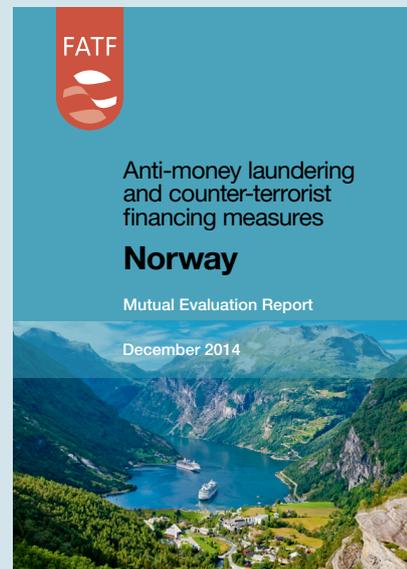




Anti-money laundering and counter-terrorist financing measures - Norway

2. National AML/CFT policies and coordination

Effectiveness and technical compliance



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2. NATIONAL AML/CFT POLICIES AND COORDINATION

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Key Findings

- Norway has not pursued a comprehensive process to assess and develop a shared understanding of its money laundering and terrorist financing (ML/TF) risks. The National Risk Assessment (NRA) is Norway's first comprehensive ML/TF risk assessment. However, there are significant shortcomings in the process and methodology, and significant gaps in inputs and areas covered. As a result, it is limited in its usefulness as a firm basis for setting a national anti-money laundering / counter-terrorist financing (AML/CFT) policy.
- The authorities do not have a sufficient understanding of ML risks, and AML policies are not based on identified ML risks. The authorities possess a better understanding of the TF risk and context and have pursued a comprehensive process to assess and share information on TF risks over a number of years, which has informed CFT policies to a greater extent.
- Results of risk assessments are not used to justify exemptions and support the application of AML/CFT measures depending on risk. The activities and objectives of competent authorities and self-regulating bodies (SRBs) are not to a satisfactory degree configured to mitigate the ML/TF risks which have been identified. Norway has not ensured that financial institutions, designated non-financial businesses and professions (DNFBPs) and other sectors affected by the application of the FATF Standards are aware of the ML/TF risk profile in Norway.
- While Norway has expressed its commitment to AML/CFT it does not have overarching national policies or strategies to combat ML and TF.
- There is no AML/CFT coordination mechanism at a national level. Responsibility is fragmented and there is not a clear and consistent recognition of the importance of AML/CFT across all competent authorities. Norway has however identified this as a critical vulnerability in the NRA, accurately describing policy development and to a degree, coordination, as not being top-down.
- Considerable informal cooperation is taking place at the operational level and has value. This is particularly the case on TF and proliferation financing (PF), although improvement is necessary for the coordination of operational AML activities.

2.1 Background and Context

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(a) Overview of AML/CFT Strategy

2.1. Norway adopts a multi-agency approach to developing and implementing national AML/CFT policies, with responsibility divided between the MoJ, MoF and MFA, and entities subordinated to these ministries¹. A much wider range of agencies and ministries beyond those portfolios have roles in AML/CFT in Norway.

2.2. Norway has no overarching AML/CFT strategy in place. The MoJ, the Police and the MoF have jointly issued a series of action plans for combating economic crime (1992, 1995, 2000, 2004, and the latest in 2010). Norway has advised that these plans are the key strategy documents for Norway's AML/CFT efforts. However, the Action Plan against Economic Crime (2010-11), which covers the period 2010-14, has not been made available in English and it has therefore not been possible to judge the scope and focus of the most recent plan. Other criminal justice strategies have AML elements. For example, the MoJ issued the Government's Plan of Action against Human Trafficking (2011–2014), which includes a strategy to ensure human traffickers are prosecuted and the use of a number of AML-related measures to achieve this. These include calling on the police to follow the money/proceeds of human trafficking, including more specifically targeted financial investigations.

2.3. Norwegian officials articulated an overarching national strategy to combat extremism and terrorism, including measures to combat TF. The national policies and strategies for TF incorporate AML/CFT preventive elements, but these are fragmented, not up-to-date and AML/CFT is generally a secondary consideration. Norway has acknowledged this vulnerability in the NRA.

(b) The Institutional Framework

2.4. Norway has a sound institutional framework in place that should provide a sound basis for an effective AML/CFT regime, although the failure to adequately identify ML risks makes any risk-based policy response within that framework challenging.

2.5. Norway does not however have a principal body or mechanism that coordinates and manages AML/CFT at the strategic level, or which develops national AML/CFT policies. The absence of a framework or procedural base to coordinate the ministries efforts in this area is recognised in the NRA; the policy response which does take place is largely ad hoc, and initiated by individual agencies arising from functions associated with FATF related work.

(c) Coordination and Cooperation Arrangements

2.6. Regarding policy setting and coordination, higher level coordination and cooperation is less clearly defined. Various pieces of legislation allocate tasks to particular institutions, but the authorities have a concern that there is a lack of overall coordination of effort and that operational coordination is undertaken on an informal and ad hoc basis. At the highest level the Norwegian delegation to FATF consists of representatives from various stakeholders. Formal operational coordination takes place between the FSA and ØKOKRIM and includes the FIU twice a year. However, this is at a very senior management level and AML is only one of many issues that can be discussed. There are also some other formal annual forums, such as the ministries Permanent Committee against Economic Crimes, which coordinates a large number of ministries on a broad range of topics relating to economic crimes. In terms of TF and PF, the Coordinating and Advisory Committee

1 The fact that several of these ministries administer different parts of the relevant legislation also represents challenges for coordination, as recognised in the NRA. No legislative committee has ever been established that has examined all aspects of legislation related to AML/CFT

for Intelligence, Surveillance and Security Services (*KRU*)² ensures coordination between the secret services (including the Norwegian Police Security Service (PST)) and the Government. A coordination group on serious crime, involving both public and private sector, has also been recently established, but none of these arrangements is AML/CFT specific. A new high-level coordination mechanism between the Ministry of Justice (MoJ), the Ministry of Finance (MoF) and the Prime Minister's Office in relation to counter terrorism was put in place. AML is not yet part of that mechanism, but the authorities indicated that broader AML strategies are likely to be included in this tripartite coordination structure.

(d) Country's Assessment of Risk

2.7. In March 2014, Norway produced its first National Risk Assessment (NRA) on ML/TF risks. Prior to this, Norway undertook threat and risk assessments of economic and other crimes (including ML/TF to a limited extent) which tended to be agency-level assessments, rather than a combined national risk assessment for ML/TF. The nature and scope of these risk assessments is analysed below.

2.2 Technical Compliance (R.1, R.2, R.33)

Recommendation 1 – Assessing Risks and applying a Risk-Based Approach

2.8. Norway is rated partially compliant (PC) with Recommendation (R.) 1. There has not yet been a comprehensive process to assess and develop a shared understanding of ML risks. Norway issued its first NRA in March 2014, following an eight month study, under the authority of an inter-governmental expert group led by the MoJ. However, there were a number of significant shortcomings in the process which meant that the NRA does not properly identify and assess the ML risks. Norway has established an inter-governmental group to assess ML/TF risks through the NRA and has allocated funds to update the NRA biannually. This is outlined further under Immediate Outcome (IO.) 1 below. As regards TF, the PST issues annual threat assessments and there are noticeably stronger mechanisms and products identifying and assessing TF risk.

2.9. Norway has indicated that its annual national budget process can consider various risks, including ML/TF risk, when allocating resources. However, no link was demonstrated between allocation of resources and findings on ML/TF risks. Moreover ML risks have not yet been properly assessed, although TF risks have been identified and assessed. As regards risk-based measures, some basic concepts are in place e.g., high risk requires enhanced measures, but overall the concept of the risk-based approach (RBA) is not well framed, with exemptions for CDD measures but no evidence of proven low risk, confusion between simplified measures for lower risk and exemptions for low risk etc. The supervision of AML/CFT requirements is limited in scope and intensity, and is not based on ML/TF risk.

