

# AML Tuesday's Session #1 on:

Principality of Monaco

The 2023 Money Laundering Threat Assessment - Fls

February 13, 2024

# MER Key Findings – IO1

The Principality of Monaco has done a considerable amount of work to identify the ML/TF risks to which it is exposed. The existing vulnerabilities within FIs and DNFBPs are understood by the authorities. However, the analysis is not thorough enough. The risk that the financial system will be used to launder the proceeds of income tax fraud is not analysed. Lastly, no clear distinction is made between internal and external threats, while the risk assessment regarding: i) certain activities and sectors (casinos, CSPs, trusts and virtual assets), and ii) threats (organised crime, lack of detail concerning external threats) is limited. These shortcomings have an impact on the authorities' understanding of risks.

# Recommended Actions

- a) Monaco should conduct an in-depth analysis of the risk related to income tax fraud and other types of tax offence committed abroad and not punished by the laws of Monaco, by (i) examining and assessing the scale of the related ML threat; (ii) considering that non-criminalisation may be an inherent vulnerability; and (iii) providing an exhaustive analysis of national and sectoral vulnerabilities of relevance to this type of offence.
- b) Monaco should refine its analysis of risks linked to certain sectors and activities (casinos, CSPs, trusts and virtual assets) and threats (organised crime) through a more detailed examination of the information available in its next NRA. A more in-depth and granular analysis should be carried out, making a distinction between internal and external threats.

# Products

- National Tax Risk Assessment
- Sectoral Risk Assessment – Casino
- Sectoral Risk Assessment – Trust & Company Service Providers
- Sectoral Risk Assessment – Legal Entities
- Sectoral Risk Assessment – Virtual Assets
- 2023/24 Money Laundering Threat Assessment

# 2023/24 ML Threat Assessment – Areas of Focus

- Organised Crime
- Internal vs. External threats (Domestic vs. Overseas generated funds, natural and legal persons)

# Data Sources

- Date range: 2020 – 2023 (all since MER)
- DSP – 21 new case studies
- AMSF (CRF) – 64 Intel packages disseminated to GPO & DSP
- AMSF (CRF) – 24 STRs - DNFBPs

# Methodology

- In depth analysis of each case study
- Identify links to organised crime
- Identify origin of funds (domestic or overseas), legal/natural persons involved (domestic or overseas, resident/non-resident)
- Identification of likely predicate offence
- Nature of laundering (Self laundering, 3pML, SAML)
- Sectors involved

# Findings – Organised crime

- Monaco is exposed to the threat, but few recorded examples in material examined
- No evidence to suggest that any domestic organised crime groups are operating in Monaco.
- Because of Monaco's status as an IFC, it's high standard of living, and the ready accessibility of high-end property, luxury goods, and private banking, the Principality is vulnerable to the activities of overseas criminals seeking to acquire property and other assets in Monaco.
- The threat emanates from individuals, rather than from the organised crime groups to which they may be affiliated



# Findings – Organised crime

- **Example 1**; April 2022 – Subject 1, foreign national, made several visits to the Casino. During those visits he exchanged cash about 20k euros and gambled this amount of money, but also has exchanged on the table about 34k;
- Subject 1 asked the Casino to issue invoices to COMPANY A, which is owned by two of Subject 1's relatives. Company A is linked to investigations into the activity of high profile organised crime groups.
- Subject 1 was, between 2009 and 2021 :
  - Convicted for a jail sentence of 7 years for organised crime activities;
  - The subject of an MLA request concerning organised crime activities abroad ;
  - Being in illegal possession of weapons, used in public area, infringement of intellectual property, using force against public officer and banned from performing any public functions.

# Findings – Organised crime

- **Example 2;**
- 2022 – Subject X – previous information, links to money laundering, investigations overseas for misuse of corporate assets and ML
- Linked Monegasque company – fraudulent bankruptcy
- X rented an apartment in Monaco as 'family home' – foreign bank refused to execute rental payments.
- X paid the rent in cash instead (payments staggered to avoid cash payment limit)
- Bailiff initiated eviction proceedings – actual tenant was Y, foreign national identified as possible member of high profile OCG involved in drug trafficking, kidnap & murder

