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



FINANCIAL INTELLIGENCE UNIT

ANNUAL REPORT 2012



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ACRONYMS

FIU	Financial Intelligence Unit
FIC	Financial Intelligence Centre
KP	Kosovo Police
PSRK	Special Prosecutor of the Republic of Kosovo
MF	Ministry of Finance
TAK	Tax Administration of Kosovo
KC	Kosovo Customs
KIA	Kosovo Intelligence Agency
EULEX	European Union Rule of Law Mission in Kosovo
UNMIK	United Nations Mission in Kosovo
NGO	Non-government organizations
STR	Suspicious Transaction Report
CTR	Cash Transaction Report
AIF	Additional Information Form
goAML	Electronic System of Data Exchange
FATF	Financial Action Task Force
ILECU	International Law Enforcement Coordination Units

Message of the director



This year I have the honour and privilege to present the second annual report of the Financial Intelligence Unit which is also the first annual report after the transfer of responsibilities from international bodies to the local ones.

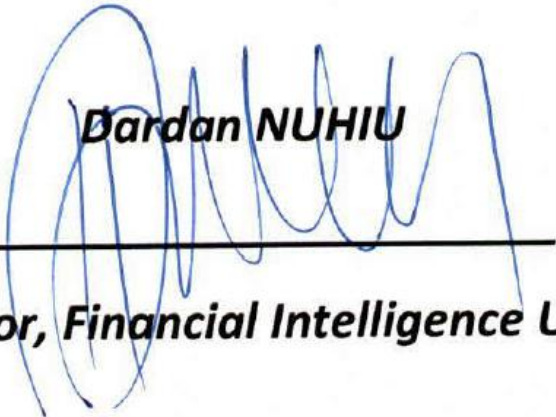
Effective combating of money laundering and terrorist financing still remains one of the main challenges of the Western Balkan countries. This negative phenomenon is the major concern especially for countries that go through a transition period, where this can take negative dimensions for the economy of country. Kosovo, as a country emerging from conflict and going through a long economic and social process of transition, is not left without being threatened by the possibility of economic and financial abuse for the purpose of money laundering or terrorist financing.

The lack of adequate legislation in the past has resulted Kosovo to become a target of the introduction of funds of unknown and dubious origin. Our country has tried and now it is strengthening the legal and institutional mechanisms to fight more effectively money laundering and terrorist financing. The effects of money laundering could be with serious consequences in the business environment and the economy in general.

I want to emphasize that the Financial Intelligence Unit in 2012, through its activities according to the applicable law, has played quite effective role in preventing money laundering

and terrorist financing. This year has marked the institution with the greatest increase of awareness and effectiveness in terms of reporting by reporting subjects and very significant increase of cooperation with other institutions from national and international levels.

This year is also characterized by the intensification of efforts to improve the legal framework, for the creation of a difficult and unfavoured environment for conducting illegal activities for the purpose of money laundering or terrorist financing.



Dardan NUHIU

Director, Financial Intelligence Unit

INTRODUCTION

Financial Intelligence Unit - FIU-K is a national central institution for collection, analysis and dissemination of information about potential suspicions of money laundering and terrorist financing and promoter of prevention and combating this phenomenon. As an administrative institution established under the authority of the Ministry of Finance, FIU-K serves as an important "bridge" between the public and private sector. FIU has an allocated budget and a full decision-making independence in matters which are regulated by law 03/L-196, "On Prevention of Money Laundering and Terrorist Financing".

This report reflects the overall activity of the unit for 2012, focusing on key issues related to the development of legal infrastructure, operational activities, cooperation and increased awareness about the phenomenon of money laundering and terrorist financing. To support the implementation of its mandate as defined by the law, the Financial Intelligence Unit has continuously shared important information to other law enforcement institutions about potential suspicions of involvement in money laundering, terrorist financing or any other related criminal offenses against the economy.

During 2012 Financial Intelligence Unit is engaged quite a lot in terms of meeting the main criteria of our country regarding the prevention of money laundering and terrorist financing, taking part in drafting of many documents, participation in many meetings with European and international experts and it offered many contributions to national strategic documents.

Mission

The mission of the Financial Intelligence Unit is through its legal mandate, to be leading the overall improvement of the government in preventing and combating money laundering and terrorist financing at the national level. The proper functioning of the system as a whole, through close institutional cooperation and activities of the Financial Intelligence Unit, is the main objective of the FIU-K.

In this context, we can say that the year 2012 was in support of the fulfillment of these objectives, where the described activities of the unit statistically prove this.

Vision

In order to ensure the promotion of compliance with the applicable Law on Prevention of Money Laundering and Terrorist Financing, FIU-K aims to consistently increase the operational capacity, analytical skills of the FIU-K staff regarding advanced analysis methodologies of money laundering and terrorist financing, capacities in the field of information technology with the aim of achieving a much higher quality of sensitive financial data received from subjects reporting to the FIU-K and more correct analysis of the data.

It also aims to create a legal framework (drafting, supplementing and amending of legal infrastructure) in line with the recommendations and international and European standards which will help FIU-K to join internationally recognized institutions such as the Egmont Group, MONEYVAL, the FATF, and others.

Establishment of coordination and cooperation with law enforcement institutions to prevent and combat effectively the money laundering and terrorist financing and the establishment of cooperation and exchange of information with European and international counterparts

agencies and also the exchange of knowledge and good practices in this area is ongoing goal of FIU-K.

FIU-K vision is that in the near future to be positioned as one of the most completed Financial Intelligence Units in the region in terms of legislative and organizational aspects as well as to achieve membership in well-known European and international organizations of this field.

HUMAN AND TECHNICIAN CAPACITIES

During 2012, the recruitment process of new staff and fulfilment of professional positions at FIU-K has continued as part of the transition of the institution from the EULEX mission to local authorities. In 2012 FIU-K staff has reached an increase from 14 to 18 employees while the recruitment process will continue until the completion of the total of 20 approved positions.

