

FATF



Anti-money laundering and  
counter-terrorist financing  
measures

# Norway

Enhanced Follow-up Report &  
2nd Technical Compliance Re-Rating

March 2019

Follow-up report





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## *NORWAY: ENHANCED FOLLOW-UP REPORT & 2<sup>ND</sup> TECHNICAL COMPLIANCE RE-RATING*

### 1. INTRODUCTION

The mutual evaluation report (MER) of Norway was adopted on 23 October 2014. Norway's 3rd Enhanced Follow-up Report (FUR) was adopted in February 2018. This follow-up report analyses the progress of Norway in addressing the technical compliance deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses progress made in implementing new requirements relating to FATF Recommendations which have changed since Norway's 3rd enhanced follow-up report (FUR) was adopted: Recommendations 2, 18 and 21. This report does not address what progress Norway has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

### 2. FINDINGS OF THE MER AND 3<sup>rd</sup> FUR

The MER and 3<sup>rd</sup> FUR rated Norway as follows for technical compliance:

**Table 1. Technical compliance ratings, February 2018**

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	LC	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	PC	PC	LC	LC	PC	PC	PC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	PC	LC	PC	PC	LC	LC	LC	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	PC	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, September 2016, <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Norway-2016.pdf>; Norway 1<sup>st</sup> Follow-up Report, December 2017, <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/FUR-Norway-Dec-2017.pdf>.

Given these results and Norway's level of effectiveness, the FATF placed Norway in enhanced follow-up.<sup>1</sup> The following experts assessed Norway's request for technical compliance re-rating:

- Mr. Hervé Dellicour, Economist in the Policy, Legal services and International relations' department, Financial Services and Markets Authority (FSMA), Belgium.
- Mr. Christian Lynne Wandt, Director, Anti-Money Laundering, Financial Supervisory Authority (FSA), Sweden.

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.

### 3. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

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

- a) Addressing certain technical compliance deficiencies identified in the MER, and
- b) Implementing new requirements where the FATF Recommendations have changed since its 3<sup>rd</sup> FUR was adopted (R.2, 18 and 21).

#### 3.1. 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. 9, 10, 11, 12, 14, 15, 17, 18, 19, 21, 22, 23, 25, 26, 27, 28, 34 and 35. As a result of this progress, Norway has been re-rated on 15 Recommendations. On Recommendations 19, 23 and 34 progress has been noted, but does not justify a re-rating on these Recommendations.

##### *Recommendation 9 (Originally rated LC)*

In its 4th MER, Norway was rated LC with R.9 because it was unclear that reporting financial institutions (FIs) could share customer due diligence (CDD) information, particularly within financial groups. Norway revised its Anti-Money Laundering Act (AML Act) in June 2018, to among other things, grant the Ministry of Finance powers to issue regulations on the sharing of information within financial groups, including with subsidiaries and branches located in other countries (section 31 of the AML Act). Regulations were issued in September 2018 and include the circumstances on which FIs can share CDD information within financial groups, including as part of measures to combat money laundering and terrorist financing. **On this basis, Norway is re-rated as compliant with R.9.**

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<sup>1</sup> Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up is based on the FATF's traditional policy that deals with members with significant deficiencies (for technical compliance or effectiveness) in their AML/CFT systems, and involves a more intensive process of follow-up.

### *Recommendation 10 (Originally rated PC)*

In its 4<sup>th</sup> MER, Norway was rated PC with R.10, given several deficiencies related to (i) the understanding of a customer's business and its ownership and control structure; (ii) an exemption on general CDD requirements for public companies; (iii) the identification of beneficial ownership in trusts and other similar legal arrangements and (iv) the identification of beneficial ownership related to life or investment related insurance. Most of these deficiencies have been addressed through amendments to the AML Act in June 2018 and issuance of the AML Regulation of 14 September 2018, although some deficiencies remain, such as in relation to the (i) identification and verification of the identity of the beneficial owner behind the payer (for occasional wire transfer), (ii) identification of the beneficiaries of a life insurance policy/trust designated by characteristics or by class, and (iii) preconditions for exemptions from CDD. **Norway is re-rated as largely compliant with R.10.**