# 'Internal vs External threats'

## **External threats diverse, including;**

- Overseas vs Domestic proceeds of crime (~75% overseas)
- Foreign nationals resident overseas with Monaco bank accounts & property
- Foreign nationals resident in Monaco
- Foreign nationals resident overseas , BO of Monegasque companies
- Overseas companies with Monegasque bank accounts
- Overseas companies sending funds to Monegasque companies

# 'Internal vs External threats'

## Internal threats emanate from;

- Monegasque Nationals & TCSPs
- Self-laundering by Monegasque based criminals
- Use of Monegasque bank accounts by domestic natural & legal persons
- TCSPs forming companies
- Abuse of Monegasque Companies, inc SAM, SARL & SCI (see Legal Persons risk assessment)
- **Less than 7% of cases have no identifiable link to external threats**

# 'Internal vs External threats'

## **Case studies include;**

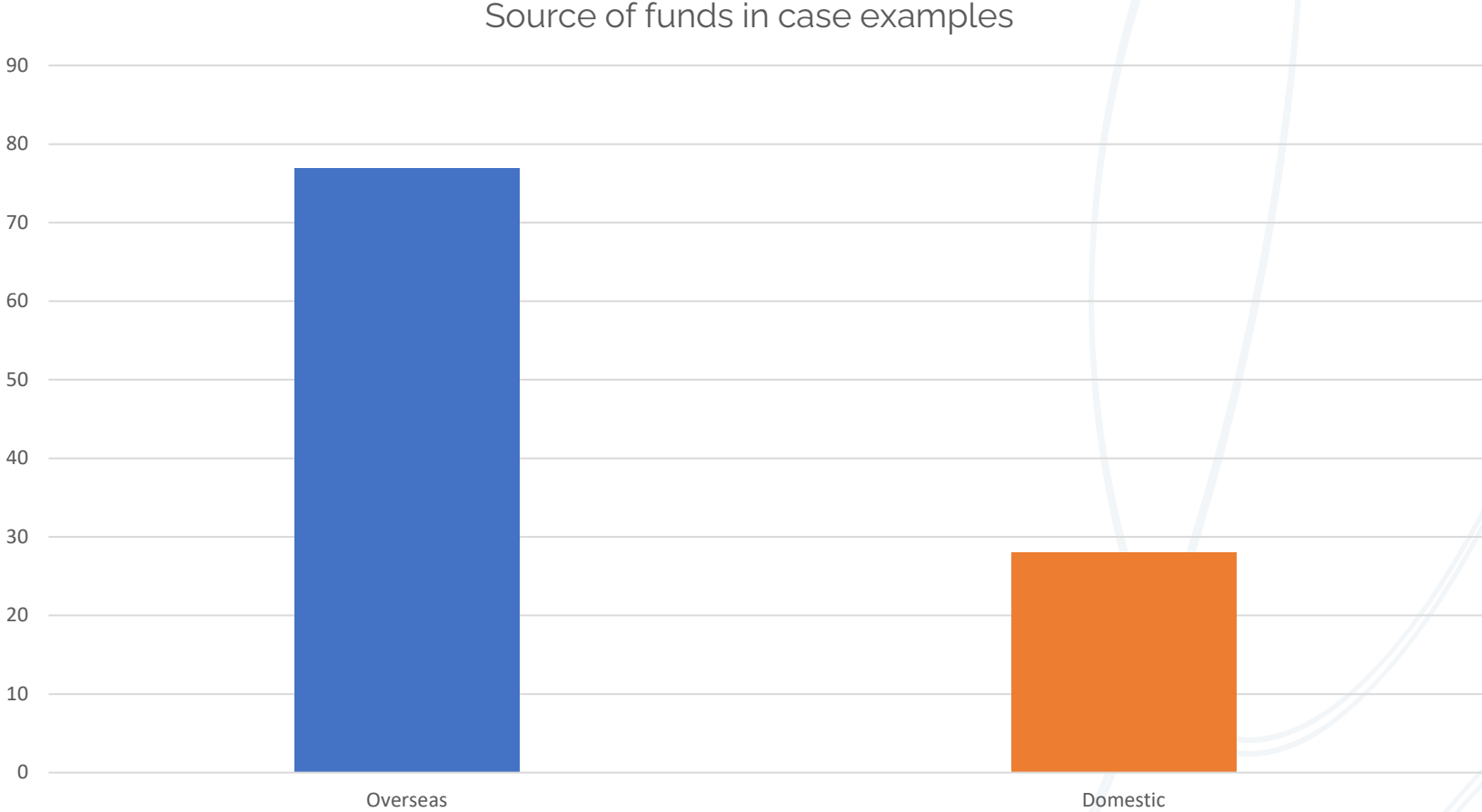
- Cash paid into Monaco bank accounts; company under investigation in country A for ML & tax evasion
- Individuals in NRA high risk sector providing services to sanctioned persons
- Purchase of multiple properties and other assets in Monaco by foreign nationals convicted of money laundering overseas
- Multi million euro payment into Monaco account found to be a bribe to a foreign PEP involved in granting oil exploration contracts