Regarding the technical aspect of the functioning, FIU-K has already an advanced information technology called goAML which is a software created by the United Nations - Office for Drug Control and Crime Prevention "United Nations Office on Drugs and Crime "(UNODC) and that in itself includes quite sophisticated operations related to the reporting and data analysis for the prevention of money laundering and terrorist financing.

This system enables online reporting of the reporting subjects to FIU-K and encrypted communication with reporting subjects and other law enforcement institutions, and international counterpart institutions.

In order to maximize the use of advanced features of the goAML system, in 2012 FIU-K has made some investments through which are made further improvement and enhancement of capacities in the field of information technology.

EULEX mission in FIU and cooperation with other institutions

Also during 2012, Financial Intelligence Unit is engaged to continue and build up inter-institutional cooperation.

After the completion of the transition and the transfer of competencies, in the Financial Intelligence Unit has continued the presence of EULEX mission staff, but in smaller number of them. Three employees of the EULEX mission, an adviser to the Director of the FIU-K and two intelligence analysts continue to contribute helping the institution to implement its legal mandate and building cooperation and capacities in the field of preventing and combating money laundering and terrorist financing.

FIU-K also continues to cooperate mutually with other institutions and bodies in Kosovo in order to assist each other in carrying out their duties and to coordinate activities within their competences in accordance with applicable laws.

Regarding the cooperation with Kosovo Police, in order to increase further cooperation, FIU-K plans to sign a Memorandum of Understanding on cooperation and exchange of information which will include cooperation and direct "online" exchange of information with competent units of the Kosovo police.

Regarding the cooperation with the State Prosecutor, it is also planned to enforce this cooperation through the establishment of appropriate mechanisms, while there already exist a mutual cooperation and coordination with Kosovo Customs and Tax Administration and it functions in a proper way on daily basis through the exchange of information electronically and coordination of activities between the institutions through liaison officials.

At Kosovo Customs and Tax Administration, FIU-K has liaison officers who interact and coordinate activities of mutual interest on a daily basis.

LEGAL FRAMEWORK

During 2012, Financial Intelligence Unit has continued intensive efforts to identify the key weaknesses of existing law and has proposed its supplementing in order to approximation of the law with European Union directives and FATF standards.

Since the adoption of the law 03-L/196 "On prevention of money laundering and terrorist financing" in December 2010, there are noted gaps in various aspects, which prevent the mandate of the Financial Intelligence Unit. The main gaps were mainly in terms of reporting of the reporting subjects, in terms of inspection of these subjects and some other technical gaps that made difficulties to the FIU to exercises its mandate effectively in terms of preventing and combating money laundering and terrorist financing.

Therefore, with the initiative of the FIU and with the cooperation with the Ministry of Finance, Central Bank of the Republic of Kosovo and the Office of Technical Assistance of the U.S. Treasury, in mid-2011, there was established a working group, which will review the law and will provide recommendation for the main amends that should be made to this law. Finally recommendations and proposals for amending and supplementing this law were drafted by the Legal Office of the Ministry of Finance and they were sent for the review and approval by the Assembly of the Republic of Kosovo in December 2012.

RECEIVING, ANALYSING AND DISSEMINATING OF INFORMATION REGARDING MONEY LAUNDERING AND TERRORIST FINANCING

Processing of the suspicious transactions reports

During 2012 Financial Intelligence Unit, based on its legal mandate, has continued the implementation of its operational activities, searching, receiving, analyzing and exchanging information to the competent authorities and disclosure of information related to the potential money laundering and terrorist financing.

As it is also stated in the annual report of 2011, FIU-K has created and manages the database through which it received reports from reporting subjects legally obliged to report. FIU has continued to receive electronically suspicious transactions reports (STRs) and cash transactions reports (CTRs).¹ Despite online reporting that it is enabled by this communication system, FIU through this system also exchanges information with other law enforcement institutions, as the Tax Administration of Kosovo, Kosovo Customs etc.

The main part of the system of data management consist on the possibility of applying different analysis of information that are available related to potential doubts on money laundering and terrorist financing. In 2012 has been made substantial investment in information technology system, increasing the capacity and efficiency of the system, where through various programs and software are created opportunities for more detailed reports and statistics and also for more efficient monitoring of cash.

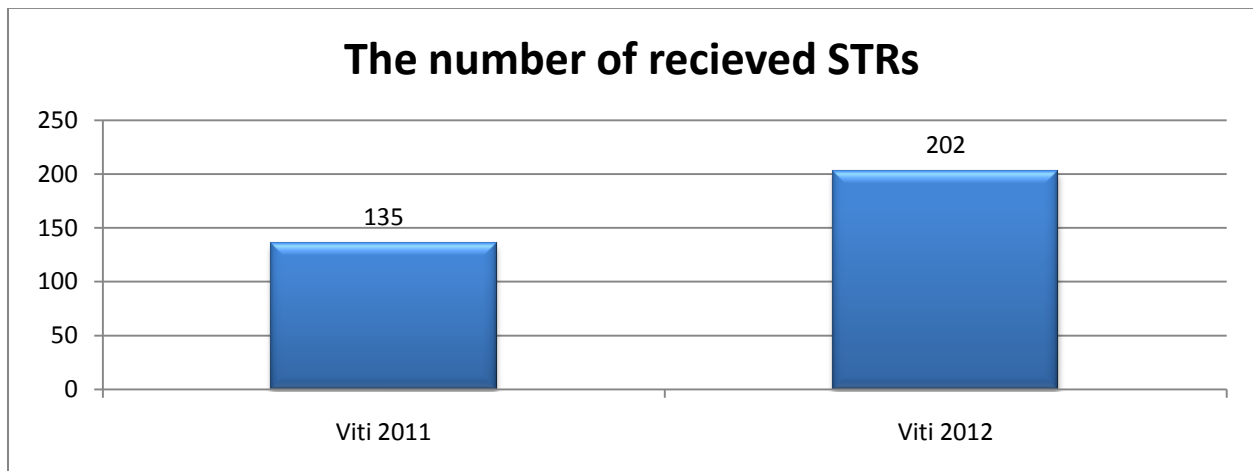
¹ STRs – reporting subjects, through their compliance officials must report all transactions to the FIU which can be considered as suspicious and may be related to money laundering, terrorist financing and/or other criminal offenses, based on several lists of indicators which are offered to banks.

