American University of Kosovo
Rochester Institute of Technology

Improved Strategies for Anti-Money Laundering in Kosovo
Capstone project report

Submitted as a Capstone Project Proposal in partial fulfillment of a Master of Science Degree in Professional Studies at the Center for Multidisciplinary Studies of the Rochester Institute of Technology

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<th>Description</th>
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<tr>
<td>ML</td>
<td>Money Laundering</td>
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<tr>
<td>AML</td>
<td>Anti Money Laundering</td>
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<tr>
<td>AMLRO</td>
<td>Anti Money Laundering Reporting Officer</td>
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<tr>
<td>TF</td>
<td>Terrorist financing</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>EC</td>
<td>European Council</td>
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<tr>
<td>EG</td>
<td>Egmont Group</td>
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<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
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<tr>
<td>IMoLIN</td>
<td>International Money Laundering Information Network</td>
</tr>
<tr>
<td>MONEYVAL</td>
<td>Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</td>
</tr>
<tr>
<td>NGO</td>
<td>A non-governmental organization</td>
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<tr>
<td>FIC</td>
<td>Financial Intelligence Centre</td>
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<tr>
<td>FIU</td>
<td>Financial Intelligence Unit</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>EULEX</td>
<td>European Union Rule of Law Mission</td>
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<tr>
<td>UNMIK</td>
<td>United Nations Interim Administration in Kosovo</td>
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<tr>
<td>MEF</td>
<td>Ministry of Economy and Finance</td>
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<tr>
<td>UNSCR</td>
<td>United Nations Security Council Resolution</td>
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<tr>
<td>SAR</td>
<td>Suspicious Activity Report</td>
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<td>CTR</td>
<td>Cash Transactions Report</td>
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<td>SOCA</td>
<td>Serious Organized Crime Agency</td>
</tr>
<tr>
<td>PEPs</td>
<td>Politically Exposed Persons</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic cooperation and Development</td>
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</table>
Acknowledgement

First, I would like to thank to my supervisor, Professor Brian Bowen for the valuable guidance and advice through numerous mentoring sessions. He inspired and motivated me greatly to work in this project.

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Without their helps, I would face many difficulties while doing this project.
Abstract

This capstone project report considers the problem of money laundering globally and in Kosovo specifically. Since 1999 in Kosovo there has been an increase of money laundering. To make sure that this problem was addressed in Kosovo the Financial Intelligence Centre (1) has been mandated to investigate and combat money laundering and the associated terrorism.

This project emphasizes the definition, phase, trends, methods phases and effects of money laundering. It also explains the role of the national and international organizations and initiatives in the fight against money laundering.

This project will help the Ministry of Finance and the development of the Financial Intelligence Centre to further combat money laundering in Kosovo by strengthening of relevant institutions and by promoting the furtherance of their discussions and organization consistent with international agencies. These agencies include the United Nations, the European Council, and the Financial Action Task Force. This capstone project also assesses different countries’ legislative responses for money laundering.

Recommendations are provided in more detail later on in this report. They are summarized here:

- Legislation is needed to criminalize money laundering according to international standards.
- An online reporting system for use by the Financial Intelligence Centre in Kosovo is required to enhance money laundering reporting and detection of suspicious activities.
- A committee at ministerial level should be established for the prevention of money laundering.
- Anti-Money Laundering training and guidelines should be established.
- A public awareness campaign related to money laundering must be promoted more rigorously.
CHAPTER 1

Global Money Laundering Issues

Money laundering (ML) is a global and enormous worldwide phenomenon therefore no country is immune. Estimates have to be treated with caution but the International Monetary Fund estimated over ten years ago that the aggregate size of ML was somewhere between 2-5% of the world GDP (between 800 million and 2 trillion US dollars in today’s terms)(0).

Table 1.1 Worldwide Problem Background

- Money laundering is a global phenomenon
- Money laundering is an act or attempted act to disguise the identity of illegally proceedings so that they appear to have come from legitimate and legal sources
- The World Bank and International Monetary Fund estimated money laundering at 2 – 5% of the world GDP
- Money laundering process include three stages: placement, layering and integration
- Money laundering effects: society, economy, reputation, politics.
- Methods of money laundering are: bank transactions, back to back loans, smurfing, casinos, drug smuggling, illegal arms smuggling etc.
- Financial Action Task Force (FATF) has a blacklist for non cooperative countries or territories in the fight against money laundering and terrorist financing.

1.1 Money laundering problem background

The term money laundering came from criminals that were gaining huge sums of money in cash through drug trafficking, prostitutions, smuggling, gambling and in this way they need to show a legitimate source for their dirty money.

Prevention of the money laundering has been for many years a key objective of most National, European and international communities. International institutions such as the World Bank and the IMF are giving a great deal of attention to issues of governance and institutions in developing and non developing countries. They are especially concerned with increases of ML and corruption.
1.2 Definition of money laundering

The term “Money Laundering” is derived from the habit of the gangster Al Capone funneling his ill-gotten gains through launderettes to construct the pretence of a legitimate income (van Duyne, 2003, p. 73).

There are different definitions regarding money laundering. Below are some of them:

1. “ML has been described as the process by which the proceeds of crime (dirty money) are put through a series of transactions which disguise their illicit origins, and make them appear to have come from a legitimate source - clean money (4).

2. Money laundering means the following conduct:
   a) The conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such an activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action,
   b) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or from an act of participation in such activity,
   c) The acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such activity,
   d) Participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions mentioned in the foregoing paragraphs (5).
3. A person commits the offence of money laundering if:
   a) the person acquires, possesses or uses property, knowing or having reason to believe that it is derived directly or indirectly from acts or omissions which constitute an offence against any law punishable by imprisonment for not less than 12 months;
   b) or renders assistance to another person for the conversion or transfer of property derived directly or indirectly from those acts or omissions, with the aim of concealing or disguising the illicit origin of that property, or of aiding any person involved in the commission of the offence to evade the legal consequences thereof; or concealing or disguising the true nature, origin, location, disposition, movement or ownership of the property derived directly or indirectly from those acts or omissions. (6)

4. Money laundering is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. (7)

5. Money laundering is the process by which the proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises. (8)
1.3 Money laundering process

Money laundering has three basic phases: placement, layering and integration.

**Placement:** The money launderer inserts dirty money into a legitimate financial institution. This is the riskiest stage of the laundering process as it involves large amounts of cash, which financial institutions are required to report to authorities.

**Layering:** This involves sending money through various financial transactions to change its form and make it difficult to follow. Layering may consist of several bank to bank transfers, wire transfers between accounts in different names, in different banks, in different countries, changing the money’s currency and purchasing high value items to change the form of money.

**Integration:** The money re-enters in the country’s economy in a legitimate looking form. This may involve a final bank transfer with the account of a local business in which a launderer is investing, selling the purchased high value items, selling and reselling the real estate property etc.

Table 1.2 Money laundering Process

ML is the act of making money that comes from Source A, look like it comes from Source B.
1.4 Methods of money laundering

Money launderers in order to make their illegal gains to appear legal they use different methods of money laundering such as: cash smuggling, casinos, other gambling venues, insurance policies and securities, bank transactions, fake companies and catering industry.

Table 1.3 Money laundering methods

<table>
<thead>
<tr>
<th>• Structuring deposits – SMURFING</th>
<th>• Real estate</th>
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</thead>
<tbody>
<tr>
<td>• Casinos</td>
<td>• The catering industry</td>
</tr>
<tr>
<td>• Anonymous companies</td>
<td>• Overseas banks</td>
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<td>• Bank transactions</td>
<td>• Shell companies</td>
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<tr>
<td>• Bonds</td>
<td>• Investing in legitimate businesses</td>
</tr>
<tr>
<td>• Cash smuggling</td>
<td>• Insurance market</td>
</tr>
<tr>
<td>• Trade market</td>
<td>• Acquisition of luxury goods, gold, diamond, and automobiles etc</td>
</tr>
<tr>
<td>• False documents</td>
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</tbody>
</table>

Structuring deposits – SMURFING

This means breaking up large amounts of money into smaller, less suspicious amounts below 10,000 Euros and in this way it helps to avoid the suspicious activity report and currency transaction reporting to Financial Intelligence Centre.

Casinos

Chips are bought with cash, then after a period of time during which gambling may or may not take place the chips are traded, or in the name of a third party. The money launderers can own a casino, a cash based business and claim that the large amounts of cash held are profits from their casino. This requires taxes to be paid but gives launderers a legal cover for their illegal activities.
Anonymous companies

Money launderers usually establish anonymous companies and through them they can get loans to do business and also claim tax relief on the loan repayments and charge themselves interest on the load. Through these companies launderers make show false import and export invoices.

Bank transactions

Money launderer can deposit amounts of cash into a bank account. These funds can then be transferred to a bank in a different country, ideally in one which has a lack of reporting system. These funds can be transferred again to any bank in the world and in this way launderers make their dirty money appear legal.

Bonds

Money launderers can invest their dirty money into financial assets such as bonds because bonds are generally low risk and the chances for losing money are very small and this can be converted back into cash very quick and easily.

Cash smuggling

This is a physical movement of bulk currency across borders in order to disguise its source and ownership. Criminals usually smuggles dirty cash into a country with lax (or nonexistent) money laundering laws.

Trade market

Money launderers mostly buy high values goods, property or business assets than they resale these goods or assets and the income from property or legitimate businesses appears clean.

False documents

Money launderers can launder their dirty money by sending of false export import invoices, false contracts. False loan repayments or forged invoices used as cover for money laundered. Through
false documents they can pretend a fictitious sales and purchases showing in the accounts the money that comes from illegal activities.

