

Executive Summary

1. This report summarises the AML/CFT measures in place in Greece as at the date of the on-site visit (30 October to 16 November 2018). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Greece's AML/CFT system, and it provides recommendations on how the system could be strengthened.

Key Findings

- a) Greek authorities generally understand the ML/TF vulnerabilities and risks they face as presented in the NRA adopted in May 2018. Greece adopted a national AML/CFT Action Plan based on the findings of the NRA. Generally, the objectives of most Greek authorities are consistent with identified ML/TF risks and national AML/CFT policies. The National Strategy Committee plays a significant role in effective co-operation and co-ordination at the national policymaking levels in Greece. However, Greece had not yet finalised its national AML/CFT Strategy at the time of the on-site visit.
- b) Greek authorities effectively use financial intelligence and other information to develop evidence and trace proceeds in investigations for ML, TF, and associated predicate offences. Input from HFIU is regularly sought by LEAs in the course of their investigations.
- c) HFIU, SSFECU/SDOE and Greek LEAs actively investigate suspicions of ML and related predicate offences, including parallel financial investigations and complex investigations involving organised criminal groups and cross-border activities. However, once these cases are submitted to prosecutors and become subject to judicial process, cases encounter undue delays. The need, in practice, to prove a predicate offence beyond a reasonable doubt in order to demonstrate the illegal origin of funds limits the ability to detect, prosecute, and convict for different types of ML, particularly foreign predicates, professional money launderers, or money launderers who bear no relation to the underlying offence. Too little information regarding sanctions imposed upon conviction for ML was available to determine whether sanctions are proportionate and dissuasive.

- d) Greek authorities make effective use of tools for seizing and freezing assets, depriving criminals of illicit proceeds and preserving assets for future confiscation. However, delays in prosecution and appellate processes prevent effective confiscation in many cases, and lack of comprehensive statistics prevents Greece from demonstrating the degree to which criminals are permanently deprived of their assets. Sanctions for false or non-declaration of cash or BNI is not proportionate or dissuasive.
- e) In Greece, TF activities are effectively identified and investigated, counter-terrorism investigations all include a financial component and asset freezing is effectively used to disrupt financial flows, even in the absence of a TF conviction. Greek authorities have conducted a limited number of TF prosecutions but has obtained two convictions in the court of first instance. This is generally in line with Greece's context and TF risk profile. However, sanctions do not appear to be proportionate or dissuasive.
- f) Greece effectively deprives assets related to terrorism through domestic designations for the targeted financial sanctions (TFS) and has frozen a wide range of assets. However, limited understanding among certain DNFBPs and their supervisors hinders effective implementation. Greece has not yet conducted a comprehensive TF risk assessment to determine the vulnerability of NPO sectors. This results in a lack of risk-based supervision over NPOs.
- g) Greece has in place an adequate TFS regime to combat Proliferation Financing (PF), although no PF-related assets have yet been identified or frozen. Effective co-operation and co-ordination between Customs and law enforcement authorities domestically and internationally contributes to identifying smuggling of items related to proliferation.
- h) Financial institutions (FI) have a reasonably good understanding of their AML/CFT obligations and ML/TF risk. They adequately implement preventive measures in a risk-sensitive manner. On the other hand, understanding of ML/TF risks and the obligations is limited among DNFBPs, and therefore their implementation is not robust enough. This gap has been observed in the number of STR filing among the sectors: reports by the DNFBPs is very low in general.
- i) The supervisory authorities in the financial sector have a good understanding of the risks in the financial sector and in individual firms, and they apply a risk based approach to their supervision in general. However, a lack of adequate resources has hindered their capacity to use full range of supervisory tools, e.g. on-site inspection. There are gaps in the understanding of ML/TF risk among the DNFBP supervisors. Sanctions beyond fines are rarely imposed across the financial and non-financial sectors.
- j) Basic information on legal persons established in Greece is maintained mostly by the commercial registry, the General Electronic Commercial Registry (GEMI), and is publicly available. Greece is in the process of developing its central Beneficial Ownership Registry, to facilitate the authorities' swift access to beneficial ownership information. However, information on Greek registered shipping companies is maintained in a separate, paper-based registry. This impedes swift access to accurate and up-to-date information for this higher risk sector, which has frequent issuance of bearer shares and complex structures established in offshore locations. At the time of the onsite, there were over 10 000 *société anonyme* (SA) corporations (active and inactive) with bearer shares.

k) Generally, Greek authorities demonstrate a strong commitment to international co-operation and, on an operational level, HFIU and LEAs, particularly Customs, generally demonstrate effective co-operation with international partners. However, delays in judicial processes negatively impact Greece's ability to consistently provide or seek timely MLA and extradition. A lack of comprehensive statistics hinders Greece's ability to assess and improve its own effectiveness in relation to MLA, extradition and international co-operation.