CTRs – As it is defined by the Article 22 of Law no. 03/L-196 "On the Prevention of Money Laundering and Terrorist financing", the cash transactions that have to be reported to the FIU are "all transactions in the amount of € 10,000.00 and more. Multiple transactions will be treated as an individual transaction if the bank or financial institution is aware that the transactions are by or on behalf of a person or subject and reach the amount of more than ten thousand (10,000.00) EUR within a single day.

As we stated above, the operational work of the FIU-K relies on receiving reports of suspicious activities, reports of cash and also provides information about the law enforcement institutions. FIU-K after receiving reports of suspicious activities, based on reasonable suspicion, initiates cases, and after the completion of data collection and their analysis, it disseminates intelligence reports to law enforcement institutions.

Based on the following statistics, the number of open cases differs from the number of closed reports because some of the cases are transferred from previous years due to the nature or volume of the case.

The number of suspicious transactions reports (STRs) from the reporting subjects for 2012 is 202 received reports. From the received reports, 62 of them are open cases as suspicious and the rest remains in the analysis phase to potentially be delivered in 2013.



Graphic 1 – The number of received STRs

As it is shown in the above graphic, there is a substantial increase in the number of reports submitted to FIU-K for 2012, compared to the previous year.

Based on the data selection, the largest number of suspicious transactions reports is reported by Commercial Banks and some of them by Money Transfer Agencies.

Banks	Number of STRs 2012
Bank 1	54
Bank 2	4
Bank 3	7
Bank 4	25
Bank 5	28
Bank 6	36
Bank 7	42
Bank 8	0
Total	196

Table 1 – Number of STRs reported from all banks

The above table shows various number of reporting of Suspicious Activities Reports submitted by the commercial banks of the country. It can be concluded that the variation of reporting is due to the lack of completed legislation and legal gaps in the law against money laundering and terrorist financing. As a consequence, it led to the lack of implementation of appropriate measures of supervision and control of financial institutions by monitoring mechanisms.

In our country, there are currently operating eight (8) commercial banks which report to the Financial Intelligence Unit as are obliged by the law, and they are required to provide additional information to FIU-K about potential suspicions of money laundering or terrorist financing.

Regarding the number of suspicious transactions reports received by Money Transfer Agencies, it is significantly smaller than the number of such reports received from commercial banks.

Money Transfer Agencies	Number of STRs 2012
MTA 1	3
MTA 2	3
MTA 3	0
MTA 4	0
MTA 5	0
Total	6

Table 2: STRs Money Transfer Agencies

According to the law, Financial Intelligence Unit is obliged that after collection and analysis of information or suspicious transactions to open cases based on suspicions and it should disseminate cases to law enforcement institutions. The number of cases finalized in 2012 was 63 cases, excluding the requests for information from law enforcement institutions. Some of these closed cases are transferred from previous years (as explained above at operational work) while the rest has resulted from STRs of 2012.

Disseminated report to institutions	2011	2012
Kosovo Police	19	15
Kosovo Police/Tax Administration of Kosovo	3	7
Kosovo Police/Kosovo Customs	0	3
EULEX	8	7
State Persecutor	0	1
Tax Administration of Kosovo	3	10
Kosovo Customs	2	2
Central Bank of the Republic of Kosovo	1	0
International FIU	4	0
Inspection reports	2	4
Closed and non-delivered cases	20	14
Total of closed cases	62	63

Table 3: Number of closed cases from FIU-K

During 2012, the Financial Intelligence Unit, after receiving the Suspicious Transaction Reports from reporting subjects, has opened 62 cases which after the examination resulted that there are sufficient grounds for suspicion for money laundering, terrorist financing or other criminal offense. The information are disseminated in the form of intelligence reports to other law enforcement institutions. As for the opening of cases and submitting to other institutions, this year is characterized by the application of the method of quality evaluating of the FIU-K suspicious transactions reports received by the FIU-K reporting subjects.

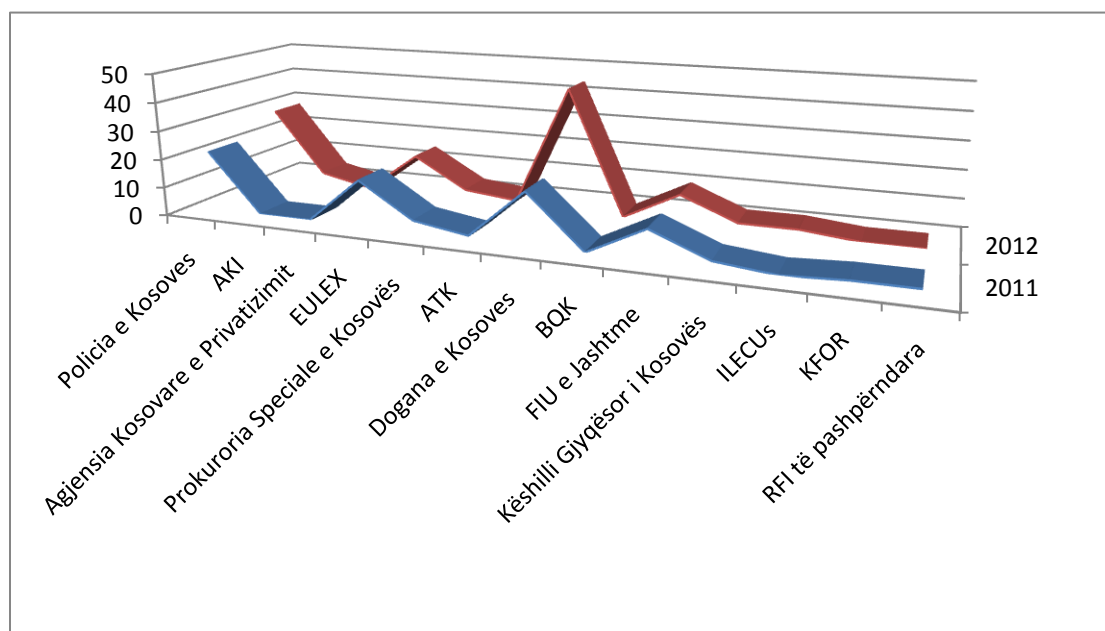
One of the key components of operational activities of the unit is also the processing of requests for information, which FIU-K receives from various law enforcement institutions, as the Kosovo Police, Tax Administration, Customs, the international Financial Intelligence Unit (FIU) etc. Responses which FIU-K provides to these requests directly influence the speed of the investigation when dealing with financial data related to money laundering, terrorist financing, confiscation of property, etc.

