COUNCIL OF EUROPE'S COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

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Anti-money laundering and counter-terrorist financing measures

Montenegro

1st Enhanced Follow-up Report & Technical Compliance Re-Rating

November 2025

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.

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The 1st Enhanced Follow-up Report and Technical Compliance Re-Rating on Montenegro was adopted by the MONEYVAL Committee through written procedure (3 November 2025).

Montenegro: 1st Enhanced Follow-up Report

I. INTRODUCTION

1. The 5th round mutual evaluation report[1] (MER) of Montenegro was adopted in December 2023. Given the results of the MER, Montenegro was placed in enhanced follow-up[2]. This report analyses the progress of Montenegro in addressing the technical compliance (TC) deficiencies identified in its MER, where requested to do so by the country. 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.[3]

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

- Andorra
- Croatia
- Georgia
- Guernsey
- Hungary

3. Section III of this report summarises the progress made by Montenegro in improving technical compliance. Section IV sets out the conclusion and a table showing which Recommendations have been re-rated.

4. In line with MONEYVAL's Rules of Procedure, the follow-up process is desk-based – using information provided by the authorities, including revised legislation. It does not address what progress a country has made to improve the effectiveness of changes introduced by the country.

II. BACKGROUND, RISK AND CONTEXT

5. A number of legislative amendments have been made to the main anti-money laundering and combating the financing of terrorism (AML/CFT) laws and sectorial legislation since adoption of the MER that are relevant to assessed Recommendations.

6. In particular, significant changes have been made to the Law on the Prevention of Money Laundering and Terrorism Financing (LPMLTF). In addition, Montenegro has made amendments to: (i) the Law on International Restrictive Measures (IRM Law); (ii) Criminal Procedure Code; (iii) Law on Open-Ended Investment Funds; (iv) Law on Alternative Investment Fund Management Companies; and (v) Law on Internal Affairs. Several by-laws have also been adopted/amended to address the deficiencies identified in the MER of the country. In addition, the following have been adopted: (i) Rulebook on the Manner of Entry, Update, Verification and Access to the Data from the Beneficial Owners Registry (Rulebook on BO information); and (ii) Rulebook on Detailed Criteria for Developing Guidelines for Risk Analysis and Guidelines for establishing ML/TF Risk Management System.

1. Source available at www.coe.int/en/web/moneyval/jurisdictions/montenegro.
2. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.
3. Montenegro's submission of the country report for this FUR preceded a Plenary decision to amend the Rules of Procedure for the 5th Round of Mutual Evaluations. Therefore, the 2013 version of the Methodology applies to this technical compliance re-rating exercise.

7. Since the adoption of its MER, Montenegro has analysed the risk of: (i) abuse of non-profit organisations (NPOs) for the purposes of terrorist financing (TF); and (ii) Money laundering (ML)/TF through the use of Virtual Assets (VA) and Virtual Asset Service Providers (VASPs). The abovementioned analyses conclude that there is a low level of TF risk in the NPO sector, and a medium-high level of risk posed by VAs and VASPs.

III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

8. This section summarises the progress made by Montenegro to improve its technical compliance by addressing the deficiencies identified in the MER for which the authorities have requested a re-rating (Recommendations (R.)6, R.7, R.8, R.10, R.13, R.15, R.16, R.17, R.18, R.19, R.22, R.23, R.24, R.25, R.26, R.28, R.33, and R.35).

9. For R.32 - rated as partially compliant (PC) - the authorities did not request a re-rating.

10. This report takes into consideration only relevant laws, regulations or other AML/CFT measures that are in force and effect at the time that Montenegro submitted its country reporting template – at least six months before the follow-up report (FUR) is due to be considered by MONEYVAL[4].

IV. PROGRESS TO ADDRESS TECHNICAL COMPLIANCE DEFICIENCIES IDENTIFIED IN THE MER

11. Montenegro has made progress to address the TC deficiencies identified in the MER. As a result of this progress, Montenegro has been re-rated on R.6, R.7, R.8, R.10, R.13, R.15, R.16, R.17, R.18, R.22, R.23, R.26 and R.33. The country asked for a number of re-ratings for other Recommendations (R.19, R.24, R.25, R.28, and R.35) which are also analysed but no re-rating has been provided.

12. Annex A provides a 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.

13. Attention is drawn to the following part of Annex A, where further explanation is necessary:

Weighting and conclusion parts of R.22 and R.23 of the MER of Montenegro refer to lawyers, notaries, and trust and company service providers (TCSPs) as presenting high risk, whereas paragraph 480 of the MER does not confirm the relevance of high risk in relation to trust service providers. Therefore, this FUR has made factual corrections to the introductions of R.22 and R.23 with the effect on the weighting and conclusion parts and overall ratings thereof.

V. CONCLUSION

14. Overall, in light of the progress made by Montenegro since its MER was adopted, its technical compliance with the Financial Action Task Force (FATF) Recommendations has been re-rated as follows.

4. 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 of the plenary. 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.

Table 1. Technical compliance with re-ratings, November 2025

R.1	R.2	R.3	R.4	R.5
LC (MER)	LC (MER)	LC (MER)	LC (MER)	LC (MER)
R.6	R.7	R.8	R.9	R.10
LC (FUR1 2025) ~~PC (MER)~~	**LC (FUR1 2025)** ~~PC (MER)~~	**PC (FUR1 2025)** ~~NC (MER)~~	LC (MER 2023)	**LC (FUR1 2025)** ~~PC (MER)~~
R.11	R.12	R.13	R.14	R.15
LC (MER)	LC (MER)	**LC (FUR1 2025)** ~~PC (MER)~~	LC (MER 2023)	**LC (FUR1 2025)** ~~PC (MER)~~
R.16	R.17	R.18	R.19	R.20
LC (FUR1 2025) ~~PC (MER)~~	**LC (FUR1 2025)** ~~PC (MER)~~	**LC (FUR1 2025)** ~~PC (MER)~~	PC (FUR1 2025) ~~PC (MER)~~	LC (MER)
R.21	R.22	R.23	R.24	R.25
LC (MER)	**LC (FUR1 2025)** ~~PC (MER)~~	**LC (FUR1 2025)** ~~PC (MER)~~	PC (FUR1 2025) ~~PC (MER)~~	PC (FUR1 2025) ~~PC (MER)~~
R.26	R.27	R.28	R.29	R.30
LC (FUR1 2025) ~~PC (MER)~~	LC (MER)	PC (FUR 2025) ~~PC (MER)~~	C (MER)	C (MER)
R.31	R.32	R.33	R.34	R.35
LC (MER)	PC (MER)	**LC (FUR1 2025)** ~~PC (MER)~~	LC (MER)	PC (FUR1 2025) ~~PC (MER)~~
R.36	R.37	R.38	R.39	R.40
LC (MER)	LC (MER)	LC (MER)	LC (MER)	LC (MER)

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

15. Montenegro will remain in enhanced follow-up and will continue to report back to MONEYVAL on progress to strengthen its implementation of AML/CFT measures. In line with Rule 23 of the Rules of Procedures for the 5th Round of Mutual Evaluations, Montenegro is expected to report back in one year's time.

Annex A: Reassessed Recommendations

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.6. Despite legislative improvements introduced through the Law on International Restrictive Measures (LIRM), several gaps remained. The criteria used by national authorities to propose designations to the UN Security Council did not fully reflect those of all relevant resolutions. The standard of proof applied domestically was "reasonable doubt", which appeared higher than the "reasonable grounds" standard set out by the UN. The freezing mechanism did not extend to all natural and legal persons. Procedures for delisting were not aligned with those of the relevant UN Security Committees, and the rules governing access to frozen assets for basic or extraordinary expenses were not harmonised with the requirements of UNSCR 1452.To address the abovementioned deficiencies, Montenegro adopted in 2015 the LIRM constituting the legal framework allowing for the implementation of the UN TF related targeted financial sanctions (TFS). In 2018, and 2019 the LIRM was further amended. On 10/12/2024, the Parliament of Montenegro adopted the Law on Restrictive Measures (RM Law) which forms the basis of implementation of international and national restrictive measures.

2. ***Criterion 6.1*** – In relation to designations pursuant to UNSCR 1267/1989 and 1988:

a) The Government of Montenegro, through the Ministry of Foreign Affairs (MFA), is the competent authority for proposing persons or entities to the 1267/1989 and 1988 UN Committees for designation. Such proposals are conditioned by the designation of a person or entity on the National List (Art. 13 - RM Law). The National List is defined by the Government, upon proposal of the Bureau for Operational Coordination, established in line with the law defining the bases of intelligence security, which is the responsible body to propose designations on the national list to the Government, and another state.

b) In accordance with Art. 12 (7) of the RM Law, formal procedure of detecting and identifying natural persons, legal persons, entities and bodies for designation shall be conducted in line with the legislation regulating acting of the bodies comprising the intelligence-security sector. Additionally, Art 12 (3) (4) of the RM Law defines UNSCRs criteria as the basis of the Bureau for Operational Coordination for its proposal for designation.

c) When deciding whether to make a proposal for designation, the Government, in accordance with Art. 12 (3), applies "reasonable grounds" as the evidentiary standard of proof, which is defined by the RM Law (Art. 7 (3)) as follows: a collection of facts that indirectly indicate that a natural person, legal person, entity, or body intends to undertake or has undertaken actions or activities contrary to the goals referred to in Article 1 of this Law, including terrorism and financing of terrorism and proliferation of weapons of mass destruction and financing proliferation of weapons of mass destruction".

d) The Government is required to follow the procedures established by the relevant UN Sanctions Committees and to use UN standard forms for proposing a designation to a UN Sanctions Committee (Article 13(2)).

e) The RM Law allows for the provision of a wide range of information on the targeted individual or entity as part of the proposal to allow for accurate and positive identification (Art. 13 – RM Law). Art. 13 (4) indicates that proposals for designation may also include recommendation if

Montenegro may be made known to be the designating state.

3. ***Criterion 6.2*** – In relation to designations pursuant to UNSCR 1373:

a) The Government of Montenegro is the competent authority for the designation of persons and entities to the national list in accordance with the mechanism envisaged by UNSCR 1373 (Art. 12 and 14 - RM Law). The Government decides on the above-mentioned in accordance with designation criteria foreseen by Art. 12 (3) of the RM Law, which reflect criteria set by UNSCR 1373. The Government decides upon the proposal of the Bureau for Operational Coordination (Art. 12 (1) of the RM Law) as well at the reasonable request of another country (Art 14 of the IRM Law). The FIU is also empowered to submit a reasoned request to propose designations to the National List to the Bureau for Operational Coordination in accordance with the RM Law (Article 12 (2) – RM Law). The Government submits the designation, as well as any amendment or supplement to this act, to the Ministry of Interior without delay and shall be published in the Official Gazette of Montenegro (Art. 12 (5) - RM Law). No such designations have been made.

b) Montenegro has a formal mechanism for identifying targets for designation. The National List is defined by the Government, upon proposal by the Bureau for Operational Coordination, based on information provided by the MFA, other state administration bodies and authorities comprising intelligence-security sector and its own findings (Art. 12 (2) - IRM Law).

c) and d) The MFA is required to submit to the Bureau for Operational Coordination the request received by a competent authority of a foreign state (Article 14 of the RM Law). The Bureau for Operational Coordination shall determine if the request of a foreign state is properly substantiated during which it follows the criteria for designation established by the resolutions of the UNSC and recommendations of FATF, where applicable, which implies promptness in action. Pursuant to Article 21 (1) of the RM Law, if there is a reasonable ground to believe that at least one designation criterion defined in the relevant UNSCRs related to terrorism financing or the financing of proliferation of weapons of mass destruction is met, the state administration body in charge of internal affairs may adopt a ruling on the application of the targeted financial sanctions, and in particular on freezing if a reason for urgency emerges before the designation to the National List takes place. When deciding on this, the Government applies "reasonable grounds" as the evidentiary standard of proof. Pursuant to Art. 2 (3), restrictive measures are imposed without prejudice to any criminal procedure.

e) The RM Law requires the Government to provide as much identifying information, and specific information supporting the designation, as possible when requesting another country to give effect to the actions initiated under the freezing mechanisms (Art 15 - IRM Law).

4. ***Criterion 6.3*** –

a) Art. 12 (6) enables the competent authority to collect or solicit information to identify persons and entities that, based on reasonable grounds are suspected or believed to meet the criteria for designation. The FIU is empowered to submit a reasoned request to propose natural and legal persons for designation on the National List to the Bureau for Operational Coordination in accordance with the IRM Law (Art. 12 (2) of RM Law).

b) The designation should be made *ex parte*, since there is no legal or judicial requirement to hear or inform the potential person or entity against whom a designation is being considered. In addition, procedure described in Art. 12 (6) may also be carried out *ex parte*.

5. ***Criterion 6.4*** – In accordance with Art. 8 (1) of the RM Law, the United Nations Security Council resolutions that define restrictive measures are automatically binding in Montenegro. Art. 8 (2) of the RM Law requires United Nations Security Council resolutions to be directly applied without delay and

at the latest within 24 hours from the moment of adoption of the relevant resolution. With regards to UNSCR 1373, Art. 12(1) of the RM Law foresees that upon a proposal of the Bureau for Operational Coordination, the Government shall adopt the decision on imposing restrictive measures on natural persons, legal persons, entities, or bodies and their designation on the national list of restrictive measures that shall be submitted to the state administration body in charge of internal affairs without delay and shall be applied from the day of adoption in accordance with Art. 12 (5) of the RM Law. Additionally, Art. 7 6) sets forth that freezing measures shall be imposed without delay and at latest within 24 hours from the moment of adoption of the Security Council resolution, or from the day of adoption of the Government decision imposing or introducing the freezing obligation. This obligation is repeated in Article 22 of the RM Law regarding the competent authorities and other entities.

6. ***Criterion 6.5*** –

a) The freezing obligation is required to be implemented without delay and prior notice as set forth by Art. 22 (1) of RM Law. The scope of entities required to implement restrictive measures extend to all natural and legal persons under Art. 18 (1) of the RM Law. Art. 22 (3) sets forth the obligation of notification to the state administration body in charge of internal affairs as regards the application of freezing measures. It is pertinent to note that while freezing measures are applied by all natural persons and legal entities, formal asset freezing rulings are adopted by competent authorities and the state administration body in charge of internal affairs. Supervision over the implementation of this Law shall be exercised by:

- AML/CFT supervisory authorities in accordance with their competences set under the LPMLTF (Art. 59 – IRM Law).
- If it is not possible to identify the competent authority, the supervision shall be performed by the public authority in charge for the internal affairs (Art. 59 – RM Law).

b) The obligation to freeze covers funds and other assets as defined under Criterion 6.5(b). Article 7(6) of the RM Law explicitly provides for freezing where assets are fully or partly owned, or under direct or indirect control of a designated person, as well as assets derived from such funds or assets, and those held by persons or entities acting on behalf of or at the direction of a designated person. Articles 7(7)-(8) of the RM Law further provide definitions allowing all "funds or other assets" to be frozen.

c) As set forth by the RM Law, targeted financial sanctions are freezing, blocking of financial transactions, or financial services and other prohibitions that directly or indirectly forestall access to funds and/or other assets to designated persons. The definition with the general obligation to apply restrictive measures without delay (Art. 18 RM Law) cover all aspects of making funds or assets available for the benefit of designated persons and entities, entities owned or controlled directly or indirectly or acting on the direction of designated persons and entities. Reporting obligation is set forth by Art. 18 (3)-(4).

d) According to Art. 16 and 40 of the RM Law, the state administration body in charge of internal affairs is required to inform without delay through the Information System for Restrictive Measures the competent authorities, natural persons and legal entities and the Permanent Coordination Body for Restrictive Measures about designations and de-listings respectively. It must be noted that the Information System for Restrictive Measures is currently put in place and not operational yet. During the interim period, designations and de-listings are communicated by the MFA of Montenegro, which monitors all changes in the sanctions regimes of the United Nations Security Council and informs all competent authorities and other entities officially by mail and providing access to the relevant information on its official website. Interim communication relying on MFA notifications and manual publication may affect the timeliness

and consistency of disseminations. National designations are communicated in a manner analogous to the sanctions regimes of the Security Council. The FIU also uses an automated solution to directly retrieve information on amendments or changes of the UN lists directly from the consolidated UN lists. The automated solution publicly available on the webpage of the FIU and MFA.

The CBM has established Guidelines on the implementation of international restrictive measures for credit and financial institutions under its supervision in 2017 (under the previous IRM regime) and in 2022 (two years after the adoption of the IRM Law in December 2019). The CMA also adopted similar Guidelines for its supervised entities in February 2023.

e) As articulated under c.6.5(a) and c.6.5(c), all natural and legal person are required to report without delay to the state administration authority responsible for internal affairs any identified assets and/or other property that are connected to designated persons (Art. 22 - RM Law) and the application of prohibition of making funds and other assets available for the benefit of designated persons and entities, entities owned or controlled directly or indirectly or acting on the direction of designated persons and entities (RM Law 18)., failure to report may result in administrative sanctions (Art. 60-61 - RM Law).

f) The rights of bona fide third parties are protected (Art. 20 - RM Law).

7. ***Criterion 6.6*** –

a) Art. 36 of the RM Law describes procedures to submit de-listing requests to the UN sanctions Committees 1267/1989 and 1988 in the case of persons and entities designated pursuant to the UN Sanctions Regimes, who in the view of Montenegro, do not or no longer meet the criteria for designation[5]. In accordance with Article 36 (3) of the RM Law, the Ministry of Foreign Affairs on its website provides access to the necessary information, procedures, guidelines and forms established by the UN Security Council and its committees for submitting requests for delisting.

b) According to Art. 35 of the RM Law, upon the request of the designated person or in case of death of the designated person, upon the request of an authorised representative the Bureau for Operational Coordination examines if the designation pursuant to UNSCR 1373 no longer meet the relevant criteria, and in the affirmative, it shall propose to the Government to delete these persons from the National List. The Government, upon proposal by the Bureau for Operational Coordination, shall adopt a decision on deleting the designated persons from the National List, which shall be applied from the day of adoption and published in the Official Gazette of Montenegro.

c) As articulated under c.6.6(b), according to Art. 35 of the RM Law, the persons designated to the National List, may file a request to the Bureau for Operational Coordination to remove them from the National Lists. The final decision is issued as a formal ruling by the State Administration Authority responsible for Internal Affairs, which operates as an independent competent authority separately from the designating body. This decision may undergo a judicial review.

d) As described under c.6.6(a), Art. 36 of the RM Law provides procedures to facilitate review by the 1988 Committee in accordance with any applicable guidelines or procedures adopted by the 1988 Committee, including those of the Focal Point mechanism established under UNSCR 1730.

e) As described under c.6.6(a), Art. 36 (3) obliges the MFA to provide on its website access to the necessary information, procedures, guidelines and forms established by the UN Security Council

5. According to the procedures of the 1267/1989 Committee as set out in UNSCRs 1730, 1735, 1822, 1904, 1989 and 2083 and all successor resolutions or the procedures of the 1988 Committee as set out in UNSCRs 1730, 1735, 1822, 1904, 1988 and 2082 and all successor resolutions, as appropriate.

and its committees for submitting requests for delisting.

f) Art. 37-38 of the RM Law defines the procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism, upon verification that the person or entity involved is not a designated person or entity.

g) As described under c.6.5(d), According to Art. 40 of the RM Law, the state administration body in charge of internal affairs is required to inform without delay through the Information System for Restrictive Measures the competent authorities, natural persons and legal entities and the Permanent Coordination Body for Restrictive Measures about the lifting of the restrictive measures. The authorities and entities responsible for the application of restrictive measures are obliged to take measures and activities within their competencies to terminate the application of restrictive measures. The shortcomings related to the communication of designations explained under c.6.5(d) likewise apply to the communication of lifting of restrictive measures.

8. ***Criterion 6.7*** – Art. 27 of the RM Law foresees authorised access to frozen funds or other assets in accordance with the relevant UNSCRs and national targeted financial sanctions legislation. If the request is made by a person or entity from the UN List, the MFA informs the responsible committee of the United Nations about the request, in compliance with the Guidelines. Furthermore, within fifteen days from the reception of the request, the state administration body in charge of internal affairs grants a derogation for unfreezing a portion of assets and/or property or rejects the request (Art. 27 (4)). The described procedure reflects the procedure set out in UNSCR 1452 and successor resolutions.

Weighting and Conclusion

9. The legal basis for implementing TF-related TFS is in place to ensure freezing without delay. Only minor gaps remain in the legislative framework governing TF-related TFS under c.6.5(d) and c.6.6(g). **R.6 is re-rated as LC.**

Recommendation 7 – Targeted financial sanctions related to proliferation

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.7. PF-related targeted financial sanctions continued to be implemented under the Law on International Restrictive Measures (IRM), which provides the legal basis to apply such measures without delay. However, moderate deficiencies were identified. The scope of entities subject to the freezing obligation remained narrow, which had a cascading effect on the measures in place to monitor and ensure compliance by financial institutions and DNFBPs. In addition, the IRM Law did not establish procedures for the implementation of TFS in line with the requirements under c.7.4 and 7.5.

2. ***Criterion 7.1*** – PF-related TFS are automatically implemented in Montenegro under the RM Law (Art. 21) (see R.6 - c) and d)).

3. ***Criterion 7.2*** –

a) As described under 6.5(a), the freezing obligation is required to be implemented without prior notice as set forth by Art. 22 of RM Law. The scope of entities required to implement restrictive measures extend to all natural and legal persons under Art. 18 (1) of the RM Law. However, the practical implementation remains dependent on interim arrangements, as the Information System for Restrictive measures is not yet operational (seeR.6).

b), c), d), e) and f): Analysis for criteria 6.5(b), 6.5(c), 6.5(d), 6.5(e) and 6.5(f) apply respectively for criteria 7.2(b), 7.2(c), 7.2(d), 7.2(e) and 7.2(f) to UNSCRs 1718 and 1737 (and subsequent resolutions).

4. ***Criterion 7.3*** – According to Art. 59 (1) of the RM Law, the supervision over the enforcement of the above-mentioned law is carried out by the AML/CFT supervisors, in accordance with the LPMLTF. Pursuant to Art. 59 (2) if no supervisory body can be identified based on Art. 59 (1), the state administration body in charge of internal affairs shall be considered as the supervisory body. Failure to comply with the IRM Law by legal entities and natural persons is subject to fines ranging from 1 000 to 40 000 euros and 500-4 000 euros (EUR) respectively (Art. 59-60 – RM Law).

5. ***Criterion 7.4*** –

a) Please refer to analysis under c.6.6(a).

b) Please refer to analysis under c.6.6(a).

c) Please refer to analysis under c.6.7.

d) Mechanisms for communicating de-listings and unfreezing to the financial sector and the DNFBPs are described in the analysis for Criterion 6.6.(g).

6. ***Criterion 7.5*** –

a) Art. 22 (9) of the RM Law permits – in the form of an individual exception / derogation – the addition of funds to the frozen accounts, e.g. interests or other incomes, payments on the basis of receivables, contract, or agreements that were due or concluded before the restrictive measure was imposed or introduced, as well as the payments due on the basis of judicial, administrative, or arbitration decisions adopted or enforceable in Montenegro or crediting with the funds transferred by third persons, under the conditions that such interests, incomes and payments are neither made available to designated persons nor are contrary to the restrictions and prohibitions stipulated by the relevant TFS UNSCRs. Pursuant to Art. 27. (1) of the RM Law,

an individual exception /derogation may be granted based on the request of the designated person or a natural person, legal person, entity, or body affected by the restrictive measures.

b) This sub-criterion is not applicable, as the TFS elements of UNSCR 2231 expired on 18 October 2023.

