Recommendations and it appears that institutions have not voluntarily implemented higher standards. Foreign branches of Norwegian institutions are obligated to observe AML/CFT measures consistent with Norwegian requirements and the FATF Recommendations to the extent that the host country's laws permit. Norway has not yet had any cases of foreign subsidiaries of Norwegian institutions being established abroad in countries that are considered to have lesser AML/CFT measures than Norway. Norway should implement an obligation to inform the FSA if a foreign branch or subsidiary is unable to observe appropriate AML/CFT measures. Shell banks are indirectly prohibited in Norway. However, there are no provisions prohibiting financial institutions from entering correspondent banking relationships with shell banks or obligating institutions to satisfy themselves that their foreign respondent institutions do not permit their accounts to be used by shell banks. All these measures should be introduced as soon as possible.

19. The FSA is an independent government agency, responsible for supervising the Norwegian financial sector. The licensing function is divided between the Ministry of Finance and the FSA. When a financial institution is granted a licence, checks are conducted to ensure that the general manager and directors meet fit and proper requirements. This includes a criminal records check. Supervisory resources are allocated on a risk sensitive basis and the FSA looks to co-ordinate its prudential approach with its AML/CFT supervision. The FSA has adequate powers to supervise and inspect the policies, practices and internal controls of Reporting FIs. It is also authorised to impose a broad range of administrative sanctions for non-compliance, from letters requesting corrective action, orders through to fines or de-licensing. Sanctions can be applied against both institutions and officers/employees, though its powers to do the latter should be clarified. To date the FSA has imposed sanctions for breaches of AML/CFT obligations in the form of issuing letters requesting that corrective action be taken.

20. At the end of 2003, the FSA had 183 employees responsible for supervising 2 518 separate entities, including designated non-financial businesses and professions (DNFBPs) (except lawyers and dealers). Considering the number of entities that the FSA is responsible for supervising, this seems to be an inadequate number of staff. In the past six years, the FSA has conducted between 100-120 on-site inspections per year, in addition to off-site reviews. Although AML/CFT

assessments are integral part of the FSA's regular visits, they seem to be limited in scope and not conducted frequently enough. For smaller financial institutions, AML/CFT assessments are not held annually, but only when there are indications that an assessment would be necessary. Only 12 thematic inspections focusing solely on AML issues have been conducted. The assessors found that some of these institutions (deemed to be high risk) had just been assessed for the first time in seven years, and the assessment found some major shortcomings. This situation needs to be reviewed. The FSA should consider how it can best enhance focus on AML/CFT issues, for example, by having a team of examiners that checks compliance with AML/CFT on an ongoing basis for all supervised entities.

21. Some steps have been taken concerning guidance. The FSA has issued Circular 9/2004 to reporting entities on how to comply with their obligations, while the MLU has also given some sporadic guidance and participates in seminars for the private sector. However, the guidance seems to have been insufficient, and reporting entities (both financial institutions and DNFBPs) met by the assessment team asked for additional and more sector-specific guidance (particularly in the area of typologies). Additionally, the MLU should enhance its general and specific feedback concerning the status of particular STRs and the outcome of certain specific cases.

22. Unauthorised MVTS providers are illegal, and Norway has detected some underground banking. Two cases have been successfully prosecuted. Regulated MVTS providers (banks) are subject to the FATF Recommendations, albeit not adequately. This negatively impacts on the effectiveness of AML/CFT measures in the MVTS and other financial institution sectors. Norway should take steps to properly implement Recommendations 5-7, 15 and 22, and SR VII overall. The FSA is responsible for licensing and monitoring MVTS operators, however, there are concerns about the effectiveness of this supervision. The FSA is taking action to correct these problems.

4. PREVENTIVE MEASURES – DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS

23. The following DNFBP are subject to AML/CFT obligations: real estate agents, dealers in objects, including precious metals/stones, in connection with cash transactions of NOK 40 000 (€ 4 800) or more, lawyers and other independent legal professionals, auditors and accountants (collectively referred to as Reporting BPs). Land-based casinos, notaries and trust/company service providers (as a separate defined business sector) do not exist in Norway. Although the large majority of company services are handled by lawyers and accountants, there is no legal prohibition from other persons establishing such businesses in Norway. Norway should clarify the law to ensure that anyone providing such service is covered. This may include amending the law to restrict the provision of company services to only accountants and lawyers to reflect the current practice.

24. For the most part, AML/CFT obligations for Reporting FIs/BPs are the same. Consequently, the same deficiencies in the implementation of customer identification requirements (Rec.5) exist. Customer identification requirements have been implemented, but full CDD requirements have not. Nor have any measures concerning PEPs (Rec.6) been implemented in the DNFBP sectors. Norway should correct these deficiencies as a matter of priority. All dealers in objects, including dealers in precious metals/stones, auctioneering firms, commission agents and the like, are obligated to identify their customers when carrying out cash transactions involving NOK 100 000 (€ 12 100) or more, or suspicious transactions involving NOK 40 000 (€ 4 800) or more. In the latter case, an STR must be filed with the MLU. However, overall it is unclear how effectively dealers in precious metals/stones are complying with AML/CFT requirements because they are not monitored or supervised in this regard. Norway should designate an authority responsible for doing so. Occasional customer rules do not apply to lawyers, independent legal professionals, real estate agents, accountants or auditors since, due to the nature of their work, they do not have occasional customers.

