

# Anti-money laundering and counter-terrorist financing measures

# Holy See (including Vatican City State)

## 1<sup>st</sup> Regular Follow-up Report & Technical Compliance Re-Rating

May 2024

Follow-up report



**The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL** is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

All rights reserved. Reproduction of the texts in this publication is authorised provided the full title and the source, namely the Council of Europe, are cited. For any use for commercial purposes, no part of this publication may be translated, reproduced or transmitted, in any form or by any means, electronic (CD-Rom, Internet, etc.) or mechanical, including photocopying, recording or any information storage or retrieval system without prior permission in writing from the MONEYVAL Secretariat, Directorate General of Human Rights and Rule of Law, Council of Europe (F-67075 Strasbourg or [moneyval@coe.int](mailto:moneyval@coe.int))

The 1st Regular Follow-up Report and Technical Compliance Re-Rating on Holy See (including the Vatican City State) was adopted by the MONEYVAL Committee through written procedure (21 May 2024).

# *Holy See (including Vatican City State): First Regular Follow-up Report*

## **I. INTRODUCTION**

1. The mutual evaluation report<sup>1</sup> (MER) of the Holy See (including the Vatican City State) was adopted in April 2021. Given the results of the MER, the Holy See (including the Vatican City State) was placed in regular follow-up.<sup>2</sup> The report analyses the progress of the Holy See (including the Vatican City State) in addressing the technical compliance (TC) deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. Overall, the expectation is that countries will have addressed most if not all TC deficiencies by the end of the third year from the adoption of their MER.

2. The assessment of the request of the Holy See (including the Vatican City State) for technical compliance re-ratings and the preparation of this report were undertaken by the following Rapporteur team (together with the MONEYVAL Secretariat):

- Albania

3. Section II of this report summarises the progress of the Holy See (including the Vatican City State) made in improving technical compliance. Section III sets out the conclusion and a table showing which Recommendations have been re-rated.

## **II. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

4. This section summarises the progress made by the Holy See (including the Vatican City State) to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER for which the authorities have requested a re-rating (Recommendation (R.)13, R.16 and R.24).

5. For the rest of the Recommendations rated as partially compliant (PC) (R.6, R.7, R.8 and R.27), the authorities did not request a re-rating.

6. This report takes into consideration only relevant laws, regulations or other anti-money laundering and combating financing of terrorism (AML/CFT) measures that are in force and effect at the time that the Holy See (including the Vatican City State) submitted its country reporting template – at least six months before the follow-up report (FUR) is due to be considered by MONEYVAL.<sup>3</sup>

### **II.1 Progress to address technical compliance deficiencies identified in the MER**

7. The Holy See (including the Vatican City State) has made progress to address the technical compliance deficiencies identified in the MER. As a result of this progress, the Holy See (including the Vatican City State) has been re-rated on R.13, R.16 and R.24.

8. Annex A provides the description of the country's compliance with each Recommendation that is reassessed, set out by criterion, with all criteria covered. Annex B provides the consolidated list of remaining deficiencies of the re-assessed Recommendations.

---

1. Source available at <https://rm.coe.int/moneyval-2021-4/1680a2c80b>.

2. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.

3. This rule may be relaxed in the exceptional case where legislation is not yet in force at the six-month deadline, but the text will not change and will be in force by the time that written comments are due. In other words, the legislation has been enacted, but it is awaiting the expiry of an implementation or transitional period before it is enforceable. In all other cases the procedural deadlines should be strictly followed to ensure that experts have sufficient time to do their analysis.

### III. CONCLUSION

9. Overall, in light of the progress made by the Holy See (including the Vatican City State) since its MER was adopted, its technical compliance with the Financial Action Task Force (FATF) Recommendations has been re-rated as follows:

**Table 1. Technical compliance with re-ratings, May 2024**

R.1	R.2	R.3	R.4	R.5
LC	LC	LC	LC	LC
R.6	R.7	R.8	R.9	R.10
PC	PC	PC	C	LC
R.11	R.12	R.13	R.14	R.15
LC	LC	<b>C (FUR1 2024)</b> NC	LC	LC
R.16	R.17	R.18	R.19	R.20
<b>LC (FUR1 2024)</b> PC	N/A	LC	LC	C
R.21	R.22	R.23	R.24	R.25
LC	LC	LC	<b>LC (FUR1 2024)</b> PC	LC
R.26	R.27	R.28	R.29	R.30
LC	PC	LC	LC	LC
R.31	R.32	R.33	R.34	R.35
LC	LC	C	LC	LC
R.36	R.37	R.38	R.39	R.40
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).

10. The Holy See (including the Vatican City State) will remain in regular follow-up and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. Subject to application of Rule 22 of the Rules of Procedures for the 5th Round of Mutual Evaluations, the Holy See (including the Vatican City State) is expected to report back in four years' time.

