

Executive Summary

1. This report provides a summary of the anti-money laundering / counter-terrorist financing (AML/CFT) measures in place in Norway as at the date of the on-site visit 27 March 2014 to 11 April 2014. It analyses the level of compliance with the 2012 FATF 40 Recommendations and the level of effectiveness of Norway's AML/CFT system, and provides recommendations on how the system could be strengthened. The evaluation was prepared on the basis of the 2013 FATF Methodology.

A. Key Findings

- Although a national risk assessment – the first of its kind in Norway – has been published, **information on and analysis of, money laundering (ML) risks in Norway is incomplete and further work is needed to identify and understand the risks, including with respect to relevant predicate offences. Information on, and the assessment of, terrorist financing (TF) risks is much stronger.**
- **The lack of overarching national policies and strategies for AML/CFT and the lack of a policy-level coordinating mechanism have caused a number of shortcomings,** which exacerbate the limited and variable understanding of the risks. At an operational level, considerable informal and *ad hoc* cooperation is taking place and has value, but this is not sufficient to offset the lack of formal coordination mechanisms.
- **Use of financial intelligence differs significantly between competent authorities.** The National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) and the Norwegian Police Security Service (PST) use it effectively to 'follow the money' in criminal investigations of predicate offences, while its use in the 27 police districts and the National Criminal Investigation Service (KRIPOS) and the National Authority for Prosecution of Organised and Other Serious Crime (NAST) has limitations, and the Financial Intelligence Unit (FIU) experiences challenges in getting police to use FIU disseminations. The FIU's analytical capability functions well, but is hampered by the low quantity and quality of suspicious transaction reports (STRs) received.
- Norway has a good legal foundation and sound institutional structure for investigating and prosecuting ML, and for seizing and confiscating criminal proceeds. However, **investigation and prosecution of ML is not a high priority, primarily due to the focus on the predicate offence, thus leading to few ML prosecutions and convictions.** Limited confiscation results have been achieved, and further information is required to determine why the system is less effective than it should be.

- **Appropriate action is being taken to detect and disrupt TF in line with the identified risks, but weaknesses exist regarding targeted financial sanctions.** There is a solid legal framework in relation to the United Nations (UN) Taliban/Al Qaida sanctions, but there are serious deficiencies relating to the mechanism to designate entities and freeze assets pursuant to United Nations Security Council Resolution (UNSCR) 1373 as required by Recommendation 6, which undermines their ability to use targeted financial sanctions as an effective tool to combat TF.
- **Norway has taken significant measures to implement proliferation financing (PF) sanctions. However, effectiveness is undermined by delays in transposition of designations into Norwegian law and a lack of supervision of the sanctions implementation by reporting entities.**
- **Limited action has been taken since 2009 to update laws and other measures, particularly for preventive measures, and this is a priority for enhancing compliance and effectiveness.** The ML Act and Regulations, as well as guidance, needs updating and supplementing. Basic AML/CFT measures are being implemented, but effectiveness is variable, with banking and some designated non-financial businesses and professions (DNFBP) sectors being stronger. There is a need for a stronger application of risk-based approach (RBA), and for all sectors to more effectively implement the full range of preventive measures.
- **The Financial Supervisory Authority (FSA) conducts limited AML/CFT supervision, mostly in the context of prudential and business conduct supervision.** However, the frequency, scope and intensity of supervision are not sufficient, nor are they sufficiently based on ML/TF risk. Moreover, it is focused on technical compliance checklists rather than on the effectiveness and robustness of the preventive measures implemented. **Serious breaches of basic compliance have been identified.** However, the authorities do not have a wide enough range of powers to sanction, including no power to impose administrative fines, and **no sanctions other than written warnings have been applied to financial institutions.**
- **There is an extensive and transparent system of registers on legal ownership and control.** However, competent authorities are not able to get timely access to accurate and up-to-date beneficial ownership information of Norwegian companies when there are foreign legal persons/arrangements involved.
- **Norway takes an open and collaborative approach to international cooperation** and has demonstrated a substantively effective system of international cooperation.

B. Risks and General Situation

2. Information on ML risks in Norway is incomplete and further work needs to be done to better identify and understand ML/TF risks. Law enforcement agencies have produced threat assessments focused on predicate crime types which could assist. A national risk assessment has been published however this has significant shortcomings, as described in more detail below. Based on the available information, proceeds of crime and associated ML risks are primarily derived from domestic and foreign drug trafficking and organised crime, and fraud and other economic crimes such as bribery and tax offences. There is limited information on the nature and scope of cross border ML, though there is significantly more cash being taken out of Norway than is being brought in. More work needs to be done to assess the main ML trends, but initial findings suggest that frequently used methods include: use of cash, purchase and sale of real estate, and the assistance of professional facilitators. Money or value transfer service (MVTTS) providers, both authorised and unauthorised, have been identified as an important vulnerability.

3. Information on, and assessment of, TF risks is much stronger. Norwegian authorities consider that Islamist extremist groups pose the greatest risk for terrorism and TF. Intelligence suggests that extremist groups use small scale domestic collections to fund militant Islamist groups in their former home regions. It is a concern that individuals linked to these groups in Norway travel abroad to participate in their activities. Organised left-wing and right-wing extremist groups or individuals also pose a threat.

C. Findings on Compliance and Effectiveness

C.1 Assessment of risk, coordination and policy setting

4. **The authorities do not have a sufficient understanding of ML risks.** National AML policies responses are not based on a proper understanding of risk, while the manner and extent to which various authorities implement their AML/CFT priorities based on risk, varies considerably. Norway published a National Risk Assessment (NRA) in February 2014, which is its first comprehensive ML/TF risk assessment. Prior to this, ML risks had only been considered to a limited extent in agency-level assessments of various crime types, though **the PST had assessed TF risks in a more comprehensive manner.** There were significant shortcomings in the NRA process and methodology, and gaps in inputs and areas covered. For example, few government agencies were fully engaged in the process, which has resulted in challenges concerning the acceptance of the findings of the NRA. As a result, this was not a comprehensive ML/TF risk assessment and it is limited in its usefulness as a firm basis for setting a national AML/CFT policy and setting risk mitigation priorities.