*Real estate*

Criminals can invest their illegal cash into property. This would normally require a real estate agent or a lawyer who is willing to overlook the fact that the launderer wants to pay cash for an expensive asset. This asset can then be sold with a lower price and fairly easily to show a legitimate source of cash.

*The catering industry*

The catering industry is often used by launderers as it is a highly cash intensive business. It often pays its employees in cash, and receives it receipts in cash and this provides a justification for the large cash deposits. It is a business where you can mostly paid in cash with no paper trail left behind, so it is easy to redirect dirty money as cash profits into such businesses making them extremely profitable.

*Overseas banks*

Money launderers often send money through various offshore accounts in countries that have bank secrecy laws and which allows anonymous banking. According to International Monetary Fund (IMF) major offshore centres include the Bahamas, Bahrain, the Cayman Island, Hong Kong, panama and Singapore.

*Shell companies*

These are fake companies that exist for no other reason than to launder money. They take in dirty money as payment for supposed goods or services but actually provide no goods or services; they simply create the appearance of legitimate transactions through fake invoices and balance sheets.
**Investing in legitimate businesses**

These are businesses that can combine dirty money with the company’s clean revenues and in this case the company reports higher income from its legitimate business than its really earning.

**Insurance market**

One way for the launderer to use the insurance market is to arrange insurance policies on assets, either real or phantom, through a dishonest or ignorant broker. Regular claims on this insurance can then be made to return the cash to the launderer. To reduce the risk of detection the launderer can ensure that the claims made are below the premiums paid so that the insurer makes a profit.

**Acquisition of luxury goods, gold, diamond, and automobiles etc**

These goods can either be kept for personal use or sold for export. Also according to the Financial Action Task Force, gold offers the advantage of having a high value of gold in a relatively compact form. Diamond and gold can be bought and sold for currency with little difficulty in most areas of the world.
1.5  Effects of Money laundering

The negative effects of money laundering are difficult to quantify, but it is clear that such activity damages the financial sector, reduces productivity and increase crime. There are a lot of effects of money laundering such as effects on society, economic development and politics.

Table 1.4 Money Laundering Effects

<table>
<thead>
<tr>
<th>Losses to the victim and gains to the perpetrator</th>
<th>Changes in imports and exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotate of consumption</td>
<td>Threatens privatization</td>
</tr>
<tr>
<td>Revenues of the public sector</td>
<td>Reputation of the financial sector</td>
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<td>Illegal business contaminates legal business</td>
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<td>Distortion of investment and savings</td>
<td>Corruption and bribery</td>
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<tr>
<td>Unfair competition</td>
<td>Increases crime</td>
</tr>
<tr>
<td>Artificial increase in prices</td>
<td>Increase in terrorism</td>
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</table>

*Losses to the victim and gains to the perpetrator*

Money laundering is associated with the payment of a predicate offence such as fraud, theft, drugs, tax evasion etc. Money laundering is often related to drugs trafficking. Drugs create problems for individuals but also for society such as reduced productivity, higher expenditures for health, expenses on police, judges and prison, damages from burglary and theft, there are also social costs due to lower education, environmental damages corruption and other dangers for civil society.

*Rotate of consumption*

Once the money is transferred from the victim to the offender, the latter will use the money in a different way than the former. The money laundering activity itself involves the purchase of
assets such as real estate, jewelry, art and other luxury products, since such assets give launderers the possibility to conceal large amounts of illicit money without arousing suspicion.

**Revenues of the public sector**

If criminals pay taxes in order to make their income from criminal activities appear legal it can be that the public sector also profits from money laundering, but if they gained the money through tax evasion the revenues of the public sector will decrease because ML also represents income that evade taxes.

**Illegal business contaminates legal business**

Cyrille Fijnault et al. (1998) identified the most vulnerable economic sectors for the infiltration of crime to be transport, harbors, the automobile sector, slot machines, hotel, restaurants, night clubs and industries that are controlled by organized crime in other countries; the construction industry, the waste disposal industry, the garment industry, the insurance sector, the wildlife sector and the smuggling of nuclear material. By trying to control the hotel, restaurant, nightclub and pub sector, criminal groups control not only this sector but use the infrastructure for other illegal activities such as selling drugs, laundering money and installing illegal slot machines. (9)

**Distortion of investment and savings**

The negative impact of money laundering on investment came mainly from the fact that in their investment, money launderers’ primarily interest is to escape control and detection rather than by investment return, and these investments generate very little economic activity and does not increase the employment rate. Money may move from countries with good economic policies and higher rates of return to countries with poorer economic policies and lower rates of return. Money laundering redirects income from high savers to low savers or from high quality to low quality investments. Money launderers will corrupt the investing environment as it makes potential fair investors lose their trust in the economic system, it creates a pushing environment for investments and this will badly affect the companies that have serious investments.
Unfair competition & Artificial increase in prices

The investment of money launderers from their illegal proceeds in an attempt to disguise their illegal origin might go to the artificial increase in prices. They are willing to pay for particular product more than their actual price simply because it gives them the possibility to launder their proceeds of crime.

Launderers engaged in wide purchases and due to their large availability of dirty money, they will be able to outbid potential and honest buyers. This will artificially lead to the increased of prices and make them unaffordable to honest buyers.

In some cases companies are able to offer products at prices below what it costs the manufacturer to produce them. This makes it difficult if not impossible for rightful business to compete against companies. Legitimate and legal small businesses cannot compete with money laundering front businesses that can afford to sell a product for cheaper because their primary purpose is to clean money not gain a profit; they have so much cash coming in that they might even sell a product or service below cost.

Money launderers reinvest their dirty funds where their schemes are less likely to be detected, rather than where rates of return are higher.

Changes in imports and exports

Money laundering activities can also bring about a distortion of a country’s imports and exports. As mentioned above, money launderers tend to engage in (often imported) luxury consumption. Such imports do not generate domestic economic activity or employment and can depress domestic prices, thus reducing the profitability of domestic enterprises. (10)

Threatens privatization

Money laundering can have extensive negative effects to privatization efforts. Launderers can make unfair competition because they can outbid honest bidders for enterprises because they have a huge amount of money gained from illegal activities.
Reputation of the financial sector
This phenomenon destroys a country’s financial system especially the financial institutions. Money laundering increases the probability that the financial institution itself will become corrupt or even controlled by criminals groups.

The integrity of the financial institutions might be destroyed because financial institutions that rely on the proceeds of crime have additional challenges managing their assets and liabilities. Large sums of laundered money may arrive at financial institutions but then disappear suddenly without notice and this can result in the liquidity problems for banks.

Confuses economic statistics
Money laundering activities might do some errors in macroeconomic statistics, which can subsequently give rise to errors in policy making. Firstly, money launderers base their investment choices not on the usual economics considerations but instead they are primarily motivated by other factors such as avoiding detection, low penalties, etc. As a result, policy makers could get confused and make erroneous judgments on the basis of these unusual capital movements. Secondly, money laundering can distort economic data due to the difficulty to measure the exact scope and implications of money laundering phenomenon.

Corruption and bribery
Money laundering promotes corruption and bribery not only in financial institutions but also in whole sectors of the economy. Once launderers have infiltrated a particular economy, they will further invest or bribe public officials in order to gain control of large sectors of the economy. Through dirty money they will tend to corrupt also the government officials.

Increases crime
This phenomenon also facilitates crime because it provides criminal groups with apparently legitimate funds, which they can use to subsidize, spread and expand themselves. The success of laundering dirty money encourages criminals to continue their illicit schemes because they get to spend the profit without worrying. This means more drugs on the street, more crimes, more frauds, loss of morale on the part of legitimate business people who do not break the law and do
not make nearly the profits that the criminals do. The money laundering success provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials and so on.

*Increase in terrorism*

Money laundering can contribute to an increase in terrorism. Laundered money can be used to fund terrorist activities. A typical example is the financing of terrorism with the proceeds from the production and marketing of narcotics. However, it should be made clear that very often terrorism is financed not only with illegally derived funds but also with clean money, which was never connected to a criminal activity. These clean funds are provided by supporters, friendly governments and also unsuspecting benefactors.
CHAPTER 2

Anti Money Laundering Organizations and Initiatives

Money laundering has become a growth industry, involving a large number of non-governmental, multilateral, intergovernmental and supranational organizations. Financial Action Task Force (FATF), the OECD, EU members’ finance and justice ministers, several departments in the United Nations, the World Bank, and the International Monetary Fund (IMF) are all involved in regulatory efforts designed to assess and reduce money laundering.

Table 2.1 Anti Money Laundering International Organization

<table>
<thead>
<tr>
<th>International Financial Action Task Force</th>
<th>MONEYVAL</th>
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<tbody>
<tr>
<td>International Monetary Fund</td>
<td>EUROPOL</td>
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<tr>
<td>World Bank</td>
<td>INTERPOL</td>
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<td>European Union/European Council</td>
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<td>Egmont Group of Financial Intelligence Units</td>
<td>International Money Laundering Information Network</td>
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<td>United Nations Office on Drugs and Crime</td>
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</tbody>
</table>

2.1 The International Financial Action Task Force (FATF)

The Financial Action Task Force is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.

The Financial Action Task Force on money laundering was established by the G-7 Summit that was held in Paris in 1989. Recognizing the threat posed to the banking system and to financial institutions, the G-7 Heads of State or Government and President of the European Commission
convened the Task Force from the G-7 member States, the European Commission and eight other countries. (11)

The FATF monitors members’ progress in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. (12)

In April 1990, the FATF issued a report containing a set of forty recommendations, which provide a comprehensive plan of action needed to fight against money laundering. The forty Recommendations have been updated and amended regularly.

