

6th Follow-Up Report

Mutual Evaluation of Cambodia

October 2023





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APG Secretariat
Locked Bag A3000
Sydney South
New South Wales 1232
AUSTRALIA
Tel: +61 2 5126 9110

E mail: mail@apgml.org
Web: www.apgml.org

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CAMBODIA

6TH ENHANCED FOLLOW-UP REPORT FEBRUARY 2023

I. INTRODUCTION

1. The mutual evaluation report (MER) of Cambodia was adopted in 2017. Previous FURs were adopted in 2018, 2019, 2020, 2021 and 2022.
2. This FUR analyses the progress of Cambodia in addressing the technical compliance requirements of the recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Cambodia has made to improve its effectiveness.
4. The assessment of Cambodia's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:
 - *Supranee Satitchaicharoen, Anti-Money Laundering Office, Thailand*
 - *Filipe Manuel Peixoto Pereira, Legal Affairs Bureau, Macao, China*
 - *Shengnan Yan, The People's Bank of China, China*
5. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table illustrating Cambodia's current technical compliance ratings.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT & FOLLOW-UP

6. Cambodia's MER ratings¹ and updated ratings based on earlier FURs² are as follows:

R.	Rating	R.	Rating
1	PC (2017 MER), (2018 FUR), (FUR 2019) ↑ LC (FUR 2021)	21	LC (MER 2017), (FUR 2019)
2	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2019)	22	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2022)
3	LC (MER 2017)	23	LC (MER 2017)
4	LC (MER 2017)	24	PC (MER 2017), (FUR 2022)
5	LC (MER 2017), (FUR 2019)	25	PC (MER 2017)
6	LC (MER 2017), (2018 FUR)	26	PC (MER 2017), (2018 FUR), (FUR 2022)
7	NC (MER 2017), (2018 FUR), (FUR 2019) ↑ PC (FUR 2021)	27	LC (MER 2017)
8	PC (MER 2017), (2018 FUR), (FUR 2022)	28	PC (MER 2017), (2018 FUR), (FUR 2022)

¹ There four possible levels of technical compliance are: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

² Current ratings and the year confirmed are indicated based on the original MER or follow-up re-ratings.

9	C (MER 2017)	29	LC (MER 2017)
10	LC (MER 2017)	30	LC (MER 2017), (2018 FUR)
11	LC (MER 2017)	31	LC (MER 2017)
12	PC (MER 2017) ↑ LC (FUR 2021)	32	LC (MER 2017)
13	PC (MER 2017) ↑ C (FUR 2022)	33	PC (MER 2017), (2018 FUR), (FUR 2019) ↑ LC (FUR 2021)
14	LC (MER 2017)	34	PC (MER 2017) ↑ LC (FUR 2018)
15	C (2017 MER) ↓ NC (FUR 2021)	35	PC (MER 2017) ↑ LC (FUR 2022)
16	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2022)	36	LC (MER 2017)
17	LC (MER 2017)	37	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2021)
18	PC (MER 2017), (FUR 2019) ↑ LC (FUR 2022)	38	PC (MER 2017) ↑ LC (FUR 2021)
19	PC (MER 2017) ↑ LC (FUR 2018)	39	LC (MER 2017)
20	LC (MER 2017)	40	PC (MER 2017), (FUR 2021), (FUR 2022)

IO 1	IO 2	IO 3	IO 4	IO 5	IO 6	IO 7	IO 8	IO 9	IO 10	IO 11
Mod.	Mod.	Low	Low	Low	Low	Low	Low	Sub.	Mod.	Low

7. Given these results, Cambodia remained on enhanced follow-up as of the 2023 FUR³.

III. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

8. In keeping with the APG ME Procedures and the Assessment Methodology, this FUR considers progress made up until 1 February 2023 and the analysis has considered progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR. This section summarises the progress made by Cambodia to improve its technical compliance since the MER or last FUR.

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

9. Cambodia requested re-ratings of R.7, R.8, R.24, R.25, R.26 and R.28 (which were rated PC).

10. The APG welcomes the steps that Cambodia has taken to improve its technical compliance with R.7, R.8, R.24, R.25, R.26 and R.28. As a result of this progress, Cambodia has been re-rated on Recommendation 7. However, insufficient progress has been made to justify a re-rating of R.8, R.24, R.25, R.26 and R.28.

Recommendation 7 [R.7] (Originally rated NC, re-rated to PC in 2021 FUR)

11. Cambodia was rated NC for Recommendation 7 in its 2017 MER as there were no specific measures for implementing targeted financial sanctions (TFS) related to proliferation in order to comply with UNSCRs. Cambodia was re-rated to PC for R.7 in its 2021 FUR. Cambodia implemented the PF Law and its sub-decrees, to create a mechanism for the implementation of TFS relating to WMD

³ There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.

proliferation and financing (PF). The standing orders issued by the court ensure updates to the UN designation lists take effect automatically and without delay. However, moderate deficiencies remain, such as lack of a mechanism to communicate to REs any updates to the UNSCR sanction lists, a lack of measures adopted by supervisory authorities for monitoring and ensuring compliance by FIs and DNFBPs, and a lack of mechanisms regarding delisting or unfreezing actions. There are no publicly known procedures to unfreeze property of persons or entities with the same or similar name as designated persons or entities, and lack of explicit provisions regarding agreements or obligations that arose prior to the date on which accounts became subject to TFS. There are no formal measures to protect the rights of bona fide third parties acting in good faith when implementing the freezing of funds. Whilst the PF law provides a range of administrative penalties for legal entities, ‘legal entities’ are not defined in the law, and it is unclear whether REs are included. Additionally, the PF Law does not provide scope to permit the addition of interest or other earnings on accounts, or for payments due to agreements or obligations that arose prior to those accounts being subject to freezing actions.

