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**Annual Report**

**Financial Intelligence Unit**

**of the Slovak Republic**

**2014**

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**Introductory word**

Pursuant to the practices of the previous years the Annual Report of the Financial Intelligence Unit of National Criminal Agency of Police Force Presidium (thereinafter referred to as “FSJ”) is presented to the wide public this year as well. Its annual development and presentation is performed due to the obligation stipulated by the Section 27 para 1 of the Act No. 297/2008 Coll. on the prevention of legalization of proceeds of criminal activity and terrorist financing and on amendments and supplements to certain acts as amended by the further acts (thereinafter referred to as “AML Law”).

The comprehensive view of activities performed by the FSJ that acts as the distinctive unit of the Financial Police in the field of fulfilling of the particular tasks within prevention and detection of money laundering and terrorist financing is the main purpose of the respective Annual Report. Especially the evaluation is focused on FSJ´s duties in the area of processing of unusual transaction reports (thereinafter referred to as “UTR”), in the area of supervision of obliged entities, international cooperation, financial and property verification, or analytical activities realized during the previous year.

The presented Annual Report consists of outcomes reached by the officers of particular departments of FSJ during the year 2014. The respective outcomes are step-by-step summarized in the next chapters of this Report. On the basis of comparison of the outcomes reached in 2014 with outcomes reached in the previous years, it could be stated that the efficiency of various activities fall within the agenda of FSJ has increased tendency. These outcomes could be perceived from the point of view of extend and quality of realized controls of obliged entities, number of processed UTRs, number of incoming requests and information provided spontaneously to abroad.

The ambition of the respective Annual Report is not only to point out the activities and tasks of FSJ stipulated by the AML Law which could be evaluated on the basis of various statistical data because of the variability of its results but to point out the activities of FSJ´s officers which are not kept by the respective statistical data. First of all such activities are focused on the effort to retain the status of FSJ as a central unit in the AML/CFT system henceforward.

The cooperation with our foreign and domestic partners has doubtlessly significantly contributed to the results and activities of FSJ at the national, as well as at the international level (i.e. other units of the Slovak Police Force, prosecutor´s offices, representatives of state administrative bodies, representatives of obliged entities) to whom we would like to express our thanks for their superior and still improving cooperation.

1. Characteristic, legislative framework and organizational structure of FSJ

The legislative framework of FSJ´s activities is represented especially by AML Law; Act No. 171/1998 Coll. on the Police Force as amended by the further acts (thereinafter referred to as “Act on the Police Force”), Act No. 101/2010 Coll. on the proof of origin of property (thereinafter referred to as “Act on the proof of origin of property”), Act No. 199/2004 Coll. Custom Law and on amendments and supplements to certain acts as amended by the further acts (thereinafter referred to as “Customs Law”), enactments and decisions of the European Union (Regulation (EC) No. 1889/2005 of the European Parliament and of the Council on controls of cash entering or leaving the Community, Council framework decision 2006/960/JHA on simplifying the exchange of information and intelligence between law enforcement authorities of the Member States of the European Union (thereinafter referred to as “Decision No. 2006/960/JHA”), Council decision 2007/845/JHA concerning cooperation between Asset Recovery Offices of the Member States in the field of tracing and identification of proceeds from, or other property related to crime (thereinafter referred to as “decision No. 2007/845/JHA”), Council decision 200/642/JHA concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information (thereinafter referred to as “Decision No. 2000/642/JHA)) and international agreements to which the Slovak Republic joined (especially Vienna Convenction, Warsaw Convention and Palermo Convention).

Because of the fact that FSJ is incorporated within the organizational structure of the Police Force Presidium cooperation with the relevant police units in foreign countries is ensuring as well in compliance with bi-lateral agreements concluded at the level of Ministry of Interior of the Slovak Republic, or at the level of Police Force Presidium. In general the respective agreements regulate cooperation in field of crime fighting, but include parts related to cooperation and exchange of information in order to solve the cases of money laundering or terrorist financing as well.

FSJ has been established as a central national financial intelligence unit (thereinafter referred to as “FIU”) and is a member of the worldwide net of FIUs. The main task of FIUs is to apply the international standards drawn up by the Financial Action Task Force (thereinafter referred to as “FATF”) in the area of fighting money laundering and terrorist financing.

The tasks and competences of FSJ which are defined through the AML Law were established by Directive No. 2005/60/EC and Directive No. 206/70/EC and resulted from The convention on laundering, search, seizure and confiscation of the proceeds from crime from the year 2005. Directive No. 2005/60/EC defined the framework of powers and appropriate responsibilities of the national intelligence unit, which allows to retain one of the fundamental principles of the system of prevention of money laundering and terrorist financing. This principle is the protection of information and intelligence which is received by FSJ from obliged entities. It could be considered as one of the ultimate elements of confidentiality among obliged entities and FSJ as well as among obliged entities and their clients.

The AML Law defines the position of FSJ as the central national unit for the area of prevention and detection of legalization of proceeds from criminal activity and terrorist financing, what means that FSJ is primarily focused on receiving, recording, analysing, evaluating and processing of UTRs.

FSJ consists of five departments:

* Unusual Transactions´ Department,
* Obliged Entities´ Control Department,
* Property Check-up Department,
* International Cooperation Department,
* Analytical Department.

2. Unusual Transactions

AML Law defines the Unusual Transaction as a legal act or other act which indicates that its execution may enable the legalization of proceeds of criminal activity or terrorist financing. Section 4 of the AML Law includes the most frequent range of unusual transactions. It is a demonstrative list of Unusual Transactions that were elaborated on the basis of systematic analysis of particular UTRs and generalization of information acquired within evaluation of business transactions based on the KYC (know your customer) principle.

In the case when facts resulting from particular UTRs indicate that a criminal offence has been committed, or its execution may hamper or substantially impede seizure of proceeds of criminal activity or if the verified information relates to an on-going criminal proceeding and such information could be considered as important for this proceeding, this information is submitted to the relevant law enforcement authorities or to the relevant unit of the Slovak Police Force in order to fulfil tasks pursuant to the Act on the Police Force. As part of the execution official tasks and cooperation especially in the exchange and verification of information necessary to prevent and detect legalization and terrorist financing such information might be submitted to foreign FIUs as well. If the officer of Unusual Transaction Department finds out that an obliged entity does not comply with obligations laid down by the AML Law, or information is relevant in order to perform verification of property, such information is submitted to Obliged Entities Control Department, or Property Check-up Department.

If during the verification of UTRs the information uncovered is not eligible for submission to the Law Enforcement Authorities, to the relevant unit of the Slovak Police Force, to the Financial Administration or foreign FIU such information is stored in the complex information system of FSJ for further utilization during the verification of other UTRs.

2.1 Composition of Obliged Entities and statistical data on UTRs

In 2014 FSJ received totally 3928 UTRs in the total amount of 3.042.458.478,- EUR from all obliged entities. Because of the fact that the number of UTRs received during the mentioned period was huge, the processing and evaluating of UTRs received from obliged entities was ensured by officers of other departments - Obliged Entities´ Control Department, Property Check-up Department, International Cooperation Department and Analytical Department, except of Unusual Transactions´ Department.

On the basis of the character of obliged entities laid down in the AML Law the UTRs received during the year 2014 could be statistically divided into the three core groups:

* 3378 UTRs received from banks acting in the territory of the Slovak Republic including the National Bank of Slovakia,
* 395 UTRs received from other financial institutions, other than a banks,
* 155 UTRs received from non-financial institutions.

