

FATF



Anti-money laundering and
counter-terrorist financing
measures

Norway

3rd Enhanced Follow-up Report &
Technical Compliance Re-Rating

March 2018



Follow-up report





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NORWAY: THIRD ENHANCED FOLLOW-UP REPORT & TECHNICAL COMPLIANCE RE-RATING

1. INTRODUCTION

The mutual evaluation report (MER) of Norway was adopted on 23 October 2014. This follow-up report analyses the progress of Norway in addressing the technical compliance deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses progress made in implementing new requirements relating to FATF Recommendations which have changed since the MER was adopted: Recommendations 5, 7, and 8. Overall, the expectation is that countries will have addressed most if not all technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Norway has made to improve its effectiveness. Progress on improving effectiveness will be analysed as part of a later follow-up assessment and, if found to be sufficient, may result in re-ratings of Immediate Outcomes at that time.

2. FINDINGS OF THE MUTUAL EVALUATION REPORT

The MER rated¹ Norway as follows for technical compliance:

Table 1. Technical compliance ratings, October 2014

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
PC	PC	C	LC	LC	PC	PC	LC	LC	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	PC	PC	LC	PC	PC	PC	PC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	PC	LC	PC	PC	PC	LC	PC	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	C	PC	LC	PC	C	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Source: Norway Mutual Evaluation Report, October 2014, <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Norway-2014.pdf>

Given these results, Norway was placed in enhanced follow-up.² The assessment of Norway's request for technical compliance re-ratings and the preparation of this report were undertaken by the following experts:

¹ There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

- *Ms. Rebekah L. Sittner, Counsel, Office of Law and Policy, National Security Division, U.S. Department of Justice (legal expert); and*
- *Mr. Stewart McGlynn, Head AML & Financial Crime Risk, Hong Kong Monetary Authority (financial expert).*

Section 3 of this report summarises the progress made to improve technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

3. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

This section summarises the progress made by Norway to improve its technical compliance by:

1. Addressing the technical compliance deficiencies identified in the MER, and
2. Implementing new requirements where the FATF Recommendations have changed since the MER was adopted (R.5, R.7 and R.8).

3.1. Progress to address technical compliance deficiencies identified in the MER

Norway has made progress to address the technical compliance deficiencies identified in the MER in relation to Recommendations: 1, 2, 7, 15, 26, 28 and 33 (which were rated PC), and Recommendations 4 and 5 (which were rated LC).

As a result of this progress, Norway has been re-rated on Recommendations: 1, 2, 4, 5, 7, 15, 26, and 28. The FATF welcomes the steps that Norway has taken to improve its technical compliance with Recommendation 33; however, insufficient progress has been made to justify a re-rating of this Recommendation.

3.1.1. Recommendation 1 [R.1] (Originally rated PC – re-rated LC)

In its 4th MER, Norway was rated PC for R.1. The main technical deficiencies related to: the failure to pursue a comprehensive process, including a lack of co-ordination, to assess money laundering (ML) risks, leading to significant shortcomings in the National Risk Assessment (NRA); insufficient mechanisms to share ML/TF risk information with reporting entities; no risk-based approach for the allocation of resources to combat ML; exemptions from customer due diligence requirements (CDD) were not based on an assessment of risk; the requirement for reporting entities to keep risk assessments updated was only partially and implicitly met, no mechanism to ensure that risk assessment information held by reporting entities was being provided to competent authorities and self-regulating bodies (SRBs); and there was no requirement that internal controls relating to risk be monitored.

² Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up is based on the FATF's traditional policy that deals with members with significant deficiencies (for technical compliance or effectiveness) in their AML/CFT systems, and involves a more intensive process of follow-up.

The Contact Forum for AML/CFT (Contact Forum) was established in October 2014 to co-ordinate actions to assess risks and includes a wide range of AML/CFT regime stakeholders. The Contact Forum is specifically mandated to identify ML/TF threats and trends, coordinate work to develop AML/CFT strategies and oversee development of Norway's second NRA which was published in 2016 (NRA 2016). Working under the Contact Forum, a multi-agency working group³ led by the Financial Intelligence Unit produced the assessment.