With regard to the requests for information, the Financial Intelligence Unit in 2012 has received 113 requests for information from various local law enforcement institutions and the same ones are returned as responses after they were completed or analyzed by FIU-K. If we compare the data of the requests from the previous year, it is obvious that in 2012 we have a substantial increase in the number of such requests while in 2011 we had 74 requests for information and in 2012 we increased the number of total to 113. This also indicates an increase of cooperation with law enforcement institutions, increase of reliability and relevance of information of the Financial Intelligence Unit and increase of the professionalism of this institution.

In the following table and graphic are presented data of requested institutions and the comparison of the 2011/2012 period.

<i>Received requests for information at FIU-K</i>	2011	2012
Kosovo Police	21	28
Intelligence Agency of Kosovo	0	5
Privatization Agency of Kosovo	0	1
EULEX	16	15
Special Persecutor of Kosovo	4	4
Tax Administration of Kosovo	1	2
Kosovo Customs	18	44
Central Bank of Kosovo	0	0
International FIU	10	10
Judicial Council of Kosovo	2	2
ILECUs	0	2
KFOR	1	0
Non-delivered RFI	1	0
Total	74	113

Table 4 – Requests for Information (RFI) received by FIU-K 2011/2012



Graphic 2 – Number of received requests

In some cases, FIU-K generates internal information which are attached to the respective requests of the law enforcement institutions and they can be disseminated according to the institution judgement.

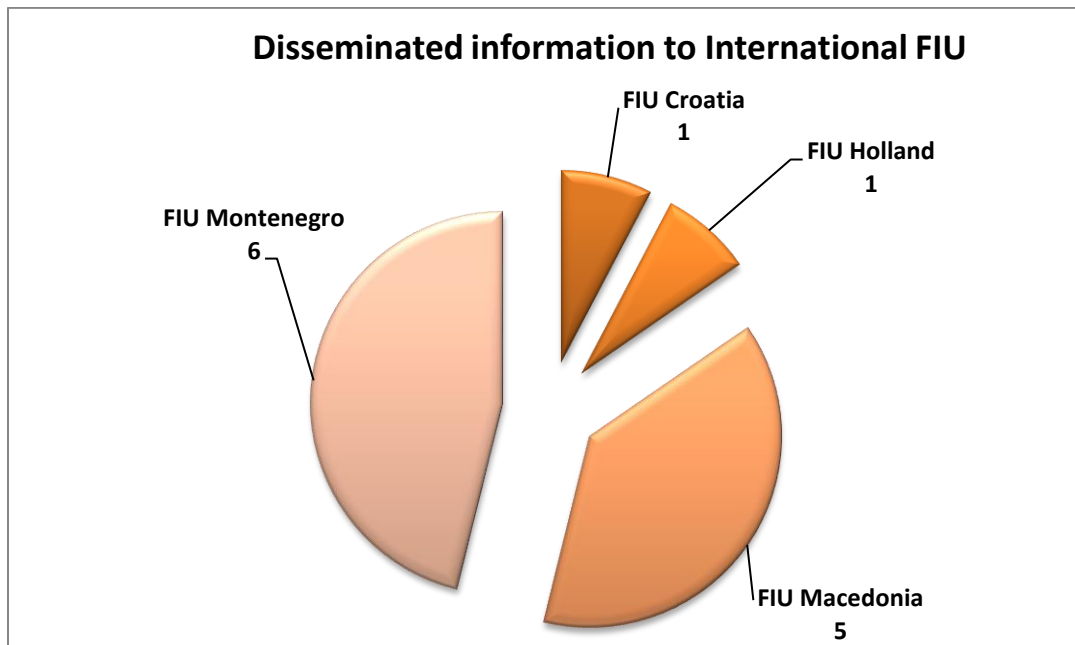
In the above table are presented data for the received requests for information, while the table below presents data of the disseminated requests for information to Law Enforcement Agencies.

<i>Requests for information (RFI) disseminated by FIU-K</i>	2011	2012
Kosovo Police	22	30
Intelligence Agency of Kosovo	0	5
Privatization Agency of Kosovo	0	1
EULEX	18	11
Special Persecutor of Kosovo	2	6
Tax Administration of Kosovo	1	2
Anti-Corruption Agency	2	0
Kosovo Customs	23	44
Central Bank of Kosovo	0	0
International FIU	11	13
Judicial Council of Kosovo	1	3
ILECUs	0	1
Interpol-UNMIK	1	0
KFOR	1	0
Non-delivered cases	0	1
Total	82	117

Table 5 – Requests for information disseminated by FIU-K to other law enforcement institutions

An important role on the mandate of the Financial Intelligence Unit also plays the exchange of information relating to the money laundering or terrorist financing with similar international institutions (foreign Financial Intelligence Units). During 2012, FIU-K has increased cooperation

with international institutions and the number of requests for information exchanged is 13, without including consultations for other cases that were not part of the mission of FIU-K. See more in the Table 8.