Graph No. 1: Total number of UTRs received in 2014

Non-financial Institutions

Banks

Other financial Institutions

Graph No. 2: Dynamic development of received UTRs between 2009 – 2014

Chart No. 1: Number of UTRs received from banks in 2014

|  |  |
| --- | --- |
| **Banks acting in the Slovak Republic** | |
| Obliged Entity | Number of UTRs |
| The National Bank of Slovakia | 126 |
| Banks performing their activities in Slovakia | 3252 |
| **Total** | **3378** |

Chart No. 2: Number of UTRs received from other financial institutions in 2014

|  |  |
| --- | --- |
| **Other financial institutions** | |
| Obliged Entity | Number of UTRs |
| Securities Dealer | 19 |
| Central Securities Depository | 1 |
| Investment and Asset Management Company | 64 |
| Insurance Company | 174 |
| Exchange Office | 8 |
| Money Transfer Service | 129 |
| **Total** | **395** |

Chart No. 3: Number of UTRs received from Non-Financial Institutions in 2014

|  |  |
| --- | --- |
| **Non-financial Institutions** | |
| Obliged Entity | Number of UTRs |
| Gambling games operators | 6 |
| Postal undertaking | 108 |
| Real Estate Agency | 1 |
| Provider of financial leasing | 25 |
| Advocate, notary | 1 |
| Other non-financial subjects | 14 |
| **Total** | **155** |

2.2 Postponement of Unusual Transactions

The institute of the postponement of unusual transactions has great value in connection with the timeliness and efficiency of measures, which FSJ may perform after a report has been made. If the above mentioned practice was absent FSJ could not affect on-going business transactions effectively. The effectiveness of the measures focused on the verification of business transactions, its documentation and possible seizure of proceeds from criminal activity, or funds used finance terrorism would be minimal and forceless.

Realization of postponement and consequent seizure of the funds in criminal proceeding is ensured by the on-going supervision and verification of transactions in real time.

In 2014 a total of 141 UTRs in total amount of 7.017.330,15 EUR were postponed. 103 pieces of information from the postponed UTRs were submitted to relevant Law Enforcement Authorities for further utilization pursuant to the provisions of the Code of Criminal Procedure.

Chart No. 4: Statistical summary of UTRs postponed in 2014

|  |  |
| --- | --- |
| Total number of postponed UTRs | 141 |
| Postponement of UTRs by obliged entities | 139 |
| Postponement of UTRs on request by FSJ | 2 |
| Postponed UTRs submitted to the competent local LEA | 103 |
| Total amount of postponed UTRs | 7.017.330,15 EUR |

**2.3 Types of recorded UTRs**

In 2014 the most frequent types of recorded UTRs which were monitored, analysed and evaluated by FSJ were: wire transfers, cash transactions, cross-border transfers, transactions realized by entities registered in so called tax heavens (UTRs contained the element „off shore“), phishing, pharming, internet frauds and gambling games.

Chart No. 5: Statistical summary of types of recorded UTRs in 2014

|  |  |  |
| --- | --- | --- |
| **TYPE OF RECORDED UTRs** | **NUMBER OF UTRs** | **VALUE OF TRADE ( in EUR)** |
| Wire transfers | 2386 | 2.693.103.696 |
| Cash transactions | 2582 | 567.887.874 |
| Foreign wire transfers | 1450 | 2.508.322.478 |
| Transactions realized by subjects registered in off-shore zone | 157 | 196.391.755 |
| Phishing, Pharming | 198 | 6.758.251 |
| Internet fraud | 63 | 3.612.626 |
| Hazard | 6 | 1.118.150 |

As it can be seen in the chart above, from the point of view of fight against legalization of proceeds of criminal activity and terrorist financing, in which information were disseminated to Law Enforcement Authorities by FSJ, one of the most frequent UTRs were Internet frauds and their different modifications as phishing and pharming.

In the year 2014 Unusual Transactions’ Department registered a total of 198 cases of UTRs related to phishing or pharming. It constitutes an increase by about 108 cases in comparison with the year 2013. Registered 63 cases of UTRs related to Internet frauds stand for an increase by 32 cases in contrast with 2013. Both types of UTRs increased by more than 100 percentile.

UTRs related to phishing, most frequently contained information about cases, when the personal computer or eventually the mobile phones of the owner of the bank account were intentionally attacked by a virus. It was in the form of a mobile message or in the form of a fraudulent application for the purpose of subsequent unlawful transfer of funds from the bank account, without the consent and approval of the owner of the bank account. For the most part UTRs of Internet frauds were related to the pretended sale of goods, especially motor-cars, various industrial equipment, mobile phones, or intermediation of jobs in abroad and etc. In many cases, this pretended sale was bound to the prepayment of a deposit or eventually the full purchase price to an account registered in foreign banks, whereby there was no delivery of goods by the seller. The most frequent were cases, when the client transferred the funds to a Slovak bank account whose holders of the right of disposal were prevailingly Romanian citizens.

In the year 2014, the same as in the previous year, most UTRs contained information about the use of box and shell companies in the execution of complex commercial transactions. They were used in order to obscure financial operations, movement of goods and services involving front men in so-called carousel frauds, in order to claim VAT tax refunds or eventually for the purpose of tax reduction and tax evasion.

In 2014 The Unusual Transactions´ Department registered more UTRs related to the placement of significant volumes of funds by Hungarian citizens, eventually Chinese citizens registered in Hungary to bank accounts belonging to business subjects seated in off-shore-zones, while the bank accounts were registered in banks in the territory of the Slovak Republic or to the bank accounts of Slovak legal entities conducted with the Slovak banks, whereby the statutory bodies - Slovak citizens as well as Chinese and Hungarian citizens were the holders of the right of disposal to these bank accounts. The International element in the structure of the legal entities, i.e. the statutory deputies and the holders of the right of disposal to bank accounts is apparently intentional, in order to restrain any identification and documentation of the origin of these funds and in particular the process of providing necessary information about the scrutinized transactions as these transactions were suspected to be transactions legalizing proceeds from criminal activity.

In 2014 cases of UTRs related to investments in real estate were recorded, while these investments were paid by funds deposited to bank accounts in cash, the origin of these funds is unknown.

In 2014 again there have been cases, in which the payments of large sums (millions of EUR) were fraudulently diverted under the cover of a business relationship within selected targeted groups of people and transferred to a prepared account opened in a country other than the one in which the basic business relationship was conducted (in the recorded cases UTRs the bank accounts that the profits were allocated to had been opened in Slovakia), whereby the payer who was the usually the victim of the fraud was misinformed (generally by email) on the change of the system of payments and of the payment account of his business partner. After the transferred payment to the prepared account the wire transfers were realized immediately and the funds were finally transferred from the Slovak bank accounts to the foreign bank accounts held in banks located in known off-shore-areas such as Hong Kong and China where the lower electivity of legislative measures against legalization of proceeds of criminal activity is a reality. From the reported cases it was found out that the persons, who in such way performed the mentioned transactions, were citizens of Hungary and Romania. As for the aggrieved entities most companies were seated in France.

In 2014 FSJ has recorded also the new cases of business whereby the payments were realized by the virtual digital currency Bitcoin.

Bitcoin as well as the similar virtual currencies represent a type of uncontrolled digital money which means that their usage is not under the control of the National Bank of Slovakia (thereinafter “NBS”) or European Central Bank, because European legislation, including the Slovak law and order is not adjusted to the activities related to virtual currency. The virtual currencies are not considered to be a form of lawful money and their usage is risky to each of participating parties, because the receipt of real money from virtual currency is not guaranteed. Bitcoin functions as a distributing network where transactions are circulated among individual software installed on the user´s computer. Between beneficiary and remitter is not the bank as the standard intermediate, neither any other regulated institution. Actually Bitcoin is usable to purchase goods and services in the territory of the Slovak Republic. It was reported UTRs – the trading with this currency, within the Bitcoin internet exchange, where in one case there could be assumed that a fraudulent activity within the financial settlement occurred. Because by available legislative equipment it was not possible to check the business conducting the virtual internet exchange and acquire relevant information for further consideration, this information hasn´t been disseminated to Law Enforcement Authority, but in connection with the foreign entities were disseminated to foreign FIU, or were saved to the complex information system of FSJ.

**2.4 Selected cases of processing of UTRs**

In the year 2014 report from UTRs received by Unusual Transactions´ Department presented some interesting cases, which were disseminated to the competent Lea Enforcement Authority to the further proceeding, after verification of the basic information.

