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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 2016

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

ANNUAL REPORT 2016

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LIST OF ABBREVIATIONS

FIU	Financial Intelligence Unit
PML	Anti- Money Laundering
CTF	Combating Terrorist Financing
AML/CTF	Anti-Money Launderin/Combating Terrorist Financing
AIF	Additional Information Report
KCA	Kosovo Cadastral Agency
KIA	Kosovo Intelligence Agency
ACA	Anti-Corruption Agency
AASCA	Agency for Administration of Sequestered or Confiscated Assets
KBRA	Kosovo Business Registration Agency
CRA	Civil Registration Agency
TAK	Tax Administration of Kosovo
EU	European Union
DNFBP	Designated Non-Financial Businesses and Professions
CBK	Central Bank of the Republic of Kosovo
DILC	Department of International Legal Cooperation
DECC	Directorate of Economic Crime and Corruption (within KP)
KC	Kosovo Customs
DCT	Directorate of Counter Terrorism – (within KP)
DRLN	Department for Registration and Liaison with NGOs
EGMONT	Network of Financial Intelligence Units in the World
EULEX	European Union Rule of Law Mission in Kosovo
FATF	Financial Action Task Force
IMF	International Monetary Fund
TF	Terrorist Financing
goAML	Electronic management data system
NBFI	Non-bank Financial Institutions
KJC	Kosovo Judicial Council
ILECU	International Law Enforcement Cooperation Unit
MI	Microfinance Institution
IPA	Instrument for Pre-Accession Assistance (of the European Commission)
CDD	Customer Due Diligence
CoE	Council of Europe
NCCEC	National Coordinator on Combating Economic Crime
CC	Criminal Code
CPC	Criminal Procedure Code
MF	Ministry of Finance
MOU	Memorandum of Understanding
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measure and the Financing of Terrorism
MLA	Mutual Legal Assistance

KBA	Kosovo Bar Association
NGO	Non-governmental organization
UN	United Nations
NCK	Notary Chamber of Kosovo
PECK	EU&CoE Project “Against Economic Crime in Kosovo”
PEP	Politically Exposed Persons
KP	Kosovo Police
ML	Money Laundering
SOP	Standard Operating Procedures
SPRK	Special Prosecution of the Republic of Kosovo
FIC	Financial Intelligence Center (predecessor of FIU)
UNSCR	United Nations Security Council Resolution
STR	Suspicious Transaction Report
CTR	Cash Transaction Report
SCAAK	Society of Certified Accountants and Auditors of Kosovo
IT	Information Technology
UNDP	United Nations Development Program
UNMIK	United Nations Mission in Kosovo
UNODC	United Nations Office on Drugs and Crime
NRA	National Risk Assessment
MCO	Municipal Cadastral Office

1. INTRODUCTION

Pursuant to Article 10 of the Law No. 05/L-096 on the Prevention of Money Laundering and Combating Terrorist Financing, FIU-K hereby publishes the annual report of 2016.

Kosovo remains committed in strengthening the legal and institutional mechanisms for more effective combating of money laundering and terrorist financing. Effective combating of these phenomenon remains one of the challenges of our country in its membership process in international institutions and the approximation with international standards. FIU-K as a central independent national institution, deems essential to have the appropriate legal basis and ensure that the public and the private sector have the means and undertake the appropriate measures to prevent and combat money laundering and terrorist financing. These efforts resulted in the adoption of the amendments on the Law on the Prevention of Money Laundering and Combating Terrorist Financing.

FIU-K coordinates and provides periodic national risk assessment with regards to money laundering and terrorist financing in order to identify and assess the risk and provide recommendations to the Government in setting out policies, strategies and measures for risk management and reduce the identified risks.

FIU-K will continue with its efforts to adapt to the increasingly developing technology, aiming to identify and assess risks of money laundering and terrorist financing.

The data for 2016 indicate progress in results within a year, fulfilling and exceeding key performance indicators set out in the National Strategy 2014-2018. There was an increase by 22% of the number of suspicious transaction reports that were reported to FIU-K. There was an increase by 19% of the number of intelligence reports disseminated to other authorities, exceeding the objectives set out in the performance plan of FIU-K.

The membership process in Egmont Group and other international organizations remains one of the most important priorities of FIU-K. For this purpose, maximum efforts were made by the unit and other authorities in Kosovo to fulfil all the required membership conditions set by the working groups of Egmont. The new Law on PML/CTF has been adopted and progress has been made in this area.

Furthermore, FIU-K will continue with its efforts to improve and develop the IT system and develop data bases, internal and external procedures of the institution, continuous increase in cooperation with the reporting entities and providing them with awareness related to the legal obligation of preventing money laundering and terrorist financing, increase cooperation with other national and international institutions (other counterpart agencies) and continue fulfilling the legal infrastructure (drafting, supplementing and amending of strategic documents and other by-laws) in harmony with international and European standards in this area.

2. ORGANISATION OF FIU KOSOVO

2.1. Background of FIU -K

National and international most important developments in the area of PML/CTF

Financial IntelligenceCenter- FIC

Regulation 2004/2 and the establishment of FIC Kosovo

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

Transfer of authorities from UNMIK to EULEX

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

Financial Intelligence Unit - FIU

Law 03/L-196 on PML/CTF

- 2010 Law No. 03/L-196 on PML/CTF.
- 2010 Establishment of FIU-K as a successor of the Financial Intelligence Center of Kosovo.
- 2010 Establishment of the Management Board of the Financial Intelligence Unit of Kosovo.
- 2012 Transfer of authorities from UNMIK Mission to national authorities.
- 2012 Entry into force of the Criminal Code and Criminal Procedure Code of the Republic of Kosovo.
- 2012 Strategy on the Prevention of Money Laundering and Terrorist Financing

Law No. 04/L-178

- 2013 Law No. 04/L-178 on amending and supplementing Law No.03/L-196 on Prevention of Money Laundering and Prevention of Terrorist Financing.
- Application for membership in Egmont Grup.
- 2013 National Risk Assessment on Money Laundering and Terrorist Financing.

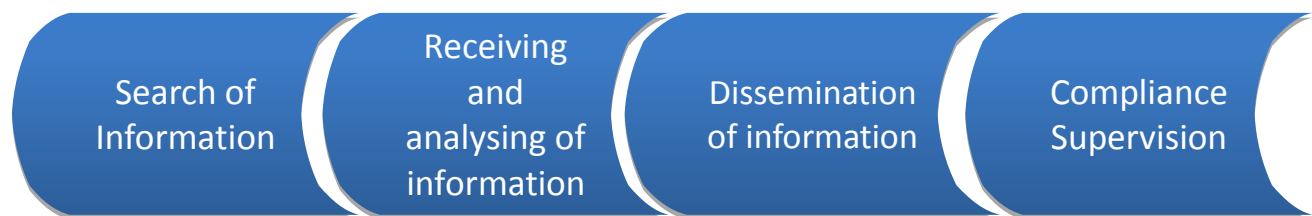
- 2014 National Strategy of the Republic of Kosovo on Preventing and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crime 2014-2018
- Participation for the first time in the plenary meeting of Egmont Grup, Lima - Peru
- 2014 Assessment of compliance with international standards in the area of Combating Money Laundering and Combating Terrorist Financing (CML/CTF) – PECK I
- 2015 Participation in the meeting of the working groups of Egmont Grup, Berlin - Germany.

Law 05/L-096 on përPML/CTF

- 2016 Adoption and entry into force of Law 05/L-096
- 2016 Changes in the status of the professional staff of FIU-K

2.2. Tasks

FIU-K has been established by the Law on Prevention of Money Laundering and Combating of Terrorist Financing (LawPML/CTF)¹. It is a central independent national institution of the Ministry of Finance. FIU-K is responsible on searching, receiving, analysing and distributing information to the competent authorities and publishing information in relation to potential money laundering (ML) and terrorist financing (TF). The status, mandate and the powers of the Financial Intelligence Unit and the obligations of the reporting entities as well as their responsibilities are defined by the Law onPML/CTF.



The main competencies and functions of FIU-K are as follows:

1. Searching, receiving, and analysing of suspicious activities/transactions (STR), cash transaction reports (CTR) and information from other sources related to the suspicion on money laundering and terrorist financing;
2. Dissemination of information related to the suspicion on money laundering and terrorist financing to the competent authorities for further investigation;
3. Adopt by-laws, issue orders and instructions on issues related to the safeguarding or promotion of compliance with the Law on PML/CTF;
4. Supervision and inspection of reporting entities to ensure compliance with the obligations of reporting and data storage;
5. Exchange of information and cooperation with the FIU counterparts in other jurisdictions and with other supervisory and investigative authorities;
6. Provide training to reporting entities, other investigative authorities and compliance supervision personnel;

¹ Law No. 05/L-096 on the prevention of money laundering and combating of terrorist financing, 2016



7. Draft statistics and reports and subsequently provide recommendations to the Ministry of Finance, Ministry of Justice, Police, Kosovo Customs and/or other persons or entities, in relation to measures that should be taken and the legislation that should be adopted in combating money laundering and the financing of terrorist activities; and
8. Application of administrative sanctions for non-compliance by the reporting entities;
9. Perform strategic analysis;
10. Coordinate the national risk assessment related to money laundering and terrorist financing;
11. Temporary freezing of transactions.

2.3. Budget and Procurement

2.3.1. Budget

The new amendments to the law have set out the independent use of the budget of FIU-K, specifying under Article 4 of the Law on PML/CTF, new definitions, *“FIU-K has its autonomous budget provided by the Budget of the Republic of Kosovo, in accordance with the Annual Budget Law. FIU-K shall decide independently on the use of the budget, in accordance with the Law on Public Financial Management and Accountability”*.

The budget of FIU-K for 2016, its amendment and spending process as in the previous years, was as a result of well analysed planning, and in line with its set objectives and priorities, and the budget was successfully concluded for 2016. Based on the planning process of the budget expenditure in all economic categories, in 2016 it was executed at the level of 93%.

The initial budget allocation according to the Law on Budget for 2016, was 310,696 Euros. Upon the review of the budget and internal updating by the MF, the budget of FIU-K was increased to 331,496 Euros.

Economic Categoris	Budget 2016	Budget	Spent Budget
	Initial allocation	After review	Implementation
	1	2	3
Salaries and per diems	193,536	199,336	189,431
Goods and Services	75,685	90,685	83,792
Utilities Expenses	11,475	11,475	9,320
Capital Expenses	30,000	30,000	25,919
Total	310,696	331,496	308,462

Table no.1 –The table of 2016 budget allocation and implementation

2.3.2. Procurement Activities

In 2016, in accordance with the Law on Public Procurement of the Republic of Kosovo no. 04/L-042, amended and supplemented by the Law No. 04/L-237, Law No. 05/L-068 and Law No. 05/L-092, a total of ten (10) procurement activities were carried out.



- Four (4) Procurement Activities were carried out by FIU-K,
- Six (6) Procurement Activities were carried out by the Central Procurement Agency (CPA)

Procurement activities carried out by FIU-K and according to the procedure, are divided into the following:

- One (1) procurement activity carried out by open procedures,
- One (1) procurement activity carried out by negotiated procedures without the publication of the notice of contract,
- Two (2) activities were carried out with the procedure of minimum value.

Whereas, according to the planned procurement value, the following activities were carried out:

- One (1) procurement activity was carried out with the medium amount,
- One (1) procurement activity was carried out with a low amount, and
- Two (2) procurement activities were carried out with a minimum amount.

Whereas, the activities conducted by the CPA covered a total of six (6) procurement activities and the six (6) activities were carried out with an open procedure-Framework Contract.

Whereas, according to the planned procurement value:

- Four (4) procurement activities were carried out with a medium amount,
- Four (4) procurement activities were carried out with a low amount, and
- Four (4) procurement activities were carried out with a minimum amount.

The new amendments to the law in the area of procurement have created changes with regards to the procurement procedures carried out by FIU-K.

For the purposes of economising procurement activities, procurement procedures are carried out by the Government of the Republic of Kosovo and the respective Ministries for the Agencies that are accountable to them and which have less than 50 (fifty) employees.

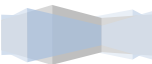
Whereas, the procurement procedures are carried out by the Central Procurement Agency for the Independent Agencies that have less than 50 (fifty) employees and that are accountable to the Assembly of the Republic of Kosovo.

In order to be in line with the Law, FIU-K has started carrying out procurement procedures at the Ministry of Finance.

2.4. Organization of FIU -K

2.4.1. The Oversight Board of FIU-K

The Oversight Board of FIU-K shall oversee and ensure the independence of FIU-K. The Board has no executive or enforcement powers vis-à-vis the FIU-K.



The Board is comprised of the Minister of Finance, who shall serve in the capacity of the Chair of the Board. Other members of the board shall include, *ex-officio*, the Minister of Internal Affairs, Chief Prosecutor of Kosovo, Director General of the Police, Director of the Tax Administration of Kosovo, Director General of the Kosovo Customs and the Governor of the Central Bank of Kosovo.

The Board shall convene as often as required by FIU-K, but not less than two (2) times per year.

The new changes to the law have set out an accountability mechanism with regards to national cooperation and coordination, providing competences to the Oversight Board to perform the function of a coordinating mechanism responsible for determining the orientation of state policies to prevent money laundering and terrorist financing based on identified risks, as well as enhancing cooperation among institutions in accordance with the purposes of the Law on PML/CTF. For this purpose, the Board may establish working groups to coordinate activities in the field of public policies for the prevention of money laundering and terrorist financing and setting long and short term priorities.

The Board may invite other stakeholders from the public and the private sector.

2.4.2. Human Resources and Organizational Structure of FIU-K

The Performance and Resources Plan of FIU for 2015-2017 has set out the management of human resources and the objectives of FIU-K.

The new legal developments in the area of PML/CTF resulted in the change of the status of the professional personnel of FIU-K. Article 4 of the Law No. 05/L-096, specifies that "*FIU-K civilian staff are not civil servants. However, the legislation governing civil service issues shall apply to the staff of FIU-K, unless otherwise regulated by this law and other by-laws which will be in accordance with the basic principles of the civil service law*". This present law sets out the status of professional staff of FIU-K. Nevertheless, there is a need for support with regards to their protection while exercising duties and the obligations deriving from the law.

The draft regulation on the Internal Organization of FIU-K was drafted in 2016 and it was delivered to the Board of FIU-K for adoption. In addition to its purpose and scope, the regulation also covers chapters setting out the internal organization of FIU, providing a clear overview of the organizational structure of FIU, the functions of the office of the director, the departments and the divisions. Inter alia, the regulation contains a list of positions in FIU-K as well as the designation of tasks for the professional and administrative staff of FIU-K.

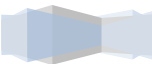
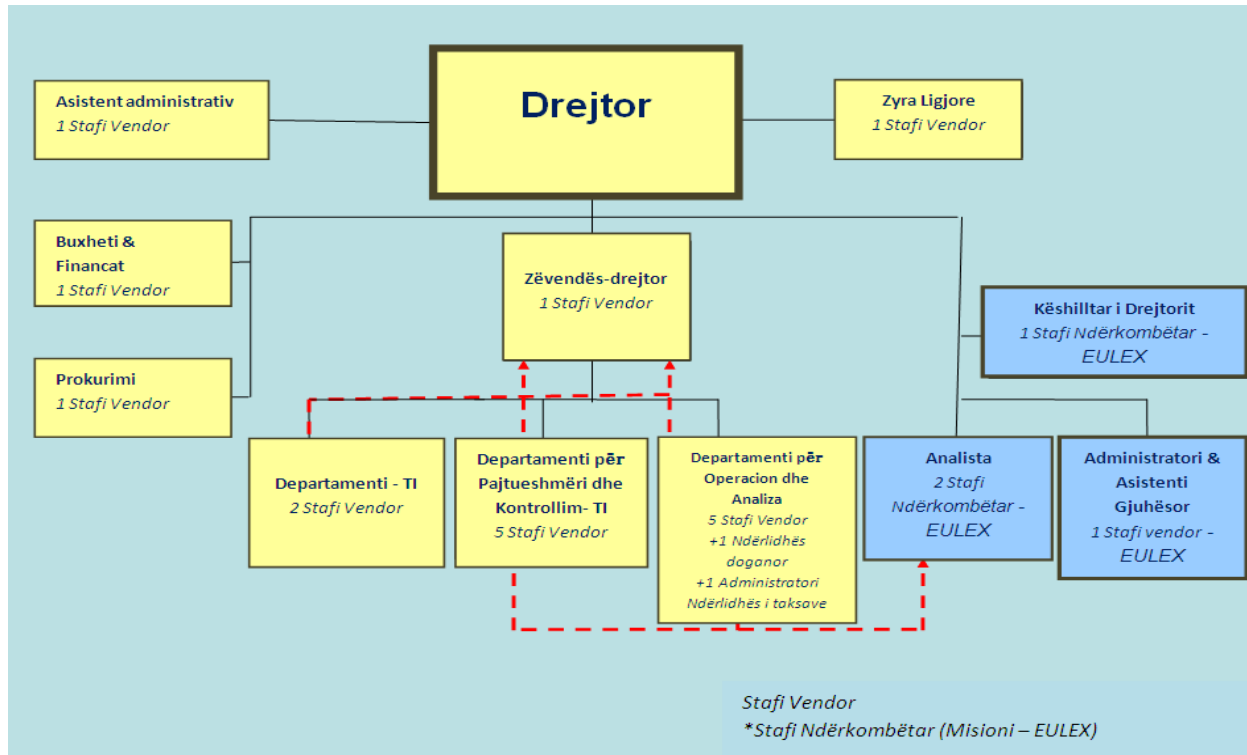
In 2016, FIU-K had a total of 18 employed officers. The Unit Director, three (3) administrative officers and fourteen (14) professional officers constitute the structure of FIU-K. Furthermore, two (2) liaison officers from national law enforcement institutions were seconded to FIU-K, one officer from Kosovo Customs and one officer from Kosovo Police in order to enhance and improve the exchange of information as well as the operational cooperation.

Over 50% of resources are comprised by the staff allocated in the departments of operational analysis and compliance supervision and are oriented in supporting these sectors.



The entire personnel of FIU-K are trained, and qualified, and are in possession of university degrees, at least the bachelor degree, and have mainly graduated in economy, law, computer sciences or electrical and computer engineering. Female representation comprises around 39 % of the staff in FIU-K.