## Annex A: Reassessed Recommendations

### Recommendation 13 – Correspondent banking

	Year	Rating and subsequent re-rating
MER	2021	NC
FUR1	2024	↑ C (upgrade requested)

1. In its 2021 MER, the Holy See (including Vatican City State) (HS/VCS) was rated NC with R.13 because: (i) the definition of “correspondent relationship” did not apply where an obliged subject had a relationship with a foreign bank; (ii) there was no explicit requirement to determine whether a respondent FI had been subject to an AML/CFT investigation or regulatory action; and (iii) there was no direct requirement for FIs to clearly understand respective responsibilities.

2. **Criterion 13.1** – In relation - to correspondent relationships with financial and credit institutions established in other countries, financial institutions (FIs) are required to apply preventative measures (AML/CFT law, Art. 27; Supervisory and Financial Information Authority (ASIF) Regulation No. 4 (Customer Due Diligence (CDD), Art. 26). The definition of “correspondent relationship” in the AML/CFT law follows the standard (Art. 1(18 bis)). The following preventative measures must be applied:

- (a) Gather sufficient information about the corresponding financial or credit institution in order to fully understand the nature of its activities and to determine, on the basis of the information available to the public, its reputation and the quality of its supervision, including whether it has been subject to an ML/TF investigation or measure (AML/CFT law, Art. 27(1)(a); ASIF Regulation No. 4 (CDD), Art. 26(2)(a)).
- (b) Assess AML/CFT controls applied by the corresponding financial or credit institution (AML/CFT law, Art. 27(1)(c); ASIF Regulation No. 4 (CDD), Art. 26(2)(c)).
- (c) Obtain senior management approval prior to opening new corresponding accounts/establishing new correspondent relationships (AML/CFT law, Art. 27(1)(d); ASIF Regulation No. 4 (CDD), Art. 26(3)(a)).
- (d) Establish and clearly understand in writing the respective responsibilities of the FI and the corresponding financial or credit institution (AML/CFT law, Art. 27(1)(e); ASIF Regulation No. 4 (CDD), Art. 26(3)(b)).

3. **Criterion 13.2** – Payable-through accounts are defined in Art. 1(6) of the AML/CFT law, which definition meets the standard. With respect to payable-through accounts, in line with the standard, obliged subjects are required to ensure that the corresponding financial or credit institution:

- (a) Has carried out CDD on its customers that have direct access to those accounts (AML/CFT law, Art. 27(2)(a); ASIF Regulation No. 4 (CDD), Art. 26(4)(a)); and
- (b) Is able to provide, upon request, CDD information (AML/CFT law, Art. 27(2)(b)); ASIF Regulation No. 4 (CDD), Art. 26(4)(b)).

4. **Criterion 13.3** – It is prohibited to open or maintain correspondent relationships with a shell bank, or a FI that permits their accounts to be used by a shell bank (AML/CFT law, Art. 5(1)(c-d)). In addition, FIs (but not banks) are required to ascertain that the corresponding institution is neither a shell bank nor permits their accounts to be used by shell banks (AML/CFT law, Art. 27(1)(b); ASIF Regulation No. 4 (CDD), Art. 26(2)(b)).

### Weighting and Conclusion

5. All criteria are met. **R. 13 is rated compliant.**

*Recommendation 16 – Wire transfers*

	<b>Year</b>	<b>Rating and subsequent re-rating</b>
<b>MER</b>	2021	PC
<b>FUR1</b>	2024	↑ LC (upgrade requested)

1. In the 2021 MER, the HS/VCS was rated PC with R.16 due to the following deficiencies: (i) where all FIs involved in a cross-border wire transfer were part of SEPA, it was not necessary for transfers to be accompanied by the name of the originator and beneficiary; (ii) legislation allowed FIs themselves to decide under which circumstances to keep information for 10 years; (iii) there were no requirements for MVTs operators to comply with the relevant requirements of R.16; and (iv) FIs were not able to take freezing action under TFS immediately and upon their own motion.

2. **Criterion 16.1** – CDD, including verification of the customer, is required where a transfer of funds is made that is equal to or above EUR 1 000 (AML/CFT law, Art. 15(1)(a)(iii)). Information provided in cross-border wire transfers using the euro area payments system (SEPA) where the transfer is exclusively carried out between the HS/VCS and a Member State of the EU is not in line with the standard which permits only transfers that take place entirely within the borders of the EU to be treated as domestic.

- (a) FIs are required to ensure that all cross-border wire transfers, except those made to and from the EU through SEPA, are accompanied by the following data and information on the originator: (i) name and surname or, in the case of a legal person, the name in full; (ii) account number or, in the absence of an account, a unique identification number that allows the traceability of the transaction; and (iii) address of residence or domicile, the official personal document number, the customer identification number or date and place of birth, or, in the case of a legal person, the address of the registered office (AML/CFT law, Art. 31(1)(a) (i) to (iii) and ASIF Regulation No. 2 (wire transfers) (Art. 4(1)(a)(i) to (iii)).