12. **Criterion 7.1** is *mostly met*. Cambodia’s PF law (Article 4), sub-decrees 159 and 161 and Standing Orders related to DPRK and Iran provide a mechanism to implement TFS relating to PF. In March 2022, Cambodia issued The Guideline on Procedure of Forwarding Without Delay UNSCR Lists which establishes a mechanism for forwarding changes or updates in designations to reporting entities. It is not clear that all changes in designations are being communicated to all reporting entities without delay, but through the Standing Orders the freeze takes effect automatically when changes in designation are made by the UN.

13. **Criterion 7.2** is *mostly met*.

14. *7.2(a)* is *met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.2).

15. *7.2(b)* is *met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.2).

16. *7.2(c)* is *met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.2).

17. *7.2(d)* is *mostly met*. Cambodia has established a formal mechanism for communicating designations to reporting entities (FIs and DNFBPs). The Guideline on Procedures of Forwarding without delay the Resolutions or Updated Consolidated List of the UNSC or its Committee, provides a formal mechanism for communicating designations from the Ministry of Foreign Affairs and International Cooperation (MFAIC) focal point to supervisory authorities and focal points for non-governmental organizations. Supervisors communicate designations to reporting entities (FIs and DNFBPs) through email and other electronic channels when the list of designated entities is updated. While this establishes a clear and formal mechanism for communicating designations to reporting entities, this mechanism (or any other) does not clearly cover providing guidance to FI and DNFBPs that may be holding targeted funds,

18. The Law on Combating the Financing of Proliferation of Weapons of Mass Destruction of Cambodia, its sub-decrees and Standing Orders, copies of relevant resolutions and other documents are published on the MOJ website. It is not clear that there is a link to the PF UN designations list, but this is a very minor shortcoming as the law and Standing Orders make clear reference to the relevant UNSCRs and copies of the relevant resolutions are published on the MOJ website.

19. *7.2(e)* is *mostly met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.2).

20. *7.2(f) is not met.* No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.2).

21. **Criterion 7.3 is mostly met.** Article 16 of the PF Law states supervisory authorities are responsible for monitoring reporting entities to ensure compliance with the PF law. Reporting entities are defined in Article 11 consistent with the AML/CFT Law to include all FIs and DNFBPs. Supervisory authorities are defined under Article 3(7) as consistent with the AML/CFT Law.

22. Since the 2021 FUR Cambodia action plan and supervision plans cover supervision with the PF law for casinos, real estate agents, and banks. The 2017 MER identifies these as Cambodia's most vulnerable sectors (to ML)⁴. It is unclear whether Cambodia has adopted measures to monitor and ensure the compliance of all other FIs and DNFBPs.

23. As outlined in the 2021 AT, articles 19 to 21 provide natural person criminal sanctions for violations against the PF law ranging from 1 month to 15 years imprisonment and fines from 100,000.00 Riels (~25 USD) to 200,000,000.00 (~48,363 USD).

24. As outlined in the 2021 AT, article 22 provides sanctions for 'legal entities' that violate the PF law. The 2021 FUR concluded that it was unclear if all reporting entities are included in the definition of legal entity. Cambodia's laws are promulgated in Khmer and later translated into English unofficially. Cambodia informed the review team that "The use of the word "legal entities/entities" and "legal persons" is the same in Cambodia." There does not seem to be a definition of the term 'legal entity', but it is used throughout the criminal code. The only restriction on the term is under article 42 of the criminal code where it is explicit that legal entity does not refer to the State. 'entities' is defined as "legal persons, unincorporated bodies, groups, associations, organisations, institutions and arrangements" under article 3(3) of the PF law. The current review team has concluded that legal entities is commonly used in Cambodia as a board term and would include all reporting entities.

25. Documents provided for this FUR show continued outreach to FIs and also outreach to all DNFBPs in 2022.

26. **Criterion 7.4 is mostly met.**

27. *7.4(a) is met.* Cambodia has developed public procedures (published on MFAIC website) for delisting in accordance with Article 7 of the PF law.

28. *7.4(b) is not met.* Cambodia has established a procedure for delisting in accordance with Article 7 of the PF law and Article 8 of PF Law provides procedure for delisting and unfreezing and article 4 of Sub-Decree 161 provides for revocation of property freeze for domestic designation under Article 5 of the PF Law (As discussed in c.7.1, this mechanism for domestic designation outlined in the PF law goes beyond what is required by the FATF standards). However, Cambodia does not have publicly known procedures for unfreezing funds related to false positives.

29. *7.4(c) is met.* No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.4).

30. *7.4(d) is mostly met.* The mechanism discussed above at c.7.2(d) is the mechanism for communicating to reporting entities about de-listing and unfreezing. This mechanism does not clearly provide for communicating guidance to FI and DNFBPs that may be holding targeted funds.

⁴ Lawyers and remittance are also identified as most vulnerable.

31. **Criterion 7.5** is *mostly met*.

32. *7.5(a)* is *partly met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.5).

33. *7.5(b)* is *met*. No new information provided for this FUR. The analysis in the 2021 FUR and available material supports the criterion rating (see the 2021 FUR, c.7.5).

Weighting and Conclusion

34. The PF Law and its sub-decrees and a court Standing Orders provide the necessary legal basis for implementing TFS without delay. Mechanisms for communicating the designation and updated UNSCR lists to FIs and DNFBPs have been established. However, this mechanism (or any other) does not clearly cover providing guidance to FI and DNFBPs that may be holding targeted funds. There are protections for third parties who are affected by the freezing order, but it does not cover protections for bona fide third parties who act in good faith when implementing the freezing of funds.

35. The PF law provides the legal basis for measures for monitoring and ensuring compliance by all FIs and DNFBPs including sanctions for natural and legal persons (including all reporting entities). Cambodia has an action plan and supervision plans covering supervision with the PF law for casinos, real estate agents, and banks. These are Cambodia's most vulnerable sectors (to ML) together with lawyers and remittance. It is unclear whether Cambodia has adopted measures in addition to the PF law to monitor and ensure the compliance of all other FIs and DNFBPs.