### *Recommendation 11 (Originally rated LC)*

In its 4<sup>th</sup> MER, Norway was rated LC because the records of analysis conducted on customers, were retained only for five years after the transaction is conducted and not five years after termination of a business relationship. This deficiency was addressed in section 30 of the AML Act which now requires obliged entities to record and retain information and documents obtained and prepared in connection to CDD measures and results of any analysis undertaken, for five years after the customer relationship ends, or the transaction has been carried out. **Norway is re-rated as compliant with R.11.**

### *Recommendation 12 (Originally rated PC)*

In its 4<sup>th</sup> MER, Norway was rated PC with several deficiencies related to: (i) the definition of foreign politically exposed persons (PEPs) and family members and close associates; (ii) the lack of measures regarding domestic PEPs and (iii) measures for life insurance policies. The new AML Act defines PEP in accordance with FATF standards and establishes a set of obligations applicable to domestic, foreign and international organization PEPs. These obligations include a requirement for life insurance providers to detect whether the beneficiary or the beneficial owner of the beneficiary is a PEP or a close family member or associate of a PEP. **On this basis, Norway is re-rated as compliant with R.12.**

### *Recommendation 14 (Originally rated LC)*

In its 4<sup>th</sup> MER, Norway was rated LC because there was a need to increase actions taken with regard to unlicensed money value transfer services providers (MVTs), as well as with regard to agents of MVTs providers from other European Economic Area (EEA) countries in Norway. The first item was addressed through two strategic actions within Norway's National Strategy from December 2016, one to study the need for, and increase the sanctions available for unlicensed activity if needed, and one to improve the way unlicensed activity was being investigated and prosecuted. Since the MER, the study on sanctions was completed and three more cases of breaches were identified and prosecuted, as a result of collective action by the Financial Services Authority (FSA), the Police and the Financial Intelligence Unit. **Norway is re-rated as compliant with R.14.**

### ***Recommendation 15 (Originally rated PC; re-rated LC in 3rd FUR)***

In its 4<sup>th</sup> MER, Norway was rated PC for R.15 and re-rated to LC in its 3<sup>rd</sup> FUR. The main technical deficiencies were: there was inadequate assessment of money laundering (ML) and terrorist financing (TF) risks relating to new technologies, practices or products in the national risk assessment and reporting entities were not specifically obliged to assess the risks of new technologies, practices or products. These deficiencies were largely addressed in Norway's 3<sup>rd</sup> FUR, however, there was no specific requirement for all reporting entities to undertake risk assessments prior to the launch or use of new technologies. A specific obligation was introduced in the revised AML Act (section 7) for all entities to undertake a risk assessment prior to the launch or use of new technologies. **On this basis, Norway is re-rated as compliant with R.15.**

### ***Recommendation 17 (Originally rated PC)***

In its 4<sup>th</sup> MER, Norway was rated PC with R.17 because it lacked many of the essential requirements to comply with this Recommendation, including no requirement for FIs to take steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD requirements will be available from the third party upon request and without delay. The revised AML Act now requires obliged entities to only rely on third parties operating in a jurisdiction with similar requirements to those in the Norwegian AML Act and to obtain written assurances that the third party will disclose information and copies of documents used to identify and verify the identity of the customer, beneficial owners and others, as well as a requirement to immediately obtain information gathered by the third party.