The Organizational Structure of FIU-K in 2016 is as follows:



3. LEGAL DEVELOPMENTS FOR PML/CTF

3.1. Development of legal framework

In February 2015, the Government of the Republic of Kosovo adopted the Concept Document in order to enhance the level of prevention of money laundering and terrorist financing and subsequently, upon the decision bearing protocol no. 32/2015 dated 13/02/2015 the Secretary of the Ministry of Finance established the working group in order to amend Law No. 03/L-196 on the Prevention of Money Laundering and Terrorist Financing, and it was to be amended and supplemented by the Law 04/L-178, or the new draft-law on the Prevention of Money Laundering and Terrorist Financing. The working group was expanded by decision no. 32-1/2015 dated 02/07/2015 and in addition to the representatives of various relevant institutions, representatives from the civil society were also included.

The working group held continuous work meetings, whereas, upon the completion of the initial draft, various round tables and consultations were organized along with the reporting entities and other stakeholders.

On 25 May 2016 the Parliament of the Republic of Kosovo adopted Law No. 05/L-096 on the Prevention of Money Laundering and Combating of Terrorist Financing and the law was published by the decree No. DL-015-2016, dated 13.06.2016 of the President of the Republic of Kosovo and was published in the Official Gazette of the Republic of Kosovo No. 18, dated 15 June 2016 and entered into force on the same day.

The main purpose of the amendment of the Law was to enhance the level of prevention and combating of money laundering and terrorist financing and its approximation with International and European Standards and the purpose was to accomplish the goal by amending the given provisions.

New definitions were included in the new Law, such as the compliance officer, occasional transaction, correspondent relationship and more details were provided for definitions related to the beneficial owner, politically exposed person, suspicious act or transaction and others.

The Management Board, presently the Oversight Board of FIU-K was given the competencies to perform the function of a coordinating mechanism responsible for determining the orientation of state policies to prevent money laundering and terrorist financing based on identified risks, as well as enhancing the cross-institutional cooperation. In addition, other new provisions have been incorporated, setting out in more detail the tasks and authorities of the Board.

The legal provisions of Law 05/L-096 have set out in more detail the actions and measures to be undertaken by reporting entities, before, during the course of, and following the execution of a transaction or establishing of a business relationship. For this purpose, the reporting entities shall issue internal written regulations and procedures, establish controls to prevent and detect money laundering and terrorist financing and shall implement them.



In relation to the new changes to the law, besides the obligation of FIU-K to coordinate and provide periodic national risk assessment with regards to money laundering and terrorist financing and provide recommendations to the Government in setting out policies, strategies and measures for risk management and reduce the identified risks, this Article presently sets out the obligations with regards to risk assessment that shall be undertaken by the reporting entities. According to the new provision provided under Article 18, all reporting entities shall periodically determine the risk of money laundering and terrorist financing that they are exposed to while providing their services, products, geographic location and delivery mechanisms and channels.

The level related to customer due diligence has been upgraded, setting out new provisions related to customer identification for life insurance businesses and other investment related insurances.

In relation to record keeping, it has specified the duration of storing of copies of documents that prove the identity of the customer, beneficial owner, file accounts and business correspondences, storing of information enabling the reconstruction of transactions, storing of data on transactions referring to a series of interrelated repeated transactions and information on transaction related to a report submitted to FIU-K related to a suspicious act or transaction. In addition, in cases of wire transfers, banks and financial institutions carrying out such activity shall maintain a registry of all relevant information on the payer and the transferand take the necessary measures to protect the data from damage and to prevent unauthorized access.

The new law has specified several details regulating the function of compliance for the prevention of money laundering and terrorist financing and and has set out that detailed rules for “fit and proper” criteria for compliance officers shall be determined by by-laws.

Another feature of this law, unlike in the previous laws, is the possibility for the reporting entities to apply simplified due diligence in situations when lower risk areas are identified related to money laundering or terrorist financing and circumstances wherein this provision may be applied.

Banks and financial institutions are presently obliged to ensure that natural or legal persons that act as branches, subsidiaries or agents on their behalf are included in the programs for the prevention and combating of money laundering and terrorist financing, as well as monitor their compliance with the provisions of this law, and shall implement programs within the group that cover their foreign branches and majority owned subsidiaries, against money laundering and terrorist financing, including information exchange policies and procedures within the group.

The new law has provided explicit powers to FIU to issue written orders to temporarily freeze the execution of transactions, on the basis of a written and grounded request of any foreign counterpart. This power enables further enhancement of international cooperation and exchange of information which is a very important element in preventing and combating money laundering, related criminal offences and terrorist financing.



With regards to the specific obligations of NGOs, this law does not provide provisions restricting the receiving of donations and contributions and obtaining of the permit from FIU-K, but it presently provides limits on the use of cash in order to enhance the financial transparency and reduce the chance of using it for money laundering and/or as distribution channels of funds or resources to individuals or entities associated with terrorist groups or organizations.

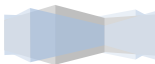
Compliance supervision has been elaborated on Chapter IV wherein the present law provides supervision competencies to FIU-K and the Central Bank of the Republic of Kosovo related to the financial sector. In addition, this Chapter provides the possibility of delegation of this competence from FIU-K to other sectorial supervisors. Unlike the previous law, the present law enables FIU-K and CBK to conduct compliance supervision from distance.

Keeping of Statistical Data and Feedback and the other obligations related to the criminal offences of money laundering, related criminal offences and terrorist financing, have presently been included under a new article, wherein all the competent authorities responsible to combat money laundering and terrorist financing, as well as the reporting entities are obliged to maintain relevant comprehensive statistical data on their area of responsibility and shall be made available to FIU-K within the determined time periods to enable it to review the effectiveness of the national system and to make recommendations.

The challenge of FIU-K with the previous law was the application of administrative sanctions as a consequence of not promulgating them for the reporting entities in line with the legal obligations. Chapter V of the present law sets out the violations that have been placed in three levels, very serious violations, serious violations and minor violations as well as the sanctions for the three types of violations, for natural persons and legal persons. In addition, Chapter VI provides procedures of administrative sanctions and all other procedural details related to sanctions and complaints.

The new law provides a new Article under Chapter IX related to the protection of data wherein obligations are set out for the protection of data by FIU-K and the reporting entities. The Chapter provides that the collection, processing, use and keeping of personal data from the reporting entities is limited to what is necessary for the purpose of the action in accordance with the requirements of the law and it particularly prohibits the further processing of personal data for commercial purposes.

The new law obliges the reporting entities to apply the new provisions to the existing customers on a materiality and risk basis as part of the ongoing monitoring of accounts and business relationships.



3.2. Sub-legal acts

3.2.1. Administrative Instructions, Regulation and Standard Operating Procedures

For the purpose of applying the new legal provisions as set out by the law or when the need arises to provide detailed clarifications, FIU-K has initiated the drafting of by-laws for the reporting entities following the entry into force of Law No. 05/L-096.

Initially, the work plan was drafted containing the list of by-laws which were given particular priority in order to be drafted, reviewed or supplemented. The objective of FIU-K is to ensure full and proper application of the Law on the Prevention of Money Laundering and Terrorist Financing.

In 2016, FIU-K drafted by-laws in consultation with reporting entities and other competent stakeholders and the by-laws are expected to enter into force in the first quarter of 2017. The following by-laws have been drafted:

- Regulation on the operation of Compliance and “fit and proper” criteria for Compliance Officers on the Prevention of Money Laundering and Combating of Terrorist Financing (new regulation),
- Administrative Instruction for the Exemption of Certain Transactions from Reporting (amended and supplemented); and
- Instruction on self-assessment of the reporting entity related to procedures of prevention of money laundering and combating of terrorist financing (new instruction).

The following two standard operating procedures have been drafted:

- Standard Operating Procedures on Compliance Supervision (amended and supplemented); and
- Standard Operating Procedures on Work Processes based on goAML (amended and supplemented);

The following by-laws have been identified and are expected to be drafted and finalised in 2017:

- Administrative Instruction on the prevention and detection of terrorist financing (to be amended and supplemented),
- Administrative Instruction on the prevention and detection of money laundering (to be amended and supplemented),
- Regulation on the preparation and keeping of statistics, reports and recommendations related to money laundering and terrorist financing (to be amended and supplemented),
- Administrative Instruction on Politically Exposed Persons (to be amended and supplemented).



4. PERFORMANCE OF FIU KOSOVO

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

4.1.1. Processed data and reports

Financial Intelligence Unit, pursuant to the Law No. 05/L-096 on the Prevention of Money Laundering and Combating of Terrorist Financing has been mandated to draft statistics and reports and subsequently provide recommendations to the competent institutions and/or other persons or bodies, in relation to measures that should be taken and the legislation that should be adopted in combating money laundering, related criminal offences and terrorist financing.

Therefore, the applicable legislation, international standards, including the recommendations of the Financial Action Task Force (FATF), respectively recommendation 33, and the provision of statistics, indicators, reports and recommendations may have a positive impact on the analysis and the undertaking of proper measures in improving various aspects on the prevention of money laundering and combating of terrorist financing and may have an impact on the analysis, clarity and logical connection between various activities and their association with money laundering and terrorist financing.

FIU-K, CBK, other sectorial supervisors, and competent authorities responsible to combat money laundering and terrorist financing, the reporting entities and other persons and entities have the obligation or tasks according to the law to keep relevant comprehensive statistical data in their area of responsibility.

The present law², provides protection to compliance officers responsible for interaction and exchange of information with FIU-K with respect to disclose of their data to unauthorized persons, as well as protection of other procedures which may affect an uninterrupted performance of duties and unauthorized access to data.

The form of management of reports established in the previous years has provided good grounds for the collection and processing of statistical data. All these reports may be integrated in the system, either through the form or manner of online reporting, uploading the XML report on the XML format, or by doing it manually.

Hence, FIU-K will continuously compile statistics and reports and will make recommendations in the fields or sectors deemed necessary either on the legislative aspect or other technical aspects in order to enhance the cooperation and awareness with regards to prevention of money laundering and terrorist financing, as follows:

- General statistics on suspicious transaction reports and cash transaction reports;
- Statistics on suspicious transaction reports reported by the reporting entities related to money laundering;

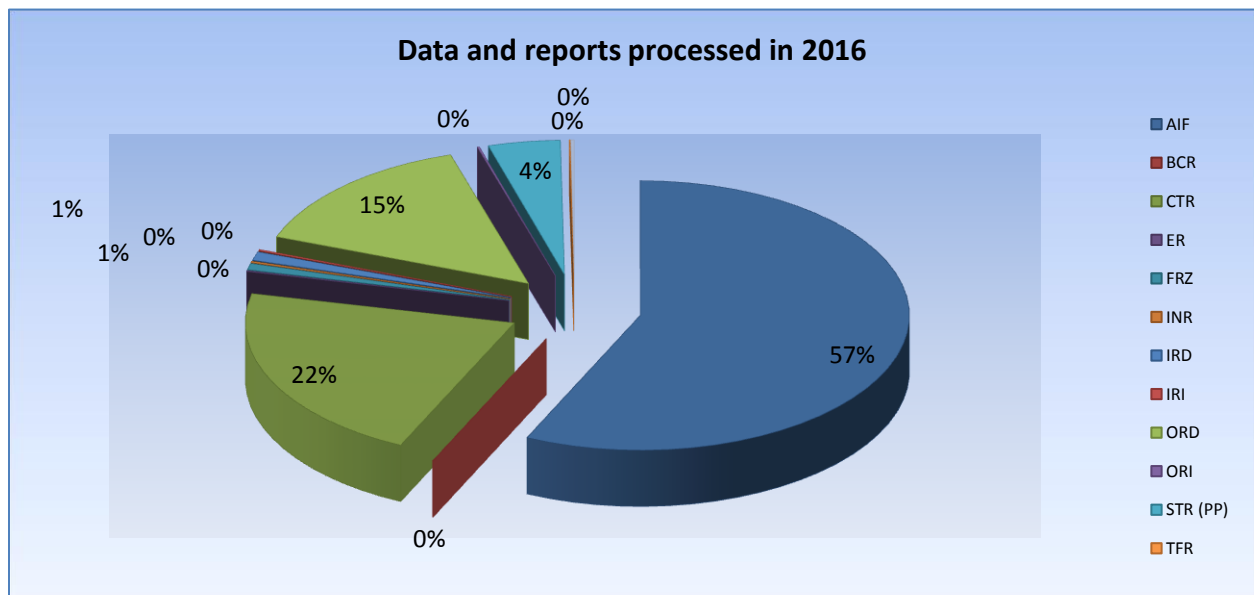
²No. 05/L-096 on PML/CTF



- Statistics on suspicious transaction reports reported by the reporting entities related to terrorist financing;
- Statistics related to indicators of prevention of money laundering and combating of terrorist financing;
- Statistics on the number of opened cases by FIU-K;
- Statistics on cases analysed and delivered by FIU-K to the law enforcement institutions;
- Statistics on the number of information requests received from the law enforcement institutions;
- Statistics on the number of cases wherein exchange of information was conducted with other foreign FIUs;
- Statistics on the number of persons investigated and convicted, related to the prevention of money laundering and terrorist financing;
- Statistics on confiscated or sequestered assets, related to the prevention of money laundering and terrorist financing;
- Statistics on the number of training received or delivered by FIU-K;
- Statistics on the number of compliance inspections;
- Statistics on administrative sanctions; and
- Other statistics covering the legal mandate of FIU-K.

FIU-K shall maintain the statistical data indicated above and shall publish statistical data at least once a year.

This year, a total of 11,113 reports have been processed in the electronic system of FIU-K.



Graph No.1 – Number of reports processed through the electronic and online system - 2016

The total number of reports received in 2016 has increased by 30% compared to the previous year. The increase in reporting was mainly affected by the increase in the number of Reporting of additional information (around 59%). Furthermore, the reporting this year has been characterised with an increase in the number of suspicious transactions (around 22% higher

compared to the previous year). There was a significant increase in the delivery of unusual transaction reports (UTR).

Year	2015	2016	+/-
Type of Report	Number of processed data and reports		
AIF	3,975	6,325	+59%
BCR	6	2	-67%
CTR	2,339	2,396	+2%
ER	15	10	-33%
FRZ	6	85	+1317%
INR	26	17	-35%
IRD	110	113	+3%
IRI	17	16	-6%
ORD	1,616	1,628	+1%
ORI	17	13	-24%
STR (ML)	395	480	+22%
TFR	3	5	+67%
UTR	3	23	+667%
Total:	8,528	11,113	+30%

Table No.2 – Number of reports processed through the electronic and online system 2015-2016

4.1.2. Suspicious Transaction Report

Law 05/L-096 on the Prevention of Money Laundering and Combating of Terrorist Financing requires from the reporting entities to report suspicious acts or transactions within a period of time as provided by the applicable law, depending on the sector or the reporting entity, from the moment of identification of the suspicious act or transaction.

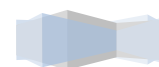
The data indicate that the suspicious act or transaction reporting trend has significantly increased in 2016. During the same year, FIU-K received a total of 485 suspicious acts or transaction reports. This corresponds with an increase of 22% compared to the previous year.

Reporting to FIU-K – Article 26

All reporting entities shall report to FIU-K, in the manner and format specified by FIU-K, all suspicious activities or transactions within twenty four (24) hours from the time the activity or transaction was identified as suspicious.

Suspicious Act or Transaction means an act or transaction, or an attempted act or transaction that establishes a reasonable suspicion that the property involved in the act or transaction, or the attempted act and transaction, results from crime or is related to terrorist financing.

Hence, the data indicate that FIU-K fulfilled and exceeded (by more than 50%) the key performance indicators set out in Annex 1 of the Action Plan of the National Strategy of the Republic of Kosovo in the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crime 2014-2018. The key performance indicators measuring



and monitoring the efficiency of this Strategy have inter alia set out the minimum number of suspicious transaction reports (STR) to be received. These indicators projected that FIU-K would be receiving 250 suspicious transaction reports in 2016, whereas the results have indicated that 485 such reports have been received this year. This indicates a significant increase in STR reporting and the exceeding of the projected numbers in the Action Plan.

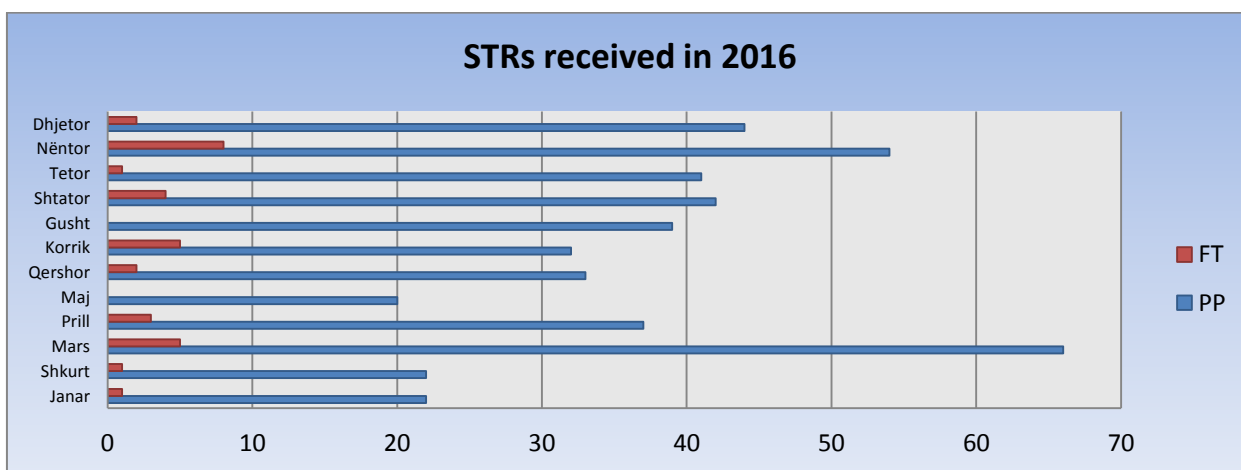
From this perspective, it not only resulted in the increase in the number and quality of STRs, but it was deemed that there were positive developments in relation to preventive measures taken by the reporting entities. The category of entities reporting STRs has slightly expanded, and such reporting continued throughout the year.

Even this year, the largest number of reports on suspicions, around 93% of them were received on suspicions of money laundering, while reports on terrorist financing cover around 7% of suspicions throughout the year.