5. The understanding of ML/TF risks in Norway varies between authorities. The FIU and PST have a better understanding of the ML/TF risks which have informed their respective operational policies. However, the AML priorities of law enforcement agencies are driven by their understanding of risks associated with predicate offences. The AML/CFT 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.

6. AML/CFT responsibilities are divided between ministries, led by the Ministry of Finance and Ministry of Justice, and other competent authorities. However, a particular concern is that **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, though coordination for TF and PF is noticeably stronger.** The approach to AML has been based around agency level threat and risk assessments of economic crimes which do not prioritise ML risks. Responsibilities are fragmented and there is no clear and consistent recognition of the importance of AML/CFT across competent authorities. At an operational level, considerable informal and *ad hoc* cooperation is taking place and has value. However, this is not sufficient to achieve an effective AML/CFT system and does not overcome the lack of formal coordination mechanisms.

7. Other than STR data, Norway does not maintain comprehensive statistics on issues related to AML. Comprehensive statistics were not available for this assessment, including on ML investigations, prosecutions

and convictions; the number and value of assets restrained, seized and confiscated; and on international cooperation. This hinders the ability of authorities to assess ML/TF risks and to establish evidence-based AML/CFT policies in response to the identified risks.

C.2 Money laundering and the use of financial intelligence

8. The use of the FIU's financial intelligence differs significantly between competent authorities. ØKOKRIM and the PST use it to effectively to 'follow the money' in criminal investigations, while its use in the 27 police districts and KRIPOS/NAST is limited, and the FIU experiences challenges in getting police to use FIU disseminations. Norway is seeking to address this by facilitating further engagement between the FIU and the police districts through the *Round Norway* initiative. **Norway has a well-functioning FIU** which develops and disseminates good quality financial intelligence based on STRs, various government registries, police information and the currency database. However, the FIU's strong analytical capability is undermined somewhat by the low quality of STRs received. In addition, the FIU has not undertaken strategic analysis since 2011 which has undermined authorities' ability to identify emerging threats.

9. Norway has a **good legal foundation and sound institutional structure for combatting ML**. ØKOKRIM handles the most significant ML cases related to economic crime and the 27 police districts also have responsibility for investigating ML through their economic crime units. The KRIPOS and NAST have important responsibilities for the investigation and prosecution of ML cases in relation to organised crime. These designated law enforcement agencies (LEAs) adopt a 'follow the money' approach and have access to a generally broad range of powers for financial investigations including ML cases.

10. **A fundamental concern is that the investigation and prosecution of ML is not prioritised by competent authorities.** Decisions not to investigate or prosecute ML are mostly due to the approach taken by all LEAs to investigate and prosecute the predicate offence rather than ML, combined with a lack of expertise and resources in the police districts. As a result, there are relatively few ML prosecutions and convictions, and many are self-laundering cases. It is not clear that the sentences applied in practice are dissuasive.

11. Norway has a strong legal framework for the freezing, seizing and confiscation of criminal proceeds. However, despite authorities making confiscation a policy priority, results are not satisfactory. There is a lack of statistics regarding freezing and seizing, and the data that is available for confiscation shows a steady decline in the amounts confiscated, which are also quite low in absolute terms. There are only a limited number of good examples of successful significant confiscation cases. Overall it is difficult to determine why the system is less effective than it should be. From the available data and qualitative information, and as confirmed by the authorities, it is clear that the **confiscation results achieved are less than Norway expected and significant improvements are necessary.**

C.3 Terrorist financing and proliferation financing

12. **Norway has a sound understanding of the TF risks it faces, and is taking action to detect and disrupt TF in line with the identified risks.** The PST produces assessments on terrorism including its financial aspects. The MFA also collects and shares information on TF risk with the larger Norwegian NGOs operating in high risk areas. However, while the operational agencies possess a sound understanding of TF risks, there is little co-ordination with the FSA and the information is not used by the FSA.

13. **Norway is focusing its investigative resources and international cooperation efforts into a small number of investigations related to terrorism and potential TF charges, based on TF risk.** Norway has only had one TF prosecution, which did not lead to a conviction. However, this seems to be generally in line with the TF risks in the country. The FIU and PST work closely together and use of financial intelligence is integrated into all of PST's investigations.

14. **Some action has been taken to prevent terrorists from raising, moving and using funds. However, the effectiveness of targeted financial sanctions is undermined by the limitations in the mechanism used to implement targeted financial sanctions pursuant to UNSCR 1373 as required by Recommendation 6.** Norway has a generally sound legal framework for targeted financial sanctions pursuant

to the Taliban/Al Qaida sanctions. Banks have a good awareness of the freezing obligations and implement measures. The poor implementation by financial institutions of beneficial ownership requirements as part of customer due diligence (CDD), and the varied and limited implementation outside the banking sector impact on effectiveness. Norway's mechanism to implement targeted financial sanctions pursuant to UNSCR 1373 as required by Recommendation 6 has serious deficiencies as it can only be used as part of an ongoing criminal investigation and does not establish a prohibition on the provision of funds to persons subject to a freezing action under this mechanism. This undermines Norway's ability to use targeted financial sanctions as an effective tool to combat TF. Despite this, in several cases, Norway has taken alternative action to secure terrorist funds using confiscation and charging provisions. Finally, Norway has taken a targeted approach and effectively prevents misuse of Norwegian non-profit organisations (NPOs) that are responsible for the bulk of overseas NPO activity.