Weighting and Conclusion

7. The Law on RM enables the Government to implement PF-related TFS without delay. Minor shortcomings are identified under c.7.2(a) and c.7.2(d). **R.7 is re-rated as LC.**

Recommendation 8 – Non-profit organisations

	Year	Rating and subsequent re-rating
MER	2023	NC
FUR1	2025	↑ PC (upgrade requested)

1. In its 5th MER, Montenegro was rated NC with respect to the requirements of the NPO. The main deficiencies were: (i) the lack of identification of the NPO subset falling under the FATF definition, (ii) the lack of identification of features and types of NPOs which are likely to be at risk of TF abuse, or the nature of threats thereof, (iii) the absence of review of the adequacy of measures, including laws and regulations, which relate to the subset of the NPO sector that may be abused for terrorism financing, (iv) the absence of clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs, (v) limited activities aimed at raising and deepening awareness among NPOs and the donor community about the potential TF vulnerabilities of NPOs and TF risks, and the preventive measures have been conducted, (vi) no practices in place to work with NPOs to develop and refine best practices to address TF risk and vulnerabilities, and no measures encouraging NPOs to conduct transactions via regulated financial channels, (vii) no supervision in place to sanction violations of the provisions of the Law on NGO, (viii) no sanctions are available for violations by NPOs or persons acting on behalf of NPOs (ix) no mechanism or practice in place to ensure effective cooperation, co-ordination and information sharing among appropriate authorities or organisations that hold relevant information on NPOs and no specific requirement to provide full access to NPO information, (x) no identified specific contact points and procedures to respond to international requests for information regarding particular NPO related TF suspicions.

8. ***Criterion 8.1*** –

a) While a Working Group dedicated to assessing the terrorist financing (*hereinafter* "TF") risks linked to NPOs was established in February 2023, the preliminary conclusions provided at the end of the on-site visit highlighted that the primary challenge for the TF risk analysis of the NPO sector was the limited data available in the NPO register as well as their supervision. In May 2025, Montenegro conducted an NPO TF Risk Assessment, covering the period 2020-2024, which concluded on a low level of TF risk exposure of the sector. Therein, 3 253 out of 11 841[6] NPOs have been identified as falling under the FATF definition, out of which 118[7] were deemed as vulnerable to TF abuse (26 of which are deemed as highly vulnerable). Moreover, 22 religious communities were also identified as falling under the scope of the FATF definition. However, limited use has been made of relevant sources of information, and the participation of the NPO sector in the risk assessment process remained small-scale, mostly given the scarce contact information available to Montenegrin authorities. Thus, it remains unclear which types of NPOs, by virtue of their activities or characteristics, are likely to be at risk of TF abuse.

b) Montenegro has only partially identified the nature of threats posed by terrorist entities to the NPOs at risk, as well as the ways in which terrorist actors may abuse those NPOs. According to the analysis, of the 3 253 NPOs falling under the FATF definition, 3.6% are considered vulnerable to terrorist financing (TF), with 0.8% categorised as highly vulnerable (see c.8.1(a)).The NPO TF Risk Assessment notes the absence of evidence linking NPOs to TF activities, with Montenegrin authorities reporting that these are under ongoing monitoring by the Security Service, with no

6. According to the 2025 NPO Risk assessment, out of these, 7 354 are active; Active NPOs are considered to be the that are registered in the Register of Associations, Foundations and Representative Offices of Foreign Non-Governmental Organisations for which no change of status has been submitted in accordance with Art. 38 of the Law on Non-Governmental Organisations, which would lead to their removal from the Register. Available data indicate that a significant number of registered active NGOs did not carry out any activities during the analysed period.
7. 96 associations, 16 foundations, 6 foreign NPOs.

direct links to TF having been established. Between 2020 and 2024, no criminal investigations, prosecutions, or exchanges of information with foreign FIUs involving NPOs were initiated. The Risk Assessment also includes a hypothetical case study illustrating how terrorist financing networks might operate through fraudulent NPOs. When assessing TF threats, the analysis remains narrow in scope, failing to consider factors such as funding volume, frequency of financial transactions, findings from financial institutions servicing NPOs, and cross-border criminal activity. Moreover, the conclusions are constrained by significant data gaps, including a very low response rate to questionnaires. Of 115 NPOs listed in the Register, only 32 had accurate and up-to-date information, and no NPOs responded to the distributed questionnaire.

c) Through the 2025 NPO TF Risk assessment, Montenegro has reviewed the adequacy of laws and regulations which relate to the subset of the NPO sector that may be abused for terrorism financing support. The NPO register lacks requirements for specifying activities, updating contact information, and ensuring alignment with sector-specific legislation. However, given the gaps in identifying the subset of NPOs that may be vulnerable to terrorist financing, it remains uncertain whether the review of existing measures allows for proportionate and effective action to address the risks identified.

d) The legal requirement to periodically reassess the NPO sector has been introduced in December 2023 and set on a frequency of at least once every three years, or earlier if needed. The NRA report shall take into account sectorial analysis conducted by relevant working groups, including the NPO Working Group, established in February 2023. The working group is tasked to assess the sector by periodically (every two years) by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective actions are in place to mitigate the associated risks.

9. ***Criterion 8.2*** –

a) Policy requirements, embedded across the legislative framework, have a positive impact on defining the rights and obligations of NPO management. These include provisions on the establishment, registration, financing, acquiring property, right of economic activity, bookkeeping standards, preparation of annual financial statements, profit and loss reporting, bank account opening, and fund management. However, the framework still lacks clear policies aimed at strengthening accountability, integrity and public confidence in the administration and management of NPOs.

b) Since the previous MER, a number of activities were carried out to raise and strengthen awareness among NPOs about the potential vulnerabilities of NPOs to TF abuse and risks and measures they can take to safeguard themselves. Between May – September 2024, three meetings were held aimed to raise awareness on possible TF abuse of NPOs. In the first half of 2025, four additional workshops were held. The first workshop was held in March and was mostly focused on the presentation of the risk assessment methodology, the details of the questionnaire, as well as practical guidance; the attendance was of 20 NPOs. The three other workshops were held after the adoption of the May 2025 Risk Assessment, with the aim to present its findings, conclusions and recommendations; in total, 93 NPO representatives and 3 donor community members participated. While significant efforts were made to raise awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to TF abuse and TF risks and the measures that NPOs can take to protect themselves against such abuse, it remains unclear whether outreach and educational programmes undertaken did cover the most vulnerable part of the sector to TF abuse.

c) A Working Group headed by the Department for financial intelligence affairs consisting of representatives of competent authorities (including the Ministry of Public Administration, the NSA, the Special Police Department, the Special State Prosecutor's Office, the Revenue and Customs Administration, the Central Bank of Montenegro, the Administration for Inspections Affairs) and NPOs was formed in February 2022 for the purposes of assessing the TF risk in the NPO sector. In 2025, FIU in cooperation with NPOs held 4 workshops, where results of sectoral assessment were discussed, and the questionnaire was presented. NPOs also are members of working group dedicated to assessing the sector. However, best practices have not yet been clearly developed, documented, or adopted in collaboration with NPO sector.

d) According to Montenegro, most NPOs are financed from projects and donors from the EU. In December 2023, amendments to the AML/CFT Law introduced restrictions on cash deposits in amounts equal to or exceeding EUR 10 000. Pursuant to Article 65, legal persons (including NPOs), business organisations, entrepreneurs, and natural persons engaged in business activity are prohibited from receiving or making payments, or disbursing winnings, in cash. In addition, legal persons in Montenegro are obliged to open bank accounts and to execute transfers of funds through financial institutions. The precise implications of these provisions for NPOs remain undetermined.

   Other than cash limits, as part of the workshops conducted, Montenegrin authorities encourage NPOs to conduct transactions via regulated channels whenever feasible. However, there are no other guidelines or initiatives to promote cashless transactions.

10. ***Criterion 8.3*** – In December 2024, Montenegro established a Coordination Body for the Harmonization and Monitoring of Inspection Supervision, which, among other things, is also responsible for ensuring risk-based supervision or monitoring of the NPO sector. No other steps to promote effective supervision or monitoring enabling the application of risk-based measures to NPOs at risk of TF abuse have been taken.

11. ***Criterion 8.4*** –

a) Other than the establishment in December 2024, of a Coordination Body for the Harmonization and Monitoring of Inspection Supervision tasked, among other things, with NPO supervision, there are no measures taken to monitor compliance of NPOs with the requirements of this Recommendation, including risk-based measures being applied to them under 8.3.

b) Sanctions available for legal entities are also applicable to NPOs, such as failing to register changes in data to be entered in the registry (EUR 500-800); exceeding allowed economic activity (EUR 500 - 4 000), failing to open bank account (EUR 10 000-20 000); failing to prepare financial statements (EUR 500-16 500). The LPMLTF requires from NPO to submit BO information in the registry, the responsibility on accuracy of the entered data lies within NPO and beneficial owner (Art.43-48), if not submitted correctly fine ranging from EUR 500 – 2 000 could be imposed (Art. 138a). Nevertheless, the effectiveness, proportionality and dissuasiveness of these sanctions cannot be demonstrated.

12. ***Criterion 8.5*** –

a) A Working Group for the Analysis of the Risk of abuse of NGOs for the purposes of terrorist financing was established on 13 February 2023. Co-operation, co-ordination and information sharing between competent authorities have been developed since the adoption of the 2023 MER.

   A national co-ordination and information sharing mechanism was established in March 2025 – the Council for Cooperation Between State Administration Authorities and Non-Governmental

Organisation. Moreover, information on NPOs can also be exchanged within the Coordinating Body for the Harmonisation and Monitoring of Inspection Supervision, established in December 2024.

b) According to Montenegrin authorities, LEAs have a range of powers for the investigation of terrorism-related offences (including TF), including NPOs suspected of either being exploited by or actively supporting terrorist activity or organisations, based on the Special Public Prosecutor's Office Law, on the LPMLTF, the Law on Internal Affairs and the Criminal Procedure Code. The investigation of terrorism-related offences is the responsibility of the Special Public Prosecutor's Office (Art. 3, paragraph 4 of the Law on Special Prosecutor's Office). The NSA and the FIU have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations.

c) According to Art. 11 of the Law on NGOs, NPOs are required to keep in their official records the following information: (i) the person authorised for representing associations, foundations, and offices of foreign organisations, (ii) the founders of associations, foundations, and offices of foreign organisations, as well as (iii) the president and members of the board of directors of foundations. However, the aforementioned law is silent on accessibility to information set out in this sub-criterion.

d) According to Art. 64 of the LPMLTF, when there is a TF suspicion involving in relation to a certain transaction or person, the FIU may initiate the procedure for collecting and analysing data, information and documentation.

13. ***Criterion 8.6*** – The Montenegrin FIU serves as contact point for responding to international requests for information regarding particular NPOs suspected of TF or involvement in other forms of terrorist support, through ESW communication channel. As a law enforcement type of FIU, the Montenegrin FIU also uses international police communication channels, including INTERPOL and SIENA. In this regard, since February 2024, an FIU officer has been appointed as contact person for information exchange, including relating to NPOs, within the Coordination Body for the development of the NRA. Moreover, Montenegro also relies upon existing mechanisms for international co-operation, the Ministry of Justice being a central point for all requests for mutual legal assistance, while other authorities provide various other forms of international cooperation (deficiencies under R.37 – R.40 are also applicable)**.**

Weighting and Conclusion

14. While Montenegro has undertaken an NPO TF Risk Assessment, further analysis is required to fully identify the features and types of NPOs which are likely to be at TF risk as well as the nature of the threats posed by terrorist entities to NPOs which are at risk. A Coordinating Body tasked, among other things, with NPO supervision has been established in December 2024, however no specific steps have yet been taken to promote effective supervision or monitoring to demonstrate that NPOs at risk of TF abuse are able to apply risk-based measures and the sanctioning framework applicable remains unclear. Moreover, while outreach activities have been conducted, it remains unclear whether they did cover the most vulnerable part of the sector to TF abuse. Best practices have not yet been clearly developed, documented, or adopted in collaboration with NPO sector. **R.8 is re-rated as PC.**

Recommendation 10 – Customer due diligence

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on former R.10. The MER noted the following significant deficiencies: In case of doubts on the accuracy of customer due diligence (CDD) data on legal persons, REs may rely on a written statement by the customer rather than on independent and reliable sources (c.10.3); the obligation to obtain data on the customer's business activity (including legal persons) was not applicable in the case of occasional transactions (c.10.8); beneficial ownership via "control through other means" was interpreted very narrowly and not applicable for asset management companies (c.10.10b); Senior managing officials of legal persons may be identified as BOs where "it is not possible" to identify BOs in terms of c.10.10(a) and (b) rather than when no such natural persons exist. (c.10.10c). Moreover, banks and other FIs licensed by the CBM and ISA, were permitted to apply SDD in specific circumstances not backed by a risk analysis (c.10.18). There were also some deficiencies concerning CDD in relation to foreign trusts and similar foreign entities which although serious in nature, were not considered material given the limited use of foreign trusts in Montenegro (see Chapter 1). Other minor shortcomings were also identified. Deficiencies were broadly remedied primarily by adoption of a new LPMLTF in March 2025.

2. FIs identified under the FATF Recommendations are designated as REs under the LPMLTF, including Investment and Voluntary Pension Funds which are designated as REs and are subject to AML/CFT obligations (Art. 4(1) items 5 and 6 of the LPMLTF).

3. ***Criterion 10.1*** – REs are prohibited from opening or keeping anonymous accounts, coded or bearer passbooks and providing other services enabling the concealment of customer identity (Art. 63 of the LPMLTF). This prohibits the keeping of accounts in obviously fictitious names.

4. ***Criterion 10.2*** – REs shall conduct CDD measures: (i) when establishing a business relationship, (ii) when executing one or several linked occasional transactions of EUR 15 000 or more, (iii) in respect of transfer of funds of EUR 1 000 or more, (iv) when in relation to the transaction, customer, funds or property, there are reasons to suspect or reasonable grounds to suspect that the property derives from criminal activity or that money laundering or terrorist financing has been committed, regardless of the amount of the transaction, and (v) when there is suspicion about the accuracy or veracity of obtained customer and beneficial owner identification data – Art. 18(1) items 1-5 of the LPMLTF. It is not explicitly specified that in cases of suspicions of TF, CDD should be performed irrespective of any exemptions or thresholds and the provision would further benefit from more clear formulations with respect to suspicion of TF (Art. 18(5) of the LPMLTF).

5. ***Criterion 10.3*** – REs shall establish and verify the identity of the customer based on documents, data and information from reliable, independent and objective sources (Art. 22 of the LPMLTF). A customer may be a natural person, legal person, foreign trust or entity equivalent thereto, establishing a business relation or carrying out transactions (Art. 66 of the LPMLTF).

6. Regarding legal persons or business organisations where REs doubt the accuracy of obtained CDD data and documents, they may rely on a written statement of the representative attesting the accuracy of CDD data, and conduct additional checks (Art. 26 of the LPMLTF). The obtainment of such statements is not an independent verification measure and the law does not clearly define what constitutes "additional checks" nor does it explicitly require that such checks be based on reliable, independent sources. Allowing reliance on a written statement from the representative, without a mandatory obligation to verify through independent sources, is not consistent with the standard.

7. ***Criterion 10.4*** – REs have to check that any person acting on behalf of a customer is authorised to do so and establish and verify the identity of such person – Art. 22 of the LPMLTF.

8. In case of foreign trusts (and similar entities) REs have to obtain documents certifying the powers of protectors and authorised persons (Art. 29(1) item 2 of the LPMLTF). The term "authorised person" is not defined, and in the case of legal persons it covers the persons acting on behalf of the representatives (not the representatives themselves). Thus, it is questionable whether REs must verify the authorisation of trustees, being the ones representing the beneficiaries.

9. ***Criterion 10.5*** – The term BO is defined under Art. 41 (1) of the LPMLTF as a natural person who ultimately owns or controls a legal person, business organisation, trust, other person or a subject of international law equal to them, or a natural person on whose behalf or for whose account transaction is being executed or a business relationship is established. The LPMLTF definition of BO overall is in line with the FATF definition.

10. REs have to identify the customer's BO and verify their identify (Art. 17(1) (2) of the LPMLTF). The wording of Art. 41 to 48 allows REs to determine who the BOs of foreign trusts and legal persons are by consulting official documents available at the BO Register, the Central Business Registry (CBR) or any other relevant public register, as well as by accessing the court, business and other public register where the foreign legal person or business organisation is entered. According to Art. 42 of the LPMLTF, REs shall verify the obtained data regarding a legal person, business organisation, trust, other person or a subject of international law equal to them by ensuring complete and clear insight into the BO ownership in accordance with the risk analysis, whereby upon such verification, the REs must not rely solely on the data from the register.

11. ***Criterion 10.6*** – REs shall obtain data on the purpose and nature of a business relationship – (Art. 17(1) item 3 of the LPMLTF). REs shall take into consideration (i) the purpose of the conclusion and the nature of the business relationship, (ii) the amount of funds, the value of the property or the volume of the transaction; (iii) the duration of the business relationship; and (iv) alignment of business with the original purpose. This equates to understanding the business relationship.

12. ***Criterion 10.7*** –

a) REs shall apply measures to monitor the customer's business activities including (i) verification of compliance of customer's business activity with the nature and purpose of the business relationship; (ii) control of transactions in accordance with the level of customer's risk; (iii) monitoring and verification of compliance of customer's business activity with their usual scope of business activity, and (iv) verification of sources of funds that the customer uses in their business activity or in executing transactions in accordance with their level of risk (Art. 49(2) of the LPMLTF.

b) Art. 49(2) item 5 of the LPMLTF require REs to monitor and update the data on the customer and in line with level of ML/TF risk and to verify data whether the customer or beneficial owner has become or ceased to be a politically exposed person. In case of foreign legal persons, Montenegrin legal persons with foreign share capital of at least 25%, and branches of foreign legal persons, REs have to carry out annual control. This includes gathering identity data on the legal person, representatives, and BOs, and obtaining the powers of attorney of representatives – Art. 50 of the LPMLTF.

13. Art. 49 requires FIs to update all CDD related data stipulated under Art. 117. Chapter 4 of the CBM Guidelines require FIs licensed by the CBM to collect data on the purpose and the nature of the business relationship or the purpose of transaction and other data in accordance with the LPMLTF. It also requires REs to continuously monitor for suspicious activities, classify customers based on ML/TF risks, and keep records of all monitoring and other actions taken according to the customer risk

profile. The CBM Guidelines still contain a general formulation of REs' requirement to "update all data" which could benefit from more clarity.

14. ***Criterion 10.8*** – When establishing and verifying the customer's identity REs shall obtain the data referred to in Art. 117(6) (amongst other data) - see Art. 26(1) of the LPMLTF. This includes information on the customer's business activity, business relationships and transactions.

15. According to Art. 117(1) item 6 of the LPMLTF, REs are required to obtain the basic code of the customer's business activity for occasional transactions (Art. 18(1) item 2 of the LPMLTF). This means that while REs identify the customer's predominant business activity, they are not required to fully understand the nature of the business activity in which the customer is engaged when conducting occasional transactions.

16. REs must also take measures to determine the ownership and control structure of a customer (Art. 42(6) of the LPMLTF), which includes legal persons, business organisations, foreign trusts and entities equivalent thereto.

17. ***Criterion 10.9*** – REs must establish and verify the identity of customers that are legal persons, foreign trusts and entities equal thereto (see c.10.3).

a) Name, legal form and proof of existence - REs must obtain the name, address, registered office and ID number of a legal person or business organisation, by checking an original or certified copy document obtained from the Central Business Registry, or another appropriate public, court or business register (for foreign legal persons) – Art. 29 (1) of the LPMLTF. Proof of existence is verified by reference to official documents held at the registers, which would also hold information on the legal form of the legal person. In case of foreign trusts or equivalent entities REs must obtain the name of the trust or similar entity (Art. 29 (2) of the LPMLTF). REs are required to obtain the data on the legal form of the trust, other person or a subject of international law equal to them and the articles of incorporation of the trust, other person or a subject of international law equal to them. It is unclear that the requirement of obtaining articles of incorporation equates to obtaining the proof of existence of a trust or equivalent arrangement, especially considering that trusts and equivalent arrangements are created through a trust deed or equivalent instrument.

b) The powers that regulate and bind the legal person or arrangement, and names of senior management - Some of the documents (e.g. M&As and trust deeds) which may be collected to verify the powers of representatives of legal persons, foreign trusts and similar entities (Art. 27(3) of the LMPLTF) include information on the powers that regulate and bind the legal person or arrangement, however there is no explicit and clear obligation to obtain this information. REs shall obtain the name, and other personal details of representatives of legal persons and all directors – Art. 27(2) of the LMPLTF. REs are not bound to collect the names of other senior management officials, which is particularly relevant where legal entities do not have boards of directors and where senior management do not have representative powers (hence not subject to identification as per these articles). In case of foreign trusts REs shall collect the name, and other personal details of settlors, trustees and protectors (among others) and representatives – Art. 29(3) item 2 of the LMPLTF. Although those having representative powers are covered, it is unclear whether entities similar to trusts that do not have settlors, trustees or protectors, are required to identify their equivalents.

c) Address of the registered office, and, if different, a principal place of business - REs shall obtain the address and registered office of a legal person (see c.10.9(a)) but are not required to obtain the principal place of business address if different. Additionally, when the legal person has his head office outside Montenegro, the requirement is limited to establishing the country and the

city name but not the full address. For trusts and similar entities REs shall obtain the same information as for a legal person and for their parties involved (founders, trustees, representatives and beneficiaries), the same information as for a customer that is a natural person (Art. 29(1)-item 2).

18. ***Criterion 10.10*** – The customer identification and verification obligation is set out under Art. 26 of the LMPLTF. Art. 29(2) by reference to Art. 117, which requires that REs obtain the name, address, date and place of birth of BOs.

19. Definition of BO is established by Art. 41 of the LPMLTF and includes the following:

a) Natural person(s) who (i)directly or indirectly holds at least 25% of shares, voting rights, or other rights in a legal person, or a business organisation, including the right to profit share, other internal resources, or liquidation balance; or (ii) directly or indirectly has significant influence over the business and decision-making processes of a legal person, or a business organisation through ownership share.

b) controls a legal person, or a business organisation via other means. The identification of a beneficial owner based on control via other means shall be conducted independently of and in parallel to the identification of the beneficial owner through ownership. Art. 41(6) considers that a person exercises control through other means if has the majority of voting rights; the right to appoint or remove the majority of the board members, veto rights or other relevant decision rights; or the right to make decisions regarding profit distribution or asset management. Art. 41(7) includes examples of decision-making rights that would be indicative of control through other means, such as formal/informal agreements, family member relationships or nominee arrangements.

c) where no natural person is identified under (a) or (b); the natural person(s) holding the position of senior managing officials - where it is not possible to identify the BO as per points (a) and (b) above or there is suspicion that the persons outlined therein are the BOs, the BO shall be any natural person who holds a managerial position within the legal person – Art. 41(8) of the LPMLTF. The fact that managers can be identified as BOs even where "it is not possible" to identify BOs in terms of points (a) and (b) leaves room for abuse. C.10.10(c) is applicable only where no natural person can be found under points (a) and (b), and not when such persons exist but it is not possible to identify them for whatever reason.

20. ***Criterion 10.11*** – Montenegrin Law does not cater for the setting up of trusts or similar legal arrangements, however foreign arrangements may do business in Montenegro.

a) In respect of foreign trusts REs are obliged to determine and verify the identity of the: (i) settlor, (ii) trustee(s), (iii) other representatives (which would include the protector), (iv) beneficiary or group of beneficiaries that are determined or can be determined and who manage property, and (v) other natural persons that directly or indirectly have ultimate control over the trust – Art. 29(1)(2) of the LPMLTF. Art. 41 provides a definition of BO in the case of foreign trusts which is in line with the FATF definition.

b) Art. 29 and 41(11) of the LPMLTF are applicable to foreign trusts and similar entities. It is doubtful whether in the case of similar entities all the persons equivalent to the trust parties mentioned in point (a) are covered. This because both articles make explicit reference to officials (e.g., settlor, trustees or founders) that are only involved in trusts or foundations to the exclusion of other similar type of legal arrangements.