The largest number of STRs received in 2016 or around 96% of them, were sent to FIU-K for analysis, whereas the other part (around 4%) are to be analysed in the following year.

Key Performance Indicator	Month	01	02	03	04	05	06	07	08	09	10	11	12	Total of STRs for 2016	%
Number of reports received on suspicious transactions (STRs)		22	22	66	37	20	33	32	39	42	42	54	44	453	93%
Number of reports received on suspicions of terrorist financing		1	1	5	3	0	2	5	0	4	1	8	2	32	7%
Total		23	23	71	40	20	35	37	39	46	42	62	46	485	100.00%

Table No.3 -STRs received per month on money laundering and terrorist financing - 2016



Graph No.2 -STRs received on Money Laundering and Terrorist Financing - 2016



4.1.2.1. Suspicion Transaction Reports 2011-2016

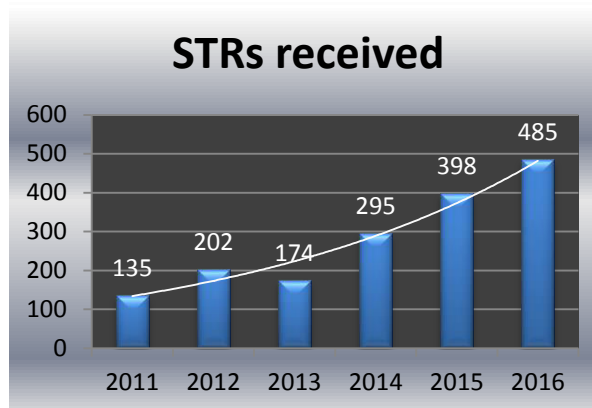
The comparison of statistical data indicate that the suspicious transaction reporting trend has significantly increased. Compared to 2011, the number of STRs has increased by 259%.

The financial sector, particularly the Banks and Money Transfer Agencies, cover over 90% of the total number of suspicious transaction reports. These institutions continue to lead in STR reporting in 2016. Commercial Banks continue to make the largest number of suspicious transaction reporting (90%). From the other financial sector, Money Transfer Agencies cover 7% of reporting, whereas there is an increase in reporting from Microfinance Institutions, which may be as a result of trainings held with these institutions in the recent years, including the trainings in 2016.

Inspite of the awareness measures taken over the years, the trainings and workshops

organized for the reporting entities, the Insurance Companies and Currency Exchange Offices listed in financial institutions which are required to report suspicious transactions, have not reported such transactions.

The graph and table below show the reporting trend for 2011-2016:



Graph No.3-Number of STRs reported in 2011-2016

Year	2011	2012	2013	2014	2015	2016
STRsreceived	135	202	174	295	398	485

Table no.4– Number of STRs reported in 2011-2016

Designated Non-Financial Businesses and Professions (DNFBP)³ continue providing low number of SRT reports. With the exception of two (2) reports that were reported by the Notaries to FIU-K, other professions have not reported any STRs in the previous years.

Awareness of the professionals in question will be intensified in order to fulfil their legal obligations, by organising and holding trainings and increasing compliance supervision activities based on risks in order for them to comply with the applicable legislation.

³Lawyers, Auditors and Accountants, Notaries, Games of Chance, Precious metals



Number of STRs reported by sectors in 2011-2016							
Reporting Entities	2011	2012	2013	2014	2015	2016	Total in 2011-2016
Banks	129	196	165	234	350	438	1512
Microfinance Institutions	0	-	-	-	2	6	8
Insurance Companies	0	-	-	-	-	-	0
Currency Exchange Offices	0	-	-	1	-	-	1
Money Transfer Agencies	3	6	6	58	39	34	146
Casinos	0	-	-	-	-	-	0
Real estate agents	0	-	-	-	-	-	0
Dealers in precious metals/stones	0	-	-	-	-	-	0
Lawyers	0	-	-	-	-	-	0
Notaries	0	-	1	-	-	2	3
Certified accountants and tax consultants	0	-	-	-	-	-	0
Licensed auditors	0	-	-	-	-	-	0
Trust and company service providers	0	-	-	-	-	-	0
Other professionals	0	-	-	-	-	-	0
Non-Governmental Organizations	0	-	-	-	-	-	0
Sellers of precious metals and dealers of precious stones	0	-	-	-	-	-	0
Kosovo Customs	3	-	1	1	4	1	10
Sectorial supervisors	0	-	-	-	2	2	4
Other	0	-	1	1	1	2	5
Total of STRs reported in 2011-2016	135	202	174	295	398	485	1689

Table no.5- Number of STRs reported by sectors in 2011-2016



Statistics information on suspicious transaction reports (STRs) received by FIU								
Reporting Entities	2013		2014		2015		2016	
	Reports on suspicious transactions		Reports on suspicious transactions		Reports on suspicious transactions		Reports on suspicious transactions	
	ML	TF	ML	TF	ML	TF	ML	TF
Banks and Financial Institutions								
Commercial Banks	159	6	219	15	327	23	419	19
Microfinance Institutions	0	0	0	0	2	0	6	0
Insurance Companies	0	0	0	0	0	0	0	0
Currency Exchange Offices	0	0	1	0	0	0	0	0
Money Transfer Agencies	6	0	57	1	36	3	19	15
Total - Banks and Financial Institutions	165	6	277	16	365	26	444	34
DNFBP and other reporting entities								
Casinos	0	0	0	0	0	0	0	0
Real estate agents	0	0	0	0	0	0	0	0
Dealers in precious metals/stones	0	0	0	0	0	0	0	0
Lawyers	0	0	0	0	0	0	0	0
Notaries	1	0	0	0	0	0	2	0
Certified accountants and tax consultants	0	0	0	0	0	0	0	0
Licensed Auditors	0	0	0	0	0	0	0	0
Trust and company service providers	0	0	0	0	0	0	0	0
Other professionals	0	0	0	0	0	0	0	0
Non-Governmental Organizations	0	0	0	0	0	0	0	0
Sellers of precious metals and dealers of precious stones	0	0	0	0	0	0	0	0
Construction companies	0	0	0	0	0	0	0	0
DNFBPs and other reporting entities in Total	1	0	0	0	0	0	2	0
Reports and other information								
Kosovo Customs	0	1	1	0	4	0	1	
Sectorial supervisors	0	0	0	0	2	0	1	1
Other	1	0	1	0	1	0	1	1
Reports and other information in Total	1	1	2	0	7	0	3	2
STs received on ML/TF in Total	167	7	279	16	372	26	449	36
STRs reported in Total	174		295		398		485	

Table no.6–Information on suspicious transaction reports (STRs) for MLandTFreported to FIU-K in 2013-2016



4.1.3. Suspicious Transactions on Terrorist Financing

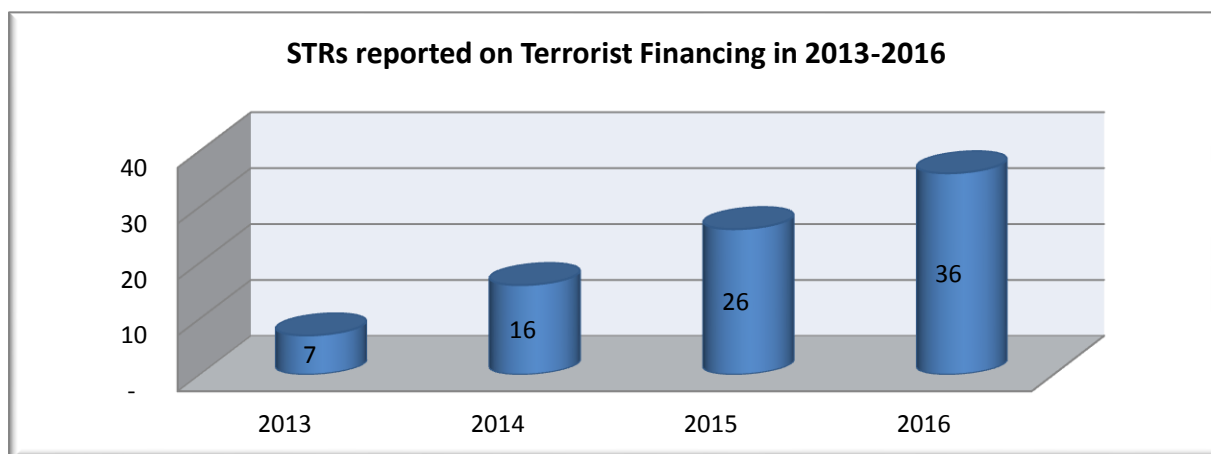
The legal provisions on reporting suspicious terrorist financing are clearly set out on the Law on PML/CTF, and the reporting entities shall report an act or transaction or an attempted act or transaction that establishes a reasonable suspicion that the property involved in the act or transaction, or the attempted act or transaction, results from crime or is related to terrorism financing.

Global events and developments in the recent years associated with an increase in terrorist acts and terrorism have had an impact and were reflected in our country as well. Hence, it resulted in the enhancement of vigilance of public and private institutions in preventing these negative phenomenon. It has had an impact in the increase in suspicious transactions or activities reporting related to terrorist financing.

A series of strategic documents have been adopted in Kosovo and the necessary legal changes were made in order for the combating and prevention mechanisms in the country to be in accordance with international standards and other conventions. Hence, FIU-K was oriented in exercising its activity in raising the effectiveness of the reporting regime and further develop the prevention system as required by the law.

When the reporting entities note that the risk of money laundering or terrorism financing has increased, they take reasonable measures to keep the collected information updated, take measures to reduce these risks and apply the necessary measures of additional due diligence to monitor business and risk profiles, including the sources of funds, and ensure that other data and information have been updated. This, inter alia, includes the additional due diligence that shall be taken by the reporting entities as a result of compliance with the preventive measures.

Between 2013 and 2016, the number of delivered STRs on terrorist financing has significantly increased over the years, and it shows an increase in the vigilance of the reporting entities and a higher level of awareness on PML/CTF in our country.



Graph No.4 – STRs reported on Terrorist Financing in 2013-2016

The statistics data maintained by FIU-K, indicate that a total of 36 suspicious activity reports on terrorist financing were received by FIU-K in 2016, having an increase of around 38% compared to the previous year (2015: 26).

The increase in the number of STRs on terrorist financing was mainly as a result of the reporting made in 2016 by Money Transfer Agencies, and it is understandable taking into account the use of this system to transfer funds for suspicious purposes of terrorist financing. It is noted that STRs on TF are reported also by sectorial supervisors and public institutions.

Statistics Information on suspicious transaction reports (STRs) by sectors on Terrorist Financing in 2013-2016				
Reporties Entities	2013	2014	2015	2016
Commercial Banks	6	15	23	19
Microfinance Institutions	-	-	-	-
Money Transfer Agencies	-	1	3	15
Currency Exchange Offices	-	-	-	-
DNFBPs	-	-	-	-
Sectorial supervisors	-	-	-	1
Kosovo Customs	1	-	-	-
Other	-	-	-	1
Total – STRs on Terrorism Financing	7	16	26	36

Table no.7–Information on suspicious transaction reports (STRs) on TF received by FIU-K in 2013-2016

4.1.4. Cash Transaction Reports (CTR)

FIU-K continues to work closely with the reporting entities in order to apply and strengthen the measures against money laundering and terrorist financing so that the reporting entities are not used by criminal activities for money laundering. Between 2012 and 2016, the trend on the number of cash transaction reports increased over 60%. The data collected from the CTRs assisted in the intelligence analysis performed by FIU-K.

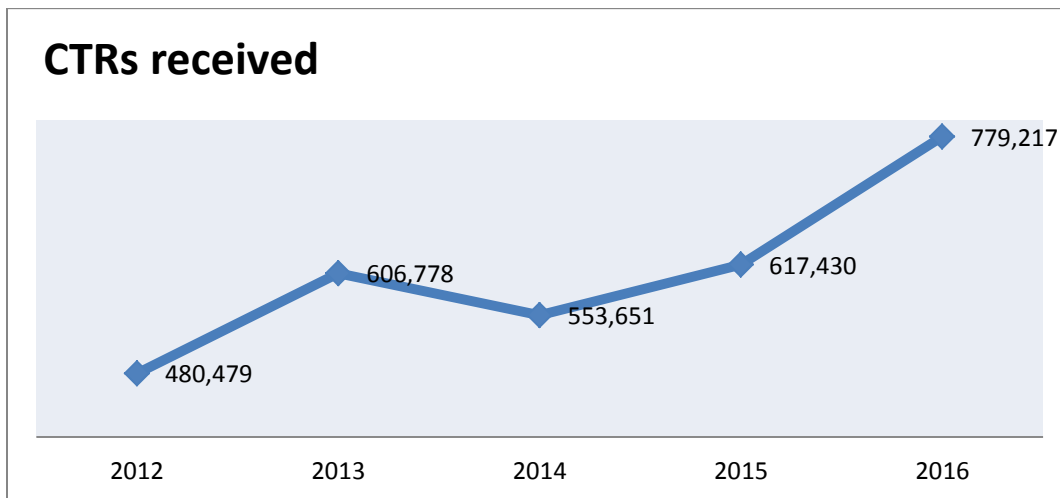
The number of transactions received has increased from 617,430 in 2015 to 778,286 in 2016 or by percentage, around 26% more compared to the previous year.

Pursuant to Article 26 of the Law 05/L-096 on PML/CTF (Reporting to FIU-K):

All reporting entities shall report to FIU-K, in the manner and format specified by FIU-K, all single transactions in cash in the amount of ten thousand (10.000) euros or more or in the equivalent value of the foreign currency. Multiple transactions shall be treated as a single transaction if the reporting entity is aware that the transactions are conducted by or on behalf of one person or entity and reach the amount of ten thousand (10.000) euros or more in one (1) single day.

Years	2012	2013	2014	2015	2016
CTRs received	480,479	606,778	553,651	617,430	779,217

Table no.8 -CTRsreported in the period of 2012-2016

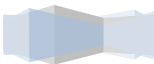


Graph No.5 – Number of CTRs received for 2012-2016

Regardless of the increase in the number of cash transaction reports, comparing the number of reports (2,436 CTRs) delivered in 2016, it shows a similar number of reports (2,367 CTRs) delivered in 2015. In addition, if it is put in monetary amount, the reporting of cash transaction reports is similar to the previous year, having a slight increase of around 5%.

Reports received over the reporting threshold (CTR) related to transactions						
Reporting Entities	2014		2015		2016	
	Number of reports received	Number of transactions	Number of reports received	Number of transactions	Number of reports received	Number of transactions
Banks and Financial Institutions						
Banks	1,700	548,139	2,028	614,162	2,087	774,463
Microfinance Institutions	12	37	12	25	22	184
Insurance Sector	3	11	0	0	0	0
Currency Exchange Offices	297	2959	292	1875	297	2384
Money Transfer Agencies	25	500	23	104	18	99
Total of Banks and Financial Institutions	2,037	551,646	2,355	616,166	2,424	777,130
OTHER REPORTING ENTITIES						
Kosovo Customs	12	2005	12	1264	12	2087
Total of other reporting entities	12	2005	12	1264	12	2087
Total of CTRs received	2,049	553,651	2,367	617,430	2,436	779,217

Table no.9–Reports received over the reporting threshold (CTRs) by sectors for '14-'16



4.1.5. Reporting unusual transactions (Special monitoring of certain transactions)

Reporting entities shall pay special attention to business relations and transactions with persons, including legal persons, legal agreements and financial institutions, from or in countries that do not or insufficiently apply the relevant international standards to combat money laundering and terrorist financing.

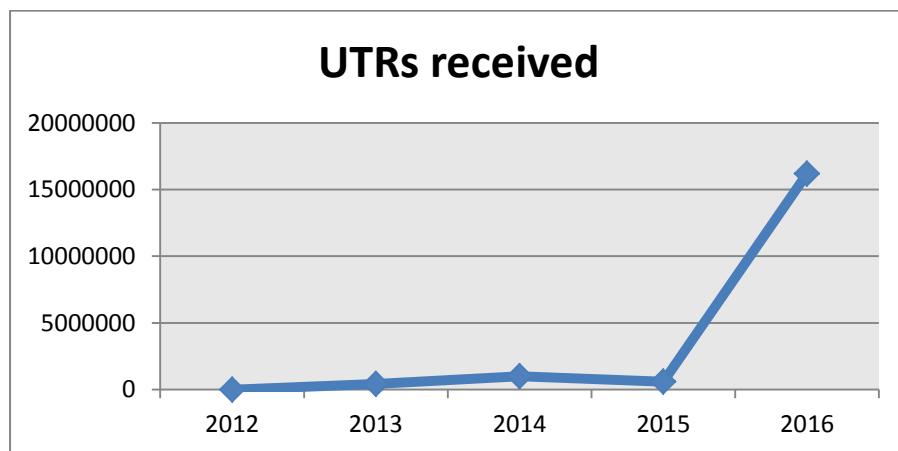
Law 05/L-096 on PML/CTF, respectively Article 25 of the Law provides the legal requirement that the reporting entities shall pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

Reporting entities shall examine to the extent possible the background and purpose of such transactions and shall set forth in writing their findings and specific information regarding such transactions.

The number of such transaction reporting increased dramatically in 2016. A total of 23 unusual transaction reports have been reported this year, and their total value reaches the amount of around 16 Million Euros.

Years	2012	2013	2014	2015	2016
UTRs received	0	€ 419,436	€ 1,001,320	€ 601,600	€ 16,176,800

Table no.10 –Reporting of unusual transactions in 2012-2016



Graph No.6 – Number of UTRs received in 2012-2016



4.1.6. Border Cross Report - BCR

Pursuant to the Law 05/L-096 on PML/CTF, Kosovo Customs applies Article 33 of the law, and inter alia, it shall notify FIU-K for any declaration or non-declaration of monetary instruments entering or exiting the border crossings, in the Euro currency or any other foreign currency in the value of 10.000 euros or more or an equivalent value.

Any natural or legal person failing to comply with the provisions on declaration of monetary, commits a minor offence punishable by a fine of twenty five percent (25%) of the total amount of monetary instruments in his/her possession which he/she is obliged to declare.