The FATF currently comprises 34 member jurisdictions and 2 regional organizations, representing most major financial centers in all parts of the globe.

Table 2.2 Members of the FATF (2010)

| 1. Argentina | 1. Finland | 10. Italy | 19. Russian Federation |
| 8. Denmark | 8. India | 17. Portugal | 26. United Kingdom |
2.2 International Monetary Fund (IMF)

The International Monetary Fund is a forum for sharing information, developing common approaches to issues, and promoting desirable policies and standards, which are critical in the fight against money laundering and the financing of terrorism.

The IMF plays an important role in efforts to combat money laundering and the financing of terrorism. The IMF is especially concerned about the possible consequences of money laundering and the financing of terrorism on its members' economies and financial systems. These include risks to the reliability and stability of financial institutions and financial systems, increased stability of international capital flows and stability of foreign direct investment. The three main areas of the IMF's work in connection with anti-money laundering and combating the financing of terrorism are assessments, technical assistance and policy development.

2.3 World Bank

The World Bank identifies gaps in financial system regulation and supervision. It provides technical assistance, capacity building and training, support in the drafting of legislation and regulation to prevent money laundering and other financial abuses. It also helps in the creation of financial intelligence units and training FIUs and FICs staff.

Among the goals of this effort are: protecting the integrity and stability of the international financial system, cutting off the resources available to terrorists, and making it more difficult for those engaged in crime to profit from their criminal activities.

The World Bank is engaged in a close collaboration with the FATF to ensure that all areas of money laundering and terrorist financing are addressed.
2.4 European Union/European Council

The European Council is determined to develop the Union as an area of freedom, security and justice by making full use of the possibilities offered by the Treaty of Amsterdam. The European Council sends a strong political message to reaffirm the importance of this objective and has agreed on a number of policy orientations and priorities which will speedily make this area a reality. (13)

The European Council adopted the EU Third Money Laundering Directive 2005/60/EC (“Third ML Directive”) in October 2005. The main objective that the Third Directive set out to achieve is to regulatory regime applicable to tackling money laundering and terrorist financing with the FATF Recommendations.

The European Council is determined to ensure that concrete steps are taken to trace, freeze, seize and confiscate the proceeds of crime. The European Council calls for the Council and the European Parliament to adopt as soon as possible the draft revised directive on money laundering recently proposed by the Commission.

2.5 Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism MONEYVAL

The Council of Europe established the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) in 1997. MONEYVAL is a mutual on-site evaluation and peer pressure mechanism that reviews anti-money laundering and anti-terrorist financing measures in Council of Europe Member States that are not members of the FATF. It makes recommendations to evaluated countries, with a view to improving the efficiency of their anti-money laundering and countering terrorist financing measures and to furthering international cooperation.
2.6 Egmont Group of Financial Intelligence Units

The Egmont Group (EG) is an international network designed to improve interaction among FIUs/FICs in the areas of communications, information sharing, and training coordination.

The goal of the EG is to provide a forum for FIUs around the world to improve cooperation in the fight against money laundering and financing of terrorism and to foster the implementation of domestic programs in this field. This support includes:

- Expanding and systematizing international cooperation in the reciprocal exchange of information
- Increasing the effectiveness of FIUs by offering training and promoting personnel exchanges to improve the expertise and capabilities of personnel employed by FIUs
- Fostering better and secure communication among FIUs through the application of technology
- Fostering increased among the operational divisions of member FIUs
- Promoting the operational autonomy of FIUs and
- Promoting the establishment of FIUs in conjunction with jurisdictions with an AML/CFT program in place, or in areas with a program in the early stages of development. (14)

Table 2.3 Structure and Organization of the Egmont Group
Heads of FIUs: These are the Egmont Group’s governing body with each FIU represented by its Head or designate. They make decisions on or endorse any development that affects the Group’s membership, structure, budget and principles. They reach decisions by consensus and the meetings are held only once a year during the Egmont Group Plenary.

Egmont Committee: The Egmont Committee serves as the consultation and coordination mechanism for the Heads of FIUs and the Working Groups. The Egmont Committee is composed of permanent and regional members, from which a Chair and Vice-Chairs are selected. Its primary functions include assisting the Egmont Group in a range of activities, from internal coordination and administrative consultation. It also oversees the work of the Egmont Group Secretariat.

Working Groups: In order to accomplish its mission of development, cooperation, and sharing of expertise, the Egmont Group has established Working Groups. The Egmont Committee is composed of permanent and regional members, from which a Chair and Vice-Chairs are selected. Each Working Group determines its internal organization, operating procedures, and selects its Chair and Vice-Chair(s). The Working Groups meet periodically and report to the Heads of FIUs about their activities. Currently there are five Egmont Working Groups: Legal, Training, Outreach, Operational and IT.

Reference Groups: Reference Groups were established to support the administrative work of the Egmont Committee and to service the needs of Heads of FIUs, and the Egmont Group as an organization, more effectively. The Reference Groups are not decision-making bodies; however they can proactively identify issues to be referred to the Working Groups for more detailed consideration from time to time. Reference Groups are endorsed to support the six main streams of the Egmont Committee’s work: Legal, Planning and Development, Finance, Communications, Information Management, and External Relations.

Egmont Group Secretariat: The Egmont Group Secretariat provides administrative and other support to the overall activities of the Heads of FIU, the Egmont Committee and Working Groups, as directed by the Heads of FIU, the Egmont Committee and the Working Group Chairs.

(www.egmontgroup.com)
2.7 EUROPOL

Europol is a law-enforcement organization of the European Union and deals with criminal intelligence. The goal of Europol is to improve effectiveness and co-operation of the competent authorities of the Member States in prevention of serious international organized crime.

In addition to money laundering, Europol supports the law-enforcement of the Member States in the fields of crime, drugs trafficking, illegal immigration networks, terrorism, illicit vehicle trafficking, illicit trafficking in human beings, counterfeiting of money and other means of payment.

2.8 FIU.NET

FIU.NET is a secured decentralized computer network between the Financial Intelligence Units within the EU for the exchange of subject data. FIU.NET encourages cooperation and enables FIUs to exchange intelligence quickly, securely and effectively. The main purpose of this cooperation is to further the fight against money laundering and terrorist financing. The purpose of the FIU.NET Project between the FIUs operating in the European Union is to improve the cooperation between the FIUs in different Member States by connecting the authorities to a data network operating as automatically and data safely as possible.

In 2000 France, Italy, Luxembourg, Netherlands, and United Kingdom started to develop a demonstration model that became operational in 2002. At that time Belgium and Spain were also connected to FIU.NET

In 2010, 24 FIUs in the European Union are connected to one another via FIU.NET and two are in the process of getting connected. One FIU is still anticipating a definite decision. (15)
2.9 United Nations Office on Drugs and Crime – UNODC

The Law Enforcement, Organized Crime and Anti-Money-Laundering Unit of UNODC is responsible for carrying out the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, which was established in 1997 in response to the mandate given to UNODC through the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988.

The broad objective of the Global Programme is to strengthen the ability of Member States to implement measures against money laundering and the financing of terrorism and to assist them in detecting, seizing and confiscating illicit proceeds, as required pursuant to United Nations instruments and other globally accepted standards, by providing relevant and appropriate technical assistance upon request. (16)

The United Nations Conventions against money laundering and other crimes are:
- The 1988 United Nations Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances
- the UN Convention against Transnational Organized Crime and the
- UN Convention against Corruption

2.10 International Money Laundering Information Network (IMoLIN)

International Money Laundering Information Network is an Internet-based network assisting governments, organizations and individuals in the fight against money laundering and the financing of terrorism. IMoLIN has been developed with the cooperation of the world's leading anti money laundering organizations

The IMoLIN is a one-stop AML/CFT research resource was established in 1998 by the United Nations on behalf of a partnership of international organizations involved in anti money laundering. The Global Programme against money laundering, proceeds of crime and the
financing of terrorism of the UNODC now administers and maintains IMoLIN on behalf of the following 11 partner organizations: the Asia Pacific Group on Money Laundering, the Caribbean Financial Action Task Force, the Commonwealth Secretariat, the Council of Europe - MONEYVAL, the Eastern and Southern Africa Anti-Money Laundering Group, the Euro Asian Group, the Financial Action Task Force, the Financial Action Task Force on Money Laundering in South America, the Inter-Governmental Action Group Against Money Laundering and Terrorist Financing in West Africa, Interpol, and the Organization of American States. (17)

2.11 Other EU measures in Anti - Money Laundering include:

- Council Decision 2000/642/EC of 17 October 2000 concerning arrangements for cooperation between financial intelligence units (FIUs)
- First (1991) and second (2001) E.U. Directive on money laundering and
- Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering;
- Regulation (EC) No 1889/2005 on controls of cash entering or leaving the EU;
- Regulation (EC) No 1781/2006 on information on the payer accompanying transfers of funds
- Directive 2007/54/EC on payment services in the internal market.(18)
- The Warsaw Convention on ML/TF – it is the first comprehensive international treaty covering both the prevention and control of ML (16 May 2005)
- The Vienna Convention - United Nations convention against illicit traffic in narcotic drugs and psychotropic substances adopted on 19 December 1988 in Vienna
- UN Security Council Resolution 1617 that strongly urges all Member States to implement the comprehensive, international standards embodied in the FATF Forty Recommendations on ML and FATF Special Recommendations on TF etc.
- Basel Committee
- The Wolfsberg Group and Wolfsberg Principles
CHAPTER 3  

Money Laundering in Kosovo 2000 – 2010

A cash-based economy makes Kosovo vulnerable to money laundering activities and terrorist financing. After the war in 1999 there was a investment in Kosovo, a lot of people became rich and on 6th of February 2004 the United Nations Mission in Kosovo (UNMIK) promulgated UNMIK regulation No.2004/2 whose main focus is deterrence of money laundering and related criminal offences. Based on regulation mention above the Financial Intelligence Centre ensures compliance, and cooperate with its international counterparts and law enforcement agencies in tracing illicit money outside and inside of Kosovo.