In one case the obligated person - the bank A reported an UTR that two payments were credited in the total amount of 900.000,- EUR to a newly opened bank account of a physical person (non-business), from which the total sum was transferred by several payments to the prepared accounts on the same day. The funds, which were credited earlier to the personal bank account, originated from two payments, from the bank account opened in bank B. By the professional activities of employees of Unusual Transactions´ Department within the identification of the origin of transferred funds and after the verification of basic information it was found out that both payments were transferred from the bank B, but the bank B did not find them unusual. After further investigation in the bank B it was found out, that employee of Bank B withdrew the funds from the bank accounts of two clients of the bank without their consent. After analysing and evaluating credible information, for the reason of suspicion of committed criminal offence, the Unusual Transactions´ Department transferred the mentioned information to the competent Law Enforcement Authority. On the basis of this information relevant Law Enforcement Authority began criminal proceeding, pursuant to Section 199 (1) of Code of Criminal Procedure – in case a particularly serious felony of Breach of trust by maladministration of estates of another pursuant to Section 237 (1) (4) (d) of Code of Criminal Code with the harm done in the amount of 900.000,- EUR. Shortly after beginning the commencement of prosecution, and after realising custodial acts, during the part of the funds in the amount of 459.455,- EUR were placed on the Account of Hold and after disposal of necessary evidence a charge of totally four people who were participated in the criminal activities was brought by the relevant investigator. These people after their arresting on the base of decision of the relevant court (confirmed also by decision of appeal court) were taken to the investigation custody. Except for the particularly serious felony of Breach of trust by maladministration of estates of another, three mentioned people were charged also through the particularly serious felony of Legalisation of the proceeds of criminal activity pursuant to Section 233 (1) (a) (b) (3) (c) (4) (a) of Code of Criminal Code committed by organized group.

Among other interesting cases of UTRs are those where in conjunction with another coordinated phishing attacks to the bank accounts, which the owners were smaller Slovak villages, the transactions of the funds were going from these bank accounts. Subsequently the funds were transferred from these accounts of villages to several prepared personal bank accounts and from these accounts were withdrawn in cash in the foreign countries by the payment card via A.T.Ms or were transferred immediately to the another prepared foreign bank accounts. These cases showed common signs, which suggested these cases (phishing) were coordinated probably. The common signs were as follows:

* all phishing attacks were directed at the bank accounts of the smaller Slovak villages,
* all the attacked bank accounts were conducted by one bank
* all the bank accounts, where the funds originated from criminal activities were transferred after phishing, were opened in another bank in the Slovak Republic and there were located the funds originated from the criminal activities,
* the owners of the bank accounts in all the cases of phishing, where the funds were located from the criminal activities, were the same people.

In these mentioned cases two postponements were initiated and realized of an unusual transaction by Unusual Transactions´ Department, on the basis the relevant Law Enforcement Authority brought a commencement of criminal proceeding, pursuant to Section 199 of Code of Criminal Procedure for fraud pursuant to Section 221of Criminal Code with the loss in the amount of 342.630,- EUR and Placing the Account on Hold of aggrieved persons in the amount of 87.015,- EUR.

**2.5 The efficiency of UTRs**

    Pursuant to Section 27 Act on the Prevention of Legalization is imposed to keep summary statistical data to FSJ with determination of minimal frame of obligatory monitoring of statistical indicators.

Out of the total number of 3928 the received UTRs in 2014, 1392 pieces of information were filled into the complex information system of FSJ for further utilization. After rigorous analysis of the received UTRs, processing and subsequent evaluation regarding the detection of fact, which are, or eventually can be relevant for certain subjects, FSJ provided:

* 407 information to competent LEAs,
* 328 information to competent national units of the National Criminal Agency,
* 1551 information to Financial Administration of the Slovak Republic,
* 2 information to Obliged Entities´ Control Department
* 1 information to Property Check-up Department,
* 482 information to relevant foreign FIUs,
* 79 information to Department for Combating Terrorism of Presidium of Police Force
* 488 information to Regional and District Headquarters of Police Force.

    According to Law on the Prevention of legalization, FSJ informs obliged person about the efficiency of UTR and individual actions, which were established after receiving of this UTR. For this purpose, FSJ requires information („feedback“) from Law Enforcement Authorities regarding the results of verification of sending information and others actions, which were realized in a certain case. Chart no. 6 provides a comprehensive overview of the procedures and decision-making activities of Law Enforcement Authorities as well as of information submitted within the purview of the Criminal Procedure Code on the basis sending decision or the information of Law Enforcement Authorities.

Chart No. 6: Further steps of LEAs after the information was submitted pursuant to Section 26 (2) (b) of AML/CTF Act in 2014

|  |  |
| --- | --- |
| **Procedures / further steps of LEAs after obtained information from FSJ** | **NUMBER OF THE CASES** |
| Commencement of criminal proceeding, Section 199 of Code of Criminal Procedure – in all the cases | 66 |
| Commencement of criminal proceeding Section 199 of Code of Criminal Procedure - for Legalization of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code | 44 |
| Commencement of criminal proceeding Section 199 of Code of Criminal Procedure -for different crime | 35 |
| Indictments pursuant to Section 206 of Code of Criminal Procedure - in all the cases | 1 |
| Indictments pursuant to Section 206 of Code of Criminal Procedure for Legalization of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code | 1 |
| Indictments pursuant to Section 206 of Code of Criminal Procedure for the others criminal offences | 1 |
| Dismiss of commencement of criminal proceeding pursuant to Section 197 (1) (d) of Code of Criminal Procedure | 16 |
| Seizure of the funds pursuant to Section 95 of Code of Criminal Procedure | 50 |

For the purpose of removing the deficiency constituted in the absence of a coherent and unified statistical output for all the public authorities related to the number of cases of legalization of proceeds of criminal activity and terrorist financing committed by the identified, subsequently criminally prosecuted, indicted and convicted persons, the FSJ processed the statistics into a coherent output (see the chart No. 8) provided by services of Police Force, Criminal Authority of the Financial Administration of the Slovak Republic, the Criminal Department and International Cooperation  of  General Prosecutor's Office of the Slovak Republic and by the Ministry of Justice of the Slovak Republic. This data is related to the criminal offence of Legalization of proceeds of criminal activity pursuant to Sections 233 and 234 of Criminal Code, by which are requested the information about numbers of filled a complaints, commencement of criminal proceeding, indictment, whether about the manner of ending criminal prosecution, or about the number of persons criminally prosecuted, charged and then finally sentenced for these criminal offences in the year 2014.

From the basic documents provided by the above mentioned subjects it is clear that in 2014 there haven’t been registered any cases of filled a complaint to criminal prosecution, when the commencement of criminal proceeding brought a charge with Terrorism, brought the indictment or resulted in a conviction for the criminal offence of Terrorism and some forms of participation on terrorism pursuant to Section 419 of Criminal Code. In the mentioned year there hasn´t been any indictment either.

From the monitored data it may be seen that nearly equal numbers of the cases with the previous year 2013, when the indictment was brought (a growing number about one case) for the criminal offence of Legalization of proceeds of criminal activity or eventually was approved plea bargaining (grow downward about one case). As from statistics data resulted to criminal offences of Legalization of proceeds of criminal activity provided by the Ministry of Justice of the Slovak Republic, in the year 2014 was in the cases published legal judgment concerning to totally 23 persons, which from 15 persons were sentenced and 8 persons were set free on the basis of a sentence.

A statistical summary was elaborated in the chart No. 7 which serves as an overview of the scope of application of selected securing institutes of the Code of Criminal Procedure in criminal proceedings in 2014 about all the criminal offences and separately for the criminal offences of legalization of proceeds of criminal activity. From the mentioned chart it can also be observed that the ratio of securing institutes of the Code of Criminal Procedure used while uncovering the realization of criminal offences of legalization of proceeds of criminal activity in the overall application of these institutes used within the criminal proceedings is only minimal.