Article 33 –Obligation to declare movement of monetary instruments into and out of Kosovo

1. Every person entering or leaving Kosovo and carrying monetary instruments of a value of ten thousand (10.000) Euros or more or an equivalent value in a foreign currency must declare in writing the amount of monetary instruments and their verifiable source in a format to be prescribed by the Kosovo Customs, to a customs officer.
2. Every person sending from Kosovo to a place outside of Kosovo, or receiving in Kosovo from a place outside Kosovo, via post, cargo shipments or commercial courier, monetary instruments of a value of ten thousand (10.000) Euros or more or equivalent value in foreign currency, must declare in writing the amount of the monetary instruments and their verifiable source in a format to be prescribed by Kosovo Customs.

FIU-K was notified in 2016 related to the imposing of two (2) fines due to non-declaration of monetary instruments. The amount of non-declared monetary instruments was 28,000 €, whereas the fine applied for this non-declaration (25 %) was 7,000 €.

According to the harmonised annual statistics of FIU-K and the Customs, it was reported in 2016 that natural and legal persons have declared a total of 1,156 Border Declaration Reports (BDRs), compared to 1264 BDRs declared in the previous year. It is noted that there is an increase in the declaration of monetary instruments by legal persons (732 compared to 606), whereas there is a drop in the number of declarations by natural persons (424 compared to 658).

Kosovo Customs enforcing this legal provision, continues to report on regular basis on the number of such declarations.

Declaration of monetary instruments at border crossings			
Number of Reports declared			
Years	Legal Persons	Natural Persons	Number of BCRs declared
1	2	3	4 = (2+3)
2016	732	424	1,156
2015	606	658	1,264
2014	667	583	1,250
2013	553	543	1,096
Total	1,826	1,784	3,610

Table no.11–Declaration of monetary instruments at border crossings in 2013-2016

Kosovo Customs takes all the proper measures in the prevention of money laundering and terrorist financing and reports to FIU-K any suspicious act or transaction related to money laundering and terrorist financing that it detects while performing its tasks. Kosovo Customs maintains contacts with FIU-K, prosecutors, the police and other relevant bodies in order to carry out the tasks. In 2016, FIU-K received a suspicious transaction report from Kosovo Customs wherein there were grounds of suspicion of money laundering or terrorist financing.

4.1.7. Temporary Freezing of Transaction

The new legal changes that took place in 2016 have set out and broadened the executive competencies of FIU-K on temporary freezing of transactions if it estimates that there is a reasonable ground to suspect on money laundering or terrorist financing in relation to a transaction or person that performs the transaction, for which the prosecution and other authorities in charge shall be notified so that they can take measures within the scope of their responsibilities.

The temporary freezing may last for a maximum of forty eight (48) hours from the moment the order for temporary freezing of the transaction is issued, with the possibility of extending the period for an additional twenty four (24) hours. During the period of temporary freezing of the transaction, the reporting entities shall be subject to the order of FIU-K.

In this reporting period, FIU-K issued 85 instructions for temporary suspension of transactions or freezing of accounts, amounting to the total amount of 1.1 Million Euros, whereas 6 such orders were issued in 2015, amounting to the total amount of 29,739.93 Euros, and 20 orders were issued by FIU-K in 2014 and funds in the amount of around 774,115 Euros were frozen.

Freezing of Account /Transaction	2014	2015	2016
Number of written order to temporary freeze the execution of transactions	20	6	85
Amount (EUR)	774,115 €	29,740 €	1,036,146 €

Table no.12 -Freezing of Account /Transaction for 2014-2016

The new Law provides explicit competencies to FIU to issue written order for temporary freezing of execution of transactions on the basis of a written and grounded request of foreign counterparts. This competence enables the further enhancement of international cooperation and exchange of information which is a very important element in the prevention and combating of money laundering, related criminal offences and terrorist financing within the scope of international cooperation.

Article 28 – Temporary Freezing of Transaction within the scope of International Cooperation

FIU-K may issue a written order to temporarily freeze the execution of transactions, on the basis of a written and grounded request of any foreign counterpart that performs similar functions to FIU-K, under the conditions laid down in this law and under the conditions of reciprocity.

Furthermore, FIU-K may request from each foreign counterpart conducting similar functions to those of FIU-K to order the temporary freezing of transactions if there are reasonable grounds to suspect on money laundering and terrorist financing in relation to the transaction or the person.

4.1.8. Requests of NGOs for exemption from legal prohibitions

With regards to the specific obligations of NGOs, the new Law on PML/CTF does not provide provisions restricting the reception of donations and contributions and obtaining of the permit from FIU-K, but there are presently provisions related to limits on the use of cash in order to enhance the financial transparency and reduce the chance of using it for money laundering and/or as distribution channels of funds or resources to individuals or entities associated with terrorist groups or organizations.

NGOs are obliged to report to FIU-K all suspicious acts and transactions. In accordance with their obligations as reporting entities according to the Law on PML/CTF, the Board members and the staff in charge for the management of the NGO under the Law on Freedom of Association in Non-Governmental Organizations shall take appropriate due diligence measures to ensure that the NGOs shall not be used for money laundering or as distribution channels of funds or resources to individuals or entities associated with terrorist groups or organizations.

NGOs shall maintain financial data/ledgers that document all incomes and expenditures. These data shall identify the income by source, the amount, and manner of payment, and shall identify the paid amount by the recipient, intended use of funds, and the manner of payment. Documents for financial data shall be maintained for five (5) years and shall be available upon the request of FIU-K and the competent body under the Law on Freedom of Association in the Non-Governmental Organizations.

4.1.9. Analysis of intelligence reports

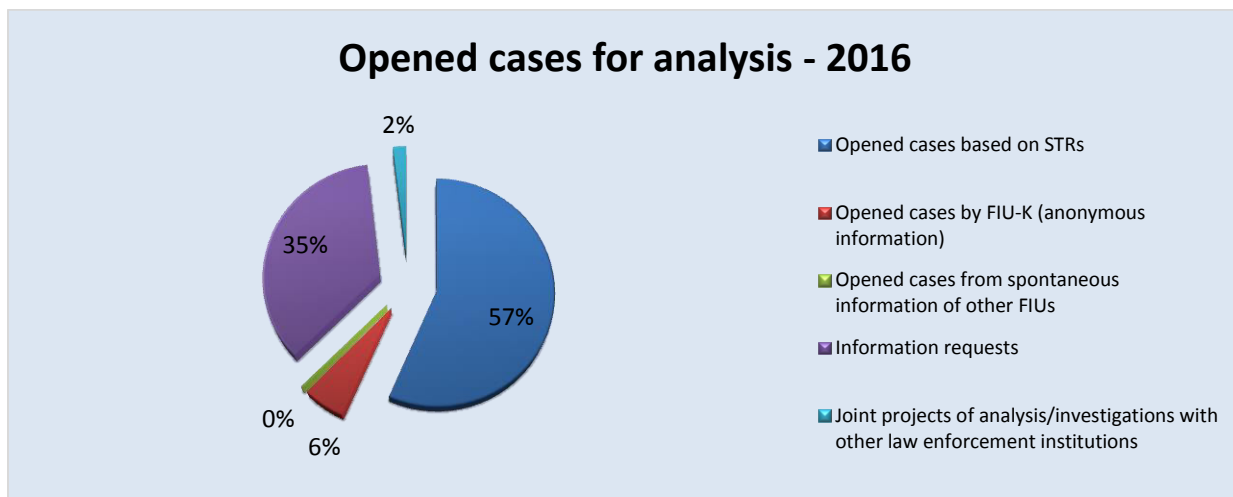
The data indicate that in 2016 there was an increase by 29% of the number of opened cases for analysis by FIU-K. Compared to the previous year where a total of 247 cases were opened, in 2016 there were a total of 318 cases opened for financial analysis due to the suspicion of money laundering, terrorist financing or other related criminal offences. Around 57% of opened cases this year originated from suspicious transaction reports, whereas information requests constitute around 36% of the total number of opened cases in this reporting year. There was also an increase in the number of opened cases from joint projects of analysis/investigations with other law enforcement institutions.

The increase in the number of opened cases of suspicious transactions reported to FIU-K (44% higher than in 2015) was as a result of an increase in the number of STRs, whereas the difference between the number of STRs and the number of opened cases also refers to cases wherein more than one STR was reported on persons or similar entities in different periods of time, and a part of STRs are to be analysed in the coming period.



Opened Cases	2015	2016	+/-
Opened cases based on STRs	125	180	+44.00
Opened cases by FIU-K (anonymous information)	14	18	+28.57
Opened cases from spontaneous information of other FIUs	1	1	0.00
Information requests	106	113	+6.60
Joint projects of analysis/investigations with other law enforcement institutions	1	6	+500.00
Total Opened Cases	247	318	+28.74

Table No.13 -Opened Cases for 2015-2016

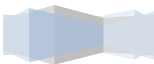


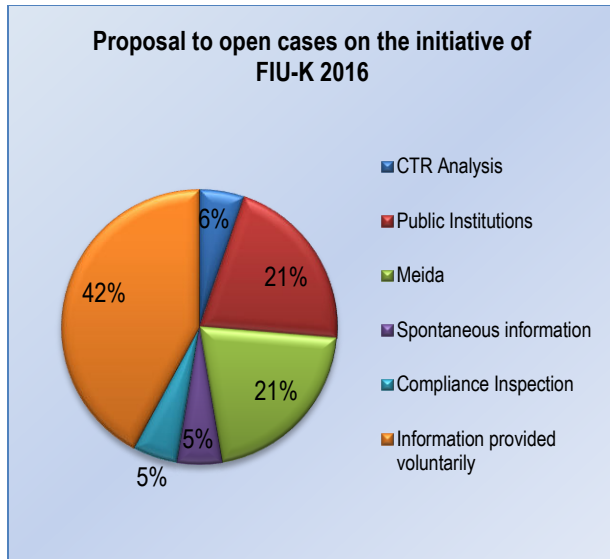
Graph No.7–Opened Cases for analysis - 2016

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

Tasks and competencies of FIU-K provided under Article 14 of the Law on PML/CTF, have set forth the authorizations of the unit to receive and process, receive and analyse reports and information.

Initiation of initiatives to propose cases related to negative occurrences of ML/TF, and a more proactive approach related to developments and events associated to money laundering or terrorist financing were also undertaken in 2016. The largest number of cases opened on self-initiative resulted from the information provided voluntarily to FIU-K related to suspicions of money laundering or financing of terrorist activities. There was an increase in the number of cases opened based on the information coming from the Media.





Graph No.8–Cases initiated and proposed on the initiative of FIU-K according to the source for 2016

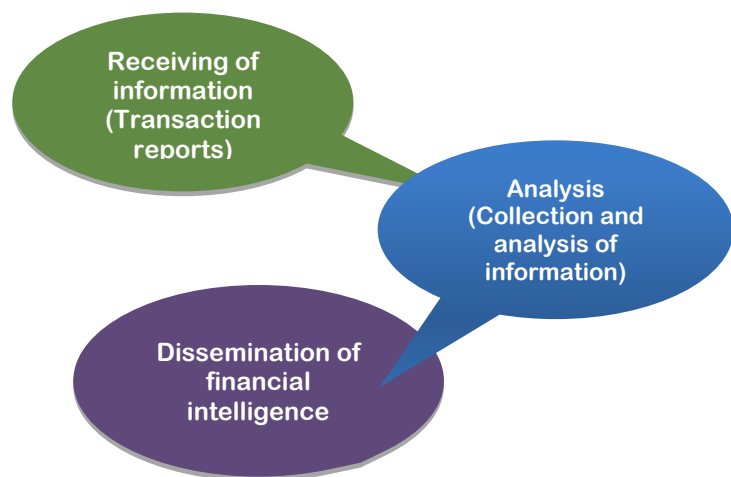
Proposal to open cases on the initiative of FIU-K	2016	%
Proposal to open cases based on the analysis of CTRs	1	5.26%
Information received from Public Institutions	4	21.05%
Proposal to open cases based on the information received from the media	4	21.05%
Spontaneous information sent by foreign FIUs	1	5.26%
Compliance Inspection	1	5.26%
Information provided voluntarily to FIU-K related to suspicions on money laundering or financing of terrorist activities	8	42.11%
Total – Cases Opened	19	100.00%

Table No.14 - Cases initiated and proposed on the initiative of FIU-K according to the source for 2016

4.1.11. Dissemination of intelligence reports

Dissemination and disclosure of financial intelligence and analysis results on suspicions of money laundering, related criminal offences and terrorist financing to the law enforcement bodies or to any agency outside Kosovo with similar functions to those of FIU-K, is one of the main functions of the intelligence units. This financial intelligence enables law enforcement agencies to investigate related criminal offences, money laundering and activities of terrorist financing. Furthermore, this may provide grounds of criminal prosecution in the future against persons or entities if the need arises for such prosecution.

As a result of the processing and analysing of reports and information reported by the entities that are required to report (STRs), and other information as well as the information sent to the unit as spontaneous information by FIUs of other countries, collected data which is available to the public and is related to money laundering or financing of terrorist activities and following the requests for additional information by those obliged by the law, FIU-K disseminates and discloses the information to national authorities having national competencies, if such information is relevant for investigations within the scope of their competencies or to the



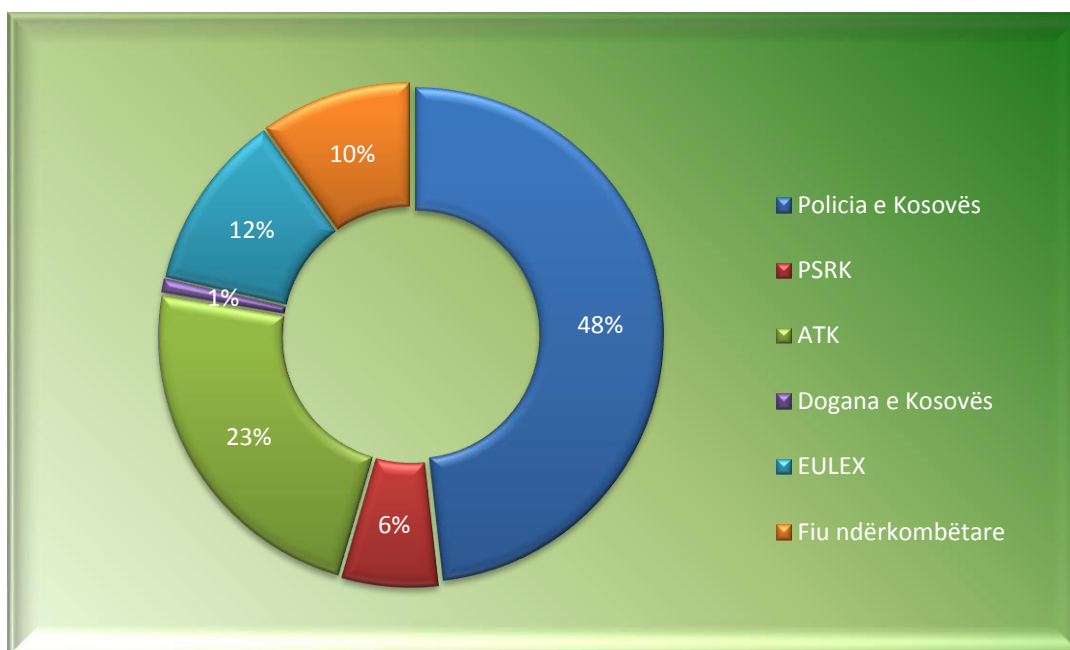
law enforcement agencies or any agency outside Kosovo with similar functions to those of FIU-K.

In 2016, 112 intelligence reports were referred to the law enforcement agencies compared to 94 reports sent in 2015 and 59 sent in 2014. This indicates an increase of 19% compared to the previous year and 90% compared to 2014. New progress was made as a result of the implementation of strategic documents and the establishment of the performance and resources plan of FIU-K for 2015-2017, which have had a positive impact in improving the performance in 2016 compared to the previous years, regardless of the same number or reduced capacities of FIU-K and the insufficient number of officers working on financial analysis.

The results of statistical data have indicated that around 93% of the overall disseminated reports in 2016 were reports on suspicions on money laundering or related criminal offences, whereas around 7% of the disseminated reports were reports on suspicions on terrorist financing.

The main suspicions on the basis of which the intelligence reports were disseminated were mainly linked to the suspicions of proceeds generated from organized crime, fraud, unauthorized purchase, possession, distribution and sale of narcotics drugs, psychotropic substances and analogues, falsifying documents, legalization of false content, abuse of official position or authority, terrorist financing, etc. Furthermore, FIU-K intelligence reports are often related to suspicions of potential proceeds generated from tax evasion.

Cooperation on operational matters and exchange of information continues to remain at high levels between FIU-K and the Kosovo Police. The total number of reports distributed to this institution amounts to 48% in 2016, whereas there is an increase in the number of intelligence information referred to Tax Administration of Kosovo and EULEX.



