



REPUBLIKA E KOSOVËS – REPUBLIKA KOSOVA – REPUBLIC OF KOSOVO  
QEVERIA E KOSOVËS – VLADA KOSOVA – GOVERNMENT OF KOSOVO  
MINISTRIA E FINANCAVE – MINISTARSTVO FINANSIJE – MINISTRY OF FINANCE



## FINANCIAL INTELLIGENCE UNIT

## ANNUAL REPORT 2013

Pristine, June 2014



**NJËSIA PËR INTELIGJENCË FINANCIARE  
FINANSIJSKA OBAVEŠTAJNA JEDINICA  
FINANCIAL INTELLIGENCE UNIT**

## **ANNUAL REPORT 2013**

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## LIST OF ABBREVIATIONS

ACA	Anti-Corruption Agency
AIF	Additional Information Report
AML	Anti-Money Laundering
CBK	Central Bank of Kosovo
CFT	Countering or Combating the Financing of Terrorism
CTR	Cash Transaction Report
DNFBPs	Designated Non-Financial Businesses and Professions
EC	European Commission
EGMONT	World Financial Intelligence Units Networks
EU	European Union
EULEX	European Union Rule of Law Mission in Kosovo
FATF	Financial Action Task Force
FIC	Financial Intelligence Center
FIU-K	Financial Intelligence Unit of Kosovo
GDP	Gross Domestic Product
goAML	Electronic system of data management
ILECU	Directorate for International Law Enforcement Co-operation
IMF	International Monetary Fund
IT	Information Technology
JVI	Joint Vienna Institute
KC	Kosovo Customs
KIA	Kosovo Intelligence Agency
KP	Kosovo Police
MF	Ministry of Finance
MONEYVAL	Experts Committee for Evaluation of Fight Against Money Laundering
NGO	Non-Government Organisation
PEP	Politically Exposed Person
SPRK	Special Prosecutor's Office of Kosovo
STR	Suspicious Transaction Report
TAK	Tax Administration of Kosovo
UNMIK	United Nation Mission In Kosovo
UNODC	United Nations Office on Drugs and Crime

## 1. MESSAGE FROM THE DIRECTOR

The legislation and the effective work in the system against Money Laundering and Finance Terrorism is crucial for the Republic of Kosovo in order to support the stability and the integration of its financial system.

It is the third year that the Financial Intelligence Unit has enhanced the cooperation with law enforcement institutions and private sector to prevent and fight money laundering and finance terrorism activities.

FIU-K received suspicious transactions reports and cash transaction, but the quality of these reports would have not been ensured and improved without cooperation with reporting subjects and law enforcement institutions. Even though the number of cash transaction has decreased in comparison with law year (174 – 202), in comparison with the establishment year of this institution 2011 (135 STR) there is a stable increase of additional activity and reporting. Based on these numbers, FIU evaluates the increase level of the awareness from the reporting subject and welcomes the continuous cooperation with these subjects.

I would like to use this opportunity to repeat that is a legal obligation in Kosovo for every person, without being limited in officials or not officials to present information as regarding any suspicious transaction when he/she know or suspect that any property or asset has its origin from proceeds of crime or used for financial terrorism activities.

During the last years, FIU-K has made crucial attempts to improve its institutional position, its capacities, wide the cooperation with other national and international authorities and to increase the analyze quality.

Increasing the operational capacities, analytical skills, still remains one of the development aim of FIU-K in compliance with the advanced methodologies of analyzing money laundering and finance terrorism, capacities in the intelligence technology field in order to achieve high quality of the sensitive financial data received from reporting subjects of FIU-K and their accurate analyze, all of this with the purpose of ensuring the promotion of compliance with the Law in force on Prevention of Money Laundering and Finance Terrorism.

  
**Dardan NUHIU**  
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**Director, Financial Intelligence Unit**



## 2. INTRODUCTION

Effective combating of money laundering and finance terrorism remains on the challenges of our state toward the journey in European integration. Our country has tried and is still trying to strengthen the legal and institutional mechanisms for an effective combat of money laundering and finance terrorism. FIU-K's efforts to address legal changes with the purpose of approximation with the recommendations and international directives resulted with the approval of legal changes of the law on prevention of money laundering and finance terrorism, in February 2013.

Secondary legislation, increase of awareness and cooperation related to the phenomenon of money laundering and finance terrorism remains one of the challenges and continuous engagement component of FIU-K. In the function of enforcing its legal mandate, the Financial Intelligence Unit gave a crucial contribution as regarding the investigations through forwarding information to other law enforcement authorities related to suspicious transaction reports or additional analyzes and different forms of cooperation for possible suspicious on involvement in money laundering, finance terrorism or any other related criminal offense against economy.

The National Risk Assessment on money laundering and finance terrorism requested also by the first FATF recommendation has been successfully finalized on December last year, by issuing also other relevant documents for the treatment of evaluation measures and the analyze and evaluation of individual risks matrix. Furthermore this document has served as a base to issue the objectives and activities of the National Strategy of the Republic of Kosovo for the prevention and fight against informal economy, Money Laundering, Finance Terrorism and Financial Crimes 2014-2018 and it's Action Plan. This will ensure the sustainable managing of the risks. Achieving these aims requests that the extent of informal economy should be reduced and the value of confiscation of proceeds of crime should be increased.

In order to increase the results on the more effective prevention and fight against money laundering and finance terrorism, FIU-K has undertaken the following steps to improve and extend the cooperation and continues coordination with national and international partners. Also, another continuous aim of FIU-K is the all-time and more notified raised cooperation and exchange of information with international counterpart agencies as well as exchange of knowledge and best practices in this field.

The European Commission Report of Progress of 2013 notifies that Kosovo improved her legislation on the field of AML/CFT continuously and that the revised law extents and strengthens the mandate of the Unit. However, it remains a challenge of the law enforcement institutions and judiciaries to increase and improve their knowledge to be able to treated and interlink the criminal offense of money laundering and other related offenses.



### **3. ORGANISATION OF THE FIU KOSOVO**

#### **3.1. Tasks**

FIU-K has been established with the Law on Prevention of Money Laundering and Finance Terrorism (Law on AML/CFT)<sup>1</sup>. It is a central independent national institution of the Ministry of Finance. FIU-K is responsible on searching, receiving, analyzing and distributing information to component authorities that have investigation and fight against money laundering and finance terrorism mandate. The mandate and the powers of the FIU-K as well as the obligations of the Reporting Subjects and their responsibilities are defined with the Law on AML/CFT.

The powers and the functions of the FIU-K are as follows:

1. Receive, save and analyze suspicious activities reports (SAR), cash transaction reports (CTR) and information from different sources connected with the suspicious on money laundering and finance terrorism;
2. Distribute information related to suspicious of money laundering or finance terrorism to investigative component bodies;
3. Supervise and inspect reporting subjects to ensure the compliance with the reporting obligations and maintaining notes;
4. Exchange of information and cooperation with FIU's in different jurisdictions and with other investigative and regulative bodies;
5. Train reporting subjects and investigative and regulative personnel; and
6. Recommends for the legislative and political measures to be taken in order to increase measures against money laundering and finance terrorism.

#### **3.2. Mission**

The FIU-K's mission is based on the legal mandated is to head the efforts of Government to improve the prevention and fight against money laundering and finance terrorism in national level. The correct function of the system in general, through close institutional cooperation and through Financial Intelligence Unit activities is the main objective of the FIU-K.

#### **3.3. Vision**

The FIU-K's vision is that in the near future, to be considered as one of the most advanced Financial Intelligence Unit in region as regarding the legislative and organizational aspects as well as to become a member of European and International field organizations.

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<sup>1</sup> Law No. 03/L-196 and Law No. 04/L-178 for the Prevention of Money Laundering and Finance Terrorism, 2010 and 2013.





### 3.4. Budget and human resources

#### 3.4.1. Budget

FIU-K's annual budget is determined. The Director of the FIU-K defines the budget needs and submits the proposal to the Board which determines the unit's budget. This proposal is based on plans for two time periods: one (1) year and three (3) years. It consists of human resources, IT and operational needs. The environment and the operational needs of the FIU-K has been analyzed and taken into consideration during the budget planning. The final budget is determined in annual basis from the Assembly of the Republic of Kosovo.

The Director, together with the Heads of the Departments, and the budget and financial personnel drafts the proposal for the FIU-K budget.

