



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 2014

Prishtina, June 2015



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

ANNUAL REPORT 2014

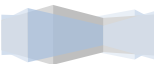


TABLE OF CONTENTS

1. INTRODUCTION	7
2. ORGANIZATION OF FIU KOSOVO	8
2.1. Background of FIU	8
2.2. Tasks	9
2.3. Mission	9
2.4. Vision	9
2.5. Budget and Procurement	10
2.5.1. Budget.....	10
2.5.2. Procurement activities	11
2.6. Organization of the FIU-K	11
2.6.1. Supervision of the FIU-K.....	11
2.6.2. Human Resources and Organizational Structure.....	11
3. LEGAL DEVELOPMENTS FOR AML/CTF	14
3.1. Development of legal framework	14
3.2. Sub-legal acts	14
3.2.1. Administrative Instructions.....	14
3.2.2. Standard Operating Procedures	15
4. PERFORMANCE OF FIU KOSOVO	16
4.1. Receiving, analysing and dissemination of financial intelligence	16
4.1.1. Processed data and reports.....	17
4.1.2. Suspicious Transaction.....	18
4.1.3. Suspicious transactions Report for Terrorism Financing.....	22
4.1.4. Cash Transactions Reports (CTR).....	22
4.1.5. Reporting unusual transactions (Monitoring of special transactions).....	23
4.1.6. Movement of monetary instruments into and out of Kosovo - Obligation to declare.....	24
4.1.7. Freezing transactions	25
4.1.8. Electronic system of receiving the RST and CTR	25
4.1.9. Requests of NGO-s for the exemption from legal prohibitions.....	26
4.2. Analysis and distribution of Intelligence reports to national authorities and international counterparts	27
4.2.1. Analysis of intelligence reports	27
4.2.2. Proposal for opening cases by the initiative from FIU-K.....	27
4.2.3. Distribution of intelligence reports to national institutions and international counterparts	28
4.2.4. Requests for information from national institutions and international counterparts	29
4.3. Compliance inspection	32
4.4. Feedback	34
4.4.1. Feedback information from institutions of law enforcement.....	34
4.4.2. Feedback information for reporting entities	34
4.5. Training activities and implementation of the training program	35
4.5.1. Implementation of the training program	36
4.5.2. Objectives of the Training Strategy.....	37
4.5.3. Development of the training cycle.....	37
4.5.4. Structure of the training program	38
4.6. Activities on raising awareness	39



4.6.1. International conference	39
4.7. Publication of typologies	40
4.8. Increasing FIU capacities	40
4.8.1. Information technology	40
4.8.2. Trainings, conferences, seminars and other meetings attended by FIU-K staff	42
5. NATIONAL AND INTERNATIONAL COOPERATION	45
5.1. National cooperation and coordination	45
5.1.1. Working Groups and National Strategy Action Plans	47
5.1.2. Memoranda of Understanding	47
5.2. Cooperation with international counterparts and Egmont Group	48
5.2.1. International exchange of information	48
5.2.2. Regional cooperation.....	50
5.2.3. Memoranda of Understanding	51
5.2.4. The process of accession to international organizations	52
5.2.5. Egmont Group	53
5.2.6. Second meeting of goAML users.....	55
6. RISK MANAGEMENT IN MONEY LAUNDERING AND FINANCING TERRORISM..	56
6.1. National Strategy and Plan of Action 2014-2018	56
6.2. Sector Risk Assessment 2014.....	57
6.3. National risk management mechanism for money laundering and financing terrorism	58
7. INTERNATIONAL SUPPORT	60
7.1. Cooperation with EULEX	60
7.2. EU funded projects	60
7.3. The EU/CoE project “Against Economic Crime in Kosovo PECK”	61
7.3.1. The second cycle (II) of the assessment of conformity with international standards in the field of Combating Money Laundering and Combating the Financing of Terrorism (CML/CFT)	61
7.3.1.1. Field visits of PECK project team in Kosovo.....	62
7.3.1.2. Meeting between Kosovo authorities and assessment team in Strasbourg	63
7.3.1.3. PECK Plenary Meeting for the assessment reports.....	63
7.3.1.4. Seminar on data collection, maintenance and reporting of statistics for the purposes of assessing.....	64
7.3.1.5. International Conference on Improving the International Cooperation in the field Against Money Laundering and Financing of Terrorism.....	64
7.4. Support from the Treasury of the United States	66
8. FIU-K PERFORMANCE AND RESOURCES PLAN 2015-2017.....	67



LIST OF TABLES

1. *Table 1 - The table of 2014 budget allocations and implementation*
2. *Table 2 –Staff structure of FIU-K*
3. *Table 3 –Seconded Staff of FIU-K*
4. *Table 4 –Number of STRs reported 2011-2014*
5. *Table 5 –Number of STRs reported according to the sector 2011-2014*
6. *Table 6 –Information on Suspicious Reports (STR) for ML and TF received by the FIU 2013-2014*
7. *Table 7 –CTR reported for the period 2011-2014*
8. *Table 8 –Reports regarding the transactions on reporting threshold (STR) according to sectors*
9. *Table 9 –Transaction reported through online reporting system*
10. *Table 10 –Unusual Transaction Reports*
11. *Table 11 –Monetary Transfers within and outside Kosovo*
12. *Table 12 –Account/Transaction Freeze*
13. *Table 13 –Requests of the NGOs for immediate or continuous exemption*
14. *Table 14 –On-going cases 2014*
15. *Table 15 –Cases open upon the initiative of the FIU-K according to the source 2014*
16. *Table 16 – Cases open upon the initiative of the FIU-K 2011-2014*
17. *Table 17 –Disseminated Intelligence Reports 2011-2014*
18. *Table 18 –Disseminated Intelligence Reports referred to the respective institutions 2013-2014*
19. *Table 19 –Requests for received information to the FIU-K 2011-2014*
20. *Table 20 –Request for disseminated information from the FIU-K 2011-2014*
21. *Table 21 – Inspection of Compliance 2014*
22. *Table 22 – Trainings held with the Reporting Entities*
23. *Table 23 –Main local trainings held by the FIU-K Staff*
24. *Table 24 –Main international trainings held by the FIU-K Staff*
25. *Table 25 –Requests for information (RFI) submitted by the cooperating institutions to the FIU-K*
26. *Table 26 –International exchange of information 2011-2014*
27. *Table 27 –Requests of foreign FIUs filed with the FIU-K 2014*
28. *Table 28 –Response to the foreign requests delivered by the FIU-K*
29. *Table 29 –Spontaneous intimation disseminated by the FIU-K 2013-2014*
30. *Table 30 –Requests of the FIU-K submitted to other counterpart FIUs 2014*
31. *Table 31 –Memorandums of Understanding with international FIUs*

LIST OF GRAPHS

1. *Graph 1 – Staff Composition of the FIU-K*
2. *Graph 2 – Number of reports processed through electronic and online system 2014*
3. *Graph 3 –Number of reported STRs*
4. *Graph 4- Number of STRs reported in 2014 according to sectors*
5. *Graph 5- STRs reported in 2013 and 2014 according to sectors*
6. *Graph 6 –RTDs received for money laundering and terrorist financing 2014*
7. *Graph 7 –CTRs received*
8. *Graph 8 –Electronic system for receiving STRs and CTRs*
9. *Graph 9 – Proposed cases*
10. *Graph 10 –Disseminated Intelligence Reports in 2014*
11. *Graph 11 –Information requests received and delivered by the FIU-K*

LIST OF ABBREVIATIONS

AASCA	Agency for Administration of Sequestered or Confiscated Assets
ACK	Anti-Corruption Agency
AECI	Anti-Economic Crime Institute
AIF	Additional Information Report
B&S	Implementing the EU Project
CBK	Central Bank of the Republic of Kosovo
COE	Council of Europe
AML/CTF	Anti-Money Laundering / Combating the Financing of Terrorism
CRA	Civil Registration Agency
CTR	Cash Transaction Report
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 Centre
FIU -K	Financial Intelligence Unit of Kosovo
goAML	Electronic system of data management
ILECU	International Law Enforcement Corporation Unit
IMF	International Monetary Fund
IT	Information Technology
JIK	Judicial Institute of Kosovo
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-Governmental Organizations
PECK	EU&CE Project Against Economic Crime in Kosovo
PEP	Politically Exposed Persons
SPRK	Special Prosecution of the Republic 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. INTRODUCTION

This year marks the 10th anniversary of the establishment of the legislative basis in accordance with the international standards of the combat against money laundering and terrorist financing.

During 2014, the most significant development was in regards to adoption by the Government of the National Strategy of the Republic of Kosovo on Prevention and Combating of Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018.

The membership process of the FIU into the international organizations remains one of the main commitments with particular focus to become member of Egmont Group. This process entered into the final stage and our membership in this important organization of the worldwide Financial Intelligence Unit Network is anticipated in one of the future plenary meetings of this institution. Participation of the FIU in the plenary meeting of Egmont Group was evaluated a very important step towards integration and enhancement of our country's cooperation at international level. This urged the Unit to undertake further steps on additional improvement and expansion of continuous collaboration and cooperation with international partners. Moreover, an increasingly significant cooperation and exchange of information with the counterpart international agencies as well as exchange of best knowledge and experience in this field is the continuous goal of the FIU.

After a successful conclusion of the National Risk Assessment on Money Laundering and Terrorist Financing, immediate steps were taken on sectorial risk assessment, by carrying out a risk assessment on the construction sector. This document has served as the grounds for review of the objectives and activities of the National Strategy of the Republic of Kosovo on Prevention and Combating of Informal Economy, Money Laundering, Financing of Terrorism and Financial Crimes 2014-2018 and its Action Plan.

The European Commission's Progress Report 2014 positively assesses the approval of the risk assessment on money laundering and terrorist financing and based on that also the establishment of the National Strategy that serves as a comprehensive mechanism for risk management and it handles the identified risks. At the same time, this report highlights the appointment of the National Coordinator for Combating Economic Crime and it evaluates the operational cooperation among the institutions. However, as a challenge for the country still remains the credible statistics on money laundering and the data on final punishments. In general, there has been a limited progress in the combat against money laundering. Nevertheless, the results in this field should be improved significantly. Kosovo should still demonstrate tangible results in the combat against economic and financial crimes.



2. ORGANIZATION OF FIU KOSOVO

2.1. Background of FIU

The Financial Intelligence Unit of Kosovo is the national independent central institution in charge of requesting, receiving, analysing, and disseminating to the competence bodies and disclosure of information related to potential money laundering and terrorist financing.

Most significant developments in the field of AML/PTF

Financial Intelligence Centre – FIC

Regulation 2004/2 and establishment of FIU Kosovo

- 2004 The Special Representative of the Secretary General (SRSG) issued the Regulation 2004/2, establishing the Financial Intelligence.
- 2004 The UNMIK Regulation 2004/2 on Prevention of Money Laundering and Related Criminal Offences entered into force on 1 March 2004.
- 2004 The Financial Intelligence Centre became functional in September 2004 under the international management staff of UNMIK.
- 2005 The Regulation No 2005/9 on amending the UNMIK Regulation No 2004/2 on Prevention of Money Laundering and Related Criminal Offences.
- 2006 The Regulation No 2006/9 on amending the UNMIK Regulation No 2004/2 on Prevention of Money Laundering and Related Criminal Offences.
- 2006 The Regulation No 2006/53 on amending the UNMIK Regulation No 2004/2 on Prevention of Money Laundering and Related Criminal Offences.

Transfer of competences from UNMIK to EULEX

- 2008 Handover of competences of the FIC from the UNMIK to the EULEX Mission.
- 2008 Utilization of goAML software.

Financial Intelligence Unit – FIU

Law 03/L-196 on the AML/PTF

- 2010 Law No 03/L-196 on Prevention of Money Laundering and Terrorist Financing.
- 2010 Establishment of the Financial Intelligence Unit of Kosovo (FIU-K) as the successor of the Financial Intelligence Centre of Kosovo.
- 2010 Establishment of the Management Board of the Financial Intelligence Unit of Kosovo.
- 2012 Transfer of competences from the EULEX Mission to the national authorities.
- 2012 Strategy on Prevention of Money Laundering and Terrorist Financing.
- 2013 Law No 04/L-178 on amending and supplementing the Law No 03/L-196 on Prevention of Money Laundering and Prevention of Terrorist Financing.
- 2013 National Risk Assessment of Money Laundering and Terrorist Financing.
- 2014 National Strategy of the Republic of Kosovo on Prevention and Combat of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2014-2018
- 2014 Assessment on compliance with the international standards in the field of Combating the Money Laundering and Combating the Terrorist Financing (LML/LTF) – PECK II

2.2. Tasks

The FIU was established by the Law on Prevention of Money Laundering and Terrorist Financing (Law on AML/CFT)¹. It is a central independent national institution of the Ministry of Finance. The FIU-K is responsible for requesting, receiving, analysing and disseminating to the competent authorities that have mandate in investigating and combating money laundering and terrorist financing. The mandate and the competences of the FIU and the obligations of Reporting Entities and their responsibilities have been defined in the Law on AML/CTF.

The FIU has the following competences and functions:

1. Requesting, receiving and analysing the suspicious activities/transactions (STR), and cash transaction reports (CTR) and information from other sources related to the suspicion for money laundering and terrorist financing;
2. Dissemination of information related to the suspicion for money laundering and terrorist financing to the competent authorities for further investigation;
3. Supervision and inspection of reporting entities to ensure compliance with the obligation of reporting and data storage;
4. Exchanging of information and cooperation with the FIU counterparts in other jurisdictions and with other supervision and investigation authorities;
5. Trainings to the reporting entities and other investigation authorities and compliance supervision personnel;
6. Drafting statistics and reports and afterwards provide recommendations to the Ministry of Finance, Ministry of Justice, Police, Kosovo Customs and/or other persons and bodies, in relation to the measures that should be taken and legislation that should be adopted in combating money laundering and financing of terrorist activities; and
7. Application of administrative sanctions for non-compliance by the reporting entities.

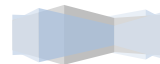
2.3. Mission

The mission of the Financial Intelligence Unit is, through the determined legal mandate, to be a leader in improving the overall national system on prevention and combating of money laundering and terrorist financing at the national level. The comprehensive functioning of such system, through close inter-institutional and activity cooperation of the Financial Intelligence Unit is the main objective of the FIU.

2.4. Vision

The vision of the FIU-K is to retain its position as one of the most efficient units of intelligence in Kosovo and in the region, as well as become the member of European and international organizations of this field. The strategic goal of the FIU-K is to ensure effective regime in prevention and discovery of money laundering and terrorist financing in Kosovo by developing its internal processes and work performance based methods, the legal framework and cooperation with the national and international partners.

¹ Law No 03/L-196 and Law No 04/L-178 on Prevention of Money Laundering and Terrorist Financing, 2010 and 2013



2.5. Budget and Procurement

2.5.1. Budget

Based on the Law on Prevention of Money Laundering and Terrorist Financing, the Management Board of the Unit shall determine the budget of the FIU-K according to the Proposal of the Unit's Director. The Director in cooperation with the Heads of Departments, as well as the budget and finance staff shall draft the proposal for the FIU-K Unit. The final budget shall be determined on annual basis by the Assembly of the Republic of Kosovo.

The Performance and Resource Plan of the Financial Intelligence Unit of Kosovo 2015-2017 determines also the correct budgetary plan for a period of three (3) years 2015-2017. The following activities are planned for implementation:

1. Continue with capacity building of the staff;
2. Continue with capacity building of the IT infrastructure (equipment and programmes);
3. Develop the legal framework;
4. Organize training to the reporting entities;
5. Enhance cooperation and coordination with national and international partners;
6. Implement the national risk assessment

Internal controls are based on daily management and supervision of the performance and resource plan. The Heads of Departments manage their functions and report to the Director. Monthly performance reports are compiled to ensure transparency, efficiency and accurate supply. Implementation of objectives is followed up and based on that proper measures are undertaken.

The data attached in the following include the annual data until 31 December 2014.

Economic categories	Budget 2014 (initial allocation)	Budget after review	Spent budget (implementation)	Spent budget /%
Salaries and per diems	144,161	160,772	160,772	100%
Goods and services	123,589	105,051	102,649	97.71%
Utilities costs	13,500	11,475	9,695	84.49%
Capital costs	70,000	70,000	68,750	98.21%
Total	351,250	347,298	341,866	98.43%

Table No 1 –The table of 2014 budget allocations and implementation

The initial budget of the FIU-K was established in the amount of 351,250 Euro, whereas the final budget approved after the review was 347,298€, having budgetary cuts in the category of goods and services and the category of utilities in the amount of 20,563 Euro, while there was an increase in the category of salaries and per diems after the budget review in the amount of 16,611Euro. In the period January – December 2014, the FIU-K executed the budget to the amount of 341,866Euro or expressed in percentage by 98.43%. In the category of capital investment, the spent value for this financial category is 68,842 Euro or expressed in percentage by 98.21%.