36. Cambodia has publicly known procedures for de-listing and for authorising access to funds, but there are still gaps regarding unfreezing funds related to false positives. Shortcomings highlighted in the 2021 FUR remain in regarding to contracts, agreements or obligations. ***Recommendation 7 is re-rated Largely Compliant.***

Recommendation 8 [R.8] (Originally rated PC)

37. Cambodia was rated PC for Recommendation 8 in its 2017 MER. The lack of a completed NPO risk assessment is weighted most heavily, as this provides the foundation for many other recommended actions. Other remaining deficiencies include developing policies to promote accountability, integrity and public confidence in the administration and management of NPOs and apply risk-based measures and targeted outreach to vulnerable NPOs. Gaps remain in relation to TF focussed outreach and educational activities; working with NPOs to develop best practices to address TF risk and vulnerabilities to protect them from TF abuse; and encouraging NPOs to transact via regulated financial channels where feasible. There are deficiencies related to monitoring NPOs including the power to apply effective, proportionate and dissuasive sanctions. Practical mechanisms for sharing information among authorities about suspicions of TF connected with NPOs are not yet established.

38. **Criterion 8.1** is *partly met* (as per MER).

39. *8.1(a)* Since the previous FUR, Cambodia has received training from UNODC. The competent authorities have now identified 1,526 (26%) of NPOs which fall within the FATF definition. Cambodia has not finalised its NPO sector assessment to identify the sub-set of NPOs at risk of TF abuse. It is unclear what kind of information was used to identify this subset and assess the types of NPO that are likely to be at risk of TF.

40. 8.1(b) Cambodia has not yet identified the nature of threats posed to NPOs that are at risk of TF as well as how/whether terrorist actors abuse those NPOs. Cambodia is in the process of assessing NPO risk, but the result has not yet been finalized.
41. 8.1(c) The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR).
42. 8.1(d) The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR).
43. **Criterion 8.2** is *partly met*.
44. 8.2(a) Cambodia has established a Royal Government Working Group on Civil Society Organisations, but is yet to develop policies to promote accountability, integrity and public confidence in the administration and management of NPOs.
45. 8.2(b) Cambodia has commenced activities to facilitate awareness raising amongst NPOs. However, it is unclear what information was provided during the outreach as the descriptions of the forums are very general with no specific reference to TF. It is also not clear whether participants cover types of NPOs at risk.
46. 8.2(c) Ministry of Interior has developed a Handbook on A Guide to Protecting Your Organization from the Threat of Terrorism Financing Abuse. However, it is yet to be disseminated to NPOs.
47. 8.2(d) Cambodia requires NPOs to provide activities and financial reports as well as bank statements to Ministry of Interior and Ministry of Economic and Finance. Additionally, NPOs are subject to Law on Taxation which requires them to register and update their information with General Department of Taxation. However, it is unclear how this update requirement would encourage NPOs to conduct transactions via regulated financial channels.
48. **Criterion 8.3** is *not met*. Cambodia reported that some training has taken place for agencies involved in NPO oversight. Cambodia did not demonstrate that it has taken steps to conduct monitoring of NPOs in relation to risk-based measures applied to NPOs at risk of potential TF abuse.
49. **Criterion 8.4** is *partly met*.
50. 8.4(a) No updated information was provided from the previous FUR. It is unclear which types of NPOs falling under the FATF definition have been monitored commensurate with risk. There is no information on how CAFIU monitors NPOs.
51. 8.4(b) No further information provided. According to Article 30 to Article 36 of LANGO, there are administrative sanctions that range from written warning to the revocation of NPO status. Article 32 of LANGO establishes fines for unregistered NPOs ranging from 5,000,000 Riels (approx. USD 1,200) to 10,000,000 Riels (approx. USD 2,500). Cambodia advises that both NPOs and/or persons acting on behalf of an NPO shall be punished in accordance with criminal law as well. However, there is no explicit provision on how sanctions are applied to person acting on behalf of an NPO, and no evidence is provided regarding the effectiveness, proportionality and dissuasiveness of these sanctions. The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR).
52. **Criterion 8.5** is *partly met*.

53. 8.5(a) No further information provided. The analysis in the MER and available material supports the criterion rating.

54. 8.5(b) Competent authorities have received training on countering terrorism and transnational crimes but there is no evidence to suggest that the training has improved their expertise and capability to examine NPO in relation to NPO risk of being abuse of TF.

55. 8.5(c) No further information provided. The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR).

56. 8.5(d) Ministry of Interior has developed a plan for the development of a data management system, but the program is yet to commence.

57. **Criterion 8.6** is *mostly met*. No further information provided. The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR, c.8.6).

Weighting and Conclusion

58. Cambodia has taken steps towards completing an NPO risk assessment. Cambodia officials have received training from UNODC and World Bank which assists the competent authorities in identifying NPOs which fall within the FATF definition. However, Cambodia has yet to identify a sub-set of NPOs at risk of TF abuse. Most of the identified deficiencies from the previous FUR have not been addressed including developing policies to promote accountability, integrity and public confidence in the administration and management of NPOs as well as the application of risk-based measures and targeted outreach to vulnerable NPOs. The outreach programs and training topics for competent authorities do not cover the risk of NPOs being abused for TF; working with NPOs to develop best practices to address TF risks and vulnerabilities to protect them from TF abuse; and encouraging NPOs to transact via regulated financial channels where feasible. Deficiencies exist in the monitoring of NPOs, specifically the power to apply effective, proportionate and dissuasive sanctions. Practical mechanisms for sharing information among authorities about suspicions of TF connected with NPOs have not been implemented. **Recommendation 8 remains Partially Compliant.**

Recommendation 24 [R.24] (Originally rated PC)

59. Cambodia was rated PC for R.24 in its 2017 MER. The Recommendation was re-assessed in Cambodia's 2022 FUR which noted that amendments to the Law on Commercial Enterprises strengthened requirements for companies to co-operate with competent authorities. Company secretaries must be Cambodian permanent residents and authorised to cooperate with Cambodian authorities. The amendments also removed the articles permitting bearer shares and nominee shareholders must be appointed through a contract filed with the MOC. Several deficiencies remain however as Cambodia is yet to risk assess legal persons, the sub-decree which gives effect to the nominee shareholder contract is yet to enter into force, and available monetary penalties for the filing of company registration information are not sufficiently dissuasive.