In addition, the revised AML Act gave the Ministry of Finance (AML Act, section 22 para 7) power to make exemptions from the permission to rely on third parties from other states, and such regulations have been issued to prohibit reliance on certain FATF high-risk jurisdictions, as well as those countries on the European Union (EU) list of high-risk third countries. This is not entirely consistent with the FATF standards, which call for having regard to information available on the level of country risk more broadly. **Norway is therefore re-rated to largely compliant with R.17.**

### ***Recommendation 19 (Originally rated LC)***

In its 4<sup>th</sup> MER, Norway was rated LC with R.19 because of a lack of a formal requirement to apply enhanced due diligence (EDD) measures to business relationships and transactions with natural or legal persons from countries for which this is called for by the FATF. Since the Mutual Evaluation, Norway has issued AML Regulations which require FIs to apply enhanced customer due diligence measures to customers and beneficial owners established in a series of high-risk countries set out in the Regulations. However, this list does not include all countries monitored by the FATF. **Although Norway's progress is noted, the identified deficiency is partly addressed and Norway continues to be rated largely compliant with R.19.**

### ***Recommendation 22 (Originally rated PC)***

In its 4<sup>th</sup> MER, Norway was rated PC with R.22. The main technical deficiencies were: certain ship-based and internet-based casino gaming activities were not covered by the AML/CFT requirements and deficiencies in R.10-12, 15 and 17 also affected compliance with R.22. The provisions of Norway's new AML Act now also cover ship-based casino gaming and internet

gaming activities. However, minor deficiencies still remain for R.10 and R.17, which have an impact on R.22. **On that basis, Norway is re-rated as largely compliant with R.22.**

### *Recommendation 23 (Originally rated LC)*

In its 4<sup>th</sup> MER, Norway was rated LC with R.23. The main technical deficiencies were: certain ship-based and internet-based casino gaming activities were not covered by AML/CFT requirements, and deficiencies in R.18-19 and 21 also affected compliance with R.23. As indicated above with regard to R.22, the provisions of Norway's new AML Act now cover ship-based and Norway-based internet casino gaming. Foreign internet-based gaming activities are prohibited. However, minor deficiencies remain for R.19 as well as deficiencies for R.18 and 21 (see further below). **On that basis, the rating of largely compliant is maintained.**

### *Recommendation 25 (Originally rated PC)*

In its 4<sup>th</sup> MER, Norway was rated PC with R.25. The main technical deficiencies were: there were no obligations (or associated sanctions) on trustees of foreign trusts to disclose their status to reporting entities, or to give authorities access to information held by them in relation to the trust. It was also unclear whether the authorities rapidly provided international cooperation on information relating to trusts and other legal arrangements that may hold assets in Norway, or where the trustee resides in Norway. The new AML Act explicitly requires trustees of foreign trusts to make their status known to reporting entities when entering into a business relationship or seeking to carry out a transaction on behalf of the trust. Norway has a comprehensive legal framework that allows its authorities to exchange information with their foreign counterparts. The analysis of R.37 to 40 in Norway's MER does not identify any major deficiencies, which would affect the exchange of information on legal arrangements. **In light of progress made since the MER was adopted in 2014, Norway is re-rated to compliant with R.25.**

### *Recommendation 26 (Originally rated PC and re-rated LC in 3rd FUR)*

In its 4<sup>th</sup> MER, Norway was rated PC for R.26 but based on progress made Norway was re-rated to LC in February 2018. At that time, the remaining deficiency was that Norway did not yet monitor MVTs providers authorised in other EEA countries operating in Norway for AML/CFT purposes. As mentioned under R.14 above, this deficiency has now also been addressed. **Norway has made significant progress since the adoption of its MER in 2014 and its 3<sup>rd</sup> FUR in February 2018, and is re-rated to compliant with R.26.**

### *Recommendation 27 (Originally rated LC)*

In its 4<sup>th</sup> MER, Norway was rated LC for R.27 based on deficiencies with regard to sanctions. The MER noted that apart from coercive fines, financial sanctions could only be imposed if criminal procedures were brought and sanction provisions with regard to directors and senior management were not considered proportionate or dissuasive. These deficiencies were addressed through amendments to the AML Act in June 2018. Supervisory authorities may now impose sanctions, in line with Recommendation 35, for failure to comply with the AML/CFT requirements. **Norway has addressed all deficiencies and is re-rated to compliant with R.27.**