The statement of receipts (allocation) and statement of cash for FIU-K from the Kosovo Budget fond based on the economic category of 2013 is presented in the following table:

<b>Budget and human resources of the FIU-K 2013-2016</b>	
	<b>2013</b>
<b>Annual budget</b>	334,250
<b>Wages and salaries</b>	127,161
<b>Goods and Services</b>	123,589
<b>Utilities</b>	13,500
<b>Capital expenses</b>	70,000
<b>Number of the employees of the FIU-K</b>	18
<b>Eulex</b>	4

Table no.1

In the abovementioned table the initial budget of the FIU-K has been presented in the value of 334,250€, while the final budget was 351,050€ taking into consideration that in the wages and salaries category after the budget review, FIU-K has had budget increase in an amount of 16,800 €.

FIU-K for the period January- December 2013, has realized the budget value of 334,360 € or in percentage 95.25 %.

Following we have presented the expenses for each economical category:

- Budget for wages and salaries for 2013, based on the initial division has been 127,161 €, while with the budget review it has been increased for 16,800 € so that the final budget for this category in 2013 was 143,961€, while for this period the expenses reaches the value of 141,965 € or in percentage 98.61 % as in the above table.
- The budget spent for the fiscal year 2013 for the goods and services category is 113,271 € or in percentage 91.65 %.
- In the category of utilities the spent value for this economical category is 10,291 € or in percentage 76.23 %.
- In the category of capital expenses the spent value for this economical category is 68,842 € or in percentage 98.35 %.



### 3.4.2. Procurement activities

During 2013 based on the Public Procurement Law No.04/L-042 eleven (11) procurement activities has been implemented in total.

Based on the procedure the procurement activities are divided in:

- Two (2) procurement activities related to an open procedure,
- Two (2) activities with negotiated procedure without publication of the vacancy for contract,
- Three (3) activities with prize quote procedure and
- Four (4) activities with minimum value procedure.

While based on the planned value of procurement

- Three (3) are of the medium value,
- Four (4) of small value and
- Four (4) of minimum value.

### 3.4.3. Human resources

In 2013 the FIU-K has had 18 local official employees. The personnel includes the institutional management, administration, IT and operational personnel. FIU-K has one (1) secondary official from Kosovo Customs to improve the exchange of information and operational cooperation. FIU also agreed with Tax Administration and Kosovo Police for the interconnection of secondary officials in the unit.

Despite the local personnel, there are four (4) representatives of EULEX working in the FIU-K. One of the international experts is the Director's consultant and two others are intelligence analysts and one Administrative Assistant.

Internal controls are based on the daily management and supervision of the Performance and Resources Plan. The Heads of the Departments manages their functions and reports to the Director. The Monthly Reports of the Performance are being drafted to ensure the transparency, efficiency and appropriate sources. The implementation of the objectives is followed and measures are being taken in an appropriate way.

The function of the internal control helps the organization and the Director to achieve their objectives by offering systematic and disciplinary access to evaluate and improve the efficiency of the operational processes, risk management, controlling and governmental procedures.

<b>Financial Intelligence Unit</b>	<b>No of the employees in the Budget Law (Approved positions)</b>	<b>No of the employees at the beginning of 2013</b>	<b>No of the employees at the end of 2013</b>
Local staff	20	18	17
International EULEX Staff	//	4	4
Staff borrowed from Kosovo Customs and TAK	//	1	1

Table no.2

**3.5. Information technology**

**3.5.1. Software**

The FIU-K is using goAML the reporting system and the case management database established by UNODC. The system is also being used as a save program of exchange of information with some foreign counterparts FIUs. It offers additional tools of analysis for financial analysis. UNODC is responsible for the maintenance and development of the goAML system.

**3.5.2. Hardware**

The FIU-K has a three year plan of investments in IT. Furthermore this takes also the biggest part of the capital investments from the unit’s annual budget.

**3.6. Organization of the FIU-K**

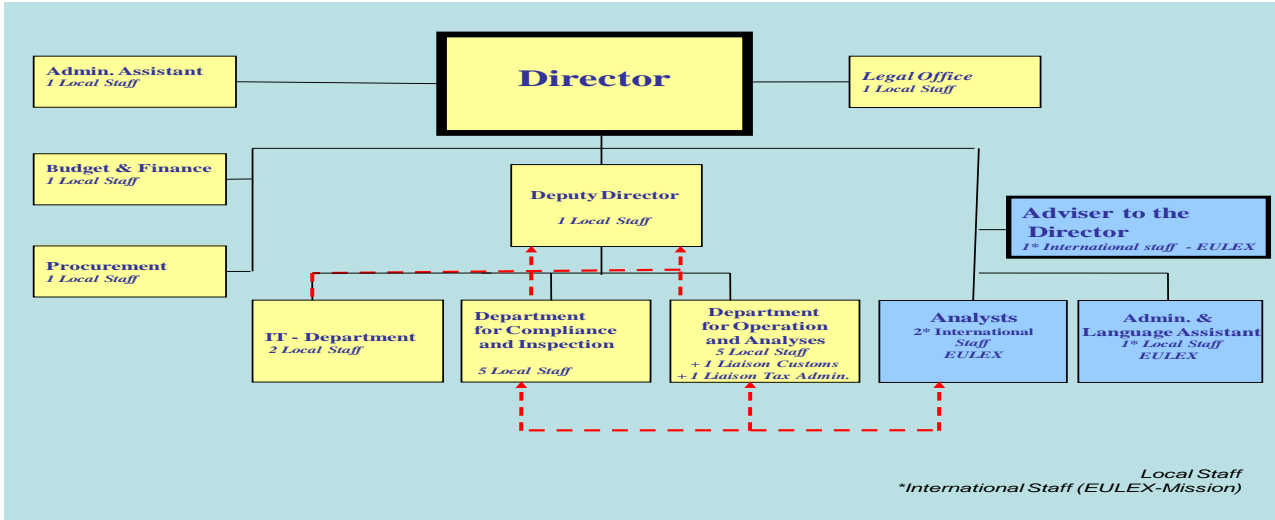
**3.6.1. Supervision of the FIU-K**

FIU-K has the Board that supervises and ensures the independency of the unit. It is composed of the Minister of Finance who serves as a Head of the Board. Other members consist of Ministry of Internal Affairs, Kosovo Chief Prosecutor, General Director of the Kosovo Police, Director of Tax Administration, General Director of the Kosovo Customs and Director of the Central Bank of the Republic of Kosovo. The Board does not have the right to interfere in any way in the issues in process of the FIU-K.

**3.6.2. Organizational structure**

The FIU-K is headed by the Director who is responsible to direct and manage the unit. As regarding the operational work, in the FIU-K there are three main departments: Operational and Analysis Department, Compliance and Inspection Department and IT Department. FIU has also the legal office dealing with the legal and international issues.

The Organizational Structure of the Financial Intelligence Unit is as follows:



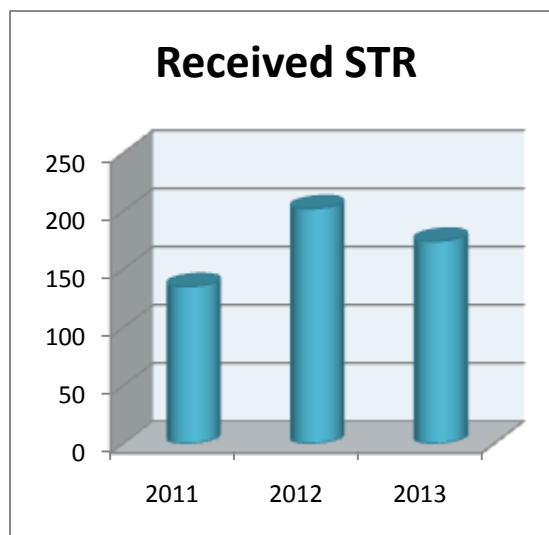
## 4. PERFORMANCE OF THE FIU KOSOVO

### 4.1. Receipt, analysis and dissemination of financial intelligence

#### 4.1.1. Suspicious transactions

The same as in the last two years, the trend of reporting the suspicious transactions (STR) continued almost with the same numbers, in 2013 those reports resulted with a total of 174 STR. The number of the transactions included in these reports of suspicious transactions was 564 suspicious transactions, in monetary value of approximately 35 million euro. In comparison with 2012 (202 STR reported) there is a decrease of 28 suspicious transactions reports or approximately 16%. Even though there is a decrease of the STR with the last year, in comparison with 2011 it resulted that those reports are increasing with a total of 39 STR.

Chart no.1



FIU-K's results	2011	2012	2013
STR Received	135	202	174

Table no.3

The same as last years, the biggest part of the STR's received from the FIU-K were presented by Banks and financial institutions. Other than this, from this year it is evident the availability of some reporting subjects to fulfill their legal obligations related to the reporting.