2.10. Reporting entities are required to conduct CDD and related record keeping measures using RBA, by reference to certain risk categories e.g., customer type and relationship, product etc., and to have satisfactory internal control and communication procedures approved at senior level. They must also be able to demonstrate (though not document), on an ongoing basis, that the extent of measures carried out is commensurate to the risk. Risk assessment information held by industry is not provided to competent authorities and self-regulating bodies (SRBs). As noted, certain risk-based measures are required or exist, but are not comprehensive or fully consistent with the FATF Standards.

Recommendation 2 – National Cooperation and Coordination

2.11. Norway is rated PC with R.2. Norway takes a multi-agency approach to developing and implementing national AML/CFT policies but does not have a coordination mechanism, nor does it have overarching national

2 The KRU has six members including representatives from the Ministry of Defence, MoJ and the MFA, the Chief of the Norwegian Intelligence Service, the Chief of the Norwegian National Security Authority and the Chief of the PST.

AML/CFT policies which are sufficiently informed by ML/TF risk. AML/CFT policies are nominally established through the annual budget allocation to relevant agencies. However, there is a lack of a pro-active strategic approach to AML/CFT and policies that exist are not implemented in a coordinated manner. There are high-level meetings between the senior management of some of the agencies, but AML/CFT forms only a minor part of the agenda. As a result, AML/CFT priorities vary between competent authorities and ML/TF risk has only been considered on a limited and ad hoc basis. In addition, Norway does not have adequate coordination mechanisms at the operational level, particularly in relation to the investigation and prosecution of ML and the implementation of AML/CFT preventive measures. Cooperation on these issues is undertaken on an informal and ad hoc basis and varies between agencies. There is a greater level of coordination in relation to TF and PF issues. The PST has established mechanisms to cooperate with relevant agencies, including law enforcement agencies and the FIU. However, it is a concern that the PST and FSA do not have any mechanisms to coordinate, particularly given the FSA's role in the implementation of the targeted financial sanctions.

Recommendation 33 – Statistics

2.12. Norway is rated PC with R.33. Overall, Norway does not maintain comprehensive and reliable statistics on matters relevant to the effectiveness and efficiency of its AML/CFT systems. A clear exception is the FIU which keeps comprehensive statistics regarding STRs received and disseminated by its IT system "Ask" that has specific tools for developing and visualising these types of statistics. In addition, PST keeps statistics regarding TF investigations as well as other actions it takes to prevent TF. These two institutions also keep comprehensive statistics regarding information exchange with their foreign counterparts. Apart from these details, Norway was not able to provide the assessment team with adequate and reliable statistics regarding: ML investigations, prosecutions and convictions; property frozen, seized and confiscated; and *MLA* and extradition requests or other international requests for cooperation made and received.

2.3 Effectiveness: Immediate Outcome 1 (Risk, Policy and Coordination)

Understanding of ML/TF risks

National Risk Assessment ('NRA')

2.13. The March 2014 NRA, which was commissioned jointly by the Ministries of Justice and Finance, is the first time that Norway has produced an inter-agency assessment of risk for ML/TF at the national level, which is an important step to move the AML/CFT system to a risk-sensitive framework. This work reflects a cabinet-level decision to assess current ML/TF risks as well as a commitment of resources to prepare an updated NRA within two years. The NRA was an eight month study, under the authority of an inter-governmental expert group led by the MoJ with the FIU undertaking significant drafting.

2.14. Norway's first NRA process was not supported by a comprehensive process to assess and develop a shared understanding of ML/TF risks. Discussions with the authorities and the contents of the NRA confirm that the process by which the NRA was delivered was not effective which led to important deficiencies in the report. The process appears to have been under-resourced; and the project plan did not allow sufficient time, resulting in the need to adopt a truncated process and methodology. Government stakeholder engagement was poor with few government agencies fully engaged in the process which has resulted in challenges concerning the acceptance of the findings of the NRA by all stakeholders.

2.15. The NRA was based on a limited range of data sources and the private sector was only peripherally consulted. Despite the capacities and resources of judicial and regulatory authorities in Norway, the systems and processes do not provide for the collection of good quality quantitative and qualitative data that allows the authorities to make judgements on the risks facing Norway. The NRA was principally based on STR data from a 2011 trend report, though some other STR data was used, but overall the data does not adequately consider thematic and sectoral issues. The NRA does not consider (directly or by cross-reference to previous threat assessments) the types and trends with proceeds generating predicate offences and the volumes of proceeds of crime from various predicate offences (domestic and foreign). In this respect, the NRA does not take into account the findings of threat assessments conducted by Norwegian LEAs. In addition, it was also

noted that the Norwegian authorities expressed concern in the NRA over the quality of the STRs being filed by reporting entities which questions their value as the basis of analysis.

2.16. The NRA is not clear on its assumptions regarding the nature of ML threats, although interviews with agencies involved in the production of the NRA indicated that the crime situation in Norway is well known to authorities. The NRA does not set out information or findings in relation to the nature of threats, the sources of proceeds of crime and the nature, extent and actors intending to conduct ML in Norway or with the involvement of Norwegian natural or legal persons. Finally, there is limited assessment of the relative importance and level of the ML/TF risks or threats.

2.17. The assessment of vulnerabilities in the NRA is more detailed. It takes a robust and critical view of a number of the weaknesses regarding the policies, the operation of the institutional framework, political level support and prioritisation of AML measures. The analysis of vulnerabilities reflects a stated willingness by the authorities to critically examine strengths and weaknesses. Despite the frank articulations of these vulnerabilities, a challenge in the findings on vulnerabilities arises from the lack of comprehensive consideration of ML threats, which leaves the findings on vulnerabilities relatively general and rather focused on issues of technical compliance.

2.18. As a result of these concerns, it is concluded that the NRA does not adequately identify and assess the ML/TF risks and has limited usefulness as a basis for setting a national AML/CFT policy. Given the timing of the NRA, national AML/CFT policies, have not been adjusted to take into account the findings of the NRA. Neither the NRA nor other information demonstrates that all relevant authorities possess a sound understanding of the ML/TF risks in Norway. Despite this, the NRA is an important first step for Norway, and the government's decision to allocate funding to conduct a follow-up NRA within two years is also a positive development. This represents an opportunity for Norway to address the concerns outlined above as soon as possible.

ML Risks

2.19. Norway has the institutional framework, technical capacities and resources to collect and analyse information related to risk. Despite this, policy settings and activities in recent years have not supported an effective process to collect and analyse information regarding ML risk.

2.20. Prior to the NRA, Norway had produced a number of agency-level criminal threat assessments including ØKOKRIM's Threat Assessments of Economic and Environmental Crime 2010 & 2013, the Oslo Police District trend report on crime 2012 (including a sub-chapter on ML), FIU reports of case studies and trends (intended to support reporting entities better understanding of ML risks) and KRIPOS reports on Organised Crime in Norway. Norway provided these reports on crime types and trends in Norwegian and therefore they were unable to be properly assessed by the team³. Criminal threat assessments have been done on issues such as organised crime, drug trafficking, smuggling, tax offences, outlaw motorcycle gangs, human trafficking environmental crime, and other criminal trends. These threat assessments appear to set out trends with crime types, the interaction between domestic and foreign organised crime actors and other information on various crime types. Norway also advised that the police districts prepare a strategic analysis of the crime situation in each police district on an annual basis. Norwegian authorities did not provide the assessment team with details of any estimates, or findings of studies of the nature, extent and value of profit driven crime, including ML, and the threat of foreign proceeds of crime, nor the level of ML risk in Norway.