2.5.2. Procurement activities

During 2014, in accordance with Law on Public Procurement No 04/L-042, there were carried out a total of twelve (12) procurement activities.

According to the proceedings, procurement activities are divided into the following:

1. Three (3) procurement activities were by open procedures;
2. Two (2) activities were continuation of contracts by negotiated procedures without publication of the contract notification;
3. Three (3) activities were by the procedure of price quotation; and
4. Four (4) activities were by the procedure of minimal value.

Whereas, according to the planned procurement value:

1. Four (4) are of medium value;
2. Four (4) are of low value; and
3. Four (4) are of minimal value.

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

2.6.1. Supervision of the FIU-K

The Management Board of the FIU-K was established by the Law on AML/PTF, respectively by Article 6 of that Law, indicating that the Board shall oversee and ensure the independence of the FIU-K. The Board is comprised of the Minister of Economy and Finance who shall serve as the Chair of the Board. Other members of the Board shall include, ex officio, the Minister of Internal Affairs, the Chief Prosecutor of Kosovo, the Director-General of the Kosovo Police, the Director of the Tax Administration, the Director-General of the Kosovo Customs, the Managing Director of the Central Bank of the Republic of Kosovo. The Board shall meet at least twice (2) a year. The Board shall not be entitled to interfere in any way in the FIU ongoing cases.

2.6.2. Human Resources and Organizational Structure

The Unit Director, three (3) Administrative Officers and fourteen (14) Professional Officers comprise the structure of the FIU-K Staff. In addition to its personnel, the FIU-K was supported also by the seconded staff from the EULEX personnel and the Customs of Kosovo. This support staff provided a fruitful contribution to the Unit by transferring the knowledge and experience from various countries. In total, there were five (5) seconded officers involved in the FIU-K Structure reaching the number 23 officers engaged in the FIU-K.

FIU-K Personnel	Staff Number	%
Management	2	11.11%
Operational Analysis Department	6	33.33%
Compliance and Inspection Department	4	22.22%
IT Department	2	11.11%
Legal and International Cooperation Department	1	5.56%
Administration (Budget, Finance & Procurement) Department	3	16.67%
Overall Personnel of the FIU	18	100.00%

Table No 2–Staff Structure of the FIU-K



The FIU-K has one (1) seconded staff from the Customs of Kosovo to improve the exchange of information and operational cooperation. The Units has also agreed with the Kosovo Police to liaise with the seconded staff in the Unit. In 2015, one officer from the personnel of the Kosovo Police will start working in the Unit.

Seconded Staff in the FIU-K	
International Staff of EULEX	Staff Number
Management (EULEX Advisor)	1
Intelligence Analyst	2
Administrative Assistant (EULEX)	1
Total EULEX Personnel	4
Liaison Staff from the Law Enforcement Institutions	
Intelligence Analyst from the Kosovo Customs	1
Total Seconded Personnel	5

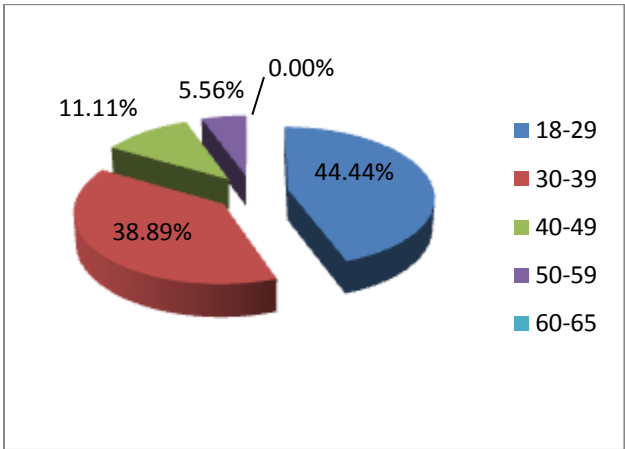
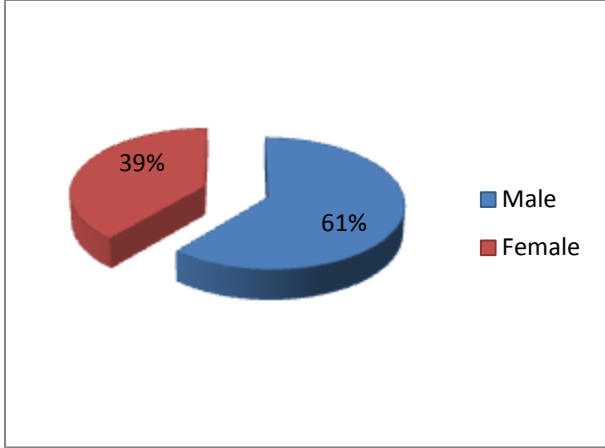
Table no.3 – Seconded Staff in the FIU-K

As of 2008, the international staff of the EULEX was part of the Unit, wherein last year, four (4) EULEX representatives were involved in the FIU-K. However, in October 2014, the EULEX personnel concluded its mission to the FIU-K. This means that the FIU-K capacities have been reduced.

The needs of the FIU-K for new staff were also presented in its strategic document “Performance and Resource Plan of the Financial Intelligence Unit of Kosovo 2015-2017” by which it is planned to increase the staff by six (6) officials until 31.12.2017. Additional resources will be allocated to the function of Supervision of Compliance (3), Operations and Analysis (2) and Legal/International Cooperation (1).

The FIU-K Staff is mainly composed of middle-aged and young employees. Around 83% of the personnel in the Unit comprises the age from 18 to 39 years old. The FIU-K personnel is qualified and trained, wherein 95 % of the Unit Staff is in possession of university qualification, at least Bachelor qualification, mainly graduating in economy, law, computer sciences or electrical and computer engineering, whereas, female representation is around 39 % of the FIU-K employees.





Graph No 1–Staff Composition of the FIU-K

The FIU-K is managed by the Director who is responsible for the Unit administration and management. The Organizational Structure of the Financial Intelligence Unit is as follows:



3. LEGAL DEVELOPMENTS FOR AML/CTF

3.1. *Development of legal framework*

During 2014, as a result of the assessment of the Project Anti Economic Crime co-financed by the European Union and the Council of Europe, implemented by the Council of Europe and as a requirement of membership processes to Egmont Group, the FIU-Kundertook further steps with the aim of further harmonization of the legal framework, and in regards to that the Ministry of Finance, on 05/06/2014, issued the Decision No 39/2014 on appointment of the person in charge and establishment of the Working Group for Drafting the Training Concept Document on Prevention of Money Laundering and Terrorist Financing.

Following the compilation of the above-mentioned Concept Document, the FIU-K, within the legal time limits, submitted the concerned document to the Legal Department of the Ministry of Finance for further proceedings.

The Working Group for Drafting the Concept Document identified that law in force has substantial and technical problems, which hamper the implementation; therefore, it should be reviewed.

In regards to the compliance with international standards, it was concluded that the Law is to the greatest extent in compliance with international standards of the Financial Action Task Force (FATF), which were reviewed in 2012. However, there were identified certain deficiencies in this regard, particularly related to prevention of terrorist financing and reporting mechanisms, which are to be addressed.

3.2. *Sub-legal acts*

3.2.1. Administrative Instructions

During 2014, the Financial Intelligence Unit with the aim of ensuring and promoting compliance with the Law No 03/L-196 supplemented and amended by the Law No 04/L-178 adopted sub-legal acts related to proper and increased care to the client by the reporting entities as well as internal procedures related operational activity and inspection of compliance.

- Administrative Instruction of the Financial Intelligence Unit No 02/2014 on Exemption of Certain Transactions from Reporting
- Administrative Instruction of the Financial Intelligence Unit No 03/2014 on Procedure for Applying Administrative Sanctions for Non-Compliance of the Reporting Entities with the LML/LTF
- Administrative Instruction of the Financial Intelligence Unit No 04/2014 on Politically Exposed Persons
- Administrative Instruction of the FIU No 05/2014 on Minimal Standards, Simplified Procedures and Controls on Prevention and Detection of Money Laundering and Terrorist Financing by the Professionals in Question.



3.2.2. Standard Operating Procedures

Also during 2014, the FIU, with the aim of mutual cooperation with other institutions and bodies in Kosovo, as well as in order to support one another while performing their tasks and coordination of activities, issued standard procedures regarding cooperation and exchange of information aiming to prevent and combat money laundering, related criminal offences and terrorist financing.

- Standard Operating Procedures on Supervision of Compliance
 - SOP Annex 1 – Obligation Matrix*
 - SOP Annex 2 – Annual Programme on Compliance Supervision*
 - SOP Annex 3 – Checklist for site inspection*
 - SOP Annex 4 – Main supervision findings*
 - SOP Annex 5 – Violations related to sanctioning process*
- Standard Operating Procedure on goAML based on Work Processes
- User Manual for goAML Forms
- goAML Web User Manual on Reporting Entities
- Standard Operating Procedure related to automated information requests from the FIU-K and the Kosovo Police
 - Annex 1 – Scripts (data), commands and procedures of the FIU-K*
 - Annex 2 – Scripts (data), commands and procedures of the Kosovo Police System*
- Standard Operating Procedure on exchange of information between FIU-K and TAK
- Standard Operating Procedure on exchange of information between FIU-K and CRA



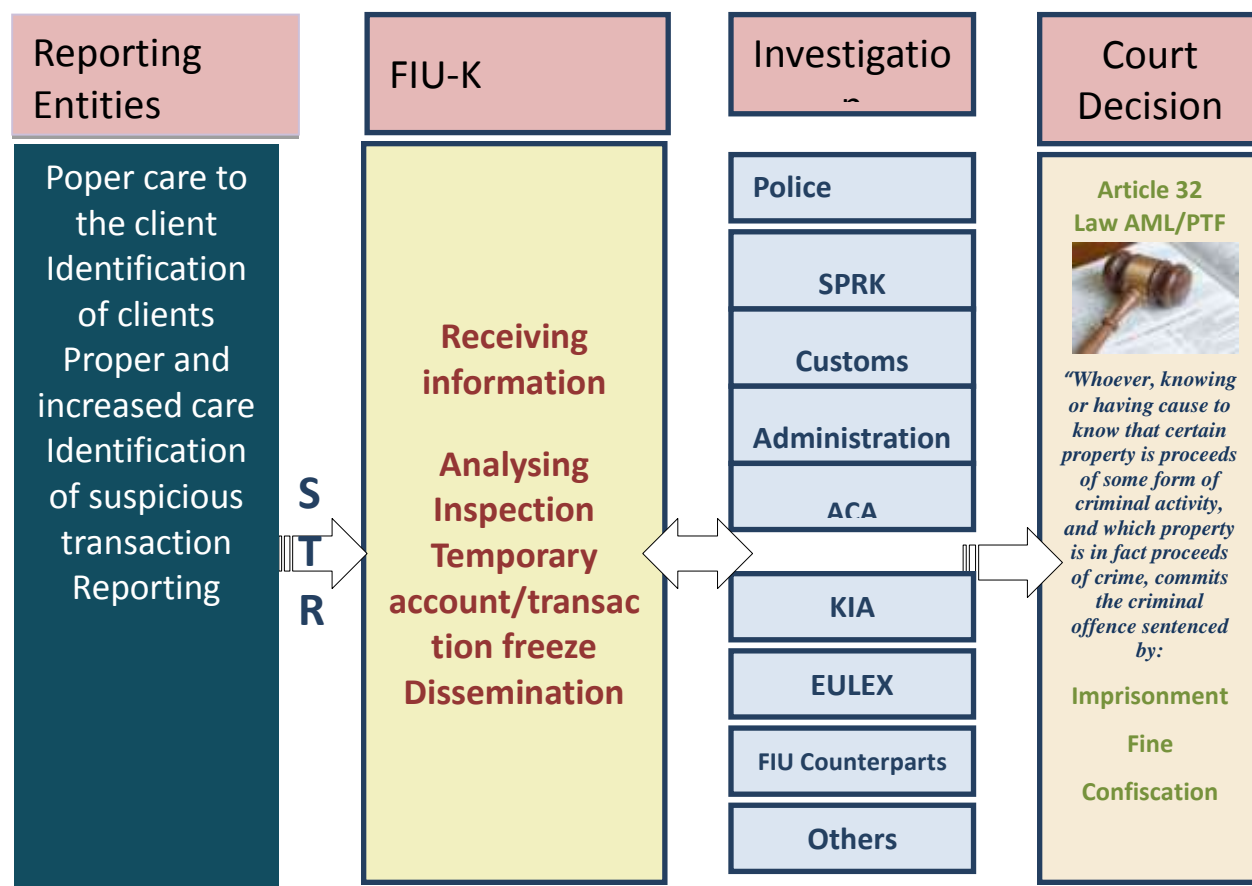
4. PERFORMANCE OF FIU KOSOVO

4.1. Receiving, analysing and dissemination of financial intelligence

The FIU-K is authorized to receive, process, collect and analyse reports and information of the entities obliged by the Law, which are provided to the FIU-K from the FIUs of foreign countries with similar functions, from the courts and other bodies responsible for law enforcement, including inter-governmental and international organizations, public or government bodies and those which were voluntarily provided to the FIU-K in relation to suspicion of money laundering or terrorist financing activities.

The FIU-K may publish or disseminate information and official documents to the main investigation bodies of law enforcement in Kosovo, a public or governmental body of the Republic of Kosovo if such publication of information serves the FIU-K and other bodies responsible for law enforcement or those bodies exercising similar authority to the FIU-K, outside Kosovo, if such publication of information serves the FIU-K to exercise its functions.

The entire official data, information and documents are made public by the FIU-K only for intelligence purposes, aiming to provide the grounds for investigation.

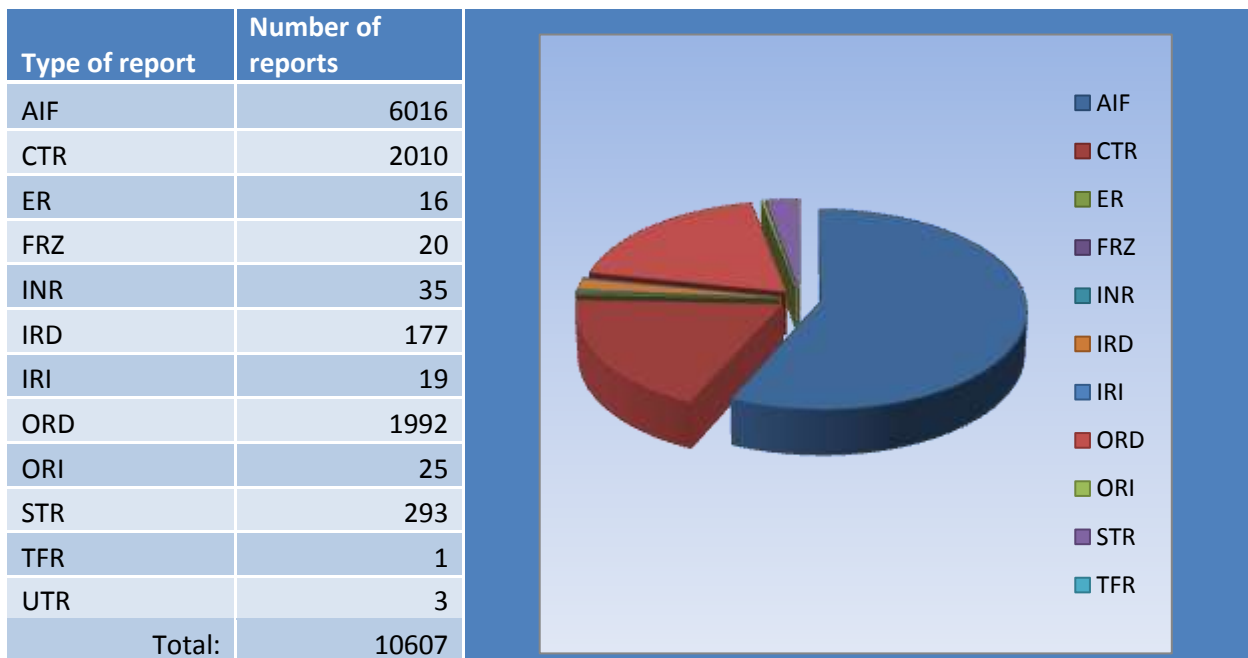


4.1.1. Processed data and reports

During this reporting year, new forms of report management were developed. The Main types of data reports that are loaded in the goAMLsystem are the following:

1. Additional information reports (AIF)
2. Cash transaction reports (CTR),
3. Requests of NGOs for exemption from reporting (ER),
4. Transaction suspension reports (FRZ),
5. Compliance Inspection Report (INR),
6. Incoming request domestic (IRD),
7. Incoming request international (IRI),
8. Outgoing request domestic (ORD),
9. Outgoing request international (ORI),
10. Suspicious transaction reports (STR),
11. Suspicious transaction reports for terrorist financing (TFR), and
12. Unusual transaction reports (UTR)

All of these reports may be integrated into the system, either through online reporting by loading XML report, or in the manual way. In 2014, there were processed a total of 10607 reports to the FIU-K electronic system:



Graph No 2 – Number of reports processed through electronic and online system 2014

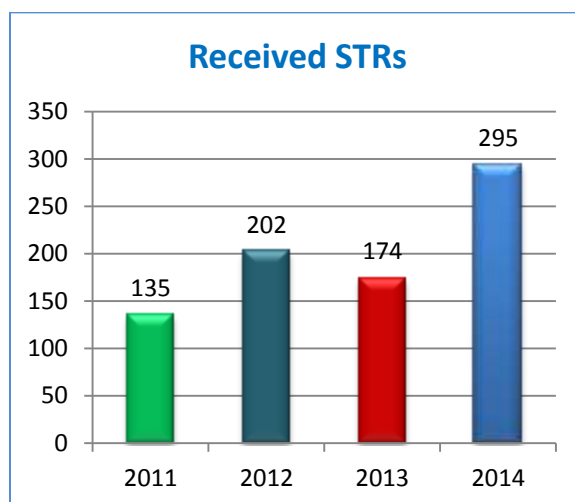


4.1.2. Suspicious Transaction

The Law on Prevention of Money Laundering and Terrorist Financing requires that reporting entities to report all of the suspicious acts or transactions within a period of time, depending on the sector or the reporting entities, from the time when the identified suspicious act or transaction. The suspicious act or transaction means an act or transaction, or an attempted act or transaction, which generates a reasonable suspicion that the asset included in the act or transaction, or in an attempted act or transaction, is a proceeds of crime and will be interpreted in compliance with every instruction issued by the FIU-K for the suspicious acts or transactions.