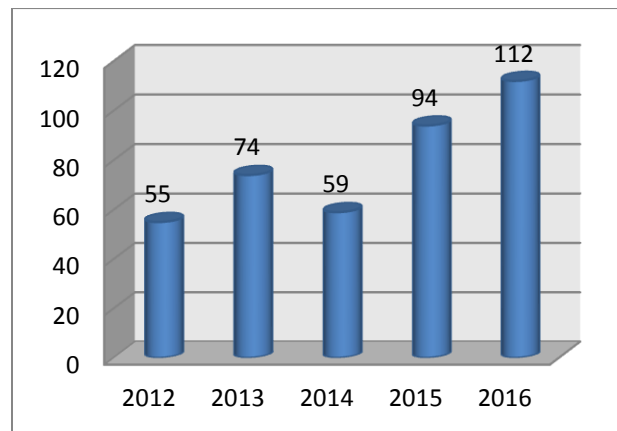
Graph No.10 – Intelligence reports disseminated to the competent authorities in 2012-2016

Intelligence reports disseminated /referred to	2016	%
Kosovo Police	54	48%
Special Prosecution Office	7	6%
Tax Administration of Kosovo	26	23%
Kosovo Customs	1	1%
EULEX	13	12%
ForeignFIUs	11	10%
Total – Intelligence reports distributed	112	100%

Table No.15 –Intelligence reports disseminated / referred to relevant institutions - 2016

Compared to the data of the previous years, the data indicate that FIU-K distributed 192 financial intelligence reports to the relevant units of Kosovo Police, and this figure constitutes the highest number of reports referred/distributed to other law enforcement institutions. Analysis results of FIU-K have served as grounds for the initiation of investigations which were very important for the future outcome of investigations and criminal prosecution. In addition, a considerable number of reports were distributed to KTA on the suspicion of tax evasion, which is associated to money laundering.

period of five years 2012 – 2016, has been presented on the table and graph below:



Graph No.11 – Intelligence reports distributed in 2012-2016

The distribution of intelligence reports to other national and international agencies over the

Intelligence reports disseminated /referred to	2012	2013	2014	2015	2016	Total for 2011-2016
Kosovo Police	25	44	27	42	54	192
Special Prosecution of the Republic of Kosovo	1	0	1	9	7	18
Tasx Administration of Kosovo	17	21	21	23	26	108
Kosovo Customs	5	4	2	6	1	18
Kosovo Intelligence Agency	0	0	0	4	0	4
Anti-Corruption Agency	0	0	0	1	0	1
EULEX	7	2	2	1	13	25
Foreign FIUs/ Spontaneous Information	0	3	6	8	11	28

Other	0	0	0	0	0	0
Total of Intelligence reports disseminated	55	74	59	94	112	394

Table No.16–Intelligence reports distributed to/referred to relevant institutions in 2012-2016

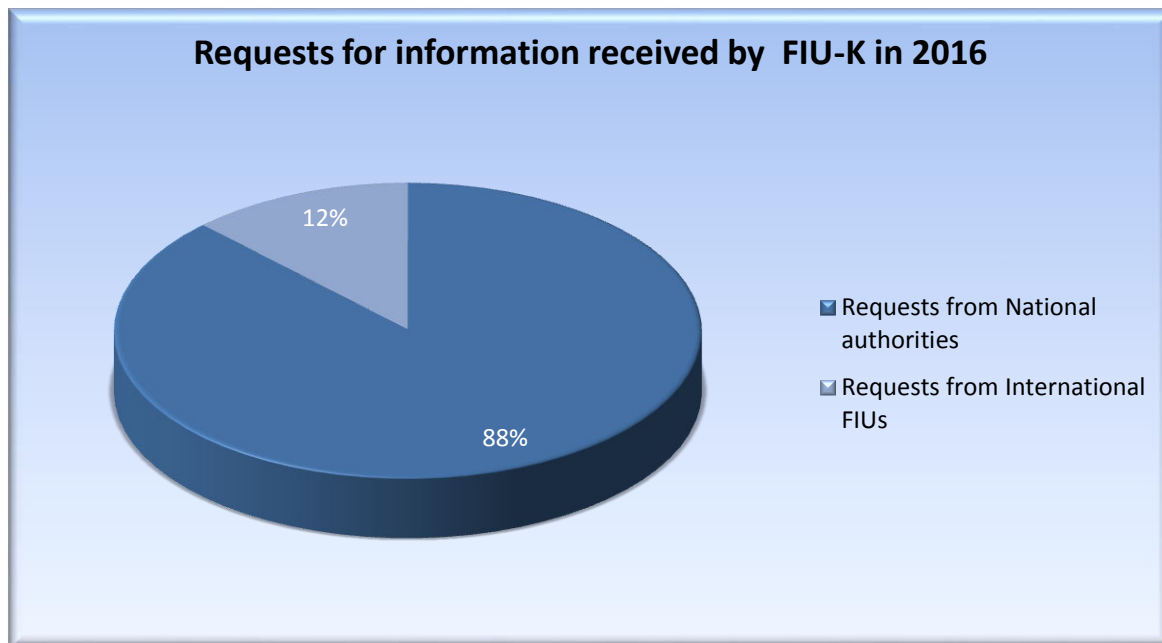
4.1.12. Exchange of information from national institutions and foreign counterparts

Meetings were held this year with officers of law enforcement agencies with the purpose of providing mutual assistance and having mutual cooperation, assisting each other while performing duties and coordinating activities within the scope of the competencies in compliance with the applicable laws. Furthermore, exchange of information and the coordination of activities between FIU-K and other law enforcement bodies in the prevention and investigation of money laundering and terrorist financing were sustainable this year as well.

Liaison officers of Kosovo Police and Kosovo Customs have contributed in the coordination of activities within the scope of their competencies in compliance with the applicable laws.

There were 128 requests for exchange of information in 2016 and such requests were made either by the national investigative authorities or the foreign counterparts.

Kosovo Police continues to have the lead on the highest number of requests made (around 40%). This year marks an increase in the number of requests made by KIA and Kosovo Customs.



Graph No.12–Requests for information received in 2016

FIU-K remains committed in the enhancement of international cooperation. FIU-K is authorized to share information spontaneously or upon request, with any foreign counterpart agency performing similar functions and subjected to similar obligations on maintaining confidentiality,



irrespective of the nature of the agency subjected to reciprocity. The information provided is used only upon the approval of the agency and only for the purpose of combating money laundering, related criminal offences and terrorist financing.

Requests for information received by FIU-K	2011	2012	2013	2014	2015	2016
Number of requests for information received from national authorities	64	103	183	177	110	113
Number of requests for information received from foreign FIU counterparts	10	10	7	19	18	16
Total of Requests for information received by FIU-K	74	113	190	196	128	129

Table No.17–Requests for information received by FIU-K in 2011-2016

Other than receiving requests for exchange of information and the cross-institutional cooperation, responses were provided within the shortest period of time. Intelligence reports are distributed depending on the suspicion raised on money laundering, terrorist financing or related criminal offences.

Responses to Requests for Information	2011	2012	2013	2014	2015	2016
Number of requests for information distributed to national authorities	71	104	174	174	92	91
Number of requests for information distributed to foreign FIU counterparts	11	13	5	20	18	14
Total of Requests for information distributed by FIU-K	82	117	179	194	110	105

Table No.18–Requests for information distributed or responded by FIU-K for 2011-2016

4.2. Compliance Supervision

As one of the important functions of the Financial Intelligence Unit, Compliance Supervision includes the assessment of the compliance of legal obligations by the reporting entity in accordance with the Law on PML/CTF.

Supervisory competence of the supervisors to monitor and ensure compliance with requirements of prevention of ML and combating TF, by including authorities to undertake site inspections, are included in the Chapter IV of the Law on PML/CTF.

In regards to Supervision of Compliance, the new Law defines supervisory competencies also for the Central Bank of Republic of Kosovo in regards to financial sector. This Chapter also foresees opportunity to delegate this competency from FIU to other sectoral supervisors.

Following the compliance supervision FIU-K and their other sectoral supervisors depending on the findings may:

- recommend improvement measures;
- impose administrative sanctions; or
- proceed with the criminal procedure.



Unlike the previous legislation, now by this Law, the compliance supervision is defined also for on and off the site compliance supervision for FIU-K and CBK.

In addition, FIU-K, CBK and other sectoral supervisors shall co-operate and co-ordinate their activities for compliance supervision with the provisions of this Law in connection with:

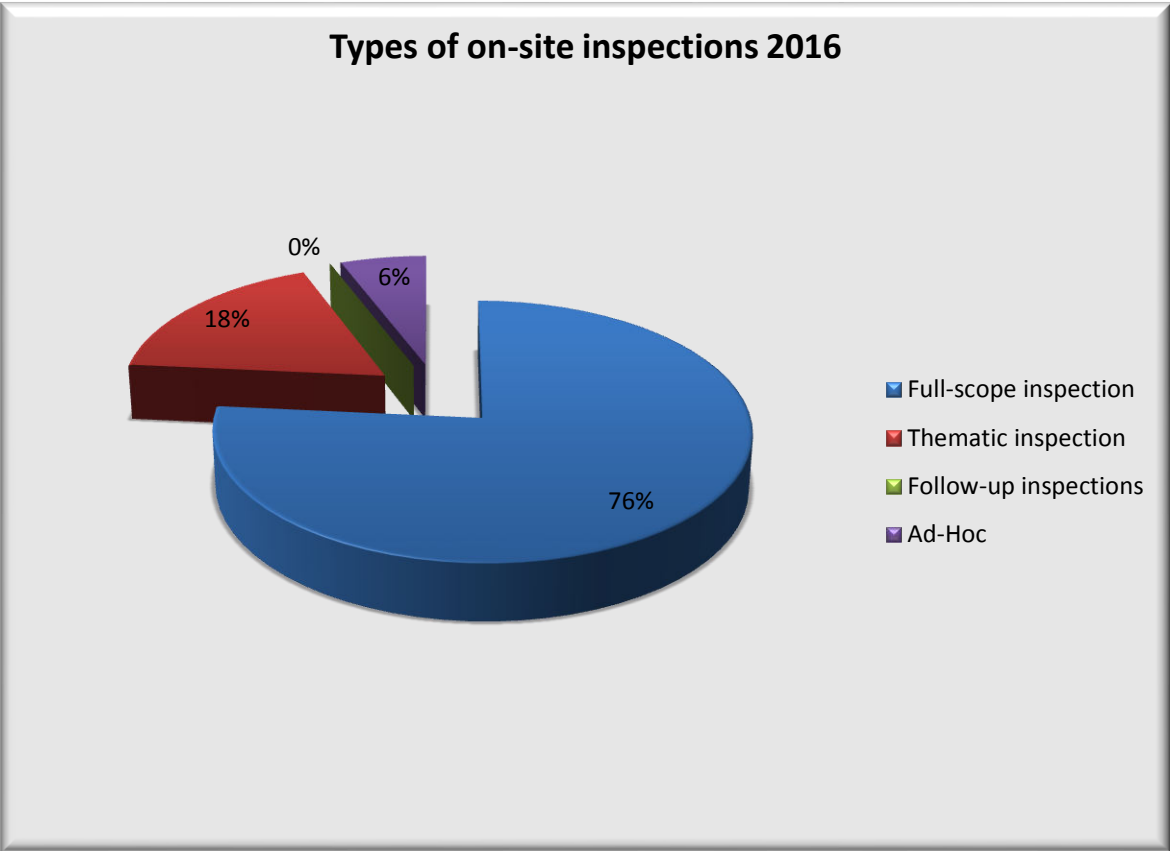
- planning and implementation of compliance supervision;
- joint activities of compliance supervision on-site and off-site;
- documentation, assessment, reporting and monitoring of activities of compliance supervision;
- administrative sanction and other supervision measures; and
- assessment and follow up activities of compliance supervision.

Implementation of supervision activities to assess compliance of the reporting entities with legal obligations, continued to be applied continuously, and in accordance with risk analyses of the compliance, 17 site inspections were carried out, conducted by the FIU-K, inspection that were conducted in Banks, Lawful Auditors, Notaries, Real Estate Agencies, while other supervisory inspections for the banks and financial institutions were also carried out by CBK.

Coordination of the activities with sectoral supervisors with aim of compliance supervision of the reporting entities, based on the memorandum of understanding with CBK, there was one joint inspection with full scope in Banks. Whereas the new Law clearly defines supervision competencies of FIU-K, CBK and other supervisory authorities.

Full scope supervision included over 70% of total inspections for year 2016, followed by the restricted inspection.

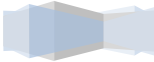




Graph No.13 – Compliance Supervision according to the type of inspection 2016

Year 2016					
Reporting entities	Type of inspection				
	Full scope	Thematic inspection	Follow up inspection	Ad-Hoc	Total
Bank	//	3	//	1	4
Microfinance Institution	//	//	//	//	0
Insurance Company	//	//	//	//	0
Life Insurance Company	//	//	//	//	0
Money Exchange Offices	//	//	//	//	0
Money Transfer Agencies	//	//	//	//	0
NGO	//	//	//	//	0
Auditor & Accountant	1	//	//	//	1
Notaries	10	//	//	//	10
Real Estate Agencies	2	//	//	//	2
Total Compliance inspections	13	3	0	1	17

Table no.19 –Compliance Inspection 2016



As it can be noticed, Notaries, Banks have been in the focus among the main ones for inspection during 2016, this comes as a result of great exposure of the money laundry phenomena. Such inspections were carried out towards assessment of preventing measures by reporting entities. As additional focus in the real estate sector and construction was risk management and implementation of sectoral risk management measures in the construction sector.

Compliance Inspection 2014 - 2016			
Reporting entities	2014	2015	2016
Bank	9	7	4
Microfinance Institution	5	3	-
Insurance Company	4	3	-
Life Insurance Company	2	-	-
Money Exchange Offices	7	5	-
Money Transfer Agencies	3	2	-
NGO	5	5	-
Auditor & Accountant	-	1	1
Notaries	-	-	10
Real Estate Agencies	-	-	2
Total Compliance inspections	35	26	17

Table no.20 –Compliance Inspection 2014-2016

4.2.1 Administrative Sanctions and remedial measures

Challenge of the previous Law for FIU-K was implementation of the administrative sanctions because of inconsistency with legal obligations for the reporting entities. Now the Chapter 5 of the new Law 05/L-096 clearly defines violations and administrative sanctions are classified in three levels: as very serious violations, serious violations and minor violation, same for natural persons as well as for the legal persons.

Article 40 Administrative Sanctions

The failure of the reporting entities specified in Article 16 of this Law to comply with legal obligations prescribed in this Law, which are not criminal offence, shall constitute administrative violations, which are classified as very serious violations, serious violations and minor violations.

For very serious violations defined under Article 41, FIU-K can impose an administrative sanction for the reporting entity as follows:

- public warning;



- a fine in amount of fifty thousand (50.000) Euros, or ten percent (10%) of the net worth of the reporting entity, two (2) times the economic volume of transaction, but not less than fifty thousand (50.000) Euros, as well as up to seven hundred thousand (700.000) Euros for the banks and financial institutions.
- withdrawal of the licence, certificate or whatever administrative authorisation for the operation of the reporting entity can be requested.

Except the fine applicable imposed on the reporting entity for very serious violations, one or more of the following sanctions may be imposed to natural persons responsible for violation and who are holding administrative or managing posts in the reporting entity:

- a fine for each of them in the amount of ten thousand (10.000) Euros up to one hundred thousand (100.000) Euros;
- dismissal from duty with disqualification from the holding of administrative or managing positions in the same reporting entity for a maximum period of ten (10) years;
- and also dismissal from duty with disqualification from the holding of administrative or managing positions in all reporting entities for a maximum period of ten (10) years.

For serious violations set forth in Article 43 of this Law, FIU-K, CBK and other sectorial supervisors if this competence is given pursuant to paragraph 5 of the Article 34 of this Law, may impose the administrative fine defined as follows, unless a more serious fine is prescribed in accordance with Article 41 of this Law:

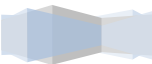
- private warning
- a fine at a minimum of twenty thousand (20.000) Euros or a maximum amount that can be set up to five percent (5%) of the net worth of the amount of economic volume of transaction plus fifty percent (50%), of that amount; but not less than twenty thousand (20.000) Euros; and also up to thirty thousand (30.000) Euros

Except the applicable fine imposed on the reporting entity for serious violations, one (1) or more of the following fines may be imposed to those persons responsible for violation and who are holding administrative or managing posts in the reporting entity:

- private warning;
- public warning;
- a fine for each of them in the amount of one thousand (1.000) Euros up to twenty thousand (20.000) Euros;
- temporary suspension from duty for a period not exceeding one (1) year.

Failure to comply with the obligations specified in this Law, which do not constitute very serious violations or serious violations, shall constitute minor violations. For minor violations, FIU-K, CBK and other sectorial supervisors if this competence is given pursuant to paragraph 5 of the Article 34 of this Law, may impose:

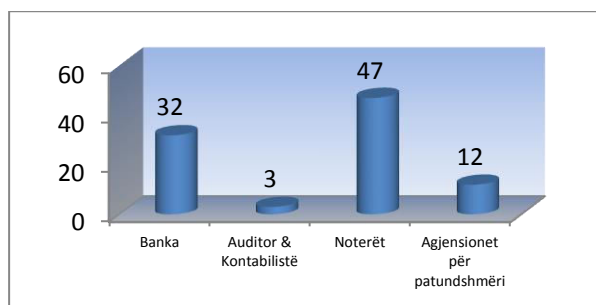
- private warning;
- a fine up to fifteen thousand (15.000) Euros; and
- recommendations for remedial measures.



The Chapter VI also defined the procedure of administrative sanction and all other procedural details that deal with sanctions and complaints.

From the aforementioned, in year 2016, FIU-K imposed two administrative fines. FIU-K, after concluding that there was violation of the provisions of the LAW on PML/CTF, made a decision to impose administrative sanction for the violations for which this competence is provided to them by Law. In determining the administrative sanction under the Law on PML/CTF, all the relevant circumstances were taken into account, including the gravity and duration of the non-compliance, the degree of responsibility, the financial strength of the reporting entity, the losses caused as a consequence of non-compliance, previous violations and the level of cooperation of the reporting entity.

With aim to carry out improvement measures, FIU-K during the conducted inspections imposed a total of 94 recommendations for improvement measures that reporting entities must improve with purpose to ensure that they are in full compliance with the Law.



Graph No.14 - Recommendations for improvement measures2016

4.2.2. Statistical Data and feedback

One of the challenges of Institution of Republic of Kosovo till now was Keeping (maintaining) Statistical Data and Feedback in relation to the cases of criminal offences defined in the Law on PML/CTF. New changes of the law, respectively Article 39 of the respective law regulates this area.

All competent authorities with a responsibility for combating money laundering and the financing of terrorism, the reporting entities have as well the obligations to maintain relevant comprehensive statistical data on their area of responsibility and make them available to the FIU within determined time periods, to enable it to review the effectiveness of the national system and to make recommendations accordingly.

In relation to harmonisation of Statistical Data and Feedback in area of combating money laundering and the financing of terrorism, FIU-K started implementation of this activity through harmonisation of the statistics and data with TAK, Customs, Police and Special prosecution. In addition, during the first period of 2016, FIU-K carried out actions to harmonise statistics with reporting entities.

Number of exchanged feedbacks was partially conducted, where only TAK systematically sends feedback, by informing FIU-K for each finalized case and the results of that case. Whereas



other institutions, usually do this periodically (annually or once in a while). Court Decisions are usually received from National Coordinator.

Information received from law enforcement agencies revealed that during this reporting period it resulted that after sending the intelligence report by FIU-K in other institutions for further investigations in order to achieve results, such as trials and sanctions for money laundering with final decision by the Courts, confiscation of the assets gained through criminal offense, filing the indictment in relation to ML/TF, arrests by the Kosovo Police, criminal charges by the Customs, investigations by the TAK and finding additional tax obligations after its investigation, etc. During the 2016, number of feedbacks received by FIU-K was 13 feedback information forwarded by law enforcement agencies to FIU-K in relation to the cases referred by FIU-K for previous periods of time. Tax Administration of Kosovo continues to systematically provide feedback. In 2016 there was a total of nine (9) feedbacks provided through which the FIU-K was informed about the results of the investigations carried out in relation to the cases sent by the unit in the past years. Investigations carried out by ATK, have revealed that in some of these cases there were tax evasions or failure to declare real money flow reaching the amount of around 59,642 Euros without sanctions. Two of the feedbacks received have revealed that after the conducted checks it resulted that there was no tax evasion involved.