The NRA 2016 covers both ML and TF and is based on the FATF's 2013 Guidance on National ML/TF Risk Assessment. Building on the work of the first NRA it results in a more comprehensive portrayal of most of the major risks faced by Norway, analysis which is based on and supplemented by other ongoing assessments by competent authorities. A number of conclusions are drawn which differ in varying degrees to those presented in the first NRA and reflect the work that has taken place, including in the area of new payment methods including virtual currencies. Norway adequately identifies and assesses its TF risks. Both NRAs are public documents and have been shared with reporting entities.

Based on NRA 2016 Norway has developed a strategy around 18 high level priority measures, through which it is improving the coordination of national efforts, with the aim of providing the relevant agencies with the necessary guidelines and methods. The strategy comprises the major initiatives to ensure that understanding of risks and supporting mechanisms are adequate to ensure allocation of resources and mitigating measures are applied on the basis of ML/TF risks. While a few of these measures have been completed, the majority are ongoing.

The strategy also influences resource allocation to combat money laundering (allocation to combat TF is already made according to risks) and there is evidence this is taking place in parts of the system although it is too early to conclude that such an approach is being pursued consistently across the regime at agency level as a number of measures in the strategy which relate to this are ongoing.

Exemptions from AML/CFT in primary legislation (MLA) remain as described in the 4th MER⁴ with minor shortcomings although Norway has updated its money laundering guidance in 2016 to place greater emphasis on the risk-based approach. The FSA has also amended the guidance to include the express regulatory requirement for entities with a reporting obligation to identify, assess and understand ML/TF risks and keep these up to date. This strengthens the more inferred requirements which exist in the MLA. The FSA has strengthened its ability

³ Mainly composed of the police and prosecution authorities, FIU, FSA, tax and customs authorities, the Police University College and the private sector. Other relevant agencies and partners were consulted on certain topics through workshops and data collection exercises.

⁴ Norway is currently developing amendments to the MLA based on the 4 Anti-Money Laundering Directive (AMLD) which address these shortcomings and will also include clear, statutory obligations for reporting entities to perform risk assessments with incumbent requirements to keep this updated etc. The importance of the risk-based approach will be reflected through various rules relating to how simplified and enhanced due diligence measures may be adjusted according to assessed risks.

to ensure that institutions with a reporting obligation are implementing their obligations to assess and mitigate their risks, see analysis of R.26 and R.28.

Most of the deficiencies identified in the MER have been addressed but some minor deficiencies remain. On that basis, R.1 is re-rated to Largely Compliant.

3.1.2. Recommendation 2 [R.2] (Originally rated PC – re-rated LC)

In its 4th MER, Norway was rated PC for R.2. The main technical deficiencies related to: the lack of AML/CFT policies informed by identified risks or any designated authority or coordination mechanism to oversee their development; agency level priorities not sufficiently prioritised based on ML risks; and mechanisms were not in place to enable the various operational authorities to cooperate and coordinate on AML work.

In October 2014 Norway established the Contact Forum which meets regularly to coordinate domestically on national AML/CFT policies. In January 2017, the Contact Forum developed Norway's first national AML/CFT strategy to coordinate overall national efforts and provide the agencies concerned with the necessary guidelines and methods. The strategy includes overarching principles to ensure work is based on risk and effectively coordinated. The strategy addresses issues identified in the NRA and is more largely aimed at strengthening Norway's broader AML/CFT system, with policies being applied at the agency and authority level, see also analysis in R.1. The overall approach will be further strengthened when the various 18 priority measures in the strategy are completed.

The Norwegian regime is being strengthened by various inter-agency bilateral and multi-lateral mechanisms; the National AML/CFT strategy specifically tasks the MFA, PST, FIU and FSA to formalise co-operation by establishing MOUs and a forum for co-operation. As part of these efforts the FIU and the FSA have been formally cooperating in preparatory work, including having agreed upon an MOU to facilitate increased levels of information sharing and feedback to the private sector. The PST has also implemented measures to strengthen co-operation in the field of proliferation and has developed a guide for co-operation between the various competent authorities. Informal working level co-operation which was taking place within the system and noted in the 4th MER has been further strengthened.

Most of the deficiencies identified in the MER have been addressed but some minor deficiencies remain. On that basis, R.2 is re-rated to Largely Compliant.

3.1.3. Recommendation 4 [R.4] (Originally rated LC – re-rated C)

In its 4th MER, Norway was rated LC for R.4 because there was no mechanism to manage property that had been seized, whether before or after a confiscation order had been made.