### ***Recommendation 28 (Originally rated PC and re-rated LC in 3rd FUR)***

In its 4<sup>th</sup> MER, Norway was rated PC for R.28, but based on progress made Norway was re-rated to LC in February 2018. At that time, the remaining deficiencies were: certain ship-based and internet-based casino gaming activities were not yet covered by the AML/CFT requirements; the sanctions for failure to comply with the AML/CFT requirements, both in the MLA and the FSA Act, were not proportionate and dissuasive, especially for directors and senior management, and shortcomings in risk-based supervision by the FSA and SRBs were not yet addressed. As mentioned above with regard to R.22 and R.23, the provisions of Norway's new AML Act now cover ship-based and internet-based casino gaming, while foreign internet-based gaming activities are prohibited. The new AML Act provides the supervisory authorities with a range of sanctions (including administrative fines), applicable to directors and senior managers, which are proportionate and dissuasive. The FSA and several SRBs have taken several actions to develop and improve their risk-based supervision, and the Norwegian Gaming Authority is also developing its risk-based supervisory model (which is deemed sufficient from a technical compliance perspective). **Based on this additional progress, Norway is re-rated to compliant with R.28.**

### ***Recommendation 34 (Originally rated LC)***

In its 4<sup>th</sup> MER, Norway was rated LC for R.34 because the FSA's guidance issued in 2009 was not sufficiently detailed to assist the implementation of the key building blocks of Norway's AML/CFT regime, including the application of the RBA and the detection of suspicious transactions, nor was the FSA pro-actively engaged in providing feedback to the reporting entities it supervises. Norway has taken several actions to provide guidance and feedback to obliged entities, including with regard to identification of suspicious transaction reports (i.e. development of a list of indicators), and issued guidance, however evidence (i.e. translation) was not provided in due time so that assessing the level of detail of the new guidance was not possible. **On this basis, Norway remains largely compliant with R.34.**

### ***Recommendation 35 (Originally rated PC)***

In its 4<sup>th</sup> MER, Norway was rated PC for R.35. The main technical deficiencies were: sanctions applicable to reporting entities, including to their directors and senior management, for failure to comply with AML/CFT obligations were not proportionate (insufficient range of sanctions) or dissuasive; criminal penalties for both natural and legal persons in the MLA (fines and imprisonment) did not cover several of the essential requirements underpinning Norway's preventive AML/CFT regime. Most of these deficiencies were addressed through amendments to the AML Act in June 2018. The AML Act now provides supervisory authorities with a range of sanctions applicable to reporting entities, including to their directors and senior management, for failure to comply with AML/CFT obligations and these are overall proportionate and dissuasive. **In light of progress made since the MER was adopted, Norway is re-rated to compliant with R.35.**



### 3.2. Progress on Recommendations which have changed since adoption of the 3rd FUR

Since the adoption of Norway's 3rd FUR, the FATF has amended Recommendations 2, 18 and 21. This section considers Norway's compliance with the new requirements.

#### *Recommendation 2 (Originally rated PC, re-rated LC at 3rd FUR)*

In October 2018, FATF Recommendation 2 was revised to clarify that national AML/CFT cooperation and coordination should ensure compatibility of AML/CFT requirements and data protection and privacy (DPP) rules, as well as other similar provisions (e.g. data security/localisation). Norway has several mechanisms for authorities to adequately cooperate and share information for AML/CFT purposes and continues to comply with R.2, as revised. **As a result, Norway remains largely compliant with R.2.**

#### *Recommendation 18 (Originally rated PC)*

In its 4<sup>th</sup> MER, Norway was rated PC for R.18. The main technical deficiencies were: FIs were not required to have screening procedures to ensure high standards when hiring employees (other than key functionaries), and the requirement to have an independent audit function to test the AML/CFT system only applied to certain types of FIs; financial groups were not required to implement group-wide programmes against ML/TF, and while the AML Act contained provisions to satisfy the requirements of c.18.3, their scope of application was limited to branches and subsidiaries established in states outside the EEA even though a large majority of branches and subsidiaries are located within the EEA. Additionally, in November 2017, the Interpretive Note to R.18 was amended to clarify the scope of information-sharing requirements.