4.3. Training activities and implementation of Training Program

Initially, legal framework in regards to training for PML/CTF was further improved in 2016 by the Law 05/L-096 on the Prevention of Money Laundering and Combating Terrorist Financing.

Financial intelligence Unit pursuant to paragraph (1.9) of the Article (14) of the Law No. 05/L-096 on Prevention of Money Laundering and Combating Terrorist Financing, is now authorized, in addition to organizing and/or attend the training regarding money laundering and terrorist financing activities as well as the obligation of the reporting entities, now it is also authorized to organize awareness and outreach regarding prevention of money laundering, predicate offences, terrorist financing and the legal obligations of reporting entities.

These legal changes are made with purpose that through awareness and outreach of the broad public to reach level of preventing and combating of money laundering, predicate offences and terrorist financing.

Regarding to awareness of the reporting entities through campaigns, trainings, seminars, conferences, etc. FIU-K organized and held five (5) trainings with four sectors from reporting entities, through which more than 150 different officials were trained from insurance Companies, Notaries, Certified Accountants and Auditors, Microfinance Institutions.

Additionally, Financial intelligence Unit, with purpose of ensuring that the reporting entities are informed about the legal changes of the Law No. 05/L-096 and the discussions for their practical implementation of these new legal provisions is done, during 2016 organized few trainings that are presented in the table below:



Date	Reporting entity	No. of entities	No. of participants	Topic	Facilitators/ supported by
25/02/2016	Insurance Companies	12	14	Legal obligations according to Law no. 03/L-196 and 04/L-178 on PML/PTF	Insurance Association of Kosovo
18/06/2016	Notaries	N/A	53	Responsibilities of the notary in Prevention of Money Laundering and Combating Terrorist Financing according to the actual legal changes	The Notary Chamber
25/10/2016	Certified Auditors and Accountants	N/A	83	Legal obligations of the Certified Accountants and Auditors according to the Law No. 05/L-096 on PML/CTF	Society of Certified Accountants and Auditors
08/11/2016	Microfinance Institutions	8	15	Legal changes according to Law No. 05/L-096 on PML/CTF and compliance supervision	Association of Microfinance Institutions of Kosovo
10/11/2016	Insurance Companies	11	17	Legal changes according to Law No. 05/L-096 on PML/CTF	Insurance Association of Kosovo

Table no.21 –Trainings for reporting entities 2016

During 2016 trainings were also held for law enforcement agencies and other institutions. Activities that include provision of trainings for law enforcement agencies were conducted in cooperation with institutions and partner organizations of FIU-K. In 2016, officials of FIU-K have provided lectures regarding topics of money laundering or terrorist financing in few trainings or workshops organized by UNDP, US Department of Justice, OPDAT, KJI, GIZ, etc. Participants of these trainings were mainly Judges, Prosecutors, Police investigators, etc.

Date	Reporting entity	No. of entities	No. of participants	Topic
27/05/2016 28/05/2016	Court Prosecution	35	Specialized Training Program for strengthening professional capacities in combating money laundering – Session I	Kosovo Judicial Institute and GIZ
09/09/2016 10/09/2016	Court Prosecution	20	Specialized Training Program for strengthening professional capacities in combating money laundering – Session II	Kosovo Judicial Institute and GIZ
09/11/2016	Prosecution Police FIU-K	40	Support for successful prosecution of criminal offences of corruption through building, growing and establishing networks for financial investigation capacities	UNDP, US Department of Justice, Office of Overseas Prosecutorial Development Assistance and training (OPDAT)
17/11/2016	Municipal Cadastral Office	4	Legal Obligations of ZKK according to Law No. 05/L-096 on PML/CTF	FIU-K
25/11/2016	Court	25	Specialized Training Program for	Kosovo Judicial Institute and

26/11/2016	Prosecution	strengthening professional capacities in combating money laundering – Session III	GIZ
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Table no.22 –Trainings for Law enforcement agencies 2016

4.4. Awareness Raising Activities

With the aim to increase awareness and outreach to reporting entities, stakeholders and other parties in regards to legal changes according to Law No. 05/L-096 on Prevention of Money Laundering and Combating Terrorist Financing, Ministry of Finance in cooperation with FIU-K on date 31/08/2016 has organized a round table for implementation of this law. The goal of this round table was to discuss with stakeholders legal changes and modalities of implementation of the Law on Prevention of Money Laundering and Combating Terrorist Financing, law that has particular importance for combating money laundering, predicate offences, terrorist financing and also for regular function of prevention measures from Reporting Entities that influence directly in combating this phenomena. Conference was led by Minister of Finance. Other participants in this conference were Director of FIU-K, deputy governor of CBK, Director of TAK and also other stakeholders and international organizations.

Minister of Finance, Avdullah Hoti announced that Government of Kosovo placed their efforts in implementation of international standards in the combating of money laundering and terrorist financing. Therefore, due to this, we have made legal changes with the goal to catch up with other countries in the combating these phenomena.

“in relation to my function as Chairperson of the FIU-K Board, I will continue to support of the Financial Intelligence Unit and together with members of the board we will work without any hesitation in stipulating and directing state policies in relation to money laundering and terrorist financing according to the identified risks, and also for enhancing interagency cooperation” said Minister Hoti.

He announced that Law on Prevention of Money Laundering and Combating Terrorist Financing stipulates measures, competent authorities and procedures for disclosure, Prevention of Money Laundering and Combating Terrorist Financing and also stipulates provisions that are compulsory for all institutions and their respective units, and also all non-public entities that and subject to activities that may be connected to money laundering and terrorist financing.

It is worth emphasising that all law enforcement agencies were involved during its development as well as private entities that have obligation to comply to this law were also involved in public consultations.

“Now, the success of this law depends on commitment and cooperation of all institutions that are mandated for combating these phenomena and also the reporting entities that have also obligation to comply to this law. As you know, money laundering and terrorist financing are global phenomena and do not recognize national boundaries, since the financial markets nowadays are connected and possibilities and methods of criminal organizations for legalization



of the illicit assets are available, therefore all this demands reaction and joint action both on national and international level”, said Minister Avdullah Hoti at the end of this roundtable.

Director of Financial Intelligence Unit, Dardan Nuhui said that “It was assessed as essential to have right legal grounds and to ensure that both, public sector and also private sector have the means and to carry out right measures to prevent and combat money laundering and terrorist financing. The new Law provides sustainable legal ground for prevention and combating of money laundering and terrorist financing in accordance with international standards of FATF and new EU and the European Parliament Directive for prevention of use of financial system with purpose of money laundering and terrorist financing. Therefore, this law will serve also to the objective of the Government of Republic of Kosovo in European integrations”.

“Systematization of legal provisions has eliminated and limited obstacles in implementation of legislation and has clarified duties and competencies of FIU-K, as responsible institution for prevention and combating of these phenomena, as well as the competencies of the Board to conduct function of responsible mechanism, coordinating for stipulating and directing state policies of prevention of money laundering according to the identified risks as well as increase interagency cooperation in pursuant to the goals of this Law” added director Nuhui.



Furthermore, with the goal to strengthen law enforcement agencies in preventing and combating money laundering and terrorist financing, as well as training of reporting entities, FIU-K in cooperation with institutions and their partner organizations, FIU-K officials in 2016 provided lectures regarding topics of money laundering or terrorist financing in few trainings or workshops organized by UNDP, US Department of Justice, OPDAT, KJI, GIZ, etc. Participants of these trainings were mainly Judges, Prosecutors, Police investigators, analysts of FIU-K, etc.



In addition, regarding to awareness of the reporting entities through campaigns, trainings, seminars, conferences, etc. FIU-K organized and held five (5) trainings with four sectors from reporting entities, through which different officials were trained from the reporting entities of private sector.

Meetings with reporting entities and other types of meetings with informing character have also continued in 2016. In addition to individual meetings, FIU-K also held meetings within associations according to the specific sectors.

4.5. Capacity building of FIU-K

4.5.1 Information Technology



The 3rd international meeting for goAML users was held from 22 to 25 March 2016, in Vienna, Austria. The meeting was organized by UNODC in coordination with user's group leaders FIU Holland. Participants of that meeting were 61 representatives of FIUs and other organizations from 47 countries. The main issues discussed by the Users Community was dealing with the role and cooperation between GPML, ITS, mid-term and long-term

governing strategy for goAML, prioritization and development of new functional characteristics, etc. Working principles of the group of users will be led by the principle of transparency, flexibility and sustainability.

User's community of goAML is growing. In the meeting there were some important developments regarding direction of the development of this software, as a UNODC product. Development of goAML system is designed to have regional approach.

4.5.2. Trainings, conferences, seminars and other meetings attended by FIU-K personnel

Particular importance to the continuous professional development of the FIU-K personnel was also provided in 2016, where the focus was on development of financial analysing skills, financial investigations, asset confiscation, etc. This professional development was made through participation of FIU-K personnel in the different trainings and seminars, where mainly these trainings were attended by the officials from the unit together with the other officials from law enforcement institution in and outside the country.

Participation in specialized trainings of FIU-K personnel was conducted by running 30 trainings, seminars, conferences, different workshops organized by local and international institutions and organizations. Compared to last year, there is around 7% increase of organized trainings in 2016.

- **Third meeting of the goAML users, Vienna, Austria, 22-25 March 2016**



The 3rd international meeting for goAML users was held from 22 to 25 March 2016, in Vienna, Austria. The meeting was organized by UNODC. Participants of that meeting were 61 representatives of FIUs and other organizations from 47 different countries.

- **Financial Integrated investigations, Prishtina**

The training was organized by Kosovo Police and EU funded Twinning project that is implemented by Germany and Hungary, and it was held in Prishtina from 12 to 15 of April. Three officials from FIU-K attended this training.

- **Combating informal economy, Prishtina**

The training “Combating informal economy” was held from 26 to 28 April, 2016, in Prishtina and organized by Kosovo Judicial institute. The training included participants representing FIU-K, Prosecution, Court, Police, etc.

- **AFCOS Seminar - European Anti-Fraud Office, Tirana, Albania, 01-03 June 2016**

One official from FIU-K in June of 2016 participated in the AFCOS Seminar - European Anti-Fraud Office held in Tirana, Albania.

- **Workshops on public/private information sharing and international cooperation, Ohrid, Macedonia, June 13 and 14, 2016**

The Conference for launch of the project “iPROCEEDS” for cooperation against cybernetic crime in Southeaster Europe and Tukey was held in Ohrid, on June 13-14, 2016, organized by Council of Europe.

Participants were members of the project from all beneficiary countries, including Kosovo, as well as representatives of different institutions from beneficiary countries and also the EU experts. Delegation from Kosovo was consisted of Heads of the Sectors from Cybernetic Crime, Training Division and Financial Crime Division coming from General Police Directorate, a Prosecutor from Basic Prosecution Office in Prishtina, a representative from Financial Intelligence Unit, a representative from Judicial Institute and also representative from Ministry of Justice.

The discussions during these two day workshop were about the project activities and also about the current situation and future actions that need to be performed with purpose of prevention of money laundering through internet, then public – private cooperation and it was also demanded stronger cooperation between financial institution representatives and service provider on the other hand, with goals of reaching better results.

- **Contests in declaring monetary means in Kosovo customs stations**



The training titled “Contests in declaring monetary means in Kosovo customs stations” was held in Prishtina on 14/07/2016, organized by Kosovo Judicial Institute. The training included participants representing FIU-K and other law enforcement agencies, etc.

- **Cross-border asset confiscation, organized by GIZ, held in Prevalle, 07-08 September 2016**

The two day seminar related to illicitly gained assets confiscation, was organized by GIZ Germany, during September 2016, in Prevalle, Kosovo. Among the participants from local law enforcement agencies, there were also two FIU-K officials.

- **International Conference for combating violent extremism, Prishtina**

The International Conference for combating violent extremism, organized by OECD and MIA, was held on September 27 and 28. The representatives of different countries presenters on this conference the situation and respective challenges in their country, and also the measures they are applying against violent extremism and terrorist financing. Over 200 participants attended this event.

- **Support for successful prosecution of criminal offences of corruption through building, growing and establishing networks for financial investigation capacities, US Embassy / USDoJ, OPDAT/ UNDP, 08-10 November 2016, Prizren**

The training titled “Legal Aspects of combating corruption”, held from September 14 to 17, organized under US Embassy in Prishtina, respectively by The Institute for International Legal Studies, had participants representing relevant institutions of this filed in the country. Experienced experts from USA provided lectures in this training.

- **Octopus Conference, Strasburg, November 16-18, 2016**

FIU-K officials participated in the global Conference “Octopus” for cooperation against cybernetic crime held in November 16-18, 2016, in Strasburg, organized by the Council of Europe. Participants were 300 experts from private and public sector, and also international and non-government organizations. In the Conference it was discussed about: implementation of Budapest Convention for Cybernetic Crime, for capacity development to fight this type of crime, policies and initiatives for Cybernetic Crime by International Organizations and private sector, radicalization through internet, handling of electronic evidence, terrorism, and also international cooperation and increasing the role for the contact point 27/4, also against Cybernetic Crime, frauds through internet, money laundering through internet.

At the end all the participants from all Continents expressed a joint interest for the most effective approach against increasing threat of Cybernetic Crime, and also it was

emphasised that measures against Cybernetic Crime are joint responsibility and must be grounded on same joint principals for a clear guidance for the government and organizations, to ensure political efforts and also to facilitate the cooperation in combating this type of crime.

- **Workshop related to comprehensive functionalization of the management system for cases with priority, Durres, Albania**

The two day workshop, organized by MEI and supported by GIZ Germany, held in November 2016, Albania, in relation to management system for cases with priority as part of the case targeting mechanisms. A FIU-K official was present in the workshop among participants from local law enforcement agencies

- **Training on new AMLD Directive: Directive (EU) 849/2015 and its current amendments in the Council of the EU**

Jointly organized by FIU-K and DEIPC, Ministry of Finance and supported by UNDP, on 24/11/2016 held training with entire FIU-K professional staff regarding new EU Directive and changes that are expected to be made with this directive. A UNDP expert provided lectures on the topics in interest for FIU-K and current legislation, by including Beneficiary Owner, Identifying Politically Exposed Person (PEP), other issues of the directive, measures against terrorist financing.

- **Targeting Crime Proceeds on the Internet in South-Eastern Europe and Turkey, Tirana, Albania, November 25, 2016**

As part of the Council of Europe's project iPROCEEDS, FIU-K was invited by the Council of Europe to participate in one day workshop on reporting mechanisms: Best international practices, held in Tirana, Albania, on November 25, 2016. Participants came from all regional countries that are part of the iPROCEEDS project.

- **IREITOX Academy National seminar - Establishing a National Early Warning System, Prishtina, November 29-30, 2016**

Organized by MIA and experts from EMCDDA, the two day seminar was organized in Prishtina, and one of the participants was FIU-K representative and there were officials from other institutions.

- **Workshop on assessment of the Strategy and Action plan against Terrorism**

As a part of the secretariat and working groups for implementation of the Action Plan and the Strategy against Terrorism, FIU-K took part in the meetings held between 6 and 8 of December, regarding implementation of the Strategy and assessment of the degree reached in implementation. The workshop was funded by OSCE.

- **Workshop on assessment of the Strategy and Action plan against Narcotics 2012-2017**



Similar to the above, with support of OSCE and organized by MIA, as a part of the secretariat and working groups for implementation of the Action Plan and the Strategy against Terrorism, FIU-K took part in the meetings held between 6 and 8 of December, regarding implementation of the Strategy and assessment of the degree reached in implementation.

- **Workshop on assessment of Action plan and the Strategy against Organized Crime 2012-2017**

The workshop was held on December 8 and 9, 2016, in Peja for assessment of the Action Plan against Organized Crime 2012-2017. This workshop was organized by MIA and supported by OSCE.

- **Workshop on inter-agency and international cooperation for search, seizure and confiscation of online crime proceeds, Prishtina**

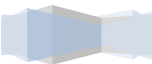
The workshop was held on December 8 and 9, 2016 dedicated to inter-agency cooperation. During the workshop the participants exchanged their experiences from our institutions and the conclusion came out that there is a good cooperation, but there is still more that can be done to improve the situation, since the cybercrime are phenomena that is evolving on daily bases. This workshop was organized as part of the EU& CoE project "iPROCEEDS".

- **Workshop "Money laundering and risks from new technology", Bucharest, Rumania, December 12-13**

As part of the Council of Europe's project iPROCEEDS, FIU-K was invited to attend meeting of the Project Steering Committee. During this meeting there was also workshop on "Money laundering and risks from new technology". Participants were from all countries of the region that are part of the iPROCEEDS project.

During the workshop it was discussed about the importance of the international cooperation in combating money laundering, especially international cooperation between Financial Intelligence Units and the ways to use these intelligence information from other agencies.

In the workshop, in addition to the different experts from Luxemburg, Slovenia, Rumania, OSCE, United Nations, Poland, present were also representatives of IPA for the project beneficiary countries.



5. NATIONAL AND INTERNATIONAL COOPERATION

5.1. National Cooperation and coordination

Through reporting and implementation mechanisms FIU-K supported Ministry of Finance to prepare reports on the situation regarding prevention of non-formal economy, money laundering, terrorist financing and financial crimes in Kosovo.

Support and provision of trainings for law enforcement agencies was achieved and credits goes to cooperation with other institutions. The publishing events and other documents continued in also this year, with the aim to improve prevention of money laundering and terrorist financing and public knowledge on the role of FIU-K.

In relation to the conducting sectoral and specific risk assessment for respective fields with focus on most endangered sectors and fields, FIU-K, in cooperation with EU Project, will start implementation of conducting risk assessment for the sectors identified as more vulnerable.