Chart No. 7: Comparison of statistical data on selected regulations of Code of Criminal Procedure in criminal proceedings in the year 2014 between all criminal offences and criminal offences commenced for Legalization of the Proceeds of Crime under Section 233 and 234 of Criminal Code.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Regulations**  **of Code of Criminal Procedure** | **All criminal offences** | | **Criminal offences of Legalization of the Proceeds of Crime under Section 233 and 234 of Criminal Code** | |
| **Number of cases** | **Total value in EUR** | **Number of cases** | **Total value in EUR** |
| 1 | Section 89 - Duty to Surrender a Thing, Section 91 - Withdrawal of a Thing, Section 92 - Taking over of a Seized Thing | 9960 | 8.506.901 | 31 | 756.080 |
| 2 | Section 95 - Placing the Account on Hold | 198 | 4.2015.073 | 22 | 3.012.736 |
| 3 | Section 96 - Suspension of the Right to Dispose of Registered Securities | 1 | X | 0 | 0 |
| 4 | Section 97 – Restituting the Thing | 5119 | 4.412.251 | 73 | 311.644 |
| 5 | Section 550 - Surrender of Things (International Rogatory Letter) | 92 | 1.999.831,31 | 9 | 67.424.226 |
| 6 | Section 551 - Seizure of Property (International Rogatory Letter) | 29 | 50.370 | 0 | 0 |

x – Data is not statistically presented by GP SR

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Regulations of Code of Criminal Procedure** | | **Ministry of Interior of the Slovak Republic** | | | | | | **General Prosecutor´s Office** | | | | | | **Ministry of Justice of the Slovak Republic** | | | | | |
| **year 2013** | | | **year 2014** | | | **year 2013** | | | **year 2014** | | | **year 2013** | | | **year 2014** | | |
| **Number of cases** | **Number of persons** | **Extent of damage in EUR** | **Number of cases** | **Number of persons** | **Extent of damage in EUR** | **Number of cases** | **Number of persons** | | **Number of cases** | **Number of persons** | | **Number of cases** | **Number of persons** | **Extent of damage in EUR** | **Number of cases** | **Number of persons** | **Extent of damage in EUR** |
| 1. | Inducement for criminal prosecution | | **65** | **48** | **6.054.246** | **26** | **38** | **980.546** | - | - | | - | - | | - | - | - | - | - | - |
| 2. | Section 199 Commencement of criminal prosecution | | **97** | **-** | **11.538.015** | **81** | - | **30.708.363** | - | - | | - | - | | - | - | - | - | - | - |
| 3. | Section 206 File charges | | **35** | **35** | **816.656** | **30** | **48** | **10.658.606** | - | - | | - | - | | - | - | - | - | - | - |
| 4. | Section 209 Completion of investigation and of summary investigation with the proposal to charge | | **17** | **32** | **3.047.526** | **19** | **22** | **1.690.113** | - | - | | - | - | | - | - | - | - | - | - |
| 5. | Section 215 Stay of criminal prosecution | | **8** | **2** | **26.604** | **3** | **3** | **8.011.851** | - | - | | - | - | | - | - | - | - | - | - |
| 6. | Section 228 (1), (2) Suspension of criminal prosecution | | **47** | **11** | **914.594** | **42** | **5** | **1.125.264** | - | - | | - | - | | - | - | - | - | - | - |
| 7. | Section 228 (5) Resumption of criminal prosecution | | **21** | **5** | - | **16** | **7** | **448.171** | - | - | | - | - | | - | - | - | - | - | - |
| 8. | Section 234 Indictment | Section 331 Agreement on guilt and punishment | - | - | - | - | - | - | - | **35** | **8** | - | **36** | **7** | **-** | - | - | - |  |  |
| 9. | Section 284 Final judgement | | - | - | - | - | - | - | - | - | | - | **-** | | - | **12** | **41.895** | - | **23** | **1.429** |

**3. Control activity**

The competent department of the FSJ designated to ensure fulfilment of obligations and compliance with obligations of obliged entities under the AML/CFT Law is the Obliged Entities´ Audit Department. In addition to its auditory activities this department also performs other tasks, the scope of which is stipulated in Section 32 and 33 of the AML/CFT Law. The employees of the Obliged Entities´ Control Department of FSJ have in this case the status of an administrative authority and so they as an administrative authority deal with administrative offences according to the Act No. 71/1967 Coll. on Administrative Procedure, as amended, as well as they discuss misdemeanours according to the Act of the Slovak National Council No. 372/1990 Coll. on Misdemeanours, as amended.

The auditory activity is carried out primarily on the basis of an annual plan of control activities created for a particular calendar year. The different categories of obliged entities are designed to the plan of audit on the basis of knowledge and information obtained by previous audits of obliged entities performed on the basis of suggestions and information from other bodies of the Police Force, or knowledge about various errors and failure to comply with certain legal obligations, obtained by processing of the UTRs.

In the year 2014 the audits of obliged entities carried out by employees of the Obliged Entities´ Control Department of FSJ were focused on the obliged entities of financial and non-financial sector mainly. During the monitored period the Obliged Entities´ Control Department of FSJ performed a total of 22 audits with the results presented in the chart No. 9. From the number 22 initiated audits 13 of them were validly completed. However, 10 of them have not been completed and were carried over to the year 2015 (including 1 audit from the year 2013). In 6 cases there were already the decisions issued. In the year 2014 there were 13 decisions on imposing of a sanction - a fine in a total amount of 14.400,- EUR (fines from 300,- EUR to 5.000,- EUR) issued by FSJ, 4 audits have been completed without incurring penalties, in one case after examining the disposition of property of a property corporation (non-profit organization) was the audit terminated and the outcome of this audits was submitted to the competent LEA because of suspicion of wasteful disposition of property and in 4 other cases the audits continue in 2015 as well. Regarding the 13 decisions on imposing of fines, the decisions in 2 cases were contested by filing an appeal, which has not been decided by the appellate authority by the end of 2014. Along with the decision on imposing of fine, in two cases (in each of them was equally imposed a fine of 3.000,- EUR) there were suggestions sent to the Department for Small Business in order to revoke a license for the conduct of business activity in accordance with Section 34 of the AML/CFT Law.

In the year 2014 there were 10 fines in a total amount of 14.800,- EUR paid up by the obliged entities based on the decision of FSJ to impose fines for administrative offences that were issued in the year 2014 as well as in the previous period. Of the mentioned amount of 14.800,- EUR, a sum of 6.500,- EUR was paid according to the decisions on imposing of fines issued in 2014.

Chart No. 9 Statistical data on way of completion of controls performed in 2014

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Number of controls | Way of completion | | | Amount of sanction in EUR | Paid-up in EUR | | Number of filed appeals |
| Without sanctions | Sanctions | Not completed and forwarded | Imposed in 2014 | Total |
| 2014 | 22 | 4 | 13 | 5 | 14.400 | 6.500 | 14.800 | 2 |

In addition to the 22 audits carried out in 2014 the Obliged Entities´ Audit Department also processed a total of 11 audits, which were not completed in 2013 and were carried over to the year 2014. 10 audits of them were completed in 2014, one of them still continues in 2015. Concerning the mentioned audits initiated in 2013 and carried over to 2014 there were 8 decisions on imposing of a sanction - a fine in a total amount of 19.500,- EUR (fines from 500,- EUR to 5.000,- EUR) issued by FSJ, 3 controls have been completed without sanctions.

The most frequent audit findings that were ascertained during the performance of the audits of compliance to obligations of the obliged entities were related to incomplete or insufficiently elaborated program of own activity, failure to provide necessary cooperation for the purposes of the audit, failure to exclude any action that could frustrate the conduct of the audit, failure to carry out the identification as well as verification of identification of the customer according to the extent stipulated by the AML/CFT Law, or related to other violations of obligations, such as the obligation to establish the purpose and intended nature of the business relationship to the customer, the obligation to verify the validity of the information obtained, the obligation to determine the origin of the funds, or the obligation to refuse the conclusion of the business relationship, if the obliged entity cannot perform diligence on the customer.