Between 2011 and 2014, the number of reported STRs is doubled from 135 to 295. This increase of received STRs indicates a positive development. This depicts the increasing vigilance of reporting entities and a higher level of awareness for AML/CTF. Along with quantitative increase of reporting, the FIU-K is oriented also in quality improvement of suspicious transactions, this being either through organizing regular meetings and trainings with reporting entities, or through application of provision of feedback.

Graph No 3- Number of reported STRs



Results of the FIU-K	2011	2012	2013	2014
Received STRs	135	202	174	295

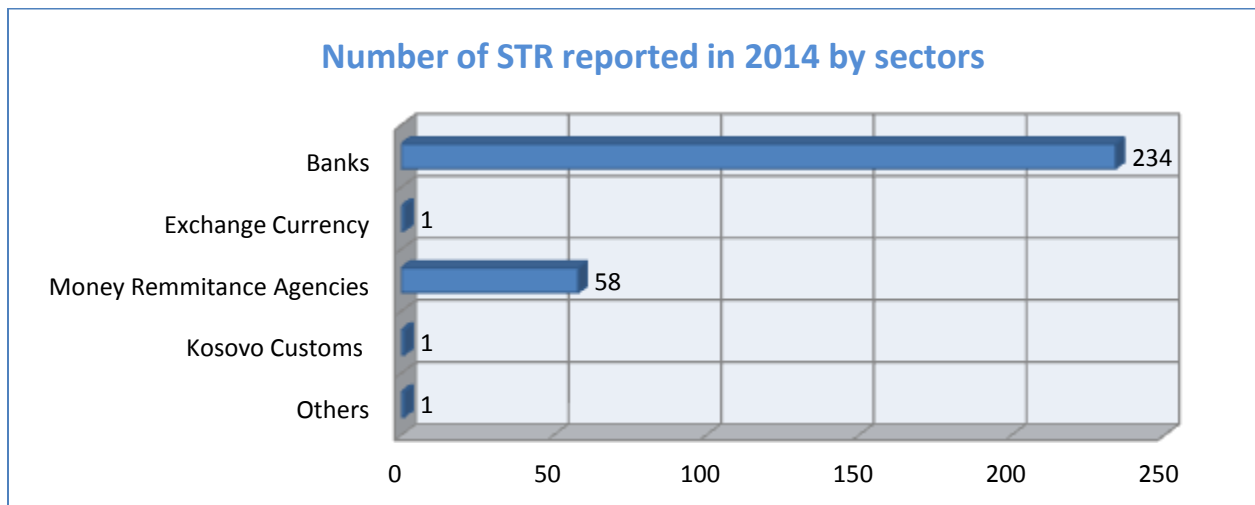
Table No 4–Number of STRs reported in 2011-2014

Banking sector continues to be the main source of STRs also for 2014, even though it was noted a significant increase of STRs deriving from other sectors, pointing out Money Remittance Agencies. In addition to that, as of this year, it has been noted some readiness of some other reporting entities to comply with their legal obligations in relation to their obligation to report. In the graph below, there is a presentation of the division of STRs reported from various sectors.



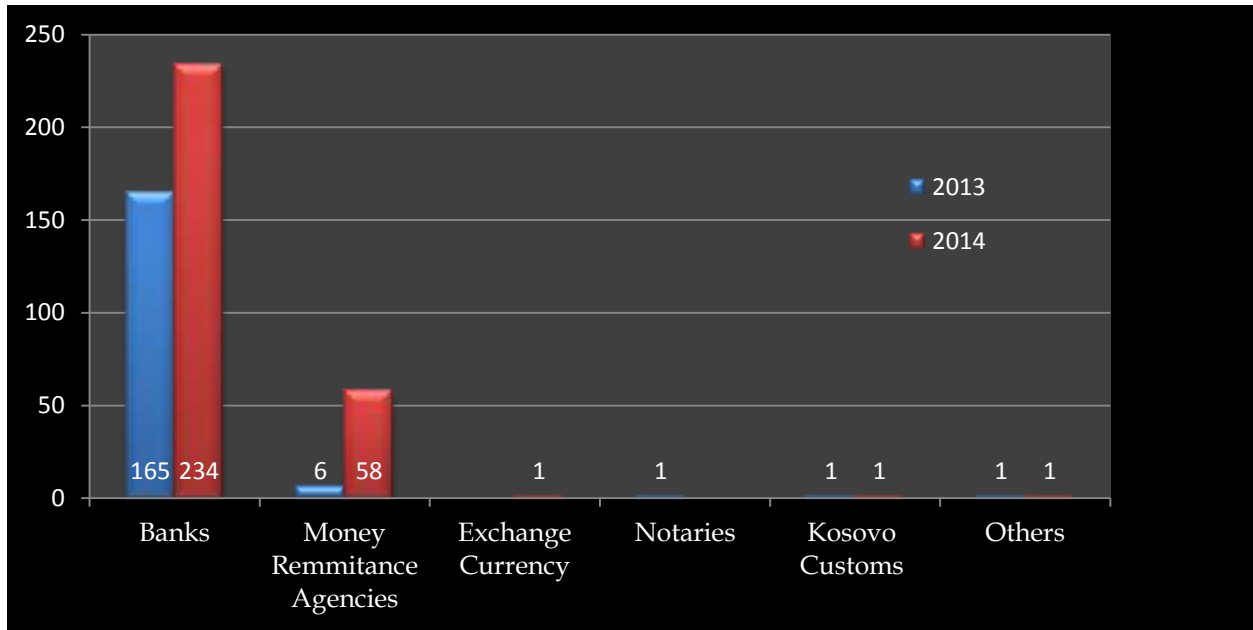
Number of STRs reported by sectors				
Reporting entities	2011	2012	2013	2014
Banks	129	196	165	234
Insurance Companies	0	0	0	0
Exchange agencies (Exchange Currency)	0	0	0	1
Money Remittance Agencies	3	6	6	58
Casinos	0	0	0	0
Real estate agents	0	0	0	0
Traders with precious metals/stones	0	0	0	0
Lawyers	0	0	0	0
Notaries	0	0	1	0
Certified accountants and tax consultants	0	0	0	0
Licensed auditors	0	0	0	0
Providers of trust services and companies	0	0	0	0
Other professionals	0	0	0	0
Kosovo Customs	3	0	1	1
Other	0	0	1	1
Total	135	202	174	295

Table nr.5- Number of STRs reported from sectors 2011-2014

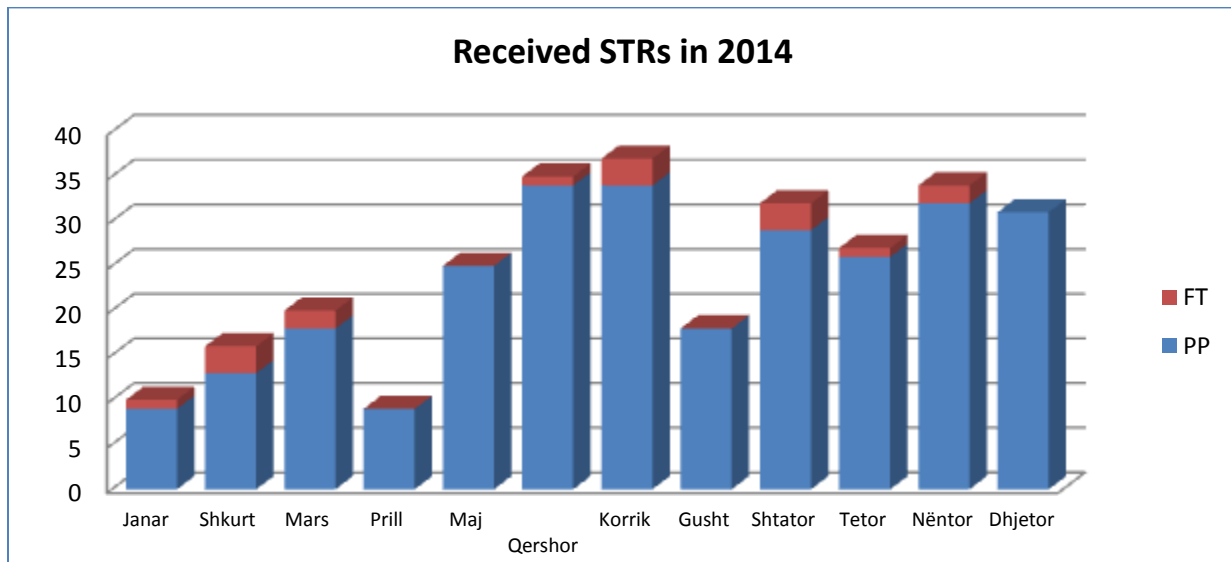


Graphic Nr.4- Number of reported STR in 2014 by different Sectors

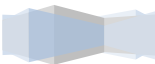
Even this year some of other reporting entities continue to be represented with a very small number of reports they are sending. Here are worth to be mentioned entities that are required to report in accordance with articles 24-28 of the law on prevention of money laundering and financing terrorism, including: lawyers, accountants and auditors, casinos and gambling games, political parties, construction companies etc. This shows of having a very low willingness on their efforts to be in compliance with the law.



Graphic Nr.5- STRs reported in 2013 and 2014 by Sectors



Graphic Nr.6 –Received STRs for money laundry and financing terrorism in 2014



Statistical information on suspicious reports (STR) received by FIU-K				
Reporting entity	2013		2014	
	Reports in relation with suspicious transactions		Reports in relation with suspicious transactions	
	PP	FT	PP	FT
Banks and financial institutions				
Banks	159	6	219	15
Insurance Companies	0	0	0	0
Exchange agencies (Currency exchange)	0	0	1	0
Agencies for money transfer	6	0	57	1
Total – Banks and financial institutions	165	6	276	16
DNFBPs				
Casinos	0	0	0	0
Real Estate Agents	0	0	0	0
Traders with precious metals/stones	0	0	0	0
Lawyers	0	0	0	0
Notaries	1	0	0	0
Certified accountants and tax consultants	0	0	0	0
Licensed Auditors	0	0	0	0
Providers of Trust services and Companies	0	0	0	0
Other professionals	0	0	0	0
Total DNFBPs	1	0	0	0
OTHER REPORTING ENTITIES				
Kosovo Customs	0	1	1	0
Other	1	0	1	0
Total of other reporting entities	1	1	2	0
Total	167	7	279	16
Total of received STRs for ML/FT	174		295	

Table nr.6 – Information for suspicious reports (STR) for ML and FT received by the FIU-K in 2013-2014



4.1.3. Suspicious transactions Report for Terrorism Financing

Number of reports of suspicious transactions for financing terrorism has increased in 2014 compared a previous year. A total of 16 reports of suspicious activities on financing terrorism were received at FIU in 2014. Most of these reports were reported by financial institutions including banks and money transfer agencies. The number of persons involved in these reports has been a total of 56 individuals and legal entities.

FIU-K after analysing, processing and gathering other intelligence information, distributed intelligence reports to other competent institutions of law enforcement for further investigation.

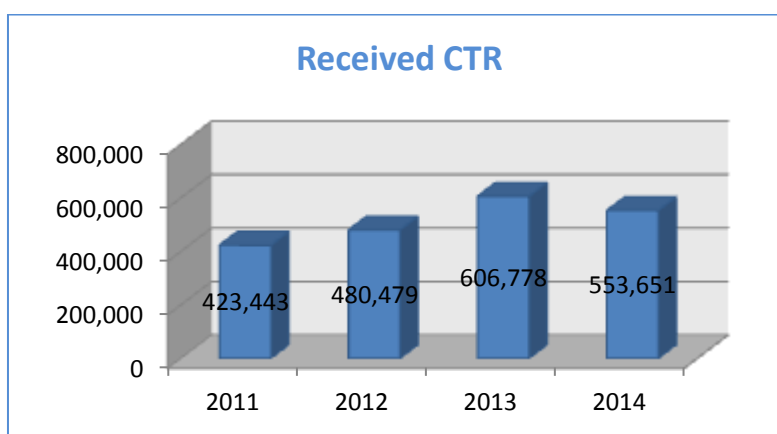
4.1.4. Cash Transactions Reports (CTR)

Law on prevention of money laundering and financing terrorism requires reporting entities to report all individual transactions in cash (CTR) in the amount of ten thousand (10,000) Euros or more. Multiple transactions shall be treated as a single transaction if the bank or financial institution has knowledge that the transactions are by or on behalf of a person or entity and it is in a total value of more than ten thousand (10,000) Euros during one (1) single day.

Results of FIU-K	2011	2012	2013	2014
Received CTRs	423,443	480,479	606,778	553,651

Table nr.7 –Reported CTR in period of 2011-2014

In between 2011 and 2014, the number of RST has undergone some changes. In 2014 the number of such reports in cash transactions has experienced a decrease. This decrease in the number of reports could be a result of the issuance of the Administrative Instruction of the Financial Intelligence Unit no. 02/2014 on the exemption of certain transactions from reporting which requires the exemption of persons or entities, or group of persons or entities from reporting obligations under that law, and the methods of reporting such exemptions.



Graphic Nr.7 –Received CTR

The highest number of reports delivered was from banks and financial institutions, while a similar number of reports were also sent from Kosovo Customs if compared with 2013.

Received reports regarding the transactions on the reporting threshold (CTR)				
	2013		2014	
Reporting entity	Number of received reports	Number of transactions	Number of received reports	Number of transactions
Financial Institutions				
Banks and Micro financial Institutions	1,563	601,208	1,712	548,176
Insurance Sector	0	0	3	11
Exchange entities (Currency exchange)	241	2,531	297	2,959
Agencies for money transfer	21	1,111	25	500
Total financial institutions	1,825	604,850	2,037	551,646
Other Reporting Entities				
Kosovo Custom	12	1,928	12	2,005
Total of other reporting entities	12	1,928	12	2,005
Total of received RST	1,837	606,778	2,049	553,651

Table nr.8-Reports in relation with transactions on threshold reporting of (RTC) received by sectors

In the table below are presented transactions reported² in the amount of ten thousand (10,000) EUR or more and transactions related on behalf of a person or entity and the amount of more than ten thousand (10,000) Euros during (1) single day, which means the transactions made under the reporting threshold or multiple transactions made in the name of one person or entity:

Values	No. of transactions	Type of report
0 - 9,999 €	380,228	CTR
10,000 - 49,999 €	151,878	CTR
50,000 - 99,999 €	7,603	CTR
100,000 - 499,999 €	1,604	CTR
500,000 - 999,999 €	6	CTR
over 1,000,000 €	3	CTR

Table nr.9- Transactions reported through online reporting system

4.1.5. Reporting unusual transactions (Monitoring of special transactions)

The reporting entities should pay special attention to all complex and enormous huge transactions that have no apparent clear economic or legal aims.

The reporting entities should pay special attention to business relationships and transactions with persons, including legal entities and legal arrangements from or in countries that do not apply or insufficiently apply relevant international standards to combat money laundering and financing of Terrorism.

² Transactions reported only through online reporting system in goAML



Reporting entities must submit in writing specific information related to the transactions referred to above and to identify all the parties involved. The report must be retained and should be made available to FIU-K.