While, some other reporting subjects remains to be presented in an extraordinary small number on submitting reports, especially those subjects to whom it is asked to report based on articles 24-28 of the Law on prevention of money laundering and finance terrorism, including here: lawyers, accountants and auditors, casinos and gambling, political parties, construction companies etc. This indicates a very low affinity of their efforts to be in compliance with the law.



2013		
Statistical information on suspicious reports received from FIU		
Reporting Subject	Reports related to suspicious transactions	
	ML	FT
<b>Banks and Financial Institutions</b>		
Banks	159	6
Insurance Companies	0	0
Exchange offices (Exchange rates)	0	0
Money Transfer Agencies	6	0
<b>DNFBPs</b>		
Casinos	0	0
Real Estate Agencies	0	0
Trade with metals/precious stones	0	0
Lawyers	0	0
Notaries	1	0
Certified accountants and tax consultants	0	0
Licensed auditors	0	0
Trust services providers and companies	0	0
Other professionals	0	0
<b>OTHER REPORTING ENTITIES</b>		
Kosovo Customs	0	1
Other	1	0
<b>Total</b>	<b>167</b>	<b>7</b>
<i>Table no.4</i>	<b>174</b>	

#### 4.1.2. Suspicious transactions Report for Terrorism Financing

From what has been said above about the suspicious reports received from FIU-K during 2013, from 174 total reports received, seven (7) of them were reported for terrorism financing. Most of the received reports from FIU-K, after analyzing, processing and collecting other intelligence information, those has been forwarded to other competent law enforcement institutions for further investigation.

The reporting of suspected terrorist financing is conducted as Suspicious Transaction Reports (STR). Reports concerning suspected financing of terrorism are presented with separate statistics from 2014 onwards.

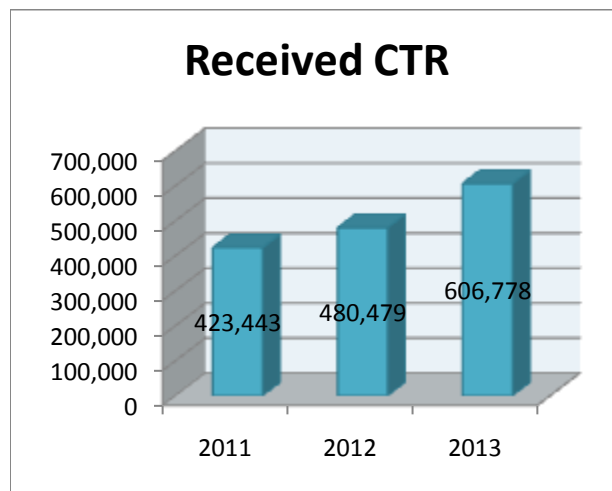


#### 4.1.3. Cash Transactions Reports (CTR)

Based on the law on force and its operative mandate, the Financial Intelligence Unit receives cash transactions reports in an amount of ten thousand (10.000) Euro or more from reporting subjects obliged to report for these transactions by law.

The number of the cash transactions reports has been increased during 2011 and 2013. In 2013 the number of the cash transactions reports has reached over 600 000.

Chart No.2



FIU-K's results	2011	2012	2013
Received CTRs	423 443	480 479	606,778

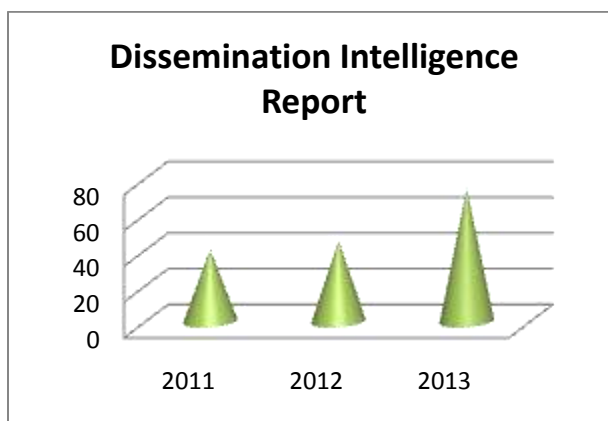
Table no.5

#### 4.1.4. Analyzing and Dissemination of intelligence to national and international counterparts

After collecting and analyzing information or suspicious transactions, FIU-K open cases based on the suspicion and disseminate the cases to the law enforcement institutions. During 2013, 312 cases has been opened, out of which 118 derived from suspicious activities reports received by FIU-K and reported mostly from reporting entities, but a part of them has been also opened from received information in FIU, while 190 cases has been opened based on the requests for information and inter-agency cooperation. In cooperation with other law enforcement agencies, FIU-K is also working in 4 cases for analyzing and joint investigation.

The number of distributed intelligence reports has been clearly increased in comparison to 2012.

Chart No.3



FIU-K's results	2011	2012	2013
Disseminated intelligence reports	40	45	74

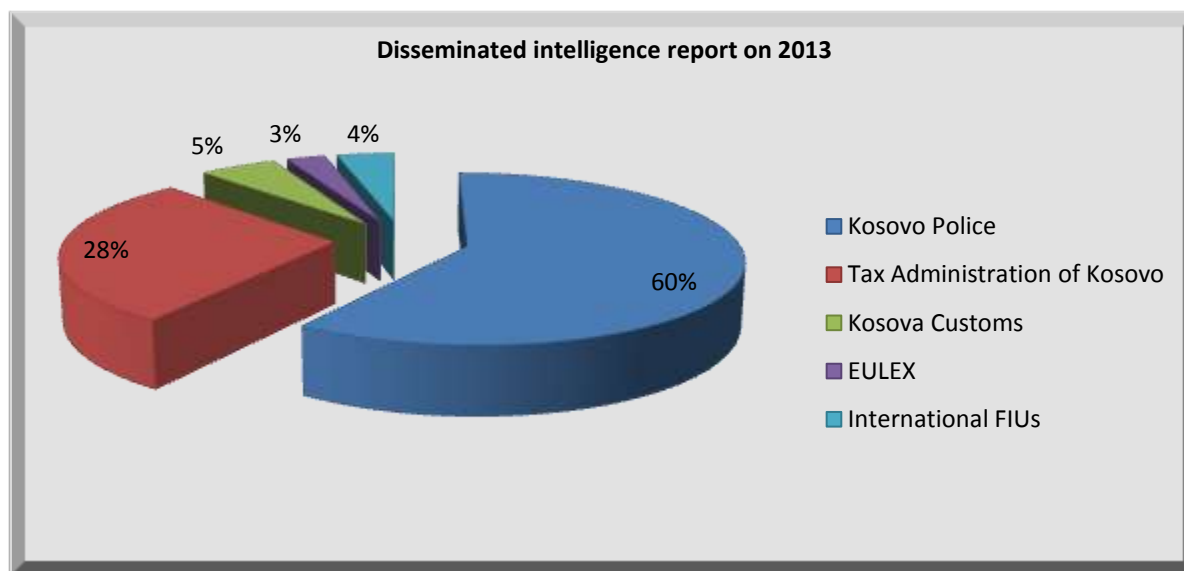
Table no.6

Having to mention that most of the reports have been distributed for further investigation to Kosovo Police. Even though the number of distributed reports has been increased, FIU-K is focused in increasing both, the quality and quantity of distributed reports in order to increase the number of investigations and prosecution implemented as a part of FIU-Ks work.

Disseminated to	2013	%
Kosovo Police	44	59.46%
Tax Administration of Kosovo	21	28.38%
Kosovo Customs	4	5.41%
EULEX	2	2.70%
International FIUs	3	4.05%
<b>Total Disseminated reports</b>	<b>74</b>	<b>100%</b>

Table no7

Chart No.4



#### 4.1.5. Requests for information from national and international counterparts

The total number of the requests that FIU-K has received from national authorities in 2013 shows a stable enhancement of cooperation between FIU-K and national partners. This indicates that FIU-Ks work now is wider and that its function and role has become known in country. The requests from foreign FIUs remain stable.