Norway has three provisional measures available to secure or preserve the value of property subject to confiscation: freezing, seizure, and charging. The Police are responsible for seized assets until a final order is issued. Before a confiscation order is made, the court may permit the Police to dispose of a seized object when there is a risk that the object will rapidly deteriorate. CPA § 213 (advance sale). CPA § 220 permits the court to put a person's property under administration if the person has been sentenced or is suspected of committing a serious offense, and CPA § 222

provides that the court shall appoint a supervisor to administer the property and to ensure that income from it does not accrue to the suspect or defendant, when the suspect or defendant is a fugitive. After a confiscation order has been made, the public prosecutor can order the disposal of seized property - CPA § 455. Disposal is handled by the Police, in most instances through the Enforcement Office (EO).

There are a number of NPD Circulars relevant to the assessment of criterion 4.4, including Circulars 2010/007 (amended since the MER), 2010/010, and 2012/019, plus the NPD's 2013 Procedure Manual for Selling Assets. According to Circular 2012/019, the Police should conduct a pre-seizure appraisal, which can inform the decision to seize leveraged assets, assets of minimal value, or assets which may cost more to manage than they are worth. The Police must also consider the cost-effectiveness of the provisional method. Circular 2010/007, as amended in 2017, provides comprehensive guidance on how the Police should handle seized objects.

Norway has a professional office dedicated to handling non-cash assets which selects the method of realising confiscated assets likely to yield the highest price for the government. All costs, whether incurred by the Police during seizure or by the EO during liquidation, must be documented, and financial reporting by Police Districts to the NPD is required. Cost deductions can only be made for expenses directly related to the seized asset.

Norway can seek court permission to sell assets that will rapidly deteriorate. An asset may deteriorate if it is too burdensome to manage in a way that would maintain value, such as with a store or restaurant that must turn a profit, stock inventory, and meet payroll. Complex assets requiring active management can be: (1) charged, instead of seized; (2) ordered sold by the court in an advance sale; (3) administered by a supervisor in the case of a fugitive owner; or (4) managed by the Police in consultation with the owner, with costs deducted later. The Police also can employ outside services for assets such as vessels or aircraft. Nothing prohibits the Police from hiring professional property managers or business operators.

Thus, Norway has sufficient mechanisms for managing or disposing of seized, frozen, or confiscated assets. A combination of existing Circulars, the Circular amended in 2017, the Procedure Manual, and the 2015 CPA outline adequate options for management or disposal. **Any remaining shortcoming with regard to active management of a seized business is mitigated by a number of options such that criterion 4.4 is now met and R.4 is re-rated Compliant.**

3.1.4. Recommendation 15 [R.15] (Originally rated PC – re-rated LC)

In its 4th MER, Norway was rated PC for R.15. The main technical deficiencies were: there was inadequate assessment of ML/TF risks relating to new technologies, practices or products in the national risk assessment and reporting entities were not specifically obliged to assess the risks of new technologies, practices or products.

The NRA 2016 identifies and assesses a number of ML/TF vulnerabilities, threats, risks of various sectors and financial products, including some new delivery mechanisms, products and technologies and e-money institutions, pre-paid cards, crowdfunding and virtual currencies to varying degrees. This understanding has been recently supplemented by a risk assessment from Norway's National Cross-

Agency Analysis and Intelligence centre covering new technologies in the financial sector, see assessment made under R.1 for more details.

While there remains no specific requirement for all reporting entities to undertake risk assessments prior to the launch or use of new technologies etc. the general requirement to assess risks and implement related measures and controls specifically in relation to ML/TF risks has been strengthened through the FSA's updated guidance to the MLA which at the introduction specifically requires entities with a reporting obligation to conduct a risk assessment.

Most of the deficiencies identified in the MER have been addressed and only minor deficiencies remain. On that basis, R.15 is re-rated to Largely Compliant.