25. In general, Reporting BPs have satisfactorily implemented record keeping requirements. Although Reporting BP are not allowed to establish non-face-to-face business (customers must physically appear at the Reporting BP or its agent/outsourcee for identification and verification), there are some concerns about the effectiveness of this system in practice. All of the Reporting BP met with had established internal AML/CFT controls and communication routines as required. Reporting BP must monitor their accounts and report suspicious activity to the MLU. Lawyers are only obliged to report suspicious transactions when assisting or acting on behalf of clients in planning or carrying out financial transactions, with certain exceptions. So far, only lawyers, accountants, auditors and real estate agents have filed STRs; dealers in precious metals/stones have not. However, this obligation is quite new for most Reporting BPs. Nevertheless, there are preliminary concerns about effectiveness because most of the DNFBP sectors met with during the on-site visit (particularly real estate agents, accountants, auditors, and dealers in precious metals/stones) requested more sector-specific guidance (particularly typologies). Although the FSA has issued general AML/CFT guidelines to real estate agents, accountants and auditors (Circular 9/2004), more tailored and sector-specific guidance should be issued to the Reporting BPs as soon as possible to address these concerns. Currently, two working groups are set up in order to propose such guidelines for lawyers and auditors/accountants. The NARF (Norway's major professional body for authorised external accountants) is currently developing a quality control programme for external accountants.

26. Real estate agents, accountants and auditors must be licensed by the FSA in order to be authorised to carry out their business. The FSA supervises these entities, issues guidance to them on an ad hoc basis and is empowered to apply administrative sanctions. However, the FSA does not appear to have sufficient resources to do so effectively. The FSA has not started inspecting accountants/auditors because the scope of their reporting obligation has not been fully clarified. The Supervisory Council licenses, supervises, audits and sanctions the legal professionals. The Supervisory Council conducts between 50-70 audits per year of law firms, including checks on AML/CFT compliance. The Supervisory Council has only uncovered one case of money laundering by a lawyer. The Norwegian Bar Association (NBA) has issued binding ethical guidelines for lawyers (which specifically refer to ML) and has compiled a template for internal controls and communication routines. It is also in the process of participating in a Ministry of Justice & Police committee to draft AML/CFT guidelines for legal professionals. Dealers in precious metals/stones are obliged to register their activity or company, but do not need to be licensed or authorised to conduct business. This sector is not supervised or monitored by any agency for compliance with AML/CFT obligations, although industrial associations play a role in helping members to understand and apply new legal requirements, including those related to AML/CFT. The MLU has taken the initiative, passing on information about Norway's new AML/CFT legislation to industry organisations such as NHO and HSH. Nevertheless, without any supervision or monitoring, there is no way of assessing how effectively AML/CFT measures are being implemented in this sector. Norway should designate an authority to fulfil this role.

27. Although there are no land-based casinos in Norway, limited and closely regulated internet gaming does exist. Although having an ownership interest in an internet casino is not expressly prohibited, Norway reports that such activity could be stopped pursuant to existing gaming legislation. However, Norway has not taken any measures to identify whether any Norwegian residents/citizens currently own or operate an internet casino, a company that runs an internet casino or a server located in Norway which hosts an internet casino. Nor has any guidance been issued to Reporting FIs/BPs alerting them to the possible existence of such entities and how to treat them. Norway should be aware of issues relating to the illicit operation of internet casinos in Norway, and should be prepared to address these problems.³ Additionally, Norway's efforts to encourage the

³ These observations have not affected Norway's rating on compliance with the FATF Recommendations (in particular, Recommendations 12, 16 or 24). The FATF decided at the June 2005 Plenary to study the issue of internet casinos to clarify AML/CFT obligations in relation to this activity.

development and use of modern, secure techniques for conducting financial transactions that are less vulnerable to money laundering should continue.

5. LEGAL PERSONS AND ARRANGEMENTS & NON-PROFIT ORGANISATIONS

28. Norway has several registries for legal persons. All Norwegian legal persons, and Norwegian and foreign companies or other legal persons conducting business activities in Norway are obligated to register with one or more registers. Registered information concerning a particular legal person can be readily retrieved by virtue of Norway's single number identification system. Norway has also implemented measures to ensure that this information is updated. Additionally, Norway obligates all Norwegian private and public limited companies to establish and maintain a register of all shareholders that must be kept up-to-date and must be made available to anyone who asks. Foreign companies are allowed to own shares of Norwegian companies and, in such cases, the register of shareholders will identify the foreign company. Norwegian authorities are entitled to ask the foreign company for that information. However, the information accessible will depend on home state requirements.

29. These measures ensure that accurate, adequate and reasonably current information concerning the ownership and control of Norwegian legal persons is readily accessible to competent authorities in a timely fashion. However, it should be noted that these measures do not expressly relate to information concerning beneficial ownership (as that term is used in the FATF Recommendations). Nevertheless, Norway has implemented additional measures that go some way to ensuring that the person who exercises ultimate effective control over a legal person can be identified. First, listed public companies are subject to shareholder disclosure rules. Second, Norwegian law prohibits the buying/selling of shares through a nominee, except as regards foreign investors, and then only with safeguards to ensure transparency. Third, bearer shares do not exist in Norway. Nevertheless, concerning beneficial ownership, additional steps could be taken to provide more timely access to this sort of information.

30. Charitable organisations are not obligated to register; however, their bank accounts must be opened in the name of a natural person who is a member. The FSA specifically advises Reporting FIs/BPs that collection accounts for charitable organisations should not be exempt from the requirements to produce identity documents. Nevertheless, this situation is unsatisfactory because it hinders the bank's ability to identify the actual owners of funds in an account and leaves the natural person (in whose name the account is registered) subject to tax on the funds concerned. The system is further weakened by the fact that Recommendation 5 has not been implemented with regards to beneficial ownership. Norway has not reviewed its laws/regulations relating to non-profit organisations (NPOs) as required by Special Recommendation VIII. Norway should do so, and implement appropriate CFT measures in this sector. Norwegian law does not recognise the legal concept of a trust or similar legal arrangements, including trusts created in other countries.

6. NATIONAL AND INTERNATIONAL CO-OPERATION

31. With a few exceptions, Norway has fully implemented the elements of the Vienna, Palermo and Terrorist Financing Conventions that are relevant to the FATF Recommendations. Norway has largely implemented the basic legal provisions of S/RES/1267(1999), but should implement measures to monitor or supervise for compliance with these requirements. Norway's implementation of S/RES/1373(2001) should be improved.