2.21. Despite a lack of materials provided to the FATF on ML threats, the team was able to identify some credible information on trends with ML threats from open source materials (such as reports from international or regional bodies and NPOs) and interviews with officials. These sources indicate that authorities have developed a reasonably detailed picture of the operation of organised crime in Norway. Overall, it is apparent that the various reports give limited consideration to ML risks in specific contexts, and the reports do not demonstrate that the competent authorities have an adequate understanding of ML risks in Norway and they do not consider ML issues in sufficient detail.

3 The FATF procedures require all documents to be made available to the team in one of the FATF languages.

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2.22. ØKOKRIM published a Threat Assessment of Economic and Environmental Crime in 2011 and 2013 which appears to include some assessment of the consequences of certain crimes. While a version was not available in English, the report appears to set out a model for ØKOKRIM to assess the probability of crime and the consequences of the crimes and assigning a score based on these variables. The risk model is indicator-based, and is intended to support consideration of priorities, strategies, target selection and resource allocation. Consequences are considered in terms of threats to life and health; threats to society; economic loss; and threats to public moral sense. The NRA does not reference consequences or the findings of these earlier ØKOKRIM Threat Assessments directly and does not use such risk modelling.

2.23. Below is the ‘Scoring of Probability + Impact’ from ØKOKRIM’s Threat Assessment of Economic and Environmental Crime:

Table 2.1. ØKOKRIM’s Predicate threat assessment

	Scoring of Probability + Impact		Scoring of Probability + Impact
Tax Crimes	90	Money laundering	64
Corruption	88	Subsidy crime	56
Fee Crime	81	Fraud	56
Working environmente crime	81	Pirated products	56
Insurance Fraud	80	Crime competition	49
Illegal pollution	80	Arts and Culture crime	48
Nature Crime	72	Bankruptcy crime	42
Securities Crimes	64	Embezzlement	40

Source: ØKOKRIM’s Threat Assessment of Economic and Environmental Crime.

TF Risks

2.25. Norway has demonstrated that it has, in a large part, properly identified, assessed and appears to have understood its TF risk. Norway has applied its generally well developed institutional framework, technical capacities and resources to collect and analyse information related to TF risk. This has been supported by policy settings and political commitment to support an effective process to develop and share an understanding of TF threats, vulnerabilities and consequences.

2.26. In addition to the NRA, the PST publishes a yearly threat assessment which includes various risks of extremism and politically motivated violence, threats to dignitaries, intelligence activity and proliferation of weapons of mass destruction. Each annual threat assessment includes consideration of financial aspects of these activities. In addition to the public document, PST produces classified assessments for government. The PST’s confidential reports will not be discussed in this report.

2.27. The PST threat assessments and discussions with police indicate that TF risk arises chiefly from small scale domestic collection, provision and use of funds for radicalised persons in Norway or for the support of foreign groups operating outside of Norway. Foreign funding for terror groups or actors in Norway is not regarded as a significant risk at present. The threat assessment for 2014 highlighted that politically motivated violence in the form of extreme Islamism will continue to represent a serious problem, and that the PST’s most important task in 2014 will be to prevent persons with close links to Norway from becoming involved in terrorist attacks. The emergence of an active Islamist extremist group will lead to greater polarisation between the various extremist groups in Norway, and could also increase the threat from right-wing extremist groups. There is also the risk that persons with extreme views acting alone, or with a loose connection to a group, could commit very serious crimes. Discussions with the PST confirmed the ongoing assessment of TF risks associated with these threats. The PST’s threat assessments have identified risks from remittance,

in particular largely informal remittance systems which service immigrant populations in Norway. This is combined with vulnerabilities for TF arising from the absence of supervision of the passported MVTS sector, the lack of action in relation to the unauthorised remittance sector and weaknesses in the controls that relate to charitable collection of funds in Norway.

2.28. Norway has, to a large extent, co-ordinated domestically to institute and apply measures to mitigate many of these TF risks. The MFA collects and shares information on TF risk with the larger Norwegian NGOs operating in conflict zones and other areas with significant TF risks.

2.29. However, while Norway has demonstrated that its operational agencies possess a sound understanding of TF risks, this is not consistent across all competent authorities e.g., the FSA and SRBs did not demonstrate a good understanding of TF risks.

Policies and Coordination

Policies based on ML risks

2.30. Norway does not have overarching national AML policies and the policy objectives and activities for combating ML at the agency level are not clearly articulated. Those that exist do not reflect the identified ML risks and are not supported by prioritised actions by key stakeholders. The activities and objectives of competent authorities and SRBs are not configured to mitigate the ML/TF risks identified. In recent years Norway's AML policy priorities appear to have been legislative and institutional developments arising from the 3rd Round MER and, more recently, support for Norway's presidency of the FATF.

2.31. Norwegian authorities indicated that the national AML strategies are set out in the government's Action Plan to Combat Economic Crime which is issued jointly by the Ministries of Justice and Finance every few years and last for a number of years. The 2004-2007 Economic Crime Action Plan identified AML/CFT as a national priority but only set out actions to take to combat ML to a limited extent. The most recent version of the Action Plan has not been made available to the team in English and could not be assessed. From discussions with officials and the earlier versions of the plan available in English, it is apparent that broad consideration is given to the measures required for more targeted and effective action to detect and combat economic crime, including expertise required and knowledge gaps, enforcement and confiscation arrangements, as well as international engagements. Despite the existence of these Action Plans, Norway lacks a 'top down' approach to support and drive the implementation of national AML policies and activities to address the identified ML risks. This seems to reflect a lack of prioritisation of combating ML at the political level, although some agencies have themselves prioritised AML activities.

2.32. The DGPP sets policy priorities for police and prosecutors through an annual circular letter. For 2014, economic crime, including ML, is pointed out as a priority for investigation and prosecution. The DGPP has also emphasised the importance of active use of confiscation measures, especially in relation to ML. The MoJ and Police Directorate issued a policy performance requirement for 2013 which emphasises that the Police must conduct confiscation investigation in all cases of profit-motivated crime and that the numbers of confiscation requirements are expected to exceed the average for the last three years. The Police Directorate has also provided similar policy objectives to the police districts.

2.33. AML has not been sufficiently prioritised at the national level and as a result the activity based response is limited, lacks adequate cohesion across agencies and is generally reactive. The priority, resources and intensity of activities for AML of most competent authorities is not demonstrated to be consistent with the risks identified by the police, ØKOKRIM, and jointly in the NRA. As an example, the NRA highlights a number of vulnerable sectors; however few of these are subject to prioritised AML/CFT measures. Professional gatekeepers are identified as higher risk for ML, yet lawyers are subject to minimal oversight by a SRB, while TCSPs remain outside of AML/CFT regulation altogether.

2.34. Norwegian authorities indicated that they have delayed the development of a new Action Plan on Combating Economic Crime to take into account the outcomes of the FATF Mutual Evaluation and the EU issuing the 4th Anti-Money Laundering Directive.

2.35. Results of the assessments of risks are not properly used to justify exemptions and support the application of AML/CFT measures depending on risk. The activities and objectives of competent authorities and SRBs are not configured to mitigate the ML/TF risks identified.

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Policies based on TF Risks

2.36. Implementation of policies and activities to combat TF risks demonstrate a substantial degree of effectiveness, although further steps remain to be taken. In a number of cases consideration is being given to make further reforms to respond to the identified risks. The MoJ issued an Action Plan to counter radicalisation and violent extremism covering the period 2010 - 2013 and focuses on four priority areas: increased knowledge and information; strengthened government cooperation; strengthened dialogue and involvement; and support for vulnerable and disadvantaged people. While CFT measures are not explicitly mentioned in the Plan, the PST, MFA and other ministries and agencies are pursuing policies which prioritise financial aspects of terrorism including developing and sharing financial intelligence, conducting financial investigations of terrorist groups and seeking to prevent the abuse of NPOs, hawala and other financial channels which may be vulnerable to TF. A new Action Plan was issued in June 2014, although this has not been provided to the assessment team.