Where all FIs involved in a cross-border wire transfer are part of SEPA and the transfer is exclusively carried out between the HS/VCS and a Member State of the EU, the transfers of funds must be accompanied by at least the name and payment account number of the originator, or, in the absence of an account, by a unique identification number that allows traceability of the transaction and its link to the originator (AML/CFT law, Art. 31 (1 bis) and ASIF Regulation No. 2 (wire transfers), Art. 4 (1 bis), Art. 11, Art. 12, and para. 2 of the Annex). Information must be verified for accuracy (AML/CFT law Art. 31(1) and ASIF Regulation No. 2 (wire transfers) (Art. 31(2)).

- (b) FIs are required to ensure that all cross-border wire transfers, except those made to and from the EU through SEPA, are accompanied by the following data and information on the beneficiary: (i) the name and surname or, in the case of a legal person, the name in full; and (ii) the account number or, in the absence of an account, a unique identification number that allows the traceability of the transaction (AML/CFT law, Art. 31(1)(b)(i) and (ii) and ASIF Regulation No. 2 (wire transfers), Art. 4(1)(b)(i) to (ii)).

Where all FIs involved in a cross-border wire transfer are part of SEPA and the transfer is exclusively carried out between the HS/VCS and a Member State of the EU, the transfers of funds must be accompanied at least by the payment account number of the beneficiary, or, in the absence of an account, by a unique identification number that allows traceability of the transaction and its link to the beneficiary (AML/CFT law, Art. 31(1 bis) and ASIF Regulation No. 2 (wire transfers), Art. 4(1 bis), Art. 11, Art. 12, and para. 2 of the Annex). Information must be verified for accuracy (AML/CFT law, Art. 31(1) and ASIF Regulation No. 2 (wire transfers) (Art. 31(2)).

3. **Criterion 16.2** – FIs are required to ensure that the batch file includes complete and accurate information related to the originator and beneficiary allowing traceability in the beneficiary country (Art. 32(1) of the AML/CFT law).
4. **Criterion 16.3** – Whilst a *de minimis* threshold is applied to the requirements of c.16.1 (application of CDD measures), requirements to ensure that wire transfers are accompanied by data and information on the originator and beneficiary under c.16.1 apply to all cross-border wire transfers, except those made to and from the EU through SEPA (AML/CFT law Art. 31(1), Art. 31(1 bis), Art. 4(1), and Art. 4(1 bis) of the ASIF Regulation No. 2 (wire transfers). The effect of the exemption for SEPA transfers to and from the EU is that it is not necessary for transfers to be accompanied by the name of the originator and beneficiary.
5. **Criterion 16.4** – FIs are required to verify the information pertaining to its customer in cases of suspicion of ML/TF (AML/CFT law, Art. 31(2)).
6. **Criterion 16.5** – For domestic wire transfers (which does not include payments made to or from the EU through SEPA), FIs are required to ensure that the information accompanying the wire transfer includes the same originator information as for a cross-border transfer (AML/CFT law, Art. 33(1)), except where this information can be made available to the beneficiary FI or competent authorities by other means (AML/CFT law, Art. 33(2)). Art. 5(1) of ASIF Regulation No. 2 (wire transfers), in addition to the requirement to accompany the wire transfer with originator information, also requires accompanying the wire transfer with beneficiary information, except where this information can be made available to the beneficiary FI or competent authorities by other means.
7. **Criterion 16.6** – Where the data and information accompanying the domestic wire transfer can be made available to the beneficiary FI and to the competent authorities by other means, the originator FI shall include the account number, in case this is used for the transaction or, in the absence of an account, a unique identification code that allows the traceability of the transaction and which leads back to the originator or the beneficiary (AML/CFT law, Art. 33(2)). There is a similar requirement in ASIF Regulation No. 2 (wire transfers) (Art. 5(2)).
8. The originator payment service provider shall make the data and information available within three business days of receiving a request from the beneficiary FI or the competent authorities. In any case, supervisory, law enforcement and judicial authorities can order the immediate production of such data and information (AML/CFT law, Art. 33(3)). A similar requirement to provide data and information to the beneficiary FI is set out in the ASIF Regulation No. 2 (wire transfers) (Art. 5(3)).
9. **Criterion 16.7** – The ordering FI is required to maintain all originator and beneficiary information in accordance with R.11 (AML/CFT law, Art. 34(1)). Also, FIs are required to maintain transactional records, irrespective of whether they are domestic or international, for a period of 10 years following execution of the transaction (AML/CFT law, Art. 38(1)(b)).
10. **Criterion 16.8** – Ordering FIs are prohibited from executing a wire transfer when they are not able to fulfil all requirements (AML/CFT law, Art. 34(2)).
11. **Criterion 16.9** – In the case of a cross-border wire transfer, intermediary FIs are required to ensure that all originator and beneficiary information accompanies the transfer (AML/CFT law, Art. 35(1) and ASIF Regulation No. 2 (wire transfers), Art. 9(2)).
12. **Criterion 16.10** – Where technical limitations prevent data and information on the originator and beneficiary accompanying a domestic wire transfer linked to a cross-border wire transfer, intermediary FIs are required to keep for ten years the data and information received from the ordering FI or other intermediary FI (AML/CFT law, Art. 35(2), Art. 9(3) of the ASIF Regulation No. 2 (wire transfers)).
13. **Criterion 16.11** – Intermediary FIs are required to adopt adequate procedures and measures that allow an immediate and direct analysis of transfers in order to identify cross-border wire transfers which lack data and information on the originator or beneficiary (AML/CFT law, Art. 35(3) and ASIF Regulation No. 2 (wire transfers), Art. 10(1)). The authorities of the HS/VCS also confirmed that cross-border wire transfers are not processed without manual intervention.