3.1.5. Recommendation 26 [R.26] (Originally rated PC – re-rated LC)

In its 4th MER, Norway was rated PC for R.26. The main technical deficiencies were: there was no obligation to notify the FSA of any changes in key functionaries of commercial banks, insurance and finance companies; inadequate AML/CFT supervision was taking place in the insurance and securities sectors; money or value transfer service (MVTs) providers authorised in other European Economic Area (EEA) countries operating in Norway were not monitored for AML/CFT compliance and no on-site supervision had taken place on any MVTs provider; the FSA did not determine the frequency and intensity of on-site and off-site AML/CFT supervision sufficiently on the basis of ML/TF risks and nor were proper reviews undertaken of the ML/TF risk profiles of financial institutions and groups under the supervision of the FSA.

As a result of amendments made to the Financial Undertakings Act ss. 8-9 and 8-14, there is now a clear obligation on all financial institutions to notify the FSA, as far as possible beforehand, of any changes in the board of directors and management group.

The FSA supervises financial institutions and most DNFBPs (other than lawyers) and has strengthened its risk-sensitive approach to supervision since the ME, including through the use of a risk assessment conducted in 2016 on which to base work planning. The FSA now conducts an annual risk assessment of large banking groups and simplified risk analyses for other banks. In the case of banks, mortgage companies and finance companies the FSA applies a risk matrix which maps to varying levels of frequency and intensity of supervisory activity.

Supervisory manuals⁵ covering Banks, Securities, Insurance, Accountants and Real Estate, updated in 2017, have also been developed to guide information collection, risk assessment and prioritisation of supervision, including event driven. These include a description of factors relevant to that consideration, including effectiveness of controls while information to be collected from the obliged entity as part of the assessment is also included, including questions to be considered such as the entity's risk assessment, and internal procedures. The FSA has also updated its general guidance on AML/CFT, and developed sector-specific guidance for real estate agencies, auditors and external accountants. The manuals represent a significant step forward in the implementation of risk-sensitive supervision.

⁵ The manual for payment and e-money institutions is under development.

In 2016 the FSA conducted AML/CFT on-site inspections in several institutions, including payment institutions, banks, one e-money institution, investment firms, real estate agents, auditors and external accountants.

In respect of agents of foreign (European) MVTS providers providing services in Norway under the Payment Services Directive, the FSA has in 2017 established co-operation with the supervisory authorities in Sweden and Denmark to exchange information and supervisory experience relating to foreign payment institutions and their agents, while the FSA is also now part of the Central Bank of Ireland's "supervisory college" regarding a payment institution which is behind the largest network of agents in Norway. While this engagement will assist the FSA in its understanding of risks in practical terms these agents are still not monitored for AML/CFT compliance.

Most of the deficiencies identified in the MER have been addressed and only minor deficiencies remain. On that basis, R.26 is re-rated to Largely Compliant.

3.1.6. Recommendation 28 [R.28] (Originally rated PC – re-rated LC)

In its 4th MER, Norway was rated PC for R.28. The main technical deficiencies were: certain casino gaming activities through the internet or on ships were not covered by AML/CFT requirements; no competent authority had been designated for AML/CFT monitoring and supervision of trust and company service providers (TCSPs) and dealers in precious metals and stones; sanctions for non-compliance with AML/CFT requirements, both in the Money Laundering Act (MLA) and the Financial Supervision Act (FS Act), were not proportionate and dissuasive, especially for directors and senior management; the frequency and intensity of on-site and off-site AML/CFT supervision was not based on or commensurate to ML/TF risks; and the FSA and SRBs did not conduct a proper review of the ML/TF risk profiles of DNFBPs.

All TCSPs must now be authorised by the Financial Supervisory Authority in order to operate in Norway.⁶ Non-compliance is a criminal offence with the offender liable for fines or, under aggravating circumstances, imprisonment for up to one year. Natural persons applying for an authorisation to provide trust and company services, will be subject to a "fit and proper" test, for legal persons, the same "fit and proper" test applies to the company's beneficial owners, board of directors, chief executive officer and other persons in the senior management and the FSA must be notified of any changes in these positions. The MLA provides the FSA with the possibility of issuing an order of cease and desist under the threat of daily fines in case of non-compliance within a time limit.

Dealers in precious metals and stones (gold, silver and platinum) are not covered by AML/CFT preventive measures, but Norway restricts cash payments to any dealer to NOK 40 000 (EUR 4 300 or USD 5 100) which applies regardless of whether the payment is made in one or more operations. These requirements were introduced in law in July 2017.