The new AML Act imposes various new obligations on FIs to address deficiencies identified in the 4<sup>th</sup> MER but these new obligations are not sufficiently broad to fully meet the FATF requirements. For instance, the AML Act now requires screening of employees, but it is not specified that this should occur when hiring employees. There is also a deficiency related to the fact that provisions in 18.3 (related to consistency with AML/CFT country requirements) being only applicable to country branches and subsidiaries located within the EEA. Financial groups are however obliged to adopt the relevant requirements at group level, in branches and majority-owned subsidiaries, consistent with the FATF requirements. Norway also has measures in place for information-sharing within a group and permits the sharing of information relating to a suspicious transaction report (STR) while maintaining safeguards to prevent tipping-off. **Given the outstanding deficiencies, set out in detail above, Norway is re-rated to largely compliant with R.18.**

#### *Recommendation 21 (Originally rated LC)*

In its 4<sup>th</sup> MER, Norway was rated LC for R.21 because while there was a tipping-off prohibition in place, there were no sanctions applicable to individuals for breaching that prohibition. In November 2017, R.21 was amended to clarify that tipping-off provisions are not intended to inhibit information sharing under R.18. The AML Act prohibits FIs, their directors, officers and employees from disclosing the fact that an STR or related information is being filed with the financial intelligence unit (FIU). It also gives Norwegian authorities the right to prevent violators from holding a management function, impose administrative fines on and imprison violators for up to one year. The AML Act ensures that the prohibition does not prevent sharing of information in accordance with Recommendation 18. **Norway is therefore re-rated as compliant with R.21.**

### 3.3 Brief overview of progress on other Recommendations rated PC/LC (no Recommendations remain which were rated NC)

Norway reported on R.1, that a new national risk assessment (NRA) was published in November 2018 and that further progress had been made as regards improving statistics available to measure the effectiveness of its AML/CFT system as required by R.33.

Regarding R. 6, new legislation to address the deficiencies has been on public consultation, and a draft bill is expected to be sent to Parliament during spring 2019.

Regarding R.24, Norway reports that a new Act on the collection, maintaining and registration of beneficial ownership information is currently being processed in Parliament. The Act will, if adopted, lay the groundwork for a public register of beneficial ownership information.

## 4. CONCLUSION

Overall, Norway has made good progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated on 15 Recommendations. Only five Recommendations remain PC. Norway complies with the updated requirements of R.2, 18 and 21 and was re-rated from PC to LC on R.18; LC to C on R.21, and maintained the LC rating for R.2.

In light of Norway's progress since its MER and 3<sup>rd</sup> FUR were adopted, its technical compliance with the FATF Recommendations has been re-rated as follows:

Table 2. Technical compliance with re-ratings February 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).

Norway will remain in enhanced follow-up on the basis that it has a moderate level of effectiveness for 9 off the 11 effectiveness outcomes (FATF Procedures, para. 79(a)(iii)). According to the enhanced follow-up process, Norway will continue to report back to the FATF on progress to strengthen its implementation of AML/CFT measures.



The FATF logo is a red vertical oval containing the letters 'FATF' in white at the top and a stylized white graphic of three overlapping leaf-like shapes below. The background of the entire page is a teal gradient.

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March 2019

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

### Enhanced Follow-up Report & 2nd Technical Compliance Re-Rating

This follow-up report analyses Norway's additional progress in addressing the technical compliance deficiencies identified in its 2014 Mutual Evaluation and its March 2018 Follow-Up Report.

The report also looks at whether Norway has implemented new measures to meet the requirements of FATF Recommendations that changed since the 2014 assessment.

The background image shows a scenic view of a Norwegian fjord with colorful wooden houses lining the water's edge. The sky is blue with some clouds, and the water reflects the buildings and sky. On the right side, there is a vertical teal bar containing the text 'Follow-up report' written vertically.

Follow-up report