The above requirements are required by Article 20 of the law on AML / CFT, by means of which is required by reporting entities special monitoring of separate transactions. Three transactions were reported as unusual:

Results of FIU-K	2011	2012	2013	2014
Received UTRs	0	0	€ 419,436.24	€ 1,001,320.00

Table nr.10- Reporting of unusual reporting

4.1.6. Movement of monetary instruments into and out of Kosovo - Obligation to declare

Every person entering or leaving Kosovo and carrying monetary instruments of a value of ten thousand (10,000) EUR or more must declare the amount of the monetary instruments and the source. The same obligation applies to each of either individual or legal entity who sends funds abroad from Kosovo. This legal requirement is regulated by article 29 of the law on AML / CFT.

The Implementation of this provision is done by Kosovo Customs. The latter last year has reported to FIU-K a total of 2,005 cash transactions; 1,411 transactions in cash were declared by legal entities and individuals have declared 594 transactions in cash. The monetary values of these transactions by currency are presented as follows:

The declaration of cash at border checkpoints			
Currency	Monetary value of CTR		Total value of acceptance of CTR
	Legal entities	Individuals	
1	2	3	4 = (2+3)
ALL (Lek)	15,050,000.00	400,000.00	15,450,000.00
AUD	388,475.00	-	388,475.00
CAD	704,860.00	-	704,860.00
CHF	504,365,100.00	6,730,060.00	511,095,160.00
DIN	8,625,212,360.00	-	8,625,212,360.00
DKK	1,557,930.00	-	1,557,930.00
EUR	647,950,678.00	10,156,619.00	658,107,296.58
GBP	14,218,800.00	9,800.00	14,228,600.00
HRK	683,245.00	-	683,245.00
NOK	51,635,350.00	38,000.00	51,673,350.00
RUB	91,510.00	-	91,510.00
SEK	18,747,980.00	-	18,747,980.00
USD	44,841,077.00	387,055.00	45,228,132.00

Table nr.11 – The flow of money inside and outside Kosovo

In addition to the declaration of cash, FIU receives also reports of undeclared cash, which in this case Kosovo Customs imposes a fine of 25% of the amount of monetary sum that is in his/her possession that he/she is liable to declare. In 2014, the number of fines issued for not declaring has been a total of 19 cases.

4.1.7. Freezing transactions

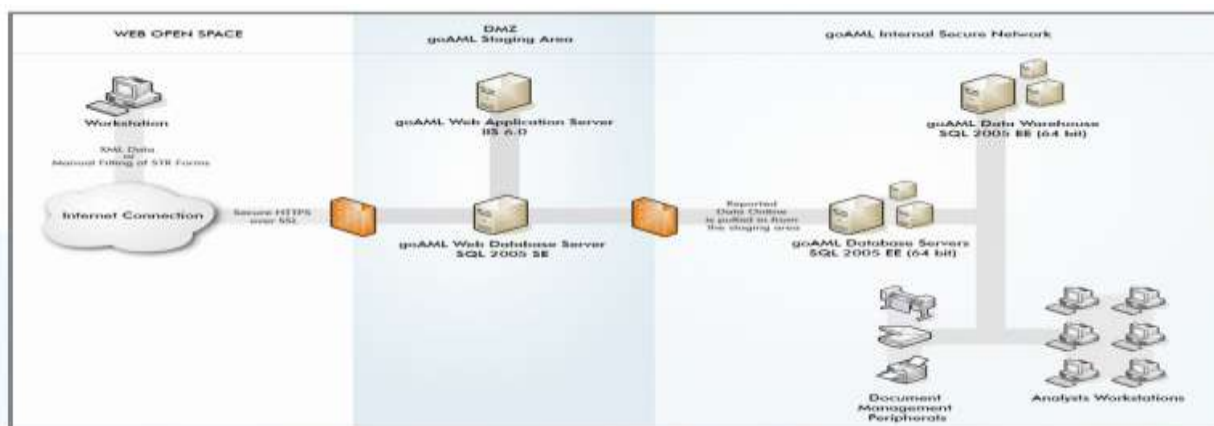
FIU-K may instruct the bank or the financial institution to suspend the taking of action related to the transaction or suspicious transaction for a maximum of forty-eight (48) hours or two (2) working days, depending on which period is longer. There were twenty (20) instructions issued to freeze the account while the monetary value of frozen transactions reached up to about € 774.115. Compared with previous years this is the highest number of transactions frozen by the FIU-K.

2014	
Freezing the Account/Transaction	
Number of Instructions issued for cancelling the transaction	20
Number of frozen transactions/Accounts	136
Sum (EUR)	774,115.00 €

Table nr.12 –Freezing the Account/Transaction

4.1.8. Electronic system of receiving the RST and CTR

The online system of receiving reports is an online platform that enables entities to report through an electronic system of data processing through the secure system for data storage. By the end of 2014, about 27.468 reports are processed by users of online reporting system, while over 15,000 electronic communications were registered in 2014. About 176 users from reporting entities and public institutions are registered for online reporting to FIU-K.



Graphic Nr.8 – Electronic system of receiving of STR and CTR

4.1.9. Requests of NGO-s for the exemption from legal prohibitions

The Law No. 03L-196 supplemented and amended by the law No. 04/L-178 in the article 24 defines additional obligations for NGO-s.

Specifically, paragraph 1 of Article 24 stipulates that the NGO cannot accept contributions in excess of one thousand (1,000) Euros from a single source within one (1) single day, and paragraph 2 of Article 24 stipulates that the NGOs cannot pay in excess of five thousand (5,000) within one (1) single day to any single recipient.

Paragraph 3 of Article 24 of the law in force allows NGO-s to make or receive payments that exceed the amounts mentioned above, the NGO may request from the FIU-K a one time or recurring exemption from these prohibitions. The written request submitted by NGOs to the FIU must stress the type of exemption requested and the reasons for this exemption, while FIU-K should respond to this request within 30 days. FIU answers could be: 1) grant the exemption; 2) grant conditioned exemption; or 3) deny exemption. Request to the FIU-K is the defined legal way to be exempted from restrictions of Articles 24.1 and 24.2.

During the year 2014 FIU-K has received and processed 16 requests from NGO-s to be exempted from legal restrictions defined by the article 24 of law in force of AML/CFT.

2014				
Requests of NGO-s for the exemption from the paragraph (1) and (2) of article (24)	Answers from FIU-K			
	Exempted	Conditionally exempted	Refused	Total
One time exemption	2	3	2	7
Recurring exemption	5	3	1	9
Altogether requests reviewed by FIU-K	7	6	3	16

Table no.13 –Requests form NGO-s to have one time or recurring exemption



4.2. Analysis and distribution of Intelligence reports to national authorities and international counterparts

4.2.1. Analysis of intelligence reports

In 2014, FIU has opened a total of 276 cases on suspicion of money laundering, terrorist financing or other similar acts. About 94% of these opened cases have derived from suspicious activity reports received at FIU and reported primarily by entities obliged to report and by requests for information and cross-agency cooperation.

Open cases	2014
Open cases based on STRs	77
Open cases by FIU-K (Anonymous information)	14
Open cases form spontaneous information from other FIU	1
Requests for information	182
Joint projects of analyses/investigations with other Institutions implementing the law	2
Altogether open cases	276

Table No.14 –Open cases in 2014

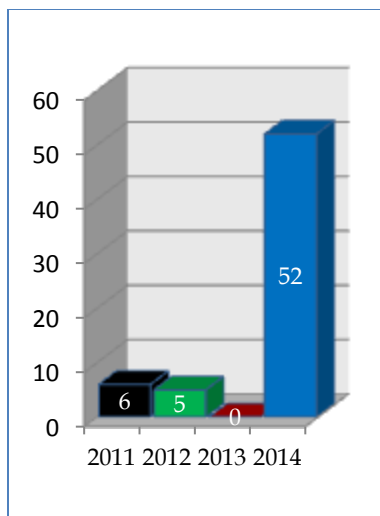
4.2.2. Proposal for opening cases by the initiative from FIU-K

Significant progress in this field is achieved this year, as a result of additional commitments of the department of analysis and operations to identify and analyse the reports of cash and various publications made in press and electronic media. A total of 52 cases have been proposed by the initiative of FIU-K which accounts for about 19% of cases opened (276) in 2014.

Proposal to open cases by initiative from FIU-K	2014	%
Proposal to open cases based on analysis of CTR	40	76.92%
Information taken from public Institutions	2	3.85%
Proposal to open cases based on information taken from media	2	3.85%
Spontaneous information received form international FIU	1	1.92%
Information offered voluntarily to FIU-K in relation with suspicion for money laundering or financing terrorist activities	7	13.46%
Total proposed cases	52	100.00%

Table No.15 – Cases initiated and proposed by the initiative of FIU-K according to the source 2014





Graphic No.9 – Proposed cases

Proactive approach of the Financial Intelligence Unit has made a progress in 2014. This is a result of deeper analysis of reports in cash, for which the Unit has established Standard Operating Procedures for controlling, analyzing and processing data for the treatment of these cases. This year, compared with previous periods, has marked a significant increase of cases proposed by its initiative

Proposal to open cases by FIU-K initiative	2011	2012	2013	2014
Proposed cases	6	5	0	52

Table no.16 – Opencases by the initiativeof FIU-K 2011-2014

4.2.3. Distribution of intelligence reports to national institutions and international counterparts

FIU-K, with the aim of fulfilling its legal mandate, after processing and analysing reports and information reported from those legally binded, information provided to the Unit by international FIUs with similar functions, information offered voluntarily to the unit, the data collected and that is available to the public which is related with money laundering and financing terrorist activities, additional information from those obliged to report, publishes an distributes information and intellegency reports to institutions repsonsible for the implementation of the law in the country or to those institutions outside Kosovo having similar funcions like FIU-K.

Despite the increase of the number of suspicious transactions reported during the year 2014, this year has marked a decrease of number of STR reports distributed. This decrease of number of reports distributed came not because of the decrease of the number of suspicious transactions but more because of the lack of capacities of FIU-K. During that year there was a decrease of professional staff in the unit. This was because of completion of the mission of Eulex staff who the FIU-K unit. This caused decrease of capacities of FIU-K. li this decrease had an impact also the compliance inspections made in 2014. Over 50% of the capacities of the unit was concentrated on these inspections as a consequence of lack of inspections during the period 2010-2013. Even though this year has marked a decrease compared with the previous year, if it is compared with years 2011 and 2012 there has been an increase of intelligence reports distributed to the prosecution authorities compiled as a result of suspicious reports. In 2011 and there were 40 and 45 reports, whereas in 2014 this number increased to 59 reports distributed.

Results of FIU-K	2011	2012	2013	2014
Intelligence reports distributed	40	45	74	59

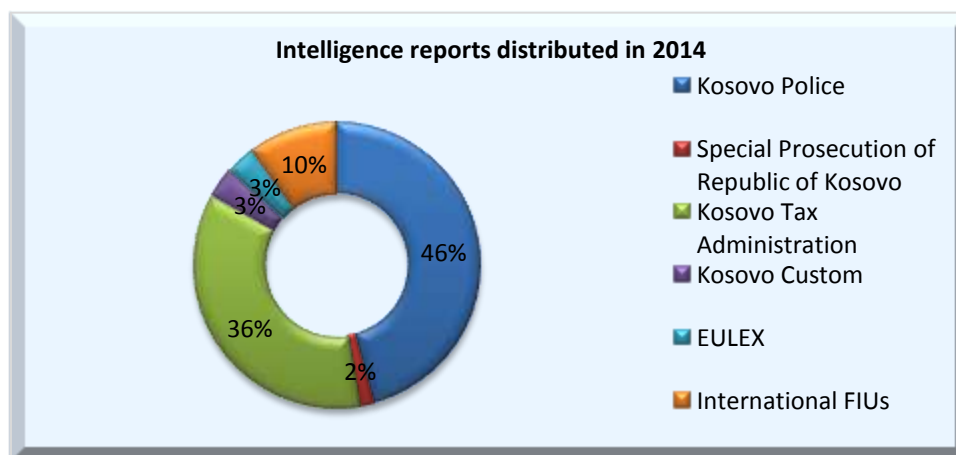
Table No.17 –Intelligence reports distributed in 2011-2014



In 2014, most financial intelligence reports have been sent for further investigation to the relevant units of the Kosovo Police. Most of the reports or about 88% are distributed under suspicion of money laundering or related offenses, while 7 reports are sent on the basis of suspicion of terrorist financing. The distribution of these reports to other local agencies of law enforcement is presented in the table and graph below:

<i>Distributed Intelligence reports that are referred to the other relevant institutions</i>	Year 2013	%	2014	%
Kosovo Police	44	59.46%	27	45.76%
Special Prosecution of Republic of Kosovo	0	0.00%	1	1.69%
Kosovo Tax Administration	21	28.38%	21	35.59%
Kosovo Custom	4	5.41%	2	3.39%
EULEX	2	2.70%	2	3.39%
International FIUs	3	4.05%	6	10.17%
Total of distributed cases	74	100%	59	100%

Table No.18 – Intelligence reports distributed and referred to relevant institutions in 2013-2014



Graphic No.10 – Intelligence reports in 2014

4.2.4. Requests for information from national institutions and international counterparts

Law on prevention of money laundering and financing of terrorism obliges FIU-K and other institutions and bodies in Kosovo to cooperate mutually, assist one another in performing their duties and to coordinate activities within their competences in compliance with applicable laws. This inter-institutional cooperation has increased from year to year, where in addition to the distribution of reports sent for further investigation stemming from reports of suspicious transactions, a significant part of the capacities of the FIU-K has been concentrated also in receiving and sending back responses based on requests for information and cooperation between the law enforcement and assistance provided in order to support the investigation. This increase in collaboration has come as a result of awareness rising about the interconnection of

criminal offenses, as well as the functions and role of the FIU-K has become more known in the country.

In performing their duties competent authorities may face criminal offenses that may be related either to money laundering or terrorist financing or thanks to our cooperation they notify FIU-K about doubts raised by filing a request for information. Accordingly, the unit can start with the analytical processing of transactions or suspicious activities, or may refuse such a request if it finds that the case has nothing to do with the elements of suspicion of ML /FT or related offenses. FIU in 2014 has accepted a total of 196 claims, where the largest number of these requests (46%) was submitted by Kosovo Police, then the Prosecution, Customs of Kosovo, EULEX, Tax Administration, KIA etc.

Increased number of requests was received also by foreign FIU, where based on the law on AML / CFT, FIU is able to share internationally all information that may be available directly or indirectly by FIU. Information may be disclosed to the authorities responsible for law enforcement or those bodies that perform a similar function with FIU, outside Kosovo, if such disclosure is necessary or would assist the FIU-K in performing its functions. From 7 requests sent to FIU Kosovo from international FIUs in 2013, this number has reached 19 in 2014. More details on international cooperation can be found in Chapter "Cooperation with foreign counterparts." In the following table are presented requests for information from national and international authorities.