⁶ A separate authorisation will, however, not be necessary for certain types of obliged entities, who require their own authorisation, which typically provides these kinds of services (lawyers, external accountants, external accounting firms, auditors, audit firms).

The FSA had made a number of changes to develop risk-sensitive supervision. The FSA has conducted a risk assessment covering all the obliged entities under its supervision including real estate agencies, external accountants and auditors.⁷ Supervisory manuals have been developed for the different types of DNFBPs to guide the prioritisation of supervisory action.

The Supervisory Council for Legal Practice (SCLP) has also enhanced its risk based supervision of lawyers which is performed through an external auditor firm. Since the 2014 MER of Norway, the SCLP has increased its AML/CFT activities with a focus on identified ML/TF risk, implementing a higher number of supervisory visits to practicing lawyers in Norway during 2016⁸ and in 2017, with a significant part of these visits concerning Anti-Money laundering controls. In 2016 activities were prioritised over companies categorised to be in a risk group including newly established companies and firms largely dealing with financial transactions. This has been supplemented with training, meetings with the FSA and FIU to exchange experience and learn about relevant trends and risks relevant for the sector. To further develop SCLPs understanding of risk, the external auditor firm is developing an overall risk analysis and assessment and compliance with money laundering regulations among law firms in Norway.

Most of the deficiencies identified in the MER have been addressed and only minor deficiencies remain. On that basis, R.28 is re-rated to LC.

3.1.7. Recommendation 33 [R.33] (Originally rated PC – no re-rating)

In its 4th MER, Norway was rated PC for R.33. The main technical deficiencies were because Norway did not keep comprehensive and reliable statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems, particularly: 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.

Norway's new Penal Code came into force on 1 October 2015, and it breaks down money laundering offences by type into different sections. For instance, there are codes established for self-laundering and third-party laundering, minor and gross ML, negligent ML, and conspiracy. The "receiving" offence has its own code, which should permit differentiation and solve a key problem with statistics highlighted by the 2014 MER. For each statistical group, Norway reports that data can be collected and published for: (1) reported offences; (2) investigations; (3) prosecutorial decisions; (4) convictions; and (5) sanctions. There is also the ability to collect statistics on why cases were not investigated or investigation were closed (e.g., unknown perpetrator; lack of evidence; lack of capacity; other reasons). Norway can also now supply data on the charging decisions (e.g., case solved, but person not criminally liable; transferred to arbitration; fine; indictment and deferred prosecution). No new statistical charts were provided to demonstrate the new

⁷ TCSPs were not included in the 2016 risk assessment because they were subjected to supervision in 2017.

⁸ In total, the SCLP in 2016 carried out supervisory visits involving a total of 1133 lawyers, representing more than 10 percent of all practicing lawyers in Norway.

coding system, but the changes described above would enable Norway to comply with R.33.

In the 2014 MER, the assessors concluded that Norway did not maintain comprehensive statistics regarding property seized, frozen, or confiscated. In sum, the total value of property confiscated and realised could not be captured and Norway was unable to provide any statistics on the value of property subject to provisional measures, e.g., assets seized, restrained, or subject to charge orders. Without statistics regarding freezing and seizing or an overall picture of amounts recovered through confiscation by all relevant LEAs, R.33 is not fully addressed. Although work is underway, Norway has not demonstrated concrete progress in this area. Furthermore, the gaps identified pertaining to international co-operation statistics persist and no progress has been reported. With the exception of comprehensive statistics maintained by the FIU on its international information exchanges, Norway cannot generate basic statistics on its international co-operation which is not fully in line with R.33.

Due to the implementation of the new Penal Code, Norway has the capacity to produce statistics related to ML investigations, prosecutions, and convictions. However, moderate shortcomings remain on the completeness of confiscation statistics and the suite of statistics pertaining to international co-operation for MLA and other requests. Norway still does not maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of its AML/CFT system in each of the required categories. **The noted progress is not sufficient to warrant a re-rating and Norway continues to be rated Partially Compliant on R.33.**

3.2. Progress on Recommendations which have changed since adoption of the MER

Since the adoption of Norway's MER, R.5, 7 and 8 have been amended. This section considers Norway's compliance with the new requirements in these three Recommendations. In addition, the analysis regarding R.5 and 7 also covers Norway's progress with regard to the deficiencies identified in the MER.