# 'Internal vs External threats'

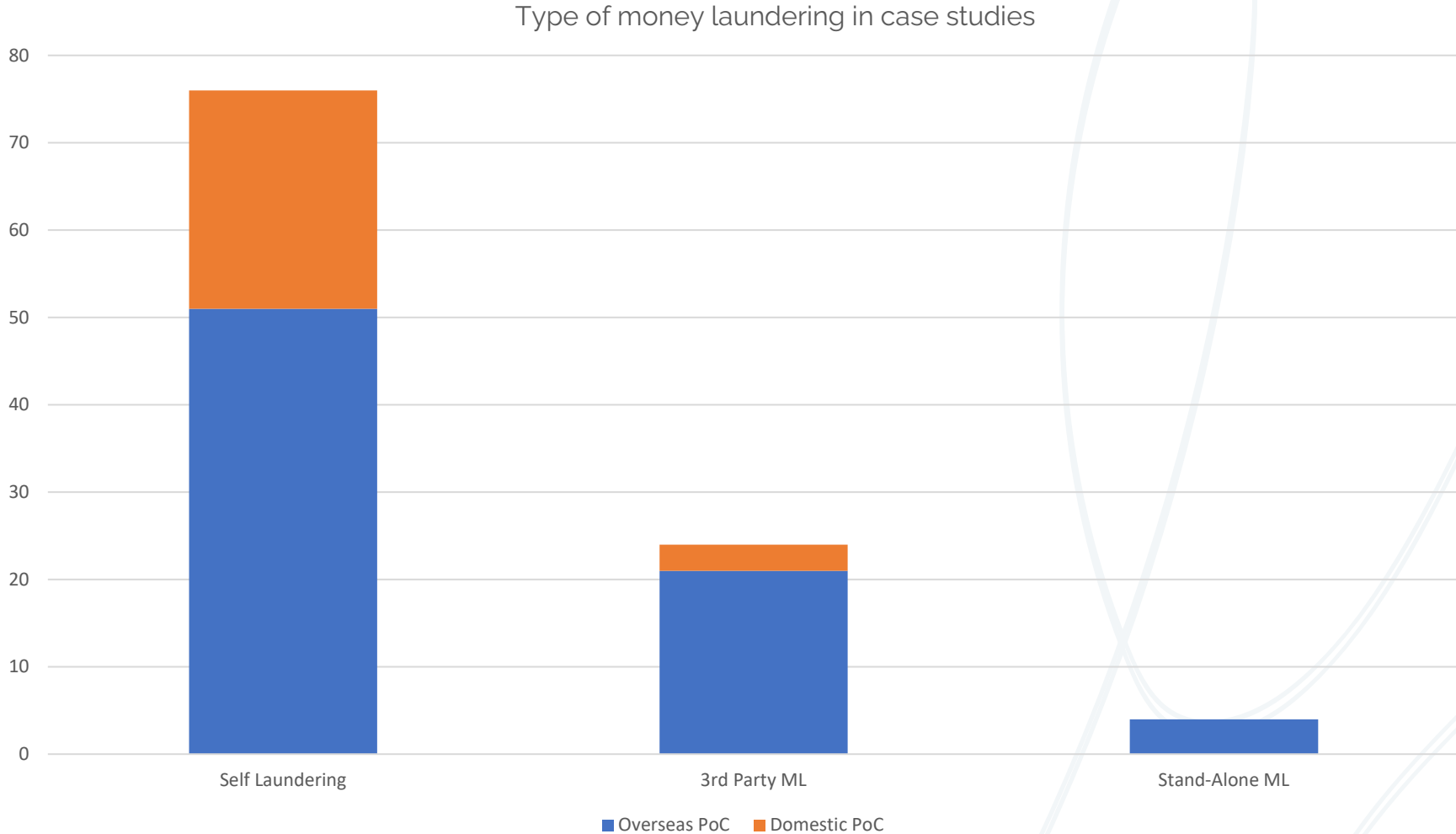
## **Case studies include;**

- Attempts to open Monaco accounts by overseas national previously refused on suspicion of securities fraud; Individual changed his identity to evade CDD requirements
- Smuggling of cash into Monaco by foreign national known for weapons, fraud, handling stolen