Table 3.1 Kosovo Problem Background

- A cash-based economy makes Kosovo vulnerable to money laundering activities and terrorist financing
- The Financial Intelligence centre has been mandated to combat money laundering and terrorist financing in Kosovo based on UNMIK Regulation 2004/02
- In June 2010 started the beginning of a process of transferring the executive functions of the Financial Intelligence Centre from EULEX over to the Kosovo Institutions.
- Commission of the European Communities’ progress reports shows a lack of the progress on fighting the money laundering in Kosovo
- Government of Kosovo is in the process of implementing new laws to address money laundering
- There are several bodies that are working on the fight against money laundering such as: Ministry of Economy and Finance, Ministry of Internal Affairs, Financial Intelligence Centre, Central Bank of Kosovo, Financial Intelligence Unit within EULEX, and Department against economic crimes within Kosovo Police.
3.1 The Kosovo Problem Background and Kosovo (under United Nations Security Council Resolution - UNSCR 1244) Progress Reports

Commission of the European Communities published several progress reports about the Kosovo during the previous years. In regards to money laundering they are summarized here:

Table 3.2 United Nation Progress report

<table>
<thead>
<tr>
<th>Field</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembly of Kosovo</td>
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<tr>
<td>Government of Kosovo</td>
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<tr>
<td>Courts</td>
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<tr>
<td>Anti-corruption policies</td>
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<tr>
<td>Visa, management of borders and migration</td>
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</tr>
<tr>
<td>Money Laundering</td>
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<tr>
<td>Drugs</td>
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<tr>
<td>Police</td>
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<tr>
<td>Combating organized crime and terrorism</td>
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<tr>
<td>Protection of personal data</td>
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<tr>
<td>Customs</td>
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<tr>
<td>Taxes</td>
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<tr>
<td>Public Procurement</td>
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</tbody>
</table>

(Source: Instituti për Studime të Avancuara GAP, Raporti i Progresit 2009 sfidat, 6 Nëntor 2009)

- **Kosovo (under UNSCR 1244) 2005 Progress Report 9 November 2005** stated profits made by Kosovar organized crime groups are invested and laundered in Kosovo through legitimate businesses that often belong to the heads of the biggest drug trafficking groups. Such Kosovo-based groups have also been known to make investments abroad, and there are reports of assets being held across Europe.
• **Kosovo (under UNSCR 1244) 2006 Progress Report 08 November 2006** stated financial capital movements into and out of Kosovo remain unregulated. In the northern Kosovo Serb municipalities and a few other Serbian enclaves, payments are still made mostly in Serbian dinars rather than in Euro. This poses an obstacle to free movement of capital and payments within Kosovo, undermines the authority of the Central Bank of Kosovo in those areas.

• **Kosovo (under UNSCR 1244) 2007 Progress Report 6 November 2007** stated in the fourth quarter of 2006, it closed 30 cases and opened 32 new cases of alleged violations of the anti-money laundering legislation. In the first quarter of 2007, 17 cases were closed and 45 new cases were opened. However, no sentences have been handed down by the courts for money laundering. The administrative capacity of the KPS department for organized crime for dealing with money laundering is still weak. The wide range of actors dealing with money laundering and the lack of a clear distribution of competencies are hindering investigations and prosecution of money laundering offences. Communication between the KPS economic crimes and corruption investigation section and the regional units dealing with financial crime is poor and there is no common database. There are no appropriate facilities for the storage of evidence. There is a lack of specialized prosecutors to deal with money laundering and economic crimes. There is no specialized prosecutor for money laundering issues and no appropriate storage for seized evidence.

• **Kosovo (under UNSCR 1244) 2008 Progress Report 5.11.2008** stated no progress took place concerning legislation on money laundering. Overall, the basic institutions that are in charge of money laundering co-operate with each other. The government launched an action plan on the fight against money laundering. However, the lack of expertise of the judiciary and law enforcement in investigating and judging complex economic crime remains problematic. The Kosovo Special Prosecution Office still lacks local and specialized prosecutors. The fight against money laundering remains a challenge. Overall, progress in combating money laundering has been insufficient. Money laundering continues to be a very serious problem.
Kosovo (under UNSCR 1244) 2009 Progress Report 14 October 2009 stated Kosovo took only few steps to address money laundering phenomenon effectively. The Law on Management of Sequestered and Confiscated Criminal Assets was adopted in July. However, the legislative framework needs to be strengthened in order to ensure that money laundering is defined as a crime, that the future Kosovo financial intelligence unit is independent from undue political and other influence, and that the relevant legal acts are line with EU standards. Oversight of the private sector and particularly the real estate sector needs to be urgently addressed. Cooperation between the Centre and the tax authority remains insufficient. Reporting by non-banking institutions to the Centre continues to be inadequate. The capacity of judicial and law enforcement authorities to deal with money laundering has not progressed. Overall, money laundering remains an issue of serious concern. Kosovo lacks adequate legislative provisions and operational structures to cope with this phenomenon.
3.2 The Kosovo’s Government response to Money Laundering

In Kosovo “money laundering” is dealt with pursuant to the UNMIK regulation 2004/2 on the deterrence of money laundering and related a criminal offence which was proclaimed in 5 February 2004.

The regulation mention above criminalizes money laundering as such, it does make it a criminal offence to deal with money or property that is the proceeds of crime or when there is a risk that the money or property will become an instrument of crime.

The regulation no. 2004/2 is not the only piece of Kosovo’s legislation designed to respond to the problem of money laundering. There also exist the regulation no.2001/22 on measures against organized crime, regulation no. 2001/12 on the prohibition of terrorism and related offences and some other directives.

Given the spread of legislation in Kosovo there are a numerous of enforcement agencies involved in the detection and prosecution of money laundering offences such as Financial Intelligence Centre, Ministry of Economy and Finance, Financial Investigation Unit, Kosovo Police – Department against economic crimes, Kosovo’s Customs Service and also the other institutions associated with prosecutorial office.

Kosovo is in the process of drafting and implementing new laws to address money laundering and financial crimes, as well as developing the necessary framework to execute this legislation. There is a shortage of resources, both monetary and human, to review and draft required legislation needed for the short-term and long-term.
3.3 UNMIK Regulation no. 2004/2 on the deterrence of money laundering and related criminal offences


The Regulation, which became effective on March 1, 2004, establishes the Financial Intelligence Centre and defines the crime of money laundering, penalties, and reporting requirements. Predicate offenses are those that are punishable by a year or more of imprisonment under the applicable law in Kosovo or under the law of the jurisdiction in which the criminal offense was committed. The Regulation provides for civil and criminal forfeiture of the proceeds that resulted from or facilitated the money laundering or predicate offense. Regulation 2004/2 was amended in March 2005 by Regulation 2005/9.

According to this regulation banks and financial institutions, NGOs, political parties and registered candidates, attorneys, certified accountants, licensed auditors, business organizations, immovable property transactions are obligated to report suspicious of money laundering or who knows or who has a reasonable ground to suspect that the assets is implicated in a transaction that originate from crime. After receiving the suspicious activity reports (SARs) the Financial Intelligence Centre analyzes the reports and then proceeds to the Kosovo’s Police for further investigation.

Also the UNMIK Regulation no. 2004/2 mentions cooperation and coordination between the national and international authorities in charge of combating money laundering and controlling the movement of monetary instruments into and out of Kosovo in coordination with Customs.
3.4 Ministry of economy and Finance

The vision of the Ministry of Economy and Finance is to improve the standard of living for all the citizens that live in the Republic of Kosovo through providing a sound and stable environment for investments and sustainable financial and economic growth in the country. The mission of the Ministry of Economy and Finance is to ensure fair, transparent, and overall financial management of public funds. It also has the key role in determining and implementing fiscal and economic policies of the Government of the Republic of Kosovo. (19)

In the presence of the Prime Minister Hashim Thaci, Head of EULEX Mission, Yves de Kermabon and Minister of Economy and Finance, Ahmet Shala, signed a Memorandum of Understanding which marks the beginning of a process of transferring the executive functions of the Financial Intelligence Center from EULEX over to the Kosovo institutions.

“The beginning of this process is a good sign of what the main principle is for EULEX, Local ownership and accountability” said Head of Mission. The Prime Minister thanked Head of Mission and his staff and Minister Shala for having worked hard on realizing the initiation of this process.

The legal basis for the FIC is UNMIK regulation 2004/2. This regulation is to be replaced by a new law which is in process and once the Assembly of Kosovo approves it.
3.5 **Financial intelligence centre (FIC)**

The Financial Intelligence Centre has been mandated to combat money laundering and terrorism financing in Kosovo. The FIC has been established pursuant to the provisions of UNMIK Regulation No. 2004/2 as amended, “On the deterrence of money laundering and related criminal offences” promulgated on February 6th, 2004.

The establishment of the Financial Intelligence Centre is directed at enhancing law enforcement capacities, particularly in information gathering and analysis, aimed at deterring money laundering, terrorist financing and related criminal offences through greater transparency in financial transactions.