32. On an operational level, the FSA is authorised to co-operate with other domestic supervisors, law enforcement authorities and foreign supervisors for AML/CFT purposes. Several informal mechanisms, including regular contact meetings and forums exist to improve interagency co-operation between the police, Prosecution Authority, MLU, customs and tax authorities and supervisors with regards to AML/CFT. There is still room for improvement in more effective interagency co-operation.

33. Mutual legal assistance and extradition measures apply equally to money laundering and terrorist financing matters. Norway can respond to both mutual legal assistance and extradition requests in the absence of an applicable treaty. Extradition to Nordic countries is regulated by the Nordic Extradition Act (NEA). Extradition to other countries is regulated by the Extradition Act (EA). Mutual legal assistance is regulated by a separate chapter of the EA. Norway is party to international agreements facilitating mutual legal assistance within the Nordic region, the EU and between Schengen countries. Mutual legal assistance requests from non-Nordic countries seeking coercive measures are subject to the requirement of dual criminality. Although in general, there are no legal or practical impediments to rendering assistance, provided that both Norway and the requesting country criminalise the conduct underlying the offence, the application of dual criminality may create obstacles to both mutual legal assistance and extradition where the underlying offence relates to the following types of money laundering/terrorist financing activity that have not been properly criminalised in Norway: (i) self-laundering; (ii) conspiracy of 2 people to commit money laundering; and (ii) obtaining or collecting funds/assets to be used by a terrorist organisation/individual terrorist (for any purpose) where those funds have not yet been provided to the terrorist organisation/individual terrorist . Norway should take measures to address this problem, in particular, by properly criminalising these activities. Requests from non-Nordic countries (other than Nordic and Schengen countries) must also meet some of the requirements for extradition. Neither dual criminality nor the requirement that the underlying offence be extraditable apply to mutual legal assistance requests from Nordic countries.

34. Generally, mutual legal assistance requests are forwarded through the Ministry of Justice & Police. Norway reports that requests are given priority; however, there are no statistics concerning the length of processing times for either mutual legal assistance or extradition requests. Procedures for processing mutual legal assistance requests from Nordic and Schengen countries (which, given Norway's geographical location, would usually account for the majority of requests) are streamlined and can be sent directly between judicial authorities. Mutual legal assistance requests from other countries must always proceed by letters rogatory (which is not efficient). Duties of confidentiality do not impede mutual legal assistance. Assistance can be provided even where the offence is considered to involve fiscal matters. A wide range of mutual legal assistance can be provided, including compelling witness testimony, order the production of documents and seizing evidence. Norway co-operates closely on a global and region level to avoid conflicts regarding investigation/prosecution of cases concerning transnational crime.

35. Where a foreign state (that is not a signatory to the Vienna or Strasbourg Conventions) requests Norway to execute a foreign freezing/seizing/confiscation order, Norway can only recognise the order, but cannot give effect to it without starting its own proceedings. A procedure that requires a case to be made out before a local (Norwegian) court on the basis of foreign evidence is inherently less effective than one where the Norwegian court satisfies itself that a foreign court has made a freezing/seizing/confiscation order, and then simply gives effect to that order. Norway should enhance the effectiveness of its system by enacting legislation that would clearly allow for confiscation in situations other than those covered by the Vienna and Strasbourg Conventions, and should consider enacting measures that would allow it to give effect to a foreign freezing/seizing/confiscation order without the necessity of starting its own domestic proceedings. Although, to the best of Norway's recollection, no such requests have been made, Norway recognises that this issue will have to be addressed as it goes forward and as requests for international co-operation increase. Although there are no special permanent arrangements for co-ordinating seizure/confiscation actions with other countries, Norway does co-ordinate on a case-to-case basis. No asset forfeiture fund exists.

36. Both money laundering and terrorist financing are extraditable offences. Norwegian nationals may not be extradited (except to Nordic countries). When extradition is refused on this basis, the case will be forwarded upon request to the Prosecution Authority for a determination of whether domestic proceedings should be initiated. Extradition must be refused if there is a grave danger that the person concerned will suffer persecution directed against his life/liberty for reasons of race,

religion, nationality, political convictions or other political circumstances. Proceedings may be transferred in the absence of an international convention. Dual criminality is applied to extradition requests (except those to Nordic countries). Norway collects statistics (which are not always reliable) on the number of requests for mutual legal assistance, extradition, freezing/seizing/confiscation and requests from foreign FIUs. However, Norway should keep additional statistics, including those relating to the nature of mutual legal assistance/extradition requests, whether the request was granted/refused, and how much time was required to respond. Norwegian law enforcement authorities are authorised to conduct investigations on behalf of foreign counterparts. They also have well-functioning systems of electronically stored information that is easy to find and easy to forward to other countries. Information is exchanged with foreign counterparts on the condition that it only be used for professional purposes, and is not made subject to disproportionate or unduly restrictive conditions. Generally, the attitude of Norwegian law enforcement is to respond rapidly to requests from co-operating agencies abroad.

37. The MLU can exchange information with foreign FIUs (both police/prosecution-based FIUs and administrative FIUs), both spontaneously and upon request, without an MOU. The MLU has an MOU with the Belgian FIU and requests from nine other foreign FIUs are pending. Norway should finalise these MOU as soon as possible to avoid the negative impact created by a situation where the foreign FIU needs to have an MOU in order to be able to co-operate. When responding to requests from foreign counterparts, the MLU can use the information from its own database and others that it has access to (including law enforcement and public databases). However, last year, due to a technical failure, connectivity with the Egmont Secure Web System, the MLU was lost for about three months. The technical problem was resolved and the MLU has designated staff to deal with international requests; however, it is too early to assess how effective these new measures will be. Norway should ensure that these new systems are working effectively.