Results of FIU-K	2011	2012	2013	2014
Number of requests received by local authorities	64	103	183	177
Number of requests for information received by international FIUs	10	10	7	19
Total of requests for information received in FIU-K	74	113	190	196

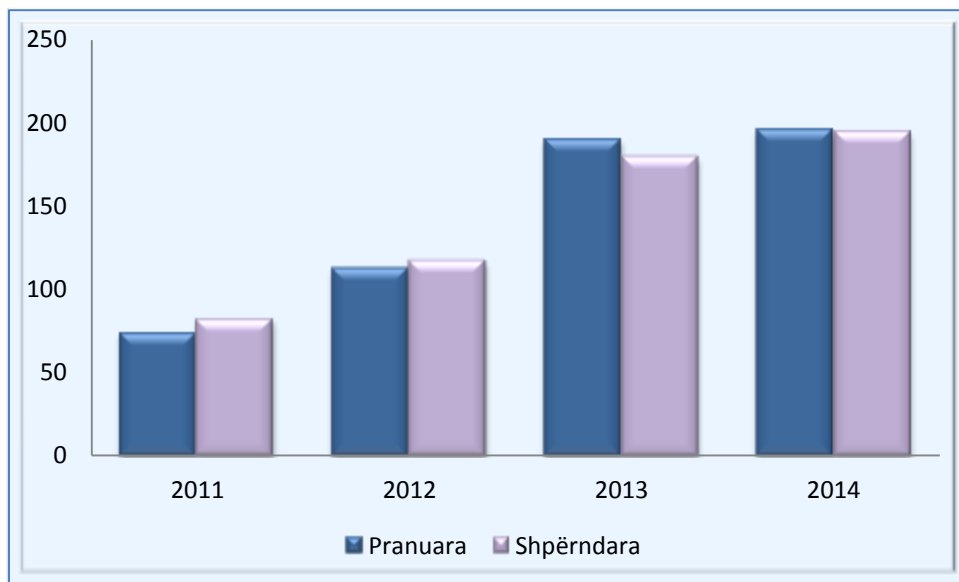
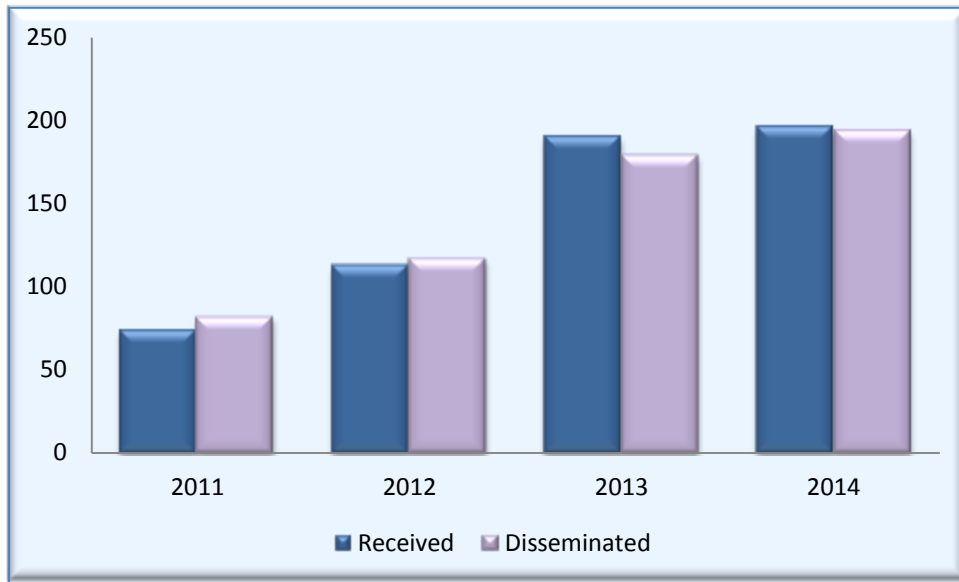
Table Nr.19 –Requests for information received in FIU-K in 2011-2014

Upon the receipt and processing of such information and since the data is completed or analyzed by the FIU-K, then it come the distribution of intelligence reports depending on suspicion of money laundering, financing of terrorism or related criminal offenses.

Results of FIU-K	2011	2012	2013	2014
Number of requests for information distributed to local authorities	71	104	174	174
Number of requests for information distributed to international FIUs	11	13	5	20
Total of requests for information distribute by FIU-K	82	117	179	194

Table No.20 – Request for information distributed by FIU-K in 2011-2014





Graphic No.11 – Requests for information received and distributed by FIU-K

In order to strengthen further inter-institutional cooperation, in late 2014 joint mechanisms were created for the exchange of information between agencies that have responsibility in preventing and combating financial crimes. For this purpose it is signed a cooperation agreement between the State Prosecution, Kosovo Police, Custom, Tax Administration and FIU, to exchange information, assess risk and have coordination between institutions and agencies of law enforcement. This agreement is consistent and complementary part of the implementation of national strategies for the prevention and combating financial crimes.

Within this cooperation FIU has processed cases depending on the doubts raised; based on the above requirements the number of people involved was about 1,232 and about 63 legal entities, while some of the major offenses related to PP / FT were as following:

- Misuse of official position or authority,
- Involvement in suspicion of money laundering,
- Involvement in suspicion of financing terrorism,
- Involvement in the suspicion of money laundering and selling/trafficking of narcotic substances,
- Involvement in the suspicion of money laundering, bribing acts, helping and doing criminal offense,
- Doubt on unfair trade – fraud,
- Involvement in the suspicion of money laundering, human being trafficking,
- Fiscal evasion,
- Organised crime,
- Smuggling of migrants,
- Unauthorized buying, possessing, distribution and selling of narcotics, psychotropic and similar substances,
- Doubt about the disproportionate benefit
- Smuggling of goods and other offenses
- Corruption
- Smuggling of weapons
- Serious theft
- Smuggling of goods, evasion of customs payments, prohibited trade.

4.3. Compliance inspection

After the amendment and supplementation of Law no. 03 / L-196 by the Law no. 04 / L-178, FIU-K is mandated to exercise the function of supervision of compliance and inspection of reporting entities.

Thus, in order to exercise this competence FIU-K has drafted Standard Operating procedure for the supervision of Compliance, that entered into force in January 2014, which provides standard procedures for inspection of compliance as defined in Article 30 law in force.

In accordance with Chapter 4 of the Standard Operating Procedure for Supervision of Compliance, FIU-K has drafted and approved annual plan for compliance inspections of reporting entities in 2014. The development of the annual inspection plan is made according to an overall assessment of risk that certain categories of reporting entities have in the field of money laundering and terrorist financing.

Based on SOP for the supervision of compliance of FIU-K can carry on the following inspections:

- Field inspection
- Office Inspection
- Ad-hoc inspection



➤ Subsequent inspection

Field inspection means inspection at the offices of the reporting entity that can be, full scope inspection, inspection with limited scope and thematic inspection.

During 2014 a total of 35 inspections were carried out on the compliance of reporting entities, (25) full-scope inspections, (9) the limited scope inspections and (1) Ad-hoc inspection.

2014				
Reporting entities	Type of inspection			
	Full scope	Limited scope	Ad-Hoc	Total
Banks ³	2	7	0	9
Micro financial Institutions	5	//	//	5
Insurance companies	4	//	//	4
Life Insurance companies	2	//	//	2
Currency exchange agencies	7	//	//	7
Money transfer Agencies	3	//	//	3
NGO	4	//	1	5
Total of compliance inspections	27	7	1	35

Table no.21 –Compliance Inspections 2014

Within the supervision of compliance some of the areas inspected were as following:

- Internal programs drafted based on the Law 03/L-196 complemented and amended by the Law 04/L-178 for banks and other financial institutions:
 - i. Procedure for the identification of your client (KYC);
 - ii. Procedure for the appropriate increased care (Politically exposed persons);
 - iii. Documents received for the identification /verification of the client;
 - iv. Source of Income;
 - v. Categorizing clients based on the risk;
- Organization structure of the office for prevention of money laundering and financing terrorism (AML/CFT)
- Analysing cash transactions and suspicious activities
- Reporting cash transactions (CTR) and reporting suspicious activities (SAR)
- Proceeding requests for information of FIU-K
- Copies and maintenance of CTR and RST and complementary information (AIF)
- Infrastructure of reporting in XML and EXCEL format.

³ Two banks were inspected in cooperation with Kosovo Central Bank according to the article 36A of the law in force and according to the memorandum of understanding signed between FIU-K and KCB.



Given that 2014 was the first year of compliance inspections, FIU-K recommended reporting entities to take appropriate actions for improvement in those areas where noncompliance was encountered. After completing field inspections FIU-K, in 2015 will continue with subsequent inspections in order to verify if the recommendations are met.

4.4. Feedback

4.4.1. Feedback information from institutions of law enforcement

Feedback received from FIU shows progress in increasing the number of returned feedback information, as well as the final results of prosecuted and punished cases of money laundering. Number of feedback received from law enforcement agencies in 2014 has reached 129 reports of cases referred to the prosecution institutions. Mostly this feedback information is in relation to the cases proceeded during the year 2010 -2014. Kosovo Customs had the highest number of feedback sent to FIU-K this year with 60 cases reported or 47% of total feedback, while the Kosovo Police and the Tax Administration notified 35 respectively 29 cases.

During the investigation it has resulted that major suspicions for the related offenses result in money laundering, tax evasion, smuggling, organized crime and fraud.

In 2014, the Court has sentenced eight people for involvement in criminal offenses of organized crime, money laundering, fraud, tax evasion, abuse of trust, falsifying documents. These people have been sentenced to 50 years imprisonment and a € 70,000 fine and the the property generated by criminal activity is confiscated. Part of imprisonment and a fine is imposed pursuant to Article 32 of the law on prevention of money laundering and financing of terrorism, by describing hiding the origin of money or other property acquired by an offense, including:

- conversion or any transfer of money derived from criminal activity;
- concealment or disguise of the nature, origin, location, regulation, rights or ownership over money or other property derived from criminal activity

Investigations by the Tax administration and Kosovo Customs also showed that in 17 cases there was tax evasion or not declaring real amount of circulation, found goods without origin and other doubts, all these worth of approximately 3.9 million Euro. Some of these cases were recommended to the Special Criminal Prosecutor of the Republic of Kosovo for possible involvement on suspicion of money laundering and tax evasion.

Information received by the Kosovo Police has indicated that several persons were arrested related to offenses of money laundering and terrorist financing, and real estate seized. Based on feedback, for most of the cases are filed criminal charges, while some of those cases are still under investigation. While there are cases for which the investigation is cancelled or closed.

4.4.2. Feedback information for reporting entities

In recent years FIU-K started with implementation of Guidance for the usage of best practices in providing information of FATF to financial institutions and other reporting entities to help them to



implement effectively the national measures in prevention of ML and TF, in particular, in detecting and reporting suspicious transactions.

It is important to note that FIU-K has distributed to main reporting entities feedback on the process of analysing suspicious transactions specifying each STRs received during a certain period and the actions taken by the unit, with the aim of increasing the quality and effectiveness of reporting. For all these actions is sent a special report individually to reporting entities. Information on actions taken by other institutions of law enforcement is not included in this feedback as they constitute classified information.

In cooperation with reporting entities and stakeholders are also drafted administrative instructions for lists of indicators of suspicious transactions. These guidelines will enter into force in the first quarter of 2015.

4.5. Training activities and implementation of the training program

Financial Intelligence Unit of Kosovo (FIU-K) based on Article 14 paragraph 1.10 of the Law No. 03/L-196 amended and supplemented with the Law No. 04/L-178 on Prevention of Money Laundering and Prevention of Financing Terrorism is an institution which within its legal framework has the competence to organize and/or carry out trainings related to prevention of money laundering and prevention of financing terrorist activities, including the obligations of the reporting institutions.

FIU-K, in order to ensure and promote compliance of the reporting institutions with the law in force, has drafted the Administrative Instruction 001/2013, which entered into force on 31/10/2013, as well as the training plan for 2014, where the provision of trainings for the reporting institutions is foreseen as defined by the Law on AML/CFT.

In the frame of this plan, FIU-K has organized the following trainings for the reporting institutions:

Date	Reporting institution	No. of persons	Topic	Supporting institutions
24/01/2014	Micro-finance institutions	12	AML/CFT, legal obligations and ways of reporting	/
14/02/2014	Notaries	54	AML/CFT, legal obligations and minimal standards of reporting Drafting contracts	Notaries' Chamber
10/3/2014	Insurance companies	25	AML/CFT, legal obligations and ways of reporting	/
29/04/2014	Casinos and licensed gambling facilities	18	AML/CFT, legal obligations, internal procedures and ways of reporting	B&S Project

15/05/2014	Political parties	4	AML/CFT, legal obligations	B&S Project CEC
28/05/2014	NGOs	16	AML/CFT, legal obligations and ways of reporting	B&S Project MPA-DRNGO
17/06/2014	Exchange offices	28	AML/CFT, legal obligations and ways of reporting	B&S Project
30/06/2014	Banks	12	AML/CFT, legal obligations and ways of reporting	B&S Project
25/10/2014	Lawyers Prizren region	35	AML/CFT, legal obligations and minimal standards of reporting	B&S Project Lawyers' Chamber
31/10/2014	Lawyers Pristina region	33	AML/CFT, legal obligations and minimal standards of reporting	B&S Project Lawyers' Chamber
14/11/2014	Auditors	75	AML/CFT, legal obligations and minimal standards of reporting	B&S Project SCAAK
22/11/2014	Lawyers Gjilan region	36	AML/CFT, legal obligations and minimal standards of reporting	B&S Project Lawyers' Chamber

Table no.22 –Trainings organized with the reporting institutions

Trainings for 2014 were organized on the prevention of money laundering and financing terrorism, legal obligations and the ways of reporting. During the trainings, reporting institutions were informed about legal changes made to the Law No. 03/L-196, the process of National Risk Assessment, the draft National Strategy of the Republic of Kosovo on the Prevention and Combating Informal Economy, Money laundering, Financing Terrorism and Financial Crimes 2014-2018, Administrative Instruction on imposing administrative sanctions and the Administrative Instruction on persons politically exposed.

4.5.1. Implementation of the training program

In 2014, the implementation of the objectives and activities of the strategic document training needs assessment continued related to “the Training Program and the Training Strategy for the Financial Intelligence Unit and other institutions involved in the prevention of money laundering, terrorist financing and financial crimes in Kosovo”. This program has been prepared within the framework of the EU-funded project "Support to Kosovo institutions in combating economic and financial crime.

For this purpose, FIU-K has adopted an "administrative DIRECTIVE No. 001/2013 related to training for preventing and combating money laundering and terrorist financing". Through this administrative order, procedures and legal obligations of reporting institutions regarding the provision of trainings by FIU-K are defined and regulated. This document focuses on trainings for the reporting institutions and trainings for the rule of law institutions and other institutions.



4.5.2. Objectives of the Training Strategy

The main idea of the training strategy is that there should be a combined and joint organization, and comprehensive trainings in preventing and investigating money laundering, terrorist financing and financial crimes and corruption to all relevant authorities, which should also from their part be responsible for planning and implementation of the training system.

It will ensure diverse trainings for the staff and expansion of the the network is an essential part of the process.

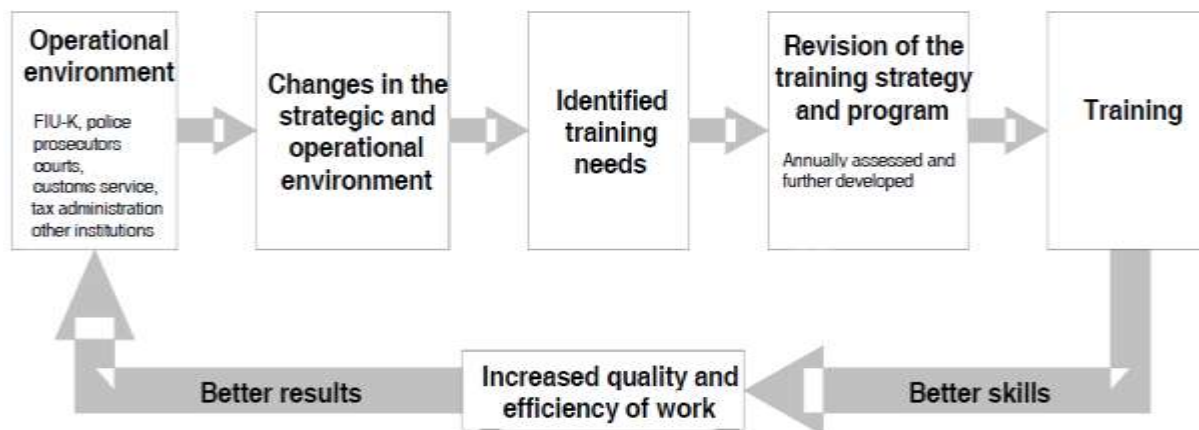
This joint system will ensure that trainers possess updated information and practice which participants could apply in their daily work.

A particular focus in the strategy has been put on sustainable capacities and gradual reduction of dependence on foreign instructors through the development of training of trainers and building up internal expertise.

The main leading institutions responsible for designing, development and implementation of the Training Strategy should be the Economic Crime Institute with the support of the Working Group Coordinators Training for public and private sectors.

4.5.3. Development of the training cycle

FIU-K and other institutions responsible for prevention of money laundering, terrorist financing and economic crimes should continually assess the environment in which they operate. They should assess the strategic and operational changes which affect their training needs. The mechanism of national risk assessment provides a solid basis for this process. Relevant institutions have to change their strategy and training program in order to be able to cope with the new demands arising from the national risk assessment. Working groups for coordination of trainings should be included in the decision-making processes of changing the strategy.



4.5.4. Structure of the training program

The structure of the training program has been divided in two main components:

- ✓ Seminars and workshops for public, private and third sectors, and
- ✓ Trainings to responsible institutions for reporting according to the AML/CFT legislation

Whereas, the training program is divided in seven (7) sections:

- Basic training,
- Intelligence analysis in a financial environment,
- Investigation of financial crimes,
- Special investigation methods,
- Training on compliance functions,
- Training on raising awareness and communication, and
- Training of trainers.

Models varying from the basic ones to specialized ones include:

- ✓ Basic training on investigating financial crimes
- ✓ Operational analysis
- ✓ Analysis of information technology equipment
- ✓ Investigation of corruption
- ✓ Investigation of tax evasion
- ✓ Investigation of smuggling and offenses related to customs revenues
- ✓ Investigation of crimes related to procurement
- ✓ Investigation of money laundering
- ✓ Investigation of terrorism financing
- ✓ Investigation of information technology crimes
- ✓ International cooperation in investigating economic crimes
- ✓ Directing investigations on financial crimes
- ✓ Forensic accounting and auditing
- ✓ IT forensics in investigating financial crimes
- ✓ Tracking the income from crime Gjurmimiitëardhuravengakrimi
- ✓ Training on compliance functions
- ✓ Introduction to public relations
- ✓ Specialized training in the field of public relations, and
- ✓ Training of trainers

Additional trainings will be provided to institutions of public and private sector, particularly to parties which have an obligation to report suspicious bank transactions and cash, as defined by the AML/CFT legislation.