60. **Criterion 24.1** is *mostly met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

61. **Criterion 24.2** is *mostly met*. No further information was provided by Cambodia. The analysis in the 2022 FUR and available material supports the criterion rating (see the 2022 FUR, c24.2).

62. **Criterion 24.3** is *mostly met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

63. **Criterion 24.4** is *mostly met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

64. **Criterion 24.5** is *mostly met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

65. **Criterion 24.6** is *mostly met*. No further relevant information was provided by Cambodia. As per the 2017 MER, the Law on Commercial Rules and Register (Articles 17 and 18) requires companies to include in their registration the names of members or third parties authorized to govern, control, manage and sign for the company and the date and place of birth of those persons and to update this information as it changes. Cambodia also uses existing information, including information obtained by FIs and DNFBPs, to determine the beneficial ownership of a company or partnership.

66. Since the adoption of the MER Cambodia has improved the scope of CDD obligations applying to FIs and DNFBPs as assessed in R.10 (FUR 2021 – see R.1 and R.12) and R.22 (FUR 2022) which further supports the availability to competent authorities of a wider range of information on beneficial ownership of legal persons who are customers of FIs/DNFBPs.

67. **Criterion 24.7** is *partly met*. The mechanism to obtain beneficial ownership obtained through CDD conducted by FI/DNFBPs has limitations, as the requirement on FI/DNFBPs to periodically update CDD may not ensure up to date beneficial ownership information is available to meet the requirements of this criterion.

68. None of the actions listed by Cambodia demonstrates that the requirements to periodically update CDD will ensure up to date beneficial ownership information is available to meet the requirements of this criterion. Recommendation 24 does not only apply to casino companies, so the criterion rating remains the same.

69. **Criterion 24.8** is *mostly met*. No further information was provided by Cambodia. The analysis in the 2022 FUR and available material supports the criterion rating.

70. **Criterion 24.9** is *met*. No updated information provided since previous FUR, so the criterion rating remains the same (see the 2022 FUR).

71. **Criterion 24.10** is *mostly met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

72. **Criterion 24.11** is *met*. No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating (see the 2022 FUR).

73. **Criterion 24.12** is *partly met*. No further information was provided by Cambodia. Several gaps still remain as the conditions, forms, and procedures for filing the Nominee Shareholder Contract are to be determined by a Sub-decree which is yet to be issued.

74. **Criterion 24.13** is *partly met*. No further information was provided by Cambodia. Cambodia did not demonstrate yet that dissuasive penalties are available in relation to obligations to file relevant instruments with tax authorities, so the fines remain unlikely to be dissuasive.

75. **Criterion 24.14** is *partly met*. No further information was provided by Cambodia. The analysis in the MER, FUR 2022 and available material supports the maintenance of the criterion rating.

76. **Criterion 24.15** is *not met*. No further information was provided by Cambodia. Cambodia has not provided yet relevant evidence that it monitors the quality of assistance they receive from other

countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad.

Weighting and Conclusion

77. Despite some improvements with the amendments to the Law on Commercial Enterprises which strengthened requirements for companies to co-operate with competent authorities and removed some obstacles to transparency, several deficiencies remain as Cambodia is yet to risk assess legal persons, the sub-decree which gives effect to the nominee shareholder contract is yet to enter into force, available monetary penalties for the filing of company registration information are not sufficiently dissuasive, and there is no monitoring of the quality of assistance regarding international cooperation. Concerns remain with the operation of mechanisms and the availability of accurate and up to date information on beneficial ownership to ensure that information on the beneficial ownership of a company is obtained by that company and available at a specified location in their country; or can be otherwise determined in a timely manner by a competent authority. **Recommendation 24 remains rated Partially Compliant.**

Recommendation 25 [R.25] (Originally rated PC)

78. Cambodia was rated Partially Compliant for R.25 in its 2017 MER. At that time, trusts could not be established under Cambodian law, therefore there were no trusts governed by Cambodian law. There is no requirement for trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold. There are no specific obligations placed on trustees under Cambodian law. The MER further found that there are no registries or domestic authorities that hold basic information on foreign trusts. The deficiencies identified under the analysis in R.10 and R.22 regarding BO information collected under CDD requirements for customers that are legal arrangements also applied under R.25. Requirements for REs to conduct ongoing due diligence and scrutiny to ensure CDD information is updated and relevant do not apply to information that is not collected as part of CDD, and there are gaps in the information collected under CDD on BO that have an impact on compliance with this criterion. Cambodia has not provided any evidence to suggest that competent authorities use their investigative powers to obtain BO information on behalf of foreign counterparts. Due to the lack of guidelines for competent authorities on the timeframes for provision of formal and informal international cooperation, it is not possible to state that there is, or would be, rapid provision of international cooperation in relation to trusts.

79. **Criterion 25.1** is *not met*.

80. 25.1(a) Cambodia's Trust Law was adopted in 2019 and trusts can now be established under Cambodian law. Article 7 of the Trust Law requires the trustee to "confirm the specific purpose of the trust and/or affirm the identity of beneficiary" but there are no further details on how the identity of the beneficiary is to be affirmed.