3.2.1. Recommendation 5 [R.5] (Originally rated LC – re-rated C)

In its 4th MER, Norway was rated LC for R.5 because the collection of funds in the intention that they are to be used (for any purpose) by a terrorist organisation or an individual terrorist was not criminalised as a stand-alone offence. In February 2016, R.5 was amended to explicitly incorporate the requirements of UNSCR 2178 OP6(b) pertaining to criminalisation of the financing of terrorist travel. This revision clarifies that R.5 requires countries to criminalise financing the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training. Accordingly, this section also considers Norway's compliance with this new requirement.

Norway's new Penal Code came into force in October 2015, and now incorporates a new stand-alone terrorist financing offence at Section 135. PC s.135 states, in relevant part: "Anyone who unlawfully provides, receives, sends, obtains or collects funds or other assets with the intent or knowledge that such assets are to be used, in whole or in part, a) to commit an act mentioned in sections 131, 134, or 137-144, b) by a person or group with the intent to commit acts as mentioned in sections 131, 134, or 137-144, when the person or group has taken steps to realise its purpose using unlawful measures . . . shall be liable to imprisonment for a term not exceeding 10 years." As used in PC s.135(b), the reference to "intent to commit [terrorist] acts" forms part of the definition of who is considered a terrorist or terrorist organisation under Norwegian law. It is not an additional intent element requiring proof that the financier intended or knew that the funds or other assets would be used by the (terrorist) person or group to commit a terrorist act(s). Thus, it is not the intended use, but the intended recipient, which forms the basis for punishment, and it would be illegal under this provision to provide economic support to such persons or entities, even if the support was intended to be used for otherwise legal activity.

Norway has offered several different approaches for meeting the new requirements of R.5 relating to foreign terrorist fighters. Norway primarily relies on the provision prohibiting the provision of "financial or other material support to a terrorist organisation", found in Section 136a, in conjunction with the general attempt provision contained at PC s.16, to cover the financing of the travel of an FTF. Such conduct is considered an attempt to provide financial or other material support to a terrorist organisation. While the term "material support" is not defined in the Penal Code, a successful prosecution under the precursor statute (old PC s.147d), excerpted in part in Norway's 1st FUR (page 18) and 2nd FUR (page 40) demonstrates that "material support" is meant to be very broad reaching. Additionally, Norway's provisions on recruitment at Sections 136(b) (recruitment to commit a terrorist act) and Section 136a (recruitment of members to a terrorist organisation) could, in many cases, also be used. One limitation is that in order to meet the elements of "recruitment," courts would require an additional act past mere financing of the travel of FTFs. This could include some form of "active encouragement" to the person intending to travel. However, a purely passive financier of FTF travel cannot be prosecuted under the recruitment provisions. Alternatively, Norway covers the perpetration, planning, preparation and participation of terrorist acts, and provision or receipt of terrorist training, via PC sections 131, 132, 133 and 136(c) and (d). Travel for purposes of committing these requisite acts could be prosecuted under the general attempt provision, PC s.16. The financing of such travel could then be prosecuted using the aiding and abetting provision at PC s.15. Although criminalising TF solely on the basis of aiding and abetting, attempt, or conspiracy is not sufficient to comply with the Recommendation, this remains an alternative charge in cases where the aforementioned material support or recruitment statutes cannot reasonably be relied upon. Moreover, there has been one criminal conviction for, amongst other acts, the purchasing of plane tickets for an FTF, who was arrested when trying to travel to Syria to join ISIL.

In conclusion, Penal Code s.135(b) covers the financing of individual terrorists and terrorist organisations for any purpose, including the collection of funds in the knowledge or with the intention that they are to be used by a terrorist organisation or an individual terrorist, thereby meeting the requirements of R.5. Norway has several existing statutes they could reasonably rely upon to charge the financing of the travel of a foreign terrorist fighter. **Given the information currently provided by Norway, this Recommendation is re-rated Compliant.**

3.2.2. Recommendation 7 [R.7] (Originally rated PC – re-rated C)

In its 4th MER, Norway was rated PC for R.7 because designations under the relevant UNSCRs were not implemented without delay, and the Financial Supervisory Authority (FSA) had adopted only very limited measures to monitor and ensure compliance with the targeted financial sanctions by financial institutions and DNFBPs. Additionally, in November 2017, R.7 was amended to reflect the changes made to the proliferation financing related United Nations Security Council Resolutions (UNSCRs) since the FATF standards were issued in February 2012. This section also considers Norway’s compliance with these requirements.