4.6. **Activities on raising awareness**

The first objective of the action plan of the National Strategy of the Republic of Kosovo for preventing and combating informal economy, money laundering, terrorism financing and financial crimes has as a priority "awareness raising to impact on informal economy and financial crimes", which covers several activities focusing on awareness raising.

With an aim of accomplishing this objective, FIU-K has organized campaigns, conferences, workshops with public, private and third sector entities, in order to improve the prevention of money laundering and terrorism financing and to raise the awareness of the public regarding the FIU-K role. FIU-K has also prepared an advertisement shown on the public television to raise the awareness on the prevention of money laundering and terrorism financing and to inform the public about AML/CFT legislation and the ways of reporting to FIU-K.

Other priorities of the FIU-K were raising awareness of reporting institutions and society through information and training activities and other forms defined by the law. In addition, as a continuation of close cooperation with the reporting institutions, FIU-K has continued with individual meetings with the entities legally obligated, focusing on periodic meetings with all commercial banks in the country, as well as the association of banks, then special meetings with the Kosovo Association of Notaries, Association of Microfinance Institutions, Association of Insurance Companies, Bar Association and the Association of Certified Accountants and Auditors of Kosovo have been held. These meetings proved very positive, where the best forms of reporting have been discussed and elaborated. FIU-K has also provided recommendations and guidance on issues related to the fulfillment of their legal obligations and effective and mutual cooperation. As a result of this cooperation with some of these associations, a joint annual training plan and program has been developed.

4.6.1. International conference

In 2014, FIU-K officers participated in a number of conferences which were held in the country and abroad. In some of these conferences, FIU-K was a co-organizer, whereas in others, FIU-K officers were only participants. The conferences in which FIU-K officers participated in are listed below:

- ✓ *Regional seminar on the confiscated and seized property (held in Prishtinë, April 2014)*
- ✓ *EU Twinning Project kick-off Conference "Strengthening the capacities of criminal investigations against organized crime and corruption"*
- ✓ *Regional conference: "Intensifying cooperation, overcoming economic challenges, increasing regional economic cooperation and joining efforts against informal economy (held in Prishtinë, May 2014);*
- ✓ *Conference on Preventing informal economy, money laundering, financing terrorism and financial crimes (held in Prishtinë, May 2014);*
- ✓ *The second international meeting of the group of goAML users (held in MarakechMaroko, September 2014)*



- ✓ *International conference on improving international cooperation in the area of combating money laundering and financing terrorism (held in Prishtinë, September 2014);*
- ✓ *International conference on improving cooperation in the anti-corruption field - (held in Prishtinë, October 2014);*
- ✓ *Conference on preventing informal economy, money laundering, financing terrorism and financial crimes (held in Prishtinë, December 2014)*
- ✓ *Plenary meeting of the project against economic crimes in Kosovo PECK (held in Prishtina, December 2014).*

The majority of these conferences was also attended by the private sector and civil society, thus having an opportunity to be part of discussions and presentations conducted by various experts in respective fields, and increase their knowledge regarding the importance and ways of combating and joint prevention of negative phenomena and activities related to different financial crimes.

4.7. Publication of typologies

The publication of Typologies a year ago contributed to raising awareness and understanding of the phenomena of money laundering and terrorism financing, resulting in the quality of suspicious reports reported by the reporting institutions, as well as, in raising the interest in providing information voluntarily regarding the suspicions related to money laundering or financing terrorist activities or related criminal offenses.

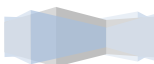
Such a publication of typologies will continue in the years to come including cases and other illustrative situations with different indicators of money laundering and terrorism financing in order to detect and combat negative phenomena of money laundering and financing terrorism.

4.8. Increasing FIU capacities

4.8.1. Information technology

Since 2009, reporting institutions have started to report through the advanced system goAML. This form of reporting has replaced the classic reporting format, changing into the electronic reporting system. In addition to reporting, as of 2010 electronic communication of exchanging data with reporting institutions, public institutions, and a number of international counterparts has been installed.

A sustainable progress continued with upgrading the goAML system for analysis, reporting and exchange of information, with an objective to increase the quality of intelligence and efficiency of analysis. A great contribution to this progress was given by the EU financed Project.





During this period, the goAML system has also been upgraded to version 4.0, thus providing new possibilities which have not been possible to perform until now. Some of the improvements which are part of the new goAML version:

- ✓ Possibility for systematic (technical) protection of cases,
- ✓ Greater speed in processing data
- ✓ Increasing the number of tools for visualization through diagrams
- ✓ Increasing possibilities to control the reported data
- ✓ Systematic assessment of risk for each case in goAML

Score:	1	2	3	4	5	6	7	8	9	10	>10
Icon:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- ✓ Creation of new types of reports to include the overall activities of FIU-K.
- ✓ Avoiding duplication of reports in the system by obligors with the merging tool.

Throughout 2014, integration of all agencies and reporting institutions continued which carry out electronic communications on a daily basis with FIU-K through the goAML Message Board system.

FIU-K continued with upgrading the reporting system through goAML thus achieving progress in improving the quality of data reported to the FIU-K. Progress was achieved as a result of better coordination of the Department of Information Technology and the Compliance Department which conducted joint inspections in banks and other reporting institutions.



There was also a good cooperation with banks and other reporting institutions, and they were presented a conceptual technical project with actions that need to be undertaken in order to improve the quality of reports.

Standard Operating Procedures have been drafted and finalized by the project experts and they have been integrated in the daily work processes based on goAML.

After the Kosovo Police, FIU-K has also created a new system with KTA, which can extract, compare and present visually through goAML the data obtained from KTA Database and goAML system. This new system is expected to significantly ease the process of preventing money laundering and terrorism financing. Standard inter-operating procedure has also been designed (FIU-K and KTA) which defines the legal basis and technical solutions.

The new official web-page of the unit has been finalized and completed (<http://fiu.rks-gov.net/>). FIU-K has developed this web-page to communicate with the reporting institutions in a more efficient way. This process has been completed thanks to the support of the EU funded project. The web-page will be operational by the beginning of 2015.

FIU-K has successfully implemented 100% of the annual budget of the Unit allocated for capital investments. Investments in hardware (computers, other equipment) have been fully integrated into the current system which is in use, thus increasing significantly the analysis capacities through the Safe System.

4.8.2. Trainings, conferences, seminars and other meetings attended by FIU-K staff

FIU-K staff has attended a number of trainings at strategic and operational level for management, administration, financial intelligence, analysis and general investigations, and in particular related to money laundering and terrorism financing. The trainings were organized both by local institutions and international partners.

Capacity building of the professional staff of the Unit was also supported with participation in different workshops and conferences, both local and international. During 2014, the implementation of the objectives and activities in the strategic document "training needs assessment, Training Program and of the Financial Intelligence Unit and other institutions involved in the prevention of money laundering, terrorism financing and financial crimes in Kosovo" continued. FIU-K staff participated in a total of 30 trainings and seminars, both at a local and international level, out of which 23 were related to the prevention and combating money laundering and financing terrorism or other similar activities.

Some of the main local trainings in which FIU-K staff participated in contained mainly the following topics:



Date	Title	Organizer	Number of FIU-K participants
17 January 2014 and 20 February 2014	Money tracking	AECI	2
27 - 29 January 2014	Supervision of compliance in AML/CFT	B & S	11
20 March 2014	Criminal Code and the new Criminal Procedure Code focusing on restrictive measures	B & S	2
03 - 09 April 2014	goAML upgrade	UNODC	9
15 - 16 April 2014	Regional seminar organized by AMSC	AMSCA & EU	1
26 - 29 May 2014	Financing terrorism	B & S	1
14 - 16 July 2014	Management of financial crime investigations	AECI	1
23 - 27 July 2014	Investigation of money laundering, tracking assets and joint international legal assistance	AECI	1
09 September 2014	Tracking assets, seizure and confiscation	KJI and B & S	2
08 - 10 September 2014	Investigation of smuggling and customs and tax offenses	AECI	1
26 - 27 February 2014	Workshop on collection, maintenance and reporting of the data	PECK	2
27 - 31 October 2014	Training on goAML	B & S	9

Table no. 23 – Main trainings at a local level attended by FIU-K staff

The professional staff of the FIU-K has also participated in other international training and activities which were organized at a regional and international level:

Date	Title	Place	Number of FIU-K participants
1 - 6 June 2014	22 nd Plenary meeting of Egmont Group	Lima, Peru	2
5 June 2014	Tracking new payment methods for financing terrorism	Lima, Peru	1



5 June 2014	The role of FIU in assessing National Risk	Lima, Peru	1
5 June 2014	The role of FIU in combating corruption and restitution of assets	Lima, Peru	2
16 - 19 June 2014	Workshop: Restitution of assets – multi-direction approach	Brussels, Belgium	1
22 - 25 September 2014	Training on transferring money by hand UNODC/GPML	Ohër, Macedonia	1
29 September - 03 October 2014	Study visit, Finland	Helsinki, Finland	6
29 - 30 September 2014	Second meeting of goAML users	Marakech, Morocco	2
2 - 5 November 2014	Face to face meeting regarding PECK evaluation - KiE Strasbourg	Strasbourg, France	2

Table no. 24 – The main international trainings and meetings attended by FIU-K staff.



5. NATIONAL AND INTERNATIONAL COOPERATION

5.1. *National cooperation and coordination*

In order to facilitate cross-institutional involvement it is important to establish joint mechanisms for the exchange of information among agencies which bear the responsibility to prevent and combat money laundering, terrorism financing and financial crimes.

Assessment of the risk from money laundering and financing of terrorism was adopted by the government. In order to establish an inclusive mechanism for the management of the risk and address the risks identified, the government has developed a national strategy and an action plan for the prevention and combating informal economy, money laundering, financing of terrorism and financial crimes 2014-2018. This inclusive mechanism, among others, includes: Permanent Government Group (WG) which approves the report related to the factual situation and reports to the Government, assist in drafting, revising, and monitoring of the national strategy, then the Secretariat which drafts the report on the factual situation for the implementation of the government WG strategy and supports the government WG, and finally the officers responsible for the implementation of the strategy or the technical group which reports on the achievements to the representatives of the institutions in the secretariat.

In order to fulfill the joint mission of the institutions in the field of law enforcement, it is important to establish also the mechanisms to assign and coordinate tasks at the strategic level, which will include the highest institutional structures in assigning and coordinating tasks at the operational level. This will also enable an inter-institutional approach among the agencies to set priorities in combating financial crimes and will serve in the implementation of standard operating procedures for the selection and targeting serious crimes, and in inter-institutional cooperation.

Establishment of these mechanisms will enable a joint inter-institutional approach for assigning and coordinating the tasks at the strategic and tactical level. Meetings to assign tasks and coordinate enable senior team managers of the institutions to take decisions on the common priorities of all institutions.

For this purpose, by the end of 2014 a comprehensive cooperation agreement was signed regarding the exchange of information, risk assessment and coordination among institutions and law enforcement agencies in combating and preventing economic and financial crimes.

The National coordinator for Combating Economic Crimes serves also as a key mechanism in coordinating and supervising the activities of all state actors in the field of combating economic crime, including ML and FT. This office was established with an aim of increasing the efficiency in the prosecution of crimes, seizure and confiscation of material benefits deriving from crime.

The main cooperation partners of the FIU-K are the State Prosecution, Ministry of Finance, Ministry of Internal Affairs, Kosovo Police, EULEX, KTA, Customs, CBK, KIA, Anti-Corruption Agency and the Agency for the management of the seized and confiscated assets.



As part of its legal mandate, FIU-K cooperates on mutual basis with other institutional units and bodies in Kosovo, mutual assistance in the performance of their duties, and the coordination of activities within their powers. In this regard, the exchange of information remains one of the important components of FIU-K, in order to assist in collecting evidence indirectly and to raise the efficiency by applying internationally used methods and practices to combat money laundering and financing terrorism, confiscation of assets or related criminal acts. In addition, FIU-K focuses on enhancing inter-institutional cooperation, particularly with law enforcement agencies, in order to exchange information in a more efficient manner.

The number of requests for information during 2014 remained approximately at the number as it was in the previous year, however, compared to the previous two years, there is a significant increase in the exchange of information among institutions, showing an increase in cooperation with law enforcement institutions, increase of trust and relevance of information provided by the Financial Intelligence Unit, as well as, increase of professionalism of this institution. The most significant cooperation is noticed with the Kosovo Police constituting around 50% of requests for information. These requests relate mainly for additional information regarding previous cases investigated by FIU-K for respective institutions, or suspicions raised by these institutions regarding criminal acts related to money laundering, financing terrorism or related offenses.

The table below presents the number of requests submitted by some of key institutions the FIU-K cooperates with, and the number of responses was more or less the same. There were also requests for information which were rejected by FIU-K on the grounds that such requests did not fall within the legal mandate of the unit.

Institutions which submitted requests	2011	2012	2013	2014
Kosovo Police	21	28	57	91
KIA	0	5	14	23
EULEX	16	15	8	11
Special Prosecutor's Office of Kosovo	4	4	1	6
State Prosecution	0	0	5	6
Kosovo Tax Administration	1	2	20	7
Kosovo Customs	18	44	61	25
ILECU	0	2	15	6
Other	4	3	2	2
Total	64	103	183	177

Table no. 25 – Requests for information (RFI) submitted by institutions cooperating with FIU-K



5.1.1. Working Groups and National Strategy Action Plans

A special focus during this year has been dedicated to the implementation of the National Strategy of the Republic of Kosovo for the Prevention and Combating of Informal Economy, Money Laundering, Terrorism Financing and Financial Crimes 2014-2018. Tasks for each activity were assigned to the competent unit officers, and the reporting takes place on a regular periodic basis. Implementation of objectives and activities in the Action Plan of the unit is monitored by the Strategy secretariat member, while the report on the implementation of these activities is approved by the Government Permanent Group.

In addition, the FIU has continued to contribute in the implementation and review of three national strategies by actively participating in: the National Strategy against organized crime, the National counter-terrorism strategy and the National Strategy for the prevention of crimes.

5.1.2. Memoranda of Understanding

In order to further strengthen the cooperation and coordination and increase the mutual cooperation, the mutual assistance to each party in performing their duties and coordinate activities within the scope of their powers in accordance with applicable laws, FIU-K and other law enforcement institutions and public institutions have continued with concluding cooperation agreements.

A comprehensive cooperation agreement for the exchange of information, risk assessment and coordination among institutions and law enforcement agencies was signed by the State Prosecution, Kosovo Police, Kosovo Customs, Kosovo Tax Administration and the Financial Intelligence Unit. Through this agreement, the institutions will harmonize their policies in order to exchange, analyze and distribute information among the respective agencies.

The main purpose of this agreement is to create a system which will operate in a more proactive way towards risks and threats to safety and security, in particular the threats and risks deriving from criminal activities. The focus of this agreement is also to ensure that the available resources of all institutions should be used jointly with an aim of preventing and investigating crimes, as well as, in addressing the main concerns for the community in the field of security. This will particularly enable all parties to jointly use the available human resources, knowledge, information technology systems and sources of information the institutions possess.

Another cooperation agreement was signed in November 2014 between the Financial Intelligence Unit and the Civil Registry Agency. The purpose of this Agreement is to improve cooperation between the two institutions, CRA and FIU-K, to enhance prevention of the money laundering and financing terrorism, by ensuring the exchange of information through the access to the database among the signatory institutions. As to how the data will be exchanged, a standard operating procedure for the exchange of data will be attached to this agreement.



5.2. Cooperation with international counterparts and Egmont Group

5.2.1. International exchange of information

FIU-K can receive and analyze reports and information provided to FIU-K by FIUs of foreign countries with similar functions, by courts or by the bodies responsible for law enforcement, including inter-governmental and international organizations, public or governmental bodies. FIU-K within the frame of its powers vested by law on AML/CFT can also, spontaneously or upon request, share information with any foreign counterpart agency performing similar functions and which is subject to similar obligations regarding confidentiality, regardless of the nature of the agency which is subject to reciprocity. The information provided is used only with the consent of the agency and only for the purposes of combating money laundering, criminal related activities and terrorism financing.

FIU-K is able to exchange all information at international level which could be accessible or possible directly or indirectly by FIU.