38. Norway is a party to a number of international agreements and participates in working groups that are targeted at facilitating co-operation within the EU in various sectors, including insurance and securities. Norway has negotiated MOUs with foreign supervisory authorities in the banking and investment sector. Norwegian supervisory authorities may co-operate spontaneously with foreign supervisory authorities, even in the absence of any applicable agreement or statutory provision provided that the execution of the request is not contrary to Norwegian law. For instance, the FSA has co-operated with its foreign counterparts in relation to on-site inspections of Nordic banking groups. As a general rule, the Customs Directorate co-operates with its foreign counterparts on the basis of MOUs. However, the Norwegian customs authorities also may exchange information with other countries according to the customs legislation. Information may be exchanged provided that information can be shared on a mutual basis and the recipient stores and protects the information properly.

Ratings of Compliance with FATF Recommendations

The rating of compliance vis-à-vis the FATF Recommendations should be made according to the four levels of compliance mentioned in the 2004 Methodology (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC)), or could, in exceptional cases, be marked as not applicable (NA). These ratings are based only on the essential criteria, and defined as follows:

Compliant	The Recommendation is fully observed with respect to all essential criteria.
Largely compliant	There are only minor shortcomings, with a large majority of the essential criteria being fully met.
Partially compliant	The country has taken some substantive action and complies with some of the essential criteria.
Non-compliant	There are major shortcomings, with a large majority of the essential criteria not being met.
Not applicable	A requirement or part of a requirement does not apply, due to the structural, legal or institutional features of a country e.g. a particular type of financial institution does not exist in that country.

Forty Recommendations	Rating	Summary of factors underlying rating ⁴
Legal systems		
1.ML offence	LC	Self-laundering is not a criminal offence and there is no fundamental principle of domestic law that would preclude self-laundering from being an offence. The conspiracy offence would not extend to a conspiracy involving only two people, and the requirement for an "organised criminal group" with a particular purpose would only apply to certain ML scenarios and there is no fundamental principle of domestic law that would preclude such conduct being criminalised.
2.ML offence – mental element and corporate liability	C	Recommendation 2 is fully observed.
3.Confiscation and provisional measures	C	Recommendation 3 is fully observed.
Preventive measures		
4.Secretcy laws consistent with the Recommendations	C	Recommendation 4 is fully observed.
5.Customer due diligence	PC	Although Norway has implemented customer identification obligations, it has not implemented full customer due diligence (CDD) requirements. There are extensive rules on the identification of a customer who is a legal person and also of an individual acting for that legal person. However, there is presently no legal requirement under the MLA or MLR for a Reporting FI to verify that the individual is duly authorised to act for the legal person. If a Reporting FI knows or has reason to believe that a customer is acting as a (legal) representative of another, on behalf of another, or that another person owns the asset that is the subject of a transaction, the FI is required to identify that other person (MLA s.6). Other than this, there is no other requirement to identify a beneficial owner within the meaning of the FATF Recommendations (i.e. the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted, and incorporating those persons who exercise ultimate effective control over a legal person

⁴ These factors are only required to be set out when the rating is less than Compliant.

		or arrangement). Reporting FIs are not legally required to actively inquire if the customer is “fronting” for any other person in respect of an account or a transaction (for instance, by asking as a routine part of the account opening procedure whether the account holder is acting on behalf of another person). Reporting FIs are also required to obtain information relating to the shareholding or any corporate group behind a customer who is a legal person. There is no obligation on the Reporting FI to inquire about the purpose and nature of the business relationship vis-à-vis the Reporting FI itself, or to conduct ongoing due diligence on the business relationship in that regard. There is no enhanced CDD legislation for higher risk categories of customers. Nor does Norwegian legislation provide for any simplified or reduced CDD measures. There is no obligation not to open an account, not establish a business relationship, consider making an STR or (in the case of existing customers) terminate the business relationship in instances where the beneficial owner cannot be identified or information concerning the purpose and intended nature of the business relationship cannot be obtained. This is because there is no obligation to collect this information in the first place. There are no legal or regulatory measures in place as to how Reporting FIs should apply CDD measures to their existing pool of customers. There is no legal requirement for a customer’s identity to be re-verified upon a subsequent enlargement of the customer relationship in the same institution (i.e. the opening of a new account, writing a new insurance policy, etc). The requirements regarding customer identification are primarily focused on the banking sector. However, this one-size-fits-all approach may, in some cases, not take into account the normal conduct of business in non-bank sectors.
6. Politically exposed persons	NC	Norway has not implemented any AML/CFT measures concerning the establishment of customer relationships with politically exposed persons (PEPs).
7. Correspondent banking	NC	Norway has not implemented any AML/CFT measures concerning establishment of cross-border correspondent banking relationships.
8. New technologies & non face-to-face business	C	Recommendation 8 is fully observed.
9. Third parties and introducers	NA	Recommendation 9 does not apply in the Norwegian context.
10. Record keeping	C	Recommendation 10 is fully observed.
11. Unusual transactions	C	Recommendation 11 is fully observed.
12. DNFBP – R.5, 6, 8-11, 17	PC	Overall, the ratings for Recommendation 12 have been lowered due to concerns about the scope of application of AML/CFT obligations (in relation to company service providers). The same serious deficiencies in the implementation of Recommendation 5 apply equally to Reporting FIs and Reporting BPs. In other words, customer identification requirements have been implemented, but full CDD requirements have not. Norway has not implemented any AML/CFT measures concerning Recommendations 6 that are applicable to Reporting BPs. Considering the calls for more guidance as voiced by these sectors (particularly dealers in precious metals/stones) during the on-site visit, there are preliminary concerns about the effectiveness of implementation for Recommendation 11. However, it should be noted that reporting is occurring in all DNFBP sectors—except dealers in precious metals/stones (which are also not supervised for compliance with AML/CFT obligations). Dealers in precious metals and stones are not monitored or supervised for compliance with AML/CFT obligations and are not subject to administrative sanctions.
13. Suspicious transaction reporting	LC	In general, there are some concerns about the effectiveness of the reporting system. For instance, (except for MVTs providers), the number of STRs being reported by non-bank financial institutions is very small and the number of STRs being reported by banks themselves is also decreasing. Additionally, there were some indications during the on-site visit that, in the past year, a MVTs provider had not been complying with its reporting obligations. The FSA has since taken action to correct this problem. Another effectiveness concern relates to the fact that, in general, banks seem to focus on transactions performed by foreigners as being suspicious, rather than focusing on the nature and characteristics of the transactions themselves. There also appears to have