In relation to the promotion of cooperation and coordination between the institutions as well as increasing cooperation with local law enforcement agencies, during this period there were some meetings held with officials from law enforcement agencies with aim to gain mutual help and support, assist one another while carrying out their duties as well as coordination of activities within their competencies pursuant to the applicable. There was also exchange of information and coordination of the actions between FIU-K and other law enforcement bodies with purpose of preventing, obstruction and investigation of money laundering and terrorist financing. Meetings were held with police investigators and SPRK Prosecutors in regards to cooperation and coordination of ongoing cases. Furthermore, there was exchange of information and coordination of activities between FIU-K and other law enforcement bodies with purpose of preventing, obstruction and investigation of violent extremists or terrorists.

Developing joint mechanisms for exchange of information between the agencies that responsibility to prevent and combat money laundering, terrorist financing and financial crime has further continued. Over 90% of exchange of information is done through electronic system. Institutions have ensured such exchange of information to be made through secured communication system by using safe channels for exchange of data. Such approach allows faster exchange of respective information that increases work efficiency within legal competencies of the responsible institutions.

In order to perform its duties, FIU-K must be allowed access on timely, direct or indirect manner in financial, administrative data and secure information and documents that will contribute in faster analyses of the STRs. Consequently, FIU-K has indirect and in some cases direct access to data of local agencies, while other data are gathered also through a written request. Developing and strengthening of FIU-K capacities is aimed to be reached through interoperability of FIU-K systems with other agencies and access to databases, where FIU-K and CD have finished feasibility for interoperability of databases, and also have agreed for the access of FIU-K in the Custom's database.



The challenge for the future remains exchange of feedback and harmonisation of statistical data.

Number of requests for exchange of information has been approximately same as in the previous year. Kosovo Police holds a highest number of requests for exchange of information, while there is drastic raise of number of requests from KIA.

Institutions submitting the request	2011	2012	2013	2014	2015	2016
Kosovo Police	21	28	57	91	52	45
KIA	0	5	14	23	19	28
EULEX	16	15	8	11	7	5
Special Prosecution of Kosovo	4	4	1	6	3	1
State Prosecution	0	0	5	6	3	0
Tax Administration of Kosovo	1	2	20	7	2	0
Customs of Kosovo	18	44	61	25	15	22
ILECUs	0	2	15	6	6	6
Other	4	3	2	2	3	6
Total	64	103	183	177	110	113

Table no.23 – Requests for information (IRD) submitted by FIU-K cooperating institutions 2011-2016

5.1.1. Cooperation with Law enforcement agencies and other institutions

Prosecution Competencies in relation to the Criminal Offences of money laundering and terrorist financing described in the Article 56 and 57 of the Law on PML/CTF fall under exclusive competencies of the Special Prosecution of Republic of Kosovo, established in accordance with Law on Special Prosecution of Republic of Kosovo. Other Criminal Offences described by the Law fall under competencies of the state prosecution as described by the Law on State Prosecution and Criminal Procedure Code of Kosovo.

Furthermore, FIU-K is part of the group for disclosure and targeting serious crime cases, group that is led by SPRK and with participation also from other law enforcement agencies. This resulted in better cooperation between FIU-K and Special Prosecution in ongoing operational issues and other activities with joint interest.

Data on interagency tracking mechanisms for harmonisation of statistical reports demonstrate that from the previous periods (2015) in 2016, through the prosecution were transferred (case load) 31 criminal reports with 76 persons for criminal offences of money laundering, whereas during 2016 there were 4 criminal reports received with 7 persons, resulting that in 2016 prosecutions had to work with total of 35 criminal cases with 83 persons⁴.

⁴ Annual Report (2016) of the Inter-institutional Tracking Mechanism for the Harmonisation of Statistics for Characteristic Criminal Offences



Prosecutions during 2016 solved 6 criminal reports with 17 persons and at the end of the period (2016) remained 29 unsolved criminal reports with 66 persons.

Special Prosecution during 2016 solved 6 criminal reports with 17 persons involved in criminal reports for criminal offence in the group of Money Laundering (see figure 49). The following reflects the way cases were solved for 17 persons: - For 3 persons or 17.64% the criminal charges were dropped; - For 11 persons or 64.70% the investigations ceased; - For 3 persons or 17.64% the indictments were filed after conducting investigations.

Cooperation with Kosovo Police remains one of the most intensive within this inter-agency cooperation. Data reveal that in 2016 there was increase by 29% of number of financial intelligence reports forwarded by FIU-K towards respective units of Kosovo Police. In last five years, data reveal that for a figure of 192 cases of financial intelligence reports sent by FIU-K to Kosovo Police for further investigations.

Cooperation in exchange of information remains always highest between FIU-K and Kosovo Police.

Number of sent intelligence reports in TAK and Customs remained sustainable with previous years, reports that were sent in accordance with the suspicion for fiscal evasion or smuggling.

Feedback forwarded systematically from TAK revealed that from the total of ten (10) feedbacks, in eight (8) of them resulted in finding fiscal evasion and by TAK it was found that investigated entities are charged with taxes that should have been declared or paid in the previous periods.

Exchange of information and cooperation with KIA has increased over the years. In 2016 the numbers of submitted requests for information by KIA towards FIU-K has increased for 47%. The most emphasised cooperation with this institution of national security was focused mainly on suspicions of organized crime and terrorism financing.

FIU-K and EULEX have developed closed cooperation in different areas including most emphasised ones in combating ML/TF and other offences connected to organized crime. Prosecutors from Special Prosecution and other officials from EULEX were continuously in touch with specific cases provided with professionalism and financial expertise by FIU-K officials. This has made drastic increase of the number of intelligence reports towards this law enforcement authority.

5.2. Cooperation with international counterparts and Egmont Group

5.2.1. International exchange of information

Increase of cooperation and exchange of information with FIU foreign counterparts has also marked progress during 2016, and this with aim of prevention and disclosure of money laundering, terrorist financing and other similar criminal offences. There were visits from counterpart units and also it is planned to organize international meetings and signing of MoUs. The memorandum of understanding was signed with FIU Lithuania. Data indicate a sustainable



number of exchanges and spontaneous share of information me counterpart FIU. FIU-K is continuously making efforts for membership in international organisations from this filed of work.

International exchange of financial intelligence with aim of prevention and combating money laundering and terrorist financing was similar to previous years. The submission of request towards for information addressed to international FIUs is sustainable. The efforts for quick and constructive exchange of information by FIU-K continued, by lowering average days for returning responses.

International Cooperation	2012	2013	2014	2015	2016
REQUESTS RECEIVED AND SENT					
Requests of international FIUs sent to FIU-K	10	7	19	18	16
Responses to Requests sent by FIU-K	13	6	20	18	14
International requests refused by FIU-K	0	0	0	0	0
Average number of days to answer requests by international FIUs	33	26	29	23	16
Spontaneously information					
Spontaneous information received by FIU-K	//	2	1	1	1
Spontaneous information sent by FIU-K	//	3	6	8	11

Table no.24 – International exchange of information 2012-2016

5.2.1.1. *Requests received and sent for international exchange of information*

FIU-K is capable to conduct financial analyses on behalf of foreign counterparts for information that available for public and their databases (including information connected to STR, CTR, AIR, etc.). FIU-K enjoys the right to request and receive data, documents and information from public and government bodies that are necessary for them to exercise their duties that are specified in the Law PML/CTF, and also spontaneously or through a request share information with counterpart international agencies that conduct similar functions and subject to similar obligations for ensuring confidentiality, no matter the nature of the agency that is subject of reciprocity. At the same time, Law on PML/PTF permits FIU-K to request information from financial institutions according to the request from one of the international FIUs.

International exchange of intelligence information with aim of prevention and combating money laundering and terrorist financing was approximately same as in previous year. Around 56% of the requests were made from regional countries, whereas 44% from FIUs from European Union.

Submitted request from counterpart units were efficiently and timely responded in as soon as possible bases by FIU-K. Data indicate that FIU-K did not refuse to provide response to any request that was made.



Requests of international FIUs sent to FIU-K	2016	Responses on the International Requests sent by NJIF-K	2016
FIU Albania	2	FIU Albania	1
FIU Bulgaria	1	FIU Bulgaria	1
FIU Finland	1	FIU Finland	1
FIU Macedonia	3	FIU Macedonia	3
FIU Montenegro	3	FIU Montenegro	3
FIU Norway	3	FIU Norway	2
FIU Switzerland	2	FIU Switzerland	2
FIU-the Netherlands	1	FIU-the Netherlands	1
Total	16	Total	14

Table no.25 – Requests of international FIUs sent to FIU-K2016

Table no.26 – Responses on the International Requests sent by NJIF-K 2016

Last few years the International exchange of information was mainly performed with regional countries (Albania, Macedonia, Montenegro, Greece, Slovenia, Bulgaria, etc.) and countries from European Union (Germany, Finland, Sweden, Norway, Switzerland, Holland, etc.), but including also other countries outside the European continent, likes of Saudi Arabia, Ghana, etc.

Responses on the International Requests sent by NJIF-K	2012	2013	2014	2015	2016
FIU Macedonia	5	1	3	4	3
FIU Montenegro	6	5	3	-	3
FIU Croatia	1	-	1	-	-
FIU Holland	1	-	-	1	1
FIU Albania	-	-	1	3	1
FIU Bosna and Herzegovina	-	-	-	-	-
FIU Germany	-	-	-	-	-
FIU Austria	-	-	1	-	-
FIU Bulgaria	-	-	2	-	1
FIU Slovenia	-	-	2	2	-
FIU Switzerland	-	-	2	1	2
FIU Hungary	-	-	-	2	-
FIU Turkey	-	-	-	1	-
FIU Ghana	-	-	-	1	-
FIU Finland	-	-	-	-	1
FIU Norway	-	-	-	-	2
Law Enforcement International Agencies	-	-	5	3	-
Total	13	6	20	18	14

Table no.27– Responses on the International Requests sent by NJIF-K 2012-2016

5.2.1.2. Requests of FIU-K sent to international FIU for international exchange of information

Obviously, not being the member of Egmont Group, brings some difficulties about the international exchange of information, not that there was resistance by different countries, but it was more related to usage of safe communication channels, something that is enabled through ESW⁵. Despite this, FIU-K used safest possible communication channels by using options provided by goAML. However, there will be maximum efforts made to be accessed in Egmont Group with aim to create gates, mechanisms or clear and effective channels that will facilitate and allow quick and constructive exchange of information made directly between counterparts.

While analysing ongoing cases, FIU-K can make transactions that require also information from other countries, to which FIU-K might address requests for information depending from the case specifics. Due to the built cooperation with international FIUs, in most of the cases this information is accessible by the FIU-K.

Presented data below show that FIU-K also stretches the cooperation beyond regional countries.

Requests of FIU-K for other counterpart FIUs	2014	2015	2016
FIU Austria	1	0	0
FIU Bosnia and Hercegovina	1	0	0
FIU Great Britain	0	1	0
FIU Ghana	0	1	0
FIU Germany	4	2	2
FIU Greece	0	1	0
FIU Holland	1	0	1
FIU Italy	3	1	0
FIU Montenegro	0	3	0
FIU Macedonia	1	0	4
FIU Cyprus	1	1	0
FIU Albania	6	3	1
FIU Sweden	1	0	1
FIU Turkey	4	3	1
FIU Ukraine	2	0	0
FIU Switzerland	0	1	1
FIU Bulgaria	0	0	1
FIU Saudi Arabia	0	1	1
Total	25	18	13

Table no.28 – Requests of FIU-K for other counterpart FIUs 2014-2016

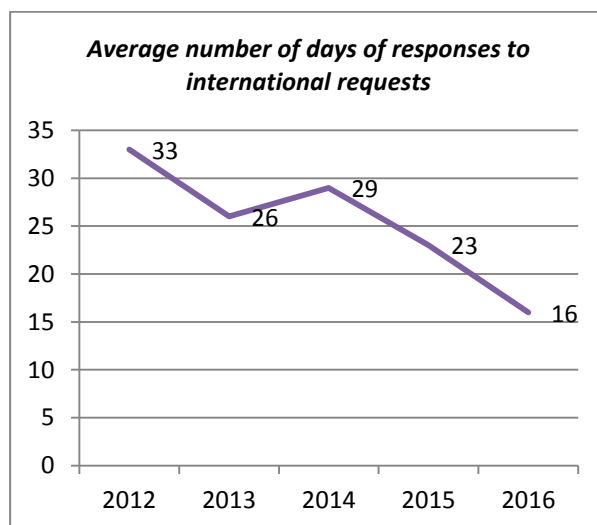
⁵ Egmont Secure Web



5.2.1.3. *Timely and constructive exchange of information*

Number of average days for return of international responses has marked significant decrease in 2016, something that is considered a progress in handling such requests for international exchange of information. For this purpose, FIU-K pays special attention to international requests and it is putting efforts to effectively execute international requests on timely manner without any unreasonable delays.

In this context, average time of response in 2016 was 16 days, which is the lowest number in last five years.



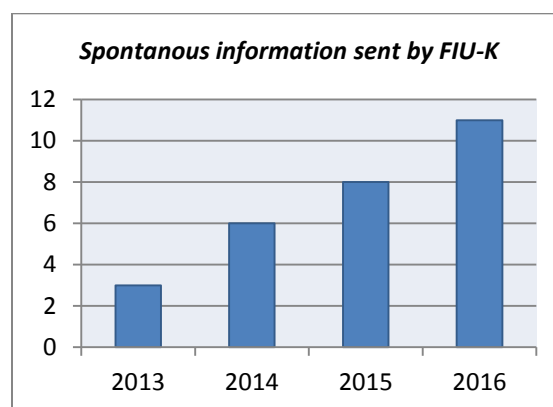
Graph No.15 – Average number of days of responses to international requests

5.2.1.4. *Spontaneous sharing of information with international FIUs*

In addition to the exchange of international requests, with aim of prevention and combating money laundering and terrorist financing, FIU-K has continued as activity to spontaneously share reports, by sending 11 spontaneous reports for suspicions faced during the case analyses procedures. Exchanged information between counterparts is not used as evidence, but only when authorized and for intelligence purposes.

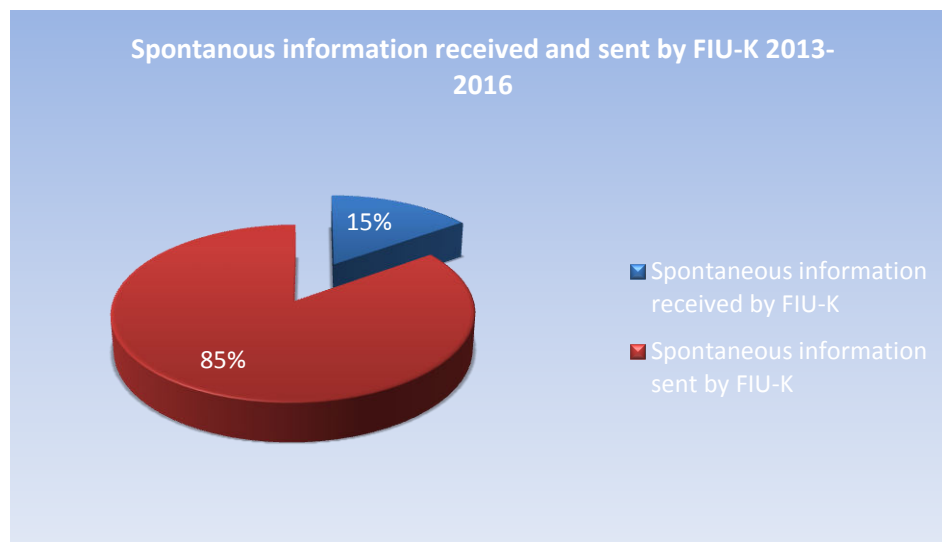
Legislation in PML/CTF field provides to FIU-K to spontaneously exchange information with each foreign counterpart that performs similar functions and is subject to similar confidentiality obligations, regardless of the nature of the counterpart and within the framework of each counterpart's domestic legislation.

With purpose of providing as broad as possible variety of international cooperation opportunities, FIU-K during 2016 shared with counterpart foreign units a total of 11 spontaneous intelligence reports, shared with purpose of analysing and further investigation to FIU from different countries. This indicates a continuous increase in sharing such intelligence reports.



Graph No.16 - Spontaneous exchange of information by FIU-K 2013-2016

Ratio between the spontaneous sharing and those received is 85% in favour of information sent by FIU-K compared to 15% of those received.



Graph No.17–Spontaneous information sent by FIU-K 2013-2016

Spontaneous information sent by FIU-K	2013	2014	2015	2016
FIU Albania	-	-	3	1
FIU Great Britain	-	-	1	-
FIU Bulgaria	-	-	-	1
FIU Belarus	-	1	-	-
FIU France	-	-	-	1
FIU Holland	-	-	-	1
FIU Italy	-	-	-	1
FIU Lithuania	-	1	-	-
FIU Poland	-	1	-	-
FIU Macedonia	1	1	2	4
FIU Cyprus	-	1	-	-
FIU Germany	-	1	-	1
FIU Luxemburg	1	-	-	-
FIU Montenegro	1	-	1	-
FIU Romania	-	-	-	1
FIU Sweden	-	-	1	-
Total	3	6	8	11

Table no.29 –Spontaneous information sent by FIU-K 2013-2016

5.2.2. Regional cooperation

In 2016, a FIU delegation from Albania led by its Director visited FIU-K. The purpose of this visit was discussing issues with joint interest in field of prevention of money laundering and terrorist



financing, exchange of information between the two units, risks that are facing or countries in field of PML/CTF, professional and technical capacity development and also determining areas of cooperation in this direction, progress of the accession in international organizations, etc.

5.2.3. Memorandums of Understanding

Signing memorandum of Understanding between FIU-K and counterpart unit from Lithuania in October 2016, consists the fifteenth (15) agreement signed in international field.

FIU-K foresees further strengthening and International Cooperation with FIUs from other countries. Objective of FIU-K is to build cooperative relationship and establish memorandums of understanding with as much countries as they can in regards to exchange of information that are related to money laundering or terrorist financing.

Despite this, the Law on PML/CTF legally permits FIU-K to share spontaneous information or by the request of other foreign FIUs. Furthermore, with aim of establishing procedures for exchange of information and increase the cooperation, the Law in matter enables FIU-K to establish agreements with any foreign counterpart agencies that performs similar functions and is subject to similar confidentiality obligations.