Previously, the designation lists were contained in annexes to Norway’s DPRK and Iran Regulations and were required to be updated whenever changes were made, a process that took anywhere from 1 to 8 weeks. The Iran and DPRK Regulations were amended following recommendation e) in chapter 4.6 of the MER, concerning delays in transpositions into Norwegian law. The amended regulations now include a hyperlink to the relevant United Nations Sanctions Committee’s list of designated persons and entities. With this system in place, any new designation by the Security Council is automatically in force in Norway, and the deficiency has been addressed.

Norway previously did not have any system or mechanism in place to “alert” REs to changes to the designation lists when updated to the FSA website. In 2015, Norway established a system to send notices (push-mail) to the financial sector on any updates to the different UN lists in real-time. The new notification system, combined with the publication of designations on the FSA website, fulfils the requirement to have a mechanism in place for communicating designations to financial institutions immediately upon taking such action.

The Financial Supervisory Authority (*Finanstilsynet*) (FSA) is responsible for monitoring compliance by financial institutions and DNFBPs with the Iran and DPRK Regulations. However, at the time of the 4th round MER, only “very limited” monitoring by the FSA for compliance was taking place. Since the MER, Norway has taken measures to address these concerns. Supervisory manuals now direct the FSA to prioritise supervision of FIs and DNFBPs on the basis of risk; in 2017 the Ministry of Finance highlighted the need to supervise the obliged entities’ compliance with their financial sanctions obligations in an assignment letter to the FSA; and in 2016 the FSA carried out on-site inspections at one bank, one e-money institution and two payment institutions that focused on electronic surveillance systems and compliance with the regulations regarding TF and PF.

In November 2017, R.7 was amended to reflect the changes made to the proliferation financing related United Nations Security Council Resolutions (UNSCRs) since the FATF standards were issued in February 2012. Norway now requires that countries should develop and implement publicly known procedures

to authorise access to funds or other assets, where countries have determined that the exemption conditions set out in UNSCRs 1718 and the new resolution regarding Iran, UNSCR 2231, are met, in accordance with the procedures set out in those resolutions. The Iran and DPRK Regulations have been updated accordingly, and the Norwegian Ministry of Foreign Affairs may authorise the access of funds or other assets if the exemption conditions set out in the UNSCRs 1718 and 2231 are met. The relevant provisions in the DPRK regulations can be found in Annex A, articles 35-36. The relevant provisions in the Iran regulations can be found at § 24, and §§ 26-28b.

The Iran and DPRK regulations have been updated in line with recent revisions to R.7 which require countries to permit the addition to accounts frozen pursuant to UNSCRs 1718 or new UNSCR 2231 of interests or other earnings due on those accounts or payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions of this resolution, provided that any such interest, other earnings and payments continue to be subject to these provisions and are frozen. Freezing actions taken pursuant to 1737 and continued by UNSCR 2231, or taken pursuant to UNSCR 2231, do not prevent designated persons or entities from making payments due under prior contracts provided that the relevant countries have determined the various elements set out in revised R.7. The relevant provisions in the DPRK regulations can be found in Annex A, article 34 nr. 12. The relevant provisions in the Iran regulations can be found at §§ 25 and 29.

Given the information currently provided by Norway, this Recommendation is re-rated to Compliant.

3.2.3. Recommendation 8 [R.8] (Originally rated LC – no re-rating)

In June 2016, R.8 and its Interpretive Note were significantly revised rendering the analysis of R.8 in Norway's MER outdated.

Norway has made some progress on identification of threats and at risk NPOs. Unlike the last National Risk Assessment (NRA) of 2014, the 2016 NRA contains a short sub-chapter on NPOs. "[E]thnic affiliated organisations that transfer money to high-risk destinations" are identified as posing "a particularly high risk.", and the NRA considers for example how donors can be misled, and how funds are raised and moved out of Norway. TF risks are not addressed in any detail in the PST annual threat assessments and the vulnerabilities of NPOs are not mentioned. Norway explains that the information they used in their risk assessment regarding NPOs is based largely on classified information, c.f. the official secrets act, which could not be included in a public document or shared with assessors.