81. Article 30 requires the Ministry of Economy and Finance to "record, manage and keep in its custody of all information of the trustor, beneficiary, any other persons concerned, annual declaration, changes of trustee and any other necessary information related to the registration". Also, Article 15 of the Anukret on Trust Registration stipulates that any changes related to the trust deed shall be requested, in advance, to the Ministry of Economy and Finance to record the change. As such, some of this information is available from the point of annual updates, but this may not extend to all the required information, including any changes that may have occurred between annual filings.

82. However, under the current legislation, there is no obligation on trustees of any express trust governed under the Trust Law to obtain and hold adequate, accurate, and current information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust.

83. 25.1(b) Trusts in Cambodia are governed by the Trust Law (2019), which allows for the creation of different types of trusts which are required to be registered, according to article 28 of the Trust Law. The detailed conditions and procedures of registration are determined by Anukret on Trust Registration, adopted in 2019.

84. All trusts established in Cambodia are to obtain prior approval and registration permission from the Director General of the Trust Regulator (Article 4 of the Prakas on the Rules for Supervision, Organization and Functioning of Trust). All trusts shall be registered. The trust will be considered valid from the date of trust registration (Article 54 of the Prakas on the Rules for Supervision, Organization and Functioning of Trust). The Trust regulator has the responsibility to hold information on the beneficial ownership of trusts. The detailed conditions and procedures of registration are determined by Anukret on Trust Registration.

85. The Trust Regulator is a subordinated entity of NBFSA (Non-Banking Financial Services Authority), according to articles 11 and 20 Law on the Organization and Functioning of the NBFSA. The Trust Regulator's responsibilities include to prepare, update and request the issuance of regulations related to trust registration, permits and /or registration as a trustee operator and other participants in the trust sector and to prepare, update and request the issuance of regulations for the registration of individuals/legal entities operating such trusts (article 24 of Sub-decree on the organization and functioning of entities under the supervision of NBFSA).

86. However, Trustees of any trust governed are not required to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors.

87. 25.1(c) The deficiencies identified under the analysis in R.10 and R.22 regarding BO information collected under CDD requirements for customers that are legal arrangements are relevant here and still remain.

88. Furthermore, Article 10 of the Trust Law only applies to commercial trusts. Lawyers, notaries, accountants, auditors and anyone that conducts trust activities can only apply for an individual trustee license, according to article 22 et seq. of the Prakas on the Rules for Supervision, Organization and Functioning of Trust, so the criterion rating remains the same.

89. Article 44 of the Prakas on Rules for Supervision, Organization, and Functioning of Trust states that a licensed and authorized trustee shall keep and maintain all records, documentation, data, accounting journal of trustee and of trust for at least ten years, but does not specify whether this period is ten years following the creation of a trust or ten years after the trustee's involvement with the trust ceases. Cambodia has advised the review team that this means the trustee is to keep and maintain the information for at least ten years after the termination of the trust, however this is not explicit in the Prakas.

90. **Criterion 25.2** is *not met*. No updated information has provided on this criterion since the MER. Available material provided for C.25.1 supports the criterion rating of not met.

91. **Criterion 25.3** is *not met*. There is no requirement for trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold.

92. **Criterion 25.4** is *met*. The analysis in the MER and available material supports the criterion rating.

93. **Criterion 25.5** is *mostly met*. The analysis in the MER and available material supports the criterion rating.

94. **Criterion 25.6** is *partly met*.

95. *25.6(a)* Article 30 of Sub-decree 113 on the Organisation and Functioning of Entities under the Supervision of the Non-Bank Financial Services Authority (NBFSa) states the Research, Training and Education Department's responsibilities include, 'to cooperate with trust regulators in various countries and international development partners. This cooperation may include access to basic information held by registries or other domestic authorities, but for this to happen, the parties must sign an MOU. In addition, Articles 3 and 4 of the Law on the Organisation and Functioning of the NBFSa transfer responsibilities from the Ministry of Economy and Finance to the NBFSa. This would include the responsibilities under Article 30 of the Trust Law to "record, manage and keep in its custody of all information of the trustor, beneficiary, any other persons concerned, annual declaration, changes of trustee and any other necessary information related to the registration". There are no domestic authorities that hold basic information on foreign trusts.

96. *25.6(b)* The responsibilities of the General Affairs Department of the Trust Regulator include 'to communicate with international-national institutions and private sectors' (Article 27 of Sub-decree 113). This department is the contact point for general information regarding inquiries related to the Trust sector and any general concerns.

97. *25.6(c)* Competent authorities are able to use their investigative powers, in keeping with domestic law, to obtain BO information on behalf of foreign counterparts. Due to the lack of guidelines for competent authorities on the timeframes for provision of formal and informal international cooperation, it is not possible to state that there is, or would be, rapid provision of international cooperation in relation to trusts.

98. **Criterion 25.7** is *partly met*. A trustee who fails to perform its duties is liable for a range of sanctions per Articles 43 – 50 of the Trust Law. For each of the following breaches, the penalty is a fine of 20M to 50M Riel (USD 5,000 – 12,500). The penalty for reoffending is a fine of 50M – 100M Riel (USD 12,500 – 25,000) and/or from one month to one year imprisonment.

- Failing to perform their duties.
- Not reporting and providing information related to the trust management to the trustor, beneficiary, and the regulator.
- Not providing a financial statement to the relevant regulators and to the Ministry of Economy and Finance.

99. A legal entity can be declared criminally responsible. Applicable fines range from 50M to 200M Riel (USD 12,500 – 50,000).

100. However, there is still no provision for legal liability and/or sanctions for trustees operating in Cambodia that fail to disclose their status as trustees to FIs and DNFBPs before forming a business relationship or engaging in a transaction above the applicable designated threshold.

101. **Criterion 25.8** is *partly met*. The analysis in the MER and available material supports the criterion rating.