The Financial Intelligence Centre will receive and analyze the required reports, ensure compliance, and cooperate with its international counterparts and law enforcement agencies in tracing illicit money outside and inside of Kosovo. (http://www.unmikonline.org/fic/index.htm)

Under the UNMIK regulation No. 2004/2, non-governmental organizations, lawyers, accountants, political parties and "other business organizations" will have to report suspicious transactions to the FIC.

**Table 3.3 Reporting entities to Financial Intelligence Centre**

<table>
<thead>
<tr>
<th>Reporting Institutions</th>
<th>FIC</th>
<th>Investigation</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td></td>
<td>Registration</td>
<td>Police district</td>
</tr>
<tr>
<td>Money Transfers</td>
<td></td>
<td>Statistics</td>
<td>Prison Sentences</td>
</tr>
<tr>
<td>Lawyers</td>
<td></td>
<td>Analyses</td>
<td>Fines</td>
</tr>
<tr>
<td>Auditors</td>
<td></td>
<td>Coordination</td>
<td>Confiscation</td>
</tr>
<tr>
<td>Business Companies</td>
<td></td>
<td>Investigation</td>
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<tr>
<td>NGOs</td>
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<tr>
<td>Political Parties</td>
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<tr>
<td>Customs - Movement of</td>
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<td></td>
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<tr>
<td>monetary instruments</td>
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<tr>
<td>into and out of Kosovo</td>
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</tbody>
</table>
Reporting suspicious transaction is not considered to be the same as reporting an offence to the police, but rather as reporting general information about a possible crime. The decision whether to proceed with further investigation to Kosovo’s Police is therefore taken by FIC’s financial analysts.

Suspicious transaction reports are always handled by FIC in cooperation the Kosovo Police whereas the Kosovo Special Prosecutor's Office handle the reports of transaction received from Kosovo Police.

### 3.6 Financial Intelligence Unit

Since 2003, a Financial Intelligence Unit (FIU) staffed by Italian Guardia di Finanza officers conducted financial inspections of public bodies and enterprises, as well as other organizations funded by the Kosovo Consolidated Budget. The FIU also has the authority to conduct criminal investigations. (20)

The Financial Investigation Unit shall be the specialized unit responsible for investigating the activities of entities funded from the Kosovo Consolidated Budget which may be involved in financial crime or crime involving corruption in Kosovo. Officers of the Financial Investigation Unit shall have the powers and responsibilities that law enforcement authorities have under the applicable law. (21)

### 3.7 Kosovo Police Station – Department against economic crimes

The functions of the Kosovo Police in the prevention of financial crimes, corruption and money laundering are based mainly on the Provisional Criminal Code of Kosovo, the Provisional Criminal Procedure Code of Kosovo, Regulation 2004/02 concerning Deterrence of Money Laundering and Related Criminal Offences and on other relevant legal instruments. The KPS Policy Procedures Manual provides guidance on how they should perform their duties. The Ministry of Internal Affairs is drafting the Kosovo Police Law, which will be a comprehensive legal instrument.
CHAPTER 4

Feedback from questionnaires and interviews from stakeholders in Kosovo

Since year 2004, even thought that the FIC was established, the Republic of Kosovo has been faced with major problems on dealing with money laundering as result of poor cooperation between relevant authorities and lack of anti-money laundering experts, lack of human and financial resources on fight against money laundering and lack of anti-money laundering strategy.

The results received from questionnaires and meetings with selected stakeholders and officials from the public institutions and people from private sector when considered separately appear to be positive in terms of combating money laundering. However when the results are analyzed more carefully you can find a lot of gaps. This might be because anti-money laundering system it is not appropriate yet.

From the banks responses 5 out of 9, the respondents stated that they have an effective system for transactions monitoring, but how banks are assessing the effectiveness of the transactions could raise the questions. In each bank there is one or maximum two officials working on AML Department (compliance department). In order to be effective the transactions monitoring system should have more people engaged and these people should be supported with continues anti-money laundering training.

On question regarding the anti-money laundering training “who is conducting anti-money laundering training for bank’s staff”, 3 bank respondents stated that they have internal team, one bank stated external team and one bank stated that they use different training including both internal and external team and also the training from anti-money laundering software company. The numbers of training differ from bank to bank from 1 workshop training up to 2 workshop training per year which in fact is really small.
Regarding the Politically Exposed Persons which possess a lot of risk on money laundering and financial crime all respondeds refuse to answer the question whether they have any procedures to identify and monitor Politically Exposed Persons (PEPs), this might be a problem from the lack of the list of PEPs, which supposed to be done by Government of Kosovo in cooperation with the Financial Intellige Centre. PEP is a current or former senior official of government, a major political party, certain corporate leaders, and immediate family members, including spouses, parents, siblings, and children.

Relationships with PEPs may represent increased risks due to the possibility that they may misuse their power and influence for personal gain or advantage of family and close associates. In addition, they may also seek to use their power and influence to gain representation and access or control of legal entities for similar purposes.

Consistent with the information got from the conversations with respondents from banks they indicated that anti-money laundering will generally needs more national and international effort to combat it and the demands for combating money laundering will be higher next years, none of the respondents stated that the demands will be lower.
On question about the methods to identify potential money laundering most of the respondends stated that they rely on staff awareness in reporting suspicious transaction but also they rely on compliance department by reviewing the transactions and/or sophisticated internal system/other.

Table 4.2 Methods used to identify potential money laundering through banks

![Table showing distribution of methods used by banks]

According to the conversation with respondends the biggest challenges on anti-money laundering are lack of public awareness on money laundering, lack of guidance against money laundering, lack of guidance on money laundering indicators, lack of awareness about financial intelligence centre etc.

From the conversation with ordinary people in Pristina, more than 35 people were interviewed about money laundering. Majority of interviewed people did not have any idea of the risk that might come from money laundering, while some of the respondends knew it about money laundering but did not have any idea where to report, some stated that they should report to the Police but did not know anything about FIC.
Table 4.3 Do you have any idea of the risk from Money Laundering?

<table>
<thead>
<tr>
<th>Public responses</th>
<th>&gt; 35 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO</td>
<td>71%</td>
</tr>
<tr>
<td>YES</td>
<td>29%</td>
</tr>
</tbody>
</table>

Based on the UNMIK Regulation 02/2004 on anti-money laundering, insurance companies are not required to: verify the identity of customers on opening an account, keep transaction records and report any significant cash transactions or suspicious transactions to the Financial Intelligence Centre. None of the insurance companies responded on question regarding money laundering and did not reply on the question if they have anti-money laundering reporting officer (AMLRO) which usually the insurance companies on other countries have.

Regarding the casinos according to the UNMIK Regulation 02/2004 they also are not required to report to any significant cash transactions or suspicious transactions to the Financial Intelligence Centre. An owner of the casino in Pristina stated that they do not have any idea where to report the suspicious of money laundering while on question if they have ever assume money laundering on his casino or someone tried to launder his dirty money he stated that he does not know.

The interviewed lawyers was aware about the UNMIK Regulation 02/2004 but some of lawyers appear to be unsure as to when they are obliged to report suspicious activity concerning their
clients to FIC. One of the reasons of why the lawyers are unsure about the obligation to FIC they stated that they did not have any training or conferences for lawyers on anti money laundering subject.

Regarding the number of productive reports bank experts on money laundering stated that less than 10 percent usually are productive. This confirms that alerts always need well-trained anti-money laundering professionals to supplement information with their experience and knowledge.

The survey results and conversations with bank respondents suggest that the work required to address anti-money laundering compliance concerns is well under way but regulators should continue in improving the effort to prevent money laundering. Financial Intelligence Centre and other responsible institutions still have to do before it can declare an anti-money laundering victory.

According to the questionnaire, relevant authorities expressed the view that the legal framework concerning international cooperation on prevention of financial crimes, corruption and money laundering is not appropriate because it does not have an appropriate mechanism to exchange information.

Based on the questionnaires, interviews and meetings we can summarize that just a few institutions report to FIC therefore the number of suspicious activity reports and cash transactions report is very low.
CHAPTER 5

Feedback from Stakeholder

Kosovo’s economy, especially the private sector is cash based therefore the proceeds from criminal activities are more easily laundered through black market, smuggled goods such as tobacco, jewelry, cafes, alcohol or mobile phones. For the purposes of analyzing the feedback on anti-money laundering, analyses have been divided to international and national positive and negative findings.

5.1 International positive findings

Table 5.1 Summary of the international positive findings

- Kosovo it is not part of the FATF black list or list of non-cooperative countries
- Kosovo it is not part of Organization for Economic cooperation and Development (OECD) list of uncooperative Tax Havens
- Kosovo in not part of the International Monetary fund list of Offshore Finance Center
- Kosovo it is not in the Secretary of Treasury list of jurisdictions of Primary Money Laundering concern

Republic of Kosovo it is not part of the FATF black list or list of non-cooperative countries. The FATF Blacklist is the common shorthand description for the Financial Action Task Force list of “Non-Cooperative Countries or Territories” that is countries which it perceives to be non-cooperative in the global fight against money laundering and terrorist financing. (Wikipedia)

The blacklist that was drawn up and published in June 2000 by the Financial Action Task Force and it includes the following countries: Bahamas, Cayman Islands, Cook Islands, Dominica, Israel, Lebanon, Liechtenstein, Marshall Islands, Nauru, Niue, Panama, Philippines, Russian Federation, Saint Kitts and Nevis, Saint Vincent and the Grenadines. The last updated FATF’s blacklist for posing 'a risk to the international financial system: Angola, Ecuador, Ethiopia, Iran, Pakistan, North Korea, Turkmenistan, Sao Tome and Principe. (22)
Republic of Kosovo it is not part of Organization for Economic cooperation and Development (OECD) list of uncooperative Tax Havens. A tax haven is a country or territory where taxes are low or even non-existent which allows individuals and corporations, from other parts of the world, to exploit the possibility of tax avoidance or even tax evasion. (23)

Criminals usually seek out for areas like offshore tax havens where is a low risk of detection due to the lack or ineffective legislation. In OECD’s list of uncooperative tax havens are Andorra, The Principality of Liechtenstein, Liberia, The Principality of Monaco, and Republic of the Marshall Islands, Republic of Nauru and The Republic of Vanuatu.