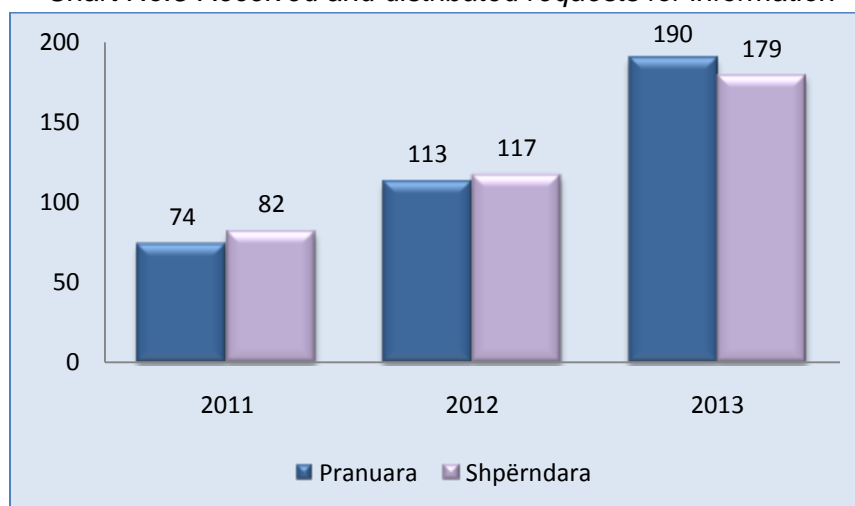


<b>FIU-Ks results</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Number of received request for information from national authorities	64	103	183
Number of received request for information from foreign FIUs	10	10	7
<b>Total requests for information received by FIU-K</b>	<b>74</b>	<b>113</b>	<b>190</b>

Table no.8

In the framework of the requests for information, the Financial Intelligence Unit during 2013 has received in total 190 requests for information from different national and international law enforcement institutions and has forwarded responses after completing or analyzing the information or data from FIU-K. If we compare these data with the request of a year before, it is evident that in 2013 the number of such requests has been increased, since in 2011 and 2012 we have had 74, concretely 113 requests for information, while this number in 2013 has reached 190 cases. This furthermore indicates also the enhancement of the cooperation with law enforcement institutions, and enhancement of the professionalism of the institution itself.

Chart No.5 Received and distributed requests for information



Other than receiving and analyzing those information, FIU-K has also distributed intelligence reports based on the received requests of information.

<b>FIU-Ks results</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Number of Information Requests of National Authorities reply/Disseminated by FIU-K	71	104	174
Number of requests for information distributed to foreign counterpart FIUs	11	13	5
<b>Total requests for information Disseminated from FIU-K</b>	<b>82</b>	<b>117</b>	<b>179</b>

Table no.9





## 4.2. Feedback

During 2013, 98 feedbacks have been received for 103 cases that FIU-K distributed suspicious information to criminal prosecution institutions, mostly in 2010-2013. Approximately 95% of these feedbacks have been received from Kosovo Police (Department for Investigation of Economic Crimes and Corruption), while approximately 3%, respectively 1% reports have been distributed from TAK and Special Prosecutors of the Republic of Kosovo.

Results of initiated cases from FIU-K presented on those feedback reports shows that around 30% of cases are under investigations, 22% of those cases has been forwarded to the Prosecutor, either Special or other competent Prosecutors, around 14% of the reports has been forwarded in other departments of Kosovo Police (either on regional units or organized crime departments), around 8% of cases are under treatment or criminal charges has been issued, while there are also 7 persons arrested under the suspicion on their involvement on money laundering. These investigations also showed that in two cases there was tax evasion in an amount of approximately 602,651 Euro, returned to Kosovo Budget. Furthermore it should be noticed that out of all these feedback, about 20% of them the criminal charges has been dismissed, the investigation has stopped or they are closed cases.

During the investigations has resulted that the main suspects for interconnected criminal offenses results with:

<b>Predicate offenses of ML</b>	<b>Number of Cases</b>
Suspicious financial activities	24
Tax Evasion	39
Human trafficking	2
Money laundering	24
Missuse of bank cards, fraud and counterfeiting	3
Money laundering and organized crime	1
Smuggling	1
Money laundering and pyramid schemes organization	2

*Table no.10*

## 4.3. Compliance inspection

With the amendment of the Law on AML/CFT, the FIU-K has more extended competences as regarding the compliance inspection of reporting subjects. In order to meet this legal obligation, FIU-K during 2013 has drafted the legal infrastructure with requested administrative instructions for a successful start of compliance inspections. In the last quarter of 2013 the Standard Operation Procedures (SOP) on Compliance Supervision has been drafted. Training for the FIU-K analysts as regarding these procedures has been organized by the B&S Project.

Prior to compliance inspection, the annual plan of 2014 for compliance inspection on reporting subjects has been drafted and entered into force. Based on the SOP the annual plan on



inspection has been drafted according to the general risk assessment which presents certain categories of reporting subjects in the field of money laundering and finance terrorism.

#### **4.4. Training activities**

FIU-K has held and did participated in several different training and was also contacted for consultation as regarding the reporting subjects including: Improvement of the quality of reports, Follow directives of the FIU, Reporting templates of registered subjects during this year, Help and advice as regarding the IT system.

In order to ensure and promote the compliance of reporting subject the FIU based on the law on force approved the Administrative Instruction No. 001/2013 “Trainings for Prevention and Fighting of Money Laundering and Finance Terrorism” which entered into force on 31/10/2013 as well as the training plan for 2014, where the training delivery has been foreseen for all the reporting subjects.

Based on the powers and duties determined by Law on AML/CFT, by the end of 2013 the training and workshops annual plan has been drafted for reporting subjects which includes also training for all the reporting subjects and a considerable number of officials looking forward to be trained in relation with legal reporting obligations as well as for the prevention of money laundering, finance terrorism and interconnected offences.

Training modules will be focused on the reporting obligation of AML/CFT, information management, compliance inspections, awareness, prevention, prosecution, and specific data related to the needs of the reporting subjects.



The composition and the organization structure of the training, modules and relevant materials will be designed in cooperation with sectorial supervisors of the reporting subjects.

Month	Reporting Subject	Training/Workshop	Topic	Ssupporters
January	Micro financial institutions	Training	AML/CFT, Legal obligations and reporting methods	/
	Notaries	Workshop	AML/CFT, Legal obligations and minimal standards of reporting Drafting contracts	Notary Chamber
February	NGOs	Workshop	AML/CFT, Legal obligations and reporting methods	B&S Project
March	Insurance Companies	Training	AML/CFT, Legal obligations and reporting methods	CBK
	Auditors and Accountants	Workshop	AML/CFT, Legal obligations and minimal standards of reporting	SCAAK
April	Political Parties	Workshop	AML/CFT, Legal obligations	CEC B&S Project
	Casinos	Training	AML/CFT, Legal obligations and reporting methods	B&S Project TAK
May	Other financial institutions	Training	AML/CFT, Legal obligations and reporting methods	CBK B&S Project
	Banks	Training		CBK B&S Project
June	Real estate agencies	Workshop	AML/CFT, Legal obligations	/
July	Auto-saloon	Training	AML/CFT, Legal obligations	/
August	/	/	/	/
September	Lawyers	Workshop	AML/CFT, Legal obligations and minimal standards of reporting	Bar Association
October	Construction companies	Workshop	AML/CFT	/
November	Sellers of precious metals	Workshop	AML/CFT	/
December	Evaluation of the trainings and workshops held during 2014 Training needs assesment for training and workshops for 2015			

Tabla no.11 Training Annual Plan for reporting subjects

#### 4.5. Raising awareness activities

There is a recommendation in the National Strategy of the Republic of Kosovo for prevention and fighting of informal economy, money laundering, finance terrorism and financial crimes that the Action Plan should also consist of a main objective “Raising awareness to impact the informal economy and financial crimes” that consists of several activities of awareness raising.



Financial Intelligence Unit is focused to train its own staff and raise society awareness through informative activities and other forms foreseen by law. Also, in the wake of a closer cooperation with reporting subjects, FIU continued with individual meetings with reporting subjects, being focused on periodical meeting with all commercial banks in country and special meetings with Notaries Chamber of Kosovo. These meetings resulted to be quite positive, where the best reporting forms has been discussed and treated, at the same time FIU offered recommendations and instruction in the issues of legal obligation fulfilment and reciprocal effective cooperation.