Graphic 3 – Disseminated information to international FIU

Moreover, the statistical analysis of 2012 related to the length of the cycle from receiving requests in FIU-K to disseminating of them to the relevant institutions, show that the average length of this work cycle for 2012 is 38 calendar days. While the statistical indicators for the second half of 2012 result that the average of the length of this cycle is down to 30 calendar days, which indicates an increased level of performance in terms of cooperation with other institutions.

Financial Intelligence Unit, according to the applicable law and its operational mandate, receives cash transactions reports in the amount of ten thousand (10,000) Euros or more by reporting subjects as are obliged by the law.

During 2012 are reported 480,479 cash transactions reports, reaching a total amount of transactions reported to the FIU-K in the amount of **5,242,591,346** euros. These include reports of all reporting subjects including reports from the Kosovo Customs, which is obliged to report to the FIU-K these reports based on declarations of natural and legal person at the borders of Kosovo.

Comparing to the previous year, it has been an increase in the number of reports of cash transactions and results has shown that in 2011 there have been reported **423,443** cash transactions reaching the amount of **4,873,354,867** euros, and according to calculations it is increased for **57,036** reported transactions in amount of **369,236,479** euros.

Reported cash transactions (CTR) for 2012	
Reporting subjects	2012
Bank and exchange rate	4,091,992,277
Customs	1,146,923,166
Non-banking financial institutions	85,195
Money Transfer Agencies	3,590,708
Total	5,242,591,346

Table 6 – Reported cash (CTR) during 2012 by reporting subjects

During 2012, commercial banks comprise the main part of the reporting of cash transactions. It should be emphasized that with the introduction of the program goAML², the quality of receiving the reports from the reporting subjects has made a significant progress, based on the increased the number of staff and capacities of the information technology at FIU-K.

Reported cash by Commercial Banks

Banks	Amount (Euro)
Bank 1	147,784,451
Bank 2	158,049,643
Bank 3	168,892,328
Bank 4	526,811,419
Bank 5	1,077,830,988
Bank 6	1,450,996,897
Bank 7	456,814,978
Bank 8	56,968,627
Total	4,044,149,331

Table 7 – Reported cash by Commercial Banks

Financial Intelligence Unit has received cash transactions reports from Exchange offices, and the data show that the most of them were converted money from CHF to Euro and vice versa.

² goAML – The software is designed by the UNODC (United Nations Office against Drugs and Crime); Advanced software, which enables the electronic exchange of information and conducting of analysis related to money laundering and terrorist financing.

Reported cash from exchange offices	
Exchange offices	Amount
Exchange office 1	592,335
Exchange office 2	100,372
Exchange office 3	1,976,734
Exchange office 4	352,256
Exchange office 5	4,261,026
Exchange office 6	1,302,162
Exchange office 7	129,700
Exchange office 8	12,634,285
Exchange office 9	742,184
Exchange office 10	2,727,662
Exchange office 11	1,010,963
Exchange office 12	1,489,959
Exchange office 13	1,089,913
Exchange office 14	3,934,219
Exchange office 15	2,561,063
Exchange office 16	1,827,898
Exchange office 17	3,363,882
Exchange office 18	237,728
Exchange office 19	794,759
Exchange office 20	24,733
Exchange office 21	1,396,072
Exchange office 22	633,079
Exchange office 23	658,803
Exchange office 24	3,426,844
Exchange office 25	574,315
Total	47,842,946

Table 8 – Reported cash from Exchange Offices

Declaring the cash in Kosovo Customs is implemented in accordance with Article 29³ "Movement of the monetary instruments into and out of Kosovo - Obligation to declare". The most amounts of monetary instruments were declared by commercial banks and the Central Bank of Kosovo. Over 90% of declarations in cash showed in monetary value were declared in EUR and CHF currencies. It should be noted that during 2012 were presented 13 undeclared or avoided cases of the obligation of reporting, for which actions were initiated the offense of 25%, based on paragraph 4 of Article 29 of Law nr.03/L-196. Compared with 2011 where was reported a total amount of transactions of 863,399,010.43 euro, during 2012 there was an increase of about 33% of the value of transactions reported by Kosovo Customs.

Reported cash by Kosovo Customs

Currency	RTG Businesses	CTR Individuals	Exchange Rate	CTR Businesses (euro)	CTR Individuals (euro)
1	2	3	4	(2x4)	(3x4)
ALL (Lek)	202,800,000	837,000	139.41	1,454,660	6,004
AUD	156,635		1.28	122,785	
CAD	302,650		1.34	225,890	
CHF	438,299,150	7,705,180	1.23	357,118,885	6,278,053
DIN	4,975,310,000		111.42	44,653,252	
DKK	501,200		7.46	67,225	
EUR	682,270,630	11,772,299		682,270,630	11,772,299
GBP	10,674,235		0.86	12,422,186	
HRK	549,440		7.59	72,353	
NOK	8,914,950		7.45	1,197,258	
RUB	1,500		40.02	37	
SEK	3,274,200	12,000	8.34	392,775	1,440
USD	37,105,965	586,850	1.31	28,417,989	449,445
Sub-total	6,360,160,555	20,913,329		1,128,415,926	18,507,240
Total				1,146,923,166	

Table 9 – Reported cash by Kosovo Customs

³ Law no. 03/L-196.

The following table shows the number of transactions reported by Money Transfer Agencies. Mostly, these reports include Multiple Transactions that are treated as individual transaction. This was done after the financial institution was aware that the transactions are carried out by or on behalf of a person or entity and they have reached a value of more than ten thousand (10,000) Euros per one (1) day.

Reported cash CTR by Money Transfer Agencies		
Money Transfer Agencies	Number of Transactions	Amount €
MTA 1	881	3,566,813
MTA 2	5	23,894
Total	886	3,590,708

Table 10 – Reported cash (CTR) by Money Transfer Agencies

During 2012, the FIU-K has received a small number of cash reports by financial institutions, which it is also reasonable because microfinance institutions, based on their activities, mainly do not make transactions of large amounts.