Weighting and Conclusion

102. Trusts in Cambodia are governed by the Trust Law (2019), which allows for the creation of different types of trusts which are required to be registered. All trusts established in Cambodia shall

obtain prior approval and registration permission from the Director General of the Trust Regulator. Cambodia does not require trustees to obtain and hold adequate, accurate, and up-to-date beneficial ownership information regarding the trust. Cambodia also does not require trustees to disclose their status to FIs or DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold. There is also no provision for legal liability and sanctions where trustees of foreign trusts fail to disclose their status when forming a business relationship or engaging in a transaction above the threshold. **Recommendation 25 remains rated Partially Compliant.**

Recommendation 26 [R.26] (Originally rated PC)

103. Cambodia was rated Partially Compliant for R. 26 in the 2017 MER. There were moderate shortcomings in meeting all elements of R.26. Additionally, verification processes for ‘fit and proper’ tests were unclear and Cambodia did not take a risk-based approach to supervision of all FIs. Following its 2022 FUR, Cambodia remained rated PC for R.26. The 2022 FUR found that Cambodia made progress in strengthening its AML/CFT system by issuing the new Law on AML/CFT. In addition, steady improvement of their supervisory activity has been made through the introduction of a risk-based approach to supervision of the banking, and payment service sectors. However, the frequency and intensity of risk-based supervision of other financial institution sectors remains a gap. Deficiencies also remain in the prevention of criminals and associates from holding, or being the beneficial owner of, a significant or controlling interest in financial institutions and in triggers for reviewing the assessment of ML/TF risk when there are major events or developments. These deficiencies are given particular weight.

104. **Criterion 26.1** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

105. **Criterion 26.2** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

106. **Criterion 26.3** is *partly met*. Since the 2017 MER, Cambodia has issued new Prakas concerning regulation of insurance and trust sectors.

107. For the insurance sector, the new Prakas on “Terms and Procedure for Insurance Business Licensing”, dated 31st May 2022 governs licensing insurance companies and associated fit and proper controls. The new Prakas requires the CEO and the Appointed Actuary, as well as branch managers, to provide original or certified criminal records. However, it is not clear whether the fit and proper measure applies to persons holding (or being the beneficial owner of) a significant or controlling interest.

108. For the trust sector, the Prakas on “Rules for Supervision, Organization and Functioning of Trust”, dated 26th January 2022, applies elements of fit and proper controls to every person applying for a license, the directors, senior staff, compliance officers and trust accountants or shareholders who hold the majority voting shares (point j in paragraph 2 of Article 16). However, these measures only partly address the issue of preventing criminals or their associates from holding (or being the BO of) a significant or controlling interest or holding a management function.

109. Deficiencies identified in the 2017 MER and 2018 FUR on banks, MFIs, financial leasing companies, securities and rural credit institutions remain.

110. **Criterion 26.4** is *mostly met*. The analysis in 2022 FUR and available material supports the criterion rating (see the 2022 FUR).

111. **Criterion 26.5** is *partly met*. The analysis in 2022 FUR and available material supports the criterion rating (see the 2022 FUR).

112. **Criterion 26.6** is *mostly met*. The Directive on Risk Based Supervision stipulates that CAFIU should follow up and update the risk profile of individual reporting entity on a quarterly basis. However, CAFIU is not required to review the risk profile of individual entity when major events or developments occur for the entity.

113. The frequency and intensity of onsite supervision is determined by a number of factors listed in Article 1.5 of the Directive on Risk Based Supervision. Article 1.5d) includes ‘other information or reports related to the reporting entity’. This broad term may capture major events or developments in the management and operations of the financial institution or group. However, Article 1.5 relates to onsite supervision only, not to reviewing financial institutions’ ML/TF risk profile.

Weighting and Conclusion

114. Cambodia issued two new Prakas regulating the insurance and trust sectors, which partly covers fit and proper measures. Deficiencies remain with wider fit and proper requirements. Cambodia issued the Directive on Risk Based Supervision which addressed the major part of deficiencies in c26.6. There are still moderate outstanding deficiencies in c26.3, 26.4 and 26.5. **Recommendation 26 remains rated Partially Compliant.**

Recommendation 28 [R.28] (Originally rated PC)

115. Cambodia was rated partially compliant in the 2017 MER and the 2022 FUR. Since the 2017 MER, Cambodia introduced a new licensing and regulatory framework for casinos and established a new regulatory authority. Virtual casinos have been prohibited. Cambodia conducted onsite supervision of 20 high-risk casinos and followed up with actions. Cambodia conducted onsite supervision and offsite monitoring on high-risk real estate agents, real estate developers and casinos and issued a Prakas (regulation) for imposing sanctions against all REs, their directors and senior management. Weaknesses remain with fit and proper tests of casinos, lawyers and accountants. Furthermore, there were no specific policies or procedures on how the intensity and frequency of AML/CFT supervision on DNFBPs is decided on a risk sensitive basis and Cambodia was yet to commence risk-based supervision of lawyers, notaries, accountants and DPMS.

116. **Criterion 28.1** is *partly met* (as per MER).

117. *28.1(a)* Cambodia requires casinos to be licensed as stipulated in the Law on the Management of Commercial Gambling. The remaining 66 casino applications identified in the 2022 FUR have been approved for license. At present, the CGMC has granted licenses in total to 87 casino companies. Cambodia has taken continuous efforts in implementing supervision on casinos. Cambodia followed up on the 20 high-risk casinos identified in 2019 with their remedial actions to ensure full compliance. Cambodia also conducted another round of review on all casino companies and issued warning letters to 11 casinos.

118. *28.1(b)* There has been no new information provided since the 2022 FUR and despite the general licensing requirements stipulated in the Law on the Management of Commercial Gambling, it remains unclear whether comprehensive measures have been taken to prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function or being an operator.

119. *28.1(c)* The analysis in 2022 FUR and available material supports the criterion rating (see the 2022 FUR, c.28.1(c)).