Risks and General Situation

2. Greece faced a severe financial crisis starting from 2009 in the immediate aftermath of the 2008-2009 worldwide financial crisis. The Greek crisis significantly affected its financial sector, resulting in shrinkage of the market and consolidation in the industry. Strict capital controls since 2015, including restriction on cross-border movement of capital also has had an impact on FIs in Greece.

3. The main ML risks include the laundering of proceeds from drug trafficking, corruption, tax offence, crime against property, financial crimes and smuggling of migrants and refugee. Due to its geographical position, Greece is a gateway to the EU for illegal goods, migrants and refugees. Misappropriation of public funds and corruption by civil servants have been investigated. Greece also set the fight against tax evasion as a top national priority during the financial crisis. Greece assesses its national ML risk as medium-high. Money or value transfer services (MVTs), the legal professions and real estate agents in particular are identified as high risk sector of ML.

4. TF risks are mainly derived from the domestic terrorist threat, particularly far left and anarchist extremist group. Their funds originate from illegal sources, most commonly obtained by theft or robbery. Greece identified the TF threat associated with the international terrorism as low. MVTs or informal money transfer, e.g. *hawala*, are identified as potential methods to transfer the funds. Overall, Greece assesses its national TF risk as medium-low.

Overall Level of Compliance and Effectiveness

5. Greece has implemented an AML/CFT system that is effective in several areas. A substantial level of effectiveness has been achieved in the areas of understanding the ML/TF risks and the national co-ordination, collection and use of financial intelligence, investigation and prosecution of TF and the implementation of targeted financial sanctions related to proliferation. However, major improvements are needed to strengthen supervision and implementation of preventive measures, prosecution of ML, confiscation, preventing misuse of legal structures and the non-profit sector, and formal MLA and extradition. Generally speaking, Greece needs to enhance its collection and maintenance of comprehensive ML/TF-related statistics in order to better document the actions taken and the results achieved to demonstrate and assess whether the policies are successful and when improvements are needed.

6. In terms of technical compliance, the legal framework is particularly strong, with only some areas in need of significant improvement: measures related to preventing misuse of legal structures and the non-profit sector, correspondent banking and cash couriers.

Assessment of risk, co-ordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

7. Greek authorities generally understand the ML/TF vulnerabilities and risks they face as presented in the NRA (May 2018). However, their understanding of ML/TF risk is often secondary to their understanding of the predicate offences. Limited engagement of the higher-risk sectors in developing the NRA and lack of AML/CFT supervision over them impede Greece's comprehensive ML/TF risk understanding in these sectors.

8. Greece adopted a national AML/CFT Action Plan based on the findings of the NRA. Generally, the objectives of most Greek authorities are consistent with identified ML/TF risks and national AML/CFT policies. However, objectives and activities of DNFBP supervisors and judicial authorities do not appear to align with those policies and risks. Greece had not yet finalised its national AML/CFT Strategy at the time of the on-site visit, and certain risks previously identified, such as informal funds transfer systems and NPOs, remain outstanding.

9. The NSC plays a significant role in effective co-operation and co-ordination at the national policymaking levels in Greece. At the operational levels, LEAs, HFIU and financial sector supervisors co-operate effectively; however, many DNFBP supervisors do not.

10. Greek authorities have made efforts to raise awareness of the NRA findings among obliged entities. However, some DNFBPs have a different view on their ML/TF risks from the NRA findings.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.3, 4, 29–32)

11. Financial intelligence along with other relevant information is used to a high extent in investigations to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF. However, strategic analysis could be developed further and Greece should encourage LEAs involved with border protection to further enhance their co-ordination and co-operation to develop more comprehensive financial intelligence on cross-border issues.

12. HFIU receives various reports, including STRs, from a wide range of public and private sector sources. Among the public sector, tax authorities, Customs and Hellenic Police provide the highest volume of reports, which is consistent with Greece's risk profile. The Greek financial sector provides the greatest number of STRs, which are generally clear and complete. However, some of the higher risk DNFBP sectors provide very low numbers of STRs, which negatively impacts the ability to effectively develop financial intelligence across all sectors.