Chart No. 10: Statistical data on the controls of obliged entities for the year 2014 divided according to their subject of business activity

|  |  |
| --- | --- |
| **Obliged entity – business activity** | **Number of controls** |
| Exchange office | 1 |
| Real Estate Agency | 1 |
| Providing of loans | 3 |
| Financial leasing | 3 |
| Property corporation | 1 |
| Advocate | 2 |
| Trading in receivables | 1 |
| Bank | 1 |
| Pawnshop | 2 |
| Notary | 1 |
| Advisor of organizational and economic services | 1 |
| Financial Agent | 1 |
| Accountant | 1 |
| Gambling game operator | 1 |
| Securities Sealer | 1 |
| Property management | 1 |

Graph No. 3: Graphical representation of the obliged entities divided according to their subject of business activity, where the audits were carried out in the year 2014

In order to ensure a greater effectiveness of audits with regard to the scope and certain specifics of obliged entities there are also additional bodies - the National Bank of Slovakia (hereinafter referred to as „NBS“) and the Ministry of Finance of the Slovak Republic (hereinafter referred to as „MoF“) determined by the AML/CFT Law, which are entitled to audit the fulfilment of obligations resulting from the AML/CFT Law for the obliged entities falling under their supervision. In contrast to these auditory bodies the Obliged Entities´ audit Department of FSJ is authorized to audit all the obliged entities. When carrying out audits the NBS and MoF are obliged to provide the FSJ with the necessary data in order to coordinate the mentioned audit and to keep the relevant statistics. The mentioned data reported to FSJ pursuant to Section 29 (4) of the AML/CFT Law are related to the place of business activities or registered seat, identification number and type of the obliged entity, where the audit should be carried out, as well as to results of the control and measures taken after the control.

In the year 2014, the FSJ received 2 notifications of audits carried out by the MoF at the obliged entities falling under their supervision. Regarding the NBS there were 16 notifications of the planned controls reported to FSJ in 2014, which were carried out by the staff of the Office of Financial Market Supervision of NBS and 7 announcements of the results of the individual audits of obliged entities supervised by the NBS.

Chart No. 11: Statistical data on the controls carried out by the National Bank of Slovakia and Ministry of Finance of the Slovak Republic for the year 2014

|  |  |  |
| --- | --- | --- |
| **Control authority** | **National Bank of Slovakia** | **Ministry of Finance of the Slovak Republic** |
| The number of notifications on the commencement of a control sent to the FSJ | 16 | 2 |
| The number of notifications on the control results sent to the FSJ | 7 | 0 |

On the ground of the mutual agreement the Obliged Entities´ Audit Department can also carry out audits at the obliged entities focused on the compliance with obligations resulting from the AML/CFT Law together with NBS and MoF. In 2014 such a common audit was not performed.

The Obliged Entities´ Audit Department within its activities organizes and participates in various trainings, consultations or negotiations related to many application problems which concern the fulfilment of tasks resulting from the AML/CFT Law for the obliged entities. This department provides detailed advice and guidance to individual application problems, mostly upon written requests of professional organizations and associations of obliged entities.

In 2014, such activities have been carried out by the Obliged Entities´ Audit Department in a total of 11 cases, which concerned the training and the provision of advice, consultation or interpretations of the various provisions of the AML/CFT Law. In the monitored period the educational services were granted to banks and other financial institutions such as the Association of Financial Intermediaries and Financial Advisers, the Slovak Banking Association and the insurance companies.

Chart No. 12: Statistical overview of the activities (trainings, meetings, consultations) conducted by employees of the Obliged Entities´ Control Department of FSJ in the year 2014

|  |  |  |
| --- | --- | --- |
| **Obliged entities (professional organizations), where activities were performed** | **Number of activities** | **Theme**  **of the trainings, meetings, consultations** |
| Banks | 5 | Application problems in applying the AML/CFT Law, the issue of an agent of payment services, the issue of unauthorized business in the case of an investment company, processing of UTRs for FSJ |
| Insurance company | 1 | Application problems in applying the AML/CFT Law, guidelines in the field of insurance companies obligations |
| Slovak Banking Association | 1 | Application problems in applying the AML/CFT Law |
| Association of financial intermediaries  and financial advisors | 1 | Application problems in applying the AML/CFT Law, consultations focused on the obliged entities own activity programs and on the customer due diligence |
| Institute of Banking Education | 1 | Application problems in applying the AML/CFT Law, training focused on the customer due diligence, control and on the UTRs |

The activities carried out by the Obliged Entities´ Audit Department, which have not been quantified above, also include the participation of the employees of the department in meetings with representatives of the NBS concerning the mutual cooperation with the FSJ in the supervisions of financial institutions, or sphere of activity of agents of foreign payment services and the possibilities of their legal actions as obliged entities under the AML/CFT Law. The FSJ cooperates with the NBS on the ground of the Agreement on Mutual Cooperation concluded between the NBS and the Ministry of Interior of the Slovak Republic in 2013.

Within the further activities of Obliged Entities´ Audit Department in 2014 it is necessary to mention the activities of the legislative process by applying of specific comments to the draft of the Law on Emissions Trading, sending a statement to the draft of regulation of the Government of the Slovak Republic, establishing the cooperation of the national administrator with the competent authorities and reporting obligation in the suspected cases of money laundering, terrorist financing or other criminal activity, or negotiations regarding the accession of FSJ to the Treaty of cooperation and technical assistance in the pilot operation between the commercial banks and the Ministry of Interior of the Slovak Republic.

**4. International cooperation**

International cooperation is one of the pillars of the FSJ activities, because the removal of barriers on the internal market allowed not only the establishment and development of legal business entities within the European Union, but also made a room for legalization of proceeds of criminal activity and financing of terrorism. The criminals involved in money laundering activities seek to conceal or disguise the real nature, source or ownership of the real property and to transform it into seemingly legitimate incomes, not only at the national level, but increasingly also at the international level.

Due to the international nature of the crime of legalization of proceeds of criminal activity, an efficient cross-border fight against this kind of crime requires a joint effort of all the cooperating subjects. Also thanks to the efforts and activities of the International Cooperation Department, the FSJ is a part of this effective fight and plays an indispensable role in the international area of combating money laundering.

For the purpose of ensuring the exchange of financial intelligence related to the verified UTRs received from the obliged entities, as well as to other activities of the FSJ, it is not necessary for FSJ to conclude any international agreements or contracts. However, based on the requirements of foreign partners, the FSJ has so far signed the Memoranda of Understanding with 8 foreign partner FIUs.

In the year 2014, it was also initiated negotiation with the FIU of Panama and the FIU of Georgia in this context, which approached to our unit with a request to conclude a memorandum. In the course of the year 2014, the negotiation with the FIU of Panama was completed and this memorandum is currently at the stage before signing. Similarly, there was also a negotiation with the FIU of Georgia performed in the course of the year 2014, which is still on-going.

Chart No. 13: List of Memorandums concerning international cooperation of FSJ with particular foreign partner FIUs

|  |  |  |
| --- | --- | --- |
| **No.** | **Particular FIUs** | **Date of signature** |
| 1. | Memorandum of understanding between FSJ (The Bureau of the Financial Police of the Police Presidency of the Slovak Republic in 2000) and competent authority of the **Kingdom of Belgium** concerning co-operation in the exchange of financial intelligence related to money laundering | 06.06.2000 |
| 2. | Memorandum of understanding between FSJ (The Bureau of the Financial Police of the Police Presidency of the Slovak Republic in 2001) and competent authority of the **Czech Republic** concerning mutual co-operation in the exchange of financial intelligence related to money laundering | 06.11.2001 |
| 3. | Memorandum of understanding between FSJ (The Bureau of the Financial Police of the Police Presidency of the Slovak Republic in 2001) and competent authority of **Poland** concerning co-operation in the exchange of financial intelligence related to money laundering | 23.11.2001 |
| 4. | Memorandum of understanding between FSJ (The Bureau of the Financial Police of the Police Presidency of the Slovak Republic in 2003) and competent authority of **Ukraine** concerning co-operation in combating legalization (laundering) proceeds from crime | 23.09.2003 |
| 5. | Memorandum of understanding between FSJ (The Financial Intelligence Unit of Bureau of Organized Crime of Police Presidency in 2004) and competent authority of **Monaco** concerning co-operation in the exchange of financial intelligence related to money laundering and the financing of terrorism | 24.06.2004 |
| 6. | Memorandum of understanding between FSJ (The Financial Intelligence Unit of Bureau of Organized Crime of Police Presidency in 2004) and competent authority of **Australia** concerning co-operation in the exchange of financial intelligence | 24.06.2004 |
| 7. | Memorandum of understanding between FSJ (The Financial Intelligence Unit of Bureau of Organized Crime of Police Presidency in 2005) and competent authority of the **Republic of Albania** concerning co-operation in the exchange of financial intelligence related to money laundering | 15.02.2005 |
| 8. | Memorandum of understanding between FSJ and competent authority of the **Russian Federation** concerning co-operation in the exchange of financial intelligence related to money laundering | 04.07.2013 |

Mutual communication among the FIU´s of particular countries is performed through two computer networks – through the encrypted electronic security network Egmont Secure Web (ESW) or through the computer network Financial Intelligence Unit Network (FIU. NET). ESW was made within the international organization Egmont Group. This network enables us to communicate with FIUs from all over the word.