		been defensive reporting of STRs by the old MVTs provider (i.e. reporting of STRs without giving proper consideration to whether or not they are really suspicious). It is not clear that the reporting obligations under Recommendation 13 and Special Recommendation IV apply to transactions that may be related to the mere collection of funds for a terrorist/terrorist organisation.
14. Protection & no tipping-off	C	Recommendation 14 is fully observed.
15. Internal controls, compliance & audit	LC	There is no legal obligation on Reporting FIs to establish screening procedures to ensure high standards when hiring employees. There are some preliminary concerns about how effectively internal controls have been implemented. The internal controls themselves suffer from the same deficiencies as the legal requirements. For instance, because full CDD is not a legal requirement in Norway, there is no legal obligation to implement internal controls to ensure that full CDD is performed, and it did not appear that institutions had voluntarily implemented the much higher standards that are required.
16. DNFBP – R.13-15, 17 & 21	LC	Overall, the ratings for Recommendation 16 have been lowered due to concerns about the scope of application of AML/CFT obligations (in relation to company service providers).
17. Sanctions	LC	Where a Reporting FI has not complied with its AML/CFT obligations, the wording of the MLA does not make it clear whether sanctions can be applied to the directors and senior management of the FI that was responsible for the violation by the FI. In relation to criminal penalties, the assessors feel that the legal provisions cited by Norway are unclear, but Norway is of the firm view that criminal penalties can be applied to the directors and senior management of Reporting FIs in respect of a breach by the Reporting FI. In relation to civil penalties, the Financial Supervision Act provides a means for the FSA to take a form of civil enforcement action but it would be applicable on a forward looking basis.
18. Shell banks	PC	There is no prohibition on financial institutions entering into or continuing correspondent banking relationships with shell banks. There is no obligation on financial institutions to satisfy themselves that a respondent financing institution in a foreign country is not permitting its accounts to be used by shell banks.
19. Other forms of reporting	C	Recommendation 19 is fully observed.
20. Other NFBP & secure transaction techniques	C	Recommendation 20 is fully observed.
21. Special attention for higher risk countries	C	Recommendation 21 is fully observed.
22. Foreign branches & subsidiaries	LC	There is no requirement for a financial institution to inform the FSA if its foreign branch or subsidiary is unable to observe appropriate AML/CFT measures because this is prohibited by the laws or regulations of the host country.
23. Regulation, supervision and monitoring	LC	There is some concern about how effectively the MVTs sector is being supervised given that the assessors have been made aware of some problems concerning how the reporting obligation is being complied with. Norway has reported that inquiries are in progress on this case and appropriate action will be taken. There is no obligation on the financial institution to notify the FSA of changes in management. The FSA may assess whether managers, directors or controlling owners are fit and proper, but only in the context of granting licences for the first time and applications to acquire qualifying holdings in financial institutions.
24. DNFBP - regulation, supervision and monitoring	LC	Dealers in precious metals and stones are not monitored or supervised for compliance with AML/CFT obligations and are not subject to administrative sanctions, and there is no indication that Norway has considered this issue following a risk-based approach. By designating the FSA responsible for monitoring real estate agents, accountants and auditors for compliance with AML/CFT obligations, Norway has included these DNFBP sectors under the same supervisory regime that applies to the financial institutions

		sectors. Although this is commendable, it creates concerns about the sufficiency of the FSA's resources to supervise all of these entities.
25.Guidelines & Feedback	PC	<p>Supervisory authorities:</p> <p>Almost every reporting entity that the assessors met with asked for more specific and tailored guidance concerning AML/CFT obligations. The FSA has issued detailed guidance to Reporting FIs concerning how to comply with the reporting obligations. Despite the guidance given, 70% of all STRs are based on transactions made by non-Norwegians. It seems that the only real indicator or typology that has made any impact within the reporting community is the fact that a non-Norwegian is performing a transaction. It does not seem that those STRs should not have been made, which leads however to the conclusion that there is a potential for other types of STRs to be reported if only the employees of reporting institutions had been guided to focus not only on the customer, but also the nature of the transactions. The Supervisory Council has not issued AML/CFT guidance to the Reporting BPs it supervises. The Supervisory Council does participate, however, in a working group that has as a mandate to propose guidelines to the lawyers. Likewise, the NARF and NIPA (which are industry associations, not supervisors) participate in a working group that has a mandate to propose guidelines to auditors and external accountants.</p> <p>Financial intelligence unit:</p> <p>Upon receipt of the STR, the MLU sends a computer printout with information about the reference number to the financial institution. After making its inquiries, the MLU normally informs the Reporting FI of the decision that was taken, and (if applicable) of the police district or foreign unit investigating the case. However, this has not been a consistent practice in the last years. The Reporting FI should also receive transcripts of legal decisions; however, this has not been followed up lately. Previously, Reporting FIs received a report every six months about the current status of all the STRs that the Reporting FI had reported; however, this is no longer the practice. Until 2004, the MLU sent quarterly reports to reporting entities; however, this practice was stopped due to a lack of resources. Norway reports, however, that the practice of sending quarterly reports recommenced as of 1 January 2005. The MLU also had a tradition of giving feedback to Reporting FIs/BPs through a Contact Forum (biannual meetings with representatives from these entities). The Contact Forum discussed issues such as feedback, suspicious transactions, money laundering methods and other similar topics; however, this Forum has been abolished due to its unmanageable size after the adoption of the new Money Laundering Act. Instead, the MLU has been giving information and feedback through its quarterly newspaper "Money Laundering News".</p>
Institutional and other measures		
26.The FIU	PC	<p>Although, on paper, the MLU generally meets the requirements of Recommendation 26, its lack of effectiveness causes concerns and impedes the overall effectiveness of Norway's AML/CFT system. Technical limitations prevent the MLU staff to apply analytical tools directly to all of the information in the database, forcing them to extract a selection of STRs to another system where the analytical tools can be applied. As a result any analysis of STR information which the MLU staff might do is restricted to the selected extract only and is done without the benefit of allowing the analytical tools to search through the entire STR database. Overall, the impression is that much of the information from the STRs is distributed to other law enforcement bodies without sufficient analysis. This is because the MLU has insufficient resources to handle the STRs that it receives. In theory, the Control Committee could interfere with the MLU's independence, particularly with regards to the exercise of its discretion on the decision to delete records pursuant to section 10 of the MLA; however, in practice, this does not seem to have occurred. At a minimum, the Control Committee's intervention has impacted on the overall effectiveness of the MLU in that a disproportionate amount of the MLU's very limited resources are now expended towards considering whether to delete or justify retaining old STR files. As an Egmont member, the MLU is aware of the Egmont Group Statement of Purpose and its Principles for Information Exchange Between Financial Intelligence Units for Money Laundering Cases (Egmont Principles for Information Exchange). However, in practice, the MLU does not follow all of these guidelines. While the desire to protect the</p>