21. ***Criterion 10.12*** – Life insurance service providers, shall, identify the user of the policy by: (a) obtaining the beneficiary's name, where he is named; and (b) where the beneficiary/ies are designated

by characteristics, by class or other means, obtain sufficient information to establish the identity of the beneficiary at the time of payout – Art. 21 of the LPMLTF. Verification of the beneficiary's identity shall occur at the time of payout or not later than when the beneficiary can exercise his rights.

22. ***Criterion 10.13*** – FIs are required to include the beneficiary of a life insurance policy as a relevant risk factor when determining whether enhanced due diligence (EDD) is applicable, provided the risk has been established in the applicable guidelines (Art. 52(1)7 of the LPMLTF). According to the Guidelines on the Risk Analysis and Establishing the ML/TF system in the Insurance Sector, the definition of "client" explicitly includes the policyholder, the insured, and the beneficiary of a life insurance policy. RE are required to apply EDD measures whenever a higher risk is identified, including when the client or beneficial owner is a PEP, in complex or unusual transactions, or when a high risk is determined by the NRA. The Guidelines specify that, in such cases, RE must collect and verify information on both the client and the beneficial owner, including the beneficiary. However, the authorities have not explained in what way the Guidelines constitute enforceable means.

23. ***Criterion 10.14*** – Identification and verification (of customers and BOs) and the obtainment of information on the purpose and nature of the relationship or transaction should occur prior to establishing the business relationship, executing an occasional transaction or carrying out wire transfers in the amounts established in c.10.2 (Art. 18 (1) of the LPMLTF).

24. REs may not verify the identity of the customer and BO after the establishment of a business relationship or execution of an occasional transaction (EUR 15 000 or more) but may do so during the establishment of the business relationship where necessary not to interrupt the business and the risk of ML/TF is insignificant (Art. 19 (2) of the LPMLTF). REs must not establish a business relationship or carry out an occasional transaction (EUR 15 000 or more) when onboarding CDD measures cannot be carried out – Art. 18 (1) item 2 of the LPMLTF.

25. ***Criterion 10.15*** – REs are required to carry out verification of identity before or during the establishment of a business relationship or occasional transaction (see 10.14).

26. ***Criterion 10.16*** – CDD measures are applicable to existent customers irrespective of risk (Art. 11 (2) of the LPMLTF). CDD must be carried out when executing the first transaction after the coming into force of the LPMLTF (Art. 140 of the LPMLTF). REs shall periodically apply measures to existing customers based on the ML/TF risk analysis or upon change of specific circumstances related to the customer or when a RE, pursuant to any legal obligation, is obliged to establish contact with the customer during the relevant calendar year for the check of all relevant information related to the BO of the customer, or if a RE was obliged to do so in accordance with regulation on the tax administration (Art. 18 (2) of the LPMLTF).

27. ***Criterion 10.17*** – EDD measures apply (i) in case of higher risk factors, (ii) when higher risks of ML/TF are identified through the RE's risk assessment, and (iii) in respect of higher risk cases set out in the NRA (Art. 7(1) (3), Art. 52(1) (7 and 8) of the LMPLTF).

28. ***Criterion 10.18*** – SDD is permissible only in case of lower risk of ML/TF and when there are no suspicions of ML/TF – Art. 61(1) of the LMPLTF. If, after the establishment of the business relationship with a customer by applying SDD measures, there are reasons or grounds to suspect that the property originates from the criminal activity or that ML/TF has been committed, RE shall submit to the FIU complete CDD data and conduct CDD measures (Art. 61(2) of the LPMLTF).

29. The CBM Guidelines (section 4.1.2) applicable to FIs licensed by the CBM permit the application of SDD in cases specified in the LPMLTF and in line with the national and RE's risk assessment. Per CBM Guidelines (section 4.1.2), SDD measures do not constitute an exemption from any of the prescribed CDD measures but rather entail that the REs may adjust the volume, timing and type of each or all CDD measures in the manner that is proportionate to the low risk they have identified.

30. At the same time, the deficiency under c. 10.2 has a bearing on this criterion. Moreover, except for FIs licensed by the CBM (see CBM Guidelines - section 4.1.2), there is no obligation to ensure that SDD measures are commensurate to the lower risk factors identified.

31. ***Criterion 10.19*** – REs shall not establish or continue a business relationship nor carry out an occasional transaction (EUR 1 000 or more), if they cannot conduct the CDD measures set out in Art. 18 LPMLTF (Art. 19(2) and (3), Art. 20(2) of the LPMLTF).

32. In cases of inability to implement one or more prescribed CDD measures, REs shall notify the FIU (Art. 17 (7) of the LPMLTF).

33. ***Criterion 10.20*** – Where REs suspect ML/TF and reasonably believe that the implementation of CDD measures will initiate tipping off to the customer, the reporting entity shall not be required to implement CDD, but they shall notify without delay, FIU thereof in line with the prescribed procedure (Art. 17(7) and Art. 18 (5) of the LPMLTF).

Weighting and Conclusion

34. While the legal framework largely establishes comprehensive CDD obligations, several deficiencies remain. Notably, where there are doubts about the accuracy of CDD data on legal persons, REs may rely on a written statement from the customer without a clear obligation to verify through independent sources (c.10.3). The identification of senior managing officials as beneficial owners is permitted where it is merely "not possible" to identify a BO, rather than when no such person exists (c.10.10(c)). For occasional transactions, REs are not required to fully understand the nature of the customer's business activity (c.10.8), it is unclear if the Guidelines which prescribe the grounds for taking into consideration the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable constitute enforceable means (c.10.13), and simplified due diligence is not always required to be proportionate to the lower risk (c.10.18). Despite these shortcomings, the CDD framework is generally robust and broadly in line with the standard. Other minor shortcomings were also identified. **R.10 is re-rated LC.**

Recommendation 13 – Correspondent banking

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.13. Some significant deficiencies were identified. The EDD measures only applied to correspondent relationships with credit institutions to the exclusion of other FIs. The correspondent was not required to determine the reputation of the respondent institution and may identify whether it was subject to any ML/TF investigation or other action through self-declarations made by that respondent institution. Similarly correspondent banks could obtain a written statement (i) to determine the execution of some CDD measures (rather than all) undertaken by the respondent on customers that had direct access to the correspondent's accounts, (ii) attesting that the respondent did not provide services to shell banks. These requirements fell short of the expectations of c.13.2 and c.13.3 requiring the correspondent bank to be satisfied rather than relying on self-declarations. There was no clear obligation to ensure that all CDD information might be provided by the respondent institution upon request, and to understand the respective AML/CFT responsibilities of each institution. The EDD measures were also not applicable to all respondent institutions (wherever these were located), since they applied to those situated in the EU or equivalent jurisdictions only in case of high risk. This was not considered as material since all correspondent relationships with EU institutions were established with institutions forming part of the same group. Other minor deficiencies were also identified.

2. ***Criterion 13.1*** – When establishing correspondent relationships with credit or other FIs whose head office is located outside Montenegro, Montenegrin FIs shall carry out EDD (Art. 53(1) - LPMLTF). The CBM Guidelines however set forth a risk-based approach in applying EDD. According to the risk-based approach, EDD is not applied when establishing correspondent relationship with EU countries that have an effective system for preventing ML/TF (the member is not on the FATF list) (Part 2).

This is not in line with Rec. 13 as EDD is not mandated for all correspondent relationships. The impact of this shortcoming is limited considering that it affects seven correspondent relationships with EU Banks (established by two banks) and which form part of the same financial group and subject to common AML/CFT group policies.

a) FIs are required to obtain sufficient information for: (i) a complete understanding of the nature of its business activities and (ii) establishing the reputation of that institution from publicly available sources (Art. 53(4)). However, there is no requirement to assess the quality of supervision.

   FIs shall verify whether such institution is under investigation related to ML and TF or whether it is the subject of measures taken by competent authorities (Art. 53(1)(5)). REs will obtain this data by accessing identification documents and documentation provided by the credit institution or other financial institution, or publicly available or other data records (Art. 53(5)). These provisions only require determining whether a respondent institution is currently under investigation or regulatory measure, but not if it has been subject to such in the past.

b) FIs are bound to obtain information on the internal AML/CFT procedures and controls and on any evaluation of such procedures (Art. 53(1)(2 and 3)).

c) FIs are required to obtain a written consent from senior management before establishing a correspondent relationship (Art. 53(2)).

d) FIs are required to regulate their responsibility and the responsibility of the respondent by a contract (Art. 53(3)).

3. ***Criterion 13.2*** –

a) FIs shall establish that credit or other financial institution with reference to a brokerage account has verified the customer's identity and has performed ongoing procedure of applying CDD measures to a customer that has a direct access to the account and that, upon the reporting entity's request, is able to provide relevant data in relation to that procedure (Art. 53(1)(8). This article does not cover all CDD obligations (Art. 17).

b) FIs ensure that all information established during the procedure of conducting CDD measures is provided by the responding institution without delay (Art. 53(1)(9)).

4. These measures are not applicable to respondent institutions situated in the EU where there is an effective system for preventing LM/TF (see introduction of c.13.1).

5. ***Criterion 13.3*** – A RE must not establish or continue a correspondent relationship with a credit or other financial institution which has its head office situated outside Montenegro if a credit or other financial institution operates as a shell bank or if it establishes or maintains correspondent or other business relationships and carries out transactions with shell banks (Art. 53(1)(6 and 7)). The deficiency stated in the c.13.1 applies here as well.

Weighting and Conclusion

6. Montenegro has largely implemented the requirements of R.13. Only minor deficiencies are identified. All the measures provided for by R.13 are not applicable to EU countries which have effective AML/CFT system (are not listed by the FATF). This is not considered as material since all correspondent relationships with EU institutions are established with institutions forming part of the same group. In addition, there is no requirement to: (i) identify whether respondent institution has been subject to investigation or regulatory measure in the past; and (ii) assess the quality of supervision. **R.13 is re-rated as LC.**

Recommendation 15 – New technologies

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.15. The main deficiencies identified were the following; (i) no legal obligations for the country to identify and assess the ML/TF risks of new products and business practices, (ii) no risk assessment of new products and business practices was undertaken, (iii) an insufficiently comprehensive ML/TF risk assessments for VA/VASPs, (iv) no risk-based approach applied to prevent and mitigate the identified ML/TF risks associated with VA/VASPs, (v) no market entry requirements for VASPs, (vi) most of the VASPs envisaged under the FATF Standards were not covered for AML/CFT purposes, (vii) the CBM did not seem to have legal basis and powers to supervise covered VASPs, (viii) no specific AML/CFT guidance, red flags or typologies were issued in respect of VAs/VASPs, (ix) shortcomings with sanctions envisaged under R.10-21 and R.35 apply also to covered VASPs, (x) CDD obligations for covered VASPs did not apply to occasional transactions of EUR 1 000 to EUR 14 999, (xi) there were no provisions regulating the transfer of VAs and information accompanying VA transfers, (xii) deficiencies set out under c.6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e), 7.3 and 7.4(d) applied to covered VASPs and (xiii) deficiencies identified under R.37-39, and deficiencies applicable to the FIU, Police and CBM under R.40 apply to c.15.11.

2. Through amendments brought to the LPMLTF in 2023, Montenegro brought the definition of the virtual assets (Art. 6, item 46, 70, 71 to 89 and 95) in line with the FATF standards. 2023 LPMLTF also introduced detailed provisions on the regulation of the VASP Sector in March 2025.

3. ***Criterion 15.1*** – At a country level, the Government of Montenegro set up a Coordinating Body responsible for the purposes of conducting the National Risk Assessment (Art. 8 of the 2023 LPMLTF). There are still no specific provisions or terms of reference requiring the Coordinating Body to identify and assess ML/TF risk implications that may arise in relation to the development of new products and business practices, including new delivery mechanisms and the use of new or developing technologies. Nevertheless, the 2020 NRA contained an analysis (even though a limited one) of the vulnerability to ML/TF of products and services provided within some sectors (i.e. namely the Banking and Life Insurance Sector), with further analysis in other sectors being needed. In May 2025, Montenegro re-assessed the ML/TF risks associated with the use of VA and VASPS which were identified as being medium-high (see c.15.3) which also contained elements of analysis regarding new technology-driven risks, new delivery mechanisms and new business practices (e.g. anonymity-enhancing features, mixers, custodial wallets, peer-to-peer, DeFi).

4. At an FI level, REs are explicitly required since 2023 to assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies for both new and pre-existing products (Art. 16 of the LPMLTF).

5. ***Criterion 15.2*** –

a) REs must undertake the risk assessment set out in c.15.1 before the introduction of changes to business practices (Art. 16).

b) REs shall adopt measures to (i) reduce the identified ML/TF risks relating to changes in business practices and (ii) eliminate and prevent the misuse of new technologies for ML/TF purposes (Art. 16).

6. ***Criterion 15.3*** –

a) ML/TF risks associated with VAs and VASPs have been assessed as being medium-high, based on

data analysed between 2021 and 2024. This conclusion precedes the regulation of the VASP sector in March 2025. Specific elements relating to the use of crypto-assets by OCGs have been analysed separately, using various sources of information (including data collected from commercial banks, FIU data, and open source data). This analysis concluded that there was no evidence of VASP involvement in OCG-related activity, although it also concluded that elevated risk areas, particularly P2P services and custodial wallets, warrant continued monitoring and preventative measures. The conclusions were presented to the Coordination Body on the 29th of April 2025, prior to the adoption of the VASP risk assessment in May 2025. However, further harmonisation of all elements is needed in relation to the identification and assessment of ML/TF risks associated with VAs and VASPs.

b) Based on their understanding of their risks, the Montenegrin authorities have taken a number of measures to prevent VAs and VASPs from being misused for ML/TF purposes, notably by introducing detailed provisions on the regulation of the VASP sector through legislative amendments brought to the LPMLTF. Additional mitigating measures are provided for in the risk assessment, which are dedicated to each type of VA activity. Moreover, following the conclusion of the 2025 VASP Risk Assessment, the Montenegrin authorities adopted an Action Plan for the implementation of measures to mitigate the identified ML/TF risks related to crypto-assets and crypto-asset service providers for 2025-2027. These measures appear to be commensurate with the risks identified.

c) All VASPs are designated as REs. Hence the analysis and deficiencies identified under c.1.10 and c.1.11 apply in their respect.

7. ***Criterion 15.4*** –

a) Since March 2025, the LPMLTF introduced prior registration requirements for crypto-asset service providers to the Register of Crypto-asset Service Providers.

b) Articles 40b and 40r of the LPMLTF prescribe regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP.

8. ***Criterion 15.5*** – Failure by VASPs to comply with registration requirements when carrying out the activities in c.15.4(a) can result in proportionate and dissuasive sanctions, both administrative (Articles 131 -133 of the LPMLTF) and criminal (Article 408 and 266 of the Criminal Code). However, deficiencies identified under Rec. 35 apply. Moreover, the CMA and the FIU monitor publicly available information, such as social media and advertisement portals, to detect unregistered activities.

9. ***Criterion 15.6*** –

a) Art. 131 of the 2023 LPMLTF prescribes that the Capital Market Authority of Montenegro conducts inspection and other types of supervision in relation to crypto-asset service providers, using a risk-based approach.

b) Articles 131 -133 of the LPMLTF prescribe adequate powers to the Capital Market Authority to conduct inspections, compel the production of information and impose a range of disciplinary and financial sanctions, including the power to withdraw, restrict or suspend the VASP's license or registration, where applicable.

10. ***Criterion 15.7*** – In June 2025 Montenegro adopted regulatory and operational guidelines related to the prevention of money laundering and terrorist financing in the context of crypto-assets and crypto-asset service providers. In addition, Montenegro has adopted a Rulebook on the List of Indicators for Identifying Suspicious Clients and Transactions, which sets out 34 indicators specific to crypto-assets, 8 of which are directly related to terrorist financing. The FIU is empowered to provide

feedback to REs on STRs (Art. 68 of the LPMLTF). FIU has published two typologies of crypto-asset misuse for money laundering purposes, which are available on its official website.

11. ***Criterion 15.8*** – The shortcomings within the AML/CFT sanctioning regime envisaged under R.35 apply also to covered VASPs.

12. ***Criterion 15.9*** – Art. 6. Item 70 of the LPMLTF prescribes aligned definition of crypto-asset services, introducing all VASPs as subject to AML/CFT obligations. The shortcomings identified in R.10-21 are similarly applicable to covered VASPs.

13. With respect to this limited scope of VASPs:

a) Art. 18 of the 2023 LPMLTF prescribes that VASPs shall implement the CDD measures for every occasional transaction that represents the transfer of crypto-assets valued at EUR 1 000 or more. The deficiencies identified under Recommendations R.10-21 apply here.

b) The 2023 LPMLTF contains provisions (Art. 40f to 40o) regulating virtual asset transfers, including obligations relating to information accompanying VA transfers.

14. ***Criterion 15.10*** – The analysis of c.6.5(d), 6.5(e), 6.6(g), 7.2(d), 7.2(e), 7.3 and 7.4(d) and the respective deficiencies are likewise applicable to covered VASPs.

15. ***Criterion 15.11*** – The FIU may provide data, information and documentation to foreign counterparts upon request as well as spontaneously in connection with suspicions of ML, related predicate offences and TF (Art. 70 and 71 - LPMLTF. Police is empowered to exchange data at their own initiative or upon request of foreign international organisations, under conditions of reciprocity and where this exchange is necessary for the fulfilment of police tasks. The powers afforded to the FIU and Police apply irrespective of the nature of the suspicious cases or data, and thus would include cases where VAs are involved.

16. The CBM (the AML/CFT supervisor of VASPs) may cooperate and exchange information with other central banks, international financial institutions, and organisations, have similar objectives and functions (hence including supervision of VASPs) and may be a member of international institutions and participate in their work (Art. 9 - Law on the CBM).

17. Montenegrin authorities are able to provide mutual legal assistance (including cases in which VAs/VASPs feature) in the manner outlined under R.37-39.

18. The minor deficiencies identified under R.37-39, and the deficiencies applicable to the FIU, Police and CBM under R.40 are likewise applicable to c.15.11.

Weighting and Conclusion

15. Minor deficiencies have been identified. At a country level, there is still no legal obligation to identify and assess the ML/TF risks of new products and business practices; nevertheless, in May 2025, Montenegro re-assessed the ML/TF risks associated with the use of VA and VASPs, which include elements related to new technology-driven risks relevant under c.15.1, and, separately, elements relating to the use of crypto assets by OCGs. However, further harmonisation is needed. Some of the deficiencies identified under Recs. 10-21 and 35 also have an impact on c.15.5, c.15.8 and c.15.9. **R.15 is re-rated as LC.**

Recommendation 16 – Wire transfers

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.16. Major deficiencies were identified across the legal framework for wire transfers. There were no obligations regarding payee information, affecting the implementation of several key criteria. In the case of occasional transfers, payee-side PSPs were required to verify the identity of payees only when also acting as the payer-side PSP. The obligation to halt transfers applied only when no information could be obtained, rather than when full requirements under c.16.1–16.7 were not met. Entities providing money transfer services under the Postal Services Act were not prohibited from executing non-compliant transfers. PSPs operating on both ends of a transaction were not required to consider complete information when determining whether to submit STRs, nor to report to all affected countries. It also remained unclear whether PSPs other than banks were subject to freezing obligations under c.6.5(a) and c.7.2(a). Additional deficiencies related to TFS obligations and other minor shortcomings were also noted.

2. Art. 34 of the LPMLTF sets out the requirements on information that should accompany wire transfers. These apply to REs that are payment services providers ("PSPs") – see c.14.1.

3. ***Criterion 16.1*** – PSPs of the payer shall obtain accurate and complete data on a payer and the payee and enter them into a form or electronic message accompanying a wire transfer (Art. 35(1) – LPMLTF). The content and type of payer and payee data is set out in Art. 35 (2 and 3) LPMLTF. PSPs of the payer, the payee, and intermediaries shall ensure that this information accompanies the transfer through the entire payment chain (Articles 35, 36, and 38 LPMLTF). The threshold triggering this requirement is EUR 1 000 and above, as prescribed in Art. 35(6) LPMLTF.

4. When transferring funds, PSPs of the payer shall collect: (i) the name (legal person) or name and surname (natural person) of the payer and the payee; (ii) the address, or registered office, including the name of the country, number of personal identification document, unique master citizen number or identification number of the payer or the date and place of birth of payer; and (iii) the payment account number of the payer and the payee, or a unique identifier of the transaction if the transfer is performed without opening the payment account (Art. 35 (2 and 3) LPMLTF).

5. ***Criterion 16.2*** – The batch file needs to contain the information set out in c.16.1 and the individual transfers shall include the account number of the payer or a unique identifier. PSPs of the payer shall collect data on the payer and payee and enter them into a payment order form or electronic message accompanying the transfer of funds from the payer to the payee (Art. 35 (1) LPMLTF). In the case of a bulk transfer of funds from one payer, PSPs of the payer must provide that the batch file contains required and accurate payers and payees information set out in c.16.1 (Art. 35 (4) LPMLTF).

6. ***Criterion 16.3*** – In case when the amount of the transfer of funds, including the amount of payment transactions connected with that transfer, is less than EUR 1 000, PSPs of the payer shall ensure that the transfer of funds contains at least the following data: (i) the name and surname or business name of the payer and of the payee and (ii) the number of payment account of the payer and of the payee or a unique identifier of the transaction if the transfer is performed without opening a payment account (Art. 35(6) LPMLTF).

7. ***Criterion 16.4*** – In case of transfer of funds not made from an account, the PSP (payer) shall verify the payer information only where the amount exceeds EUR 1 000. PSPs of the payer shall verify the accuracy of collected data on the payer prior to performing the transfer of funds (Art. 35(7) LPMLTF). Verification is required irrespective of the amount in these cases: (i) funds are made available to the

payee in cash or in anonymous electronic money, or (ii) there are reasons for suspicion in money laundering and terrorist financing (Art. 35(9) LPMLTF). If the amount of money transfer is EUR 1 000 or more, regardless of whether those transfers are performed through one or several linked transactions, the PSP of the payee shall, prior to executing such transaction to the account of the payee or making such funds available to the payee, verify the accuracy of data collected on that payee (Art. 36 (2) LPMLTF). Art. 36(3) LPMLTF provides that in the case where the amount of money transfer, including the amount of payment transactions connected with that transfer, is less than EUR 1 000, PSP of the payee is obliged to verify the accuracy of data collected on the payee, in these cases: (i) funds are made available to the payee in cash or in anonymous electronic money, or (ii) there are reasons for suspicion in money laundering and terrorist financing.

8. ***Criterion 16.5 and 16.6*** – PSPs of the payer shall collect data on the payer and payee and enter them into a payment order form or electronic message accompanying the transfer of funds from the payer to the payee (Art. 35 (1) LPMLTF). The content and type of payer and payee data is described in detail in c.16.1.

9. All REs are bound to provide without delay (i.e. not later than eight days) information requested by the FIU. This may include customer and transaction information (Art. 58(1) – LPMLTF). The Post of Montenegro is required to submit data relating to postal services (including financial postal services covering wire transfers) – Art. 69 Law on Postal Services. Provisions enabling the sourcing of information by the CBM are explained under c.27.3, and by the State Prosecutor's Office under c.31.1(a).

10. ***Criterion 16.7*** – All records obtained in terms of the LPMLTF (covering also those obtained in terms of wire transfer rules – Art. 35 LPMLTF) shall be kept for at least 5 years – Art. 127(1) - LPMLTF. Art. 127(1) LPMLTF stipulates that REs shall keep all data, information and documentation obtained in accordance with LPMLTF, and this includes data and documentation on electronic money transfer.