15. **Norway has taken significant measures to implement targeted financial sanctions relating to proliferation of weapons of mass destruction.** Financial institutions have frozen funds of designated persons, and others operating on their behalf, under this framework. However, **the effectiveness of the use of targeted financial sanctions to combat proliferation financing is negatively impacted by the delays in transposing designations into Norwegian law, as well as a lack of supervision.** Although the delays are mitigated to some extent by the fact that some financial institutions monitor UN lists (as encouraged to do by FSA guidance) and have frozen funds prior to transposition into Norwegian law. Norway also implements EU sanctions, which means in effect that it has already implemented targeted financial sanctions for new UN designations which are previously on EU lists. Implementation outside the banking and insurance sectors is varied and limited, and the lack of supervision for all reporting entities is a concern with the only action taken being one questionnaire to the banking sector.

C.4 Preventive measures and supervision

16. **While significant enhancements were made to the preventive measures regime in 2009, Norway has not taken the necessary steps to update the regime since.** The AML/CFT legislation remains out of step with the 2012 FATF Recommendations and limited guidance has been provided to the private sector since 2009. The requirements for ML/TF risk assessments are not clearly understood and reporting entities do not have a well-developed understanding of risk. Some sectors, such as banking have a better understanding of the criminal threats to which they are exposed, but understanding of risk in other parts of the financial sector, and by DNFBBPs, is weak. While some sectors have implemented AML/CFT measures, significant weaknesses exist regarding the implementation of key preventive measures such as beneficial ownership, politically exposed persons (PEPs), wire transfers, correspondent banking and ongoing monitoring. Concerns exist over the quantity and quality of STRs which predominately relate to cash-based transactions.

17. The FSA is responsible for the supervision of reporting entities, with the exception of lawyers which come under the purview of the Supervisory Council for Legal Practice (a self-regulatory body). The supervisors do not adequately understand ML/TF risks. The FSA uses a combination of off-site and on-site supervision, carried out by sectoral supervisors primarily as a part of their prudential or other supervision. While some targeted AML/CFT supervision has taken place, **the frequency, scope and intensity of such supervision is not sufficient, nor is it sufficiently ML/TF risk based, and generally requires considerable enhancement, particularly for large complex institutions.** The FSA's supervision is focused on technical compliance checklists rather than on the effectiveness and robustness of the preventive measures implemented. There are also particular concerns with the level of AML/CFT supervision in other sectors (such as MVTs, securities and legal sectors) and certain activities (such as targeted financial sanctions and wire transfers). Overall, the limited level of supervision means that AML/CFT measures remain untested in many areas.

18. It is also a concern that **compliance with targeted financial sanctions has not been reviewed or discussed as part of on-site visits**, and has not formed a part of any supervisory work outside the banking sector. The FSA has not considered whether the measures taken are sufficient, and has only undertaken limited off-site supervision through questionnaires.

19. The FSA is aware that compliance with AML/CFT measures is not at the level it should be in several areas and has identified serious breaches. However, **no sanctions have been applied to financial institutions other than warnings**. The FSA does not have a wide enough range of powers to sanction (e.g., no power to impose administrative fines), and the sanctions available to authorities for AML/CFT breaches (that is, coercive fines and prosecutions), have not been applied. The only sanctions applied to financial institutions are in the form of letters advising entities of concerns which should be addressed. In some cases, advanced warnings have been issued which indicate that coercive fines will be initiated if concerns are not addressed within a specified time period.

C.5 Transparency and beneficial ownership

20. **Norway has not comprehensively assessed the ML/TF risks associated with legal persons and arrangements**. The information available indicates that there is a real risk that legal persons are misused to launder criminal proceeds. Foreign trusts are used in Norway and cases were provided in which the proceeds of crimes committed in Norway were laundered using trusts. There is no information on the degree to which trusts are being misused.

21. **Norway has an extensive system of registers on legal ownership and control**, which assists in preventing misuse and obtaining beneficial ownership information. There is considerable transparency regarding legal persons, with much of it available to not only competent authorities but also reporting entities and the general public, which helps strengthen the system.

22. **Competent authorities are able to access significant beneficial ownership information in a timely manner when only Norwegian entities are involved**, as they can follow the chain of ownership to a natural person. All Norwegian legal persons, and foreign companies conducting business activities in Norway, are obliged to register with the Bronnoysund Register Centre (BRC). Norway also requires all companies to maintain a register of shareholders which must be made available to any person on request. Other sources of basic and beneficial ownership information, including information held by the Tax Authority and in the Register of Company Accounts, are publicly available. The various registers include information on persons exercising control, including their personal identity numbers, which are cross-checked against the population register. Authorities access information in the registers by using their own IT systems and upon request. There are also private websites which aggregate a range of information from the various registers (including information on ownership and control, financial returns, and links between companies and individuals) and make it publicly available at no cost. Despite this, concerns exist regarding the accuracy of the information as the BRC is largely passive and reactive, and most information is not checked for accuracy.

23. However, **where foreign companies are involved, for example by owning shares in Norwegian companies, beneficial ownership information is not contained in the various registers, and is not available in a timely manner**. When authorities seek information about a Norwegian entity that has foreign ownership, they either have to ask the foreign entity, check registers in the home country, or seek international cooperation to determine the foreign entity's chain of ownership. While there have been successful criminal cases where the competent authorities have been able to trace the beneficial owner of a foreign company, this is not common, and this was cited by authorities as an area of difficulty.

24. Legal arrangements cannot be created under Norwegian law. However, foreign trusts are used in Norway, and authorities do not have timely access to beneficial ownership information on trusts.

C.6 International Cooperation

25. **Norway takes an open and collaborative approach to international cooperation. Cooperation between Norway and its Nordic partners is close, uncomplicated and dealt with speedily**. This includes cooperation through the use of Nordic arrest warrants, which are forwarded directly between the competent judicial authorities. Norwegian LEAs are very involved in cooperation with European Economic Area (EEA) countries under the EU framework for cooperation, including for ML, predicate offences and TF. Formal cooperation between Norway and non-EEA countries is also working well, based on a legal framework for mutual legal assistance and extradition that is generally broad. With respect to other forms of cooperation,

the FIU, LEAs and the Customs Authority are well engaged, both upon request and spontaneously. Norway does not maintain comprehensive statistics on *MLA* and extradition which makes it difficult to assess the effectiveness of their international cooperation. Despite this, based on qualitative information, Norway has shown that it has a substantively effective system of international cooperation.