FIU.NET is the decentralized computer network which enables an information exchange between FIUs of the European Union. There is no central database of collected information. All connected FIUs have their own equipment in their offices, where they manage their database of information. It is possible to create bilateral and multilateral cases through FIU.NET. There was a sophisticated technology created within FIU.NET called Ma3tch, which allows the FIUs to compare their data matched with other FIUs data in an anonymous way. Very simplified, it converts FIU data into uniform anonymous filters without sensitive personal data. These filters can therefore safely be shared with and used by other FIUs.

One of the big advantages of Ma3tch is the ability of detecting a subject of concern of the particular FIUs in other countries, even if FIU doesn´t know, that verified subjects is connected to FIU´s country. FIUs are able to work as a cohesive unit through using of Ma3tch. Through FIU.NET as a virtual entity, FIUs are able to detect various hidden proceeds of criminal activity performed in other countries. Although criminals and terrorists can move freely within our open borders, due to the international cooperation among the FIUs, they are still able to trace their criminal activities whether it´s within the area of the European Union or all over the world.

During the evaluation period while working with the FIUs within the Egmont Group which contains 139 member countries, FSJ cooperated mostly with the FIUs of the Czech Republic, Hungary, Poland and Italy. From the total number of 27 member states of the FIU.NET (FIU Croatia was connected in November 2014), the most frequent cooperation was carried out with the partnership FIUs of Germany, Hungary and France.

In the process of information exchange during the year 2014, FSJ sent total 333 requests for information to foreign FIUs. FSJ processed 301 requests submitted by foreign FIUs. FSJ received 70 spontaneous information and 430 spontaneous information were sent by FSJ to the other FIUs.

Chart No. 14: Summary of selected activities performed by the International Cooperation Department in 2013 – 2014

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Number of requests sent to foreign FIUs** | **Number of requests submitted by foreign FIUs** | **Number of spontaneous information sent to foreign FIUs** | **Number of information regarding Slovak subjects submitted by foreign FIUs** |
| 2013 | 250 | 258 | 293 | 78 |
| **2014** | **333** | **301** | **430** | **70** |

Graph No. 4: Graph of countries that requested information from FSJ the most in 2014

Graph No. 5: Graph of the countries to which FSJ sent requests for information the most in 2014

Graph No. 6: Graph of the countries to which FSJ sent spontaneous information for further utilization the most in 2014

Based on the a.m. statistics it is possible to say, that the number of the requests for information sent abroad or vice-versa sent from abroad to FSJ has an increasing tendency, because of the international organized crime and legalization of proceeds of criminal activity are a global issues nowadays.

FSJ is one of the most active FIUs when it comes to the international cooperation because of its considerable participation in development of international cooperation with the fight against legalization of proceeds of criminal activity and terrorist financing. According to available statistics concerning requests and additional requests sent through computer network FIU.NET, which are published on the web site [www.fiu.net](http://www.fiu.net), FSJ was the fourth most active FIU among the 26 actively connected FIUs in first 10 months of the 2014. In mentioned period FSJ sent 985 requests and received 71 requests.

Cooperation with the Property Check-up Department in the execution of tasks of FSJ resulting from the decision of the European Union No.: 2007/845/SVV is also significant when assessing the activities of International Cooperation Department in 2014.

For purpose of effective fight against a cross-border criminal activity performed with the mainspring of financial benefit, which motivates criminals to continue committing the crime with the aim to gain larger profit, it is necessary to exchange information among countries quickly, because exchanged information may lead to search and seizure of proceeds of criminal activity or other assets gained by illicit income. Also in this regard FSJ finds international cooperation as a significant precondition for efficient work in field of the fight against legalization of proceeds of criminal activity and terrorist financing on national level as well as on the international level.

The other main activities of FSJ on an international level consisted of participation of International Cooperation Department´s officers in sessions of working groups and committees of the European Committee, the Council of Europe, etc., mainly:

* Committee for the Prevention of Money Laundering and Terrorist Financing which is one of the subcommittees of the European Committee, DG Internal Market and Services;
* FIU Platform which brings together FIUs of the Member States and is one of the subcommittees of the European Committee, DG Justice, Freedom and Security;
* Meeting of the parties of Council of Europe Convention No198/2005 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism;
* Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism – MONEYVAL.

With a view to strengthen the quality of the international cooperation of partner neighbouring FIUs (Austria, Czech Republic, Poland and the Slovak Republic), there are regional workshops held every year. Representative of mentioned neighbouring FIUs are regular attendants of these regional workshops.

Based on the invitation from FIU Poland there was a regional workshop held in 2014. The following main topics of this session were presented by attendants: “Carrousel Tax Frauds Concerning Fuel Trade” and “Virtual Currency Issues”. Other acute issues related to activities of particular FIUs have been discussed, especially improving the efficiency of mutual cooperation in information exchange. Due to the fact that technology and the means used by criminals are constantly developing and improving, the nature of threats of ML/TF is changing, so it is necessary to ensure progress in the reaction to these threats.

5. Financial and property verification

According to the internal acts of the National Criminal Agency of Police Force Presidium (hereinafter referred to as „NAKA P PZ“) the Property Check-up Department fulfils tasks in the field of financial and property verification.

5.1 Financial verification, Tracing of Assets and development of the Property Profile

According to the Section 1 of the Decision of the Council of the European Union No. 2007/845/JHA it was necessary to establish, or designate the national body of every member state for the purpose to facilitate the tracing and identification of proceeds of crime and other property related to crime, which may be involved in criminal proceedings and by order of the competent judicial authority frozen, seized or confiscated.

FSJ Slovakia fulfils the role of the national Asset Recovery Office (ARO) in the field of tracing assets since 2008. The tracing of assets is performed by the Property Check-up Department (previous title was „Property Check-up Department of the Financial Intelligence Unit of Bureau of Organized Crime of Police Force Presidium” in 2008.)

This department is an executive and operative unit which fulfils tasks in accordance with the Decision of the Council of the European Union No. 2007/845/SVV. Mentioned tasks are fulfilled on the basis of procedures and deadlines applying, which is set out in the Framework Decision of the Council of the European Union No. 2006/960/SVV, where rules are determined with the purpose to gain and provide particulars and information to global network members for their further utilization in the field of cross-border identification, freezing, seizure and confiscation of proceeds of crime and other crime related property.

According to the procedures set out in the Decision of the Council of the European Union No. 2006/960/SVV one of the essential tasks fulfilled by the Property Check-up Department is the cooperation and exchange of information and intelligence information among the partner AROs of the member states of the European Union. Providing of mentioned information is limited to information, which is considered as important and necessary for successful prevention and disclosure or investigation of criminal activity. Mutual communication is performed using secured electronic networks and the channel SIENA, which is highly protected from misuse or information leak. It is also possible to communicate via electronic mail.

Information exchange and the mutual cooperation with third countries are carried out through The Camden Assets Recovery Inter-Agency Network (hereinafter referred to as „CARIN”), which is an informal global network of practitioners and experts with the intention of improving mutual knowledge on methodologies and techniques in the area of cross-border identification, freezing, seizure and confiscation of proceeds from crime and other crime related property.

The Property Check-up Department traces, collects, evaluates and utilizes economic and financial information within the framework of its activities. This information is important for the identification of proceeds of criminal activity. Property Check-up Department also seeks and gains information, which is utilized by law enforcement agency in further proceedings heading to property confiscation.

Property profiles are elaborated for needs of law enforcement agency by the Property Check-up Department, with the purpose to exercise Art. 119 (1)(f) of the Criminal Procedure thoroughly. According to this provision, it is necessary to present the evidence concerning proceeds of criminal activity, means used in its commission, their location, character, state and price, as well as to present evidence for any other purposes set out in the Criminal Procedure (securing the imprisonment sentence, securing of the protective measure or securing the claim of the injured within the criminal proceedings).