11. ***Criterion 16.8*** – Section 4.1.1.4 of the CBM Guidelines for developing risk analysis (applicable to REs supervised by the CBM), states that where REs are unable to obtain all the required data and information, they shall not execute the wire transfer. This is not in-line with c.16.8 prohibiting wire transfers unless all requirements envisaged under c.16.1 – 16.7 are fulfilled. By way of example c.16.1 requires not only the obtainment of the data on the payer but also its verification. Article 37(1)–(2) LPMLTF does not prohibit the PSP of the payer from executing a transfer when these requirements are not met but only requires the PSP of the payee to adopt an internal act based on risk assessment in such cases. There are no prohibitions (as per c.16.8) for persons or entities providing money transfer services (i.e. financial postal services) in accordance with the Postal Services Act.

12. ***Criterion 16.9*** – Art. 38(1) LPMLTF stipulates that an intermediary in the transfer of funds shall ensure that all data on the payer and the payee are kept in the payment order form or electronic message accompanying transfer of funds. Where the payment order form or electronic message accompanying transfer of funds does not contain the accurate and complete data on the payer and the payee, the intermediary in the transfer of funds shall, in accordance with the risk assessment, by the internal act, prescribe when to: (i) refuse the transfer of funds, (ii) suspend the execution of the transfer of funds until the receipt of the missing data, which they shall request from the intermediary in that transfer, or from the PSP of the payer, (iii) execute the transfer of funds and, simultaneously or subsequently, request from the intermediary in that transfer, or from the PSP of the payer, the missing data or data that have not been not entered into the payment order form or electronic message accompanying the transfer of funds (Art. 38 (2 and 3) LPMLTF).

13. ***Criterion 16.10*** – Intermediary PSPs are not allowed to execute transfers of funds with incomplete payer data (see c.16.9). This applies to all types of wire transfers be they domestic or cross-

border, and irrespective of whether there may be certain technical limitations preventing the transmission of payer information.

14. ***Criterion 16.11 and 16.12*** – Art. 38(1) LPMLTF stipulates that an intermediary in the transfer of funds shall ensure that all data on the payer and the payee are kept in the payment order form or electronic message accompanying transfer of funds. An intermediary in the transfer of funds shall, using the risk-based approach, make an internal act with regard to the procedure, including, where applicable, ex-post monitoring or real-time monitoring, in case that the payment order form or electronic message accompanying the funds transfer, does not contain accurate and complete data on the payer and the payee (Art. 38 (2) LPMLTF). Where the payment order form or electronic message accompanying transfer of funds does not contain the accurate and complete data on the payer and the payee, the intermediary in the transfer of funds shall, in accordance with the risk assessment, by the internal act, prescribe when to: (i) refuse the transfer of funds, (ii) suspend the execution of the transfer of funds until the receipt of the missing data, which they shall request from the intermediary in that transfer, or from the PSP of the payer, (iii) execute the transfer of funds and, simultaneously or subsequently, request from the PSP of the payer, the missing data or data that have not been entered into the payment order form or electronic message accompanying the transfer of funds (Art. 38 (3) LPMLTF).

15. ***Criterion 16.13*** – The PSP (payee) is required to detect whether all payer information accompanies the electronic funds transfers – (Art. 6(1) EFT Rulebook). No detailed guidance or recommendations are provided as to what reasonable measures (e.g. post-transaction monitoring or real-time monitoring) may be adopted to detect funds transfers with missing information. There is no obligation to detect missing payee information.

16. ***Criterion 16.14*** – The PSP (payee) is required to carry out CDD measures including identity verification where a business relationship is established with the payee (see Art. 17(1) item 1 and Art. 18(1) item 1 - LPMLTF). Art. 18(1) item 3 requires the application of CDD measures (including identity verification) when occasional transfers of funds are carried out. This verification requirement however applies where the occasional transfer of funds is being executed in the name of the sender (i.e. by the PSP (payer)). In case when the amount of money transfer is EUR 1 000 or more, regardless of whether those transfers are performed through one or several linked transactions, the PSPs of the payee shall, prior to executing such transaction to the account of the payee or making such funds available to the payee, verify the accuracy of data collected on that payee (Art. 36(2) LPMLTF).

17. ***Criterion 16.15*** – As set out under c.16.13 PSPs (payee) shall detect whether funds transfers are accompanied with payer information. PSPs of the payee shall, in accordance with risk assessment, make an internal act with regard to the procedure, including, if necessary, ex-post monitoring or real time monitoring, in case that a payment order form or electronic message accompanying money transfer does not contain accurate and complete data of the payer and the payee (Art. 37(1) LPMLTF). This internal act must prescribe when to: (i) refuse the transfer of funds, (ii) suspend the execution of the transfer of funds until the receipt of the missing data, which they shall request from the intermediary in that transfer, or from the PSP of the payer, and (iii) execute the transfer of funds and, simultaneously or subsequently, request from the intermediary in that transfer, or from the PSP of the payer, the missing data or data that have not been not entered into the payment order form or electronic message accompanying the transfer of funds (Art. 37(2) LPMLTF). Also, PSPs of the payee shall introduce effective procedures to determine whether the fields related to the payer and payee data in the message exchange or in the payment and settlement system used for executing money transfers are filled with letters, numbers, and symbols allowed in accordance with the rules of that system (Art. 36(5) LPMLTF).

18. ***Criterion 16.16*** – Art. 5(3) of the Payment System Law stipulates that PSPs are liable for all agents' actions and failures, which also covers the responsibility and liability for the implementation of transfer of funds obligations by agents. The Post of Montenegro does not operate through agents but via postal branches that are an integral part of the Post (see c. 14.4) and entities providing money transfer services under the Postal Services Act. are not prohibited from executing non-compliant transfers.

19. ***Criterion 16.17*** – PSPs, as REs, shall report suspicions that funds are proceeds of crime or TF (Art. 66(6) - LPMLTF). PSPs of the payee shall determine whether the lack of accurate and complete data on the payer and the payee presents the reasons for suspicion in money laundering or terrorist financing and if it determines that this lack presents the reasons for suspicion, it shall notify the FIU. In case where the payment order form or electronic message accompanying transfer of funds does not contain the accurate and complete data on the payer and the payee, the intermediary in the transfer of funds shall determine whether the lack of accurate and complete data presents the reasons for suspicion in money laundering or terrorist financing and should the suspicion be determined, it shall notify the FIU (Art, 38(3) LPMLTF). Art. 66, paragraph 6. LPMLTF prescribes reporting STRs to FIU in all cases of establish suspicion. There are no specific requirements for PSPs controlling the ordering and beneficiary side of a wire transfer to report in all affected countries.

20. ***Criterion 16.18*** – With respect to freezing obligations, the RM Law provides that restrictive measures shall be applied without prior notice and without delay (Art. 22(1)). The scope of entities subject to these obligations includes all natural persons, legal persons, other entities and competent authorities (Art. 18(1)), which covers PSPs. Additionally, Art. 21 allows the competent authority to adopt a freezing decision without delay where urgent grounds exist, prior to inclusion in the national list. While earlier uncertainty existed regarding the applicability of freezing obligations to PSPs other than banks, this has been resolved by the broad and inclusive language of the law. These measures ensure alignment with the requirements set out under c.6.5(a) and c.7.2(a), and the obligations under relevant UNSCRs are now extended to PSPs in the context of wire transfers.

Weighting and Conclusion

21. Montenegro has largely implemented the requirements of R.16. Only minor deficiencies remain: (i) there are no prohibitions (as per c.16.8) for persons or entities providing money transfer services (i.e. financial postal services) in accordance with the Postal Services Act (c.16.8); (ii)there are no detailed guidance or recommendations as to what reasonable measures (e.g. post-transaction monitoring or real-time monitoring) to detect funds transfers with missing information and there is no obligation to detect missing payee information (c.16.13); (iii) entities providing money transfer services under the Postal Services Act are not prohibited from executing non-compliant transfers (c.16.16); and (iv) there are no specific requirements for PSPs controlling the ordering and beneficiary side of a wire transfer to report in all affected countries (c.16.17). Consequently, **R.16 is re-rated LC.**

Recommendation 17 – Reliance on third parties

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER Montenegro was rated PC with R.17. It met some of the criteria under this Recommendation. However, some significant deficiencies were identified. REs placing reliance were not retained responsible for the implementation of all the CDD measures. There was no specific obligation on the RE placing reliance to (i) satisfy itself that all the relevant CDD documentation would be made available by the third party without delay upon request; and (ii) satisfy itself that the third party being relied upon was regulated, supervised and had measures in place to comply with CDD and record keeping requirements. Some other minor shortcomings were noted.

2. ***Criterion 17.1*** – When establishing business relationships REs may entrust the implementation of CDD measures from Art. 17(1)(1-3) (i.e. mirroring CDD measures (a – c) under R.10) to a third party (Art. 31(1) LPMLTF). The third party may be: (i) a credit institution and branch of a foreign credit institution, (ii) an investment fund management company; (iii) a pension fund management company; (iv) investment company engaged in business activity defined by the law regulating capital market; (v) life insurance company and branch of foreign life insurance company; (vi) mediation company, representation company and an entrepreneur – agent in insurance, in the part related to life insurance; and (vii) all person above-mentioned with a head office in a EU or another state applying equivalent AML/CFT standards. The RE is ultimately responsible for the implementation of CDD measures conducted through a third party (Art. 31(5)).

a) The third party relied upon is required to deliver the obtained data and documents on the customer (Art. 33(1)) When asked by a RE, the third party shall deliver, without delay, the obtained data and documentation on the customer to the RE. (Art. 33).

b) Upon request the third party shall provide, without delay, photocopies of identification documents and other documentation based on which they have conducted the CDD measures (Art. 33.2).

c) Art. 31(3) of the LPMLTF requires REs to ensure that the third party is subject to regular supervision, and that it has mechanism in place to implement CDD and record keeping in a manner that is equivalent or stricter than the one set out in the LPMLTF. This equivalency criteria is affected by the deficiencies identified under Recs. 10 and 11.

3. ***Criterion 17.2*** – REs may not rely on third parties from countries that are considered as "high-risk third countries" (Art. 32) and can only rely on foreign third parties established in an EU member state or in countries that implement AML/CFT standards equivalent or stricter to those in Montenegro (Art. 31(1)(7)).

4. ***Criterion 17.3*** – The requirements set out under c.17.1 and 17.2 apply to all reliance relationships. No different treatment is envisaged for reliance on financial group entities.

Weighting and Conclusion

5. Most elements of R.17 are met. REs are permitted to rely on third parties for CDD, and the law requires the timely provision of relevant documentation (Art. 33). However, minor shortcomings remain under R.10 and 11 (c.17.1(c)). **R.17 is re-rated as LC.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC with R.18. Several significant deficiencies were identified with this Recommendation. Only large entities (which includes only four of the 11 banks) and Insurance Companies were required to have a compliance officer at management level and to establish an independent audit function. REs that were part of a financial group were not required to implement the group's AML/CFT policies and procedures. There was no obligation for REs forming part of a financial group to share customer, account and transaction data with group-level compliance, audit and or AML/CFT function and nor a requirement to be able to receive such information from these group-level functions for risk management purposes. There were no clear obligations for REs to require foreign branches and majority-owned subsidiaries to implement AML/CFT measures consistent to those of the LPMLTF, when in the host country the standards were lower. Other deficiencies (which were minor considering Montenegro's context) were identified including that REs were only obliged to monitor that business units or majority owned subsidiaries apply the procedures for preventing ML/TF when these were situated outside Montenegro, while it was not specified what these procedures should entail.

2. ***Criterion 18.1*** – REs are required to establish policies, controls and procedures to manage ML/TF risk that are proportionate to the RE's activities, size, type of customers it deals with and products offered. Art. 14 (1 and 2) of the LPMLTF states that REs shall adopt and implement programmes for preventing ML/TF.

a) Compliance Management Arrangements - REs are required to have internal controls in the area of detection and prevention of ML/TF and risk management models – Art. 14(3)(1). REs are required to ensure regular internal control of the implementation of the programme for preventing ML/TF. Furthermore, REs are required to designate a compliance officer Art. 12(3)(1). The compliance officer must have a management position and shall be directly responsible to management body or executive or other similar body of the reporting entity (Art. 76(3)). Policies, controls and procedures shall be defined by competent management body of the RE or senior manager (Art. 14(4)).

b) Employee Screening - REs shall adopt policies and procedures regarding employee security checks (Art. 14 (3) (1) LPMLTF). There are specific professional skills and integrity requirements for the compliance officer (Art. 70)

c) Ongoing Training - REs shall ensure regular professional training and improvement of employees involved in detection and prevention of ML/TF – Art. 11 (1) and 78.

d) Independent Audit Function – RE's shall ensure regular internal control and audit of the implementation of policies, controls and procedures (Art. 80 (1)). However, the obligation to establish an independent internal audit only applies when the law regulating the business activity of the RE prescribes such a requirement (Art. 80 (2)). Therefore, it is not clearly established that internal audit is always mandatory for all REs. The obligation depends on specific legal requirements.

3. ***Criterion 18.2*** – REs having business units or majority owned subsidiaries in other countries which provide for AML/CFT standards lower than those under the LPMLTF or those standards are implemented to a lesser extent than the scope established by the LPMLTF must ensure that they implement AML/CFT measures in accordance with the LPMLTF to the extent permitted by the

legislations of that country, including on data protection (Art. 62(3)). REs having business units or majority owned subsidiaries in other countries which provide for same or higher than AML/CFT standards under the LPMLTF, must ensure that their business units or majority owned subsidiaries adopt and implement appropriate measures of that country, including on data protection (Art. 62(1)). REs must ensure the implementation of LPMLTF in the business units and majority-owned by a RE with a head office in another country which is a Member State or in the country that has the same standards for the implementation of AML/CFT measures as the standards specified by LPMLTF or the EU law. However, the Montenegrin Law does not specify any obligations for financial group members with a head office in a country outside the EU or having a level of AML/CFT standards other than the Montenegrin one or one set forth by the EU law.

a) There is a possibility but not an obligation to exchange information on customers and transactions among financial group with a head office in a foreign country. Also, REs forming part of a group are allowed to exchange information on customers and transactions within the group in Montenegro, the EU or other countries applying equivalent AML/CFT standards for the purpose of preventing ML/TF (Art. 62(6 and 7)). In addition, though the goal for this exchange is set to be the ML/TF prevention which does not include all the aspects of ML/TF risk management. The law authorises a similar exchange of information related to cases when suspicions are reported to the FIU, unless the FIU orders otherwise.

b) Group REs are allowed to exchange customer and transaction information with group members with certain limitations (see paragraph (a)). This is considered to enable (but not require) group REs to share customer and transaction data with group-level compliance, audit and or AML/CFT function. While it is not entirely clear whether group REs may share account information and analysis of unusual transactions, the authorities signalled that this is covered under the obligation to "exchange data on a customer and/or transaction, obtained in accordance with the LPMLTF" set out under Art. 62(6).

c) Group REs shall protect the secrecy of data/information that is shared within the group. Data confidentiality and protection rules are governed depending on the level of AML/CFT standard implementation as explained above under c.18.2.

4. ***Criterion 18.3*** – In case that AML/CFT measures are lower than the scope established by Montenegro's Law, RE's shall ensure that their business units or majority-owned business organisations adopt and implement measures in accordance with the LPMLTF to the extent permitted by the regulations of that country. If the regulations of another country prohibit the implementation of measures established under the LPMLTF, a RE shall immediately notify the FIU and the competent supervisory authority referred to in Art. 131(1) of the LPMLTF and take other appropriate measures to mitigate and effectively manage ML/TF risk to the extent permitted by the regulations of that country.

Weighting and Conclusion

5. Montenegro has largely implemented the requirements of R.18 as only minor deficiencies remain. The remaining deficiencies are as follows: (1) there are inconsistencies in Law regarding the application of internal audits by FIs, i.e. not all FIs are required to have an independent audit function (18.1(d)); (ii) the Montenegrin law does not specify any obligations for financial group members with a head office in a country outside the EU or having a level of AML/CFT standards other than the Montenegrin one or one set forth by the EU law (18.2); (iii) Montenegro does not provide for the exchange of information among group members in line with c.18.2(a) and this has a bearing on Montenegro's compliance with c.18.2 (b) (c.18.2 and c.18.2(b)). **R.18 is re-rated as LC.**

Recommendation 19 – Higher-risk countries

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remained at PC)

1. In the 5th round MER of 2023, Montenegro was rated PC with R.19. Montenegrin authorities had no legal basis to require the application of countermeasures when called upon by the FATF or independently. Other minor deficiencies were identified.

2. ***Criterion 19.1*** – FIs are required to apply EDD measures in the case of establishing a business relationship or executing transactions with a person from a high-risk third country or when a high-risk third country is involved in transaction. Also, after establishing business relationship with a customer from a high-risk jurisdiction the RE shall apply enhanced CDD measures to the business relationship (Art. 59 (1 and 2)). After establishing a relationship with a customer from a high-risk jurisdiction, REs must apply ongoing enhanced measures, including senior management approval, close monitoring, and limiting business relationships or transactions. The FIU determines and publishes the list of countries that do not or insufficiently apply the AML/CFT standards, or based on international organisations' data does not meet the international AML/CFT standards (Art. 60 and 6(1)(54)). However, the definition of "high-risk third country" does not create an explicit legal obligation to transpose FATF lists, and publication of FATF high-risk jurisdictions remains discretionary. The additional measures include: (i) collect and verify additional data on customer's business activity, as well as identification data on the customer and the BO; (ii) collect and verify additional data on the nature of business relationship as well as motive and purpose of the announced or executed transaction, (iii) collect and verify additional data on the status of customer's property, origin of the property and funds which are included in the business relationship or transaction with that customer; (iv) collect information on the origin of money and the origin of property of the customer and the BO or BOs; (v) collect information on the reasons behind the planned or executed transaction; and (vi) analyse data and put the results of analysis in written form. Additionally, RE's have to obtain senior management approval before establishing such business relationships and closely monitoring transactions and other business activities performed by customers from a high-risk country and carrying out additional CDD measures.

3. ***Criterion 19.2*** – For countries subject to FATF calls for countermeasures, REs shall apply the above-mentioned EDD measures. They are also prohibited from relying on third parties located in countries not applying adequate AML/CFT standards (see c.17.1). However, Montenegrin law does not provide a clear legal basis for the authorities to require the application of proportionate countermeasures when called upon by the FATF or independently of such a call.

4. ***Criterion 19.3*** – The FIU determines and publishes the high-risk countries list on its website (Art. 60 - LPMLTF), i.e. the FIU has been given discretion when making a publication on the weaknesses in the AML/CFT systems of countries when called upon by FATF. The CBM, CMA, EKIP & ISA disseminate this information to FIs under their supervision. In addition, compliance with higher risk third countries obligations is incorporated into the CBM's supervision.

Weighting and Conclusion

16. FIs in Montenegro are not explicitly obliged to apply enhanced CDD to business relationships and transactions to persons from high-risk countries listed by the FATF (c.19.1). Montenegrin authorities have no legal basis to require the application of countermeasures when called upon by the FATF or independently (c.19.2). Also, the FIU has been given discretion when making a publication on the weaknesses in the AML/CFT systems of countries when called upon by FATF. **R.19 remains PC.**

Recommendation 22 – DNFBPs: Customer due diligence

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.22. Several significant deficiencies were identified across most criteria, particularly regarding high-risk sectors such as lawyers, notaries and company service providers (CSPs). Trust services and a number of company services were not subject to the requirements of R.10, R.11, R.12, R.15 and R.17. It remained unclear whether lawyers and notaries were required to apply the CDD measures under the LPMLTF applicable to reporting entities, while the verification obligations set out under Articles 49(2) and 50 demonstrated serious shortcomings. Record-keeping obligations remained incomplete: there was no explicit obligation to retain all CDD records, no defined retention period for key documents, and no requirement to ensure timely access for competent authorities. PEP-related measures applied only where there were suspicions of ML/TF. Organisers of games of chance were not subject to key elements of R.10. The deficiencies identified in the application of R.10–17 applied to other DNFBPs as well.

2. The CDD measures set out under R.10 apply to all REs (i.e. FIs and DNFBPs). The term "reporting entity" (Art. 4 - LPMLTF) covers most DNFBPs set out in the FATF Recommendations. It does not cover the provision of (i) trust services; (ii) company services except the founding of legal entities; and (iii) lawyers and notaries when setting up of foreign trusts or in providing other services to such trusts, including property acquisition.

3. ***Criterion 22.1*** –

a) Casinos – Organisers of lottery and special games of chance, including those provided on-line or through other telecommunications means, are REs. The definition of "special games of chance" includes casino games (Art. 3 and 4(11) - Law on Games of Chance). The authorities explained that there is no specific licensing regime for ship casinos, and that casino games may only be provided by legal entities having their head offices in Montenegro and that are authorised to operate (see. R.28). Organisers of lottery and games of chance shall obtain and verify customer identities in respect of one or linked transactions of at least EUR 20 (Art. 18(1) 7) – LPMLTF). The provisions of Art. 18(3) require the application of other CDD measures from Art. 17, mirroring the measures set out in Rec. 10. The term "transaction" includes all transactions and not only those involving chips and tokens (see Art. 6(1) (18) – LPMLTF). Casinos are required to obtain and record data on the purpose, intent, objective and nature of a business relationship and transaction and other data (Art. 17(1) 3) – LPMLTF) with "linked transactions" broadly allowing for transactions to be linked based on any other factor (Art. 6(1) (68) – LPMLTF). A casino must monitor the customer and control the transactions to ensure that the executed transactions are in accordance with the knowledge of the customer (Art. 17(1) (4) – LPMLTF) thus ensuring that they are able to link CDD information for a particular customer to the transaction that the customer conducts.

b) Real Estate Agents –There are no legal provisions specifying that real estate agents should apply CDD to both purchasers and vendors of immovable property. However, legal and natural persons conducting asset management are subject to reporting and CDD measures under the LPMLTF (Art. 4(2(13)), which means that real estate agents are obliged to report transactions on asset management, including the buying and selling of real estate. This broader obligation may be interpreted as largely covering the scope of this sub-criterion.

c) Dealers in precious metals and stones – persons (legal or natural) trading in precious metals and stones are considered REs when they make or receive cash payments of EUR 10 000 or more

through a single or several linked transactions – Art. 4(2) (13) (10). This same provision also applies to traders in works of art and other goods.

d) Lawyers, notaries and other independent legal professionals - Lawyers and notaries are required to implement the AML/CFT measures under the LPMLTF when they assist a client in the planning or execution of specific transactions mirroring those set out under c.22.1(d), and when they execute financial or real estate transactions on behalf and for a client by virtue of being included within the definition of REs – Art. 4 (3 and 4). However, lawyers and notaries which may be involved in the setting up of foreign trusts are not REs when conducting those activities. This gap, also highlighted under c.25.1(c), limits the scope of AML/CFT obligations applicable to these professionals in practice and should be considered when assessing their compliance under R.22. In addition, the LPMLTF currently refers only to an "institution, fund, business or organisation or similar", whereas it should explicitly refer to legal persons and legal arrangements, which may further limit the scope of its application in line with FATF requirements.

   Accountants and auditors – Natural or legal persons providing audit, accountancy and tax counselling are REs and subject to CDD obligations as per R.10 measures (Art. 4(2) item 13 point 2). They are considered REs when carrying any of their professional activities as auditors, accountants and tax counsellors, and not only those set out under c.22.1(d).

e) Trust and Company Services Providers – Trust services as set out under c.22.1(e) do not render their provider a reporting entity under the LPMLTF and hence are not covered for CDD purposes. Moreover, only persons providing legal entity formation are considered REs under LPMLTF Art. 4(2)(13), to the exclusion of other company services envisaged under c.22.1(e).