D. Priority Actions

26. The following outlines the prioritised recommended actions for Norway based on the findings of this mutual evaluation:

■ *Assessment of risk, coordination and policy setting*

1. Norway should commence work as soon as possible on a more robust NRA, with full engagement by all relevant stakeholders, to comprehensively assess ML/TF risks, and disseminate the findings within government and the private sector.
2. Norway should then develop national AML/CFT policies based on ML/TF risks, and improve coordination, including by establishing a strategic level national coordination platform.
3. Norway should maintain comprehensive statistics on AML issues to inform the risk assessment and support evidence-based policy making.

■ *Money laundering and the use of financial intelligence*

4. Law enforcement agencies should prioritise and give investigative focus to further utilise financial intelligence and the ML offence to target organised crime, tax offences, foreign proceeds of crime and other high threat areas.
5. The police districts and KRIPOS/NAST should enhance their use of financial intelligence.
6. Norwegian police and prosecution authorities should continue to prioritise the confiscation of proceeds of crime and examine the chain of action to determine why actions to confiscate criminal proceeds are not effective.

■ *Terrorist financing and proliferation financing*

7. Norway should develop national policies to use targeted financial sanctions to combat TF and PF including by:
 - establishing a mechanism to implement all aspects of targeted financial sanctions pursuant to UNSCR 1373 as required by Recommendation 6;
 - removing delays in transposition of designations for PF sanctions into Norwegian law; and
 - undertaking monitoring of reporting entities for compliance with the targeted financial sanctions.

■ *Preventive measures and supervision*

8. Norway should update the MLA to ensure that AML/CFT preventive measures are consistent

with the FATF 2012 Recommendations.

9. Norway should establish a stronger, clearer and more comprehensive requirement for reporting entities to assess ML/TF risk and to implement preventive measures on a risk-sensitive basis.
10. Norway should enhance its AML/CFT supervision and ensure its future supervision is undertaken on the basis of ML/TF risk.
11. Supervisors should ensure that AML/CFT deficiencies identified during examinations lead to supervisory actions that are dissuasive, proportionate and effective.

■ ***Transparency and beneficial ownership***

12. Norway should take measures to ensure that beneficial ownership information of Norwegian legal entities is available when they are owned by foreign entities.
13. Obligations (and associated sanctions) should be imposed on trustees of foreign trusts to disclose their status to reporting entities.

Table 1. Effective Implementation of Immediate Outcomes

| Effectiveness | |
|--|--------------------|
| 1. Risk, Policy and Coordination | Moderate |
| <ul style="list-style-type: none"> ■ Norway has not sufficiently identified and assessed ML risks, and does not have a sufficient understanding of ML risks. This is demonstrated by the significant shortcomings in the NRA, which has limited usefulness as a firm basis for setting a national AML/CFT policy. ■ Norway does not have overarching national AML/CFT policies. ■ Current AML activities are not sufficiently being carried out on the basis of ML risk. ■ Norway does not have a mechanism for the coordination of AML activities at a policy level and operational level mechanisms are not effective. Coordination and cooperation is very limited at the policy level while at the operational level, mostly informal, <i>ad hoc</i> cooperation is taking place on ML. ■ Norway has, in large part, properly identified, assessed and appears to have understood the TF risks, and allocated resources to address a number of priorities, with the exception of CFT-related supervision. ■ Coordination and cooperation on combatting TF and PF is more effective, both at the formal and informal level. ■ There have only been limited and <i>ad hoc</i> efforts to raise awareness of ML risks among reporting entities. ■ Norway does not maintain comprehensive statistics on AML which limits the ability of authorities to assess the risks and establish evidence-based policies. | |
| 2. International Cooperation | Substantial |
| <ul style="list-style-type: none"> ■ Norway does not maintain comprehensive statistics on mutual legal assistance and extradition, nor on other forms of international cooperation (other than by the FIU), which creates difficulties in assessing effectiveness with respect to ML/TF cases. ■ Norway has a strong commitment to international cooperation and prioritises the provision of international assistance. ■ Norway cooperates effectively, and in a timely way, particularly with Nordic and EU countries, including direct cooperation between the competent authorities. ■ With respect to other forms of cooperation the FIU, LEAs and the Customs Authority engage in effective international cooperation with their counterparts, both upon request and spontaneously. ■ Norway has a sound legal framework in place to allow the FSA to exchange information with foreign counterparts in the financial sector. However, the FSA makes limited use of international information exchange for AML/CFT matters. It has provided information upon request for AML/CFT purposes in specific cases. | |

Effectiveness

3. Supervision**Moderate**

- Licensing, market entry and regulation of financial institutions are generally comprehensive.
- ML/TF risks have not been adequately identified and or understood by the FSA and SRBs.
- The FSA is the AML/CFT supervisor for all financial institutions and DNFBPs which are reporting entities in Norway, with the exception of the lawyers which is the Supervisory Council, and trust and company service providers (TCSPs) and dealers in precious metals and stones which do not have a designated supervisor.
- The FSA undertakes both on and off-site AML/CFT supervision, based largely on prudential and business conduct risks. The frequency, scope and intensity of AML/CFT supervision are not sufficiently ML/TF risk based and requires enhancement, particularly for large complex institutions.
- The FSA and Supervisory Council generally undertake only high level on-site supervision that does not adequately test the effectiveness of controls, rather focusing on technical compliance checklists.
- Taking into account the risks of the sector, concerns exist over the lack of on-site supervision in the authorised MVTS sector, and the lack of supervision of “passported” MVTS is a significant concern¹. Action has been taken to identify and sanction unauthorised MVTS providers, led by the FIU, though this is on an *ad hoc* basis and could be improved.
- Systems, procedures and specialised supervisory resources are not sufficient to support effective, risk-based AML/CFT supervision.
- The FSA’s feedback and guidance on AML/CFT requirements has been insufficient to address knowledge gaps on some core issues.
- Although the FSA is aware that compliance is not at a level that it should be (and in some cases serious breaches have been identified), the sanctions that are legally available to the authorities, including coercive fines or prosecutions, (which have technical limitations) have not been imposed and no regulations on the amount of fines have been issued.
- There is only very limited supervision of targeted financial sanctions requirements, and the FSA has not considered the adequacy of the systems used by reporting entities.