2.37. However, while TF risks are generally well understood by the PST, they are not adequately integrated into Norway's policies relating to AML/CFT preventive measures, including policy and supervision priorities related to CDD of beneficial ownership and targeted financial sanctions. The only isolated example in the supervision of reporting entities when TF risks have been considered was in relation to the MVTS sector. Given the high risks identified by the PST, Norway introduced a licensing framework and took steps at that time to encourage remitters to become licensed and comply with AML/CFT regulatory controls in 2010. However, the level of supervision of MVTS since then has not been informed by TF risk. No on-site visits have taken place and little action is taken to identify unlicensed providers. A further challenge is that the policy for a relatively resource intensive licensing regime for these types of MVTS has not resulted in a significant number of remitters transferring from the informal to the formal sector. Interviews with remitters and the regulator suggest that compliance costs are an impediment to licensed players remaining in the formal system. At the same time, passported providers from other EEA countries are monitored for compliance with Norway's AML/CFT laws (see IO.4).

2.38. PST and the FIU have prioritised the development of TF-related financial intelligence and policies and activities to support financial investigations of terrorist groups and activities. This adds a significant degree of effectiveness. National AML/CFT policies to ensure the regulation and transparency of the collection of charitable funds have not been sufficient to address the identified risks. However the Ministry of Culture is leading work to review and amend the regulatory framework (see IO.10). The intensity of application of activities to apply UNSCR 1267 targeted financial sanctions does not reflect the risks identified by the PST. Implementation of targeted financial sanctions pursuant to UNSCR 1373, as required by Recommendation 6, is negatively affected by the absence of adequate policies and activities. The greatest challenge has been that the FSA, as the primary AML/CFT regulator and supervisor, has not prioritised CFT policies and activities in response to the risks identified by the PST. This is a significant gap for effectiveness.

Cooperation and coordination

2.39. Cooperation between competent authorities over the development and implementation of AML policies is not satisfactory. In particular, there has been limited coordination of supervisory activities within broader AML policies and there has been very limited engagement with SRBs. Cooperation in relation to CFT activities is more substantial, although this does not include supervisory activities. Nevertheless, a strong willingness to cooperate was noted. There are real opportunities to make significant improvements to policy and operational level cooperation and coordination on AML. The key obstacles to effectiveness are the lack of 'top down' support for coordination, a framework to do so, a lack of appropriate cooperation procedures and implementing measures.

2.40. Operational cooperation, and the transfer of information between AML stakeholders, is taking place within the framework, but on an informal and ad hoc basis, which on the whole is not effective. Coordination and cooperation on AML generally relies more upon working relationships at the operational level, rather

than a 'top down', national framework. The NRA confirms this and notes that parties further down the AML/CFT system are acting largely on their own initiative. Certain operational parts of the system are required to assume unrealistic levels of responsibility with insufficient guidance and support at the policy level. The NRA therefore provides a basis to address the problems.

2.41. The situation in relation to CFT is more effective. Operational cooperation and coordination, and the transfer of information between stakeholders at an operational level for CFT, generally displays a substantial level of effectiveness. Channels and mechanisms of cooperation and coordination are established and well supported. Certain agencies could be more closely involved, but overall the strength of the cooperation and coordination on CFT at an operational level is a model that Norway should consider for AML measures.

2.42. **MoF – MoJ:** As the two lead ministries on AML/CFT, coordination between these two agencies exists but there was not a clear track record of policy level coordination on AML/CFT. This reflects the lack of a structured approach to coordination of AML/CFT policy making. While some coordination has taken place, for example during the development of the *MLA* which was enacted in 2009, this is limited and does not take place on a regular basis. Given the absence of a mechanism for the coordination of AML/CFT policy, the coordination that does take place is on an informal and ad hoc basis, and needs to be enhanced.

2.43. **FIU – FSA:** The FSA and the FIU are focal points for AML/CFT efforts in relation to preventive measures (including STR reporting) and supervision. Some cooperation does take place between the FIU and FSA but overall it is on an ad hoc and informal basis. Biannual high-level meetings are held at a senior level between ØKOKRIM and the FSA. However, AML/CFT issues form only a small part of the agenda. At the operational levels ad hoc telephone contact or meetings take place on a case-by-case informal basis (including where the FIU has identified AML/CFT compliance failures with particular reporting parties). No information was available on parallel AML/CFT activities, what results are achieved in practice based on FIU and FSA dialogue and whether these are satisfactory. Increased engagement has been noted recently between FSA and the FIU on the topic of off-site inspections, in which the FIU is conducting a mini analysis of some banks' STR compliance, and providing feedback to the FSA. The FIU has a higher than expected level of engagement with reporting entities' compliance functions and as a result has a relatively detailed understanding of reporting parties' AML/CFT compliance, which is not being sufficiently utilised to help inform the FSA's supervisory risk analysis of financial sectors.

2.44. Cooperation and information sharing between the FIU and FSA on risk could be greatly improved. For example, although virtual currencies such as Bitcoin are noted in the NRA and the FIU has received STRs on this from entities under FSA supervision, no information exchange had taken place, in part because no regular forum or channel exists to discuss ML/TF risks. Additionally, there is no coordinated action to identify and take action against unlicensed MVTs providers and information exchange between the FIU and FSA on this is ad hoc.

2.45. **FIU – ØKOKRIM:** Authorities demonstrated a high level of cooperation between the FIU and ML team in ØKOKRIM.

2.46. **FIU – Police:** Norway has recognised that cooperation between the FIU and Police is frustrated to a large extent by the lack of a mechanism for national tasking over the dispatch of FIU referrals to police districts and other LEAs (see IO.6 below). Effective cooperation did take place with certain teams, such as with the Drugs Team, but decisions over the level of cooperation (or whether to cooperate with the FIU at all) remain mainly with individual police districts. Current arrangements are ad hoc, based around personal contacts and have no formal procedural basis unless the FIU files a police report. That cooperation relies to a great extent on the leverage obtained by the fact that most analysts in the FIU are serving Police Officers and prosecutors. When a Police District does not make use of the dissemination, the FIU uses alternative dissemination options, such as a referral to the Customs Authority, or does not pursue the case. The assessment team noted that this unsatisfactory arrangement may have resulted in the FIU ultimately making fewer disseminations. Norway has recognised this shortcoming, primarily in its review of the Norwegian Police Service (which should result in a smaller number of Districts and, in time, more standardised procedures) and as an objective of the *Round Norway* initiative. In general, communication was not taking place on how to address these issues. There has not been any consideration of alternatives that could complement the work of LEAs, such as referrals to the FSA of possible breaches of the *MLA*.

2.47. **DGPP – Police:** There is very good cooperation and coordination between the public prosecutors and the police, including specialist investigation agencies such as ØKOKRIM, KRIPOS and the PST. This includes aligned policies and priorities, as well as oversight of investigations by the DGPP.

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2.48. **PST:** The PST takes a proactive and strategic approach to inter-agency cooperation. The PST is dependent on cooperation with different agencies and organisations in Norway, including the FIU, ØKOKRIM, the police districts, KRIPOS and the Ministry of Foreign Affairs. There is regular and effective cooperation with various stakeholders that is formalised and procedurally based with its more important partner agencies. The PST has personnel in all 27 police districts and in the 26 districts outside of Oslo is subordinate to the respective police chief. The PST cooperates with the Police over specific targets or persons of interest; with Norwegian Customs and Excise, primarily over the currency register (which also took place with other competent authorities); with the Norwegian Tax Administration and financial institutions over TF risks relating to hawala. However, it is a concern that the PST and FSA do not cooperate on a regular basis. There are no mechanisms through which the PST and FSA coordinate their activities with regards to CFT. The PST has established a good level of formalised cooperation with the FIU (regular meetings sharing information on TF indicators and TF related STRs for example) aided by two dedicated staff in the FIU, one of whom is from PST. These ex or embedded staff in the FIU (whether PST or Police) have promoted best practices for cooperation and coordination at the working level.