		privacy of information is understandable, to insist that such STR information be deleted may deprive the MLU of a potential source of information that may be exceedingly useful for its work, and inhibit the effectiveness of the MLU's work.
27.Law Enforcement Authorities	C	Recommendation 27 is fully observed.
28.Powers of competent authorities	C	Recommendation 28 is fully observed.
29.Supervisors	LC	FIs are obliged to produce self-assessment reports that are used by the FSA to determine which FIs will be visited on-site. However, these self-assessments are based on the prudential supervision and contain no AML/CFT questions. AML/CFT assessments of Reporting FIs by the FSA are an integral part of regular visits but seem to be too limited. For example, for a larger bank, the FSA indicated that the AML/CFT component of a regular examination took 2 days of off-site studies and 1 hour during the on-site. Moreover, for smaller FIs, the FSA indicated that AML/CFT assessments are not held annually, but only when there are indications that an assessment would be necessary. The assessors found that some institutions, that were deemed to be high risk, had just been assessed for the first time in 7 years. Not surprisingly, the assessment found some major shortcomings (like lack of a good AML/CFT compliance handbook within the institutions) that should normally not be found in countries that have implemented the FATF standard for some time.
30.Resources, integrity and training	PC	<p>Financial Intelligence Unit:</p> <p>The number of staff is inadequate to deal with the volume of STRs that the MLU currently receives because much of the MLU's activities are based on inefficient manual processes. For instance, the MLU does not accept STRs electronically; most are submitted either by fax, post or in person (though some are provided on a computer disc), after which the MLU staff must manually input the STRs into their system—even though most representatives from the private sector that met with the assessors indicated a strong desire and the current technical capability to submit reports electronically. Much of the MLU's analytical processes are handled manually and, with its current systems, there is no possibility for the system to automatically draw connections between STRs. The MLU can only work on a few of the STRs that it receives; the rest are simply filed away for future reference. Manual analysis is done, but is often dependent upon the MLU staff remembering a person's name or a previous STR. This process is clearly very inefficient. The management and resources of the MLU currently are not ring-fenced. High staff turnover at the MLU has caused some difficulties in maintaining effective relationships with reporting entities. Only two of the MLU's staff are trained in the use of Analysts Notebook. The joint involvement of the Ministry of Finance (through the Control Committee) and the Ministry of Justice & Police (as the ministry directly responsible for the MLU's operation and budget) may result in an unfocused and fragmented approach to the MLU's development. There seems to be widespread recognition that the MLU's resources are inadequate. Although, additional budgetary resources have been dedicated to ØKOKRIM to address these issues, the assessment team remains of the view that these resources are still inadequate.</p> <p>Law enforcement and prosecutorial authorities:</p> <p>The Police College currently provides an annual advanced training course to police officers and lawyers on economic crime; however, Norway acknowledges that this is not sufficient to meet the need for competence in this area. Consequently, Norway is experiencing difficulty in recruiting lawyers and police officers with adequate professional competence in the area of economic crime. Moreover, there is concern that members of economic crime teams must wait too long to obtain advanced training in economic crime cases. There is concern that ØKOKRIM attracts too many of the most highly trained economic crime investigators—to the detriment of the police districts. There is also some concern that, in the last few years, the Police Directorate has not given sufficient priority to AML efforts with regards to the Police College's involvement, ØKOKRIM and others.</p> <p>Supervisory authorities:</p> <p>Considering the number of entities that the FSA is responsible for supervising, its</p>