Reported cash CTR by Financial Institutions		
Microfinance institutions	No. of transactions	Amount €
IF 1	1	10,000
IF 2	1	10,195
IF 3	6	65,000
Total	8	85,195

Table 11 – Reported cash CTR by other financial institutions

TIPOLOGY

In this annual work report, Financial Intelligence Unit for the first time presents some illustrative cases, which simultaneously present the types of cases which are subject of analysis by the unit, related to doubts about the potential money laundering and terrorist financing and other related offenses.

Case 1

Transfer of funds abroad that are received from illegal activities - trafficking of human beings.

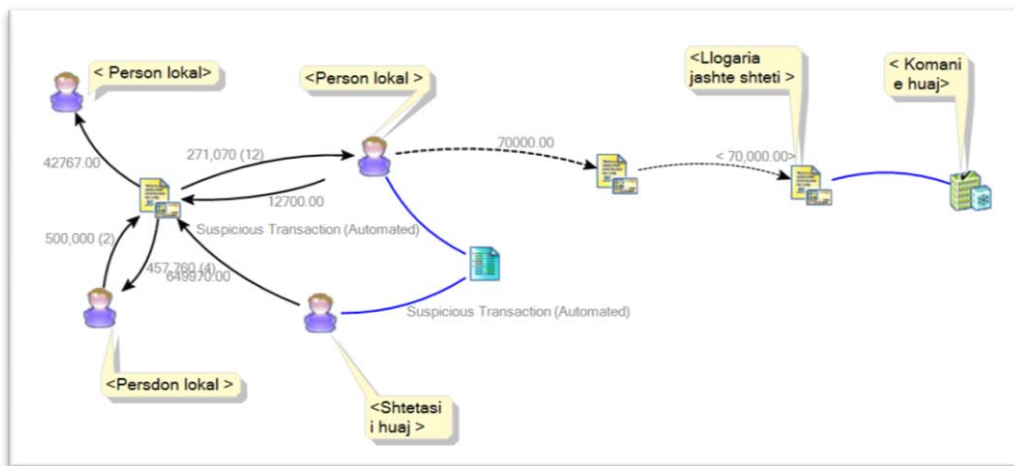
A reporting subject has reported an STR (suspicious transaction report) the case of a person with citizenship of another country who was transferring funds to several different people without any clear economic justification. Transactions are carried out in a period of about 9 months. After verifications during that period, it did not result that the person is officially employed in Kosovo, but after another investigation, it resulted that in fact the same person works in a restaurant in our country. Funds transferred abroad had a significant difference compared with the monthly income he/she could receive working in a restaurant.

The data and the conclusions drawn from the financial analysis and then sent for further investigation in Law Enforcement Agencies resulted that during the time when investigations were conducted that person started a business in Kosovo with the aim of justifying the funds transferred abroad. Based on that investigation was found that the person was managing and controlling a certain number of women coming from other countries known for human trafficking.

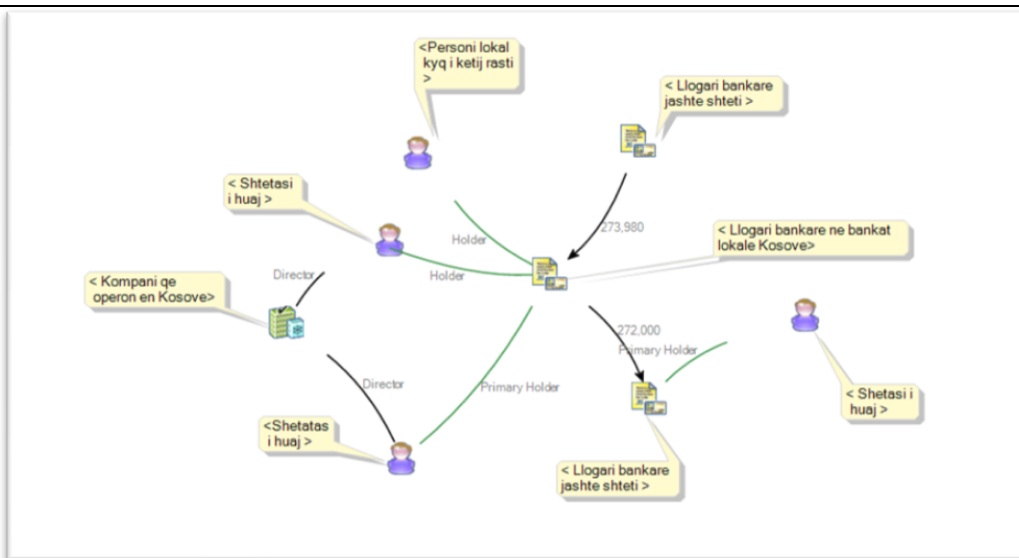
Case 2

Investing of funds in real estates

A transaction in the amount of € 70,000.00 was realized as a cash withdrawal and then that amount was deposited in a bank account owned by a foreign citizen. The transaction was made by a person who is the owner of a business, and this has led a STR (Suspicious Transaction Report) to be submitted to the FIU-K which then influenced the FIU-K to initiate and proceed the case and begin financial analysis. It should be emphasis that the deposited cash then have been also transferred to another account, from where were transferred to another country. See the following chart.



A few days later, at FIU-K was reported another STR, which had to do with a transaction made by a person who came from the same country and which was somehow related to the above presented suspicious transaction report. See the following chart:



While analyzing the transactions from the collected information, there were evidenced other suspicious transactions, one of them amounted to over half a million euros. There were also evidenced relationships of persons and entities being involved in these transactions. It is identified a large number of established businesses that operate in Kosovo with a substantial financial activity.

Financial movements with the state where they come from, who are not originally from Kosovo, consist of a huge amount. It is evident the fact that the transactions, in which they have been pushed to generate STRs, were only fragments of a major financial activity of local and international individuals and companies with who they do interfere financially. We are talking about five (5) local people involved in this case and the three other people who interfere with them financially. The key person involved in this case has been involved in other activities that were proved to be suspicious because of breaking the law in some cases.