120. **Criterion 28.2** is *met* (as per MER). No further information was provided by Cambodia. The analysis in the MER and available material supports the criterion rating.

121. **Criterion 28.3** is *partly met*. No further information was provided by Cambodia. The analysis in 2022 FUR and available material supports the criterion rating (see the 2022 FUR, c.28.3).

122. **Criterion 28.4** is *partly met*. No further information was provided by Cambodia. The analysis in 2022 FUR and available material supports the criterion rating (see the 2022 FUR, c.28.4).

123. **Criterion 28.5** is *partly met*.

124. 28.5(a) The Regulatory Standard Operating Procedures (June 2019) requires the casino regulator to conduct risk-based supervision. The casino regulator should consider the self-risk assessment of casinos and complete offsite risk assessment using the AML/CFT risk assessment tool. The tool considers characteristics of casinos including the size, product risk and other inherent risks. The authority decides the intensity and frequency of supervision by dividing casinos into three categories- High Risk (conduct onsite annually), Medium Risk (conduct onsite every 3 years and offsite every 2 years) and Low Risk (conduct onsite if required and offsite every 5 years). Other information received may prompt an earlier on-site or off-site assessment. However, there is no progress concerning supervision on accountants, lawyers, DPMS and notaries.

125. It is not clear how supervisors use enterprise risk assessments to support risk-based supervision. It remains unclear that when assessing the adequacy of AML/CFT internal controls, policies and procedures, how the ML/TF risk profile of DNFBPs are considered and the degree of discretion allowed.

Weighting and Conclusion

126. Cambodia has made efforts in improving the effectiveness of the supervision of casinos. However, most of the technical deficiencies identified in the 2022 FUR remain. **Recommendation 28 remains rated Partially Compliant.**

4.2. CONCLUSION

127. Overall, Cambodia has made some progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated to LC on Recommendation 7. Insufficient progress has been made to support a re-rating for R.8, R.24, R.25, R.26 and R.28.

128. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

129. Overall, in light of the progress made by Cambodia since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date February 2023:

R.	Rating
1	PC (2017 MER), (2018 FUR), (FUR 2019) ↑ LC (FUR 2021)
2	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2019)
3	LC (MER 2017)
4	LC (MER 2017)
5	LC (MER 2017), (FUR 2019)

R.	Rating
21	LC (MER 2017), (FUR 2019)
22	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2022)
23	LC (MER 2017)
24	PC (MER 2017), (FUR 2022)
25	PC (MER 2017)

R.	Rating
6	LC (MER 2017), (2018 FUR)
7	NC (MER 2017), (2018 FUR), (FUR 2019) ↑ PC (FUR 2021), ↑ LC (FUR 2023)
8	PC (MER 2017), (2018 FUR), (FUR 2022)
9	C (MER 2017)
10	LC (MER 2017)
11	LC (MER 2017)
12	PC (MER 2017) ↑ LC (FUR 2021)
13	PC (MER 2017) ↑ C (FUR 2022)
14	LC (MER 2017)
15	C (2017 MER) ↓ NC (FUR 2021)
16	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2022)
17	LC (MER 2017)
18	PC (MER 2017), (FUR 2019) ↑ LC (FUR 2022)
19	PC (MER 2017) ↑ LC (FUR 2018)
20	LC (MER 2017)

R.	Rating
26	PC (MER 2017), (2018 FUR), (FUR 2022)
27	LC (MER 2017)
28	PC (MER 2017), (2018 FUR), (FUR 2022)
29	LC (MER 2017)
30	LC (MER 2017), (2018 FUR)
31	LC (MER 2017)
32	LC (MER 2017)
33	PC (MER 2017), (2018 FUR), (FUR 2019) ↑ LC (FUR 2021)
34	PC (MER 2017) ↑ LC (FUR 2018)
35	PC (MER 2017) ↑ LC (FUR 2022)
36	LC (MER 2017)
37	PC (MER 2017), (2018 FUR) ↑ LC (FUR 2021)
38	PC (MER 2017) ↑ LC (FUR 2021)
39	LC (MER 2017)
40	PC (MER 2017), (FUR 2021), (FUR 2022)

130. Cambodia has 33 Recommendations rated C/LC.

Summary of Technical Compliance – Deficiencies underlying the ratings ⁵

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating ⁶
7. Targeted financial sanctions related to proliferation	NC (MER 2017) PC (FUR 2021) LC (FUR 2023)	<ul style="list-style-type: none"> The process of implementing TFS is subject to delays (c.7.1) There is no mechanism for communicating designations to REs (including FIs and DNFBPs) (c.7.2(d)) Reporting entities are not required to take other actions in compliance with the prohibition requirements of the relevant UNSCRs, such as opening a banks account (c.7.2(e)) It is unclear how the supervisory authority monitors and ensures compliance by FIs and DNFBPs, and DNFBPs are not included in outreach programs regarding PF obligations (c.7.3) It is unclear whether REs constitute 'legal entities' for the purposes of administrative penalties under the PF law, as the term 'legal entities' is not clearly defined in the law (c.7.3) The PF Law may permit FIs and DNFBPs to add payments and earnings acquired under a contractual obligation to a frozen account so long as those payments or earnings are also frozen, however this requirement does not cover other entities and individuals which should also comply with the freezing obligations (7.5(a))
8. Non-profit organisations	PC (MER 2017)	<ul style="list-style-type: none"> Cambodia has not yet identified a subset of NPOs which by virtue of their activities or characteristics, are likely to be at risk of TF abuse; or reviewed the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for TF (c.8.1) Cambodia does not have clear policies to promote transparency, integrity, and public confidence in NPOs; Cambodia has not conducted CFT outreach or other educational programmes or developed best practices with the NPO sector concerning CFT issues. Cambodia does not actively encourage NPOs to conduct transactions via regulated financial channels, wherever feasible (c.8.2) Cambodia does not use findings on risk to target NPO sector monitoring or supervision (c.8.3) There are no appropriate authorities monitoring compliance of NPOs; and supervisors are not able to apply proportionate and dissuasive sanctions. (c.8.4) Gaps with co-operation, co-ordination and information-sharing among of appropriate authorities hold relevant information on NPOs and support of mechanisms to investigate potential TF cases involving NPOs (c.8.5). No identified a point of contact or procedures to respond to international requests for information regarding NPOs suspected of TF or other terrorist support (c.8.6).
24. Transparency and beneficial ownership of legal persons	PC (MER 2017)	<ul style="list-style-type: none"> No publicly available information on the process for obtaining basic or beneficial ownership of legal persons (c.24.1) Cambodia has not yet assessed the ML/TF risks associated with all types of legal person created in the country (c.24.2)