goods, membership of a criminal organisation; false invoices from overseas company
- Suspected laundering through the casino by organised group of foreign nationals linked to illegal lending and extortion activities

# Internal vs. External threats – Overseas vs. Domestic proceeds



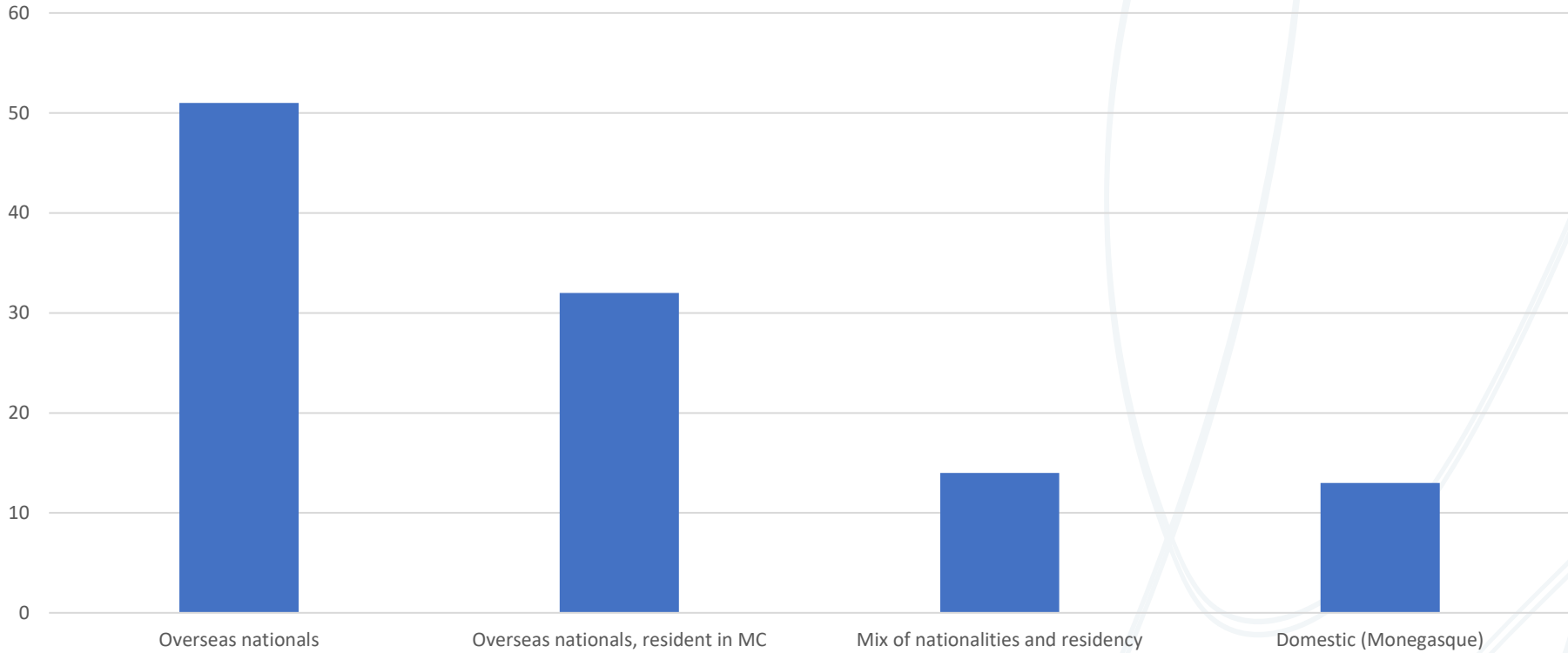
# Internal vs. External Threats- Nature of ML offences