4. ***Criterion 22.2*** – Trust service providers and some company service providers, as well as lawyers and notaries when setting up of foreign trusts or in providing other services to such trusts, including property acquisition, are not subject to AML/CFT obligations including record-keeping (see c.22.1).

5. The analysis applies to REs as defined under Art. 4, which include lawyers and notaries as well as other natural and legal persons carrying out the listed business activities. – c. 11.4 –There is no explicit obligation for REs to make CDD and transaction records available swiftly to other domestic competent authorities, except for cases when the FIU marks the request as "urgent".

6. All DNFBPs (see c.22.1) are subject to record-keeping requirements under Art. 116 in the same manner as FIs. Hence the analysis and deficiencies of R.11 are also relevant for DNFBPs.

7. ***Criterion 22.3*** – Trust service providers and some company service providers, as well as lawyers and notaries when setting up of foreign trusts or in providing other services to such trusts, including property acquisition, are not subject to AML/CFT obligations including PEP requirements (see c.22.1)

8. Other DNFBPs (see c.22.1) are subject to PEP requirements in the same manner as FIs. The analysis of R.12 and the deficiency relating to the definition of heads of state/governments within the definition of a PEP is thus relevant for these DNFBPs.

9. ***Criterion 22.4*** – Trust service providers, and some company service providers when setting up of foreign trusts or in providing other services to such trusts, including property acquisition, are not subject to AML/CFT obligations including requirements in relation to new technologies.

10. Other DNFBPs (see c.22.1) are subject to requirements in relation to new technologies in the same manner as FIs. Hence the analysis and deficiencies of R.15 apply.

11. ***Criterion 22.5*** – Third party reliance requirements do not apply to trust service providers and some company service providers which are not considered to be REs, as well as lawyers and notaries when setting up of foreign trusts or in providing other services to such trusts, including property

acquisition (see c.22.1).

12. Other DNFBPs (see c.22.1) are subject to the requirements on reliance on third parties in the same manner as FIs. Hence minor deficiencies of R.17 apply.

Weighting and Conclusion

13. The following deficiencies have been identified: (i) Trust services set out under c.22.1(e) and a number of company services are not subject to the requirements of R.10, 11, 12, 15 and 17; (ii) lawyers and notaries involved in the setting up or servicing of foreign trusts are not subject to CDD obligations and other obligations set forth under R.11, 12, 15 and 17 in respect of those activities; (iii) Minor deficiencies under R.10 and 11 limit the ability of DNFBPs to rely on third party information when conducting CDD in line with R.17. With respect to DNFBPs (other than trust service providers, certain company service providers, lawyers and notaries in the abovementioned cases) the analysis of R.10, 11, 12, 15 and 17 and the respective technical deficiencies identified also apply. Since trusts and other legal arrangements are not found to pose significant ML/TF risk the abovementioned deficiencies are not weighted heavily with their regards. **R.22 is re-rated as LC.**

Recommendation 23 – DNFBPs: Other measures

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.23. Significant shortcomings were identified across all criteria, notably affecting high-risk sectors such as lawyers, notaries and CSPs. Trust service providers and some company service providers, apart from those involved in the formation of legal persons and fiduciary services, were not subject to AML/CFT obligations, including those under R.23. Lawyers and notaries were subject to specific reporting obligations under the LPMLTF, but these demonstrated serious deficiencies. In addition, lawyers and notaries did not appear to be subject to the prohibition on tipping-off in relation to the submission of STRs, as required under c.21.2.

2. ***Criterion 23.1*** – The reporting requirements (see R.20) apply to those DNFBPs considered to be REs under the LPMLTF, and hence the R.20 analysis and deficiencies apply in their respect.

a) Lawyers and notaries –The deficiency identified in c.22.1(d) in relation to lawyers and notaries has a bearing on this sub-criterion.

b) DPMSs carrying out cash transactions are considered REs (see c.22.1(c).

c) TCSPs - Trust service providers are not subject to AML/CFT obligations including reporting obligations. Not all company services are covered for AML/CFT obligations and reporting obligations (see introductory paragraph).

3. ***Criterion 23.2*** – The internal controls requirements analysed under R.18 are applicable to those DNFBPs considered to be REs and hence the analysis and deficiencies identified apply in their respect. Deficiencies under c.22.1 are also applicable.

4. ***Criterion 23.3*** – The higher-risk countries requirements analysed under R.19 are applicable to those DNFBPs considered to be REs and hence the analysis and deficiencies identified apply in their respect. Deficiencies under c.22.1 are also applicable.

5. ***Criterion 23.4*** – The tipping-off and confidentiality requirements analysed under R.21 are applicable to those DNFBPs considered to be REs and hence the analysis and deficiencies identified apply in their respect, in particular those on the unclarity of the term "employee" and information sharing within a group. The deficiencies identified under c.22.1 have a bearing on this criterion.

Weighting and Conclusion

6. Most criteria under Recommendation 23 are implemented in Montenegro. However, the following minor deficiencies remain: (i) the deficiencies identified under c.22.1 have a bearing on criterion.23.1(a) and (c); and (ii) deficiencies under R.18, R.19, R.20 and R.21 are applicable. **R.23 is re-rated as LC.**

Recommendation 24 – Transparency and beneficial ownership of legal persons

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remained at PC)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.24. The main deficiencies were the following: (i) need for a more comprehensive assessment to understand ML/TF risks and vulnerabilities of all legal persons; (ii) some gaps in requirements to hold basic information; (iii) absence of penalties for the submission of false or incorrect basic information; (iv) largely unpopulated register of BO and absence of supervisory measures/mechanisms to ensure timely provision of accurate and up-to-date BO information; (v) absence of measures to ensure co-operation with authorities in determining BO; (vi) lack of measures to prevent the misuse of nominee directors and shareholders; and (vii) absence of information on monitoring of quality of assistance from foreign counterparts in response to requests for basic and BO information.

2. The most prominent types of legal persons are regulated by the Law on Companies (also referred to as the Law on Business Organisations) in the case of commercial entities and the Law on NGOs for associations and foundations. The following types of legal person are defined as companies and can pursue economic activities under the Law on Companies: (i) general partnership (GP); (ii) limited partnership (LP); (iii) joint stock company (JSC); and (iv) limited liability company (LLC). Commercial activities may also be performed by entrepreneurs (natural persons) and foreign company branches (which do not have legal status according to Art. 5(4)). According to Art. 5(1), Art. 62(1) and Art. 318(3) of the aforementioned law, legal persons, entrepreneurs and foreign company branches are subject to registration in the CRBE.

3. Non-governmental associations and foundations carrying out voluntary activities (NPOs) acquire legal personality upon registration with the state administration body responsible for administrative affairs – Art. 6 of the Law on NGOs. These foundations and associations may also carry out limited economic activities and when they intend to do so they are required to also register with the CRBE. Other types of legal persons including chamber and business associations, religious communities, political parties and trade unions may be formed under various special laws (see section 1.4.5).

4. ***Criterion 24.1*** –

a) *Types, forms and features of legal persons* – The different types, basic features and processes for the creation of legal persons that can be formed under Montenegrin law are specified in the legal instruments referred to in the general section above.

   The provisions on creating companies, are stipulated under the Law on Companies, namely Art. 66 to Art. 91 (for GPs), Art. 92 to Art. 94 (for LPs), Art. 104 to Art. 116 (for JSCs) and Art. 264 to Art. 273 (for LLCs). The aforementioned provisions include identification and description of the different types, forms and basic features.

   With regard to the non-profit sector, the Law on NGOs provides for the types, forms and basic features of associations and foundations. Other legal persons are covered under other specific laws.

b) *Process for creation of legal persons and obtaining basic and beneficial ownership information* – Processes for creation of legal persons, as well as for obtaining basic information are provided in: (i) the Law on Companies - for companies (as defined above); and (ii) in the Law on NGOs - for associations and foundations. Companies acquire the status of a legal person upon registration in the CRBE.

Information held with the Register is publicly available (Law on Companies, Art. 5 and Art. 324). Information on associations and foundations is kept with the Register administered by the Ministry for Public Administration, which is publicly available (Law on NGOs, Art. 14 and Art. 16).

Inter alia, BO information must be filed with the CRBO by business organisations, legal persons, associations and foundations. According to Art. 43 of the LPMLTF, The process is set out under Art. 45 and the Rulebook on the manner of entry, update, verification and access to the CRBO (Rulebook on BO information) issued by Ministry of Interior.

5. ***Criterion 24.2*** – The Montenegrin authorities have assessed elements of ML/TF risks associated with legal persons through: (i) the 2020 NRA (containing some general descriptions of risks associated with legal persons and focusing on LLCs); (ii) the 2021 SOCTA; and (iii) a separate specific risk assessment conducted in 2019. The misuse of legal persons (in particular through the carrying out of fictitious transactions), and the misuse of offshore companies to launder the proceeds of tax evasion and OCG activities have been identified as threats of ML.

6. More recently, Montenegro has participated in an assessment of the risk of legal persons (excluding NPOs) and arrangements in the Balkan region, which uses some findings from the 2020 NRA and 5th round MONEYVAL report. In February 2024, a report entitled "ML/TF Risk Assessment of Legal Entities and Legal Arrangements (LE/LA) in the Balkans" was published and covers cross-border aspects of risks involving Montenegrin legal persons and legal arrangements, including the link between shell and one member companies without income and expenditure. Whilst the risk assessment presents a number of useful statistics, these are not linked to an analysis of ML risk. For the TF assessment, the report highlights the absence of statistics, and so there are only limited findings on TF risk. In addition, there is only limited consideration of risks presented in the TCSP sector.

7. In May 2025, the Government adopted a TF risk analysis covering the abuse of NPOs (see c.8.1) – applicable to associations and foundations. The analysis did not cover ML risks.

8. Accordingly, a more comprehensive and detailed assessment is necessary for Montenegrin authorities and the private sector to understand ML/TF risks and vulnerabilities of all legal persons (especially pattern, technique and typology related), and the adequacy of the control framework (see section 7.2.2).

9. ***Criterion 24.3*** – *Companies* **-** Companies acquire the status of a legal person upon registration in the CRBE (Law on Companies, Art. 5).

10. JSCs should present the founding documents, charter, the list and information on the board of directors and the executive director, as well as a list of other specified accompanying information (Law on Companies, Art. 115). In addition, the following must be published in the Official Gazette of Montenegro: (i) company's registered name and registered office; (ii) names of managing body members, members of other company bodies registered with the CRBE, the auditor and the company secretary, if any; and (iii) dates of passing the instrument of incorporation, adoption of articles of association and registration as a JSC.

11. LLCs may have maximum of 30 members. They must be registered with the CRBE and present the list of information specified under Art. 272 of the Law on Companies in this regard. As in case of JSCs, the following must be published in the Official Gazette of Montenegro: (i) company's registered name and registered office; (ii) names of managing body members, members of other company bodies registered with the CRBE, the auditor and the company secretary. if any: and (iii) dates of passing the instrument of incorporation, adoption of articles of association and registration as a LLC. Provisions related to JSCs may similarly apply to LLCs provided that, in case of contradiction, the rules on LLCs would prevail.

12. GPs should register with the CRBE by presenting: (i) their memorandum of association along with proof of identity of each founder, which need not be authenticated; (ii) names of company representatives and their signatures authenticated in accordance with the law; and (iii) address for receiving electronic mail and special address for receiving mail, if any (Law on Companies, Art. 67).

13. LPs register with the CRBE by presenting: (i) their memorandum of association along with proof of identity of each founder; (ii) certificate of initial contributions to the company, individually for each limited partner; (iii) appraisal of authorised appraiser with regard to contributions in kind of limited partners; (iv) act on nominating a company representative with authenticated signature, in accordance with the law; (v) address for receiving electronic mail and special address for receiving mail, if any (Law on Companies, Art. 94).

14. Information to be kept in the CRBE is also provided under the Rulebook, which includes name of the business entity and, if necessary, abbreviated name; designation of the business entity; headquarters and, if necessary, a special address for receiving mail; email address; predominant activity; and contact information (Rulebook on Registration Procedure, Detailed Content and Manner of Maintaining of the Central Register of Business Entities, Art. 21). The CRBE also publishes on its website: (i) the founding decision and statute, as well as subsequent amendments; (ii) appointments, termination of functions and changes in information about persons in the company; (iii) whether the authorisation for representation is individual or collective; (iv) the amount of the registered share capital, if the approved share capital is determined by the founding decision or statute; (v) accounting documents for each financial year; (vi) changes in the registered office of the business entity; (vii) liquidation of the business entity; (viii) any court decision establishing the nullity of a business entity; (ix) appointment of liquidators, information about them and their powers; and (x) ending of the liquidation procedure.

15. The CRBE is managed in electronic form as a single database, and all data entered in this register is public.

16. *Associations and foundations* – These are not required to be registered in the CRBE (unless they wish to conduct limited economic activities) and the registration is voluntary. Nonetheless, non-government organisations acquire the status of a legal person on the day of entry into the register of associations, the register of foundations or the register of foreign organisations (Law on NGOs, Art. 6). The Law on NGOs provides that the content and manner of keeping the registers, as well as application forms for registration in the registers, shall be prescribed by the Ministry of Public Administration (Law on NGOs, Art. 14). The Rulebook on the content and manner of keeping register of NGOs sets the list of data to be kept with the register, including name, registration number, tax identification number, telephone number, mail address, and main activity.

17. ***Criterion 24.4*** – *Companies* – The CRBE is responsible for maintaining and retention of basic information.

18. The status of a member of a GP, LP, and LLC shall be acquired on the day of registration of the ownership of a share in the CRBE, in accordance with the Law on Companies, while it shall cease on the date of registration of the termination of member status in the CRBE. Art. 303 of the Law on Companies states that the company shall keep documentation based on which the ownership and other property rights of the company can be proved. The company shall keep the documentation at its registered office or at another place known and accessible to all company members. Art. 303 requires LLCs to keep documents on articles of association, where the following information should be reflected (Art. 270): names of founders, description of contribution; and equity interest of each company member in the aggregate equity capital, expressed in percentages.

19. As for partnerships, no information was found on the obligation to keep relevant records, apart from CRBE.

20. There is, also, no obligation to notify and keep the registry updated with information on the value of the contribution of each general partner (for limited partnerships), nor there is an explicit obligation to notify the registry whenever general partners cease to be involved in a limited partnership.

21. In the case of JSCs, a natural person or legal person acquires the status of a shareholder on the day of registration of the share(s) of the company with the Central Clearing Depositary Company, in accordance with law regulating the capital market, and maintains this status as long as they remain registered. According to Art. 202 of the Law on Companies, shares are issued, acquired, and transferred in dematerialised form and registered in the Central Clearing Depository Company's securities register. Shares of a JSC are issued in registered name and must be registered with the Commission for the Capital Market and Central Clearing Depository Company. Shares are classified according to the rights they confer on the basis of the law, statute or company decision made in the process of their issuance.

22. Given the above, there is no obligation for JSCs to retain information on categories of shares, nor explicit obligation for JSCs or their management board to retain a register of shares for any period of time, and no specific obligation to retain it within Montenegro and to notify the CRBE as to where such information is held. This is considered to be a minor shortcoming.

23. *Associations and foundations* - NGOs provide information on their founders to the Register, as well as any changes to the list of founders and members of the executive body thereof. Information on the changes should be submitted within 30 days from when changes occur (Law on NGOs, Art. 14 and Art. 19).

24. ***Criterion 24.5*** – *Companies* –According to Art. 323 of Law on Companies, the competent authority for registration is required to ensure that the data registered in the CRBE is identical to the data from the registration application. However, this does not amount to ensuring that information is accurate and held up-to-date. Companies are obliged to inform the Register of changes to the information specified above within 7 days from the moment the changes occur.

25. Meanwhile, Art. 323 on Liability for Registered Data Authenticity stipulates that Persons that conclude legal transactions with registered companies and entrepreneurs shall bear the risk of determining the accuracy of the data contained in the registry for their needs, unless otherwise provided by this law. According to Art. 389 of the Law on Capital Market, the Central Clearing Depository Company is liable to the issuer and the legal holder of financial instruments registered in the Central Clearing Depository Company, for damage caused by non-execution, i.e. improper execution of orders for transfer or violation of other obligations established by this law, as well as for damage caused by inaccurate data or loss of data.

26. *Associations and foundations* - NGOs are required to report on changes within 30 days from the moment those occurred to the Registry (Law on NGOs, Art. 42(1)). Inspection supervision may be conducted by authorities to ensure implementation of the law (Law on NGOs, Art. 41). However, deficiencies identified under c.8.3 have an impact here.

27. ***Criterion 24.6*** –

a) The manner of collection and provision of information to the CRBO is provided under Art. 42 to Art. 48 of the LPMLTF. The Register is kept by the Tax Administration, and populated by companies, associations, foundations and other types of legal person. The following legal persons are exempt from filing BO information at the CRBO (LPMLTF, Art. 43): (i) public sector

institutions (currently 53) in the context of the law regulating time limits for settlement of financial obligations; and (ii) legal persons in multi-member JSCs whose shares are traded on organised securities market (currently 16), where they are obliged to publish data and information on BO pursuant to the law regulating rights and obligations of entities in the securities market and other law.

The above-mentioned legal persons must deliver to the Register (LPMLTF, Art. 44) data on: (i) the legal person itself, such as its name, address, registered office, identification number, and registration date; and (ii) beneficial owners, such as name, surname, unique master citizen number, permanent or temporary address, birth date, and tax identification number. BOs are under an obligation to submit this data in the first instance to the legal person (LPMLTF, Art. 138a). Legal persons were given 30 days to enter BO data in the CRBO from the date of entry into force of the Rulebook on BO information in 2024 (Art. 141 of the LPMLTF). Nonetheless, as analysed under R.10, there is a definitional issue in relation to the possibility to identify managers of legal persons as BOs where "it is not possible to identify the BO", rather than when no such natural persons exist.

In addition, the majority of LLCs (thus including single member ones) are owned solely by natural persons, who would be registered as shareholders within the CRBE, which therefore acts as a source of BO. The risk of use of strawmen or undeclared representatives (the extent of which is not assessed and unknown) impacts the availability of BO data for single-member LLCs.

b) In addition, Art. 17 and Art. 41 of the LPMLTF oblige REs to identify and verify the BOs of legal persons, including measures to determine ownership structure and controlling members (to the extent that is proportionate to the risk of ML/TF). Nonetheless, as analysed under R.10 there are definitional issues in relation to the possibility to identify managers of legal persons as BOs where "it is not possible to identify the BO", rather than when no such natural persons exist.

28. ***Criterion 24.7*** – Companies, associations, foundations and other types of legal person are obliged to enter in the CRBO details of changes of BO within eight days from the date of entry of information into the CBRE or register of taxpayers or change of BO (LPMLTF, Art. 43). The procedures for submitting updated information are provided under the Rulebook on BO information issued by the Ministry of Interior. In addition, responsibility for the accuracy of information also rests with these persons, which must verify and confirm the accuracy of data entered into the CRBO at the time of entry and thereafter once a year (no later than 31 March) (LPMLTF, Art. 43 and Rulebook on BO information, Art. 8). As explained under c.24.13, the requirement to verify and confirm accuracy of information at the time of entry is not enforceable. In case a RE finds any difference between the information in the BO register and the data it holds, it should submit – without delay - the data that differs to the FIU and the Tax Administration (LPMLTF, Art. 42(4) and Rulebook on BO information, Art. 10).

29. The Tax Administration is responsible for verifying that the above legal persons: (i) hold complete and verified BO information; and (ii) have entered data into the CRBO within the set time limits.

30. REs are obliged under the LPMLTF to establish and verify the BO of legal persons (see R.10 and R.22). Such verification should be performed on the basis of materiality and risk (LPMLTF, Art. 42(7)), hence, in the absence of such criteria within the RE, the timeliness of updating the information on an existing customer by the RE cannot be ensured.

31. ***Criterion 24.8*** – An employee, representative or person authorised by a legal person must be designated to enter, update or verify data in the CRBO via the Internet application established by the Tax Administration, using a certificate for qualified electronic signature (Rulebook on BO information, Art. 4 and Art. 8). The designated person should be resident or have permanent residency in Montenegro. The designated person should be the founder, person authorised by the founder, or legal

representative (Law on Registration of Business and Other Entities, Art. 20 to Art. 22). However, these sources do not specify that the designated person should co-operate with authorities (beyond populating the BO register).

32. ***Criterion 24.9*** – Art. 127 of the LPMLTF requires REs to keep all data, related information and documentation obtained in accordance with the law, for at least five years after the termination of a business relationship or executed occasional transaction, unless a specific law prescribes a longer period for data keeping. Art. 129 of the LPMLTF requires the Tax Administration to retain information kept in the CRBO for ten years from the day of the termination of the existence of a legal person entered in the register.

33. No information has been provided on the obligation to keep basic information after the dissolution of companies or associations and foundations by the legal persons themselves.

34. ***Criterion 24.10*** – The FIU, supervisors and other competent authorities may access BO data held in the CRBO and may also request the delivery of excerpts from the said register through submitting an application, which shall be submitted to them immediately upon receipt of the application (Rulebook on the manner of keeping the register of BOs, Art. 9). Exceptionally, if there are problems in the functioning of the system that make it impossible to deliver information, it can be submitted no later than two days from the date of receipt of the application. Information from other registers is publicly available. Access is also provided to REs and other legal and natural persons, unless a restriction has been placed on access (LPMLTF, Art. 47).

35. ***Criterion 24.11*** – There is no explicit provision under Montenegrin law prohibiting companies from issuing bearer shares. Nonetheless, companies are required to obtain and provide upon registration the names and details of the initial founders and to provide information on any changes in shareholders throughout the lifetime of the company (see c.24.4). According to these provisions, company shareholders are required to be known and registered by name which thus indirectly means that shares may not be held by bearers.

36. ***Criterion 24.12*** – Art. 382 of the Law on Capital Market prescribes types of accounts that are opened and maintained at the Central Clearing Depository Company, including nominal accounts. Art. 107 of the Law on Capital Market sets out procedures for the notification and disclosure of: (i) major holdings, which shall include, inter alia, the chain of controlled undertakings through which voting rights are effectively held, if applicable; and (ii) the identity of the shareholder, even if that shareholder is not entitled to exercise voting rights, and of a natural or legal person entitled to exercise voting rights on behalf of that shareholder. However, there is no requirement for participants in the clearing system to disclose the identity of the nominator to the Central Clearing Depository Company.

37. Apart from this, no explanation has been provided as to how nominee shareholders and directors are required to disclose the identity of their nominator to a company and to any relevant registry, and for this information to be included in the relevant register. While there are some restrictions related to the appointment of board members, it is not clear that: (i) nominee shareholders and directors are required to be licensed; (ii) their nominee status should be recorded in a company register; or (iii) they should maintain information identifying their nominator and make this information available to competent authorities upon request.

38. ***Criterion 24.13*** – A company shall commit an offence if it: (i) fails to submit for registration the data prescribed, or any changes of such data that it is obliged to submit on a timely basis (Law on Companies, Art. 236); or (ii) submits data or documents that are not authentic or accurate to the CBRE (Law on Registration of Business and Other Entities, Art. 44) (c.24.3).

39. In the case of (i), a fine from EUR 750 to EUR 7 500 may be imposed on the company, while a fine of EUR 150 to EUR 1 500 may be imposed on a person within the company responsible for those

activities. In the case of (ii), a fine from EUR 500 to EUR 20 000 may be imposed on the company, while a fine of EUR 150 to EUR 1 500 may be imposed on a person within the company responsible for those activities. Art. 326(3)(1) of the Companies Law also prescribes a fine of EUR 750 for a company that fails to duly submit the written instrument of incorporation and articles of association or fails to enter in these acts the data prescribed by the law. However, fines in the Companies Law for failing to submit information on a timely basis are not considered to offer a sufficient range of sanctions that can be applied proportionately to greater or lesser breaches of requirements.