14. **Criterion 16.12** – Intermediary FIs are required to adopt adequate risk-based policies, procedures and measures for determining: (i) when to execute, reject or suspend a wire transfer lacking required originator or beneficiary data or information; and (ii) follow-up actions (AML/CFT law, Art. 35(4) and ASIF Regulation No. 2 (wire transfers), Art. 10(2)).

15. **Criterion 16.13** – Beneficiary FIs are required to take adequate procedures and measures, including post-event monitoring or, where possible, real-time monitoring, to identify cross-border wire transfers which lack required data and information on the originator or beneficiary (AML/CFT law, Art. 36(1), ASIF Regulation No. 2 (wire transfers), Art. 7(2)).

16. **Criterion 16.14** – For cross-border wire transfers equal to or above EUR 1 000, beneficiary FIs are required to verify the identity of the beneficiary, if identity has not been previously verified, and keep data and information for ten years (AML/CFT law, Art. 36(2) and ASIF Regulation No. 2 (wire transfers), Art. 7(4)).

17. **Criterion 16.15** – Beneficiary FIs are required to adopt adequate risk-based policies, procedures and measures for determining: (i) when to execute, reject or suspend a wire transfer lacking required originator or beneficiary data or information; and (ii) follow-up actions (AML/CFT law, Art. 36(3) and ASIF Regulation No. 2 (wire transfers), Art. 8(1)).

18. **Criterion 16.16** – Money or value transfer services (MVTS) providers are obliged entities and so required to comply with the relevant requirements of R.16 (AML/CFT law, Art 1, 1(d), (17 bis), (20 bis), (27), (28), (29) and (30), Art. 31, Art. 32, Art. 33, Art. 34, Art. 35 and Art. 36; ASIF Regulation No. 2 (wire transfers), Art. 3(25 bis), (30 bis), (35), (36), (37), (38), Art. 4, Art. 5, Art. 7, Art. 8, Art. 9, Art. 10, Art. 14 and Art. 15).

19. **Criterion 16.17** –

(a) The MVTS provider must take into account missing information on the originator or the beneficiary in order to determine whether a suspicious activity report (SAR) is to be filed (ASIF Regulation No. 2 (wire transfers), Art. 8 and Art. 10).

(b) There is no requirement to file a SAR in each jurisdiction affected by the suspicious wire transfer or to make relevant transaction information available. However, given: (i) the principle of territoriality of AML/CFT legislation, when a MVTS operator that is established in several jurisdictions performs a money transfer between two of its entities, and the transaction proves to be suspicious; and (ii) permissions for intra-group sharing of STR data (see c.18.2(b)), it may be required to submit a SAR to the Financial Intelligence Unit of the ASIF (FIU) in each of those jurisdictions pursuant to their respective domestic laws.

20. **Criterion 16.18** – FIs are prohibited from providing, directly or indirectly, designated persons with funds or other assets, or offering financial services or services connected to them (AML/CFT law, Art. 75(1)) and are required to freeze funds or assets of designated persons immediately and without delay (AML/CFT law, Art. 75(3)).