International cooperation	2011	2012	2013	2014
REQUESTS RECEIVED AND DISTRIBUTED				
Requests of foreign FIUs sent to FIU-K	10	10	7	19
Responses to foreign requests distributed by FIU-K	12	13	6	20
Foreign requests refused by FIU-K	0	0	0	0
Average number of days required to respond to requests of foreign FIUs	49	33	26	29
Spontaneous sharing of information				
Spontaneous information received by FIU-K	0	0	2	1
Spontaneous information distributed by FIU-K	//	//	3	6

Table no. 26 – International exchange of information 2011-2014

The year 2014 has marked an increase in international cooperation regarding the exchange of information, by increasing the number of requests sent to FIU-K from international FIUs.

Requests of foreign FIUs sent to FIU-K	2014
FIU Albania	1
FIU Austria	1
FIU Bulgaria	2
FIU Croatia	1
FIU Macedonia	2
FIU Montenegro	2
FIU Slovenia	2



FIU Switzerland	2
International law enforcement agencies	6
Total	19

Table no. 27 – Requests of foreign FIUs sent to FIU-K 2014

Responses to foreign requests distributed by FIU-K	2011	2012	2013	2014
FIU Macedonia	6	5	1	3
FIU Montenegro	2	6	5	3
FIU Croatia	-	1	-	1
FIU Netherlands	-	1	-	-
FIU Albania	2	-	-	1
FIU Bosnia and Herzegovina	1	-	-	-
FIU Germany	1	-	-	-
FIU Austria	-	-	-	1
FIU Bulgaria	-	-	-	2
FIU Slovenia	-	-	-	2
FIU Switzerland	-	-	-	2
International law enforcement agencies	-	-	-	5
Total	12	13	6	20

Table no. 28 – Responses to foreign requests distributed by FIU-K

In addition, this year an increase of spontaneous information distributed by FIU-K to foreign counterpart units has been noticed:

Spontaneous information distributed by FIU-K	2013	2014
FIU Belarus	-	1
FIU Lithuania	-	1
FIU Poland	-	1
FIU Macedonia	1	1
FIU Cyprus	-	1
FIU Germany	-	1
FIU Luxembourg	1	-
FIU Montenegro	1	-
Total	3	6

Table no. 29 – Spontaneous information distributed by FIU-K 2013-2014



Moreover, FIU-K can disclose the information to the bodies responsible for law enforcement or those bodies which perform a similar function to the FIU-K abroad, if such disclosure is in the service of and would help FIU-K to perform its functions.

All the data, information and official documents are disclosed by the FIU-K only for intelligence purposes only, with an aim of providing the basis for investigation. However, they can not be used as evidence before a court.

FIU-K requests addressed to other counterpart FIUs	2014
FIU Albania	6
FIU Germany	4
FIU Turkey	4
FIU Italy	3
FIU Ukraine	2
FIU Austria	1
FIU Bosnia and Herzegovina	1
FIU Cyprus	1
FIU Netherlands	1
FIU Macedonia	1
FIU Sweden	1
Total	25

Table no. 30 – FIU-K requests addressed to other counterpart FIUs 2014

Article 36 of the Law on AML/CFT specifies that the competent authorities of Kosovo shall undertake the widest possible measures of cooperation with the authorities of foreign countries in order to exchange information, investigations and court procedures related to temporary measures to safeguard property and orders for confiscation related to ways of money laundering and assets gained through criminal activities, and with an aim of prosecuting perpetrators of money laundering and terrorist activities. Such a request will be sent through diplomatic channels in accordance with the applicable laws and agreements in force, and it will be forwarded to the Office for International Legal Cooperation or any other competent authority.

5.2.2. Regional cooperation

During 2014, two working meetings were held between FIU-K and their counterparts from FIU Albania. These working meetings were held in April and September of 2014 and both delegations were led by the Directors of the two institutions. The aim of the visit was to discuss issues of common interest in the field of prevention of money laundering and financing terrorism, exchange of information between the two units; the risks faced by our countries in the field of terrorism; the increase of professional and technical capacities and defining the areas of



cooperation in this regard; the process of the FIU-K membership in international bodies and steps taken in regard to monitoring the reporting institutions.

The second meeting was held in Tirana, and as part of the program of that meeting was the signing of the new cooperation agreement between the two units, which will serve as a basis for further strengthening of cooperation related to the exchange of information, enhancing the roles in the further strengthening of the capacities in the respective countries, and organizing periodic meetings to follow up on the institutional cooperation.



Meeting of the FIU-K Director with his counterpart from the FIU Albania

5.2.3. Memoranda of Understanding

FIU-K plans to further strengthen international cooperation with FIUs from other countries. FIU-K currently has cooperation agreements with the countries in the region, the EU and other countries. The objective of the FIU-K is to build cooperation relations and conclude memoranda of understanding with as many countries as possible aimed at exchanging information related to money laundering or terrorism financing.

In 2014, the number of cooperation agreements reached the number 10. With the aim of enhancing greater cooperation, FIU Kosovo and FIU Poland have signed a cooperation agreement which will further enhance the cooperation between our both intelligence units.. In 2014, two working and study visits were organized by the FIU-K, visiting the FIU Albania and conducting a study visit to the main state institutions in Finland. In turn, FIU Albania also visited Kosovo.



Memoranda of Understanding with international FIUs			
Jurisdiction	Year	Jurisdiction	Year
Albania (DPPPP)	2009	Turkey (MASAK)	2012
Macedonia (MLPD)	2009	Czech Republic (FAU-CR)	2012
Montenegro (APML)	2009	Finland (FIU)	2013
San Marino (FIA)	2009	Poland (GIIF)	2014
Slovenia (OMLP)	2009	Albania (DPPPP)	2014
Croatia (AMLO)	2010		

Table no. 31 – Memoranda of Understanding with international FIUs

5.2.4. The process of accession to international organizations

The interest of the FIU-K to integrate in international organizations is a process to which the unit has dedicated a particular importance and efforts are being made by FIU-K to follow this agenda alongside the integration of our country in international institutions.

An application for membership in Egmont Group⁴ was made back in 2013 Group through the submission of a formal request to the Secretariat of this international institution. Initially, the process was supported by FIU Finland, FIU Senegal and FIU Slovenia which agreed to sponsor the membership of FIU-K.

Procedure for FIU-K membership was included in the agenda of the Egmont working group meetings which was held in Budapest in February 2014. It was decided to continue with the process and the sponsors of the FIU-K should be allowed to make a field visit.

FIUs of Finland, Senegal and Slovenia carried out the field visit in April 2014. Sponsoring countries of FIU-K prepared an evaluation report of our country. During their field visit, the team of sponsors met with the key stakeholders to observe and assess the level and the will of our country in combating ML/FT and their perception regarding the role of the FIU-Kosovo. The conclusion of the sponsors' report was that FIU-K fulfills the requirements for membership in Egmont Group.

In the near future, FIU-K will make efforts for membership in other regional and international organizations, including the membership in the network of FIUs of Balkan region, then membership in MONEYVAL, etc.

⁴ The Network of Financial Intelligence Units in the World



5.2.5. Egmont Group

From 1-6 June 2014 the 22nd plenary session of Egmont Group was held in Lima, Peru, which was attended by delegations from 115 FIUs from all over the world including 15 international observer organizations.



Following the invitation of the secretariat of the Egmont Group, the Director of the FIU-K was invited for the first time (since the establishment of the FIU Kosovo) to participate in an international meeting. What was important for our country in addition to participation, was the discussions in two Egmont working groups, the support group and the legal group, where among others they discussed the membership of FIU Kosovo in this international organization. This discussion came as a follow up of the application of FIU-K for membership in this important international organization, and after the discussions which took place in the support group in the previous meeting of the Egmont working groups held in 2014 in Budapest.

The presentation made by the Kosovo delegation in that plenary meeting, strengthened further the position and the conviction that FIU-K is operational, independent and meets all the criteria of the establishment of an FIU according to international standards. FIU Kosovo has the status of the candidate for membership. An extremely valuable and continuous contribution in this regard has been provided by the sponsoring countries of the FIU-K such as FIU Finland, FIU Senegal and FIU Slovenia, which presented an excellent evaluation report on their field visit. A strong support regarding the membership of FIU Kosovo was also provided by a considerable number of other FIU members including those in the region.



22nd Plenary Meeting of Egmont Group, June 2014, Lima Peru

FIU-K will try to continue to participate again in future meetings, be it plenary sessions or working group meetings, in order to have as broad as possible participation, by adopting experiences of member countries and engaging professional staff of different fields.

In order to continue to expand further the international network against money laundering and terrorism financing and to exchange information more efficiently, at the 22nd plenary meeting, eight (8) new members were accepted in Egmont group, among them FIUs from Angola, Brunei Darussalam, Chad, Ghana, Jamaica, Namibia, Sint Maarten and Tanzania, thus bringing the total number of financial intelligence unit members to 146.



22nd Plenary Meeting of Egmont Group, June 2014, Lima Peru



5.2.6. Second meeting of goAML users

From 29 to 30 September 2014 the second international meeting goAML group users was held in Marrakech, Morocco (the first meeting was held in Vienna in 2012). Financial Intelligence Unit of Kosovo participated in this international event of software users named goAML, a software product of UNODC, designed specifically for Financial Intelligence Units in combating money laundering and terrorism financing, a system which was installed in FIU-K in 2008 (among the first countries of the world), and which has been in operational use in FIU-K since 2009. FIU-K has an equal membership status in this group, and its suggestions and requests are taken into consideration, equally as of other member countries in this group.

During the two days conference, strategic aspects related to goAML software, its functionality and the challenges related to the enhancement of operability and cooperation were discussed, and different possible forms of organization were elaborated (not excluding regional aspects) among the FIUs as the users of this system in the future.

The conference was organized in two different working groups. One of the meetings was held behind the closed doors for decision-taking stakeholders attended by FIU heads or their delegates. This group addressed issues related to the operations and policies discussing possible scenarios of developments concerning the goAML. The other group dealt with the training and issues related to information technology elaborating technical and functional aspects of goAML, and one information technology expert from FIU-K and goAML system participated in the meetings of this group.



6. RISK MANAGEMENT IN MONEY LAUNDERING AND FINANCING TERRORISM

6.1. *National Strategy and Plan of Action 2014-2018*

The Government of the Republic of Kosovo adopted on 28 January 2014 the National Strategy and the Action Plan of the Republic of Kosovo for the prevention and combating informal economy, money laundering, and terrorism financing and financial crimes 2014-2018. These policy documents constitute a national risk management mechanism against harmful phenomena dealt by this strategy. The strategy is based on the findings of the national risk assessment report where six key objectives were identified:

1. Awareness raising on the impact of informal economy and financial crimes
2. Strengthening prevention and combating against informal economy and financial crimes by improving transparency, accountability, good governance and social partnership
3. Promoting intelligence, investigation, criminal prosecution and court procedures and their execution related to money laundering, financing terrorism and other financial crimes
4. Building up capacities of relevant institutions
5. Developing and applying a proactive approach towards international cooperation in preventing money laundering, financing terrorism and financial crimes
6. Developing national legislation in line with international standards and ensure its efficient implementation.

In addition to this strategy, the Government of the Republic of Kosovo has established a mechanism for the design, review, approval, implementation and supervision of the National Strategy and the Action Plan 2014-2018.

Implementation of the National Strategy 2014-2018 is based on the Action Plan which represents a guide to be followed in order to achieve strategic objectives. The Action Plan includes a total of 51 specific activities. In the Action Plan of this Strategy, FIU-K is one of the key institutions in regard to the implementation of this Strategy and the Action Plan. FIU-K is the primary authority responsible for seven (7) actions specified in the action plan, whereas as a support institution it is involved in a total of twenty (22) activities. The main activities FIU-K is expected to implement as a responsible institution during the period 2014-2018 are as follows:

1. Implementation of supervision activities related to compliance in assessing AML/CFT by reporting on the compliance of institutions with the law on preventing money laundering and financing terrorism (activity 2.2.10).
2. Implementation of assessments on specific risks for a branch and a sector, by focusing on the most vulnerable branches and sectors as far as money laundering and financing terrorism is concerned. Their compliance with the law on prevention of money laundering and financing terrorism has to be assessed and ensured (activity 2.2.11).
3. Organisation of FIU-K to reflect new tasks and requirements of the Agency defined by law based on its operating environment. (activity 2.3.1).
4. Establishment of Standard Operating Procedures for supervision activities related to compliance of FIU-K (activity 2.3.3).

5. Ensuring membership of FIU-K in the FIUs Regional Working Group in the region to enhance exchange of international financial intelligence and to develop prevention and detect money laundering and confiscation of income from crime (activity 2.5.1).
6. Ensuring membership of FIU-K in Egmont Group of Financial Intelligence Units in order to enhance exchange of international financial intelligence and to develop prevention and detect money laundering and confiscation of income from crime (activity 2.5.2).
7. Ensuring operational cooperation of FIU-K with with respective international FIUs through signing of Memoranda of Understanding to enhance international exchange of financial intelligence and develop prevention and detection of money laundering and confiscation of income from crime (activity 2.5.3).

During 2014 Situation reports 1/2014 and 2/2014 were drafted and the final annual report 03/2014 is in the process of being finalized by applying direct and indirect methods and paying attention to subjective and objective criteria. The annual situation report 03/2014 is expected to be approved by the Government Working Group in the first half of 2015.

Based on the published situation reports regarding the implementation of this strategy, it was concluded that the results for 2014 show that FIU-K has achieved and exceeded key performance indicators defined in Annex 1 of the action plan. It should be noted that despite the difficulties in terms of staffing and logistical support (work space), and its non-admission in Egmont Group, FIU-K has managed to make an extremely good performance during 2014 and these achievements are reflected in the published reports.

6.2. Sector Risk Assessment 2014

The Government of Kosovo has approved the National Strategy of the Republic of Kosovo for the Prevention and Combating Informal Economy, Money Laundering, Terrorism Financing and Financial Crimes 2014-2018 (hereinafter the National Strategy 2014-2018) on 28.01.2014. The Action Plan of this strategy requires from the FIU-K, with the support of other relevant institutions, to implement the risk assessment and the sector and the specific branch with the focus on the most vulnerable sectors and branches related to money laundering and financing terrorism.

Following the finalization of the National Risk Assessment regarding Money Laundering and Financing Terrorism 2013, which was approved by the Government of the Republic of Kosovo on 18.12.2013, including the conclusion that the informal economy, money laundering, terrorism financing and financial crimes are inseparably linked with one another. On the other hand, the Action Plan of the National Strategy 2014-2018 requires that the relevant authorities, supported by other relevant institutions, should implement the risk assessment of sector and specific branches with a focus on most vulnerable sectors and branches in the informal economy and financial crimes. Thus, the FIU-K decided to carry out the risk assessment of a specific sector so that this process identifies threats and weaknesses related to informal economy, money laundering, terrorism financing and financial crimes.



FIU-K, in March 2014, initiated the implementation of the risk assessment for a specific sector in money laundering and terrorism financing in the construction business in Kosovo 2014. The Unit decided to focus the process in construction business since it is considered to be one of the most vulnerable sectors for money laundering and financing terrorism in Kosovo.

FIU-K has proposed the establishment of the Working Group on Risk Assessment which consisted of representatives of relevant institutions from public and private sectors. Members of the core working group, besides FIU-K were from the Office of the National Coordinator for Combating Economic Crimes, from Tax Administration of Kosovo, the Kosovo Police, and the EU funded project "Support of Kosovo institutions in combating financial and economic crimes. In order to collect the data, the Working Group on Risk Assessment communicated and consulted with a wide network of partners. All relevant subjective and objective sources were used. The effects and potentials of each risk identified was analyzed separately by using the Risk Assessment Methodology of the World Bank, whereas the data collected were assessed using the Europol 4x4 system.

This risk assessment is intended to be used for drafting, reviewing and amending national policies, strategies and other instruments for risk management. On the other hand, the results of the risk assessment should be used when focusing on strategic and operational activities of the FIU-K.

6.3. National risk management mechanism for money laundering and financing terrorism

During the last two years, the Government of the Republic of Kosovo has adopted a number of strategic documents and established the national mechanism for risk management in informal economy, money laundering, and terrorism financing and financial crimes. In all these strategic projects, FIU-K jointly with other relevant institutions, supported and developed relevant documents. The procedure for risk management followed in Kosovo is based on the FATF Guidelines on National Risk Assessment of money laundering and financing terrorism and international standards ISO 31000⁵ and 31010⁶. This is based on consultations and communications with broad network including partners from relevant institutions of public and private sectors. Increased partnership between the institutions was very important in drafting these strategic documents, and this was achieved with great success, where besides the public sector, a valuable contribution in this regard has been provided in particular by the private sector, civil society and international organizations and institutions operating in Kosovo.

This risk management mechanism contains the following documents:

- National Risk Assessment for money laundering and terrorism financing in Kosovo 2013;
- Analysis and Assessment Matrix for individual risks identified in the National risk assessment 2013;
- Action plan on measures to address the risks identified in the National risk assessment on money laundering and terrorism financing in Kosovo 2013;

⁵Risk management – Guidelines and instructions, International standards ISO 31000, 2009.