4. Preventive Measures**Moderate**

- While significant enhancements were made to the preventive measures regime in 2009 to better align with the 2003 FATF Recommendations, Norway has not taken the necessary steps to update the regime since then. As a result, a number of legislative deficiencies remain with respect to the preventive measures, which have a negative impact on effectiveness.

1 ‘Passported MVTS providers’ refers to agents of MVTS providers authorised by other EEA countries, operating in Norway, in line with the EU Payment Services Directive. For a description see Chapter 5.

Effectiveness

- Basic AML/CFT obligations are generally well understood only in certain sectors, such as the banking, audit, accounting and real estate sectors.
- Significant compliance gaps have been identified by the Norwegian authorities across a number of sectors and the implementation of some key preventive measures has not been effective in the identification and mitigation of ML/TF risks.
- Financial institutions and DNFBPs do not have a well-developed understanding of risk or the scope and depth of measures required to mitigate varying ML/TF risks. Some sectors, such as banking, understand the criminal threats to which they are exposed, but the requirement for a ML/TF assessment is not clearly understood and is not widespread. Understanding of risk in other parts of the financial sector is weak, particularly for DNFBPs.
- Weaknesses exist over the necessary CDD measures required to understand beneficial owners, particularly where foreign ownership is involved, which undermines effectiveness.
- Concerns exist over the application of preventive measures in some key areas such as PEPs, wire transfers and correspondent banking.
- Ongoing monitoring and periodic review requirements have not been effectively implemented.
- Concerns exist over the quantity and quality of STRs.

5. Legal Persons and Arrangements

Moderate

- The NRA notes but does not analyse the vulnerabilities that exist regarding the potential for misuse of legal persons in Norway, and does not consider the risks from trusts.
- Norway has an extensive system of readily accessible registers on legal ownership and control information, with information publicly available.
- Where ownership/control is entirely Norwegian, basic information (control information in national registers and ownership information held by companies) is readily available to competent authorities in a large majority of cases.
- Beneficial ownership information of Norwegian legal persons is not readily available where there are foreign legal persons or arrangements involved in the ownership/control structure.
- The company registry system is passive and reactive, with little active monitoring and limited sanctions.
- Trusts cannot be created under Norwegian law (thus likely reducing the ML/TF risks they pose in Norway given the fewer number), but trustees and/or beneficiaries of foreign trusts do exist. Neither competent authorities nor reporting entities have timely access to beneficial ownership information on foreign trusts operating in Norway.

Effectiveness

6. Financial Intelligence**Moderate**

- The FIU undertakes good quality operational analysis based on a range of information sources. However, the FIU's analytical capability is further limited by the rather low quantity and quality of the STRs received.
- The FIU and PST work closely together to develop financial intelligence on TF.
- The FIU has not undertaken any strategic analysis since 2011, which undermines the ability of authorities to identify emerging threats.
- ØKOKRIM and the PST extensively use financial intelligence in their investigations, including the use of FIU intelligence products, albeit mostly for investigations of predicate offences. However, the use of this product in the police districts and by other law enforcement bodies such as KRIPOS is limited, and mostly aimed at predicates.

7. ML Investigation and Prosecution**Moderate**

- Norway has well developed financial investigative and prosecutorial capacities, however ML cases have not been prioritised and the number of ML investigations and prosecutions is low. The shortage of reliable and comprehensive statistics about ML investigations, prosecutions and confiscations makes it difficult to get a complete picture of the situation.
- ML is investigated and prosecuted to a limited extent, and prosecutors and investigators concentrate on predicate offences. This is mostly because, in line with the drafting of the legislation, the prosecutors and investigators view ML as an offence which is ancillary to the predicate offence.
- The police districts rarely handle ML cases, which is to some extent due to many districts not having the capacity and resources to deal with them.
- It is not clear that the sanctions applied by the courts for ML are dissuasive.

8. Confiscation**Moderate**

- The shortage of reliable and comprehensive statistics about proceeds of crime, assets seized or frozen, the number and amount of confiscation orders and amounts recovered, makes it difficult to get a complete picture of the situation to determine why the system is not as effective as it could be.
- LEAs and prosecutors have not effectively used confiscation and related measures.
- Even though the confiscation of criminal proceeds is a policy priority, results with respect to confiscation are inadequate. The amounts confiscated by the police have declined, and significant improvements are necessary.
- The level of confiscation varies considerably between LEAs and is relatively low. It is a concern that the number and value of confiscation orders made by KRIPOS/NAST, responsible for serious drugs and organised crime cases, are negligible.

Effectiveness

- The system for cross border cash and bearer negotiable instruments (BNI) declarations has only produced limited outputs relative to the risks in this area.

9. TF Investigation & prosecution

Substantial

- Investigative resources and international cooperation efforts are focussed on conducting a small number of terrorism and TF investigations, based on their understanding of TF risks. The use of financial intelligence is integrated into all of the PST's investigations.
- Norway has had one TF prosecution which did not lead to a conviction; however this appears to be generally in line with TF risks.
- The PST has taken some other criminal justice measures to disrupt TF activities where it is not practicable to secure a TF conviction.