Coordination for combating proliferation financing

2.49. Norway has established mechanisms for the coordination of policies and activities to combat the financing of proliferation, though it is a concern that the FSA does not participate in these mechanisms. An operational working group meets weekly or bi-weekly to review applications for export licences and transfers of funds to and from Iran. Representatives from the PST, the customs authority, the export section of the MFA and the legal department of the MFA participate. The group also assesses export and financial exchanges with other states, including DPRK. The FIU and FSA do not participate in this or any other forum on combating proliferation financing, even on an ‘as necessary’ basis. This is a particular concern given the role of the FIU and the FSA’s role in the implementation of the Iran and DPRK Regulations.

Engagement with the reporting entities

2.50. Norway has not taken sufficient action to ensure that financial institutions, DNFBPs and other sectors affected by the application of the FATF Standards are aware of the ML/TF risk profile in Norway. Norway has taken some important steps to ensure that financial institutions, DNFBPs and other sectors involved in implementing CFT controls are aware of the TF risks facing their sector. However, by contrast, not enough has been done to raise awareness of the ML risks facing those same sectors.

2.51. Some efforts have been made by LEAs, the FIU and the MFA to raise awareness of national ML/TF risks. The FIU takes a number of steps to reach out to the financial sector on issues of risk, directly through engagement with the reporting entities and through umbrella groups such as Finance Norway. The FIU has allocated resources and developed the expertise of staff and implemented specialist programs to engage with reporting financial institutions and DNFBPs on issues of AML/CFT compliance and STR reporting. However, the FSA is largely uninvolved in efforts to ensure that financial institutions and DNFBPs are aware of the ML/TF risks.

2.52. As noted above, a number of agency-level or issue-specific assessments have been produced that address ML/TF risk to varying degrees. These reports are publicly available and provide the private sector with some useful information regarding ML/TF risks in Norway, particularly the FIU’s trend and annual reports, and the PST’s annual public threat assessments. Some other studies have been done by private sector bodies, such as the 2009 report by the Security Council for Norwegian Businesses, and the 2013 Trend Report by Finance Norway, both of which have some information on ML issues.

2.53. Each year Finance Norway, the FIU and the FSA arrange a two day conference which focuses solely on ML/TF related trends, threats and risks, including STRs⁴. Private sector representatives found these conferences helpful and some of the provided material related to issues that were addressed in the NRA. Some information on risk is also published on the websites of the publishing authorities and also available on the government run web page *hvitvasking*. To some extent, the objective of sharing knowledge and strengthening cooperation between private and public sectors is being achieved through these forums. Nevertheless, Finance Norway has raised a concern that the Government and in particular the FSA have not been sufficiently proactive in sharing information on national ML/TF risks or shown an interest in receiving private sector views on potentially risk areas or factors⁵. During meetings with industry, the assessment team were informed that mechanisms or entry points to seek guidance from the FSA on risk are not sufficient. The FSA is regarded by industry as being passive rather than proactive, which does not effectively share information about its ML/TF risks at a sector or FI/Group level.

2.54. As the NRA was only published in March 2014, it has not yet been used to raise awareness of the relevant national ML/TF risks and it is uncertain how useful it would be given the limited focus of the NRA as described above.

2.55. The PST had also engaged the private sector on its views of TF risk, with its outreach program running three training courses in 2013. The assessment team received positive feedback during the on-site visit with regard to the mechanisms or entry points available to share information on TF risk with PST.

Conclusion on IO.1

2.56. The assessment team has serious concerns with the overall level of understanding of ML risk, and the cooperation and coordination of Norwegian authorities for AML policies and measures. The process and findings of the NRA are unsatisfactory. The team considers that this was not a comprehensive ML/TF risk assessment and that it is limited in its usefulness as a basis for setting a national AML/CFT policy. While LEAs have assessed the criminal threats in Norway, these are mainly focused on predicate crimes and not on ML risk. As a result, authorities do not possess a sufficient understanding of ML risks and AML priorities of LEAs are driven by their understanding of risks associated with predicate offences. The understanding of TF risks is stronger, as the PST in particular has assessed terrorism and its financing which informs their operational policies. The activities and objectives of the FSA are not configured to a satisfactory degree to mitigate the ML/TF risks, and Norway has not taken sufficient action to ensure that financial institutions, DNFBPs and other sectors are aware of the ML/TF risk profile in Norway. The sectors are not taking satisfactory risk-based mitigation measures. The lack of statistics in key areas increases the difficulty for Norway to assess ML/TF risks and implement evidence-based AML/CFT policies. Norway's high-level commitment to prepare an updated NRA is a welcome initiative, as is the intention to update policies based on the results of this assessment.

2.57. Norway does not have overarching national policies or strategies to combat ML/TF and there is no AML/CFT coordination mechanism at a national level. As a result, responsibilities are fragmented and there is no clear and consistent recognition of the importance of AML/CFT across competent authorities. Coordination is better with respect to CFT. At an operational level, considerable informal and ad hoc cooperation is taking place and has value. This is particularly the case for CFT activities, although concerns remain regarding operational AML cooperation, where the informal channels do not adequately replace the lack of formal coordination mechanisms. There is generally strong cooperation and coordination of activities to combat financing of proliferation, including between the PST, the customs authority, the export section of the MFA and the legal department of the MFA. However, it is a concern that the FIU and FSA do not participate in the cooperation mechanisms.

4 The target audience are financial institutions including Norway's largest banks and insurance companies, but smaller hawaladars and other groups, subject to the AML act, also attend.

5 The NRA acknowledges that Finance Norway has indicated that the requirements in the *MLA* are difficult for the banks to understand and comply with.

2.58. Norway has a **moderate level of effectiveness** for IO.1.

2

2.4 Recommendations on National AML/CFT Policies and Coordination

- a. Norway should commence work as soon as possible on a more robust NRA (process, methodology and inputs) including by:
 - Considering quantitative and qualitative data on the risks facing Norway and the operation of AML/CFT measures,
 - Assessing and reflecting on the findings of various agency-level assessments on threat, vulnerability & consequence, and
 - Consulting with all relevant stakeholders.
- b. Norway should then develop national AML/CFT policies, including the use of financial intelligence, and identifying priority actions based on mitigating the identified ML/TF risks.
- c. Norway should improve coordination, at the AML/CFT policy making level, including by:
 - Establishing a strategic level national coordination / cooperation platform for regular inter-agency policy-level review of AML/CFT initiatives (preventive and criminal justice), and
 - Strengthening feedback between agencies to judge the effectiveness of implementation in order to adjust strategies and their implementation (e.g., risk information, level or quality of STR reporting, information on unlicensed remitters or information that might lead to supervisory authorities to target specific institutions for review or support outreach efforts).
- d. Norway should maintain comprehensive statistics on AML issues to inform the risk assessment and support evidence-based policy making, particularly for areas not currently covered including ML investigations and prosecutions, confiscations and international cooperation.
- e. Norway should prioritise efforts to raise awareness of ML/TF risks among financial institutions and DNFBPs, including by:
 - Providing regular and consistent guidance to the private sector on risk and their conduct of enterprise level risk assessments, and
 - Feeding financial institutions' and DNFBPs' findings of risk into the NRA process.
- f. Norway should use the findings of future ML/TF risk assessments to justify exemptions, and apply enhanced measures for higher risk scenarios and simplified measures for lower risk scenarios.