		number of staff seems inadequate.
31.National co-operation	LC	Although formal meetings do take place, solid outcomes do not always seem to result. There is still room for improvement in more effective interagency co-operation.
32.Statistics	PC	Not all of the statistics collected by the MLU are reliable. In 2004, due to some technical failures with respect to connectivity with the Egmont Secure Web System, the MLU had to replace some computer hardware. This led to a loss of data relating to requests from foreign FIUs, including its statistics relating to formal requests for assistance made or received by the MLU, and spontaneous referrals made by the MLU to foreign authorities. The inadequacy of the MLU's statistics collection mechanisms (i.e. its computer systems) has thus impeded its statistics collection capabilities. No statistical information is available concerning the criminal sanctions that were imposed on persons convicted of money laundering. Norwegian authorities report that it is difficult to know exactly how many money laundering cases really exist because it depends on how the judge characterises the case. Norway does not maintain statistics concerning sanctions imposed for failing to comply with AML/CFT obligations. Norway does not collect statistics concerning the nature of the mutual legal assistance request, whether the request was granted or refused, what crime the request was related to or how much time was required to respond. Norway does not collect statistics concerning the nature of the request, whether the request was granted or refused, what crime the request was related to or how much time was required to respond. The statistics related to extradition only include persons being extradited to or from Norway in 2003. Statistics for 2004 are unavailable due to a reorganisation of Norway's file system. Requests for extradition between the Nordic countries may, pursuant to the Act for extradition within the Nordic countries dated 03 March 1961, be sent directly between the prosecuting authorities. There are no statistics available concerning these requests. Norway does maintain statistics concerning the number of formal requests for assistance made to or received by the FIU from foreign counterparts. The figures are uncertain because the registration routines are not quite clear, especially as regards the requests made to foreign counterparts.
33.Legal persons – beneficial owners	LC	Norway could provide much more timely access to information concerning beneficial ownership.
34.Legal arrangements – beneficial owners	NA	Recommendation 34 is not applicable in the Norwegian context.
International Co-operation		
35.Conventions	LC	Implementation of the Palermo Convention: Article 6(2)(e) of the Convention obligates countries to make self-laundering an offence unless it is contrary to fundamental principles of domestic law. Self-laundering is not an offence in Norway, but this cannot be justified on the basis of its being contrary to a fundamental law. Implementation of the Terrorist Financing Convention: Article 18(1)(b) of the Convention requires countries to implement efficient measures to identify customers in whose interest accounts are opened is insufficiently implemented. Norway's implementation of Recommendation 5 does not include adequate measures to ascertain the identity of beneficial owners.
36.Mutual legal assistance (MLA)	LC	In all cases involving mutual legal assistance requests from non-Nordic countries (where coercive measures are being sought), dual criminality applies. Additionally, for non-Schengen countries some of the other requirements that apply to extradition requests also apply. This creates one difficulty, however, with regards to the application of dual criminality to mutual legal assistance requests relating to the following ML/FT activities that have not been properly criminalised in Norway: Self-laundering; conspiracy between 2 people to commit ML; and collecting funds for a terrorist organisation/terrorist.
37.Dual criminality	LC	The application of dual criminality may create an obstacle to mutual legal assistance and extradition in cases involving ML/FT activities that have not been properly criminalized in Norway.
38.MLA on	PC	Norway must start its own confiscation in situations other than those covered by the

confiscation and freezing		Vienna and Strasbourg Conventions. A procedure that requires a case to be made out before a local (Norwegian) court on the basis of foreign evidence is inherently less effective than one where the Norwegian court satisfies itself that a foreign court has made a charging/seizing/confiscation order, and then simply gives effect to that order.
39.Extradition	LC	Overall, there is concern that (except in the case of extradition requests from Nordic countries where dual criminality does not apply), extradition may be impeded when the case involves the following ML/FT activities that are not properly criminalised in Norway: (i) self-laundering; (ii) conspiring to commit ML outside of the context of an organised criminal group; and (ii) obtaining or collecting of funds/asset where the funds/assets are collected to be used by a terrorist organisation or individual terrorist where the use/intended use cannot be connected with a terrorist act and the funds have not yet been provided to the terrorist organisation/terrorist.
40.Other forms of co-operation	C	Recommendation 40 is fully observed.
Eight Special Recommendations	Rating	Summary of factors underlying rating
SR.I Implement UN instruments	PC	<p>Implementation of the Terrorist Financing Convention: Article 18(1)(b) of the Convention requires countries to implement efficient measures to identify customers in whose interest accounts are opened is insufficiently implemented. Norway's implementation of Recommendation 5 does not include adequate measures to ascertain the identity of beneficial owners.</p> <p>Implementation of S/RES/1267(1999): Although Norway has implemented measures that penalise breaches of freezing orders issued pursuant to S/RES/1267(1999), it does not monitor or supervise for compliance with this requirement (as required by section 8 of the resolution).</p> <p>Implementation of S/RES/1373(2001): Norway's implementation of S/RES/1373(2001) is not adequate enough. No effective mechanisms exist for communicating actions taken under S/RES/1373(2001) to the financial sector. Moreover, there are no specific measures in place to monitor compliance with the obligations pursuant to S/RES/1373(2001).</p>
SR.II Criminalise terrorist financing	LC	In addition to criminalising the activities enumerated in the Terrorist Financing Convention, countries are also obligated to criminalise a third type of activity—collecting funds in the knowledge that they are to be used (for any purpose) by a terrorist organisation or an individual terrorist. Norway has not yet criminalised this type of activity.
SR.III Freeze and confiscate terrorist assets	PC	Norway has not implemented measures to monitor compliance with the 1968 Act and Regulations (S/RES/1267(1999) or freezing mechanisms issued pursuant to s.202d of the Penal Code (S/RES/1373(2001)). The freezing action pursuant to S/RES/1267(1999) can be legally challenged by the entity frozen; however, the Norwegian authorities could not point at clear gateways for such action. Rather it is assumed that the entity frozen will use the same legal mechanisms that any citizen has at its disposal to challenge governmental decisions. Norway has issued some guidance to financial institutions and other persons/entities that may be holding targeted funds/assets; however, this guidance focuses more on how the FSA processes such lists, rather than giving guidance to financial institutions as to how they should meeting their obligations concerning freezing orders issued pursuant to S/RES/1267(1999). It is unclear how humanitarian exemptions would apply to property frozen pursuant to S/RES/1373(2001). Because the scope of the terrorist financing offence is not quite broad enough, Norway would be unable to freeze the assets in Norway of a person who is considered (more than 50% likely) to have collected funds in the knowledge that they are to be used generally (for any purpose) by a terrorist organisation/individual terrorist. There are no other mechanisms to ensure that relevant information is guided through government authorities to the financial community, nor are there any communication channels for providing feedback between the government and the financial sector. Norway has not issued any guidance to financial institutions and other persons or