In 2014 Property Check-up Department received total 92 requests for property profile elaboration sent from LEA or requests to trace a property sent from foreign units. 13 requests for property profile elaboration from a.m. total 92 requests were sent from Slovak Police authorities (one case concerned property profile elaboration for the purposes of tasks fulfilment of FSJ). The international cooperation was applied in four of these cases by contacting partner AROs. One request for property profile elaboration was received from District Prosecutor’s Office.

Of the mentioned 12 requests for property profile elaborations (sent from units or departments, except FSJ departments) there were 11 requests received from LEA, specifically from units of NAKA P PZ (9 requests were received from National Anti-Crime Unit (hereinafter referred to as „NPZJ“), one request was received from National Anti-Corruption Unit (hereinafter referred to as „NPKJ“), and one request was received from the National Unit of Financial Police (hereinafter referred to as „NJFP“). One request was also received from Regional Police Headquarters of the Police Force.

Chart No. 15: Summary of requests for property profile elaboration sent from LEA to FSJ in 2014

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Requests for property profile elaboration sent from LEA in 2014** | | | | | |
| NAKA P PZ | | | Own request | The other LEA | |
| NJFP | NPZJ | NPKJ | FSJ | Regional Police Headquarters of the Police Force | District Prosecutor’s Office |
| 1 | 9 | 1 | 1 | 1 | 1 |

Other 78 requests received by Property Check-up Department were sent from 15 foreign countries, or more precisely, from their authorities established for tracing property. These authorities requested a detection of the property owned by natural persons and by legal entities, and also an identification of bank accounts, real properties or vehicles. The most requests (19) were sent from Hungary, 17 requests were sent from the Czech Republic, 11 from Poland, 6 from Austria and Ukraine (each country sent 6 requests), 4 from Italy, 3 from Belgium and France (each country sent 3 requests), 2 requests were sent from Germany, Romania and from the Netherlands and 1 request was received from Latvia, Denmark and Lithuania.

Chart No. 16: Summary of requests sent to FSJ from foreign authorities established for tracing property in 2014

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Requests received from foreign authorities in 2014** | | | | | | | | |
| Hungary | the Czech Republic | Poland | Austria | Ukraine | Italy | Belgium | France | Other states |
| 19 | 17 | 11 | 6 | 6 | 4 | 3 | 3 | 9 |

From the year 2013 remained in examination 17 requests (7 requests from Slovak police departments and 10 requests from abroad). The police officers of the Property Check-up Department received a total of 109 requests during the evaluated period. The mentioned police officers sent 16 elaborated property profiles to police departments in Slovakia and 72 replies to requests from foreign partners. To the date 31.12.2014 remained in examination total 21 requests (5 requests from Slovak police departments and 16 requests from abroad).

Chart No. 17: Summary of requests sent from LEA and from foreign authorities to FSJ in the time period from 2011 till 2014

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Requests from LEA** | **Requests from foreign authorities established for tracing property** | **Requests for legal assistance sent by the General Prosecution of the Slovak Republic** |
| **2011** | 20 | 32 | 1 |
| **2012** | 19 | 21 | 0 |
| **2013** | 27 | 48 | 0 |
| **2014** | 14 | 78 | 0 |

Chart No.18: Comparison of the total number of the handled requests sent from LEA and from foreign authorities to FSJ in the years 2013 - 2014

|  |  |  |  |
| --- | --- | --- | --- |
| Statistical data on number of the requests | 2013 | 2014 | Difference |
| Number of requests remained in examination from the last year | 20 | 17 | - 3 |
| Number of the received request | 75 | 92 | + 17 |
| Number of the executed requests | 80 | 88 | + 8 |
| Number of requests, which remained in examination to the date 31.12.2014 | 15 | 21 | + 6 |

According to the data presented in the Charts No. 15 and No. 17, FSJ carried out the most intense cooperation with the National Anti-Crime Unit and with regard to the international cooperation the most intense was the mutual cooperation with the AROs of Hungary, of the Czech Republic and of Poland.

**5.2 Verification of origin of property (property verification)**

The fulfilment of the tasks resulted from the Act on Proof of origin of the property is entrusted to the Financial Police, specifically to the organisational units of the National Criminal Agency of the Police Force Presidium, which are FSJ as well as the National Unit of Financial Police.

An internal regulation defines the position and the obligations of FSJ in relation to the National Unit of Financial Police, pursuant to which FSJ has methodical and coordination scope in relation to the National Unit of Financial Police.

In 2014 Property Check-up Department executed the property verification in 54 cases. From mentioned 54 cases there were 18 cases examined on the basis of the received notifications and on the own initiative of Property Check-up Department in 2014. The remaining 36 cases related to the property verification remained in examination from 2013 and the examination continued in 2014.

From the mentioned 18 cases received in 2014 proceedings were initiated in 6 cases on the basis of the written notification from natural persons, in 4 cases on the basis of written notification from legal persons and in 8 cases on the own initiative of The Property Check-up Department. In 2014 there was no notification received from public authorities.

Of the mentioned 54 cases there were 26 cases closed in 2014. Of these, 7 initiatives were submitted to the appropriate Prosecutor´s office pursuant to § 6 of Act on Proof of origin of the property in order to initiate proceedings and to declare that the property of an entity was at least 1500 times of the minimum wage higher that the verifiable incomes. Pursuant to the Regulation of the Government of the Slovak Republic No. 321/2013 Coll. there was defined the amount of the minimum wage for 2014, according to which 1500 times of the minimum wage was the sum 528.000,-EUR (for 2015 it constitutes the sum 570.000,- EUR). From 7 submitted initiatives 5 were returned by the prosecutor to supplement. 1 initiative from 2013 was forwarded to the appropriate court in order to initiate the proceedings and to declare that the property of entity was acquired from the illegal incomes. This case has been subsequently withdrawn at the end of 2014. On the date 31.12.2014 2 initiatives remained at the appropriate Prosecutor´s office.

In 19 cases the evaluated property was less than 1500 times of the minimum wage, i.e. the declared property was not in the amount higher than 1500 times of the minimum wage. From the mentioned number of cases, 1 case was related to the evaluation of property after the repeatedly returned initiative by the Prosecutor´s office and 5 cases were related to the evaluation of property after the returned notification by the Prosecutor´s office due to the fact that the examined person “giving up the possession of the property” within the determined period, or due to the fact that the statements of the examined person and the evidence related to the legal manner of acquisition of property submitted by the examined person were proved. In other 5 closed cases, the notification was non-compliance with the legal requirements of the Act on Proof of origin of property. 28 cases remained in examination, which continued in 2015.

Chart No. 19: The proof of origin of property cases in 2014

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cases of property verification realized in 2014 | | | | | | | | |
| Remained in examination from 2013 | Number of files received in 2014 | | | | Number of files closed in 2014 | | | Examination continued in 2015 |
| 36 | Notifications from Slovak citizens | Notifications from legal entities | Notifications from public authorities | Own initiative | Initiative proposed to the Prosecutor´s office | Non-compliance with legal requirements | In accordance with the law | 28 |
| 6 | 4 | 0 | 8 | 2 | 5 | 19 |

**6. Analytical activity**

The fulfilment of the obligations of FSJ in accordance with § 27 of AML/CFT Law, especially to keep summary of statistical data covering the number of the received unusual transaction reports, the particular ways of processing of the unusual transaction reports and their number including the number of cases, which were submitted to the law enforcement authorities or tax administrators within a calendar year, the number of the prosecuted persons, the number of the persons convicted of the crime legalization of proceeds from criminal activity, the value of the seized property, confiscated property or forfeited property, is realized by the Analytical Department

The regular activities of the Analytical Department include providing the written summary of information to the obliged entities about the effectiveness of the provided unusual transactions reports in order to inform the obliged entities about the provided unusual transaction reports and about the further utilization of these reports.

To the additional tasks of the Analytical Department belong the proposition of modifications and changes of the relevant legislation and related internal regulations, collection of the materials necessary for evaluation of the statement to the generally binding legal regulations and related internal regulations which were submitted to commenting process, record keeping and monitoring of the fulfilment and evaluation of the tasks, which for FSJ resulted from resolutions of the Government of the Slovak Republic, from the annual plan of the Police Force Presidium, as well as from other planning documents. On the basis of the initiatives from other departments of FSJ, the Analytical Department disclosed the information on the forms and methods of legalization of proceeds from criminal activity and terrorist financing and on the methods of recognition of unusual transaction.