### **Weighting and Conclusion**

21. Shortcomings have been identified in relation to cross-border wire transfers to and from the EU using SEPA that are not required to be accompanied by required originator and beneficiary information. This shortcoming has been treated as minor given that participation of the HS/VCS in SEPA and the fulfilment of the legal obligations under the Monetary Agreement between the HS/VCS and EU must guarantee a level playing field of the parties concerned in the two jurisdictions as regards cross-border payments in euro. **R.16 is rated largely compliant.**



## Recommendation 24 – Transparency and beneficial ownership of legal persons

	Year	Rating and subsequent re-rating
MER	2021	PC
FUR1	2024	↑ LC (upgrade requested)

1. In the 2021 MER, R.24 was rated PC because: (i) some information on basic features and processes for the creation of legal persons was limited and guidance not available; (ii) some ML/TF risk assessments had not been concluded; (iii) there was no direct registration requirement for some legal persons and some limitations on access to registers and basic information; (iv) it was not clear that BO information held would be adequate and kept as up-to-date as possible; (v) some record-keeping requirements were undefined, including at the time of dissolution; (vi) the range of sanctions available to punish serious failure to comply with requirements was insufficient; (vii) there were some limitations in access to information by foreign authorities; and (viii) it was not clear how the quality of assistance received was monitored.

2. Legal persons may be “instrumental” or “non-instrumental”. Instrumental legal persons are entities that have reference to the HS/VCS and their registered office in the jurisdiction.<sup>4</sup> These entities have been created by, or within, public authorities of the HS (curial institutions) and are directly dependent on them, although they have a separate legal personality and a certain degree of administrative autonomy. They are instrumental to the realisation of the public purposes of institutions that serve the ministry of the Roman Pontiff. Non-instrumental legal persons arise from private initiative and are not instrumental to the realisation of the proper purposes of curial institutions. The assessment of R.24 considers only non-instrumental legal persons.

3. Non-instrumental legal persons may be established in the legal form of a foundation or association. The 2013 FATF Methodology, together with the FATF Guidance on Transparency and Beneficial Ownership of October 2014, stipulates that the assessment team (AT) should consider the application of all criteria of R.24 to all relevant types of legal person. Since foundations are explicitly referred to by the FATF, R.24 is applied to foundations, taking into account their form and structure (in particular, the absence of shareholders). With regard to associations, there is no reason to treat them differently from foundations: they are subject to the same creation process, have the same corporate bodies and pursue the same activities (i.e., support of the mission of the HS/VCS and the Catholic Church). Accordingly, R.24 is applied also to associations.

#### 4. **Criterion 24.1 –**

(a) *Types, forms and basic features of legal persons* – The basic types of legal person that may be created in the HS/VCS are provided for in: (i) the Code of Canon Law (canons 113 to 123); (ii) Law on Legal Persons; and (iii) Motu Proprio on Instrumental Legal Persons (outside scope). These sources are publicly available.

(b) *Processes for the creation of legal persons and obtaining information* – The Law on Legal Persons sets out the process for: (i) creating legal persons; and (ii) the Governorate of the VCS obtaining and recording basic and Beneficial Ownership (BO) information (Art. 3 to Art. 6). These sources are publicly available.

5. **Criterion 24.2** – An ML/TF risk assessment was conducted in 2022 covering non-instrumental legal persons. It concludes that legal persons present medium-low ML and TF risks.

---

4. The term excludes: (i) curial institutions and offices of the Roman Curia; and (ii) institutions associated with the HS and those of the Governorate of the VCS (Motu Proprio on Instrumental Legal Persons, Art. 1). The expression “curial institutions” refers to the various Public Authorities of the Holy See that compose the Roman Curia: (i) the SoS; (ii) the Dicasteries; and (iii) other Institutions, all juridically equal among themselves, that serve the ministry of the Roman Pontiff (Apostolic Constitution “Praedicate Evangelium” on the Roman Curia and its service to the Church in the world, Art. 12(1) and (2)).

6. **Criterion 24.3** – All legal persons must be registered in a register held by the Legal Office of the Governorate of the VCS (Law on Legal Persons, Art. 4).

7. Inter alia, the following information and documents are recorded in the register (Law on Legal Persons, Art. 3 and Art. 5): (i) the charter or statutes, which include the name and type of the legal person, the address of the registered office and basic regulating powers; (ii) authorisation of the Secretariat of State (SoS) for registration; and (iii) documents of appointment of directors, administrators, legal representatives, trustees, curators and any other person in charge of the legal person, together with copies of their identity documents. The register is publicly available (Law on Legal Persons, Art. 6).

8. **Criterion 24.4** – Inter alia, legal persons are required to keep the following in the HS/VCS: (i) names of members of governing bodies; and (ii) names of beneficial owners (Law on Legal Persons, Art. 9(1)<sup>5</sup>). Legal persons are also required to record and store documents, data and information regarding their “nature and activities” (AML/CFT law, Art. 5 bis (1)(a)), though it is not specified where. Whilst legal persons are required to maintain documents regarding their “nature and activity” (AML/CFT Law, Art. 5 bis(1)), no explicit obligation is placed on legal persons to maintain the following basic information listed under c.24.3: (i) name; (ii) proof of incorporation; (iii) legal form and status; (iv) address of registered office; and (v) basic regulating powers.