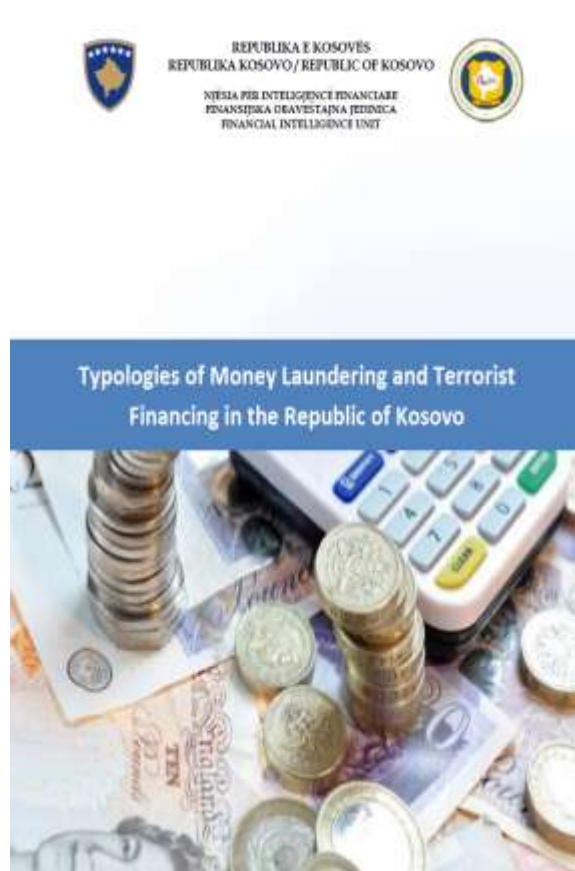
#### **4.6. Publishing of Typologies**

In order to inform the opinion with the FIU-K work, the typology study has been published related to criminal offenses of Money Laundering (ML) and Finance Terrorism (FT), reflecting the risk in different cases and the cooperation of law enforcement agencies in concrete cases.

The presented typologies through this report, will be also helpful for reporting subjects to understand the nature of ML/FT and their threats, among which it will also be support to design effective strategies to treat these threats.

These typologies will also help law enforcement officials to investigate and prosecute persons involved in ML and FT and to draft and implement effective preventive measures.

The publication of these typologies has been supported and financed by the EU funded Project “Support to Kosovo institutions in combating financial and economic crimes”.



#### **4.7. The development of legal framework**

On 8<sup>th</sup> of March 2013 the Law No. 04/L-178 for amending the Law No. 03/L-196 on Prevention of Money Laundering and Prevention of Finance Terrorism was published on the Official Gazette of the Republic of Kosovo, promulgated by Decree No. DL-003-2013, date 26.02.2013 from the President of the Republic of Kosovo and entered into force 15 days after the publication day.

Having changes of law into force brought relevant legal competences and obligations for Financial Intelligence Unit and for reporting subjects of the FIU-K. These obligations relates to national risk assessment on money laundering and finance terrorism, compliance inspections, administrative sanctions, finance terrorism, additional obligations of casinos and licensed objects of gambling, politically exposed persons etc.

In order to implement all the legal changes, FIU-K in 2013 has established a working plan consisting of the list of bylaws, to which special priority has been given to be drafted, revised or amends. The objective was to ensure the full and correct implementation of the Law on Prevention of Money Laundering and Finance Terrorism.

FIU-K in cooperation with the Ministry of Finance and EU funded Project has drafted the following Administrative Instructions which have been approved in 2013:

1. Administrative Instruction on the National Risk Assessment on Money Laundering and Finance Terrorism;
2. Administrative Instruction on Drafting Statistics, Reports and Recommendations for Money Laundering and Finance Terrorism;
3. Administrative Instruction for Treating the Prevention and Fighting of Money Laundering and Finance Terrorism.

FIU-K in 2013 has initiated and drafted the following Administrative Instruction:

1. Administrative Instruction for the Procedures of Imposition of Administrative Sanctions to Reporting Subjects that are not in Compliance with AML/CFT;
2. Administrative Instruction for Construction Companies;
3. Administrative Instruction on the Exclusion of certain Transactions from Reporting;
4. Conduct Code of FIU-K;
5. Administrative Instruction on Minimum Standards, Written Procedures and Controls on Prevention and Detection of Money Laundering and Finance Terrorism from Professionals;
6. Administrative Instruction for the Prevention and Detection of Money Laundering;
7. Administrative Instruction for the Politically Exposed Persons;
8. Administrative Instruction for the Prevention and Detection of Finance Terrorism.

FIU-K will finalize the identified administrative instruction as necessary secondary legislation waited to be approved in 2014.



## **4.8. Enhancement of the FIU's capacity and cooperation**

### **4.8.1. Information Technology**

FIU-K continued with the progress in the implementation of the system for Analysis, Reporting and Exchange of information through the secured system of goAML, having as an Objective the enhancement of the quality of intelligence and efficiency of the analysis. In this progress, a great contribution has given by the EU funded Project.

FIU-K experts together with the support of the EU funded Project drafted the Standard Operative Procedure to standardize the working processes based on goAML and used in a best way the options offered by this advanced system.

FIU-K in 2013 has initiated a process which resulted in the automatic exchange of information with Kosovo Police. FIU-K being assisted by the EU funded Project for this purpose established a new system which issues, compares and virtually presents through I2-base data taken from the Data base of Kosovo Police and goAML system. This new system significantly makes the process of prevention of money laundering and finance terrorism easier. The Standard Operation Procedure (FIU-K and Kosovo Police) that defines the legal base and the technical solution has been drafted as it should.

Also, during this period of time the upgrade of the goAML system has been made in the 3.4 version and the preparation to move to 4.0 version, which offers new possibilities which until now have not been possible has started.





Investments made in the new hardware based on the capital investment plan of IT. This hardware (Server, Computer, Scanner, Printer etc.) enters fully in use by establishing a new unsecure system by replacing completely the system based on the operative system Linux Ubuntu in the Windows system.

Also as a part of capital investments of IT a project for changing the equipment with the latest generation of Firewall has been realized. Furthermore, the establishment in the network has been successfully made. The implementation of the protection part of the Network of FIU-K makes it possible to fulfil the international standards of ensuring the data.

Renewing the monitoring Camera System of the FIU-Ks building, the enhancement of the capacity of recordings and the retention of the video has been successfully made. With the implementation of this project we fulfilled the standards related to the security of the building and the personnel of the FIU-K.

Capital investments of IT in 2013 spent the biggest part of the annual budget of the Unit.

During 2013 we worked continue sly in the integration of all Agencies and reporting subjects which deals with daily electronic communications with FIU-K in the goAML Message Board system (Exchange Offices, Microfinance, Kosovo Police, TAK, Kosovo Customs etc.), and this made it possible that the communication and the exchange of information with FIU-K to be realized over than 95% in the electronic and fast way.

#### 4.8.2. Standard Operating Procedures

The FIU-K assessed with the support of the EU funded project the needs to establish or revise the Standard Operating Procedures applied in the agency. The objective was to develop further the working processes of the FIU-K and its cooperation mechanisms with the relevant institutions to ensure the attainment of the highest possible efficiency and effectiveness in the implementation of the agency's mandated activities.

The FIU-K with the support of the EU funded project prepared a prioritized list of the Standard Operating Procedures which should be established. The following instruments were drafted during 2013:

1. Standard Operating Procedure on AML/CFT Compliance Supervision;
2. Standard Operating Procedures for FIU-K's goAML Based Working Processes;
3. Standard Operating Procedure on Automated Requests of Information from the FIU-K to the Kosovo Police;
4. Standard Operating Procedure on Cooperation between the FIU-K and the CBK in AML/CFT Compliance Supervision;
5. Performance and Resource Plan 2014-2016 of the FIU-K;
6. Standard Operating Procedure on Automated Information Exchange between the FIU-K and the Kosovo Tax Administration;
7. Standard Operating Procedure on Sector Specific Risk Assessment on Money Laundering and Terrorism Financing in Kosovo;
8. Standard Operating Procedure on goAML Web User manual for Reporting Subjects; and



## 9. Standard Operating Procedure on User Manual for goAML Templates.

The FIU-K will finalize the establishment of the identified Standard Operating Procedures in 2014 and take them for operational use together with the relevant partners.

### 4.8.3. Training of the personnel

A special importance has been shown to the aspect of professional development of the personnel that deals with the analysis and inspections as regarding potential suspicion on money laundering and finance terrorism. The professional development has mostly been made through the participation of the FIU-Ks staff in various training and workshops, organized from our local partners and international organizations. The FIU-Ks personnel has received in total 23 national and international trainings and workshops, out of which 18 were related to the prevention and fighting against money laundering and finance terrorism or similar criminal offenses.

The local training where the FIU-Ks staff participated, mostly consisted of the following topics:

- Financial Investigation Techniques,
- Criminal Code, Criminal Procedure Code, Prevention of ML/FT, Confiscation of assets, Finance Terrorism,
- Working Group meeting for standardization of the criminal charges and statistics template,
- International course on detection and asset recovery,
- Workshop “Combating Extremism and violent radicalization”,
- Advanced Techniques of financial investigations,
- Compliance supervision on AML/CFT,
- Money follow,
- goAML worked based process.