Tax havens do not normally tax interest on the bank accounts of non-residents leaving to them to decide whether or not to declare it to tax authorities. As many tax havens refuse to exchange tax information with foreign tax authorities, this might encourages individuals from overseas to deposit much of their capital there and make this attractive for money launderers.

Republic of Kosovo it is not part of the International Monetary fund list of Offshore Finance Center. Offshore finance is the provision of financial services by banks and other agents to non-residents. These services include the borrowing of money from non-residents and lending to non-residents. This can take the form of lending to corporate and other financial institutions, funded by liabilities to offices of the lending bank elsewhere, or to market participants They can also be used for dubious purposes, such as tax evasion and money-laundering, by taking advantage of a higher potential for less transparent operating environments, including a higher level of anonymity, to escape the notice of the law enforcement agencies in the "home" country of the beneficial owner of the funds. (24)

Republic of Kosovo, also it is not in the Secretary of Treasury list of jurisdictions of Primary Money Laundering concern. The "Jurisdictions of Primary Concern" are those jurisdictions that are identified pursuant to the International Narcotics Control Strategy Report reporting requirements as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." (25)
5.2 National positive findings

Table 5.2 Summary of the national positive findings

- Financial Intelligence Centre was established to in order to investigate and combat money laundering and terrorist financing
- Kosovo partly criminalized money laundering through UNMIK Regulation 2004/2
- Financial Intelligence Centre (FIC) is responsible for recording large transactions
- FIC Maintain Records Over Time
- Obligators are responsible for record keeping
- Financial Institutions, Lawyers, NGOs, Political Parties are require to Report Suspicious Transactions and Cash Transactions Report to Financial Intelligence Centre

In fight against money laundering the Financial Intelligence Centre in Kosovo has been established on February 5, 2005 when UNMIK issued Regulation 2004/2 “On the Deterrence of Money Laundering and Related Offenses.”

The Regulation mention above defines the crime of money laundering, penalties, and reporting requirements and offence is punishable by a term of imprisonment of up to ten years and a fine of up to three times the value of the property which is the subject of the criminal offence.

The obligator such as banks and financial institutions, NGOs, political parties, business organizations, customs service are require to report suspicious activity to the Financial Intelligence Centre, to keep records for their client, to train their staff etc.

The beginning of a transition process of transferring the executive functions of the Financial Intelligence Center from EULEX over to the Kosovo institutions was signed.
5.3 International negative findings

Table 5.3 Summary of the international negative findings

- Kosovo’s Financial Intelligence Centre it is not part of Egmont Group - Financial Intelligence Units
- Kosovo’s institutions cooperation with International law enforcement is still weak
- Compliance with FATF 40 + 9 recommendations is partly fulfilled
- The 3rd Money Laundering Directive it is still not part of the Kosovo’s legislation
- FIC has sign a few Memorandum of Understanding with international authorities

Even though that the Financial Intelligence Centre has been established, the Government of Kosovo has a lot of work to do in order to be part of international institutions. The Financial Intelligence Centre it is not part of the Egmont Group. There are a lot of negative effects from not being part of the Egmont Group such as the lack of international cooperation, lack of exchange experience, lack of training etc.

The Financial Intelligence Centre in international area in fight against money laundering sign memorandum of understanding only with similar institutions in Albania, the Former Yugoslav Republic of Macedonia and Montenegro which posses a regress on anti-money laundering strategy.

The FATF 40+9 recommendations and the 3rd Money Laundering Directive is partly fulfilled because with UNMIK Regulation 2004/2 does not include the reporting from casinos and gambling houses, real estate agencies, insurance companies, does not mention PEPs etc.

This class of financial intermediaries such as casinos and gambling houses which FATF calls eligible introducers is often left out of the scope of preventive laws.
5.4 National negative findings

Table 5.4 Summary of the national negative findings

- No Anti – Money Laundering Law
- No law on confiscation of proceeds of crime or property used to finance criminal acts
- The link between intelligence and investigations remains weak as there is a lack of coordination between the prosecutors and the police
- Lack of Public awareness on money laundering
- Lack of anti-money laundering training
- The remittance systems is not under controlled
- The Kosovo Special Prosecution Office still lacks local and specialized prosecutors in the fight against money laundering
- Increased of Black market
- A very few cases on money laundering of the lack of reporting

Although there are continuing initiatives to improve Kosovo’s capacity to deal with financial crimes and money laundering, the progress has been stopped due to inability to adequately address problem.

Republic of Kosovo still does not have the Law against Money Laundering therefore the criminalization of money laundering it is not adequately addressed and also there is a lack of the Law on confiscation of proceeds of crime or property used to finance criminal activity and acts.

Cooperation between the Financial Intelligence Centre with other investigations units, with the tax authority, prosecution office etc it still remains insufficient and this is also mention on EU Progress report for the Republic of Kosovo.

The Republic of Kosovo does have an active black market for smuggled consumer goods and pirated products. According to the customs service, significant amounts of cigarettes and fuel are smuggled into the country through the border with Montenegro and from Serbia (Mitrovica).
Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband and other types of financial crimes. Most of the proceeds from smuggling activity are believed to go directly into the economy in areas such as construction and real estate, financial institutions such as banks, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system.

The EU Progress report stated that Kosovo Special Prosecution Office still lacks local and specialized prosecutors in the fight against money laundering and financial crime.

The remittances are high in Kosovo due to a lot of Kosovars people are working abroad. Usually the remittances has been sending through informal banking arrangements that allow the transfer of funds both nationally and internationally without using official financial institutions. As a cheap, fast, and consistent money transfer system, they are primarily used by migrant workers overseas sending remittance to support their families in their home countries.

An example of system mention above:

A customer goes to a broker and gives him a sum of money to be transferred to a beneficiary in another city or country. The operator contacts their partner usually a contact from their personal or business network and instructs the partner to deliver the funds to the beneficiary, providing amount, name, address and telephone number of the recipient. There is no recorded agreement or written contract for the transaction. The deal is secured by the trust between the contract people with no legal means of reclamation.

As these systems are anonymous and require minimal documentation, this makes them vulnerable to abuse by individuals and groups transferring proceeds of crimes or funds to finance illegal activities in other countries.
CHAPTER 6

Balkan Countries Response to Money Laundering

6.1 Albania

Article 287 of the Criminal Code of 1995 and Law No. 8610 “On the prevention of money laundering” passed in May 2000 criminalize all forms of money laundering. Officials claim that legal entities can be punished for money laundering under Article 45 of the Criminal Code in addition to Article 14 of Law No. 8610.

In June 2003, Albania’s Parliament passed Law No. 9084, which amended and strengthened Law No. 8610 and clarified the role of the Agency for coordinating the combat of money laundering (Albania’s financial intelligence unit). Amendments to the criminal code and criminal procedure code were also made. Law No. 9084 harmonizes the Albanian definition of money laundering with the European Union’s definition. Amendments to the criminal code outlawed establishment of anonymous accounts and provided for confiscation of accounts.

Currently, financial institutions cannot be found guilty of criminal negligence in money laundering cases. The comprehensive anti-mafia law passed in September 2004, and this law subjects assets of suspects and their families and associates to seizure. Where close family members or very close associates of the suspect have unexplained wealth, they may be called upon to explain that wealth. If they fail to do so satisfactorily, those assets may be sequestered in a non-criminal proceeding.
6.2  Serbia

In September 2001 Serbia adopted an anti-money laundering Law and became effective in July 2002. The law mention above defines money laundering, reporting requirements and sets out criminal and civil penalties. Serbia’s financial intelligence unit was established in March 2002 and became operational on July 1, 2002. A new draft money laundering law that was rely on legislation with EU 3rd Money Laundering directive and Financial Action Task Force international standards was submitted to Parliament in October 2003.

Article 84 of the Criminal Code (1977) mandates confiscation of the proceeds of a crime. Asset seizures may only be carried out by court order. Article 504 of Serbia’s 2002 Law on Amendments and Supplements to the Law on Criminal Proceedings outlines the procedure for temporary confiscation.

6.3  Montenegro

The Central Bank of Montenegro in August 2002 issued a rule that required financial institutions to report suspicious transactions and establish anti-money laundering programs. Money laundering is criminalized in Article 268 of the Criminal Code, which was amended in June 2003.

Montenegro’s Law on the prevention of money laundering was passed on 24 September 2003. The law contained reporting requirements and penalties for failure to report. In October 2003, the Administration for the prevention of money laundering was established by the Government of Montenegro and is responsible for implementing the Law on the prevention of money laundering.
Seizure and forfeiture of assets is allowed when there is an abuse of the criminal code, such as money laundering or terrorist financing. Articles 520 and 523 of the criminal code provides for the provisional freezing of assets that are suspected proceeds of illegal activity.