⁶Risk management – Risk assessment techniques, International standards ISO 31010, 2009.



- Sector risk assessment in informal economy, money laundering, financing terrorism and financial crimes in Kosovo;
- National strategy of the Republic of Kosovo on prevention and combating informal economy, money laundering, terrorism financing and financial crimes 2014-2018;
- Action plan of the National strategy of the Republic of Kosovo on prevention and combating informal economy, money laundering, terrorism financing and financial crimes 2014-2018;
- Budget and performance plans of relevant public institutions 2014-2018;
- The Platform to ensure partnership among institutions from the public, private and third sectors regarding drafting, reviewing, adopting implementing and monitoring the instruments of risk management;
- The Situation report which is drafted every three (3) months and contains information regarding the situation and results of the process of implementing the National strategy and the Action plan 2014-2018, and information based on the actual situation and developments regarding operational performance and the results in preventing informal economy and money laundering, terrorism financing and other financial crimes.



7. INTERNATIONAL SUPPORT

7.1. Cooperation with EULEX

FIU-K and EULEX have had very good and fruitful cooperation. During 2014 as well, presence of the staff of EULEX mission continued in Financial Intelligence Unit. Four employees of this mission, amongst them an advisor to the Director of FIU-K, two Intelligence analysts and a support officer have continued to give their contribution to help the institution in implementing the legal mandate and increasing cooperation and capacities in the field of preventing and combating money laundering and terrorist financing. Their presence in FIU-K continued until October 2014, where due to staff redundancy those officials ended their mission in EULEX, respectively in FIU-K.

With the conclusion of the EULEX mission in FIU-K, the latter in addition to benefiting from the experience of experts of this mission, it also benefited with technical and technological equipment donated as a donation to FIU-K.

7.2. EU funded projects

The project titled “Support to Kosovo institutions in the fight against financial and economic crime” is financed by the EU. It is managed by EU Office in Kosovo. Implementation was made by B&S Europe Company.

The general objective of the Project is to support Kosovo authorities to strengthen the rule of law through further support of general implementation of the law and general combating of organized crime with focus on economic and financial crime.

Primary beneficiaries of the project activities are the Financial Intelligence Unit and the Ministry of Finance. Indirect beneficiaries are the Kosovo Police, Customs Service, the Tax Administration of Kosovo, prosecutors, judges and other relevant partners.

The project consists of three (3) main components and four (4) additional ones thus reaching a total of seven (7) components. They are divided into a total of 35 activities containing designing of the legal framework and the regulatory framework, FIU and other relevant institutions capacity building, increase of awareness and implementation of the strategy, the assessment of the informal economy, certification of Financial Experts, certification of Computer Experts and revision of the Law on Prevention of Money Laundering and Terrorism Financing.

The EU Project Team also supported FIU and other institutions in the public, private and third sector in the creation of risk management mechanism in informal economy, money laundering and terrorist financing and financial crimes. It contains National Risk Assessment in Money Laundering and Financing of Terrorism 2013 that was drafted by the working group led by FIU and was approved by the Government of the Republic of Kosovo on 18. 12. 2013. The National Risk Assessment was the basis for the process which resulted in drafting the National Strategy and Action Plan 2014-2018.



The EU Project Team and FIU have initiated processes that will result in the development of the assessment of the informal, gray and black economy, certification of Financial Experts, certification of Computer Experts and revision of the Law on Prevention of Money Laundering and Terrorism Financing. These activities were finalized during 2014.

The EU Commission has conducted monitoring of the project. The project has received excellent feedback on the basis of the evaluation. On the other hand, the results of the monitoring mission have demonstrated the excellent cooperation and coordination between the Project Team, beneficiaries and partners during the implementation of project activities. This partnership has ensured an efficient and effective process which resulted with relevant impact for prevention of economic and financial crime and in delivery of outputs of the Project to the relevant national institutions thus ensuring sustainability of the process.

7.3. The EU/CoE project “Against Economic Crime in Kosovo PECK”

7.3.1. The second cycle (II) of the assessment of conformity with international standards in the field of Combating Money Laundering and Combating the Financing of Terrorism (CML/CFT)

An assessment of compliance with international standards in the field of Combating Money Laundering and Combating the Financing of Terrorism (CML/CFT) has been prepared by the Joint Project of the European Union/Council of Europe against Economic Crime in Kosovo (PECK), implemented starting from 1 February 2012 to 31 March 2015. Reports from this assessment were published and an action plan was issued for treatment of recommendations deriving from the findings of this assessment. Assessment includes two components: Combating Money Laundering and Combating the Financing of Terrorism (CML/CFT), as well as Combating of Corruption (CC), which have been assessed as part of a single, integrated process.

Assessment of the system of Kosovo in combating money laundering and combating the financing of terrorism is based on the recommendations of FATF of 2003 and in specific recommendations on the Financing of Terrorism of 2001 of the Financial Action Task Force (FATF)⁷ and was prepared using the evaluation methodology CML/CFT 2004. Separate questionnaires, also based on FATF Methodology, were prepared for two cycles of assessment and have constituted the basis for two field visits.

During the second assessment, the assessment team developed an assessment of compliance of Kosovo with FATF Recommendations.

Furthermore, the report shall also cover a range of selected issues in connection with the Directive 2005/60/EC of the European Parliament and the Council of Europe, dated 26 October 2005 on prevention of the use of the financial system for the purpose of money laundering and financing of terrorism and Directive 2006/70 /EC of the Committee dated 1 August 2006, on setting the implementing measures for the Directive 2005/60/EC of the Parliament and the

⁷ This report is not based on the corrected FATF recommendations, which were issued in February 2012.



Council of Europe on the definition of “politically exposed persons” and technical criteria for simplified procedures for due customer care and for exclusion on the basis of financial activity conducted on the regular and very limited basis, as well as a range of elements of the Convention of the Council of Europe on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and for the Financing of Terrorism (STKE 198). Classification has also been provided for assessment of these issues.

Two cycles of assessment are based on laws, regulations and other materials provided by the authorities, as well as on information provided by assessment team and consequently after its visit to Prishtina in 2012 for the first cycle of assessment and from 14 until 18 April 2014 for the second assessment. During site visits, the assessment team met officials and representatives of relevant ministries and agencies, as well as of private sector in Kosovo.

Experts made the review of the institutional framework, laws, regulations, guidelines and other requirements of the CML/CFT, and regulators and other systems were created to prevent Money Laundering (ML) and the Financing of Terrorism (FT) through financial institutions and Businesses and Certain Non-Financial Professions (BPCJF-s) and made the examination of capacity, implementation and efficiency of all these systems.

Structure of this report follows the structure of assessment reports of Third Round of MONEYVAL and FATF.

This report provides a summary of CML/CFT measures created and undertaken by local authorities in Kosovo on the date of the visit or right after it. The report makes a description and analysis of these measures, determines the levels of compliance of Kosovo with FATF Recommendations, and provides recommendations as to how certain aspects of the system can be improved

7.3.1.1. Field visits of PECK project team in Kosovo

In the period from 14 to 18 April 2014, the second visit of experts in the field took place in Prishtina for assessment engaged by the joint project of the EU & CoE, to assess the framework and the overall system of combating against money laundering and terrorist financing in Kosovo. The purpose of this visit was looking into a more accurate overview by verifying and elaborating the questionnaire sent by authorities in the country in the second cycle (2) of the assessment, as well as to collect even more additional information on the implementation of the recommendations deriving from the first cycle for both components against corruption and money laundering/financing of terrorism. Evaluation Team held meetings with a number of authorities, including representatives from governmental institutions, banking and financial sector, other non-financial institutions and professions in question that are obliged to report related to CML/CFT, as well as representatives of international organizations and civil society. Information gathered during the visit in the field will help the Assessment Team to make an accurate and balanced judgment on the compliance of legal and institutional framework with international standards of CML/CFT, and together with the answers to the questionnaire, and

additional information provided after the field visit, would serve as a basis for drafting the final evaluation reports for Kosovo.

7.3.1.2. Meeting between Kosovo authorities and assessment team in Strasbourg

On 3 and 4 November 2014, representatives of Kosovo institutions were for work meeting in Strasbourg, where they met the assessment team of PECK Project, in which final assessment reports were discussed the in accordance with international standards as part of the combat against corruption and money laundering and terrorist financing. Issues were raised for discussion, and they were identified in the plenary meeting of publication of assessment reports. In addition, the participants had the opportunity to get familiarized with the work and functioning of GRECO, MONEYVAL and CEPEJ through presentations prepared by respective members of the Secretariat of the Council of Europe.



Meeting face to face between Kosovo authorities and assessment team in Strasbourg, November 2014

7.3.1.3. PECK Plenary Meeting for the assessment reports





On 2 and 3 December 2014, conference and plenary meeting of the project was held for publication and approval of two (2) assessment reports of second cycle (2) on the compliance of Kosovo with international standards in the field of counter-corruption (CC) and combat against money laundering and the financing of terrorism (CML/CFT) prepared on the basis of GRECO and FATF and based on the methodology MONEYVAL.

About 65 representatives of relevant institutions, international experts, representatives from international organizations, the private sector and civil society, who also used, involved and participated in fruitful discussions were participants in this conference. Approval of Assessment Reports marks the completion of the conduct of assessment carried by the project in two cycles in the period from September 2012 until December 2014.

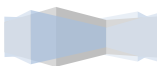
The assessment reports shall be published and distributed to all stakeholders, including representatives of international organizations, the private sector and civil society, following completion and presentation of the report to the senior level, which is planned to be held in the first half of 2015.

7.3.1.4. Seminar on data collection, maintenance and reporting of statistics for the purposes of assessing

Bearing in mind the deficiencies identified during first (1) cycle of the assessment amongst which there was lack of adequate statistics and their harmonization between institutions in relation to the processing of statistics related to economic crime, project in cooperation with coordinating institutions by both components, in February 2014, organized in view of this a two day workshop in Prishtina, on best practices and lessons learned by Kosovo, focused on data collection, maintenance and reporting of statistics for the purposes of assessment. About 50 representatives of all relevant institutions, including 7 basic courts and prosecutions in Kosovo, participated in this workshop, giving information on the current situation in terms of statistics in their respective institutions. Two Council of Europe experts presented best practices of keeping the information related to main crimes (including methodology, legal basis and quality assurance) and production of reliable, interactive and integrated statistics for pursuing and finding economic crime cases based on the experiences and practices in the UK and the Netherlands.

7.3.1.5. International Conference on Improving the International Cooperation in the field Against Money Laundering and Financing of Terrorism

On 23 September 2014, PECK project organized the international conference on increasing international cooperation in the field of CML/CFT. The conference brought together about 50 representatives of FIU-s, courts and prosecutor offices, by other authorities of the



implementation of the law, private sector and other international institutions, as well as their foreign counterparts from EU member states and neighboring countries. Organization of this conference was aimed at exchanging experiences, best practices and advice for international cooperation and mutual legal assistance in combating and preventing money laundering and terrorist financing. Agenda of the conference was divided into three sessions:

1. International Cooperation between the FIU-s

- *The modalities and good (informal) administrative practices and the exchange of information between to the FIU-s (preconditions for effective cooperation, legal and practical key characteristics, good practices)*
- *Interventions and examples of case studies*

2. International cooperation between law enforcement authorities

- *Modalities, standards and best practices of international cooperation and sharing of information between law enforcement authorities in investigating and prosecuting cases of money laundering - cooperation through ILECU and INTERPOL*
 - *Forms of bilateral cooperation (police assistance, the sharing of information, the channels of cooperation, cooperation during investigation);*
 - *The practice of rogatory letters and teams of joint investigation;*
 - *Status: bilateral experience, inclusion in existing networks, initiatives and projects, plans and future opportunities.*

3. International legal cooperation

- *Revision of international standards and modalities of Mutual Legal Assistance (MLA);*
- *Exchange of viewpoints, experiences and best practices for issuing the MLA, treatment of extradition requests and undertaking of freezing and seizure;*
- *Interventions and case studies.*

Representatives from Albania, Bulgaria, Croatia, Germany, Hungary, Italy, Montenegro and the United Kingdom shared their experiences and presented practical case studies followed by discussions. This event has contributed to the creation and strengthening of contacts and promotion of cooperation between Kosovo authorities and their foreign counterparts.



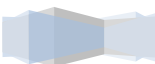


International Conference on Improving International Cooperation in the Field of CML/CFT

7.4. Support from the Treasury of the United States

American Treasury Department in Kosovo has provided and continues to provide valuable contribution in building capacities by providing advice and assistance in the combat against money laundering and terrorism financing, legal and operational mandate of the FIU and importance of support from FIU for other institutions of law enforcement. Significant contribution in this regard has been given by economic department leader of the American treasury department.

Joint Organization of the workshop “follow the money” between the Institute against Economic Crime part of which is the FIU-K and the Office for Technical Assistance of the Treasury, resulted to be very successful, giving the first effective inputs to the awareness of the prosecution offices and other authorities of criminal prosecution in seven regions of the country. This workshop aimed at raising awareness for relating the criminal offenses and getting familiarized closely among the law enforcement institutions.



8. FIU-K PERFORMANCE AND RESOURCES PLAN 2015-2017

At the end of 2014, the FIU-K management has revised its strategic plan, respectively results and implementation of its plan of performance and resources 2014-2016 and also has drafted the new plan of performance and resources 2015-2017.

After an assessment that was made for achieving the objectives and the activities foreseen in the strategic plan, it has been understood that almost all activities have been met successfully by FIU-K. First of all, it is concluded that the following have taken place:

- Increase of awareness and communication for the combat against money laundering and combating the financing of terrorism;
- Empowerment of prevention of money laundering and terrorist financing through strengthening of the supervision of compliance and mechanisms of risk assessment;
- Standardization and intensification of reporting, intelligence and analysis of processes and continuous increase of multi-agency cooperation with regard to detection and investigation of money laundering and financing of terrorism and confiscation of proceeds of crime;
- The concept paper has been drafted for legal amendments in AML/CFT, sub-legal acts have been issued and several standard operating procedures of the FIU-K have been drafted, and their efficient implementation has been ensured;
- In 2014, there was a very proactive approach for international cooperation in the prevention of money laundering and the financing of terrorism, having an increase of requests for received information (from 7 to 19) and disseminated (from 6 to 20) and new signatures of cooperation agreements;
- Capacity building of the FIU-K has continued even in that year following important local and international trainings and conferences.

At the end of 2014 after review of the performance plan and its harmonization with the National Strategy of the Republic of Kosovo for Preventing and Combating the Informal Economy, Money Laundering and Terrorism Financing and Financial Crimes 2014-2018, FIU-K has drafted its Performance and Resource Plan 2015-2017. This strategic document outlines duties, mission, vision, goals, objectives and actions for Financial Intelligence Unit (FIU-K). Plan also contains forecast for allocation of resources and internal control.

Performance and Resource Plan 2015-2017 sets out how FIU-K will be based and build its assets and achievements to meet and overcome challenges that will be faced during the three year period and how it will maintain its position as one of efficient intelligence units in Kosovo and in the region. This plan also shows how FIU-K will measure its success and how it will control its own internal processes.



Main chapters included in that Performance and Resource Plan are presented as follows:

1. Presentation of tasks, mission, vision, strategic goals and organization of the unit as well as the objectives, action plans and performance indicators;
2. Operating Environment of FIU-K and Risk Assessment;
3. Objectives, responsible officials, action plans and performance indicators;
4. Human and Financial Resources and Information Technology and Plan for the building and offices for FIU-K.

Meanwhile, Performance and Resource Plan 2015-2017 defines strategic objectives to the FIU-K. It also contains plans on how to reach them and key performance indicators to measure efficiency of the unit. 6 key strategic objectives of the FIU have been defined for the period 2015-2017, which are presented as follows:

1. Objective 1 - Raise of awareness and communication for preventing and combating money laundering and terrorism financing;
2. Objective 2 - Promotion of prevention of money laundering and financing of terrorism and the intensification of supervision of compliance;
3. Objective 3 - Development, standardization and intensification of the processes of reporting, intelligence and analysis and promotion of cooperation of agencies for detection and investigation of money laundering and terrorist financing and confiscation of proceeds from crime;
4. Objective 4 - Development of national legislation CML/CFT and internal standards of the FIU-K and ensuring their efficient implementation;
5. Objective 5 - Development and application of proactive approach to international cooperation in the prevention of money laundering and financing of terrorism;
6. Objective 6 - Increase of the capacity of the FIU-K.

Performance and Resource Plan 2014-2016 also contains financial resources (budget of FIU-K), human resources, performance evaluation and capacity building of the staff of the FIU-K, information technology and working space.





Rr. Eduard Lir Nr.1 – Arbëri – Prishtinë, Kosovë

Tel: +381 38 247 105 – Fax: +381 38 247 103

<http://fiu.rks-gov.net>

fic@fic-ks.org