9. **Criterion 24.5** – Legal persons are required to: (i) update records kept in a “timely” manner (Law on Legal Persons, Art. 9(2)); and (ii) keep information up-to-date (AML/CFT law, Art. 5 bis (1)(a) and (b)). Additionally, the Governorate of the VCS is required to ensure that the data and information held in the register are: (i) promptly updated (Law on Legal Persons, Art. 6(1)); and (ii) updated appropriately (i.e. kept accurate) (AML/CFT law, Art. 8(2)(b)). Therefore, mechanisms that ensure accuracy and timely updating of basic information listed under c.24.3 and c.24.4 are in place.

10. **Criterion 24.6** – All legal persons registered in the HS/VCS must communicate BO information to the Governorate of the VCS (AML/CFT law, Art. 5 bis (1)(b)) – which must be accessible to competent authorities in a timely manner (AML/CFT law, Art. 5 bis(2)). This is complemented by two additional mechanisms: (i) requiring all legal persons registered in the HS/VCS to hold BO information in the VCS (Law on Legal Persons, Art. 9(2) and AML/CFT law, Art. 5 bis (1)(a)); and (ii) requiring FIs and DNFBPs to obtain BO information in accordance with R.10 and R.22<sup>6</sup> (AML/CFT law, Art. 17)), though there is no obligation for legal persons to maintain a bank account in the HS/VCS.

11. **Criterion 24.7** – Legal Persons are required to: (i) update BO information in a timely manner and retain it in their records (Law on Legal Persons, Art. 9(2)(b) and Art. 20(1)); and (ii) keep information up-to-date (AML/CFT law, Art. 5 bis (1)(a) and (b)). Obligated subjects are required to keep CDD information up to date on an on-going basis, with particular attention paid to high-risk categories (AML/CFT law, Art. 19). In addition, the Governorate of the VCS must: (i) ensure that BO information held in the private register is updated appropriately (i.e., kept accurate) (AML/CFT law, Art. 8(2)(b)); and (ii) carry out a review at regular intervals in order to verify the continued composition of the governing body of a legal person (which is relevant given the type of legal person that can be established in the HS/VCS) (Law on Legal Persons, Art. 6(4)). However, it is not clear that the combined effect of mechanisms to obtain BO information is that information must be kept as up-to-date as possible. This is because timeframes are not specified.

---

5. Legal persons registered in the HS/VCS do not have shareholders.

6. In line with R.10, in the case of a legal person that is not a company, the BO is: (i) the natural person who effectively exercises control of the settled assets; and (ii) the natural person who is the effective beneficiary of those assets or category of person in whose principal interest the legal person has been created or acts. If, after all possible means have been exhausted, and provided there are no grounds for suspicion, no person has been identified in accordance with the criteria set out in the preceding points, or, in case of doubt as to whether the person identified is the BO, the BO is the natural person who occupies a senior management position or otherwise exercises control over the direction or management of the legal person.

12. **Criterion 24.8** – The legal representative (director) of a legal person is required to submit basic information required under c.24.3 and BO information to be registered (Law on Legal Persons, Art. 4(2) and Art. 20). In addition, the legal representative is required to deposit with the Legal Office of the Governorate, documents amending statutes, charter, internal rules, governing bodies, and any other document affecting the “nature and purpose” of the legal person (Law on Legal Persons, Art. 6(3)). In the circumstances of the HS/VCS, where there is continual communication between the authorities and legal persons, this is considered to be a “comparable measure” under c.24.8(c). Having said that, it is not clear to the AT whether the legal representative is responsible for providing all basic and BO information to the competent authorities since the meaning of “nature and purpose” is unclear.

13. **Criterion 24.9** – Obligated subjects which maintain a business relationship with a legal person must maintain records for a period of ten years from the end of the relationship with the customer (AML/CFT law, Art. 38) – but see c.11.2. Legal persons registered in the HS/VCS are required to store all documents, data and information regarding their nature and activities, and their BOs, beneficiaries, members and administrators for a period of ten years (AML/CFT law, Art. 5 bis (1)). However, the starting point of the ten-year period is undefined and, therefore, may end as early as ten years after the date of incorporation. On the liquidation of a legal person, records held at that time, including on BO and members of governing bodies, must be deposited with the Legal Office of the Governorate, which will arrange for their preservation for a period of ten years from dissolution (Law on Legal Persons, Art. 19(3)).

14. The Legal Office of the Governorate of the VCS is the competent body for the registration of all legal persons. As such it maintains basic and BO information which it receives at the time of registration (see under c.24.3 above) and subsequently (AML/CFT law, Art. 5 bis (1) (b)). However, the period for keeping this information is not defined.