Memorandums of Understanding with foreign FIUs			
Jurisdiction	Year	Jurisdiction	Year
Albania (DPPPP)	2009	Finland (FIU)	2013
Macedonia (MLPD)	2009	Poland (GIIF)	2014
Montenegro (APML)	2009	Albania (DPPPP)*	2014
San Marino (FIA)	2009	Hungary (HFIU)	2015
Slovenia (OMLP)	2009	Macedonia (FIO)*	2015
Croatia (AMLO)	2010	Ghana (FIC)	2015
Turkey (MASAK)	2012	Lithuania (FNNT)	2016
Czech Republic (FAU-CR)	2012		

*Renewal

Table no.30 - Memorandums of Understanding with foreign FIUs



5.2.4. Process of Membership in international organizations

5.2.4.1. Egmont Group Membership Process

Accession process of FIU-K in Egmont Group has also continued during 2016. The meeting of the Egmont Group and the working groups was held in February in Monte Carlo, Monaco. In these meetings, the recommendations remain as to the legal changes that Kosovo needs to make, so that the legal requirements are in harmony with international standards and then Kosovo can continue its accession path in Egmont. Furthermore, it was decided that the process should continue and the Sponsors of FIU-K must update requested reports⁶ according to the accession procedure.

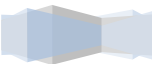
Due to this, there were maximum efforts made by FIU-K and other authorities in Kosovo to fulfil all the conditions for membership requested by working groups of Egmont. The new Law on PML/CTF is adopted and there is progress marked in this direction.

Participation in working groups of Egmont Group for the purpose of accession of FIU-K, was planned to be conducted in July (July 17-22, 2016), but due to the terrorist attacks and events that happened in Istanbul, the Plenary Meeting of the Egmont Groups was cancelled. FIU-K remains in contact with Egmont Secretariat and Sponsors of FIU-K. In this plenary meeting, among other things it was planned to review the accession of FIU-K in this international organization. FIU-K received an invitation for participation in this Plenary meeting planned to be held in Istanbul, Turkey.

Furthermore, in December 2016, Director of FIU-K received an invitation from Egmont Secretariat to participate in the meetings of this organization that is planned to be held from January 29 to February 3, 2017 in Doha, Qatar. In this meeting of Egmont it is expected to consider the candidacy of FIU-K for accession in Egmont.

FIU-K planned that in the Plenary meeting of Egmont to have visits and meetings with international counterparts for the purpose of PML/CTF and also to discuss and sign MoU with other international FIUs.

⁶ *On-Site Assessment Report, Membership Criteria Template dhe Egmont Group Membership Questionnaire*



6. RISK MANAGEMENT ON MONEY LAUNDERING AND TERRORIST FINANCING

6.1. National Strategy and Action Plan 2014-2018

FIU-K continued to conduct practically implementation of its plans and the National Strategy and Action Plan of Republic of Kosovo for Prevention and Combating Informal Economy, Money laundering, Terrorist financing and Financial Crimes 2014-2018. There were regular periodical reports sent, with focus on review of the Action Plan and conducting activities that came out from the sectoral risk assessment for construction companies.

National Strategy and Action Plan consists a risk management mechanism for the national risk from the harmful phenomena handled by this strategy. Mechanisms have been developed as a support to this strategy for development, review, approval, implementation and supervision of the National Strategy and Action Plan 2014-2018.

Strategy was developed according to the findings in the national risk report, were six main objectives are identified. Action Plan of the National Strategy 2014-2018 consists a guideline that need to be adhered so that the activities and strategic objectives are reached. This Action Plan is expected to be reviewed and amended with the findings from the sectoral risk assessment.

FIU-K is one of the key institutions in regards to Implementation of this Strategy and the Action plan, and is the responsible authority in relation to accomplishment of the seven (7) respective activities defined in the action plan, while as a support institution it was involved in total of twenty-two (22) activities. With aim to complete the action plan and reaching the strategic objectives, the actions conducted during 2016 are as below:

- Continued implementation of compliance supervisory activities to assess PML/CTF by reporting on the compliance to the law by the entities for prevention of money laundering and terrorist financing,
- The bylaws have been developed for the internal organization of the FIU-K that reflect new duties and responsibilities of the unit foreseen by law according to its functioning area,
- The Standard Operational Procedures are changed for the activities of compliance supervision of FIU-K so that they are in accordance with the new adopted Law,
- The efforts of accession of FIU-K in the Egmont Group of the Financial Intelligence Units has continued with aim to increase international exchange of intelligence and also to develop prevention and disclosure of money laundering and confiscation of the proceeds from the crime,
- The cooperation of FIU-K with other international FIUs has been ensured through signing of Memorandums of Understanding with counterpart unit from Lithuania.

Sectoral risk assessment for other sectors is planned to be conducted within new EU Project, and FIU-K is the beneficiary of this project. This project is expected to be launched in 2017. There were also be efforts to gain accession in regional FIU network and will also be active in regional initiatives.



7. INTERNATIONAL SUPPORT

7.1. *Projects funded by EU & CoE*

7.1.1. The EU&CoE Project “Against Economic Crime in Kosovo - Phase II (PECK II)”

The implementation of European Union Project and Council of Europe “Against Economic Crime in Kosovo PECK II”⁷ started on January 1, 2017. The duration of the project is expected to be 36 months.

Council of Europe, for few years now, supports FIU-K through activities of technical cooperation that are focused in support of legislation development, trainings and policy advisory. This has included use of special investigative tools, financial investigations and other measures against organized crime and money laundering. Earlier on, through 2012 and 2015, joint project of European Union and Council of Europe against Economic Crime in Kosovo (PECK I) has produced, in two sequences, first comprehensive and structured assessment on compliance of Kosovo with European and international standards in field of money laundering and terrorist financing (CML/CTF).

The second phase of the PECK (PECK II) Project is based on results and lessons learned from the first phase and aims to support the reforms and efforts against economic crime with special emphasis on related measures against corruption, and to contribute the development of capacities and sustainability of efforts against economic crime. This will assist Kosovo authorities with implementation of specific recommendations from the assessments made in previous cycles, conducted by PECK I Project through technical assistance targeting to meanwhile continue with structured assessment of the ACL and MLL/FTL frameworks vis-a-vis evolving international and European standards.

Activities of technical assistance will cover two components (corruption and money laundering) by handling aspects of capacity development in field of combating economic crime in relation to legislative, institutional, policy and operational reforms. Strengthening the capacities to implement and coordinate effectively anti-corruption measures that will be connected to further restructuring of exchange of information between the agencies and cooperation mechanisms to ensure coordinated effective measures against economic crime. Furthermore, technical assistance activities will further support Kosovo authorities to improve their participation in the process of future assessments that will be conducted during the last year of the PECK II⁸ Project.

Project activities include assessments, provision of advices/opinions by experts, conferences, roundtables and seminars, workshops, trainings and research work. Deliverable outputs and results of the project will be documented through technical documents, manuals or other written products that will become available through webpage of the project.

⁷IPA 2014

⁸ 2018



The Financial Intelligence Unit (FIU) and the Kosovo Anti-Corruption Agency (KAA) are the main beneficiaries of this project and will be responsible for coordination of activities on behalf of the Kosovo institutions. Furthermore, Project will include representatives of the line ministries (that cover fields of justice, internal affairs, finances and public administration), law enforcement institutions, specific government structures and central institutions, key executive agencies, financial sector, industry and civil society.

7.1.2. The EU&CoE Project "iPROCEEDS"

European Union and the Council of Europe are implementing joint Project "iPROCEEDS" targeting crime proceeds on the internet in South Eastern Europe and Turkey.

Finance Intelligence Unit is the beneficiary of this project, financed as part of the IPA program. iPROCEEDS project aims targeting crime proceeds that derive or are generated from cybercrime. The countries that are beneficiaries of this project are: Kosovo, Macedonia, Montenegro, Serbia, Albania, Bosnia and Herzegovina and Turkey.

Besides FIU-K, other beneficiaries of this project are also other institutions as: Kosovo Police with Cyber Crime investigation Unit and Integrated Financial Investigations, State Prosecution, Kosovo Judicial Institute, Ministry of Justice– Department for international cooperation. Moreover, the beneficiaries of this project are also private sector.

During 2016, FIU-K participated in seven activities organized by this project.

7.2. UNDP support

UNDP in partnership with US Department of Justice OPDAT, American Embassy, from November 8 to 10, in Prizren, has organized a first seminar from a series of trainings and other activities planned for support of successful prosecution of corruption violations through construction, development and networking of financial investigation capacities. Seminar gathered over 50 officials from different institutions including FIU-K, Police and Prosecution. Officials and investigators from Kosovo were equipped with knowledge on different examples of the successful prosecution, from the countries as United Kingdom, USA and Slovenia, as well as exercises for capacity building to help participants develop investigative strategies for the most frequent criminal offences that deal with corruption: abuse of duty, influencing the market, bribery, fraud and appropriation.

Experts from FBI, USA Department of Justice DAs, an investigator from Scotland and a state prosecutor from Slovenia, presented to the participants the investigation techniques of the cases that they worked on, by highlighting case studies from corruption trials, including the challenges they faced, so that the investigators and other officials in Kosovo can avoid traps during the investigations.

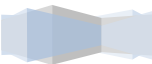
Working groups consisted from prosecutors, police investigators, other law enforcement officers and officials from Financial Intelligence Unit, have been trained on developing joint financial



investigation strategies, based on most frequent offences of corruption in Kosovo, by focusing on the joint team work and assistance that they can provide to one another.

Besides this, as part of the joint project between UNDP and Ministry of Finance, there was a training organized with FIU-K personnel regarding new EU Directive 849/2015 and changes that are expected to happen in this directive in the future.

The follow-up trainings and courses are prepared for the upcoming year as a part of the training program. Furthermore, UNDP will support FIU-K in development of Typologies for PEP and also sectoral risk assessment for the most vulnerable sector in ML/FT.



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

FIU-K continued the implementation of its strategic plan "Performance and recourses plan for FIU-K 2015-2017" that outlines duties, mission, vision, purpose, objectives and actions of the Financial Intelligence Unit of Kosovo (FIU-K) and also includes forecast for allocation of resources and internal control for the results of implementation of the performance plan and recourses 2015-2017.

Performance and resources plan 2015-2017 defines as how FIU-K will build its capacities and manage to accomplish and overtake challenges that it will face during the three year period and how will maintain its position as one of the most efficient intelligence units in Kosovo and in the region. This plan also presents as how will FIU-K measure its success and how will control its internal processes.

Performance and resources plan is divided into four main chapters:

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

This strategic document outlines strategic objectives to be accomplished by 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 below:

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

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



After the review of this strategic plan and after the assessment on completion of the objective and activities foreseen in the strategic plan, it resulted that the following activities were carried out:

- Ministry of Finance and secretariat was supported in generating reports on the situation regarding money laundering, terrorist financing and other financial crimes in Kosovo,
- The sectoral risk assessments for most vulnerable sectors were conducted, including terms of references of the EE project that is expected to begin in upcoming year,
- Prevention measures of money laundering and terrorist financing are further strengthened,
- The awareness raising and communication in the combating money laundering and terrorist financing was increased through conferences, trainings and seminars organized with public and private sector, and also with others;
- Effective, proportional and convincing administrative sanctions are issued for the reporting entities that fail to comply with Article 16 of the Law on PML/CTF regarding legal obligations foreseen by this law,
- Increased cooperation with law enforcement agencies regarding disclosure and investigation of money laundering and terrorist financing, and confiscation of proceeds from crime continued;
- Promotion of cooperation and coordination between agencies continued through participation in national proceedings targeting serious crime and establishment of joint investigation teams with relevant national authorities as outlined in Standard Operating Procedure for the Kosovo Prosecutorial Council for targeting Serious Crimes
- National legislation PML/CTF and internal standards for FIU-K and ensuring their effective implementation has been developed, whereby during 2016 the new law on prevention of money laundering and combating terrorist financing is adopted,
- The plan for bylaws and Standard Operating Procedures for FIU-K are developed, and it's expected to be adopted in upcoming years with purpose of ensuring their effective implementation;
- Feasibility study for direct access to Custom's database is conducted;
- Capacity building of FIU-K was conducted through trainings, seminars, courses and conferences that were attended by FIU-K personnel.
- International Cooperation is further strengthened through signing of new memorandums of understanding with international counterpart FIUs,
- Maximum efforts are made for accession to international organizations, by fulfilling required membership conditions,
- Efforts are made towards improvement and development of statistics by setting and implementing Standard Operating Procedure for FIU-K statistics.



8.1. Working Groups and Action Plans of National Strategies

Situation Report 2016⁹ of the Action Plan of the National Strategy of the Republic of Kosovo for the Prevention of and Combating Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018, indicates that implementation was carried out successfully by the unit by surpassing (going beyond) key performance indicators presented in the action plan. FIU-K divided the working assignments for each activity and those are disseminated to the competent unit officials, and the reporting was done based on regular periods. Implementation of the objectives and activities from the Action Plan for the unit is monitored by the member of the Strategy secretariat, while the report for accomplishing these activities is adopted by the Permanent Government Group.

Furthermore, FIU-K contribution in implementation and review of the national strategies continued through participation in the activities in:

- National Strategy of the Republic of Kosovo for the Prevention of and Combating Against Informal Economy, Money Laundering, Terrorist Financing And Financial Crimes 2014-2018
- National Strategy against organized crime 2012-2017
- National Strategy against Terrorism 2012-2017
- Strategy and action plan for implementation of the strategy on prevention of violent extremism,
- National Program for Implementation of the Stabilization and Association Agreement (NPISAA)
- Annual Working Plan of the Government 2016 and
- Working Plan of the Ministry of Finance for 2016

8.2. Objectives set in the Annual Work Plan of the Ministry of Finance and the Government Program

In the Annual Work Plan of the Ministry of Finance (AWPMF) for 2016, there are defined four (4) strategic objectives that have the aim Prevention of Money Laundering and Combating Terrorist Financing.

1. Completion of the legal framework for combating money laundering and terrorist financing,
2. Strengthening capacities for prevention and combating money laundering and terrorist financing,
3. Developing and applying proactive approach towards national and international cooperation in prevention of money laundering terrorist financing,
4. Conducting sectoral and specific risk assessment for respective fields with focus on most endangered sectors and fields

Accomplishing these objectives is aimed to be achieved through seventeen (17) activities for which FIU-K is accountable as main responsible or support institution. These activities include 26 legislative and implementation measures (indicators). During this reporting year 2016, out of

⁹ Published on <http://mf.rks-gov.net/>



the activities coming out of this work plan, FIU-K started to implement about 94% of the work plan.

Government Program for 2016 contains seven (7) activities that appoint FIU-K as responsible or support institution. These activities mainly include completion of the obligations regarding the adoption of the Law on Prevention of Money Laundering and Combating Terrorist Financing that must be in harmony with Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, then combating corruption and organized crime as well as combating informal economy, Strengthening prevention mechanisms against violent extremism and combating terrorism.

8.3. National Program for the Implementation of Stabilisation and Association Agreement (NPISAA)

National Program for Implementation of the Stabilisation and Association Agreement (NPISAA) was adopted by the Government of Republic of Kosovo on December 16, 2015, through a Decision no. 06/64, and by the Assembly of Republic of Kosovo on March 10, 2016, through a Decision no. 05-V-246. As such, NPISAA is a legally compulsory document for all Kosovo institutions. According to the Program, each state administration body is responsible for implementation and monitoring of its implementation within the scope of its responsibilities, respectively as foreseen within the short-term matrix.

FIU-K as institution for implementation of this program, within the short-term matrix for 2016, respectively implementation of the Article 89 of the SAA, is involved in two chapters:

- Acquis Chapter 4: Free movement of capital
- Acquis Chapter 24: Justice, Freedom and Security

FIU-K is appointed to be a responsible or support institution for implementation of the NPISAA within above-mentioned chapters, in total 9 short-term measures, out of which one (1) is legislative measure, whereas eight (8) other are implementation measures:

- With legislative measures, the national bylaw that needs harmonisation is
 - Adopting Law on Prevention of Money laundering and Prevention of Terrorist Financing.
- Within institutional reforms and capacity development the following operations are outlined:
 - Ongoing analytical capacity building among FIU-K personnel for prevention of money laundering, combating terrorist financing and other related criminal offenses,
 - Strengthening capacities of the law enforcement agencies for preventing and combating money laundering and terrorist financing, and also training of reporting entities,
 - Increasing cooperation and exchange of information between FIU-K and international counterpart agencies, with aim of prevention and disclosure of money laundering, terrorist financing and other similar criminal offences.

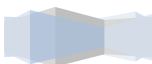
- Practical implementation measures involve:
 - Implementation of the National Strategy and Action Plan of the Republic of Kosovo for Prevention and Combating Informal Economy, Money laundering, Terrorist financing and Financial Crimes 2014-2018,
 - Monitoring activities within National Strategy and Action plan of the Republic of Kosovo for Prevention and Combating Informal Economy, Money laundering, Terrorist financing and Financial Crimes 2014-2018,
 - Implementation of the FIU-K Annual Plan for Compliance Supervision, Awareness rising of the citizens and of the businesses for declaration of monetary means. In this measure the FIU-K is supporting institution,
 - To evidence tangible results in field of combating money laundering and terrorist financing

With aim of accomplishing this national program, FIU-K has consistently reported on periodic bases as well as participated on the regular meetings of the Sub-committee for Justice, Freedom and Safety. Regarding degree of implementation, findings indicate that in general, in relation to implementation of FIU-K measures, there are no serious delays and planned measures and reached within predicted deadlines.

8.4. Future challenges in fulfilling the performance plan and other national strategies

Future challenges in fulfilling performance plan remain:

- Issuing new bylaws necessary for implementation of the Law on PML/PTF
- Undergoing sectoral and specific risk assessment for respective fields with focus on most endangered sectors and fields,
- National risk assessment for ML/TF,
- Further awareness rising and communication for prevention and combating money laundering and terrorist financing
- Further promotion of interagency cooperation for disclosure and investigation of money laundering and terrorist financing, and with specific focus on confiscation of proceeds from crime,
- Harmonisation of Statistical Data and Feedback in area of combating money laundering and the financing of terrorism
- Conducting activities that came up from implementation of the National Program for Implementation of the Stabilisation and Association Agreement,
- Accession of FIU-K in Egmont Group,
- Securing suitable working premises for FIU-K that will assure work security requirements and necessary working space,
- Capacity building of FIU-K with new personnel and Modernisation of the CIT infrastructure.





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