		entities that may be holding targeted funds or other assets concerning their obligations in taking action under freezing mechanisms issued pursuant to S/RES/1373(2001).
SR.IV Suspicious transaction reporting	LC	It is unclear if the reporting obligations extend to all transactions where there is any suspicion that there is a link to a terrorist organisation or terrorist financier. Concerns raised above in Recommendation 13 about the effectiveness of the reporting system apply equally to SR IV.
SR.V International co-operation	LC	In all cases involving mutual legal assistance requests from non-Nordic countries (where coercive measures are being sought), dual criminality applies. Additionally, for non-Schengen countries some of the other requirements that apply to extradition requests also apply. This creates one difficulty, however, with regards to the application of dual criminality to mutual legal assistance requests relating to the following FT activity that has not been properly criminalised in Norway: collecting funds for a terrorist organisation/terrorist. Norway must start its own domestic proceedings to allow for confiscation in situations other than those covered by the Vienna and Strasbourg Conventions. A procedure that requires a case to be made out before a local (Norwegian) court on the basis of foreign evidence is inherently less effective than one where the Norwegian court satisfies itself that a foreign court has made a charging/seizing/confiscation order, and then simply gives effect to that order. The application of dual criminality may create an obstacle to extradition in cases involving ML/FT activities that have not been properly criminalised in Norway. Overall there is concern that (except in the case of extradition requests from Nordic countries where dual criminality does not apply), extradition may be impeded when the case involves the following FT activity that is not properly criminalised in Norway: obtaining or collecting of funds/assets where the funds/assets are collected to be used by a terrorist organisation or individual terrorist where the use/intended use cannot be connected with a terrorist act and the funds have not yet been provided to the terrorist organisation/terrorist.
SR VI AML requirements for money/value transfer services	PC	As with all other Reporting FIs in Norway, overall implementation of Recommendations 5-7, 15 and 22, and SR VII is very inadequate. This negatively impacts on the effectiveness of AML/CFT measures in the MVTS and other financial institution sectors. There are specific problems in the MVTS sector relating to the effectiveness of the reporting system. Reporting in the sector has diminished recently in part, it seems, because of a breakdown of communication between the MLU and the MVTS provider. Whatever the reason, Recommendation 13 has not been implemented effectively in this sector. There are some concerns about the effectiveness of supervision and sanction in the MVTS sector. In 2003, the MLU received information on approximately 2 500 MVTS transactions, and in 2004 the number of transactions reported exceeded 5 000. These STRs were submitted by the old MVTS provider. The successor MVTS provider commenced operations in early 2004, but reports have only been filed once by it. Although this problem has been brought to the attention of the FSA, no corrective action had been taken at the time of the on-site visit. However, subsequently, the FSA has started action to remedy this deficiency.
SR VII Wire transfer rules	NC	The MLA does not contain any obligation to collect or maintain this information for an occasional customer who is ordering a wire transfer that is below the threshold of NOK 100 000 (EUR 12 100/USD 15 800) unless the reporting entity suspects that the transaction is associated with terrorism or ML/FT (in which case, the reporting entity must request proof of identity, regardless of whether the customer is an occasional or permanent one (MLA s.5 para.4)). This threshold is significantly higher than the USD 3 000 threshold currently permitted by SR VII. There is no legal obligation to include full originator information in the message or payment form that accompanies a cross-border or domestic wire transfer. For domestic wire transfers, there is no obligation to maintain full originator information in such a manner that: (i) it can be made available to the beneficiary financial institution and to competent authorities within three business days of receiving a request; and (ii) domestic law enforcement authorities can compel immediate production of it. There is no obligation on Reporting FIs to ensure that non-routine transactions are not batched where this would increase the risk of money laundering or terrorist financing. There are no obligations on intermediary Reporting FIs in the payment chain to maintain all of the required originator information with the accompanying

		wire transfer. There are no obligations on beneficiary Reporting FIs to adopt risk-based procedures for identifying and handling wire transfers that are not accompanied by complete originator information. There are no sanctions for breaching many of the obligations under SR VII because many of the obligations themselves have not been implemented.
SR.VIII Non-profit organisations	NC	Norway has not yet carried out a review of the laws and regulations that relate to non-profit organisations (NPOs) that may be abused for the financing of terrorism. Norway has not implemented measures to ensure that terrorist organisations cannot pose as legitimate NPOs, or to ensure that funds/assets collected by or transferred through NPOs are not diverted to support the activities of terrorists or terrorist organisations. The system is further weakened by the fact that Recommendation 5 has not been implemented with regards to beneficial ownership.
SR IX Cash couriers	PC	The declaration obligation does not apply to bearer negotiable instruments—although when foreign negotiable instruments are cashed in, at a Norwegian bank for instance, the bank involved will be obliged to report the transaction to the Currency Transaction Register. However, in such cases it is the cashing-in that is being detected and, therefore, required to be reported, not the cross-border transportation itself, because the cashing-in is when the transaction takes place. Moreover, this system will not capture cross-border transportations of bearer negotiable instruments in Norwegian currency, regardless of whether they are cashed in Norway or not. In relation to bearer negotiable instruments, there is no possibility to stop or restrain them to determine whether evidence of ML/FT may be found, there is no penalty for falsely declaring them (because there is no obligation to declare); identification of the bearer is not retained, there is no penalties for making a false declaration; etcetera. The police and Prosecution Authority (including ØKOKRIM and the MLU) can only access the Currency Transaction Register after an investigation is started. Lists of designated persons and entities made pursuant to UN S/RES/1267(1999) are distributed to the customs authorities and are available to all customs posts electronically. However, lists of persons/entities designated pursuant to S/RES/1373(2001) are not.