To the most important and most exacting tasks fulfilled by the Analytical Department belongs the everyday maintenance of the complex Information System of FSJ, which has to be continuously fully operational.

The Analytical Department has the exclusive competence for receiving, processing, analysing and evaluating the fulfilment of the reporting obligation in accordance with Section 4 (4) of the Customs Act.

**6.1 Transportation of funds in cash (Cross-border reporting)**

In 2014, FSJ received, 59 reports on transportation of currency in the total amount of 1.764.189,33 EUR from the Customs Directorate of the Slovak Republic pursuant to Section 4 (4) of the Customs Act, 1 notification on infringement of the customs regulations pursuant to Section 72 (1) (n) of the Customs Act and 1 information from the performance of activities of the Customs department Košice related to the sending of currency in package.

From the total number of the reports on transportation of currency, there were 50 reports received from the road border crossing-point Vyšné Nemecké. From mentioned number, 49 reports were related to entry into the territory of the Slovak Republic and 1 report was related to exit from the territory of the Slovak Republic. FSJ received 5 reports from the road border crossing-point Ubľa and all of them were related to entry into the territory of the Slovak Republic. FSJ received 4 reports from the Customs office in Bratislava, the Airport M. R. Štefánik (2 reports were related to the entry into the territory and 2 reports were related to the exit from the territory).

The obliged entities, who submitted the mentioned reports on transportation of currency pursuant to §4 (2) of the Customs Act, were mostly the citizens of Ukraine, Hungary, Russia and Romania.

The most stated purposes of use of the transported currency in cash were the deposit to bank accounts conducted with the bank seated in the Slovak Republic or conducted with the bank seated in Hungary, the purchase of motor vehicle in the Slovak Republic, in the Czech Republic, in Germany, in Poland, in Italy, in Spain and in Hungary. The obliged entities also stated as the reason of the transportation of currency in cash the purchase of real estates and the purchase of items of personal use.

Information from the received reports on transportation of currency were after the examination via the available information systems of the Police Force, including the information system of FSJ and the open sources, inserted into the complex information system of FSJ for further utilization (in number 56). In 3 cases the information was spontaneously forwarded for further utilization to FIU Ukraine.

Chart No. 20: Comparison of the total numbers of currency transportation reports received by FSJ and comparison of volumes of the currency transported from/to EU in the years 2009 – 2014

|  |  |  |
| --- | --- | --- |
| **Year** | **Number of the received reports** | **Volume of the transported currency in EUR** |
| **2009** | 5 | 125.400 |
| **2010** | 36 | 1.241.178 |
| **2011** | 66 | 312.637 |
| **2012** | 63 | 1.649.419,38 |
| **2013** | 58 | 1.422.131,86 |
| **2014** | 59 | 1.764.189,93 |

Graph No. 7: Volume of the currency transported from/to EU reported to FSJ in the years 2009 – 2014

**7. Prognosis of the future development in the field of legalisation of the proceeds of criminal activity and terrorist financing**

On the basis of experience, systematic analytical verification of particular UTRs, performed check-up activities, and on the basis of generalization of the knowledge and information obtained from national or foreign subjects in recent period, it is possible to predict specific future development in the field of legalization of proceeds of criminal activity and terrorist financing, which is presented in the following points:

* Increase of unusual transactions, which were made in favour of companies seated in tax heavens, or companies incorporated in the European Union´s countries with property interconnection with off shore companies, and increase of unusual transactions, which suggest tax regulations infringe in cases of illegal claim and utilize of VAT tax refund and in cases of intentionally decrease of tax base.
* Due to the fact, that the currency Bitcoin is not a national currency neither in the European Union, nor in another countries, and this currency doesn´t come under national regulations - it means, that neither European, nor Slovak legislation regulates and determine activities related to using of virtual currency, and due to the fact that this currency, as well as transactions made by this currency are not under supervision and regulation of the National Bank of Slovakia, it is possible to predict an increase of UTRs concerning virtual currency issue in 2015, because it is not possible to verify origin of this kind of funds trustworthy, which can results in the increase of potential misuse of virtual currency for purposes of legalization of proceed of criminal activity.
* Improvement of ability of organization and flexibility of perpetrators at locating (on international level) of “dirty” money which originate mainly from computer fraud and phishing. These perpetrators are often members of national minority communities, so there is a real assumption that several of these groups cooperate together.
* Increase of using and involving especially accountants, tax advisors, notaries, advocates, auditors and estate agents in the process of legalization of proceeds of criminal activity,
* Intentional conclusion of life insurance policies and other savings products outside the banking system and locating of funds (proceeds of criminal activity) in that mentioned products.

**8. Evaluation of the cooperation with the national counterparts**

Participation and cooperation with our foreign and national partners has a certain share in activity of particular FSJ´s departments, which are carried out on national level as well as on international level. Among mentioned partners are ranked other police units, prosecutor´s office, state or public administration or representatives of obliges entities (mostly banks). Within this cooperation several meetings took place on national or on international level during 2014.

In order to eliminate application problems, FSJ´s representatives attended a workshop of prosecutors of regional and district Prosecutor´s Offices specialized in executing of non-criminal cases on 04.11.2014. This workshop was a meeting with an informative nature, which created a space for harmonizing opinion´s division with the possibility of direct confrontation applying on the next meeting (should last 2 days), which is preliminarily planned in May 2015.

In order to eliminate the legalization of the proceeds of criminal activity and terrorist financing and with a view to simplifying, facilitating and to accelerate the way of communication between FSJ and the banks and for reduction of administration related to the manual input of documents and UTRs into the information system of FSJ, after several negotiations FSJ prepared a draft agreement on methods of mutual delivery of documents in electronic form via electronic register of FSJ between the Ministry of Interior of the Slovak Republic and banks (hereinafter referred to as “Agreement”). The completion of the approval process established the legal framework for the realization of the Agreement. In the second half of 2014, the minor technical errors, that could disrupt or make impossible to realize communication between the Agreement parties.

Valuable contribution within the framework of enforcement of recommendations and requirements for combating the legalization of the proceeds of criminal activity and terrorist financing constitutes also the activity of the Interdepartmental expert coordinating authority on combating criminality (hereinafter referred to as “MEKO”), which has the status of focal point for liaison with abroad. As the coordinating authority MEKO, on its own needs or on initiatives from Ministries and other public authorities, on requests and notifications from non-governmental and international authorities and organizations, establish the multidiscipline integrated groups of experts for the purpose of long-term monitoring and address the issues related to combating criminality.

One of these multidiscipline integrated groups of experts (hereinafter referred to as “MISO”) is group focused on combating the legalization of proceeds from criminal activity and terrorist financing (hereinafter referred to as “MISO LP”), which is chaired by the Head of FSJ. Members of the respective group are representatives of the National Bank of Slovakia, of the Ministry of Finance of the Slovak Republic, of the Financial Directorate of the Slovak Republic, of the General Prosecutor´s office of the Slovak Republic, of the Ministry of Justice of the Slovak Republic, of the Anti-Terrorism Unit of Police Force Presidium, of the National Anti-Drug Unit of the National Criminal Agency of Police Force Presidium, of the Bureau of Criminal Police of the Police Force Presidium and of the Slovak Information Service.

In 2014 2 ordinary MISO LP´s meetings took place. Both meetings were focused on addressing the National Risk Assessment (hereinafter referred to as “NRA”). The realization of NRA was determined by the forthcoming 5th assessment visits performed by Council of Europe´s Committee of Experts MONEYVAL. The realization of NRA is one of the obligatory conditions for performance of the 5th assessment of the country by the Council of Europe´s Committee Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism MONEYVAL. One of the basic attributes, which was addressed in connection with NRA, was in particular the manner of its funding.

Within the framework of the MISO LP´s meetings the tasks were discussed and subsequently allocated between the government departments with regards to the submission of 2nd post report within the 4th assessment visits performed by Council of Europe´s Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism MONEYVAL.

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