13. HFIU's analysis and dissemination supports the operational needs of the competent authorities to a substantial extent. HFIU products are successfully utilised by all Greek LEAs for both starting new criminal investigations and supporting the ongoing cases. However, strategic analysis could be stronger. Both the Financial Police Division and Economic Crimes Prosecutors reported a high level of satisfaction with the information provided by HFIU, and HFIU co-operates and exchanges information regularly and effectively with domestic competent authorities.

14. Greece's ML investigations are generally in line with its ML threats and risks. Authorities do conduct complex investigations involving organised criminal groups and significant amounts of laundered proceeds, with priority given to corruption, tax evasion, migrant trafficking and drug-related offences, consistently with the country's risk profile. However, ML cases are not frequently identified independently of the predicate offence and rarely involve facilitators or professional money launderers.

15. Prosecution of ML cases are less effective. The need, in practice, to prove a predicate offence beyond a reasonable doubt to demonstrate the illegal origin of funds limits the ability to prosecute and convict for different types of ML. Prosecutions are often subject to lengthy delays in the judicial process, and relatively few ML cases have been tried to their conclusion. In tax cases, Greek authorities successfully use mechanisms available under the Tax Procedure Code as an alternative to pursuing ML convictions. Limited anecdotal evidence shows use of proportionate and dissuasive sanctions, but in the absence of more information, the assessment team cannot determine whether sanctions are generally proportionate, dissuasive or effective.

16. Greece has developed an effective system to deprive criminals of assets, including provisional measures and mechanisms enabling voluntary forfeiture. Freezing and seizures measures are routinely used by the relevant authorities and significant amounts of money have been frozen, both in Greece and abroad. Assets frozen include amounts related to TF, as well as ML and related predicate offences, and are largely in line with Greece's ML/TF risks. Falsely or non-declared cross-border movements of currency are frequently detected and an administrative penalty is immediately imposed. However, the penalty, at 25% of the amount falsely or not declared, is not proportionate or dissuasive.

17. Delays in the judicial and appeals processes prevent effective confiscation in Greece. Very few irrevocable confiscation orders have been made to date, particularly in comparison with the value of assets that are frozen. Although criminals are deprived of assets and their operations are disrupted, it is not clear that such deprivation or disruption is permanent.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5-8, 30, 31 & 39.)

18. Greek authorities have a strong awareness of the different types of TF activity and how they are carried out in Greece. Although details remain classified in many cases, information reviewed by the assessment team indicates that the quality of investigations is generally high and based on a collaborative approach between relevant authorities, including co-operation with joint operational task force bodies at the regional and international level.

19. TF is part of every terrorism related investigation, but is not usually pursued as a distinct criminal activity. The AML/CFT Authority (which includes the HFIU) receives and disseminates intelligence related to TF at a level that is appropriate to Greece's risk profile. However, these disseminations have not yet resulted in criminal prosecutions. Of the TF prosecutions that have been initiated, there have been two convictions (one of which was overturned). Most of the cases presented to assessors are still pending before judicial authorities. Additional expertise specific to CFT is needed to better develop evidence related to TF, and delays in the judicial process should be addressed.

20. Greece makes effective use of mechanisms for designating suspected terrorists on domestic lists. Designation results in immediate freezing of assets and the prohibition of participating in any transaction with an obliged entity. Greek authorities have successfully used this mechanism for many years to disrupt financial flows and reduce the assets available for terrorist activities or support of terrorist groups and individual terrorists.

21. Greece implements TFS pursuant to UNSCR 1267 without delay through national measures, which compensate for shortcomings in the EU legal framework. Greece actively use its national TFS regime pursuant to UNSCR 1373 and has frozen a wide range of assets, including movable and immovable property. FIs understand and implement the freezing obligations with an IT screening system. However, limited understanding among certain DNFBBPs and their supervisors hinders effective implementation without delay in these sectors.

22. Greek authorities are aware of TF risks in the NPO sector to some extent, and Greece has undertaken initiatives to enhance oversight of NPOs particularly active in the field of migrants. However, Greece has not yet conducted any sort of comprehensive TF risk assessment to determine the vulnerability of NPO sectors. This results in a lack of focused supervision over NPOs in line with the TF risks.

23. Greece implements TFS relating to proliferation financing (PF) without delay through national measures, which compensate for shortcomings in the EU legal framework. However, the lack of awareness among certain DNFBBPs and their supervisors may hinder effective implementation without delay in those sectors.