⁵ Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

⁶ Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating ⁶
		<ul style="list-style-type: none"> • Basic information collected by GDT is not publicly available (c.24.3) • Information keeping gaps with partnerships (c.24.4) • It is not clear that all basic information is to be kept up to date and accurate (c.24.5) • • The mechanism to obtain beneficial ownership obtained through CDD conducted by FI/DNFBPs has limitations, as FI/DNFBPs requirements to periodically update CDD may not ensure up to date beneficial ownership information is available to meet the requirements of this criterion. (c.24.7) • It is not explicit that the person authorised by the company is responsible for providing available beneficial ownership information and for giving further assistance to authorities in the absence of a subpoena (24.8) • No explicit prohibition of nominee directors and the controls on nominee shareholders are not yet in force (c.24.12). • Some deficiencies remain with proportionate and dissuasive sanctions, as appropriate for any legal or natural person that fails to comply with the requirements of R.24 (c.24.13) • The timeliness of international cooperation related to sharing information on legal persons was not demonstrated (c.24.14) • Cambodia has not provided relevant evidence to suggest that it monitors the quality of assistance it receives from other countries in response to requests for basic and BO information, or requests for assistance in locating beneficial owners located abroad (c.24.15).
25. Transparency and beneficial ownership of legal arrangements	PC (MER 2017)	<ul style="list-style-type: none"> • • Trustees of any express trust governed are not required to obtain and hold adequate, accurate, and current information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (25.1(a)). • Trustees of any trust governed are not required to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors (25.1(b)) • Professional trustees are not required to maintain the required information for at least five years after their involvement with the trust ceases (25.1(c)). • The deficiencies identified under the analysis in R.10 and R.22 regarding BO information collected under CDD requirements for customers that are legal arrangements are relevant here (c.25.1(c)) • Requirements for REs to conduct ongoing due diligence and scrutiny to ensure CDD information is updated and relevant do not apply to information that is not collected as part of CDD, and there are gaps in the information collected under CDD on BO that have an impact on compliance with this criterion (c.25.2) • There is no requirement for trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold (c.25.3) • There are no specific obligations placed on trustees under Cambodian law (c.25.5) • There are no registries or domestic authorities that hold basic information on foreign trusts. Cambodia has not provided any

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating ⁶
		<p>evidence to suggest that competent authorities use their investigative powers to obtain BO information on behalf of foreign counterparts. Due to the lack of guidelines for competent authorities on the timeframes for provision of formal and informal international cooperation, it is not possible to state that there is, or would be, rapid provision of international cooperation in relation to trusts (c.25.6)</p> <ul style="list-style-type: none"> • There is no provision for legal liability and/or sanctions for trustees operating in Cambodia that fail to disclose their status as trustees to FIs and DNFBPs before forming a business relationship or engaging in a transaction above the applicable designated threshold (c.25.7) • Sanctions for persons and legal entities relating to a failure to provide information to CAFIU and the supervisory authorities are not sufficiently punitive so as to be dissuasive (c.25.8)
26. Regulation and supervision of FIs	PC (MER 2017)	<ul style="list-style-type: none"> • Gaps remain with the scope of fit and proper requirements for FIs (c.26.3) • Gaps remain with regulation and supervision in line with the core principles; and weaknesses remain with risk-based supervision for FIs that are not prudentially regulated (c.26.4) • Risk-based supervision is not supported and has not yet commenced with FIs beyond commercial banks and microfinance deposit taking institutions (c.26.5) • It is still not clear whether CAFIU itself has obligations to conduct or update its own assessment of the ML/TF risk profile of a financial institution or group when an event or development occurs. Major events or development that would be considered triggers for the review of an entity's ML/TF risk profile remain unclear (c.26.6)
28. Regulation and supervision of DNFBPs	PC (MER 2017)	<ul style="list-style-type: none"> • Measures to prevent criminals or their associates from holding a significant or controlling interest or management function do not apply board members other than the Chairman or to senior management. How fit and proper persons are assessed is unclear (c.28.1) • Cambodia does not demonstrate that its supervision covers all DNFBP sectors including lawyers, notaries, accountants and DPMS (c.28.3) • The Law on AML/CFT does not define a shareholding threshold (beneficial owners of a significant or controlling interest) for when fit and proper person checks are triggered. For lawyers, it remains unclear how fit and proper tests are administered at market entry or what fit and proper tests accountants are subject to. It is also unclear whether a person who owns a real estate business but is not the licensee is subject to fit and proper checks (c.28.4) • There are no specific policies or procedures on how the intensity and frequency of AML/CFT supervision on DNFBPs is decided on a risk sensitive basis, taking into consideration the characteristics of DNFBPs. Accountants, lawyers, DPMS and notaries have not been subject to any form of supervision. It is not clear how supervisory authorities utilise these materials for supervision. There are no specific requirements on how the ML/TF risk profile of DNFBPs is considered and the degree of discretion allowed under the risk-based approach when assessing the adequacy of the AML/CFT internal controls, policies and procedures of DNFBPs (c.28.5)