Also we are dealing with twelve persons financially related who operate with a large number of businesses in Kosovo.

It is obvious the phenomenon of creating a large number of businesses from local person which then are bought by internationals. Referring the data obtained from the Tax Administration, it shows discrepancies for some of the companies involved in this case.

Case 3**Movement of funds between several companies with the same owner and the integration of those assets through insurance in which insurance company remain the same person**

It is surprising that a company which offers various courses mainly for foreign language receives funds over of € 280,000 for a very short period of time. This has revealed that most of the received funds had not anything to do with its economic activity but they were mainly derived borrowings from transactions between related companies.

Three companies with very similar names and address (Company A, Company B and Company C) were established at the same period and all of them had different owners and co-owners, which raise suspicions that these companies are fictitious, but they are registered as businesses to complicate the investigation procedure by law enforcement agencies. Even though they were established as "fictitious" companies, they performed extremely suspicious transactions with indications of money laundering. Another company which provided insurance services, whose co-owner was the same person that own those three other companies, made a transfer in the amount of € 374,781.00 for payment to Company A for the damage of the insured property. Both companies are owned by the same person (person A) and then after few days, Person A received amount of € 410,000 as a raising initial capital in the Insurance Company. These transfers raise suspicion that the insurance company made a € 374,781.00 fraud paying Person A for the damage, which also affect the growth of spending by having a direct impact on the income statement respectively in profit before taxes, and in this case at the same time reduces the profit before tax evading the payment of tax on profit of € 70,000. This is actually a money laundering scheme because only a small amount of the payment for damages are returned to the insurance company but through other ways the share capital was increased in the amount stated above (€ 410,000) by the same person.

In addition, the fact that the Person A was the owner of the company which was suspected for money laundering in another country (based on the report of FIU from another state), and Person B was involved in several criminal activities (based on local Police reports), and Person C

was also involved in several business transactions with certain countries known as "Offshore Country", show that these individuals have a criminal past and exist a high suspicion that they were involved in money laundering activities.

The case was sent to the law enforcement agencies and its results were as following: three Persons were arrested, two other were wanted persons from the local authorities, around € 100,000 cash were confiscated, about 2 million euro were trapped, and it was also found to be using false accounting (*applying two accounting information in order to create a false situation of the company*) which resulted with a very large fiscal evasion.

COOPERATION

Local inter-institutional cooperation

During 2012 Financial Intelligence Unit continued the good cooperation with other local and international law enforcement institutions in the fight to prevent money laundering and terrorist financing. In order to intensify inter-institutional cooperation, FIU-K has renewed cooperation with Kosovo Customs.

Moreover, FIU has participated and contributed actively in the drafting and preparation of three national strategies of the Ministry of Internal Affairs:

- 1) National Strategy against organized crime,
- 2) National Strategy against Terrorism and
- 3) National Strategy for the Prevention of Crime.

International cooperation

Regarding international cooperation, the Financial Intelligence Unit, as it is not yet a member of any international organizations such as the Egmont Group and MONEYVAL, has undertaken measures to enhance international cooperation by creating signed bilateral agreements and Memorandum of Understanding and Cooperation with foreign countries with mutual interests for the exchange of information that are related to money laundering and terrorist financing. In 2012 FIU-K has signed cooperation agreements with FIU of the Republic of Turkey and FIU of the Czech Republic. The cooperation of the FIU with foreign countries aiming to exchange international best practices and exchange of information on money laundering and terrorist financing have continued intensively in 2012, and FIU-K has exchanged information with regional countries and other countries as the Netherlands, Belgium etc.

PROJECTS

Financial Intelligence Unit is part of Project of the Economic Crime (PECK). This project is funded and implemented by the European Union and the Council of Europe. Through this project, our country for the first time will be evaluated in overall on the aspect of preventing and combating money laundering and terrorist financing and corruption, according to the international standards of the FATF (Financial Action Task Force), GRECO and MONEYVAL.

As part of this project, FIU-K is the coordinating institution of the component against money laundering and terrorist financing, which has successfully completed the first cycle of the project that consisted of the questionnaire on money laundering and terrorist financing that was sent out to all institutions.

Representatives of the FIU-K had the opportunity to meet directly with experts engaged in this project, which has conducted an initial assessment on all aspects based on methodology of the above mentioned institutions.

RAISING AWARENESS, ADVICES AND TRAINING FOR REPORTING SUBJECTS AND OTHER LAW ENFORCEMENT INSTITUTIONS

TRAININGS

With the help of the U.S. Treasury, the Kosovo Police and other institutions of the Financial Intelligence Unit held and have been participating in several different trainings and they also had created contacts for advices and consultations on the reporting methodologies of subjects to FIU, including:

- Improving the quality of reporting
- Accordance with the directions of FIU
- Reporting way of the registered subjects during the current year
- Assistance and advice regarding IT system

During the year 2012, it is organized a regional seminar/workshop by U.S. Embassy, and participants were representatives from law enforcement institutions from Balkan countries. The purpose of this seminar was international cooperation in the fight against money laundering and terrorist financing as this phenomenon has a negative impact on the national and regional economy.

Financial Intelligence Unit has given a particular importance to the aspect of increasing professional capacities of its staff that deal with analysis related to potential suspicions of money laundering and terrorist financing. This increase in the professional aspect is done by staff participation on training and seminars, where these trainings are mainly attended by FIU officials along with other officials from other law enforcement institutions as Kosovo Police, Kosovo Customs, Tax Administration, Anti-corruption Agency etc.