24. Even though no PF cases have been identified, Greece has demonstrated effective co-operation and co-ordination between Customs and law enforcement authorities domestically and internationally. In certain instances, Customs has seized cargo transiting through Greece which has resulted in identifying illegal smuggling of items related to proliferation.

Preventive measures (Chapter 5; IO.4; R.9–23)

25. FIs have a reasonably good understanding of their AML/CFT obligations and ML/TF risks, and have policies and internal controls to address their risks. DNFBBPs are subject to the same legal requirements as FIs under the Greek AML/CFT law. However, understanding of ML/TF risks and the obligations is limited among DNFBBPs not subject to regular reporting duties or active supervisory monitoring and guidance, particularly among lawyers and tax advisers who also provide company formation services.

26. Overall, FIs apply mitigating measures commensurate with their risks, while smaller FIs, particularly money and value transfer service providers (MVTs) and bureau de change (BCs) face a lack of resources to meet their AML/CFT obligations. Meanwhile, business practices posing risks, e.g. acceptance of unlimited amounts of cash by investment services companies, are observed in some securities firms. DNFBBPs other than the audit profession, particularly small firms, generally do not seem to apply such mitigating measures on a systematic basis.

27. FIs adequately implement preventive measures in general: customer due diligence (CDD) in a risk based manner, e.g. enhanced CDD to politically exposed persons (PEPs), and recordkeeping measures. Banks in particular are rigorous in their efforts to monitor customers and to determine the beneficial owner of funds. They use

sophisticated electronic systems to do this. DNFBPs also apply some elements of CDD; however, their efforts are not fully consistent with AML/CFT requirements in certain cases. Other than auditors and the legal profession, DNFBPs (e.g. real estate brokers) show weaknesses in establishing the beneficial owner.

28. The number of suspicious transaction reports (STRs) from FIs is reasonable. The quality of STRs has increased since 2016 due to feedback provided to FIs by the Bank of Greece and HFIU. In contrast, the number of STRs submitted by DNFBPs is very low, with the exception of auditors, and the gaming sector.

Supervision (Chapter 6; IO.3; R.26–28, 34, 35)

29. Bank of Greece and HCMC have an effective licensing framework to ensure that criminals and their associates are not the beneficial owners or hold a controlling interest in FIs. Robust checks and controls ensure that only those deemed fit and proper are able to hold significant functions in organisations, and individuals have indeed been removed for licensing failures or weaknesses.

30. Bank of Greece and HCMC have a good understanding of the risks in the financial sector and the firms that operate within these sectors and apply a risk-based approach to supervision. Data and other compliance information provided by FIs to the Bank of Greece contribute to identifying risks and deficiencies. However, resource constraints resulting from the financial crisis has hindered their capacity to use full range of supervisory tools. This also has had a negative impact on their ability to carry out the overall risk assessment of individual firms.

31. Corrective actions by the Bank of Greece and HCMC are effective in ensuring that firms remedy identified failings. However, fines are the only enforcement tools used and are not seen as proportionate and dissuasive.

32. While the Bank of Greece has provided general AML/CFT guidance to the institutions under its supervision, detailed guidance specific to non-banking FIs has not yet been provided.

33. Licensing, registration and other controls implemented by supervisors or other authorities for DNFBPs are inconsistent and often inadequate among the various sectors. Entry control mechanisms are sometimes lowest in the sectors that carry the greatest degree of risk. There are a large number of unlicensed estate agents in Greece, which increases the risk that the property market could be used for ML.

34. DNFBP supervisors have an overall understanding of sector risk, while the understanding of individual firm risk across most sectors seems inadequate. In general, DNFBP supervisors do not apply a risk based approach to their supervision, partly due to lack of resources. While supervisors have identified deficiencies in some sectors, particularly in the accounting, legal, and real estate professions, they have not widely impose remedial actions for AML/CFT failings.

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

35. The General Electronic Commercial Registry (GEMI) database contains comprehensive basic information on most legal persons established in Greece. Competent authorities have access this information through GEMI. The information in the database is consistently accurate, publicly available and accessible online in Greek.

Nevertheless, the authorities have not imposed any sanctions for failures to provide timely updates to information maintained in the GEMI database.

36. Greece has several other databases that can help in identifying certain aspects of beneficial ownership, including the bank account register (BAR). A comprehensive tax database (ELENXIS) is accessible to all competent authorities that carry out financial investigations. In addition, L.4557/2018 provides the legal basis for a central public registry to collect and maintain information on beneficial ownership of legal persons; however, this registry is not operational yet.