10. TF Preventive measures & financial sanctions

Moderate

- Banks understand their obligations relating to targeted financial sanctions for TF. However, implementation outside the banking sector is varied and limited.
- Across all sectors the effectiveness of screening is undermined by limited implementation by reporting entities regarding verification of beneficial ownership and related CDD measures.
- Norway is unable to use all aspects of targeted financial sanctions as an effective tool to combat TF, beyond the UN Taliban/Al Qaida sanctions, due to the serious technical deficiencies in the mechanism which is intended to implement targeted financial sanctions pursuant to UNSCR 1373 as required by Recommendation 6.
- Norway has taken action using asset confiscation and charging provisions in a few cases to secure terrorist funds during investigations and for confiscation.
- Norway has recognised the TF risk profile for NPOs and has taken steps to effectively implement a targeted approach to the part of the sector responsible for the bulk of overseas NPO activity.

11. PF Financial sanctions

Moderate

- Norway has taken significant measures to implement targeted financial sanctions for PF and there have been a number of cases of asset freezing related to Iran sanctions which demonstrates their effectiveness.
- The banking and insurance sectors generally understand their obligations relating to targeted financial sanctions for PF and have frozen bank accounts of designated persons. However, implementation outside these sectors is varied and limited.
- The lack of supervision for all reporting entities is a concern, as the FSA has not considered the adequacy of the systems used by reporting entities.

Effectiveness

- There is strong coordination and cooperation between competent authorities on PF, although this does not include engagement with the FSA.
- The delays in transposing designations into Norwegian law undermine Norway's ability to use targeted financial sanctions as a tool to combat PF. However, the delays are mitigated to some extent by financial institutions which monitor UN lists (as encouraged to do so by the FSA's guidance) and have frozen funds prior to transposition into Norwegian law. Norway also implements EU sanctions, which means that it has already implemented targeted financial sanctions for new UN designations which have been previously on EU lists.
- Across all sectors the effectiveness of screening is undermined by poor implementation by reporting entities regarding verification of beneficial ownership and related CDD measures.

Table 2: Compliance with FATF Recommendations

| Compliance with FATF Recommendations | | |
|--|--------|--|
| Recommendation | Rating | Factor(s) underlying the rating |
| 1. Assessing risks & applying a risk-based approach | PC | <ul style="list-style-type: none"> Norway has not pursued a comprehensive process to assess current ML risks and develop a shared understanding of those risks. There are significant shortcomings in the NRA's assessment of ML/TF risks, although TF risk has been assessed in PST assessments. The mechanism used to develop the NRA did not co-ordinate actions to assess risks. The mechanisms to share ML/TF risk information with reporting entities are insufficient. The allocation of resources is not linked to ML/TF risks, other than for operational CFT activities. Exemptions from AML/CFT requirements are permitted, and simplified measures may be permitted (it is unclear) but this is not based on an assessment of risk, and the preconditions regarding risk have not been demonstrated. Supervisors do not ensure that financial institutions and DNFBPs are implementing their obligations to assess and mitigate their risks. The requirement on reporting entities to keep risk assessments updated is only partially and implicitly met, and there is no mechanism that ensures that risk assessment information held by reporting entities is provided to competent authorities and SRBs. There is no requirement that internal controls relating to risk be monitored. |
| 2. National cooperation and coordination | PC | <ul style="list-style-type: none"> Norway does not have overarching national AML/CFT policies informed by the risks identified. Agency level priorities are not sufficiently informed by ML risk. Norway does not have a coordination mechanism that is responsible for national AML policies and priorities. Norway does not have adequate mechanisms in place to enable the various authorities at an operational level to cooperate and coordinate on AML. |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|---|--------|--|
| 3. | Money laundering offence | C | |
| 4. | Confiscation and provisional measures | LC | <ul style="list-style-type: none"> There is no mechanism to manage property that has been seized, whether before or after a confiscation order has been made. |
| 5. | Terrorist financing offence | LC | <ul style="list-style-type: none"> The collection of funds in the intention that they are to be used (for any purpose) by a terrorist organisation or an individual terrorist is not criminalised as a stand-alone offence. |
| 6. | Targeted financial sanctions related to terrorism & TF | PC | <ul style="list-style-type: none"> Norway has implemented only certain aspects of targeted financial sanctions pursuant to UNSCR 1373, as required by Recommendation 6, as the terrorist asset freezing mechanism under the Criminal Procedure Act (CPA) can only be used as part of an ongoing criminal investigation and does not establish a prohibition from making funds available to persons subject to a freezing action under this mechanism. |
| 7. | Targeted financial sanctions related to proliferation | PC | <ul style="list-style-type: none"> Designations under the relevant UNSCRs are not implemented without delay. The FSA has adopted only very limited measures to monitor and ensure compliance with the targeted financial sanctions by financial institutions and DNFBPs. |
| 8. | Non-profit organisations | LC | <ul style="list-style-type: none"> NPOs that are not in receipt of public funding are not required to implement controls and standards for NPOs There is a lack of proportionate and dissuasive sanctions for violations of the standards for NPOs. |
| 9. | Financial institution secrecy laws | LC | <ul style="list-style-type: none"> It is not clear in what circumstances reporting FIs can share CDD information, particularly within financial groups. |

