

From AML Rules to Real Results: MONEYVAL's Push for More Effective Financial Crime Enforcement

Executive Summary

The European anti-money laundering (AML) landscape is undergoing a fundamental shift from "Technical Compliance"—the mere existence of laws and institutions—to "Effectiveness," which focuses on measurable real-world outcomes. Despite significant improvements in legal frameworks across MONEYVAL member jurisdictions during the fifth evaluation cycle (2015–2024), national systems continue to struggle with delivering prosecutions, obtaining convictions, and successfully confiscating criminal assets. In April 2023, the Warsaw Declaration formalized a commitment to strengthen the effectiveness of AML, counter-terrorist financing (CFT), and counter-proliferation financing frameworks through 2027. This strategy, coupled with the launch of a more rigorous sixth evaluation round in 2024, places unprecedented pressure on both governments and the private sector. The core objective is to move beyond "regulatory architecture" and achieve "operational disruption" of organized crime, corruption, and sanctions evasion.

The Strategic Shift: From Architecture to Disruption

The central policy challenge identified by MONEYVAL is the conversion of regulatory frameworks into operational results. While many jurisdictions have modernized statutes, established Financial Intelligence Units (FIUs), and created beneficial ownership registers, these components do not automatically equate to the detection or prosecution of serious money laundering.

Technical Compliance vs. Effectiveness

Feature, Technical Compliance, Operational Effectiveness

Focus, "Laws, powers, and institutional requirements.", Practical results and outcomes.

Core Question, Are the FATF Recommendations in the law?, Does the system actually work?

Success Metric, Number of reporting requirements or agencies., Meaningful prosecutions and asset recovery.

Status (MONEYVAL), High performance; 193 rating upgrades in the 5th round., Recurring weakness in enforcement and supervision.

Critical Weaknesses in Enforcement and Prosecution

The fifth evaluation round highlighted a significant "enforcement gap." While jurisdictions are building the required frameworks, they often fail to use them to remove criminal wealth from the economy.

- **Complexity of Financial Investigation:** Cases often span multiple years, legal entities, and jurisdictions. Success requires investigators, prosecutors, and judges with specialized resources and experience.

- **The "Self-Laundering" Trap:** Authorities frequently rely on simple cases connected directly to the original offender. This leaves the professional infrastructure—lawyers, accountants, and company service providers who enable high-level laundering—entirely intact.
- **The Intelligence Loop:** High volumes of suspicious-transaction reports (STRs) often lack quality. FIUs must transition from processing volume to producing actionable intelligence that informs investigations and creates a feedback loop with the private sector.

Asset Recovery: The Ultimate Effectiveness Test

The Warsaw Declaration explicitly identified poor performance in the final deprivation of illegal proceeds as a major failure. A conviction has limited value if the offender retains the economic benefits of the crime.

- **Freezing vs. Confiscation:** Systems must distinguish between temporary restraint orders and final recovery. Effectiveness is measured by how much illicit value is permanently removed relative to the proceeds generated by material criminal threats.
- **Obscured Ownership:** Effective recovery is hindered by assets registered to nominees, relatives, or professional intermediaries.
- **Operational Requirements:** Success requires early financial investigation, rapid freezing powers, and robust procedures for managing seized property.

Vulnerabilities Outside the Banking Sector

While financial institutions have seen significant AML investment, criminal assets frequently enter the economy through non-financial sectors where supervision remains fragmented.

- **Professional Enablers:** Lawyers, accountants, and real estate agents can inadvertently or deliberately disguise the origin of funds.
- **Supervisory Failure:** In these sectors, MONEYVAL found that breaches often lead to repeated warnings rather than the "proportionate and dissuasive sanctions" required to change behavior.
- **Beneficial Ownership:** The focus is shifting from the mere availability of registers to the accuracy of the data. Registers populated by unverified self-declarations are insufficient; authorities must verify ultimate control.

The Sixth Evaluation Round: A New Standard

Launched in 2024, the sixth round of mutual evaluations is the first of its kind in the FATF global network. It places a heightened emphasis on the sustainability of outcomes.

- **Results-Oriented Recommendations:** Evaluations now include clearer actions and timelines, increasing pressure on jurisdictions to prove that reforms have changed operational performance.
- **Geopolitical Context:** The new cycle prioritizes risks associated with grand corruption, malicious cyber activity, and the implementation of targeted financial sanctions, particularly in light of the invasion of Ukraine.

- **Balancing Controls:** The strategy recognizes the need to prevent "excessive de-risking," which can harm non-profit organizations and migrant communities, and emphasizes that AML laws must not be misused for political targeting.

Critical Takeaways for Financial Institutions

MONEYVAL's findings directly influence supervisory priorities and expectations for regulated firms. Organizations are encouraged to align their programs with "effectiveness expectations" rather than just regulatory checklists.

Key Operational Priorities:

- **Actionable Intelligence:** Shift from "defensive" reporting to providing STRs that explain suspected criminal purpose and fund flows.
- **Ownership Verification:** Reconcile registry data with incorporation documents and account activity to identify real control.
- **Sanctions Maturity:** Move beyond exact-name screening to understand ownership, influence, and the economic purpose of transactions.
- **Data Readiness:** Ensure records can be retrieved rapidly to support time-sensitive freezing and tracing requests from authorities.
- **Control Testing:** Conduct regular assurance and testing based on outcomes (e.g., "does this detect the risk?") rather than alert volumes alone. *"The strongest AML systems are those that convert risk understanding into detection, detection into intelligence, intelligence into investigation and investigation into the permanent removal of criminal value."*