15. **Criterion 24.10** – The ASIF, for supervisory purposes, has access to documents, data and information that are kept by registered legal persons in the HS/VCS (AML/CFT law, Art. 5 bis (2) and Art. 46).

16. Such legal persons also have to disclose, upon request, all the documents, data and information regarding their nature and activities, and their BOs, beneficiaries, members and administrators to the competent authorities (in a timely manner) and obliged subjects (AML/CFT law, Art. 5 bis). The term “competent authorities” includes competent supervisory authorities and Law Enforcement Agencies (LEAs) (AML/CFT law, Art. 8).

17. The ASIF acting as a supervisory authority may also request information on BOs held by obliged subjects (AML/CFT law, Art. 46 (b)). Additionally, the ASIF acting as FIU has access on a timely basis to all information of a financial, administrative and investigative nature (AML/CFT law, Art. 50).

18. Financial information held by obliged subjects or legal persons registered in the HS/VCS, including data on BOs, is also accessible through intervention of judicial authorities (i.e., the order of the single judge). According to Art. 166 of Code of Criminal Procedure, “officials of the investigating police can sequester (temporarily restrain) any goods that were used to commit a crime, those which were the product of the crime, and all which could be used to *ascertain the truth*”. The italicised words appear to be the basic legal authority to produce requested documents as set out under this criterion.

19. **Criterion 24.11** – Bearer shares and bearer share warrants are prohibited in the HS/VCS (AML/CFT law, Art. 5 (f)). Legal persons created in the HS/VCS do not, and have never, issued shares of any description.

20. **Criterion 24.12** – The legal framework of the HS/VCS does not prohibit the use of nominee shares or nominee directors by legal persons. Given that the legal persons registered in the HS/VCS do not have shareholders, the present assessment of c.24.12 focuses on nominee directors (or equivalent). In order to avoid the misuse of legal persons using nominee directors (or equivalent), the HS/VCS has subjected all legal persons to an authorisation mechanism (by the SoS or Pontifical Commission/Governorate of the VCS). These authorities, during their authorisation process, perform fit and proper checks on all members of the corporate bodies (including the administrative body, e.g., board of directors). The names of the members of the administrative and control bodies is collected

together with further documents (CV, identification documents and certificates of criminal record), and their integrity and professionalism is verified. These checks are designed to identify links to criminal activity but, in the view of the authorities and the AT, will also highlight cases where directors propose to act as nominees.

21. In addition to this mechanism, nominators have to be identified by legal persons due to the obligation to find out the natural person who effectively exercises control over the assets of the legal person (though c.10.10 highlights a deficiency in the definition of BO). This information has to be communicated to the Governorate of the VCS for entry in the register and disclosed to the competent authorities upon request (AML/CFT law, Art. 5 bis and Art. 1(24) (c) (i)).

22. **Criterion 24.13** – Legal Persons are subject to administrative sanctions ranging from EUR 1 000 to EUR 50 000 for failing to meet requirements (Law on Legal Persons, Art. 20(1)). The director (legal representative) is subject to administrative sanctions ranging from EUR 500 to EUR 2 000 (Law on Legal Persons, Art. 20(2)). In the event of a repeated violation or failure to comply for more than fifteen days after formal notice, the pecuniary sanction must be doubled and, in addition, the follow sanctions may be applied: (i) temporary prohibition of the person from carrying out its activity; (ii) temporary prohibition of the legal representative, director or person in charge of the person from holding executive offices of legal persons; and (iii) removal of the legal representative, administrator or person in charge of the entity from executive office (Law on Legal Persons, Art. 20(2)). This range of sanctions is proportionate.

23. Inter alia, administrative sanctions are available to deal with: (i) failure to update documents to be filed in the register within the time limit set; and (ii) breach of the provisions related to record keeping. (Law on Legal Persons, Art. 20 (1) and (2)).

24. **Criterion 24.14** – The competent authorities of the HS/VCS (see definition under Art. 8 of the AML/CFT law) are required to “actively co-operate and exchange” information with similar authorities of foreign jurisdictions (AML/CFT law, Art. 48(l bis) Art. 69 bis(1)) – which is equivalent to “rapid provision”. This is described under R.37 and R.40.

25. As the register of legal persons is public (Law on Legal Persons, Art. 6(2)), foreign authorities can request basic information (according to c.24.4) from the Legal Office of the Governorate of the VCS. Otherwise, the SoS is responsible for examining requests for information from foreign authorities concerning the functioning or acts of legal persons, including on BO, and may transmit information to these foreign authorities, even without a prior request. This communication is conducted through diplomatic channels (Law on Legal Persons, Art. 13).

26. Gaps that are identified (see c.40.15 – relating to memoranda of understanding), may restrict information exchange between the ASIF and foreign supervisors.