Compliance with FATF Recommendations

| | Recommendation | Rating | Factor(s) underlying the rating |
|-----|------------------------|--------|---|
| 10. | Customer due diligence | PC | <ul style="list-style-type: none"> • For occasional wire transfers between 1 000 EUR and 15 000 EUR there is no requirement to identify and verify the identity of the beneficial owner behind the payer (customer). • The process for certifying copies of original identity documents has limited safeguards in place to ensure the reliability of the information. • No clear obligation for reporting FIs to have a broad understanding of a customer's business and its ownership and control structure. • Customers that are listed public companies in EEA states (and other equivalent countries) are exempt from CDD requirements. There are no requirements to ensure that there is adequate transparency regarding beneficial ownership of such companies. • While Norwegian law does not recognise trusts, trustees of foreign trusts may operate in Norway, and the CDD requirements only cover beneficiaries with a defined/vested interest above 25%. • There are no CDD requirements regarding the beneficiaries of life or investment related insurance policies, nor in relation to any beneficial owners standing behind the beneficiary. • The FSA guidance creates exceptions to the requirement to conduct CDD before or during the establishment of the relationship e.g., for PEPs, which are not in line with the FATF Standards. • CDD on existing customers is not required to be conducted on the basis of materiality and risk. • Simplified CDD is allowed, but the defined categories of "simplified CDD" are in fact exemptions from CDD, and the preconditions for such exemptions have not been demonstrated. • Relationships can be continued even when it has not been possible to conduct adequate CDD. • No provision that allows reporting FIs not to perform CDD in situations where the customer would be tipped off. |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|---|--------|--|
| 11. | Record keeping | LC | <ul style="list-style-type: none"> Records of analysis conducted are retained only for five years after the transaction is conducted, and not five years after the termination of a business relationship as required. |
| 12. | Politically exposed persons | PC | <ul style="list-style-type: none"> The definition of foreign PEP is too narrow as it is restricted to people who have held high public office in the past year, which is not in line with a RBA. The requirements for foreign PEPs in the MLA do not include PEPs that are the beneficial owners of individual customers. The measures relating to international organisation PEPs are limited as it only covers positions in international organisations that correspond to government positions listed. The list of government positions does not correspond well to the concept of senior management positions in an international organisation. There are no measures relating to domestic PEPs. The inclusion of family members and close associates in the definition of a PEP creates a confusing and circular definition. |
| 13. | Correspondent banking | PC | <ul style="list-style-type: none"> Core requirements for correspondent banking are limited to correspondent credit institutions located outside the EEA. |
| 14. | Money or value transfer services | LC | <ul style="list-style-type: none"> Norway has taken limited and <i>ad hoc</i> action regarding unauthorised MVTS providers. The agents of MVTS providers from other EEA countries, in Norway, are not monitored for AML/CFT compliance, nor are the MVTS providers located in other EEA countries that offer services in Norway monitored for AML/CFT compliance. |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|-------------------------|--------|--|
| 15. | New technologies | PC | <ul style="list-style-type: none"> • Although the NRA identifies ML/TF risks in relation to new technologies, there has not been a proper assessment of the risks. • There are no specific requirements for reporting FIs to identify and assess the ML/TF risks in relation to new technologies. There are general requirements for institutions to conduct risk assessments and mitigate risks but as it is not referred to in the regulations or associated guidance. It is unclear whether this applies to ML/TF risks and therefore whether financial institutions are required to assess and mitigate ML/TF risks. |
| 16. | Wire transfers | PC | <ul style="list-style-type: none"> • There are no requirements on financial institutions to include and maintain the required beneficiary information in cross-border and domestic wire transfers. • There is no requirement for intermediary institutions to take reasonable measures to identify cross-border wire transfers that lack originator or beneficiary information. • There is no requirement for intermediary institutions to have risk-based policies and procedures on when to execute, reject or suspend a wire transfer with missing information. • The definition of transfers within the EEA in the EU Regulation is wider than that permitted as a domestic transfer in Recommendation 16. • It is unclear whether the EU Regulation applies to cases where a credit or debit or prepaid card is used as part of a payment system to effect a person-to-person wire transfer. |

Compliance with FATF Recommendations

| Recommendation | Rating | Factor(s) underlying the rating |
|--|--------|---|
| 17. Reliance on third parties | PC | <ul style="list-style-type: none"> • There are no requirements for FIs to take steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay. • When relying on third parties, while third parties must be regulated and supervised for CDD and record keeping, FIs are not required to satisfy themselves that the third party has measures in place for compliance with these requirements in line with Recommendations 10 and 11. • Norway does not give regard to information on the level of country risk when determining in which countries a third party can be based. |
| 18. Internal controls and foreign branches and subsidiaries | PC | <ul style="list-style-type: none"> • FIs are 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 applies to certain types of FIs. • Financial groups are not required to implement group-wide programmes against ML/TF. • While the MLA contains provisions to satisfy the requirements of c.18.3, their scope of application is 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. |
| 19. Higher-risk countries | LC | <ul style="list-style-type: none"> • FIs are not automatically required to apply enhanced CDD, proportionate to the risks, to business relationships and transactions with natural and legal persons (including FIs) from countries for which this is called for by the FATF. |
| 20. Reporting of suspicious transaction | C | |
| 21. Tipping-off and confidentiality | LC | <ul style="list-style-type: none"> • There is a tipping off prohibition, but there is no sanction applicable to individuals for breaching that prohibition and the only sanctions are those generally applicable to reporting entities. |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|---------------------------------------|--------|--|
| 22. | DNFBPs: Customer due diligence | PC | <ul style="list-style-type: none"> • Scope issue: certain ship-based and internet-based casino gaming activities are not covered. • The deficiencies identified in relation to Recommendations 10-12, 15 & 17 equally apply to DNFBPs. |
| 23. | DNFBPs: Other measures | LC | <ul style="list-style-type: none"> • Scope issue: certain ship- and internet-based casino gaming activities are not covered. • The deficiencies identified in relation to Recommendations 18-19, & 21, equally apply to DNFBPs. |

Compliance with FATF Recommendations

| Recommendation | Rating | Factor(s) underlying the rating |
|--|--------|---|
| <p>24. Transparency and beneficial ownership of legal persons</p> | PC | <ul style="list-style-type: none"> • While Norway has a publicly available guide on the features and creation of the various types of legal entities, this does not extend to a description of the process for obtaining and recording basic and beneficial ownership information. • The ML/TF risks associated with legal persons have not been adequately assessed. • Norway does not have adequate mechanisms to ensure that competent authorities have timely access to beneficial ownership information on companies in Norway that have foreign ownership. • Norway takes limited measures to ensure that beneficial ownership information is accurate and up-to-date. • The measures to ensure that companies cooperate with authorities by making information available in Norway (by always having a natural person or DNFBP resident in Norway and representing the company), are inadequate, as it is possible that directors/management are resident elsewhere in the EEA. • There are no requirements on registries to keep records for 5 years after a company is dissolved. • Other than controls on the use of nominees for foreign investors in public limited liability companies (PLLCs), there are no measures in place to prevent the misuse of nominee shareholders and directors in Norway. • The level of fines for breaches of registration or other requirements is relatively low and not dissuasive. • There are no direct sanctions for the failure of legal persons to provide access to ownership information. • Norway does not adequately monitor the quality of assistance it receives from other countries in response to requests for basic and beneficial ownership information. |