The professional staff of the FIU-K, participated also on various international training and activities, organized in regional and international level:

- Regional Conference on “Adaption of strategic prioritization in cooperation against cybercrimes” held in Dubrovnik, Croatia;
- Workshop and Course on AML/CFT, The FATF new Standard Methodology, organized from IMF and JVI Vienna held in Vienna, Austria;
- The Process of Stabilization Association Agreement (MSA), Chapter 23. The Judiciary and the Fundamental Rights; Chapter 24, Rights, Freedom and Security held in Durres, Albania;
- Academic Course of Criminal Justice, Multinational organized crime Forum, financed and organized by State Department and ILEA Roswell, New Mexico, USA ;
- European approach and international cooperation fighting against financial crimes, held in Dubrovnik, Croatia.







ILEA Roswell: *Academical Course of Criminal Justice, Multi national organized crime Forum*

#### 4.8.4. Cooperation with national partners

FIU-K together with other institutions and bodies in Kosovo are obliged to cooperation in a reciprocal way, help each other while performing their duties and also coordinate activities as regarding their powers in the compliance with applicable laws on the fight and prevention of money laundering and finance terrorism, and this helped FIU-K to continue with more intensive cooperation with other law enforcement institutions so that they understand the criminal offense of money laundering and finance terrorism and other related criminal offenses in order to enhance the efficiency to indirect collection of proofs through methods and practices internationally used in fighting these negative occurrences.

A special working focus has been given to the public institutions by holding freshmen training and presentations from unit's staff, where in cooperation with Economic Crimes Institute and Kosovo Judicial Institute and the support of the EU funded Project B&S during this reporting period 10 trainings has been held, and more than 300 officials of law enforcement institutions has been trained as regarding Financial Investigations Techniques, Criminal code and criminal procedure code, Prevention of ML/FT, finance terrorism, assets confiscation, fighting corruption, follow money, asset tracing and confiscation etc.



#### 4.8.4.1. *Working Groups and Action Plans of National Strategies*

Meanwhile FIU has given contribution in the secretariat and inter-institutional technical group while drafting the National Strategy of the Republic of Kosovo on Prevention and Fighting against Informal Economy, Money Laundering, Finance Terrorism and Financial Crimes 2014-2018. FIU was also an active participant and continuously participated in the implementation and revision of three national strategies: National strategy against organized crime, National strategy against terrorism and National strategy on the prevention of crime.

#### 4.8.4.2. *Memorandums of Understanding*

On 19/02.2013 Financial Intelligence Unit has signed the Memorandum of Understanding on the Exchange of Information with Kosovo Police. The purpose of signing this memorandum was to enhance the cooperation and the coordination of the exchange of information between the parties as regarding the prevention of money laundering, prevention of finance terrorism and other criminal offenses related to money laundering and finance terrorism.

FIU-K and KP promised that whenever it is possible, suitable and is asked from the other party, to exchange information in the electronic way and to have an liaison official from KP who will be a joint contact person for the communication of both institutions.

Then, in order to implement the abovementioned memorandum and exchange of information in electronically way, FIU-K and KP on 07/10/2013 signed an annex of the Memorandum.



### ***Memorandum of Understanding FIU-K and CBK***

As regarding the cooperation with the Central Bank of the Republic of Kosovo, FIU-K and CBK in order to implement article 36 A (compliance supervision by CBK) of Law No. 03/L -196 amended by Law No.04/L-178, dated on 11/06/2013 signed the Memorandum of Understanding on cooperation and exchange of information.

The aim of the Memorandum was to raise the level of cooperation and coordination also to enhance the security level of the exchange of information, and accelerate the process of exchange of information between Parties, as regarding the prevention and fight of money laundering and finance terrorism.

Memorandum's aim was also to delegate the authority to CBK based on article 36A of the law amended to carry on compliance inspection with FIU-K in accordance with the provisions of the laws No. 03L-196 and No. 04/L-178 on the Prevention of Money Laundering and Prevention of Finance Terrorism. CBK as licensed, supervision and regulatory authority of the financial sector has been given the responsibility for compliance inspection of the financial sector in the connect of the prevention of Money laundering and prevention of finance terrorism being based on the legal framework on the prevention of Money laundering and finance terrorism and bylaws issued by FIU-K.

### ***Signing the Memorandum of Understaing between FIU-K and CBK***



#### 4.8.4.3. ILECU

The representative of the FIU-K as a member of the working group and contact person in the ILECU office that aims to establish coordination national units to effect on the institutional cooperation method fighting against organized crime was constantly supported by the project of the establishment and strengthening of this inter-institutional unit of cooperation.

#### 4.8.5. Cooperation with foreign counterparts and Egmont Group

##### 4.8.5.1. *International exchange of information*

The money laundering phenomenon is characterized by the fact that in most cases, money laundering is affecting most of the countries of the world and at the same time in most cases it is exceeding national and ocean borders. For this reason, national exchange of information in an intense and efficient way would have positive impact fighting these negative phenomena.

Law on AML/CFT issues mandate to FIU-K that spontaneously or through a request to distribute information with any foreign counterpart agency that function and are subjects of similar obligations of the confidentiality, despite the nature of the agency which is a subject of reciprocity. The offered information is used only with the approach of the agency and only for the purpose of fighting money laundering, similar criminal offense and finance terrorism.

FIU has the abilities to internationally exchange all the information that can be reachable or possible in a direct or indirect way from FIU.

International co-operation	2011	2012	2013
<b>INCOMING REQUESTS</b>			
Foreign requests received by the FIU	10	10	7
Foreign requests executed by the FIU	11	13	6
Foreign requests refused by the FIU	0	0	0
Spontaneous sharing of information received by the FIU	0	0	2
Average number of days to respond to requests from foreign FIUs	49	33	26
Application of refusal base	0	0	0

Table no.12



#### 4.8.5.2. *Regional Cooperation*

In October 2013 in Durrës, Albania the regional conference of the SEE Financial Intelligence Units Directors has been held. The FIU-K Director was also invited in this conference, giving indications of the following expansion of the regional cooperation.

This forum is consisting of representatives of the FIUs of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Slovenia. The cooperation with the members of the Regional Working Group of FIUs is found to be very important for the FIU-K. Most of the operational level information exchange is related to the neighbouring countries. The objective of the FIU-K is to become a member of the Regional Working Group of FIUs.

#### 4.8.5.3. *Memorandums of Understanding*

FIU-K may enter into an agreement or arrangement with a foreign counterpart agency that perform similar functions and is subject to similar secrecy obligations.

In December 2013, FIU Kosovo has signed a Memorandum of Understanding with FIU Finland which at the same time has supported FIU-K in the membership process in Egmont Group. This cooperation resulted also in signing the MoU between these two agencies.

Since 2009, Kosovo Financial Intelligence Unit has signed the MoU with all together nine (9) countries, including countries from Western Balkan region, European Union countries and FIU Turkey and San Marino.

<b>Memorandums of Understanding with international FIUs</b>	<b>Year</b>
Albania	2009
Macedonia	2009
Montenegro	2009
San Marino	2009
Slovenia	2009
Croatia	2010
Turkey	2012
Czech Republic	2012
Finland	2013

*Table no.13*



#### 4.8.5.4. *Egmont Group Membership Process*

The FIU-K with the support of the EU funded project contacted the Egmont Group Secretariat on 12.8.2013. The objective was to clarify the state of affairs as regards applying for membership in general and specifically in respect of the agency itself.

The FIU-K's expression of interest concerning the Egmont Group membership was submitted to the Executive Secretary of the Egmont Group Secretariat on 29.8.2013. The process was initiated with the support of the FIU Finland, FIU Senegal and FIU Slovenia which approved the position of a Sponsor FIU based on the request of the FIU-K.

The Egmont Group membership process of the FIU-K was halted in December 2013 on the basis of the opposition of four member FIUs. It was decided by the Egmont Group's Outreach Working Group that the Sponsor FIUs cannot implement the planned on-site visit in January 2014.

The FIU-K's membership application procedure was included in the agenda of the Egmont Committee's meeting in Budapest during 17.-19.2.2014. It was decided that the process should be continued and the Sponsor FIUs should be allowed to carry out the on-site visit.

The FIU Finland, FIU Senegal and FIU Slovenia conducted an on-site visit in 2014. The Sponsor FIUs prepared a report and the FIU-K with the support of the EU project filled in questionnaires and prepared other documents required by the Egmont Group Secretariat. The conclusion of the FIU Finland, FIU Senegal and FIU Slovenia was that the FIU-K is fulfilling the membership requirements and therefore it should be approved as a member to the Egmont Group during the Plenary of the organization in June 2014 in Lima.