6.4 Macedonia

Article 273 of the Macedonian criminal code (1996) criminalizes money laundering and narcotics and arms trafficking are specifically identified as predicate offenses. In July 2004, Macedonia enacted a new Law on money laundering prevention. The new law harmonizes Macedonia’s money laundering laws with EU standards such as EU 3rd Money Laundering Directive and FATF 40+9 Recommendations. An article 29 to 32 of the new money laundering law describes the protocol for provisional measures, including the temporary confiscation of money and other assets.

The new Law on money laundering prevention defines money laundering, terrorist financing, reporting requirements and sets out criminal and civil penalties for not reporting.
CHAPTER 7

Kosovo's Future legislation on Anti-Money Laundering and Financial Crime

The Republic of Kosovo should put in place a proper anti-money laundering regime that will ensure that these crimes are controlled and prevented. The Government of Kosovo should work on proper legislation against money laundering crimes and financial crimes.

The Financial Intelligence Centre, in order to receive more suspicious transaction report and cash transaction report, should as soon as possible create the online reporting system. Through this system all the institutions, citizens of Republic of Kosovo and everyone who has access on internet and has a reason to suspect money laundering can report to the Financial Intelligence Centre.

7.1 Anti-Money Laundering Law

Kosovo’s legislation and enforcement authorities should combat money laundering and strengthen actions to sufficiently address the number of risks associated by money laundering. According to the UNMIK Regulation 2004/02 the money laundering is recognized as a crime but its legal definition does not yet meet recognized international convention and standards such as EU 3rd Money Laundering Directive and FATF Recommendations.

The Government of Kosovo should as soon as possible adopt the anti-money laundering law. The law should contain the following list of recommendations:

1. The definitions of the offences of money laundering would need to be improved in order to comply with FATF Recommendation 1 and FATF Special Recommendation 2
2. Ratification of International Conventions/treaties on anti-money laundering
3. Should describes the functions of the Financial Intelligence Centre such as collect process, review and analyze information regarding money laundering and also the
submitting these information to the Prosecutor’s Office or other law enforcement authorities in order for them to make a procedural decision

4. The law should require reporting requirements for financial institutions. Financial institutions that are engage to any of the following activities: receiving or paying funds, purchasing or selling real property or business assets or transferring funds should report to Financial Intelligence Centre.

5. Financial Institutions should implement a compliance program which includes:
   a. Appointing a compliance officer
   b. Obtaining a commitment from senior management
   c. Developing compliance policies and procedures
   d. Monitoring the effectiveness of the compliance system
   e. Providing ongoing training for employees

6. Financial Institutions must keep a large cash transaction record
   a. Identifying the person involved in the transaction
   b. Reporting to FIC the transaction of the amount more than 10,000 €
   c. Taking reasonable measures to determine whether the individual who gives the cash is acting on behalf of the third party

7. The law should contained reporting requirements and should imposition obligations such as record keeping, reporting and customer due diligence requirements to the accountants and auditors, tax advisors, solicitors, stockbrokers, insurance brokers, estates agents, bureau de change, lawyers, notaries and other independent legal professionals and these are required to report suspicious transaction when they are engaged in a financial transaction such as purchase and sale of real estate, managing of clients funds, saving or securities accounts, buying or selling business entities etc (FATF recommendation 12 and 16)

8. Securities sector is vulnerable to ML in a number of respects including its speed in executing transactions therefore the securities agencies should report to the Financial Intelligence Centre if there are grounds for suspicious activities

9. Charitable sector and NGO sector should report to the Financial Intelligence Centre all the donations that they received and the expenses that they might have
10. Real estate agents, if they act in transactions for clients in relation to buying or selling of real estate, or both should report to the Financial Intelligence Centre
11. Dealers in precious metals or stones, if they engage with their customers in cash transactions equal to a minimum of 10,000 € should report the Financial Intelligence Centre
12. Business Organizations which are engaged in a trade or business that receives more than €10,000 in currency in a transaction or related transactions, shall make a report to the FIC
13. All persons and entities should report cross border transfer of currency or monetary instruments if they exceed more than 10,000 €
14. The list of Politically Exposed Persons (PEPs) in Kosovo and worldwide should be done by Government of Kosovo and the Financial Intelligence Centre which should be distributed to all stakeholders
15. The system of reporting transaction should ensure compliance with Financial Action Task Force (FATF) Recommendation 13 in order to make the system more manageable
16. The provision for freezing, seizing and confiscation of proceeds of crime and terrorist financing should be inserted in the Law to ensure compliance with FATF Recommendation 3
17. The proceeds of criminal conduct outside the Republic of Kosovo should be considered so it will be possible to prosecute criminals who choose to launder the proceeds of overseas crimes in Kosovo and this would ensure that the law is compliant with FATF Recommendation 2
18. The suspension of transaction in money and other property should be included on AML Law. The period of initial suspension of the suspicious transactions should be five to seven working days because less than five days is a very short period and will not give the Financial Intelligence Centre much time to respond effectively
19. Conduct liaison and information exchange with competent authorities of foreign countries in the field of anti-money laundering in accordance with international treaties and to comply with FATF Recommendations 35-40 which calls to establish controls and safeguards to ensure that information exchanged by competent authorities is used only in an authorized manner.
20. Kosovo should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF Recommendations that apply to banks and non-bank financial institutions and comply with special FATF Recommendation VI on alternative remittance.

21. Fines and penalties for people and institutions that might broke the anti-money laundering law

This Law would increase the Kosovo’s ability to supervise financial institutions anti money laundering policies and procedures and increase the Kosovo’s compliance with the international recommendations of the FATF. It prescribes standards on AML matters, evaluates countries on their compliance with the standards and takes action where countries are significantly non-compliant.

If Kosovo does not implement these measures against ML is likely to be rated as non compliant or partially complaint with some of the key FATF Recommendations and should be part of the FATF black list or OECD list.

7.2 Anti money laundering online reporting system

Another potential recommendation that should be included on anti money laundering Law is creation of an anti-money laundering online reporting system, that will help the Financial Intelligence Center to receive more suspicious activity reports and cash transactions reports because not only the banks can report but every person who has access to internet can make report of the suspicion related to money laundering and terrorist financing.

A good example of suspicious activity report online system is Serious Organized Crime Agency’s - SOCA (26) system. (Appendix 2)
SOCA’s online reporting system is composed of the following steps:

1. **Registration**
   - In order to register, you will need to supply a current email address and enter the disguised code detailed on screen.

2. **Activation**
   - After the registration, you will receive 2 codes. Once in possession of both codes, you can activate your account. Activation codes are case-sensitive.

3. **SAR Header – “Consent Required” Box**
   - If you require consent from SOCA to proceed with a transaction, you need to ensure this box is ticked so that it is dealt with by the appropriate team.

4. **SAR Access Level**
   - This can be set to either “shared” or “private”.

5. **The Main Subject of Your Report**
   - The main subject of your report can be either an individual or a company.

6. **Address Details**
   - You should aim to provide current address details (*including postcodes*) for the main subject and any associated subject(s).

7. **Other Information**
   - Additional information.

8. **Associated Subject(s)**
   - An “associated subject” can be a company (*Legal Entity*) or a person(s) where applicable.

9. **Transactions**
   - This page will only accept current transactions; it will not accept future dated ones.

10. **Reasons for Suspicion**
    - You should detail the type of suspicious activity that is believed to be taking or have taken place and why you believe this particular activity is suspicious.
Our experience of the SAR submission process has been very positive. The online reporting system has proved to be a considerable improvement over the previous mechanisms and has ensured the timely and effective delivery of information to SOCA. In terms of the Consent Desk, we have found the team to be highly supportive and responsive, particularly when dealing with time critical requests quoted Tony Stewart-Jones, Chief Compliance Officer and MLRO, PricewaterhouseCoopers LLP. (28)

The anti-money laundering online reporting system should be designed to allow SARs and CTRs to be submitted in a secure and efficient manner. The online system would be:

- completely secure and guarantees data protection
- available 24 hours a day, seven days a week
- supported by help texts on every page
- should handle large volume of information and reports
- supported by relevant guidance
- should enable the exchange and feedback of intelligence information with law enforcement authorities
- A step-by-step guide for completing a SAR and CTR online

The FIC SAR online system should be designed in the following simple steps:

**Step 1: Registration and Activation**

Basic personal information and or business information such as your name address and phone number, date of birth etc

**Step 2: Details of the transaction or activity and details of suspicious person or business**

Basic personal or business information such as a name, address and past history of suspicious entity and the date when the suspicious transaction or activity happened, how it took place or how it will take place, amounts of the suspicious crime etc.
Step 3: Additional information

Details where we can contact the reporter of the suspicious crime for more assistance and the reason of why you suspect the transaction or activity may be linked to money laundering or terrorist financing. Explain what seems to be going on, why in your experience it seems unusual, and why it makes you suspicious.

“Filing a false crime report is a crime.”
CHAPTER 8

Discussions, Conclusion and Recommendations

This capstone project describes the money laundering problem globally but mainly concentrated on the process of money laundering in Kosovo. Also other areas that have been addressed and discussed are the trends, phases and effects of money laundering on society, economy and politics. Prior to recommendations of the strategy to fight against money laundering, it should be emphasized that stopping this negative phenomenon is indeed difficult. It’s very complicated to prevent this without the appropriate cooperation between the private and public sectors and also without cooperation of the national and international authorities.

The Republic of Kosovo, since 1999, has been facing a serious situation with money laundering while this phenomenon is increasing rapidly. The amount of money laundered is very difficult to estimates, however.

It has been discovered that most banks were complying with the anti money laundering standards in appointing a money laundering reporting officer and setting up procedures to comply with ML standards. However, in this report it has been discovered that some areas such as, detection, preventions and training departments for money laundering, need to be improved according to the international recommendations and standards.