Compliance with FATF Recommendations

| | Recommendation | Rating | Factor(s) underlying the rating |
|-----|--|--------|--|
| 25. | Transparency and beneficial ownership of legal arrangements | PC | <ul style="list-style-type: none"> • There are 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 is unclear whether the authorities rapidly provide international cooperation on information relating to trusts and other legal arrangements that may hold assets in Norway, or where the trustee resides in Norway |
| 26. | Regulation and supervision of financial institutions | PC | <ul style="list-style-type: none"> • Although commercial banks, insurance and finance companies are required to ensure that fit and proper requirements are met at all time, there is no obligation to notify the FSA of any changes in key functionaries, nor is there an explicit obligation to conduct fit and proper tests on new functionaries. • Supervision for AML/CFT of the insurance and securities sectors is very limited. • MVTs providers authorised in other EEA countries operating in Norway are not monitored for AML/CFT compliance and no on-site supervision has been undertaken of any MVTs provider. • The FSA does not determine the frequency and intensity of on-site and off-site AML/CFT supervision sufficiently on the basis of ML/TF risks. • The FSA does not conduct a proper review of the ML/TF risk profiles of financial institutions and groups under its supervision. |
| 27. | Powers of supervisors | LC | <ul style="list-style-type: none"> • The sanctions for failure to comply with the AML/CFT requirements, both in the MLA and the FS Act, are not proportionate and dissuasive, especially for directors and senior management, and the range of sanctions is not sufficient. |

Compliance with FATF Recommendations

| Recommendation | Rating | Factor(s) underlying the rating |
|--|--------|---|
| 28. Regulation and supervision of DNFBPs | PC | <ul style="list-style-type: none"> • Scope issue: certain casino gaming activities through the internet or on ships are not covered. • Norway has no designated competent authority for AML/CFT monitoring and supervision of TCSPs and dealers in precious metals and stones. • The sanctions for failure to comply with the AML/CFT requirements, both in the MLA and the FS Act, are not proportionate and dissuasive, especially for directors and senior management. • The FSA and SRBs do not determine the frequency and intensity of on-site and off-site AML/CFT supervision on the basis of ML/TF risks. • The FSA and SRBs do not conduct a proper review of the ML/TF risk profiles of DNFBPs under their supervision. |
| 29. Financial intelligence units | LC | <ul style="list-style-type: none"> • The FIU does not serve as the central agency for the receipt of disclosures filed by reporting entities regarding wire transfers reports and other threshold-based declarations. • The FIU has not produced any strategic analysis products since 2011. • The FIU's operational independence and autonomy is negatively impacted by the functions given to the Supervisory Board under the legal framework. |
| 30. Responsibilities of law enforcement and investigative authorities | C | |
| 31. Powers of law enforcement and investigative authorities | LC | <ul style="list-style-type: none"> • Norway's mechanism to identify whether natural or legal persons hold or control accounts is limited since the register is only updated annually. |
| 32. Cash couriers | C | |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|----------------------------------|--------|---|
| 33. | Statistics | PC | <ul style="list-style-type: none"> • Norway does not keep comprehensive and reliable statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems, particularly: <ul style="list-style-type: none"> ▶ ML investigations, prosecutions and convictions; ▶ Property frozen; seized and confiscated; and ▶ Mutual legal assistance, extradition and other international requests for co-operation made and received by LEAs and supervisors. |
| 34. | Guidance and feedback | LC | <ul style="list-style-type: none"> • The FSA's guidance issued in 2009 is not sufficiently detailed in some areas 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. • The FSA is not pro-actively engaged in providing feedback to the reporting entities it supervises. |
| 35. | Sanctions | PC | <ul style="list-style-type: none"> • Sanctions applicable to reporting entities, including their directors and senior management, for failure to comply with AML/CFT obligations are not proportionate (insufficient range of sanctions) or dissuasive. For example, the FSA has no power to impose administrative fines. • Criminal penalties for both natural and legal persons in the MLA (fines and imprisonment) can only be applied for breaches of a specific subset of MLA provisions which do not cover several of the essential requirements underpinning Norway's preventive AML/CFT regime, including ongoing monitoring, certain aspects of CDD (e.g., timing and reliance on third parties), corresponding banking relationships, tipping off and internal control requirements. • The coercive fines for breaching an order to stop contravening the MLA are not dissuasive in the absence of any amounts. In any event, coercive fines cannot be applied to directors and senior managers. |
| 36. | International instruments | C | |

Compliance with FATF Recommendations

| Recommendation | | Rating | Factor(s) underlying the rating |
|----------------|---|--------|---|
| 37. | Mutual legal assistance | LC | <ul style="list-style-type: none"> • <i>MLA</i> requests made directly to or from authorities other than the MoJ are not monitored in a case management system. |
| 38. | Mutual legal assistance: freezing and confiscation | LC | <ul style="list-style-type: none"> • In cases of requests that are not made under the Vienna, Merida or Strasbourg Convention, Norway must start its own confiscation proceedings which could delay action. • It has not been shown that non-conviction based confiscation orders and related measures can be enforced in Norway. • There are no mechanisms to manage seized and confiscated property. |
| 39. | Extradition | LC | <ul style="list-style-type: none"> • Extradition requests made directly to or from authorities other than the MoJ are not monitored in a case management system. |
| 40. | Other forms of international cooperation | LC | <ul style="list-style-type: none"> • Customs authorities do not have secure gateways for the transmission and execution of requests. |