## 5. RISK MANAGEMENT ON MONEY LAUNDERING AND TERRORIST FINANCING

### 5.1. National Risk Assessment 2013

The FIU-K was tasked on 19.8.2013 by the Government of the Republic of Kosovo to draft a National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013. The agency initiated the work by establishing a National Risk Assessment Working Group consisting of representatives of the relevant public, private and third sector institutes and by drafting an Administrative Instruction on National Money Laundering and Terrorist Financing Risk Assessment<sup>2</sup> which defines in detail the process of risk assessment on money laundering and terrorist financing. This legal instrument is in compliance with the FATF Recommendation 1<sup>3</sup>. The defined process is a basis for the national level risk management and strategic planning as regards money laundering and terrorist financing. The Administrative Instruction on National Money Laundering and Terrorist Financing Risk Assessment was approved by the Government of Kosovo on 6.9.2013.

The FIU-K with the support of the National Risk Assessment Working Group defined criteria to be used to evaluate the significance of risks by following the ISO 31000 Standards.<sup>4</sup> It was decided that the risk criteria shall reflect the values and objectives of the relevant national legislation and society as a whole. Therefore, the criteria were derived from the Law on the Prevention of Money Laundering and Terrorist Financing<sup>5</sup> and the Program of the Government of the Republic of Kosovo 2011 – 2014<sup>6</sup> to ensure the identification of threats and vulnerabilities related to money laundering, terrorist financing, financial and economic crimes and informal economy.

The National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013 was based on extensive communication and consultation with the relevant national stakeholders. The defined risk criteria of the National Risk Assessment 2013 were as follows:

1. Efficient prevention and detection of money laundering and terrorism financing;
2. Sustainable economic development;
3. Good governance and strengthening the Rule of Law;
4. Human capital development;
5. Social welfare.

The FIU-K and the National Risk Assessment Working Group decided to recommend to the Government of the Republic of Kosovo that the results of the National Money Laundering and

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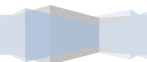
<sup>2</sup>Administrative Instruction MF - No. 04/ 2013 on National Money Laundering and Terrorist Financing Risk Assessment, Ministry of Finance, 2013.

<sup>3</sup>International Standard on Combating Money Laundering and the Financing of Terrorism & Proliferation (The FATF Recommendations), FATF 2012.

<sup>4</sup>Risk management – Principles and guidelines, International Standard ISO 31000, 2009.

<sup>5</sup> Law No. 03/L-196 and Law No. 04/L-178 on the Prevention of Money Laundering and Terrorist Financing, 2010 and 2013.

<sup>6</sup>The Program of the Government of the Republic of Kosovo 2011-2014, 2011.





Terrorist Financing Risk Assessment 2013 should be used also for the prevention of informal economy and financial and economic crimes. This was due to the fact that during the risk assessment process these harmful phenomena were found be linked with each other.

The National Money Laundering and Terrorist Financing Risk Assessment 2013 generated a prioritized list consisting of altogether 35 identified risks which were classified into threats and vulnerabilities related to the informal economy, money laundering, terrorist financing and financial crimes.

The National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013 was approved by the Government of the Republic of Kosovo on 18.12.2013. It consists of the following instruments:

- The National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013;
- Analysis and Evaluation Matrix for the Individual Risks;
- Action Plan for the Treatment Measures of the identified risks.

## **5.2. National Strategy and Action Plan 2014-2018**

The FIU-K was invited as a member to the national level working group which drafted the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018. The goals, objectives and actions of this policy document are based on the National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013.

The goals of the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018 are to:

- Support in achieving the objectives of the Program of the Government of the Republic of Kosovo 2011-2014;
- Reduce the extent of informal economy by 5 % between 2014 and 2018. Consequently, the value of formal economy subjected to tax and customs procedures would increase by at least 52 000 000 EUR<sup>7</sup> by 31.12.2018. This would raise the annual volume of collected revenues;
- Increase the total value of confiscated proceeds of crime. For 2014 the value of the confiscated proceeds of crime should be increased to 500 000 EUR. During 2015-2018 the value of confiscated proceeds of crime should be 1000 000 EUR annually.

The National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018 includes the following strategic objectives which are a national response to the identified risks of informal economy, money laundering, financing of terrorism and financial crimes:

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<sup>7</sup> Value is based on Kosovo GDP from 2012.





1. Raising awareness on the impacts and on the prevention of informal economy and financial crimes;
2. Strengthening the prevention and fight against informal economy and financial crimes by enhancing transparency, accountability, good governance and societal partnership;
3. Promoting intelligence, investigation, prosecution, court and enforcement proceedings on money laundering, terrorist financing and other financial crimes;
4. Strengthening the capacity of the relevant institutions;
5. Developing and applying a proactive approach to the international cooperation on prevention of money laundering, terrorist financing and other financial crimes;
6. Developing national legislation to comply with international standards and ensuring its efficient implementation.

The Action Plan 2014-2018 of the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018 consists of altogether 51 individual activities which have to be carried out in order to achieve the strategic objectives.

The National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018 includes also a Monitoring and Reviewing Instrument. It is a tool which is planned for the evaluation of the implementation process and for the identification of revision and amendment needs as regards the national strategy.

### **5.3. National risk management mechanism on money laundering and terrorist financing**

The FIU-K supported the Government of the Republic of Kosovo in establishing the national risk management mechanism on informal economy, money laundering, financing of terrorism and financial crimes. It is based on international standards<sup>8,9,10</sup> and it consists of the following instruments:

- National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013;
- Analysis and Evaluation Matrix for the Individual Risks identified in the National Risk Assessment 2013;
- Action Plan for the Treatment Measures of the risks identified in the National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013;
- Sector and Branch Specific Risk Assessments on informal economy, money laundering, financing of terrorism and financial crimes in Kosovo;
- National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018;
- Action Plan of the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018;

<sup>8</sup>Risk management – Principles and guidelines, International Standard ISO 31000, 2009.

<sup>9</sup>Risk management – Risk assessment techniques, International Standard ISO 31010, 2009.

<sup>10</sup>FATF Guidance National Money Laundering and Terrorist Financing Risk Assessment, 2013.



- Budgets and Performance Plans of the relevant public institutions 2014-2018;
- Platform ensuring partnership between the national public, private and third sector institutions as regards drafting, revising, adopting, implementing and monitoring the risk management instruments;
- Situation Report which is drafted every three (3) months and which contains information about the status and results of the implementation process of the National Strategy and Action Plan 2014-2018 and information on the current situation and developments as regards operative performance and results in the prevention of informal economy and money laundering, terrorist financing and other financial crimes.

The risk management procedure in Kosovo is in compliance with the FATF National Money Laundering and Terrorist Financing Risk Assessment Guidance<sup>11</sup> and ISO 31000<sup>12</sup> and 31010<sup>13</sup> standards. It relies on extensive consultation and communication with the partners including the most important public, private and third sector institutions. The enhancement of partnership between these stakeholders is crucial and has been ensured.

The National Money Laundering and Terrorist Financing Risk Assessment of Kosovo 2013 is a basis for the objectives and actions of the National Strategy and Action Plan 2014-2018. This will ensure consistent management of risks.

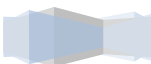
The FIU-K is responsible for the implementation sector and branch specific risk assessments focusing on the sectors and branches most vulnerable to money laundering and terrorist financing which are required in the action 2.2.11 of the Action Plan 2014-2018 of the National Strategy of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018. The compliance of these sectors and branches with the Law on Prevention of Money Laundering and Terrorist Financing should be assessed and ensured. The results of the sector and branch specific risk assessments shall be noticed when revising and amending the National Strategy and Action Plan for the Prevention of and Fight against Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018.

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<sup>11</sup>Ibid.

<sup>12</sup>Risk management – Principles and guidelines, International Standard ISO 31000, 2009.

<sup>13</sup>Risk management – Risk assessment techniques, International Standard ISO 31010, 2009.



## **6. INTERNATIONAL COOPERATION**

### **6.1. *The cooperation with EULEX***

The productive cooperation between two institutions continued even during 2013. It should be noticed that even after the transition and transfer of powers, in the Financial Intelligence Unit the presence of EULEX mission staff continued. Four employees of the EULEX mission, among them one advisor of the FIU-Ks Director, two intelligence analysts and a supportive official keeps giving their contribution by helping the institution to implement its legal mandate and enhance cooperation and capacities in the field of prevention and fight of money laundering and finance terrorism.