40. A fine from EUR 5 000 to EUR 40 000 can be imposed on a legal person if it fails to publish on its website and provide to the Register information related to the notification as specified under the Law on Capital Market (Law on Capital Market, Art. 407) (c.24.4).

41. A fine from EUR 500 to EUR 800 for a misdemeanour will be imposed on an association or foundation, if it does not report to the competent authority changes in facts and data to be entered in the register within 30 days (Law on NGOs, Art. 42) (c.24.3).

42. As regards BO information (c.24.6 and c.24.7), Art. 137 of the LPMLTF lists a number of breaches related to BO requirements. A fine of between EUR 5 000 and EUR 20 000 must be imposed on a legal person for the following misdemeanours: (i) failing to enter prescribed data on BO or changes thereto into the CRBO within the period set; (ii) failing to verify and confirm the accuracy of its own data in the CRBO annually; (iii) failing to submit documentation to the Tax Administration on which it is possible to establish the ownership structure and controlling member; and (iv) failing to collect BO data. In addition, a fine of between EUR 500 and EUR 2 000 must be imposed on the beneficial owner of a legal person that fails to submit necessary personal data for entry into the CRBO (LPMLTF, Art. 138a).

43. No offence is set out for: (i) failing to verify and confirm the accuracy of data entered into the CRBO at the time of entry (c.24.7); or (ii) failing to designate an employee, representative or other person to enter, update or verify data in the CRBO (c.24.8).

44. A person who with intent to conceal the BO, fails to enter in the CRBO data on the BO or enters incorrect data as correct, changes, or deletes correct data on the BO shall be punished by imprisonment for a term of three months to five years (Criminal Code of Montenegro Art. 415(3)).

45. Sanctions may also be imposed on REs who fail to comply with their CDD obligations including those relating to BOs under the LPMLTF (see R.35). The range of misdemeanour fines envisaged under the LPMLTF for REs and responsible persons are not considered to be proportionate.

46. ***Criterion 24.14*** – As set out under c.24.3 all the basic information held with the registers is publicly available, hence also to foreign authorities. As regards the information held with the CRBO, this is also accessible to competent authorities (see c.24.10). Moreover, as set out under R.37 to R.40, competent authorities are able to use their domestic powers to obtain basic and BO information from legal persons and REs also to assist foreign counterparts. Nonetheless, minor deficiencies related to international cooperation of these authorities are identified under R.37 to R.40.

47. ***Criterion 24.15*** – The Tax Administration is authorised to exchange information externally with countries with which agreements on double taxation are signed. Apart from this, no information has been provided on monitoring and keeping records on the quality of assistance received from counterparts in other countries in response to requests for basic and BO information or requests for assistance in locating BO residing abroad.

Weighting and Conclusion

48. The following moderate deficiencies have been noted: (i) shortcomings in the maintenance of basic information and absence of a mechanism to ensure that it is accurate and updated on a timely

basis (c.24.4 and c.24.5); (ii) absence of mechanisms to prevent the misuse of nominee directors and shareholders (c.24.12); (iii) it has not been demonstrated that fines in the Companies Law for failing to submit information on a timely basis offer a sufficient range of sanctions that can be applied proportionately to greater or lesser breaches of requirements (c.24.13); and (iv) there is no mechanism to monitor the quality of assistance provided by foreign counterparts (c.24.15). Notwithstanding the otherwise good level of compliance generally with this Recommendation, particular weight has been attached to shortcoming (ii) (absence of mechanism covering nominee shares and nominee directors) which cannot be considered minor. **R.24 remains PC.**

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remained at PC)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.24. The main deficiencies were the following: (i) the provision of trustee services is not subject to AML/CFT obligations; (ii) lawyers and notaries which may be involved in the setting up of foreign trusts or that provide other services to foreign trusts are not obliged to carry out CDD in respect of foreign trusts; (iii) no specific obligations for trustees of foreign trusts to disclose their status to REs; and (iv) deficiencies in sanctions identified under R.35.

2. ***Criterion 25.1*** – Montenegro is not a signatory to the Hague Convention on Laws Applicable to Trusts and on their Recognition. Montenegrin law does not provide for the creation of trusts and similar legal arrangements. Thus, sub-criteria (a) and (b) are not applicable; (c) Trusts and similar legal arrangements set up under foreign laws may still carry out financial and other activities in Montenegro.

3. Whilst a person in the business of providing "fiduciary services"[8] is recognised as a RE (LPMLTF, Art. 4(2)(13)), this activity is not aligned with the FATF Standard and does not extend to professional trustees setting up foreign trusts or the provision of trust services in Montenegro (see also c.22.1(e)). Whilst there is a definition for "trustee" in the LPMLTF (incorrectly referred to as a trust) (LPMLTF, Art. 6(41)) which is aligned with the definition of TCSPs set out in the FATF Standards, this term is not linked to any RE activity.

4. Furthermore, lawyers and notaries which may be involved in the setting up of foreign trusts are not obliged to carry out CDD in respect of foreign trusts (see c.22.1(d)).

5. Montenegro has introduced a requirement for a Register of Trusts to be in place.[9]

6. ***Criterion 25.2*** – This criterion is not applicable to Montenegro as regards trusts governed under domestic law, which are non-existent. Deficiencies under c.25.1(c) impact the fulfilment of this criterion for foreign trusts.

7. ***Criterion 25.3*** – A person "managing a trust", including a foreign trust, is required to disclose their status when establishing a business relationship or executing an occasional transaction with a RE (LPMLTF, Art. 29). However, this provision is not entirely in line with the FATF Standard which applies to trustees (rather than persons managing a trust, which is not defined).

8. ***Criterion 25.4*** – There are no legal provisions under the LPMLTF or other enforceable means preventing trustees of foreign trusts from providing BO information or other information (assets of the trust to be held and managed) on trusts. However, overall, deficiencies set out under c.25.1(c) impede the availability of CDD and other information for trustees of foreign trusts.

9. There also deficiencies set with regards to record keeping and provision of information to the authorities in respect of lawyers and notaries under c.22.2. Given that lawyers and notaries are exposed to dealing with foreign trusts, this impacts the implementation of this criteria.

8. Fiduciary services are services related to the management of fiduciary ownership. According to the Law on Ownership and Proprietary Relations, fiduciary ownership is a conditionally acquired ownership right over movable or immovable property, which entitles the creditor to collect their due claim before other creditors, regardless of who is in possession of the property.
9. The deadline for establishing the Trust Register is nine months from the date of entry into force of the LPMLTF which was on 12 March 2025.

10. ***Criterion 25.5*** – LEAs and other competent authorities are empowered to access information on foreign trusts from FIs and DNFBPs providing services thereto (see c.31.1(a), c.27.3 and c.29.3). These powers may also be used in respect of non-professional trustees. REs are bound to carry out CDD and keep relevant records and make them available to competent authorities (see c.11.4 and c.22.2). However as explained under c.25.1, persons providing trustee services in Montenegro relation to foreign trusts and lawyers and notaries providing other services to foreign trusts or similar legal arrangements are not obliged to carry out CDD.

11. ***Criterion 25.6*** – The analysis on provision of international cooperation with competent authorities from other countries also covers the provision of BO information on foreign trusts and other legal arrangements operating in Montenegro (see R.37 to R.40). The deficiencies outlined under c.25.1 however impede the obtainment of BO information on foreign trusts from Montenegrin trustees and lawyers/notaries providing services to such trusts, which hampers the provision of such information to foreign counterparts.

12. ***Criterion 25.7 and 25.8*** – As set out under c.25.1 and c.25.2, obligations do not apply to TCSPs or lawyers creating, operating or managing trusts. No sanction is available where a person managing a trust fails to notify a RE of the capacity in which they act (c.25.3).

Weighting and Conclusion

13. Montenegro does not allow for trusts or similar legal arrangements to be established under its law, and it has not ratified the Hague Convention on the Law applicable to Trusts and on their Recognition.

14. The provision of trustee services by TCSPs in Montenegro to foreign trusts (or equivalent) is not subject to AML/CFT obligations (c.25.1(c)). Similarly, lawyers and notaries which may be involved in the setting up of foreign trusts are not obliged to carry out CDD in respect of foreign trusts (c.25.1(c)). These deficiencies have a cascading effect on the implementation of c.25.2, c.25.5, and c.25.6. Concerns in relation to the proportionality, dissuasiveness and effectiveness of the sanctioning regimes for REs are also applicable here. **R.25 remains PC.**

Recommendation 26 – Regulation and supervision of financial institutions

	Year	Rating and subsequent re-rating
MER	**2023**	PC
FUR1	**2025**	↑ LC (upgrade requested)

1. In the 2023 MER, R.26 was rated PC due to following deficiencies: (i) Investment and Voluntary Pension Funds (envisaged under the Law on Investment Funds and the Law on Voluntary Pension Funds) are not subject to AML/CFT obligations (c.26.1); (ii) concerning qualifying holders in investment firms, pension fund management companies and other FIs (listed under the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit Guarantee Operations) there were no express provisions requiring evidence of absence of criminal convictions (c.26.3); (iii) in respect of payment and e-money institutions, pension fund management companies there were no fit and properness criteria for those acquiring qualifying holding (c.26.3); (iv) except for Banks, reputability criteria were not wide enough to ensure that criminal associates are barred from infiltrating FIs (c.26.3); (v) The CBM and CMA provided no information to demonstrate their current level of compliance with the core principles (c.26.4); (vi) No information on the application of consolidated group supervision (c.26.4); (vi) Investment and Voluntary Pension Funds are not subject to AML/CFT obligations (c.26.4); (vii) no information was provided on on-going fitness and property checks for qualifying holders of life insurance companies, and qualifying holders and management of other insurance entities (c.26.5) (viii) Supervisors (except for the CBM) do not have established processes to carry out risk-based supervision (c.26.5); (ix) ISA has no established process to assess and review ML/TF risks for supervised FIs. (c.26.6).

2. ***Criterion 26.1*** – Art. 4 of the LPMLTF defines the FIs that are REs. Credit institutions and other FIs (authorised by the Central Bank of Montenegro - CBM) are supervised for AML/CFT purposes by the CBM. Investment services firms' supervision is assigned to the CMA, while life insurance entities are supervised by the ISA. The supervision of the Post of Montenegro for AML/CFT purposes is vested with the Agency for Electronic Communications and Postal Services ("EKIP") – Art. 94(1).

3. Investment and Voluntary Pension Funds (envisaged under the Law on Investment Funds and the Law on Voluntary Pension Funds) are not subject to AML/CFT obligations. Their materiality is however minimal, while these funds have to be managed by investment management companies licensed in Montenegro (see R.10 introduction).

4. ***Criterion 26.2*** – *Credit institutions and branches of foreign banks* (excluding EU ones[10]) are subject to authorisation by the Capital Market Authority (CMA) (Law on Credit Institutions, Articles 62 and 63). Investment services firms are subject to authorisation by the CMA (Law on Capital Markets, Art. 205; Law on Investment Funds, Art. 87(1); and Law on Voluntary Pension Funds, Art. 18(1)). Investment funds are subject to licencing by CBM (Law on Open-Ended Investment Funds Subject to Public Offering, Articles 5, 23 and 25; and Law of the Alternative Investment Fund Management Companies, Articles 9, 20 – 22.

5. *Payment and Electronic Money Institutions* are authorised in terms of the Payment System Law (Art. 72 and 113). Commercial postal services (including financial postal services covering money transfers – see c14.1) may be provided following an application for entry into the register maintained by EKIP (Art. 75 of the Postal Services Act). Other FIs are licensed in terms of the Law on Financial Leasing, Factoring, Purchase of Receivables, (Financial Leasing – Art. 43-44, Factoring Companies – Art. 74-75, Purchase of Receivables – Art. 81-82, MFIs – Art. 90/91 and Credit-Guarantee Funds – Art. 97-98). Bureau de change dealers are subject to registration in terms of the Decision on detailed requirements and manner of performing bureau de change operations. These dealers may only

10. Subject to notification requirements (see c.14.1)

operate on behalf of banks and fall under the responsibility of the Bank for the conduct of operations (see Art. 2 of the Decision).

6. The LPMLTF and the CBM Guidelines (see c.13.3) prohibit FIs from establishing or continuing business relationships with shell banks or banks that allow shell banks to use their accounts. Shell banks are not explicitly prohibiting from establishing or operating in Montenegro; however, Montenegrin Banks and branches of foreign banks are required (Art. 62 - Law on Credit Institutions) to have physical presence in Montenegro or the EU (in case of EU Banks directly operating in Montenegro). This prevents the establishment of shell banks in Montenegro.

7. ***Criterion 26.3*** – *Credit Institutions* – Prospective members of the supervisory and management boards of credit institutions are subject to a fitness and probity assessment by the CBM (Art. 44 and 52 - Law on Credit Institutions). The CBM has the power to refuse the approval where the individual is not of good repute and/or demonstrates a lack of integrity (Art. 43 and 44). According to the Decision for the Selection and Appointment of Members of the Management Body and Holders of Core Functions ("the Decision"), an applicant for the Supervisory or Management Board shall not be of good repute if he is convicted (final or on-going proceedings) for any offence against property, the payment system or the economy or other offence that puts their repute in doubt or where there are grounds for suspicion on one's reputation. Reputation is defined widely to include both criminals and their associates. (Art. 3(1) and (2)). Credit institutions must also identify all core function holders[11] and these individuals must demonstrate that they are of good repute and integrity (Art. 59 - Law on Credit Institutions and Art. 13(2) - Decision). The concept of good repute and integrity for core function holders is interpreted in the same manner as explained above. (Art. 13(4) of the Decision).

8. Qualifying holding in a credit institution is defined as a direct/indirect investment of 10% or more in the capital or voting rights or which gives significant influence over the management (Art. 16 - Law on Credit Institution). When assessing the suitability of the proposed acquirer (or shareholders or indirect acquirers in case of acquirers that are legal entities), the CBM will have regard to (i) the reputation of the acquirer, (ii) whether the acquisition gives rise to reasonable grounds of suspicion of ML/TF or increases the risk of ML/TF (Art. 31). An acquirer is not of good repute if he is convicted of a criminal offence, if there are proceedings against them for violating any regulations which cast doubt on their repute, or if there is any other credible information that casts doubt on their repute and suitability (Art. 3 - Decision for assessing the suitability of the acquirer). This definition is wide enough to bar not only criminals but also their associates.

9. The CBM may obtain data on misdemeanour and penal convictions on acquirers of qualifying holdings, and candidates for banks' supervisory boards. (see Art. 26(2-3), Art. 44(6-7) and Art. 53(10-11) - Law on Credit Institutions). The CBM may also obtain data from the European Criminal Records Information System and EBA records on imposed sanctions.

10. Banks shall regularly (at least annually), assess and verify that members of the supervisory and management boards meet the suitability criteria (Art. 22(1) of the Decision). The results of this assessment are to be notified to the CBM while any concerns on suitability are to be notified within eight days (Art. 22(5) and (6) – Decision). The CBM relies on examinations, public complaints, and the media for on-going monitoring of fitness and probity of qualifying holders.

11. *Other FIs licensed by the CBM* – Financial Service Providers – Art. 107(3) item 6 and Art. 108 of the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit Guarantee Operations ("Law on Other FIs") provide that an individual may not be appointed to the board of

11. Core functions in the credit institution are those functions which enable one to exert significant influence on the management of the credit institution. They are however not members of management board or supervisory boards – Art. 59(2) of the Law on Credit Institutions.

directors or as an executive director of a financial service providers (i.e. leasing, factoring, receivables, micro-lending and credit guarantee operations company) if he is convicted of a criminal offence. Each legal and natural person acquiring a qualifying holding (10% of the capital or voting rights) in a financial service provider will not be deemed suitable if there are valid suspicions that the acquirer carries out or intends to carry out ML/TF or that the acquisition may increase the risk of ML/TF. (see Art. 51, 52, 79, 87, 95 and 99 - Law on Other FIs). /There is no express provision stipulating that applicants for a qualifying holding shall be reputable and must provide evidence that they are not subject to criminal convictions. The prerequisites for qualifying holders and members of the board of directors and executive directors set out above are restrictive and would not capture criminal associates.

12. *Payment and Electronic Money Institutions* - A payment institution authorisation application must be accompanied by information on the board of directors, the executive director and the individuals managing the institution which demonstrates that they are of good repute and have not been subject to criminal convictions that make them unworthy (Art. 72 - Law on Payment Services). The application must also contain details on the qualifying holders and CBM has to examine their reputation (Law on Payment Services, Articles 71a and 71b and Decision on more detailed content and the manner of submitting information, data and documentation supporting the application for granting authorisation to provide payment services and acquire qualifying holding (CBM Decision), Articles 16(2)(3) and 17(6)[12]). Qualifying holding is defined as direct/indirect holding of 10% or more of the capital or voting rights or capital holding/rights giving significant influence over the management – Art. 9(24). These provisions apply to Electronic Money Providers (Art. 113). The definition "reputation" as determined in the Law on Payment Services (Art. 71b, paragraph 1, items 1 and 2) is not wide enough to also ban criminal associates.

13. The CBM relies exclusively on examinations and publicly available information to monitor the continued suitability of owners and managers of all other FIs besides Banks.

14. *Investment Services Firms* - Persons managing an investment firm shall be of good repute. Directors would not be approved if they are convicted of an offence punishable by more than six months imprisonment. Approvals may be withdrawn if a person no longer meets the eligibility criteria or violates the LPMLTF (Art. 211 and 212 - Law on Capital Markets). Prospective qualifying holders (i.e. direct/indirect holding of 10% of capital or voting rights – Art. 23(13)) in an investment firm must be pre-approved by CMA, which shall regard the reputation of the acquirer and whether the acquisition gives rise to ML/TF (Art. 158 and 159). Applicants for a qualifying holding are required to provide evidence to CMA that they are not subject to criminal convictions (Law on Open-Ended Investment Funds with a Public Offering, Art. 36). The same requirements apply for investment funds and pension funds (Law of the Alternative investment funds, Art. 23 and Law on Voluntary Pension Funds, Art. 29).

15. *Investment and Pension Fund Managers* - Appointments to the Board of Directors and the Executive Director of fund managers are pre-approved by CMA, and the respective individuals must be of good repute. Individuals convicted of a criminal offence or subject to pending criminal proceedings are excluded. Approvals can be withdrawn by CMA if these conditions are no longer met (see Art. 93(a), (b) and (d) - Law on Investment Funds and Art. 13(a), (b) - Law on Voluntary Pension Funds).

16. Prospective holders of a qualifying holding (i.e. direct/indirect holding of 10% or more of the capital or of the voting rights, or of rights enabling influence over the management company) may not

12. Decision of the Central Bank of Montenegro (03.25.2025) on more detailed content and the manner of submitting information, data and documentation supporting the application for granting authorisation to provide payment services and acquire qualifying holding.

be subject to criminal convictions. An application for a qualifying holding would be withheld if the acquisition facilitates ML/TF or increases the risk of ML/TF (Art. 92a and 92(c) - Law on Investment Funds and Art. 19(b)) - Law on Voluntary Pension Funds).

17. Applicants for a qualifying holding in a pension fund management company are required to provide evidence showing they are not subject to criminal convictions (Law on Voluntary Pension Funds, Articles 16, 47 and 24).

18. The term reputation under the various laws regulating the investment services sector, is not defined wide enough to also ban criminal associates. In terms of the /Procedure On The Continuous Verification Of The Management And Ownership Structures Of Supervised Subjects the CMA shall, at least once every six months, collect data from credible sources on whether the persons in the management and ownership structures of supervised subjects (including all investment sector firms other than funds) are not subject to criminal proceedings. Where it transpires that an individual no longer fulfils the conditions prescribed by law, the CMA will revoke the individual's authorisation (see Art. 2 and 3).

19. *Insurance Companies* – Applications for insurance company licence must be accompanied by information on the persons proposed to be members of the Board of Directors and the Executive Director together with evidence of their good reputation and that they are not subject to criminal convictions. Applications shall also include information on persons intending to acquire a qualifying holding[13] together with evidence on their reputation and that they do have convictions for a series of criminal offences (which does not include all the designated categories of offences envisaged under the FATF Recommendations) (Art. 30 - Insurance Law and Art. 2(1)(3) and 2(1)(4) - ISA 2024 Rulebook on detailed requirements for licensing insurance business activities). The eligibility of a qualifying holding shall be assessed based on the business reputation of the applicant, the reputation of persons holding a management position (in case of potential acquirers that are legal entities) and whether the acquirer of the qualifying holding will make ML/TF possible (Art. 26 - Insurance Law). ISA will reject the application to acquire a qualifying holding in circumstances where the acquisition would make ML/TF possible (Art. 26(2) item 4).

20. An application can be refused if the above requirements are not met or evidence of eligibility is not provided – (Art. 36(2) and (4) - Insurance Law). The authorities have advised that the evidence of lack of criminal conviction is provided through official documents issued by the Court, the Ministry for Justice, or a foreign authority. The ISA may liaise with the Ministry for Justice or an international authority (in case of foreign issued documents) were a deeper analysis of the authenticity of the document is warranted.

21. *Insurance Brokers and Agents* - The reputability pre-requisites of qualifying holders and persons responsible for the management of Insurance Companies are also applicable to Insurance Brokerage and Agency Companies (see Art. 56 and 69 - Insurance Law). These are accompanied by more detailed requirements under the Decision on closer evidence for issuing a permit for insurance mediation or representation (see Art. 5-7). Insurance Agent Entrepreneurs[14](i.e. natural persons) may provide agency services on condition that they were not found guilty for criminal offences against property, official duty or payment operations and economic operations and sentenced to an imprisonment exceeding 3 months (Art. 72(3) item 4 of the Insurance Law). This does not cover all designated offences in FATF Recommendations.

13. The Insurance Law defines a qualifying holding as a direct or indirect holding of a minimum 10% of the capital or voting shares, or, irrespective of the share or capital holding, the ability to exercise significant influence over the management of the entity – Art. 2(6).
14. Only insurance agency operations may be provided by natural persons. Brokerage services may only be provided by companies (see Art. 52 of the Insurance Law)

22. The provisions of Art. 36 and 37 (setting out the basis on which an application for an insurance company may be refused) are likewise applicable to Insurance Brokerage Companies (Art. 64). The fact that the notion of reputability is not defined in the case of insurance entities, raises doubts whether the notion is wide enough to include criminal associates.

23. In the case of insurance companies, the ISA relies on self-declarations to identify management officials who cease to fulfil the eligibility criteria (Art. 49(3) and 50(3) of the Insurance Law). Art. 1 of the Rulebook defines assessment of good reputation and integrity determines documents to be Submitted by Qualifying Holders including questionnaires for the persons (legal and natural) and also information on previous work experience.

24. ***Criterion 26.4*** –

a) *Core Principle Institutions*: During the period under review there was no evaluation for compliance with the core principles for the banking and securities sectors. The ISA conducted self-assessments on compliance with Insurance Core Principles in 2019, 2020 and 2022 assessing itself as largely or fully compliant. The CMA shall cooperate with the CBM, the Insurance Supervision Agency of Montenegro, and other competent institutions in Montenegro, and shall exchange with them information that is relevant for the performance of their tasks and duties (*Capital Market Law*, Art. 41 a).

The majority of Core Principles Institutions are regulated and supervised for AML/CFT purposes, except money and value transfer services which is to be conducted on a risk-sensitive basis (Art. 4(5) - LPMLTF).

The Montenegrin authorities provided no information on the application of consolidated group supervision, however advised that at the time of the on-site mission there were no FIs that had branches or subsidiary FIs operating in or outside Montenegro.

b) *Other Financial institutions are subject to AML/CFT obligations and supervision by the CBM and EKIP (for the Post of Montenegro)* – see c.26.1. The LPMLTF obliges all supervisory bodies mentioned above to carry out risk-based AML/CFT supervision (Art. 94(5)).