27. **Criterion 24.15** – The ASIF is required to keep statistics concerning: (i) international co-operation in the context of supervision and financial intelligence, especially in relation to the number of domestic and international requests received and declined, and those that were processed, in whole or in part, broken down by country (AML/CFT law, Art. 14(b)(iv)); and (ii) investigative and judicial activities, including international co-operation (AML/CFT Law, Art. 14 (b)(vi)), which includes MLA. Both cover outgoing requests, which are broken down by country, including the timing of the various stages of analysis. According to ASIF’s internal procedure, a description of requested information is kept (both for incoming and outgoing requests) for statistical reporting purposes. This description allows for a separation between basic and BO information. The statistics are reported in ASIF’s Annual Report and are discussed in the co-ordination meetings with LEAs authorities.

28. With respect to registry co-operation, data and statistics (basic and BO information) to monitor the quality of assistance are collected by the Legal Office of the Governorate of the VCS.

### **Weighting and Conclusion**

29. Whilst moderate shortcomings remain for c.24.7 (updating BO information) and c.24.9 (record-keeping) and c.24.15, other criteria are either met or mostly met. Overall, shortcomings are considered to be minor given that: (i) in practice, BOs of legal persons are typically senior managing officials; and (ii) a combination of sources of records for basic and BO information are available. **R.24 is rated largely compliant.**

## Annex B: Summary of Technical Compliance – Deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating <sup>7</sup>
<p>13. Correspondent banking</p> <p>16. Wire transfers</p> <p>24. Transparency and beneficial ownership of legal persons</p>	<p>NC (MER 2021) C (FUR1 2024)</p> <p>PC (MER 2021) LC (FUR1 2024)</p> <p>PC (MER 2021) LC (FUR1 2024)</p>	<ul style="list-style-type: none"> <li>• Cross-border transactions between the HS/VCS and EU Member States are not required to be accompanied by all required originator and beneficiary information (c.16.1 and c.16.3 - MER).</li> <li>• No explicit obligation is placed on legal persons to maintain the following basic information: (i) name; (ii) proof of incorporation; (iii) legal form and status; (iv) address of registered office; and (v) basic regulating powers (c.24.4 - MER).</li> <li>• It is not clear that the combined effect of mechanisms to obtain BO information is that information must be kept as up-to-date as possible (c.24.7 - MER).</li> <li>• it is not clear to whether the legal representative is responsible for providing all basic and BO information to the competent authorities since the meaning of “nature and purpose” is unclear. (c.24.8 - MER).</li> <li>• The starting point of the ten-year period for legal persons and the Governorate of the VCS to maintain basic and BO information is undefined (c.24.9 - MER).</li> <li>• Gaps relating to the exchange of supervisory information by the ASIF may restrict information exchange with foreign supervisors (c.24.14 - MER).</li> </ul>

7. Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

## TABLE OF ACRONYMS

AML/CFT	Anti-money laundering and combating financing of terrorism
AML/CFT law	Law on Transparency, Supervision and Financial Intelligence (No. XVIII)
The ASIF	Supervisory and Financial Information Authority
AT	Assessment team
BO	Beneficial Owners/Ownership
C	Compliant
CDD	Customer Due Diligence
CCP	Code of Criminal Procedure
FATF	Financial Action Task Force
EU	European Union
FIU	Financial Intelligence Unit of the ASIF
HS	Holy See
Law on Legal Persons	N.DL – Law on Legal Persons
LC	Largely compliant
LEAs	Law Enforcement Agencies
MER	Mutual evaluation report
ML/TF	Money laundering/terrorist financing
MVTS	Money or value transfer services
Motu Proprio	A document issued by the Supreme Pontiff on his own initiative directed to the Roman Catholic Church.
Motu Proprio on Instrumental Legal Persons	Apostolic Letter issued Motu Proprio of the Supreme Pontiff Francis on the Instrumental Legal Persons of the Roman Curia
NC	Non-compliant
PC	Partially compliant
R.	Recommendation
Roman Curia	The complex of Dicasteries and institutes through which the Roman Pontiff usually conducts the business of the universal Church in the exercise of his supreme pastoral office for the good and service of the whole Church and of the particular Churches. (can 360-361). The Curia, together with the Holy Father, represents the administrative apparatus of the HS and central governing body of the Catholic Church.
SAR	Suspicious activity report
SEPA	Single Euro Payments Area
SoS	Secretariat of State
TC	Technical compliance
VCS	Vatican City State

[www.coe.int/MONEYVAL](http://www.coe.int/MONEYVAL)

May 2024

Anti-money laundering and counter-terrorist financing measures -  
**Holy See (including the Vatican City State)**

**1st Regular Follow-up Report &  
Technical Compliance Re-Rating**

This report analyses Holy See (including the Vatican City State)'s progress in addressing the technical compliance deficiencies identified in the April 2021 assessment of their measures to combat money laundering and terrorist financing.

Follow-up report