2. NATIONAL AML/CFT POLICIES AND COORDINATION

Recommendation 1 – Assessing Risks and applying a Risk-Based Approach

a2.1. At the time of the 3rd Mutual Evaluation Report (MER) there was no requirement for a national risk assessment or the other risk related requirements set out in R.1.

a2.2. **Criterion 1.1** – Norway issued its first National Risk Assessment (NRA) in March 2014, following an eight month study, led by the MoJ, with the FIU, taking a leading role. The NRA refers to STR data from 2010-13, though it should be noted that the quantity and quality of these STRs are regarded by the FIU as being unsatisfactory. The NRA also draws to a limited extent on some other threat assessments, but does not consider the nature or volume of the ML threats associated with various types of predicate offences, nor does it draw to any real extent on the risks identified by law enforcement or the private sector concerning underlying predicate offences. Only generic information is available on ML techniques, which is based on limited information sources, and there is no assessment of the relative importance of the threats and of the potential consequences or impact. While some information is available on vulnerabilities, there are other vulnerabilities cited during the onsite visit which are not referenced. The NRA therefore does not properly identify and assess the ML/TF risks.

a2.3. Other threat assessments and analyses have been issued by specific agencies for the areas under their responsibility such as organised crime or drug trafficking, including by the FIU for ML, and ØKOKRIM and KRIPOS on profit-driven crime in Norway. Although these assessments collectively provide some risk information in some areas, they do not address in a coordinated and comprehensive way the risks for Norway concerning ML and the underlying predicate offences. As regards TF, the PST issues annual threat assessments and there appear to be a noticeably stronger mechanisms and products identifying and assessing TF risk. The finding on c.1.1 also has a negative impact on several other criteria, in particular, c.1.5 and c.1.7.

a2.4. **Criterion 1.2** – The preparation of the NRA was conducted by an inter-governmental expert group created through a Cabinet decision, with representatives of the Ministries of Justice and Finance, the National Police Directorate, FIU, PST and FSA. The work on the NRA is part of a broader review of the entire law enforcement structure and workings, which was instigated following the Breivik terrorist attack. The temporary expert group did not properly co-ordinate actions to assess risks. Rather it was left to the FIU to draft almost all of the NRA and several key agencies either did not participate in the exercise and/or do not agree with its contents.

a2.5. **Criterion 1.3** – As noted above, although the Norwegian NRA is very recently produced, and there is an intention that the NRA will be updated biennially, and funds have been allocated to the MoJ to complete this work. The PST publishes annual assessments on terrorism and TF.

a2.6. **Criterion 1.4** – The inter-governmental nature of the expert group has helped to promote sharing of the risk assessment information amongst competent authorities. Other information on risks and threats, including from international sources, is shared amongst the principal relevant Ministries (Finance, Justice and Public Security, and Foreign Affairs) and their respective agencies using formal, informal and ad hoc channels of cooperation. There is also a recently established co-ordination group on serious crime with representatives of the public and private sector. Information on risk is also made publicly available on the government-run (FIU and FSA) web page www.hvitvasking.no. There is a mix of communication channels though it appears that the level of communication and sharing of ML/TF risk information with reporting entities is less satisfactory.

a2.7. **Criterion 1.5** – Norway advises that resource allocation, including implementing specific risk-based measures to combat ML/TF, is determined by the annual Fiscal Budget, and that this process can involve a broad consideration of a range of factors including ML/TF risk. More detailed resource allocation is then decided at ministry and agency level. The budget process does allocate resources, including for AML/CFT purposes such as more FIU staff or a new computer system, but there does not appear to be any link with the assessment of ML/TF risks.

NATIONAL AML/CFT POLICIES AND COORDINATION

a2.8. **Criterion 1.6** – Norway has created a number of exemptions regarding the application of CDD measures (*MLR* s.10), which are based on *3AMLD*. It has not been demonstrated that these categories are low risk or that the preconditions required under c.1.6 are met.

a2.9. **Criterion 1.7** – Reporting FIs must apply “other customer due diligence measures” (in addition to the basic CDD measures) to situations involving a “high risk of transactions associated with proceeds of crime” or TF and terrorism offences, and also to foreign PEPs and correspondent banking (*MLA* ss. 15-16). However as noted in R.10, although enhanced CDD is required in high risk cases, concerns remain, such as: the narrower concept of “high risk transactions”, no examples of such high risk scenarios except for foreign PEPs and correspondent banking, no elaboration of the nature of the “other CDD measures” and the fact that these other measures only relate to CDD and not to other AML/CFT areas e.g. enhanced internal controls.

a2.10. **Criterion 1.8** – The *MLA* requires reporting entities to apply and adapt the level of CDD (including on-going monitoring, record keeping, timing and third party reliance) according to the level of risk that the entity assesses: s.5. The implication is that if the risk level is assessed to be lower, then (implicitly) simplified measures could be taken. There are no specific conditions attached, and the only specific provisions that deal with simplified CDD do not provide for simplified measures, only for exemptions”: *MLA* s.13, *MLR* s.10. Taken together, the *MLA* and the FSA guidance do not provide clarity on the obligations, which has resulted in reporting entities taking a conservative approach generally. Moreover as Norway has not fully assessed its ML/TF risks, the preconditions for simplified measures are not met.

a2.11. **Criterion 1.9** – The FSA and the Supervisory Council for Legal Practice are the competent authorities for AML/CFT supervision. Both have comprehensive inspection and monitoring powers as well as powers to impose sanctions to ensure implementation of the preventive measures. However, monitoring of AML/CFT compliance has not extended to requirements on FIs and DNFBPs to assess risk and implementing measures for risk mitigation. Overall, the supervision undertaken will not ensure compliance by reporting entities with R.1 (see also R.26-28).

a2.12. **Criterion 1.10** – Obligations for reporting entities regarding risk are based on the requirement to conduct CDD measures using a risk-based approach, where risk is to be assessed on the basis of customer type, customer relationship, product and/or transaction: *MLA* s.5. The reference to the use of an RBA is brief, and is not expanded elsewhere in the *MLA* or *MLR*. It implies that the reporting entity must identify and assess the risks. As regards the categories of risk, it is not clear that all types of risk need to be considered; however, this may depend on the meaning underlying the text used i.e. there is no clear need to consider country/geographic risk, and also vis-à-vis services and delivery channels. As regards documenting the risk assessments, there is an obligation for reporting FIs to be able to demonstrate that the extent of measures carried out is adapted to the risk concerned. This may be adequate in many cases but this is not the same as documenting the risk assessment, and consideration should be given as to how the requirement can be reinforced. The requirement to apply CDD using a RBA is an on-going one. There is also the obligation in *MLA* s.14 to update documentation and information concerning customers. Therefore the requirement to keep risk assessments updated is partially and implicitly met. There is no mechanism that ensures that risk assessment information held by a reporting entity is provided to supervisors.

a2.13. **Criterion 1.11** – Reporting FIs are required to have satisfactory internal control and communication procedures to fulfil the obligations in the *MLA*, and those procedures must be established at the highest management level, with a management level official assigned special responsibility for following up the procedures. Although this is not a direct and specific requirement to have policies and procedures to manage and mitigate risk, there is the indirect and more generic obligation to have procedures that will enable the requirements of the *MLA* to be met, which include a number of risk based obligations, and which must be approved by senior management. However, since the obligations have important deficiencies, this negatively impacts this criterion. The *MLA* does not require the controls to be monitored, although this is referred to in the FSA Guidelines. As regards higher risks and enhanced measures see c.1.7 above.

a2.14. **Criterion 1.12** – The *MLA* and *MLR* appear to require simplified measures based on risk, but do not attach conditions, and the only detailed provisions relate to exemptions. Similarly, FSA Guidance gives the appearance of allowing simplified measures, due to the headings, but the actual text refers to exemptions, and

the position is not at all clear (see c.1.8 above). Exemptions are specifically prohibited if there is a suspicion of ML/TF.