### **6.2. *EU funded projects***

The FIU Kosovo is a primary beneficiary of the project “Support to Kosovo institutions in combating financial and economic crime” the purpose of which is to strengthen the Financial Intelligence Unit, the Ministry of Finance, law enforcement agencies, judiciary and other relevant authorities in the effective enforcement of a harmonized and comprehensive legal and regulatory framework to combat financial crime. The project is funded by the EU Commission, managed by the EU Office in Kosovo and implemented by the company B&S Europe. The Project Team started to work on 17.6.2013.

The project consists of altogether seven (7) Components. They are divided into altogether 35 activities which concern designing the legal framework and regulatory framework, capacity building of the FIU and other relevant institutions, awareness and strategy enhancement, assessment of informal economy, authorization of Financial Experts, authorization of Computer Experts and revision of the Law on Prevention of Money Laundering and Terrorist Financing.

As for the design of the regulatory framework, the Project Team has supported the FIU and other beneficiaries in drafting of altogether fourteen (14) secondary legal instruments. The objective has been to enhance the implementation of the Law on Prevention of Money Laundering and Terrorist Financing. The experts have also established a total of ten (10) Standard Operating Procedures with the FIU and other stakeholders to develop their internal processes and cooperation. Among other things, these instruments define the legal and technical IT-solutions which are established in order to enable automated and intensified information exchange and improved operational cooperation between the FIU and the Kosovo Police and the Kosovo Tax Administration.

The Project Team has supported the FIU in carrying out the application process for Egmont Group membership. The preparatory stage has been completed. In spite of the political resistance of some member organizations, it is foreseen that the FIU Kosovo will become a member of the Egmont Group in June 2015.

The EU Project has produced also two extensive analysis reports namely the “Organizational Review and Assessment of the Strategic and Operational Cooperation in the Prevention of



Financial and Economic Crime” and “Legal Framework Assessment on the AML/CFT Regime in Kosovo”. They have been used as a basis for the project’s implementation but the recommendations of these analysis reports were also included as actions in the “National Strategy and Action Plan of the Republic of Kosovo for the Prevention of and Fight Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018” (National Strategy and Action Plan 2014-2018).

In respect of the capacity building, the Project Team and the FIU established Training Coordinators Working Groups for the public, private and third sectors. This process resulted in the report “Training Needs Analysis, Training Programme and Training Strategy for the Financial Intelligence Unit of Kosovo and other institutions engaged in the prevention of money laundering, terrorist financing and financial crimes”. It consists of altogether 22 separate training modules. The Training Programme was included in the National Strategy and Action Plan 2014-2018 and in the curricula of the local training institutes. The Project Team has started to support the FIU and other relevant institutions in implementing the defined training modules which are enhancing the capacities of the public, private and third sectors.

The EU Project Team supported the FIU and other public, private and third sector institutions in establishing a risk management mechanism on informal economy, money laundering, terrorist financing and financial crimes. It consists of the National Money Laundering and Terrorist Financing Risk Assessment 2013 which was drafted by a working group led by the FIU. It was approved by the Government of the Republic of Kosovo on 18.12.2013. The National Risk Assessment was a basis for a process which resulted in the establishment of the National Strategy and Action Plan 2014-2018. This policy document includes treatment measure for the national level risks and constitutes a road map for the local authorities as regards the prevention of informal economy, money laundering, terrorist financing and financial crimes. The Project Team has also assisted the FIU and other beneficiaries in monitoring the strategy’s implementation and in measuring the operative efficiency of the local institutions by supporting the Government in establishing a Situation Report on a quarterly basis. This instrument provides information about the operational environment and it measures the strategic and operational efficiency of the relevant public, private and third sector institutes. The Project Team and the FIU have also established, with the support of the other relevant institutions, the first sector specific money laundering and terrorist financing risk assessment focusing on the construction sector.

### **6.3. EU&CoE Project against Economic Crime PECK**

Financial Intelligence Unit was a part of the Project against Economic Crime (PECK). This project is financed and implemented by European Union and Council of Europe. FIU-K within this project is the heading and coordinating institution of the component against money laundering and finance terrorism. The Kosovo assessment system on the fight of money laundering and finance terrorism is based on the FATF Recommendations 2003 and special Recommendation on Finance Terrorism 2001 of the Action Task Force has been drafted by using the AML/CFT assessment methodology 2004. A separate questionnaire has been drafted



for two evaluation cycles based on the FATF Methodology and has presented the base for two offsite visits. This is the first completed evaluation of compliance in Kosovo with AML/CFT international standards.

Furthermore, that assessment report covers also several issues selected as regarding the 2005/60/EC Directive of European Parliament and the Council of Europe, for the prevention of the use of financial system for the purposes of money laundering and finance terrorism (“Third EU Directive”) and European Commission 2006/70/EC Directive on determining implementation measures for the 2005/60/EC Directive of the Parliament and European Commission as regarding the definition of “politically exposed persons” and technical criteria to simplify the procedures of consumer cue diligence and exemption on the base of random Financial activity and very limited (“Implementation Directive”) as well as several elements of the Council of Europe Convention for Laundering, Searching, Sequestrating and Confiscating of Proceeds of Crime and Finance Terrorism (STKE 198).

Both evaluation cycles has been based on the laws, regulation and other materials ensured by Kosovo authorities, as well as in information provided by the evaluation team during off site visit. The assessment has been carried out by an assessment team of the Joint Project of EU/EC against Economic Crimes in Kosovo (PECK), consisted of one MONEYVAL expert and GRECO. At the same time this assessment describes and analyzes the AML/CFT measures, and offers recommendation on how few aspects of the fight system against money laundering and finance terrorism in Kosovo can be strengthened.

The experts carried out the review of institutional framework, laws, regulations, guidelines and some other AML/CFT requests, as well as regulations and other systems established to prevent Money Laundering (ML) and Finance Terrorism (FT) through financial institutions and designated non-financial businesses and professions (DNFBPs) and also carried out the examination of the capacities, implementation and efficiency of all these systems. The structure of this Report generally is based on the structure of the Assessment Reports of MONEYVAL and FATF.

#### **6.4. Support from U.S. Treasury**

Technical Assistance Office of the American Treasury in Kosovo has given and still gives precious contribution in raising professional and operational capacities by providing lectures and assistance to the reporting subjects and law enforcement institutions as regarding money laundering and finance terrorism, legal and operational mandate of the FIU-K and the importance of the support by FIU for other law enforcement institutions. Except from the support that the FIU-K gave to the establishment and strengthens of the Economic Crimes Institute, the role of the Unit and American Treasury was incredibly crucial even in the establishment of the National Coordinators office. As a result of this several years cooperation between these two institutions, FIU-K and Technical Assistance Office, the last one made it possible that the Financial Intelligence Unit to be represented for the first time in ILEA, Roswell in one month Academy and Course for criminal justice and organized transitional crime.



## **7. FIU KOSOVO'S PERFORMANCE AND RESOURCE PLAN 2014-2016**

The FIU-K has established a Performance and Resource Plan 2014-2016. This strategic plan sets out how the agency will build on its assets and strong achievements to meet the challenges it will face over the next three years, and how the agency will sustain its position as one of the leading intelligence units in Kosovo and in the region. It also shows how the FIU-K will measure its success and control its internal processes. The Performance and Resource Plan 2014-2016 consists of the following chapters:

1. Introduction defining agency's duties, mission, vision, goals and organization;
2. Operational Environment and Risk Assessment of the FIU-K;
3. Objectives, Responsible Officials, Plans of Action and Performance Indicators of the FIU-K;
4. Financial, Human and Information Technology Resource and Office Premises Plan for the FIU-K.

The Performance and Resource Plan 2014-2016 defines FIU-K's strategic objectives. It also includes the plans to achieve them and key performance indicators to measure the effectiveness of the agency. The strategic objectives of the FIU-K for 2014-2016 are as follows:

1. Enhance Awareness and Communication on Anti-Money Laundering and Countering the Financing of Terrorism;
2. Promote prevention of money laundering and terrorist financing and intensify compliance supervision;
3. Develop, standardize and intensify reporting, intelligence and analysis processes and promote multi-agency cooperation concerning detection and investigation of money laundering and terrorist financing and confiscation of proceeds of crime;
4. Developing national AML/CFT legislation and FIU-K's internal standards and ensuring their efficient implementation;
5. Develop and apply a proactive approach to international cooperation in the prevention of money laundering and terrorist financing,
6. Enhance capacity of the FIU-K.

The Performance and Resource Plan 2014-2016 consists also of a plan for the allocation of resources and internal control.





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