In the Republic of Kosovo there are several authorities that have an important role in the prevention of money laundering and financial crimes. This is an advantage but there is still much to do to achieve full partnership across the regime in terms of fighting money laundering and financial crimes. Roles of the different authorities need to be clearly defined, exchange of information must be ensured and the mechanisms for cooperation need to be established because if one of the authorities is weak, the whole structure will lose its efficiency.

Based on the questionnaire, interviews and meetings, it was not possible to evaluate the number and scale of the different types of money laundering cases investigated, prosecuted and processed in the courts. When it comes to the statistics of cases, the police departments, law
enforcement and prosecution authorities do not categorize financial crime, money laundering, fraud and insider dealing and this makes it impossible to differentiate between crimes.

It has been revealed that in Kosovo there is a communication gap between official authorities, with a lack of feedback and a lack of public awareness. Official authorities of the Financial Intelligence Centre provide organizations with very vague information about new money laundering techniques and typologies. In addition, the feedback to financial services institutions regarding the quality and quantity of Suspicious Activity Reports is inadequate. Moreover, it has been discovered that there is a necessity for better general public relations activity of successful convictions and asset seizures. Seizing the profits of crime is one of the most effective methods of tackling criminals, but criminals have become extremely sophisticated at hiding their dirty profits. However the Government of Kosovo still does not have law on investigating, seizing and confiscating the proceeds of crime.

The regulation on anti money laundering has numerous gaps. Many anti-money laundering specialists believe that an anti-money laundering regime could be more effective with the support of the adequate resources. They believe that this can work in a more efficient way. Also, several people approached believe that if authorities are serious about reducing money laundering, then they need to employ greater resources in the Financial Intelligence Centre. There are some institutions which have been left out such as, insurance companies and casinos that are not required to report suspicious activity related to money laundering. Relevant authorities worldwide will continue to focus on money laundering and the effectiveness of procedures and they are especially concerned about the risk of not reporting suspicious activity related to money laundering from insurance companies and casinos.

Although, money laundering has received increased attention by politicians and international organizations, it is still underrated in the media and public debate. Kosovo’s newspapers occasionally write about money laundering, but often write the largest part of their articles on corruption, crime preceding money laundering such as drug dealing, tax evasion and only a small part on money laundering itself.
Implementing a successful anti-money laundering strategy faces an challenge on several levels, however the country’s benefits are:

- Securing a more transparent and stable financial system that is more attractive to foreign investors
- Ensuring that financial institutions are not abused by organized crime
- Avoiding the risk of sanctions or other actions by the international community such as Financial Action Task Force’s black list or other black lists
- Avoiding becoming a haven for criminals because countries with weak Anti Money Laundering systems are attractive to criminals.

8.1 Recommendations for training and training a trainers

All firms and organizations covered by the anti-money laundering regulations must provide their staff with the tools and resources on how to combat money laundering. Training in the anti-money laundering procedures is a fundamental part of this process.

In order to be successful, selected staff from the Financial Intelligence Centre should become anti-money laundering trainers. These trainers with their experience that they will gain during this training, will be able to train staff from the supervising authorities, financial institutions, law enforcement agencies civil society, police department etc.

The Kosovo Special Prosecution Office should train prosecutors specifically in the fight against money laundering and related crimes.

The Financial Intelligence Centre should provide training to financial institutions on how to recognize suspicious transactions, what to do if they identify one and understand how anti-money laundering policies and procedures affect them. Employees should be made aware of the penalties for committing offences under the money laundering regulations and related legislation.
Employees who deal with customers, including receptionists and anyone who answers the telephone, should have regular trainings to make sure business complies with the regulations.

Some examples of best practices in employee training include:

- Making sure all employees know who the money laundering reporting officer is and what their authority and responsibility is.
- Giving employees clear guidance on notifying suspicious activity and reporting to the ML officer or their manager.
- Explaining clearly to employees the steps that business has taken to make sure it is not used for money laundering.
- Writing down all anti money-laundering policies, procedures and risk assessments, and giving employees access to them at all times.
- Making sure employees know where to go for help or information about the Money Laundering Regulations, including guidance available on the FIC website.

The estimated cost for anti-money laundering trainers differs from institutions to institution. It starts from 5,000 € up to 30,000 € per person. Below are some of the institutions that offer anti-money laundering training:

- The Association of Certified Anti-Money Laundering Specialists® (ACAMS®)
- British Bankers Association
- International Compliance Association
- AML Training Academy by Kevin Sullivan
- LIMRA's U.S. Anti-Money Laundering Training Program

8.2 Recommendations for Anti Money laundering guidelines

The Financial Intelligence Centre should create anti-money laundering guidelines that reflect worldwide trends in anti-money laundering practice which are directed at ensuring that those who provide financial and other high value services, take all appropriate steps to inform
themselves about developments in money laundering that might affect them, provide a training to their staff, adopt anti-money laundering policies and report those who are engage in suspicious activities.

For the guidelines to be effective, they need to ensure that they are used by financial institutions and other entities covered by anti-money laundering Law such as lawyers, auditors, insurance companies, casinos etc. They also need to be reviewed and updated on a regular basis to reflect changing circumstances and experience and to provide additional clarification concerning matters where queries often arise.

There also should be the anti-money laundering guidelines for public and private people explaining what money laundering is, why we must combat money laundering, stages of money laundering, the offence of money laundering, penalties for money laundering, how to report suspicious transactions, information regarding the training and awareness etc.

**8.3 Recommendations for public awareness campaign about money laundering**

The Government of the Republic of Kosovo should develop a unified and long term public awareness campaign to inform the community about money laundering, the risk that comes from successful money laundering, information regarding the new anti-money laundering law.

The campaign should be phased, with phase one including general information about money laundering. Follow up phases should target specific ML crimes, reporting requirements, anti-money laundering laws etc.

The campaign should conduct detailed research to set goals, campaign messages, check ongoing progress, measure changes in people’s attitudes and behaviors, and determine the impact on fraud itself.

The execution of the campaign could be done by a PR and Marketing agency, PR staff of Ministry, Financial Intelligence Centre or a combination.
Staff awareness of money laundering and terrorist financing risks and training in the essential procedures and controls is a fundamental part of the anti-money laundering strategy.

The estimated cost for an appropriate public awareness campaign can be between 500,000 € up to 2,000,000 € for a period of one year.

8.4 Recommendations for anti money laundering governmental Committee

The Government of Kosovo should establish an anti money laundering Committee. This committee should consist of the Minister of the Ministry of Economy and Finance, the Minister of the Ministry of Justice, the Minister of the Ministry of Internal Affairs, the attorney general, the Governor of the Central Bank, the Director of the Kosovo Intelligence Agency, the Head of the Financial Intelligence Centre, the Director of the Customs, the Director of Public Prosecutions and the Director of the Kosovo Police Force.

The Anti Money Laundering Committee will:

- Develop the national action plan to deliver on the country's AML strategy and vision.
- Advise the Minister of Justice, Minister of Finance and Economy, FIC etc. in relation to the detection and prevention of money laundering in Kosovo.
- Advise the Government of Kosovo regarding the participation of Kosovo in the international effort against money laundering.
- Identify and recommend measures that are needed to remove barriers restraining the exchange of information between authorities.

The AML committee will play a significant role in promoting coordination and collaboration among the Government departments and agencies to ensure that the initiatives and policies to combat money laundering are fully implemented and effective.
List of References

1. The financial intelligence centre is part of the EULEX pillar structure (police and justice pillar) and mainly involved in the detection of fraud (such as analyzing money laundering, screening bank accounts, etc)

2. Michel Camdessus, managing director of the IMF, “money laundering: the importance of international countermeasures”, an address to the plenary meeting of the FATF on ml in Paris, 10 February 1998

3. Black Finance – the economics of money laundering by Donato Masciandaro, Elod Takats and Brigitte Unger


10. The negative effects of money laundering on economic development by Brent L. Bartlett 2002 p. 20

11. http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236836_1_1_1_1_1,00.html


13. Presidency conclusions, Tampere European Council, 15 and 16 October 1999


15. FIU.net, http://www.fiu.net/welcome/history


21. Administrative Direction no. 2003/3 - implementing UNMIK regulation no. 1999/1, as amended, on the authority of the interim administration in Kosovo

22. The straits times, Saturday February 20, 2010


26. Serious Organizes Crime Agency (SOCA) is the UK's Financial Intelligence Unit. As such it receives and analyses suspicious activity reports (SARs) concerning suspected proceeds of crime in order to counter money laundering and terrorism, and makes them available to law enforcement for appropriate action

27. Serious organized crime agency,
   https://www.ukciu.gov.uk/(3w2xj045xweyh045m1svgjus)/SARonline.aspx

28. Suspicious Activity Reports Regime, Annual Report 2009
Appendices

Appendix 1

Kosovo an appropriate place for money laundering Newspaper “ekoBiznesi” 1 January 2010
Appendix 2a

Serious organised crime agency (SOCA)’s Suspicious Activity Reports Online System

When you have completed this page, proceed to step 2.
Appendix 2c

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<th>Step 5 – Reason for suspicious</th>
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**What are the details of the Transaction?**

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**What are the details of the 3rd Party Account?**

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Appendix 2d

### Report Activity Assessment

- Drugs
- Missing Trader, Inter-Community (VAT) fraud
- Immigration
- Tobacco/Alcohol Excise Fraud
- Personal Tax Fraud
- Corporate Tax Fraud
- Market Abuse Directive