37. Beneficial ownership information on Greek registered shipping companies is maintained in a specific separate registry. The fact that this registry is entirely paper-based and thus requires manual consultation impedes swift access to accurate and up-to-date basic and beneficial ownership information in this sector. Furthermore, these companies have frequently issued bearer shares and used complex structures established in offshore locations, which poses higher ML/TF risks.

38. At the time of the onsite, there were over 10 000 *société anonyme* (SA) corporations (active and inactive) with bearer shares. Greece has recently enacted legislation to abolish bearer shares, although such instruments as a means of ownership will not completely disappear until January 2020.

International co-operation (Chapter 8; IO.2; R.36–40)

39. Greek authorities co-operate routinely with their foreign counterparts as part of their normal course of operation. LEAs and HFIU both seek international co-operation to build their cases and share timely and accurate information, particularly within the EU legal framework. Co-operation is generally in line with Greece's geographic risk exposure, although Greece has participated in a limited number of Joint Investigative Teams (JITs). Bank of Greece, the main financial supervisor, actively engages with its counterparts for the supervision of EU countries financial institutions and groups.

40. In cases where judicial assistance is needed, i.e., formal MLA and extraditions, there is evidence of delays that negatively impact Greece's ability to consistently provide or seek timely MLA and extradition. Lack of statistics hinders Greece's ability to assess and improve its own effectiveness in relation to MLA and international co-operation and prevented assessors from comprehensively analysing the effectiveness of Greece's systems for seeking and requesting MLA and extradition.

Priority Actions

- a) Greece should identify and fully understand ML/TF risks that arise independently from predicate offences, finalise and implement its National Strategy, including by taking the steps set out in its national Action Plan to address previously identified and emerging risks.
- b) Greece should examine the case management systems, prioritisation of tasks and allocation of resources among prosecutors and the judiciary and make such changes as are necessary to address delays in ML and TF prosecutions, obtaining irrevocable confiscation orders and in making and executing MLA and extradition requests. To that end, Greece should also implement revised criminal procedures, including measures to address the right to adjournment and to allow for extrajudicial resolution in appropriate cases.
- c) Greece should conduct a comprehensive domestic assessment over the NPO sector to identify the features and types of subset of NPOs that are particularly at TF risk, and implement focused supervision in consistent with the identified risks.
- d) Greece should take the necessary measures to ensure that, in practice, a predicate offence does not need to be proven beyond a reasonable doubt in order to prosecute and convict for ML. Greece should ensure that it can and does pursue ML prosecutions for the different types of ML consistent with Greece's risk profile – i.e. complex ML cases, professional money launderers, and ML related to foreign predicates.
- e) Greece should ensure that its beneficial ownership register is fully operational without delay and that information on shipping companies is integrated into the central electronic registry system.
- f) Greece should raise awareness of TFS obligations related to both TF and PF among obliged persons, particularly DNFBPs, and ensure that obliged persons implement TFS without delay by monitoring their compliance.
- g) Greece should ensure appropriate resources are available to supervisory authorities to allow them to apply a risk-based approach to their supervision, and it should make full use of the supervisory powers in sanctioning breaches.
- h) Greece should strengthen the understanding of AML/CFT risks and obligations among non-banking FIs and DNFBPs, particularly higher-risk sector, including by providing more sector-specific guidance and feedback.
- i) Greece should develop more comprehensive national statistics regarding ML/TF related issues, including prosecutions, convictions, MLA and international co-operation, and ensuring sufficient detail to enable Greece to evaluate their results, identify the difficulties and, if needed, make necessary improvements.
- j) Greece should review the level of sanctions that are applied upon conviction for ML and TF and for false or non-declaration of cross-border movement of cash and BNI to ensure that such sanctions are effective, proportionate and dissuasive.

Effectiveness & Technical Compliance Ratings
Effectiveness Ratings¹

IO.1 - Risk, policy and coordination	IO.2 International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Substantial	Substantial	Moderate	Moderate	Moderate	Substantial
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Moderate	Moderate	Substantial	Moderate	Substantial	

Technical Compliance Ratings²

R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	LC	C	LC	LC	LC
R.7 - targeted financial sanctions - proliferation	R.8 - non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
LC	PC	C	C	C	C
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 –New technologies	R.16 –Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
PC	C	LC	LC	LC	C
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
LC	C	C	LC	LC	LC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
LC	LC	C	LC	C	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 – Statistics	R.34 – Guidance and feedback	R.35 – Sanctions	R.36 – International instruments
C	PC	LC	LC	LC	LC
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international cooperation		
LC	C	C	LC		

¹ Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

² Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.