25. ***Criterion 26.5*** – *General* – AML/CFT compliance should be conducted on a risk sensitive basis. When planning the frequency and scope of AML/CFT supervision supervisory bodies are required to take into consideration: (i) ML/TF risks identified through the NRA, (ii) risks associated with customers, products and services, (iii) risk data derived from the RE; and (iv) changes in business activity within REs and their management – Art. 94(5) & (6) - LPMLTF. Supervisory bodies are not required to take into account the policies, procedures and internal controls of the RE (however most of them cover this aspect through the collection of information on the RE's control framework) nor the degree of discretion afforded to REs in applying AML/CFT preventive measures.

26. All supervisors are obliged to perform risk-based supervision. Amended Law on PMLTF defines that supervisors shall use risk-based approach to money laundering and terrorist financing supervision when planning the examination of reporting entities. When planning the frequency and the scope of supervision data related to the risk of individual reporting entities significant events or changes related to the reporting entity's management body, data related to the risks of money laundering and terrorist financing determined in the National Risk Assessment, as well as any change in the type of business activity shall be considered (Art. 131 paragraphs 2 and 3).

27. *CBM regulated entities* - The CBM's Risk-Based Supervisory Manual provides more detail on risk-based supervision of banks and other FIs supervised by the CBM. This sets out the process for the risk rating of individual REs, which is mainly based on inherent risks and control framework information sourced through annual AML/CFT Questionnaires (which banks and MFIs are bound to submit

annually in terms of Art. 35(2) of the Law on CBM), and other information from previous supervisory examinations. The manual also sets out how supervisory engagements (i.e. the frequency and scope) are to be adapted according to the ML/TF risks posed by REs. It remains however unclear how the degree of discretion allowed to RE under risk-based approach is considered (see c.26.5(c)) in when the CBM carries out AML/CFT supervision. This manual and the risk-based supervisory approach is currently only being applied in respect to banks, however the other FIs are far less material and limited in numbers (14 FIs at the end of 2022).

28. *CMA and EKIP supervised entities* – The CMA in 2022 put in place a risk matrix (considered to be rudimentary and which was being enhanced) to risk rate REs through information collected via yearly questionnaires. CMA carries out risk-based supervision based on the LPMLTF (Art. 131). The risk of the individual reporting entity is taken into account when planning the frequency and scope of the inspections. CMA has prepared a new risk assessment questionnaire for reported entities. The Post of Montenegro upon the requirement of EKIP (which it needs to comply with – Art. 2 of the Rulebook on the type and method of submitting information by postal operators) submits semi-annual and, when necessary, quarterly reports on activities undertaken to prevent ML/TF, including financial information and information on locations were financial postal services are offered. This information enables EKIP to formulate annual supervisory plans.

29. *ISA supervised entities* – According to the Rulebook on the content of reports and other notification and data submitted to ISA life insurance companies shall submit annual reports on ML/TF risks. There are no such requirements for insurance intermediaries. These however mainly intermediate for Montenegrin Insurance Companies and thus the ML/TF risk is determined by the Insurance Company. The ISA carries out risk-based supervision based on the LPMLTF (Art. 131). The risk of the individual reporting entity is taken into account when planning the frequency and scope of the inspections. The ISA uses various other sources to understand risk such as: statistics, intelligence, results of NRAs, interviews with relevant authorities or market participants, reports by international organisations, government/civil society organisations/private institutions, media/internet and other sources of public information. There is currently no established processes to assess specific RE risks and carry out risk-based supervision for life insurance entities, however the ISA advised that such rulebook is currently being drafted.

30. ***Criterion 26.6*** – Supervisors are required to take into account significant changes in the management of REs and other business changes when planning the frequency and scope of supervisory measures (see 26.5).

31. *The CBM supervised entities* – The CBM's supervisory manual (Section 2.4. – Annual Examination Plan) stipulates that the off-site control service reviews the information collected through annual AML/CFT questionnaires issued for Banks and MFIs and other information to derive a risk score for each RE. This risk scoring helps determine the annual plan which takes place at least at the end of each year. The manual also states that the annual examination plan should follow the Multi-Annual Plan (set for a maximum of 3 years), however other REs may be included following the yearly risk level assessment, or the receipt of a specific request from other authorities to undertake a specific examination. The CBM may also start an incident AML/CFT examination, changing the plan of controls (Section 2.5.3) whenever it identifies major changes or developments. Section 2.3. of the Manual also stipulates that multi-annual examination plans need to be adaptable to unexpected events that may occur, which apart from the annual risk rating updates also covers other changes in circumstances, such as changes in management or business activities. This manual has so far only been applied to Banks, while annual risk information started being collected for MFIs in 2022 which will permit the annual review of risk.

32. Other supervisors do not have any procedures for reviewing the assessment of ML/TF risk of FIs periodically or upon trigger events. Nonetheless as explained under c.25.5 the CMA & EKIP collect risk questionnaires or information on an annual or periodical basis which enables the periodical revision of risk assessments. The risk of the individual reporting entity shall be considered when the frequency and scope of the inspections is planned. ISA has established process to assess and review ML/TF risks for supervised Fis (Manual for conducting inspection of prevention of money laundering and terrorism financing).

Weighting and Conclusion

33. Most of the FIs are regulated and supervised for the AML/CFT purposes. Some deficiencies under R.26 remain. These are: (i) Investment and Voluntary Pension Funds (envisaged under the Law on Investment Funds and the Law on Voluntary Pension Funds) are not subject to AML/CFT obligations (their materiality is however minimal – see c.26.1); (ii) concerning qualifying holders in other FIs (listed under the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit Guarantee Operations) there are no express provisions requiring evidence of absence of criminal convictions (c.26.3); (iii) except for Banks, reputability criteria were not wide enough to ensure that criminal associates are banned from infiltrating FIs (c.26.3); and (iv) no information has been provided on the application of consolidated group supervision (c.26.4 (a)). In overall most of the serious deficiencies identified in 2023 MER have been addressed and the remaining deficiencies are weighted as minor. For these reasons, the **R.26 is re-rated as LC.**

Recommendation 28 – Regulation and supervision of DNFBPs

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remained at PC)

1. In the 2023 MER, Montenegro was rated PC on R.28. Following deficiencies were identified: (i) not all criminal offences set out in the designated categories of offence in the FATF Recommendations were covered (c.28.1); (ii) the entry requirements applied only to those managing the casino business and not the owners; and were not effective to detect and prevent associates of criminals from infiltrating casinos (c.28.1); (iii) trust services and a number of company services were not subject to AML/CFT obligations (c.28.2); (iv) it was doubtful whether lawyers and notaries were subject to AML/CFT obligations as other REs, while the specific AML/CFT requirements that were subject to presented several deficiencies (see R.22/23); (v) apart from casinos, lawyers, notaries, individual accountants, auditors and audit firms, other DNFBPs were not subject to any licensing, registration or professional accreditation or entry requirements, to prevent criminals or associates from infiltrating these sectors; (vi) the entry requirements for casinos, lawyers and notaries, accountants, auditors and tax advisors were not robust enough; (vii) DNFBP supervisory authorities or self-regulatory bodies (other than the Administrative Authority for Inspection Affairs) did not have a framework to understand RE's ML/TF risks and to plan risk-based supervision on an on-going basis; (viii) the framework for casinos was not nuanced enough to enable effective risk-based supervision; (ix) the Bar Association and the Notary Chamber (notaries) did not have powers to undertake effective AML/CFT supervision; (x) the sanctioning regime for DNFBPs was not considered effective, dissuasive and proportionate (see R.35); (xi) No information was provided on whether DNFBPs, can have their license, authorisation, registration or professional accreditation withdrawn, restricted or suspended in view of AML/CFT breaches.

2. ***Criterion 28.1*** –

a) All games of chance (including casino games) shall be organised by joint-stock companies (JSC) and Limited Liability Companies (LLCs) with head-office in Montenegro. Prospective operators need to meet the legal prerequisites and are granted a concession contract based on a decision made following a public call for tenders (Art. 10 and 37 - Law on Games of Chance). Casino games may only be provided in casinos and only entities that are granted a concession contract may provide games of chance (including casino games) over the internet or other telecommunication means (Art. 9 and 35). Montenegro has clarified that there is no specific licensing regime for ship-casinos which means they are covered with same requirements.

b) When obtaining approval (a concession contract) for organising games of chance (including casino games) the applicant (in form of JSC or LLC - see (a) above) shall prove that it has not been convicted for criminal offences and neither its director, authorised representative, legal representative, members of the business organisation, members of the governing and managing bodies, founder, nor beneficial owner of the legal entity shall have been convicted of criminal offences (Law on Games of Chance, Article 21(1)(2)). While this provision ensures preventing criminals from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, or being operator of a casino, it does prevent the associates of criminals from infiltrating casinos through holding same positions.

c) Organisers of games of chance (including online games or provided through other telecommunications means) are REs and supervised for AML/CFT purposes by the Administrative Authority competent for Financial Affairs – Art. 4(2)(10) and 131(1)(5) - LPMLTF. The term "games of chance" is defined under the Law on Games of Chance and includes

casino games (Art. 3 and 4(12)). Supervision is conducted in terms of the Law on Inspection Control (see Art. 71 - Law on Games of Chance) which provides adequate powers (as set out under c.28.4(a)) to conduct supervisory functions. Supervisor is required to use risk-based approach, take into account findings of NRA and the risks associated with the reporting entity, when deciding on supervisory measures (Art.131 of the LPMLTF).

3. ***Criterion 28.2*** – The designated competent authorities or self-regulatory bodies responsible for the AML/CFT supervision of DNFPBs other than casinos are the Ministry of the Interior for auditors and accountants, real estate agents, DPMSs, other traders in goods, and TCSPs, the Ministry of Justice of Montenegro for lawyers, and the Notary Chamber for notaries – Art. 131(1) - LPMLTF. Lawyers and notaries are subject to AML/CFT obligations envisaged for REs when providing services listed activities under c.22.1(d). Legal persons, business organisations, entrepreneurs and natural persons engaged in the business activity of providing services of founding legal persons and other business organisations, as well as business or fiduciary services are the reporting entities in Montenegro supervised by Ministry of Interior (Art. 4, paragraph 2 item 13 and Art. 131, paragraph 1, item 7 of the LMMLTF). Whilst a person in the business of providing "fiduciary services"[15] is recognised as a RE (LPMLTF, Art. 4(2)(13)), this activity is not aligned with the FATF Standard and does not extend to professional trustees setting up foreign trusts or the provision of trust services in Montenegro (see also c.22.1(e)). Whilst there is a definition for "*trustee*" in the LPMLTF (incorrectly referred to as a trust) (LPMLTF, Art. 6(41)) which is aligned with the definition of TCSPs set out in the FATF Standards, this term is not linked to any RE activity. Trust service providers and some company services are not subject to AML/CFT obligations (see R.22 and 23). This limits the AML/CFT supervision of these DNFBPs.

4. ***Criterion 28.3*** – DNFBPs are subject to supervision for compliance with AML/CFT requirements by designated supervisory authorities (c.28.2). There are deficiencies concerning the supervisory coverage of AML/CFT obligations in the case TCSPs (see c.25.1(c)). Supervisor is required to use risk-based approach, take into account findings of NRA and the risks associated with the reporting entity, when deciding on supervisory measures (Art.131 of the LPMLTF).

5. ***Criterion 28.4*** –

a) Articles 131-133 of the LPMLTF defines the powers of supervisors, that provides the following supervisory powers: conduct on-site/off-site supervision, issue fines, suspend/revoke license, check compliance of fulfilling obligations set by the law.

Auditors, accountants, real estate agents, DPMSs and other traders in goods, TCSPs and casinos

Ministry of the Interior is supervisor for auditors, accountants, real estate agents, DPMSs and other traders in goods and TCSPs). Administrative Authority for Inspection Affairs is supervisor for casinos (The Law on Inspection Control, Art. 1 and 2). They have following supervisory powers: (i) examining buildings, premises, equipment, and work devices, (ii) examining books, files and other business documents, (iii) take away samples or documentation (temporarily) for the purpose of establishing facts, and (iv) generally undertake other measures to ensure the performance of the inspection control (The Law on Inspection Control, Art. 14). Reporting entities (REs) are required to provide the inspector with free access, information and documentation needed for the inspection and to generally ensure the undisturbed fulfilment of the inspection (The Law on Inspection Control, Art. 21). These provisions are robust enough to enable on-site and off-site inspections, compel the production of information and to generally

15. Fiduciary services are services related to the management of fiduciary ownership. According to the Law on Ownership and Proprietary Relations, fiduciary ownership is a conditionally acquired ownership right over movable or immovable property, which entitles the creditor to collect their due claim before other creditors, regardless of who is in possession of the property.

conduct inspections effectively.

Lawyers and Notaries

Ministry of Justice is a supervisor for Lawyers and Notaries (LPMLTF, Art. 131 (1) item 8). No information has been provided in relation to the sector specific powers to conduct AML/CFT supervision for lawyers, notaries. Since January 2024, there have been 12 inspections on notaries.

b) As for preventing the criminals or their associates from being professionally accredited, or holding (or being the BO of) a significant or controlling interest, or holding a management function in DNFBP:

Accountants and Auditors

The title of certified accountant or auditor is acquired subject to a series of criteria including educational qualifications, the passing of a proficiency exam and absence of criminal convictions that makes one unworthy to perform (Art. 10 - Law on Auditing and Art. 24 - Law on Accountancy). Audit Firms may operate following the issuance of an audit permit by the Ministry for Finance. The majority of voting rights and the majority of members of the management body of an audit firm need to be certified auditors who would have fulfilled the respective certification criteria. There are no criminal probity criteria for accountancy firms.

The license/permit of an auditor and an audit firm may be revoked by the Ministry for Finance if the auditor or firm fails to remove any irregularities identified, if the auditor no longer meets the qualifying criteria set out above including criminal probity, or where the audit firm fails to satisfy the permit requirements. There are no similar provisions for the revocation of license for accountants and accountancy firms. Moreover, the provisions setting out the entry requirements are not wide enough to bar criminal associates.

Lawyers and Notaries

Lawyers and Notaries need to fulfil a set of criteria to be allowed to practice in Montenegro (see Art. 5 - Lawyers Act and Art. 12 - Law on Notaries), including not being convicted of a criminal offence that makes them unfit to perform their duties. Notaries and lawyers will be dismissed if they are convicted of a criminal offence that renders them unfit or if they violate notarial or lawyer's duty – Art. 66 and 23 - Lawyers Act and Law on Notaries respectively. It is unclear which criminal offences would render a lawyer and notary unfit to practice and these provisions are not wide enough to capture association to criminals.

Other type of DNFBPs

There are no licensing, authorisation or registration regimes or other measures in place to prevent criminal or their associates from owning, managing or being involved in other type of DNFBPs.

c) When supervisory authorities (inc. all DNFBP AML/CFT supervisors) identify illegalities or irregularities (following the carrying out of AML/CFT supervision), they are authorised to (i) order REs to remove such illegalities or irregularities; (ii) initiate misdemeanour proceedings which may lead to the imposition of the pecuniary fines on REs or responsible persons of REs that are legal persons (see R.35) and (iii) order other measures in accordance with the LPMLTF – Art. 131, paragraph 1i item 8 - LPMLTF. Such additional measures include temporarily prohibiting the responsible person to perform the functions; determine amount of fine, publicly disclose data on the identified irregularities etc. Nevertheless, the supervisory authorities by an internal act should establish guidelines for implementing requirement to issue fines (Art. 131a,

paragraph 6) and law doesn't specifically require sanction's dissuasiveness and proportionality from the supervisory authorities.

Supervisory authorities may suspend or revoke licence (Art. 131 of the LPMLTF). Should that be a case, it shall inform the Financial Intelligence Unit thereof within eight days following the day the measure was imposed (Art. 135 of LPMLTF).

Nevertheless, no information was provided on how Ministry of Justice shall use such power for lawyers and notaries. Furthermore, no information was provided by the Ministry of Interior in respect of other supervised DNFBPs as to whether it is empowered to withdraw, restrict or suspend licenses, registration, authorisation or professional accreditation on the back of AML/CFT breaches. The deficiencies impacting R.35 are also relevant for this criterion.

6. ***Criterion 28.5*** – (a) and (b) AML/CFT supervision (including of DNFPBs) should be performed on a risk sensitive basis (Art. 131(2) - LPMLTF). When planning the frequency and scope of AML/CFT supervision, supervisory bodies are required to take into consideration: (i) ML/TF risks identified through the NRA, (ii) risks associated with customers, products and services, (iii) risk data derived from the reporting entity; and (iv) changes in business activity within reporting entities and their management – Art. 131(3). Supervisory bodies (with some exceptions to Administrative Authority as explained below) are not explicitly required to take into account the policies, procedures and internal controls, diversity and number of the REs nor the degree of discretion afforded to REs in applying AML/CFT preventive measures.

7. Administrative Authority competent for Inspection Affairs (casinos) - The Administration for Inspection Affairs (casinos) when preparing the annual supervisory plan takes into account the NRA, data obtained from the Unified Information System for Inspections (JIIS), which contains data on previous inspections and follow-up actions, information on volume of activity and number of operative facilities. This information enables a degree of risk-based planning however it is not considered to be extensive enough to properly understand the ML/TF risk of the operators within the sector and model supervision on an on-going basis accordingly.

8. No information has been provided in relation to how the other designated supervisory authorities for DNFBPs risk rate and conduct specific risk-based supervision of DNFBPs.

Weighting and Conclusion

9. A number of significant deficiencies have been identified which undermine the regulation and supervision of DNFBPs for AML/CFT purposes: (i) associates of criminals are not prevented from infiltrating casinos (c.28.1(b)); (ii) c.25.1 impacts c.28.2: whilst there is a definition for "trustee" in the LPMLTF (incorrectly referred to as a trust) (LPMLTF, Art. 6(41)) which is aligned with the definition of TCSPs set out in the FATF Standards, this term is not linked to any RE activity; (iv) certain TCSP services are not subject to AML/CFT obligations Trust service providers and some company services are not subject to AML/CFT obligations (see R.22 and 23) (c.28.2); (iii) there are deficiencies concerning the supervisory coverage of AML/CFT obligations in the case TCSPs (see c.25.1(c)) (c.28.3); (v) no information has been provided in relation to the sector specific powers to conduct AML/CFT supervision for lawyers, notaries (c.28.4(a)); (vi) various DNFBPs (real estate agents, dealers in precious metals, dealers in precious stones, other legal professionals) are not subject to any licencing, registration or professional accreditation or entry requirements, that would prevent criminals or their associates from owning, managing or being involved in these DNFBPs and the entry requirements for casinos, lawyers and notaries, accountants, auditors and tax advisors are not considered robust enough for purpose either (c.28.4(b)); (viii) the deficiencies impacting R.35 are also relevant for this criterion (c.28.4(c)); (ix) no information was provided on how DNFBPs, can have their license, authorisation, registration or professional accreditation withdrawn, restricted or suspended

in case of AML/CFT breaches (c.28.4(c)); (x) DNFBP supervisory authorities (except the Administrative Authority for Inspection Affairs for casinos) do not have a framework or tools to understand RE's risks and to plan risk-based supervision on an on-going basis(c.28.5(a)); and (xi) the framework for casinos is not nuanced enough to enable effective risk-based supervision (c.28.5(b)). While most of these deficiencies are minor ones considering the materiality of the sectors (mostly low or moderate risk), the deficiencies identified under c.28.4 and c.28.5 are serious. For these reasons, **R.28 remains PC.**

Recommendation 33 – Statistics

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	↑ LC (upgrade requested)

1. In the 5th round MER of 2023, Montenegro was rated PC on R.33, given that statistics maintained by authorities (other than the FIU) were often considered as being not detailed and accurate enough to permit a proper analysis of the effectiveness of the AML/CFT system.

2. ***Criterion 33.1*** –

a) *STRs (received and disseminated)*: The FIU maintains and provided detailed statistics on STRs received and disseminated, the type of suspects featuring in them and underlying crimes amongst other information.

b) *ML/TF investigations, prosecutions and convictions*: Statistics on ML/TF investigations, prosecutions and convictions are maintained by the authorities. In December 2023, amendments were brought to the LPMLTF, further enhancing the scope of data required to be collected and maintained by public prosecutor's offices, courts, and the state administration body responsible for judicial affairs, which are also obliged to regularly submit to the FIU (Art. 115 of the LPMLTF). This dataset contains comprehensive information on the ML/TF proceedings, including the date of indictment, details on natural and legal persons, the legal qualification of the offence, the time and location of its commission. Courts submit information automatically via web services, while other authorities provide data through a specialised application developed by the FIU, accessible through the FIU Portal. Moreover, the FIU is legally required to review and analyse the statistics' received and contribute to the improvement of statistical data management and accessibility (Art. 99 of the LPMLTF).

c) *Property frozen, seized and confiscated*: Data on frozen, temporarily and permanently confiscated assets are kept by the courts and may be obtained from their investigative registries. The data can also be obtained from the Secretariat of the Judicial Council - Department of Information and Communication Technologies and Multimedia (ICT). Statistics data on seized and confiscated assets broken down according to type of crimes, and distinguishing between proceeds of crime and instrumentalities, domestic and foreign proceeds, as well as information on actually recovered assets were not available. LPMLTF (Art. 115) prescribes obligations to state prosecutor's offices, competent courts, and the state administrative authority competent for judiciary affairs on submission data on amount of funds and value of property frozen/seized/confiscated. The authorities provided comprehensive statistical data on temporary seized, confiscated and recovered property. This data is broken down by type of criminal offence, type of property/value, whether they are domestic or foreign proceeds or instrumentalities.

d) *Mutual legal assistance or other international requests for co-operation made and received*. The MoJ (responsible for handling MLA) put in place a document management system, LURIS, which processes and stores information on MLA cases. The system allows for reporting on the basis of various criteria, such as type of legal assistance, criminal offense and state with which cooperation is established and is currently being further enhanced. The AT was concerned with country's difficulties to provide the necessary statistical data to demonstrate effectiveness in this area. The AT was in fact provided with statistics on incoming and MLA requests from various differing sources, at times conflicting. The FIU maintains comprehensive statistics on incoming and outgoing FIU-FIU cooperation, such as on FIUs with which it cooperates and predicate offences underlying incoming / outgoing requests. Statistics on international cooperation are

also maintained by the Police and Supervisors, however these were not comprehensive. The police lacked information such as on foreign counterparts to which requests are sent and underlying crimes linked to outgoing ML requests. Concerning international cooperation among supervisory authorities, the Central Bank of Montenegro provided details on the type of international cooperation, while other supervisors provided information on overall figures.

Weighting and Conclusion

3. Montenegro maintains statistics, as outlined under R.33, which are comprehensive enough to permit a proper analysis of the effectiveness of the AML/CFT system on the covered aspects, albeit less developed in the area of mutual legal assistance or other international requests for co-operation made and received. **R.33 is re-rated as LC.**

Recommendation 35 – Sanctions

	Year	Rating and subsequent re-rating
MER	2023	PC
FUR1	2025	PC (upgrade requested, remained at PC)

1. In the 2023 MER, Montenegro was rated PC on R.17. Following deficiencies were identified: (i) the applicability of sanctions for TFS obligations were limited, and the sanctions were not proportionate and dissuasive (c.35.1); (ii) there were no sanctions for infringements of AML/CFT requirements by NGOs (c.35.1); (ii) the misdemeanour fines under the LPMLTF for REs and responsible persons were not proportionate and dissuasive (c.35.1); (iii) there were no procedures or policies stipulating how sanctions should be applied; (iv) not all REs may have had their authorisation or registration withdrawn, restricted or suspended on the back of AML/CFT breaches (c.35.1); (v) only in the case of REs that are legal persons sanctions may have been imposed on responsible persons (c.35.2); (vi) sanctions were not applicable to all directors and senior management officials (c.35.2); (vii) the application of misdemeanour penalties was hampered by a short prescriptive period (c.35.1).