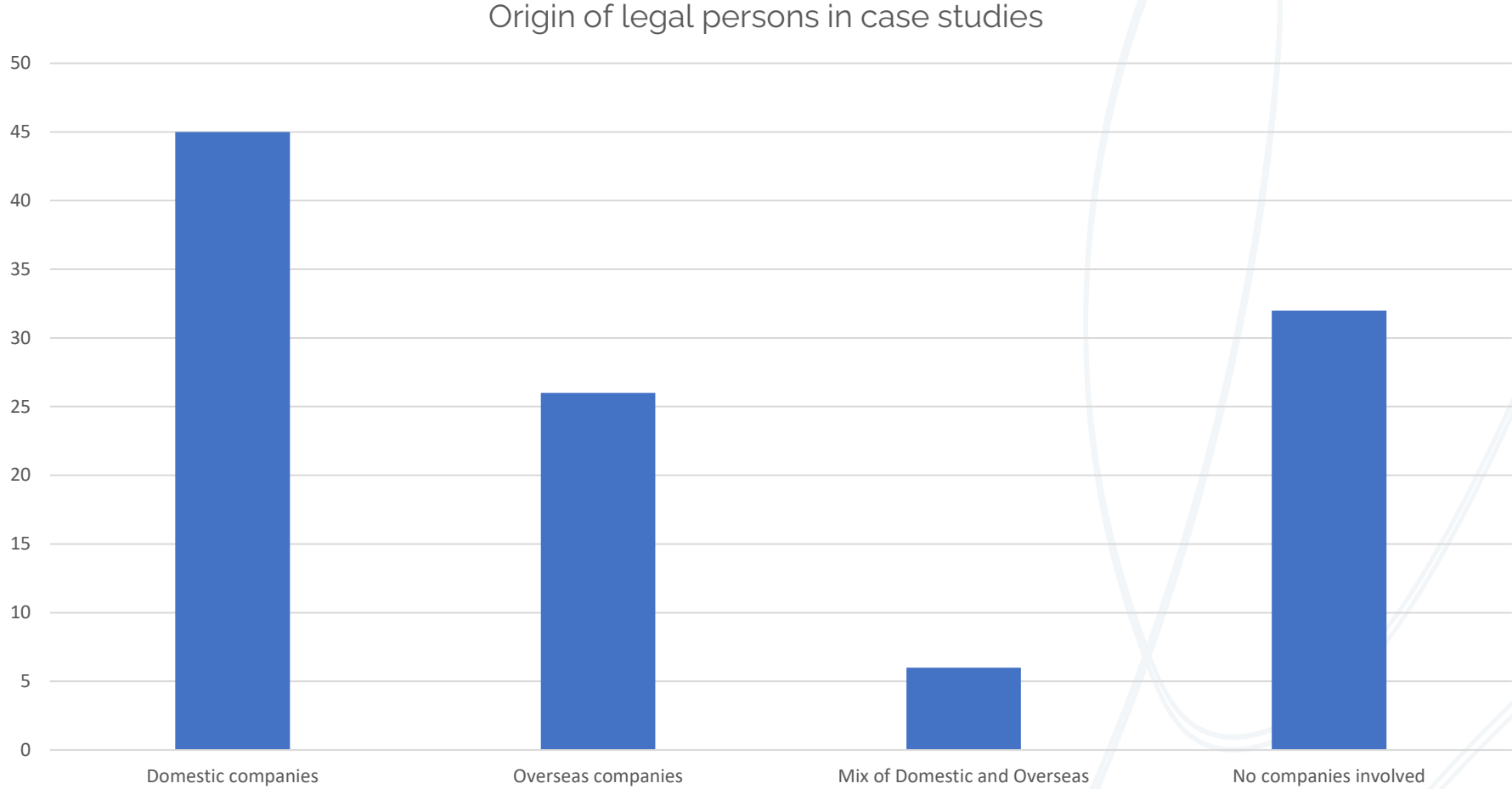


# Internal vs. External Threats- nationality & residency

Nationality and residence of natural persons in case studies

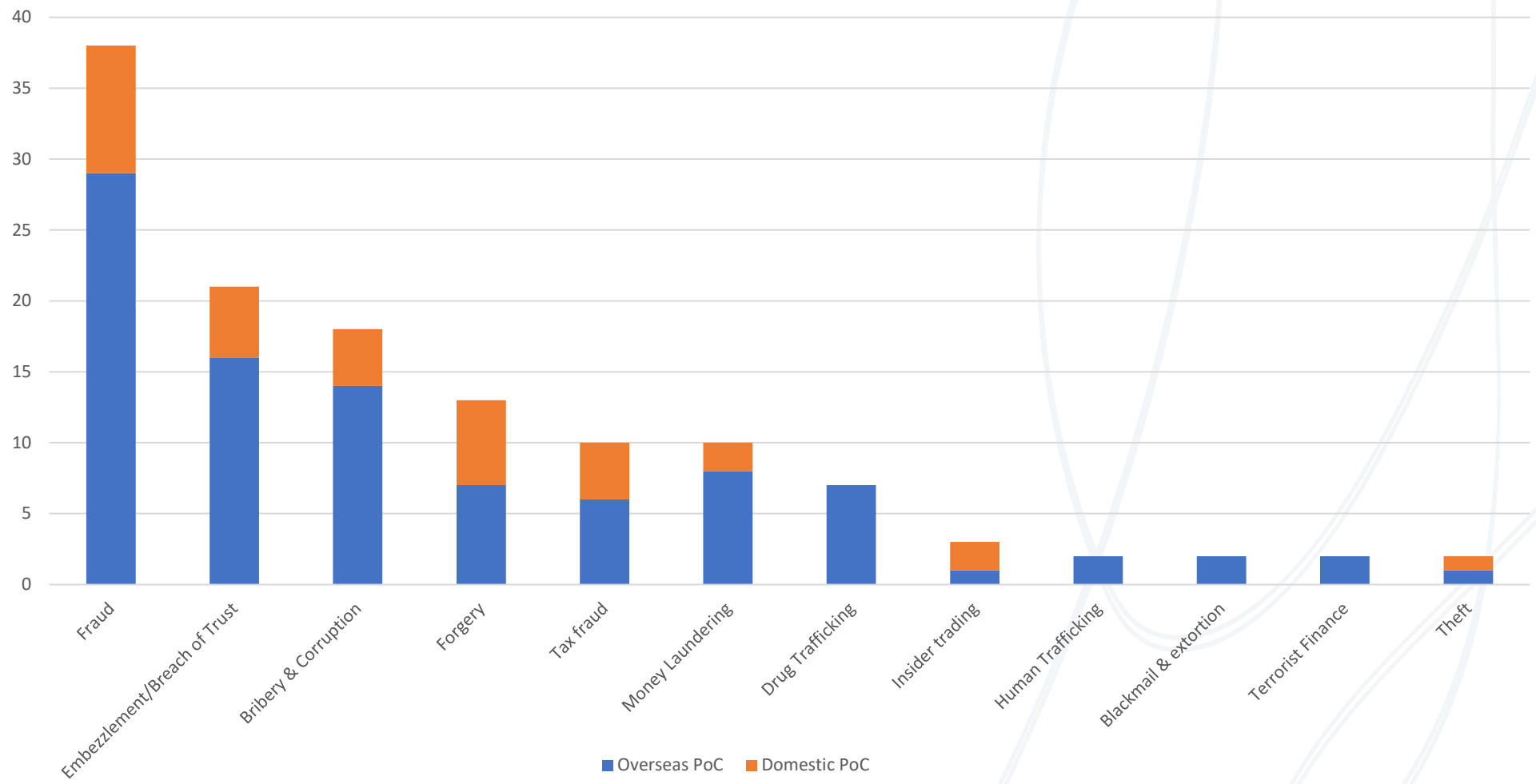


# Internal vs. External Threats – Legal persons

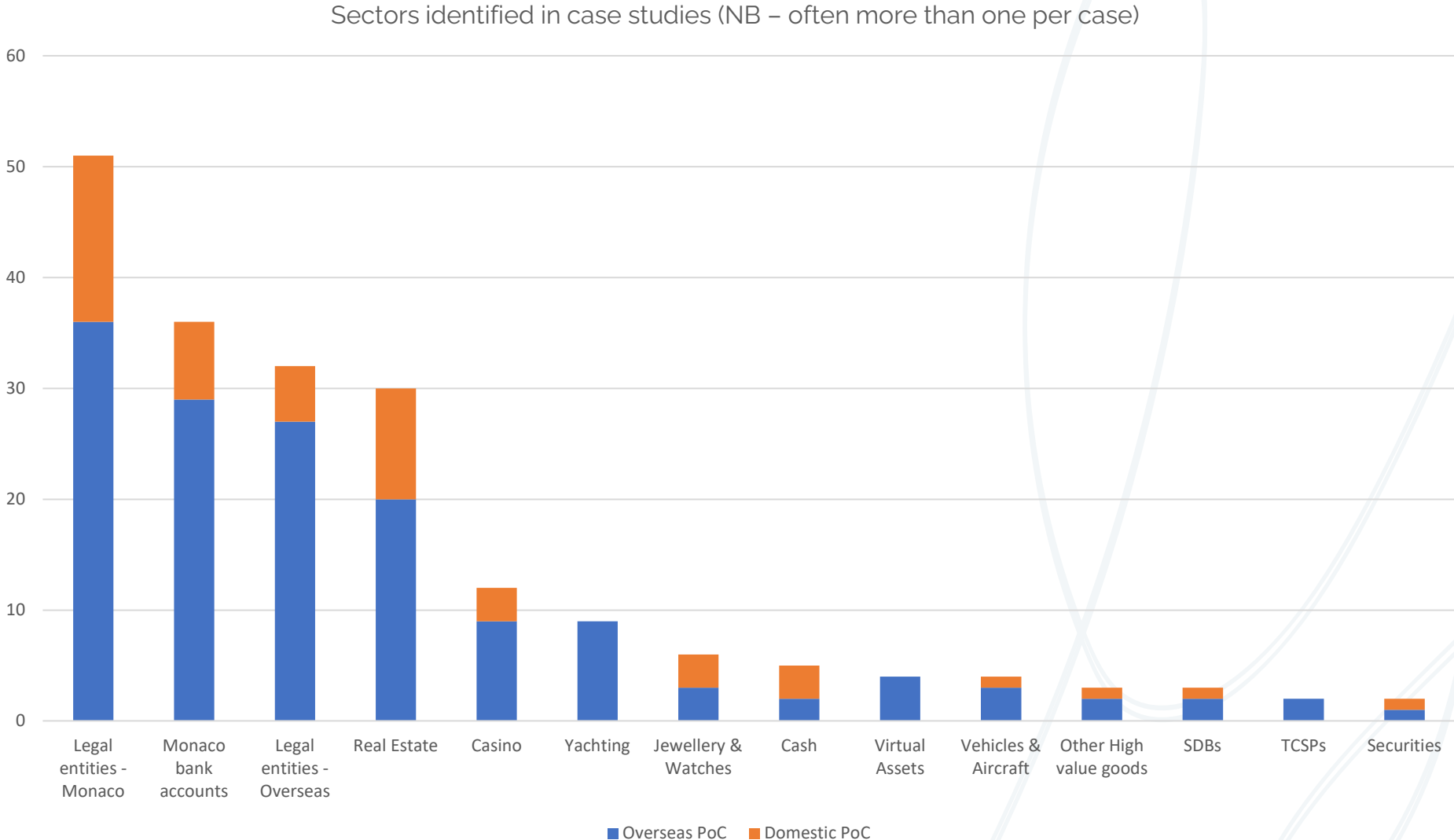


# All cases – Likely Predicate Offences

Predicate offences in case studies (NB; often more than one per case)



# All cases – Sectors involved



# Summary of internal and external threats

Internal Threats		External Threats	
Domestic Proceeds	MEDIUM-LOW	Overseas Proceeds	HIGH
Monegasque Nationals	LOW	Overseas Nationals	HIGH
Domestic legal persons	HIGH	Overseas legal persons	MEDIUM
<b>Overall Internal Threats</b>	<b>MEDIUM</b>	<b>Overall External Threats</b>	<b>HIGH</b>

*Thank you for your  
time*

**Financial Transparency Advisors GmbH**  
Zieglergasse 38/7/1070 Vienna, Austria

Phone: +43 1 890 8717 11

[www.ft-advisors.com](http://www.ft-advisors.com)

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**Next Session:**

27/02/2024

**Topic:**

TCSP Sectorial Risk  
Assessment

Today's Host: Tamar Goderdzishvili

Today's Presenter: Simon Lord