a2.15. **Weighting and conclusion:** The recent NRA has established a mechanism that could be used to assess ML/TF risk. However, the flaws with the NRA mean that Norway has not properly identified and assessed the ML risks that it faces. In addition, neither allocation of resources nor mitigating measures are applied on the basis of ML/TF risk. These are important technical deficiencies. Authorities possess a better understanding of TF risks and base their operational work on this. **Norway is rated PC with R.1.**

Recommendation 2 – National Cooperation and Coordination

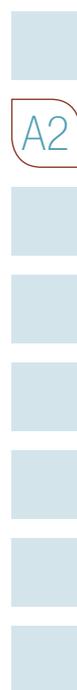
a2.16. In its 3rd mutual evaluation report (MER), Norway was rated LC with co-ordination requirements (see paragraphs 401-404). The MER found that Norway had implemented mechanisms that facilitate domestic co-operation at both the operational and policy levels, and that the relevant agencies were authorised to cooperate.

a2.17. **Criterion 2.1** – Norway does not have national AML/CFT policies which are sufficiently informed by ML/TF risk, nor does it regularly review its policies. Norway nominally establishes its AML/CFT policies through the annual budget allocation to relevant agencies. The MoJ, the Police and the MoF have jointly issued a series of action plans for combating economic crime (1992, 1995, 2000, 2004, and 2010) which Norway views as the key strategy documents for Norway’s AML/CFT efforts. The Action Plan against Economic Crime 2010-11 (covering 2010-14) was not provided to the team in English and it is assumed that it has little focus on AML/CFT. Norwegian officials articulated an overarching national strategy to combat extremism and terrorism, including measures to combat TF. The national policies and strategies for TF incorporate AML/CFT preventive elements, but these are fragmented, not up-to-date and AML/CFT is generally a secondary consideration. There is a lack of pro-active strategic approach to AML/CFT and any policies that exist are not carried out in a coordinated manner. As a result, AML/CFT priorities vary between competent authorities. ML/TF risk has only been considered in implementing AML/CFT measures on a limited and ad hoc basis, and it is unclear how risk is taken into account when setting annual priorities through the budget process.

a2.18. **Criterion 2.2** – Norway takes a multi-agency approach to developing and implementing national AML/CFT policies. The responsibilities for Norway’s AML/CFT policies are divided between the MoF, MoJ and MFA, and entities subordinated to these ministries. However, Norway does not have a coordination mechanism that is responsible for national AML/CFT policies.

a2.19. **Criterion 2.3** – Norway does not have adequate mechanisms in place to enable the various authorities to coordinate on AML/CFT. Cooperation is generally undertaken on an informal and ad hoc basis. The review of AML/CFT legislation and regulations in 2009, involved consultation between the relevant national authorities and the private sector, in line with Norwegian Government requirements contained in the *Instructions for Official Studies and Reports (2005)*, and the coordination requirements associated with the Cabinet and budget processes. However, this process was followed for the review of Norway’s AML/CFT laws and has not occurred on a regular basis for national AML/CFT policies. There are no mechanisms to facilitate cooperation and coordination between the FIU and the FSA concerning the development and implementation of AML/CFT activities. This is a particular concern given the key roles these agencies play in Norway’s AML/CFT regime. While some high level coordination takes place, this is not AML/CFT specific and the occasional cooperation at the operational level is insufficient.

a2.20. Norway has some examples of other operational level cooperation for ML, as informal and ad hoc meetings are held on a case-by-case basis. Given that they are located in the same agency, there are well established cooperation mechanisms between the FIU and the investigative units in ØKOKRIM. However, the coordination between the FIU and the police districts is not as strong. While some coordination takes place, there are no effective mechanisms to facilitate this coordination at both an operational and policy-making level. Annual cooperation meetings are held between the Public Prosecution Authority, the Police Director, the Head of ØKOKRIM and the Director of Taxes where AML/CFT may be a topic raised. A similar mechanism exists between the senior management of ØKOKRIM and FSA where AML/CFT can be discussed. However, these high level mechanisms are not sufficient and AML/CFT forms a minor part of the agenda. There is



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no cooperation between the FSA and the police districts. The nature and level of cooperation between the various competent authorities remains a concern.

a2.21. In relation to TF, the PST also cooperates closely with other partner agencies, such as the FIU, regional police districts, customs authorities, the Police Immigration Service and KRIPOS and the MFA. The PST has formalised dialogues, and also cooperate on a case-by-case basis. However, it is a concern that the PST and FSA do not have any mechanisms to coordinate, particularly given the FSA's role in the implementation of the *Al-Qaida and Taliban Regulations* (see R.6 below). Norway has also established the Contact Group for the Prevention of Acts of Terrorism, comprising of public and private sector entities, including the FSA and the Business and Industry Security Council (representing financial institutions). The Contact Group meets 2-3 times per year, and TF issues may be considered.

a2.22. **Criterion 2.4** – Norway has established coordination mechanisms to combat exports of goods and technologies relevant for the development of weapons of mass destruction and the financing of proliferation. An operational working group meets weekly or bi-weekly to review applications for export licences and transfers of funds to and from Iran. Representatives from the PST, the customs authority, the export section of the MFA and the legal department of the MFA participate. The group also assesses export and financial exchanges with other states, including DPRK. However, it is a concern that the FIU and FSA do not appear to participate in this or any other proliferation forum, even on an 'as necessary' basis. It is also a concern that the PST and FSA do not have any mechanisms to coordinate, particularly given the FSA's role in the implementation of the *Iran and DPRK Regulations* (see R.7 below).

a2.23. **Weighting and conclusion:** Norway does not have national AML/CFT policies and there is no coordination mechanism for AML/CFT. While some informal and ad hoc cooperation between authorities takes place, this is not sufficient. **Norway is rated PC with R.2.**

Recommendation 33 – Statistics

a2.24. In its 3rd MER, Norway was rated PC with previous requirements concerning statistics. Norway took action to address some of the deficiencies and the 4th Follow-up Report (FUR) concluded that Norway had raised its compliance to a level essentially equivalent to LC (see paragraphs 92-99).

a2.25. **Criterion 33.1(a)** – The FIU keeps comprehensive statistics regarding STRs received and disseminated. It produces an overview of STRs and other information received as well as how the information is processed and disseminated. There are statistics concerning the number of STRs received, the number of cases (containing one or several STRs) opened, information sent to supervisory authorities, dissemination of intelligence reports to LEAs and also notifications of information disseminated to *Indicia*. The FIU does however not keep statistics reflecting the actual use of the information disseminated.

a2.26. **Criterion 33.1(b)** – Norway was not able to provide the assessment team with adequate and reliable statistics regarding ML investigations, prosecutions and convictions. The police districts maintain statistics in relation to reported offences according to s.317 of the *Penal Code (PC)*; but without distinction between receiving and ML offences. The Norwegian Prosecution Authority is the designated authority to keep statistics regarding ML prosecutions and convictions. However, Norway was unable to provide comprehensive statistics, as those provided were not reliable and had significant flaws. ØKOKRIM also maintains statistics on ML prosecutions and convictions. The PST keeps statistics regarding TF investigations as well as other actions taken to prevent TF.

a2.27. **Criterion 33.1(c)** – Norway does not maintain comprehensive statistics regarding property frozen; seized and/or confiscated. In principle, each police district and special unit within the police keeps its own statistics in relation to frozen and seized property. These statistics are required to be kept as part of internal control procedures based on Regulation 2010/007 regarding processing of seizures in criminal cases. Norway reports that the Police Directorate maintains a national database for criminal cases which also contains information regarding convictions and related confiscations, including the number of confiscations and the amounts (in NOK) confiscated. ØKOKRIM maintains statistics on confiscation orders, but not on actual

amounts confiscated. Norway was unable to provide statistics on asset freezing/seizures, total amounts confiscated, or confiscations by KRIPOS.