The country pursues policies to promote transparency, integrity and public confidence in the administration of NPOs through a range of mostly voluntary measures. The country only imposes specific requirements on the NPOs that accept public monies, and general requirements on large and medium-size NPOs. The last specific public dissemination of guidance regarding potential TF abuse was in 2012. The umbrella organisation for NPOs "Frivillighet Norge" publishes guides on transparency, integrity, management and economic controls, but does not raise awareness about potential TF abuse.

The MFA requires a number of controls for the NPOs it funds, including registration, reporting on the use of funds, providing statements of income and expenditure, and 'know their beneficiaries'. However, there are no similar safeguards for NPOs that do not receive public moneys.

There is a lack of proportionate and dissuasive sanctions for violations of the standards for NPOs. Given the largely voluntary nature of registration of NPOs in Norway, sanctions outside the context of a criminal case is limited to removal of benefits accruable to NPOs, including halting or cancelling (public) funding, removal of tax-exempt status, and de-registration.

The normal law enforcement measures would apply in any criminal investigation of NPOs. PST is both an intelligence service and a security police, and works with NPO-TF issues.

The Norwegian Ministry of Foreign Affairs is the competent authority to exchange information with foreign counterparts. International requests regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support are handled through the Norwegian Police service.

The revised Recommendation requires a systematic understanding of risk in the NPO sector and Norway has determined its larger NPOs pose the most significant risk and applies safeguards to those that receive public funds. The deficiency cited in Norway's 4th Round MER regarding the lack of proportionate and dissuasive sanctions remains as well as the fact that NPOs not receiving public funding are not required to implement controls and standards for NPOs. **Recommendation 8 is rated Largely Compliant based on the assessment of Norway's compliance with the recently amended criteria of this Recommendation.**

3.3. Brief overview of progress on other recommendations rated PC

Norway is not yet in a position to request re-ratings for the 11 other Recommendations rated PC in the MER. However, Norway has been working towards addressing the deficiencies identified with regard to R.6, 10, 12, 13, 16, 17, 18, 22, 24, 25, and 35. In particular, following a public consultation during the spring of 2017, proposals for two new draft laws (a new AML/CFT Act, and a new Act on Registration of Beneficial Owners), and a proposal for amendments to the legislation concerning the implementation of UNSCR 1373, as set out in R.6, are currently being drafted in view of their introduction in Parliament. On that basis, Norway reported that it expects that the remaining Recommendations initially rated PC will qualify for re-rating when the new legislative frameworks enter into force.

4. CONCLUSION

Overall, Norway has made good progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated on 8 Recommendations.

As Norway has addressed the deficiency in respect of Recommendation 4 (initially rated LC), this Recommendation is now re-rated as C. For Recommendations 5 and 7 (initially rated LC and PC, respectively), which have been revised since Norway's MER was adopted, the amended legislative frameworks address the deficiencies

identified in the MER and also meet the new requirements of these Recommendations; these Recommendations are now re-rated C. In addition, many steps have been taken to rectify the issues relating to Recommendations 1, 2, 15, 26, and 28 (initially rated PC) such that only minor shortcomings remain and, for that reason, these Recommendations are re-rated as LC

Steps have been taken to improve compliance with Recommendation 33, but moderate shortcomings still remain and, consequently, the rating for this Recommendation remains PC.

For Recommendation 8 (originally rated LC), which has been significantly amended since Norway's MER, Norway largely implements the new requirements and consequently, continues to be rated LC

Overall, in light of the progress made by Norway since its MER was adopted, its technical compliance with the FATF Recommendations has been re-rated as follows:

Table 2. Technical compliance with re-ratings, February 2018

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	C	C	C	PC	C	LC	LC	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	PC	PC	LC	LC	PC	PC	PC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	PC	LC	PC	PC	LC	LC	LC	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	C	PC	LC	PC	C	LC	LC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Norway will remain in enhanced follow-up, and will continue to report back to the FATF on progress to strengthen its implementation of AML/CFT measures.

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March 2018

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

3rd Enhanced Follow-up Report & Technical Compliance Re-Rating

This report analyses Norway's progress in addressing the technical compliance deficiencies identified in the FATF assessment of their measures to combat money laundering and terrorist financing of December 2014.

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

Follow-up report