2. **Criterion 35.1** – Implementation of R.6 (TFS) Art. 60 and 61 of the IRM Law set out the sanctions for violations of targeted financial sanctions (TFS) obligations by natural and legal persons. In case of legal persons sanctions range from EUR 1 000 to EUR 40 000, while for natural persons fines range from EUR 500 to EUR 4 000. The sanctions set out under Art. 60 and 61 are not considered to be proportionate and dissuasive.

3. Implementation of R.8 (NPOs) – Sanctions available for legal entities are also applicable to NPOs. Nevertheless, the effectiveness, proportionality and dissuasiveness of these sanctions cannot be demonstrated (see c.8.4(b).

4. Implementation of R.9-23 (Preventive Measures) – Art. 131 of the LPMLTF stipulates that when supervisory authorities identify irregularities, they are authorised to (i) point out to the reporting entity the identified irregularities and to set a deadline for their remediation; (ii) publicly disclose data on the identity of the reporting entity and the responsible person within the reporting entity, as well as the nature of the identified irregularity; (iii) issue a misdemeanour order or initiate misdemeanour proceedings against the reporting entity, in accordance with the law regulating misdemeanour proceedings; (iv) suspend or revoke the licence, or take other measures to limit or prohibit the work of the reporting entity; (v) temporarily prohibit the responsible person from the management body to perform the function; (vi) in the case of ordering the removal of serious, systemic or repeated irregularities, determine the amount of fine the reporting entity shall pay to the supervisory authority; and (vii) impose other measures to the reporting entity.

5. Art. 131a of the LPMLTF determines the amount of a fine for serious, systemic or repeated irregularities as not higher than twice the amount of the benefit derived from the breach of the law, where it can be determined, or, where it cannot be determined, in the amount of at least EUR 1 000 000. In addition, it provides for the following determination of fines for financial institutions:

(i) for legal persons a maximum fine of EUR 5 000 000 or 10% of the total annual turnover, depending on the gravity, duration and impact, degree of responsibility, level of cooperation and previous breaches by the legal person; and

(ii) for natural persons performing business activity and entrepreneurs the maximum fine is EUR 5 000 000 while for responsible persons of the legal person the maximum fine is EUR1 000 000.

6. Art. 137 of the LPMLTF also provides for the following misdemeanour penalties for AML/CFT breaches:

(i) for legal persons a fine of between EUR 5 000 and EUR 20 000, or between EUR 10 000 and EUR 40 000 if they are a credit institution, payment services provider or an entity performing purchase of receivables; financial leasing; renting safe deposit boxes; factoring; issuing guarantees and other sureties; granting loans and loan mediation; and exchange services that fails to establish an appropriate information system;

(ii) for natural persons a fine of between EUR 500 and EUR 2 000; and

(iii) for entrepreneurs a fine of between EUR 500 and EUR 6 000.

7. Art. 137 also envisages another misdemeanour sanction which includes the prohibition of carrying out business activities for up to six months which may be imposed on REs or natural persons.

8. The authorities indicated that the misdemeanour fines set out above apply for every singular AML/CFT infringement. There is however no clear interpretation in this sense under the LPMLTF, and also since there are no sanctioning policies setting out how sanctions should be applied. Furthermore, according to Art. 137(7), misdemeanour proceedings against REs may not be initiated if three years have passed since the day the offence is committed. This prescription period hampers the ability to impose misdemeanour fines for AML/CFT violations.

9. **Criterion 35.2** – A natural person performing business activity or the responsible person of a RE may be subject to a misdemeanour fine where the REs breaches AML/CFT requirements – Art. 131a(2) - LPMLTF. Art. 18 of the Law on Misdemeanour procedures stipulates that a responsible person would be responsible for the breach (even after he ceases to hold such a position) if: (i) it is committed by his own action (intentionally or negligently) or (ii) if it was due to lack of supervision. The same article specifies that the responsible person may not be held liable if he was following superior orders and took all required action to prevent the breach. Fines that may be imposed on responsible persons and natural persons range from EUR 500 to EUR 2 000 (depending on the entity of the AML/CFT breach). It is only in the case of REs that are legal persons that such responsible persons may be subject to such fines. Legal persons, entrepreneurs, natural persons and responsible persons of these REs may also be prohibited from performing activities – Art. 137a(5) – LPMLTF. These sanctions are not considered to be proportionate and dissuasive.

10. Authorities advised that the term "responsible person" is interpreted to cover the legal representatives of the legal person. In terms of the Law on Companies (Art. 24 and 25) and the Law on Business Organisations (Art. 34), the legal representatives are (i) the partners (in case of partnerships), (ii) the executive director or chairman of the board of directors for Joint Stock Companies and LLCs and (iii) other persons authorised to represent the legal entity. Thus, in terms of this definition sanctions are not applicable to all directors, and to senior management officials of REs.

Weighting and Conclusion

11. Following deficiencies remain: (i) the applicability of sanctions for TFS obligations for R.6 is limited and are not proportionate and dissuasive (c.35.1); (ii) sanctions for infringements of AML/CFT requirements by NGOs are not fully effective, proportionate and dissuasive (c.35.1); (iii) The term responsible person does not capture senior management officials and all directors (c.35.2). Furthermore, the application of misdemeanour penalties is hampered by a short prescriptive period (c.35.1). These deficiencies are significant, while there are other minor breaches. **R.35 remains PC**.

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

Recommendations	Rating	Factor(s) underlying the rating[16]
6. Targeted financial sanctions related to terrorism & TF	PC (MER 2023) **LC (FUR1 2025)**	• While the Information System for Restrictive Measures is established, it is not yet operational. Interim communication relies on MFA notifications and manual publication, which may affect timeliness and consistency of dissemination (c.6.5(d)). • Communication of delistings and unfreezing procedures is subject to the same shortcomings as notifications of new designations, given the reliance on interim arrangements (c.6.6.g).
7. Targeted financial sanctions related to proliferation	PC (MER 2023) **LC (FUR1 2025)**	• The scope of entities subject to the freezing obligation was extended under the RM Law, but practical implementation remains dependent on interim arrangements, as the Information System for Restrictive Measures is not yet operational (c.7.2(a)). • Communication of designations, delistings and unfreezing procedures continues to rely on MFA notifications and publication on official websites, which may affect timeliness and consistency (c.7.2(d) and c.7.4(d)).
8. Non-profit organisations	NC (MER) **PC (FUR1 2025)**	• Montenegro has identified the subset of organisations falling within the FATF definition of NPO. However, the features and types of NPOs which are likely to be at risk of terrorist financing abuse have not been identified (c.8.1 (a)). • Montenegro has only partially identified the nature of threats posed by terrorist entities to the NPOs at risk, as well as the ways in which terrorist actors may abuse those NPOs (c.8.1(b)). • Given the gaps in identifying the subset of NPOs that may be vulnerable to terrorist financing, it remains uncertain whether the review of existing measures allows for proportionate and effective action to address the risks identified (c.8.1(c)). • The framework still lacks clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs (c.8.2(a)). • Montenegro carried out a number of activities aimed at raising and deepening awareness among NPOs and the donor community about the potential TF vulnerabilities of NPOs and TF risks. While significant efforts were made to raise awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to TF abuse and TF risks and the measures that NPOs can take to protect themselves against such abuse, it remains unclear whether outreach and educational programmes undertaken did cover the most vulnerable part of the sector to TF abuse (c.8.2(b)).

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

		• Montenegro has taken steps in working with NPOs to develop and refine best practices to address TF risk and vulnerabilities. However, best practices have not yet been clearly developed, documented, or adopted in collaboration with NPO sector (c.8.2(c)). • Other than cash limits, as part of the workshops conducted, Montenegrin authorities encourage NPOs to conduct transactions via regulated channels whenever feasible. However, there are no other guidelines or initiatives to promote cashless transactions (c.8.2(d)). • Other than setting up a Coordination Body tasked, among other things, with the supervision of NPOs, no specific steps are taken to promote effective supervision or monitoring to demonstrate that NPOs at risk of TF abuse are able to apply risk-based measures (c.8.3). • The effectiveness, proportionality and dissuasiveness of such sanctions cannot be demonstrated (c.8.4). • There are no provisions on the accessibility to information set out in this sub-criterion (c.8.5(c)). • Deficiencies under R.37 to R.40 impact c.8.6.
10. Customer due dilligence	PC (MER 2023) **LC (FUR1 2025)**	• It is not explicitly specified that in cases of suspicions of TF, CDD should be performed irrespective of any exemptions or thresholds and the provision would further benefit from more clear formulations with respect to suspicion of TF. (c.10.2(d)). • Given that the obtainment of a written statement of the representative attesting the accuracy of CDD data is not an independent verification measure and it is unclear what constitutes additional checks, the deficiency remains (c.10.3). • It is questionable whether REs must verify the authorisation of trustees being the ones representing the beneficiaries (c.10.4). • While REs identify the customer's predominant business activity, they are not required to fully understand the nature of the business activity in which the customer is engaged when conducting occasional transactions (c.10.8). • It is unclear that the requirement of obtaining articles of incorporation equates to obtaining the proof of existence of a trust or equivalent arrangement. (c.10.9(a)). • There is no explicit and clear obligation to obtain information on the powers that regulate and bind the legal person or arrangement (c.10.9(b)). • REs are not bound to collect the names of other senior management officials, which is particularly relevant where legal entities do not have boards of directors and where senior management do not have representative powers (hence not subject to identification as per these articles) (c.10.9(b)). • In case of foreign trusts REs shall collect the name, and other personal details of settlors, trustees and protectors (among others) and representatives – Art. 29(3) item 2 of the

		LMPLTF. Although those having representative powers are covered, it is unclear whether entities similar to trusts that do not have settlors, trustees or protectors, are required to identify their equivalents (c.10.9(b)). • REs shall obtain the address and registered office of a legal person (see c.10.9(a)) but are not required to obtain the principal place of business address if different. Additionally, when the legal person has his head office outside Montenegro, the requirement is limited to establishing the country and the city name but not the full address (c.10.9.(c)). • The fact that managers can be identified as BOs even where "it is not possible" to identify BOs in terms of c.10.10(a) and c.10.10(b) leaves room for abuse. (c.10.10.c). • Art. 29 and 41(11) of the LPMLTF are applicable to foreign trusts and similar entities. It is doubtful whether in the case of similar entities all the persons equivalent to the trust parties mentioned in c.10.11(a) are covered. (c.10.11(b)). • It is unclear if the Guidelines which prescribe the grounds for taking into consideration the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable constitute enforceable means (c.10.13). • Except for FIs licensed by the CBM, there is no obligation to ensure that SDD measures are commensurate to the lower risk factors identified. (c.10.18)
13. Correspondent banking	PC (MER) **LC (FUR1 2025)**	• The CBM Guidelines however sets forth a risk-based approach in applying EDD (c.13.1). • There is no requirement to assess the quality of supervision (13.1(a)). • The provisions on corresponding relationships only require determining whether a respondent institution is currently under investigation or regulatory measure, but not if it has been subject to such in the past (13.1(a)). • Art. 53(1)(8) does not cover all CDD obligations (13.2(a)) • The deficiency under c.13.1 has a bearing on c.13.2 and c.13.3.
15. New technologies	PC (MER) **LC (FUR1 2025)**	• There are no legal obligations for the country to identify and assess the ML/TF risks of new products and business practices. (c.15.1) • Further harmonisation of all elements is needed in relation to the identification and assessment of ML/TF risks associated with VAs and VASPs (c.15.3(a)). • Although all VASPS are designated as Res, the analysis and deficiencies identified under c.1.10 and c.1.11 apply (c.15.3(c)). • Shortcomings with sanctions envisaged under R.35 apply also to covered VASPs (c.15.8). • Shortcomings identified in R.10-21 are similarly applicable to covered VASPs (c.15.9).

		• The deficiencies set out under c.6.5(d) and 7.2(d) apply to VASPs (c.15.10). • Deficiencies identified under R.37-39, and deficiencies applicable to the FIU, Police and CBM under R.40 apply to c.15.11.
16. Wire transfers	PC (MER 2023) **LC (FUR1 2025)**	• There are no prohibitions (as per c.16.8) for persons or entities providing money transfer services (i.e. financial postal services) in accordance with the Postal Services Act (c.16.8). • There are no detailed guidance or recommendations as to what reasonable measures (e.g. post-transaction monitoring or real-time monitoring) to detect funds transfers with missing information and there is no obligation to detect missing payee information (c.16.13). • Entities providing money transfer services under the Postal Services Act are not prohibited from executing non-compliant transfers (c.16.16). • There are no specific requirements for PSPs controlling the ordering and beneficiary side of a wire transfer to report in all affected countries (c.16.17).
17. Reliance on third parties	PC (MER) **LC (FUR1 2025)**	• Deficiencies under R.10 and R.11 are applicable to c.17.1(c).
18. Internal controls and foreign branches and subsidiaries	PC (MER) **LC (FUR1 2025)**	• There are inconsistencies in Law regarding the application of internal audits by FIs, i.e. not all FIs are required to have an independent audit function (18.1(d)). • The Montenegrin law does not specify any obligations for financial group members with a head office in a country outside the EU or having a level of AML/CFT standards other than the Montenegrin one or one set forth by the EU law (18.2). • The Montenegrin law does not provide for obligation to exchange information among group members in line with c.18.2(a) and this has a bearing on Montenegro's compliance with c.18.2 (b) (c.18.2(a) and c.18.2(b)).
19. Higher risk countries	PC (MER) **PC (FUR1 2025)**	• There is no explicit obligation for the FIU to make a publication on a high-risk jurisdiction listed by the FATF (c.19.1). • Montenegrin law does not allow authorities to require the application of proportionate countermeasures for countries subject to a FATF call or independently of such call (c.19.2). • The FIU has been given discretion when making a publication on the weaknesses in the AML/CFT systems of countries when called upon by FATF (c.19.3)
22. DNFBPs – customer due diligence	PC (MER) **LC (FUR1 2025)**	• Trust service providers and a number of company service providers are not subject to the requirements of R.10, 11, 12, 15 and 17. • Lawyers and notaries involved in setting up or servicing foreign trusts (including property acquisition) are excluded from CDD and related AML/CFT obligations under R.10–17. • Record-keeping obligations remain incomplete:

		there is no explicit obligation to ensure timely access to CDD and transaction records for competent authorities. • PEP-related obligations apply to DNFBPs generally, but not to lawyers, notaries, trust service providers and some company service providers when excluded from the scope of REs. • Obligations related to new technologies and third-party reliance do not apply to trust service providers, excluded company service providers, and lawyers/notaries involved in foreign trusts. • For DNFBPs covered as REs, the technical deficiencies already identified under R.10, 11, 12, 15 and 17 apply *mutatis mutandis*.
23. DNFBPs – other measures	PC (MER) **LC (FUR1 2025)**	• The deficiencies identified under c.22.1 have a bearing on criterion.23.1(a) and (c). • Deficiencies identified under R.18, 19, 20, 21 and 22 extend to DNFBPs under this Recommendation.
24. Transparency and beneficial ownership of legal persons	PC (MER) **PC (FUR1 2025)**	• A more comprehensive and detailed assessment is necessary to understand ML/TF risks and vulnerabilities of all legal persons (especially pattern, technique and typology related), and the adequacy of the control framework (c.24.2 - MER). • Partnerships are not required to keep relevant records (c.24.4 – MER). • No obligation for LPs to notify and keep the CRBE updated with information on the value of the contribution of each general member, nor an explicit obligation for LPs to notify the registry whenever general members cease to be involved in a LP (c.24.4 – MER). • No obligation for JSCs to retain information on the categories of shares (c.24.4 – MER). • No explicit obligation for JSCs to retain the register of shareholders and to retain it in Montenegro and at a place notified to the CRBE (c.24.4 – MER). • No requirement to ensure that data registered is accurate and held up to date (c.24.5 – MER). • Inspection supervision may be conducted by authorities to ensure implementation of the Law on NGOs. However, deficiencies identified under c.8.3 have an impact here (c.24.5 – MER). • Deficiencies in the implementation of BO obligations envisaged under c.10.5 and c.10.10 (c.24.6 and c.24.7 – MER). • The risk of use of strawmen or undeclared representatives (the extent of which is not assessed and unknown) impacts the availability of BO data for single-member LLCs (c.24.6 – MER). • The person designated to enter, update or verify data in the CRBO is not required to co-operate with the authorities (beyond populating the BO register) (c.24.8 – FUR1). • No information is provided on the obligation to keep basic information after the dissolution of companies or associations and foundations by the legal persons themselves (c.24.9).

		• Apart from the recording of nominal accounts in the case of the CCDC, there are no measures to prevent the misuse of nominee directors and shareholders (c.24.12). • The range of fines envisaged under the Law on Companies for failure to submit to the CRBE the data required by law and changes thereto is not proportionate (c.24.13). • The deficiencies in relation to sanctions applicable to REs as set out under R.35 are also relevant (c.24.13). • Deficiencies present in R.37 to R.40 related to the cooperation of authorities have an impact on this criterion (c.24.14). • No information has been provided on monitoring and keeping records on the quality of assistance received from foreign counterparts in response to requests for basic and BO information or requests for assistance in locating BO residing abroad (c.24.15).
25. Transparency and beneficial ownership of legal arrangements	PC (MER) **PC (FUR1 2025)**	• The provision of trustee services by TCSPs in Montenegro to foreign trusts (or equivalent) is not subject to AML/CFT obligations (c.25.1(c) and c.25.2). • Lawyers and notaries which may be involved in the setting up of foreign trusts are not obliged to carry out CDD in respect of foreign trusts (c.25.1(c and c.25.2). • There is no specific reference to the collection of information on the protector of a trust nor requirement for sufficient information to be obtained concerning beneficiaries in groups - to allow identity to be established at a later point in time (c.25.1(c) and c.25.2- FUR1). • The deficiencies outlined under c.25.1(c) hamper the obtaining information on foreign trusts from Montenegrin trustees and from lawyers/notaries providing services to such trusts (c.25.4). • Deficiencies in record keeping and provision of information to the authorities in respect of lawyers and notaries under c.22.2 (c.25.5). • Deficiencies under c.25.1(c) hamper the provision of information on foreign trusts to foreign counterparts (c.25.6). • Deficiencies under R.35 are also relevant for c.25.8 (c.25.8).
26. Regulation and supervision of financial institutions	PC (MER) **LC (FUR1 2025)**	• Investment and Voluntary Pension Funds (envisaged under the Law on Investment Funds and the Law on Voluntary Pension Funds) are not subject to AML/CFT obligations (their materiality is however minimal – see c.26.1 – MER)). • Concerning qualifying holders in other FIs (listed under the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit Guarantee Operations) there are no express provisions requiring evidence of absence of criminal convictions (c.26.3 - MER). • Except for Banks, reputability criteria were not wide enough to ensure that criminal associates are banned from infiltrating FIs (c.26.3 - MER). • No information has been provided on the

		application of consolidated group supervision (c.26.4 (a) - MER).
28. Regulation and supervision of DNFBPs	PC (MER) **PC (FUR1 2025)**	• Associates of criminals are not prevented from infiltrating casinos (c.28.1(b) – FUR2025). • c.25.1 impacts c.28.2: whilst there is a definition for "trustee" in the LPMLTF (incorrectly referred to as a trust) (LPMLTF, Art. 6(41)) which is aligned with the definition of TCSPs set out in the FATF Standards, this term is not linked to any RE activity (c.28.2 – FUR2025). • Trust service providers and some company services are not subject to AML/CFT obligations (see R.22 and 23 (c.28.2 – FUR2025). • There are deficiencies concerning the supervisory coverage of AML/CFT obligations in the case TCSPs (see c.25.1(c) - MER) (c.28.3 – FUR1). • No information has been provided in relation to the sector specific powers to conduct AML/CFT supervision for lawyers, notaries (c.28.4(a) – MER). • Various DNFBPs (real estate agents, dealers in precious metals, dealers in precious stones, other legal professionals) are not subject to any licencing, registration or professional accreditation or entry requirements, that would prevent criminals or their associates from owning, managing or being involved in these DNFBPs and the entry requirements for casinos, lawyers and notaries, accountants, auditors and tax advisors are not considered robust enough for purpose either (c.28.4(b) - MER). • The deficiencies impacting R.35 are also relevant for this criterion (c.28.4(c) - MER). • No information was provided on how DNFBPs, can have their license, authorisation, registration or professional accreditation withdrawn, restricted or suspended in case of AML/CFT breaches (c.28.4(c) – MER). • DNFBP supervisory authorities (except the Administrative Authority for Inspection Affairs for casinos) do not have a framework or tools to understand RE's risks and to plan risk-based supervision on an on-going basis (c.28.5(a) - MER). • The framework for casinos is not nuanced enough to enable effective risk-based supervision (c.28.5(b) - MER).
33. Statistics	PC (MER) **LC (FUR1 2025)**	• Statistics maintained by authorities (other than the FIU) are comprehensive enough to permit a proper analysis of the effectiveness of the AML/CFT system. However, statistics are less comprehensive in the area of mutual legal assistance or other international requests for co-operation made and received.
35. Sanctions	PC (MER) **PC (FUR1 2025)**	• The applicability of sanctions for TFS obligations for R.6 is limited and are not proportionate and dissuasive (c.35.1). • Sanctions for infringements of AML/CFT requirements by NGOs are not fully effective, proportionate and dissuasive (c.35.1).

		• The term responsible person does not capture senior management officials and all directors (c.35.2). • The application of misdemeanour penalties is hampered by a short prescriptive period (c.35.1).

GLOSSARY OF ACRONYMS

AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism
APMLTF	Administration for the Prevention of Money Laundering and Terrorist Financing
AT	Assessment Team
BO	Beneficial Owner
CBM	Central Bank of Montenegro
CCDC	Central Clearing Depository Company
CDD	Customer due diligence
CFT	Countering the financing of terrorism
CMA	Capital Market Authority
CRBE	Central Register of Business Entities
CRBO	Central Register of Beneficial Owners
DNFBP	Designated Non-Financial Business or Profession
DPMS	Dealers in precious metals and stones
EDD	Enhanced due diligence
EKIP	Agency for Electronic Communications and Postal Services
ESW	Egmont Secure Web
EU	European Union
FATF	Financial Action Task Force
GP	General Partnership
INTERPOL	International Criminal Police Organization
ISA	Insurance Supervision Agency
JIIS	Unified Information System for Inspections
JSC	Joint Stock Company
FI	Financial Institution
FIU	Financial Intelligence Unit
LEA	Law Enforcement Authority
LIRM	Law on International Restrictive Measures
LLC	Limited Liability Company
LP	Limited Partnership
LPMLTF	Law on the Prevention of Money Laundering and Terrorist Financing
MFA	Ministry of Foreign Affairs
MFI	Microcredit Financial Institution
ML	Money Laundering
MLA	Mutual Legal Assistance
NGO/NPO	Non-Governmental / Non-Profit Organisation
NRA	National Risk Assessment
NSA	National Security Agency
OCG	Organised Crime Group
PEP	Politically Exposed Person
PF	Proliferation Financing
PSP	Payment Service Provider

RE	Reporting Entity
SEC	Security and Exchange Commission
SDD	Simplified Due Diligence
SOCTA	Serious and Organized Crime Threat Assessment
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
UN	United Nations
UNSCR	United Nations Security Council Resolution
VA	Virtual Asset
VASP	Virtual Asset Service Provider

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November 2025

Follow-up report

Anti-money laundering and counter-terrorist financing measures -

Montenegro

1st Enhanced Follow-up Report &

Technical Compliance Re-Rating

This report analyses Montenegro's progress in addressing the technical compliance deficiencies identified in the December 2023 assessment of their measures to combat money laundering and terrorist financing and in subsequent follow-up reports.