a2.28. **Criterion 33.1(d)** – There are no statistics regarding the total number of mutual legal assistance and extradition requests sent/received. Mutual legal assistance requests to and from EU/Schengen represent the majority of the MLA requests in Norway. Statistics regarding these mutual legal assistance requests are not available because these requests are generally communicated directly between the competent judicial authorities. The MoJ electronically registers some basic data regarding other mutual legal assistance requests in the MoJ's case file system "*Websak*" when the requesting state is not an EU/Schengen state or when the request was sent directly to the competent judicial authority in Norway. Norway keeps basic data on extradition requests in *Websak*, except requests for concerning execution of arrest warrants between Norway and other Nordic countries. The latter requests are communicated directly between the competent judicial authorities and not centrally registered.

a2.29. The FIU keeps comprehensive statistics regarding its information exchange with other FIUs (both incoming and outgoing requests) in its IT system "*Ask*". The FSA does not keep statistics regarding AML/CFT specific information exchanges with foreign counterparts. Norwegian LEAs do not keep records of information exchange with foreign LEAs.

a2.30. **Weighting and conclusion:** Norway does not maintain comprehensive statistics on key issues including international cooperation, asset seizure and confiscation, and ML investigations and prosecutions. The only reliable and comprehensive statistics are those maintained in relation to STRs and TF investigations. **Norway is rated PC with R.33.**

Table of Acronyms

3AMLD	EU 3rd Anti-Money Laundering Directive
AA	Auditors Act
AC/AML Project	Anti-corruption and Money Laundering project
Action Plan 2000	Norwegian Government's Action Plan for Combating Economic Crime 2000
Action Plan 2004	Norwegian Government's Action Plan for Combating Economic Crime 2004
AEAA	Authorisation of External Accountants Act
Al-Qaida Regulations	Regulation on sanctions against Al-Qaida of 22 December 1999
AML	Anti-money laundering
AMLD	EU Anti-Money Laundering Directive
ANSC	Association of Norwegian Stockbrokers Companies
BERA	Business Enterprise Registration Act
BNI	Bearer Negotiable Instruments
BRC	Bronnoysund Register Centre
C	Compliant
CA	Customs Act
CBA	Commercial Banks Act
CCR	Central Coordinating Register for Legal Entities
CCRA	Central Coordinating Register for Legal Entities Act
CDD	Customer due diligence
CFT	Counter-terrorist financing
CJA	Court of Justice Act
Circular 9/2004	FSA Circular 9/2004 of 15 April 2004
CLA	Courts of Law Act
COE Corruption Convention	Council of Europe Criminal Law Convention on Corruption
Control Committee	Control Committee for Measures to Combat Money Laundering
Control Committee Regulations	Regulation on the Control Committee for Measures to Combat Money Laundering
CPA	Criminal Procedure Act
CRA	Currency Register Act
CRR	Currency Register Regulations
Customs	Directorate of Customs and Excise
DGPP	Director General of Public Prosecutions
DNFBP	Designated non-financial businesses and professions
DnR	Norwegian Institute of Public Auditors
DOB	Date of birth
DPA	Data Protection Authority
DPP	Director General of Public Prosecutions
EA	Extradition Act
ECHR	European Court of Human Rights
EEA	European Economic Area
Egmont Principles for Information Exchange	Egmont Principles for Information Exchange Between Financial Intelligence Units for Money Laundering Cases

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EU	European Union
EU Extradition Convention	European Convention on Extradition
EUR	Euros
FATF	Financial Action Task Force
FCA	Financial Contracts Act
FIA	Financial Institutions Act
FIU	Financial intelligence unit
FNH	Norwegian Financial Services Association
FSA	Financial Supervisory Authority (Kredittilsynet)
FS Act	Financial Services Act
FSA Regulations	Regulations concerning the exchange of information with supervisory authorities from countries within and outside the EEA
FT	Financing of terrorism / terrorist financing
HSH	Federation of Norwegian Commercial and Service Enterprises
FUR	Follow-up report
IA	Insurance Act
ISA	International Standards on Auditing and related services
IOPS	International Pension Supervisors Group
IT	Information technology
KRIPOS	National Criminal Investigation Service
LEA	Law Enforcement Agency
LLC Act	Limited Liability Companies Act
LC	Largely compliant
MFA	Ministry of Foreign Affairs
ML	Money laundering
MLA	Money Laundering Act
MLA Prep. Works	Preparatory Works of the Money Laundering Act
MLR	Money Laundering Regulations
MoF	Ministry of Finance
MoJ	Ministry of Justice and Public Security
MOU	Memorandum/memoranda of understanding
MVTS	Money or value transfer service (i.e. money remitter / alternative remittance service)
N/A	Non Applicable
NARF	Norges Autoriserte Regnskapsføreres Forening (Association of Authorised Accountants)
NAST	National Authority for Prosecution of Organised and Other Serious Crime
NBA	Norwegian Bar Association
NC	Non-compliant
NCB	Non-conviction based
NEA	Nordic Extradition Act
NHO	Confederation of Norwegian Business and Industry
NIPA	Norwegian Institute of Public Auditors
NMFA	Norwegian Mutual Fund Association

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NOK	Norwegian Kroner
NPD	National Police Directorate
NRA	National Risk Assessment
OECD Bribery Convention	OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions
ØKOKRIM	National Authority for Investigation and Prosecution of Economic and Environmental Crime
PA	Police Act
PAA	Public Administration Act
Palermo Convention	United Nations Convention against Transnational Organised Crime (2000)
PC	Partially compliant
PC	Penal Code
PCCC	Police Computer Crime Centre
PEP	Politically exposed person
PLLC Act	Public Limited Liability Companies Act
PF	Proliferation financing
POB	Place of birth
Police Academy	National Police Academy
Police Directorate	National Police Directorate
Population Register	Norwegian Population and Employer Register
Prosecution Authority	Government body responsible for conducting criminal prosecutions (headed by the Director General of Public Prosecutions)
PSP	Payment services provider
PST	Norwegian Police Security Service
PSD	EU Payment Services Directive
RBA	Risk-based approach
RCA	Regulations to the Customs Act
REAA	Real Estate Agency Act
REBA	Real Estate Business Act
Reg.1102	Regulation no.1102 of 30 November 1998 concerning exchange of information with supervisory authorities from countries within and outside the EEA
Regulations on International Cooperation	Regulations relating to International Cooperation in Criminal Matters
Reporting DNFBP or Reporting Designated Non-Financial Businesses and Professions	All non-financial businesses or professions that are obligated to comply with the Money Laundering Act and Regulations
Reporting entity	All entities that are obligated to comply with the Money Laundering Act and Regulations
Reporting FI or Reporting Financial Institution	All financial institutions that are obligated to comply with the Money Laundering Act and Regulations
RFA	Regulations for Advocates
ROK	Advisory Council for Combating Organised Crime
SBA	Savings Banks Act
SFA	Securities Funds Act

TABLE OF ACRONYMS

S/RES/	United Nations Security Council Resolution
SRB	Self-regulating body
SSB	Statistics Norway
STA	Securities Trading Act
STR	Suspicious transaction report
Strasbourg Convention	Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime 1990
Supervisory Council	Supervisory Council for Legal Practice
Taliban Regulations	Regulation on sanctions against Taliban of 8 November 2013
Tax Bulletin	Tax Directorate Bulletin of 5 November 2003
Tax Directorate	Directorate of Taxes
TCSP	Trust and company service provider
Terrorist Financing Convention	United Nations Convention for the Suppression of the Financing of Terrorism (1999)
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNCTC	United Nations Counter Terrorism Committee
UNSC	United Nations Security Council
USD	United States Dollars
Vienna Convention	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988