In the table below are presented the details regarding the above mentioned trainings:

Trainings conducted by FIU staff in 2012:

Number of FIU officials	Training topic	Location	Organized by:
3	Trade Based Money Laundering	ICITAP	OTA
	Trade Based Money Laundering	ICITAP	OTA
	Trade Based Money Laundering	ICITAP	OTA
1	Advanced Money Laundering Analysis	Hotel "Sirius"	OTA
1	Asset confiscation	ILECU-Kosovo Police	ILECU
1	FIU Regional Symposium	Ohrid, Macedonia	ILECU-IPA
3	Advanced Money Laundering Analysis	Hotel "Sirius"	OTA
	Advanced Money Laundering Analysis	Hotel "Sirius"	OTA
	Advanced Money Laundering Analysis	Hotel "Sirius"	OTA
2	goAML Meeting	Vienna	UNODC
	goAML Meeting	Vienna	UNODC
1	Multi-country seminar on "Cuber Crime, challenges ahead"	Belgium, Brussels	TAIEX, European Commission
2	Counter corruption and professional ethics	Hotel "Swiss Diamond", Prishtina	
	Counter corruption and professional ethics	Hotel "Swiss Diamond", Prishtina	
1	Serious and organized crime assessment - SOCTA	ICITAP	ICITAP
2	Train the trainers – Instructor	Kosovo Police – Training	OTA – Institute against economic crimes
	Train the trainers – Instructor	Kosovo Police – Training	OTA - Institute against economic crimes
2	Advanced techniques on financial investigation	Kosovo Police – Training	OTA - Institute against economic crimes
	Advanced techniques on financial investigation	Kosovo Police – Training	OTA - Institute against economic crimes
1	Anti money laundering and financial investigation with specific reference to advance technique in bank account analysis, offshore bank account movement and VAT frauds	Sarajevo, BH	European Commission – TAIEX
2	Fighting terrorism	Hotel "Sirius"	European Commission – TAIEX
	Fighting terrorism	Hotel "Sirius"	European Commission – TAIEX
1	Serious and organized crime assessment - SOCTA	ICITAP	ICITAP
1	Multi country - Workshop on anti money laundering	Brussels, Belgium	European Commission – TAIEX
2	Asset Recovery	Hotel "Sirius"	Ministry of Justice
	Asset Recovery	Hotel "Sirius"	Ministry of Justice

Cooperation with the Office for Technical Assistance of the U.S. Treasury

FIU-K has worked closely with the Office of Technical Assistance of the U.S. Treasury Department in Kosovo, offering lectures and assistance to reporting subjects and law enforcement institutions, related to money laundering and terrorist financing, legal and operational mandate of the FIU and the importance of FIU support to other law enforcement institutions. In the context of collaboration, the unit has taken part in establishment of the Institute against Economic Crime, which was established in September of 2012, with the initiative of the above mentioned office, aiming to provide training and support to law enforcement institutions. In the table below are shown the details regarding the above trainings:

Lectures offered by the FIU staff in 2012

Training topic	Location	Financed by
Trade Based Money laundering	ICITAP	OTA
Prevention of Money Laundering and Terrorist Financing	DMTH (Money Gram)	DMTH (Money Gram)
Advanced Techniques against Financial Crime	Kosovo Police	OTA
Advanced Techniques against Financial Crime	Kosovo Police	OTA

Meetings with reporting subjects

Also, in the efforts of having a great cooperation with reporting subjects, the FIU has held individual meetings with reporting subjects, starting with separate meetings with all commercial banks in the country and with the Kosovo Association of Notaries. These meetings have proved to be very useful. There were discussed the best reporting forms and FIU has provided recommendations and instructions on issues related to the fulfilment of their legal obligations and also for having a more effective mutual cooperation.

FIU-K has been one of the leading institutions in partnership with the Embassy of the United States of America in Kosovo in organizing the regional conference on the topic on discussion and inter-institutional cooperation in law enforcement in the countries of the region.

Participants in the conference were representatives from several local law enforcement institutions as Financial Intelligence Unit (FIU), the State Prosecution, the Agency for management of sequestrated and confiscated property, Department for International and Legal Cooperation of the Ministry of Justice, etc., and counterparts from regional countries such as Albania, Montenegro, Macedonia and Serbia. This conference was an event and at the same time it was an opportunity for mutual exchange experiences and discussion on opportunities for increasing the inter-institutional cooperation in the level of states.

Meetings with law enforcement institutions

During 2012, FIU has increased the intensity of meetings with other law enforcement institutions in order to increase inter-institutional cooperation. Financial Intelligence Unit has applied the model of periodic meetings with those institutions, so they were met each month with the responsible representatives of the Kosovo Police, Kosovo Customs, Tax Administration, State Prosecution etc., and discussed issues related to the operational mandate of these institutions and the mandate of the Financial Intelligence Unit on the other side.

OBJECTIVES OF THE FINANCIAL INTELLIGENCE UNIT FOR 2013

As it is defined by the law, Financial Intelligence Unit will continue its activities to prevent and combat money laundering and terrorist financing. In 2013, FIU will be engaged in more dimensions to fulfil its mission and among other things, the main activities will be extended in the following areas:

- Establishing and further strengthening of the FIU-K capacities for more effective prevention of money laundering and terrorist financing, to be achieved through staff trainings and advices for reporting subjects.
- Establishing and further strengthening cooperation between institutions in terms of increasing the efficiency of exchange of information in order to combat money laundering and terrorist financing.
- Continued support of local security institutions in addressing the challenges toward European integration, as well as the challenges of the visa liberalization process for Kosovo.
- Continuous adding of efforts to join international organizations such as FATF, Egmont, MONEYVAL, etc.
- Completion of a national risk assessment of the AML/CFT (money laundering/terrorist financing).
- FIU-K will also continue projects that are developed to improve and increase capacities of the IT system and the development of databases, internal and external procedures of FIU-K, increasing cooperation with the reporting entities and raising the awareness about their legal obligations on the prevention of money laundering and terrorist financing, the establishment of cooperation with other local and international institutions (other counterpart institutions) as well as continuation of supplementing legal infrastructure (drafting, completion and improvement of strategic documents and other legal acts) in accordance with international and European standards applicable in this field.