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ROCHESTER INSTITUTE OF TECHNOLOGY
AMERICAN UNIVERSITY OF KOSOVO



Improved Strategies for Anti-Money Laundering in Kosovo

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What is money laundering?



Definition of money laundering

“Money Laundering has been described as the process by which the proceeds of crime are put through a series of transactions which disguise their illicit origins, and make them appear to have come from a legitimate source”

UN Vienna Convention 1988

“Money laundering is any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct”

Serious Organised Crime Agency, UK

Global Scale of Money Laundering

Estimated laundered fund in the world could range between two and five per cent of the world's gross domestic product.

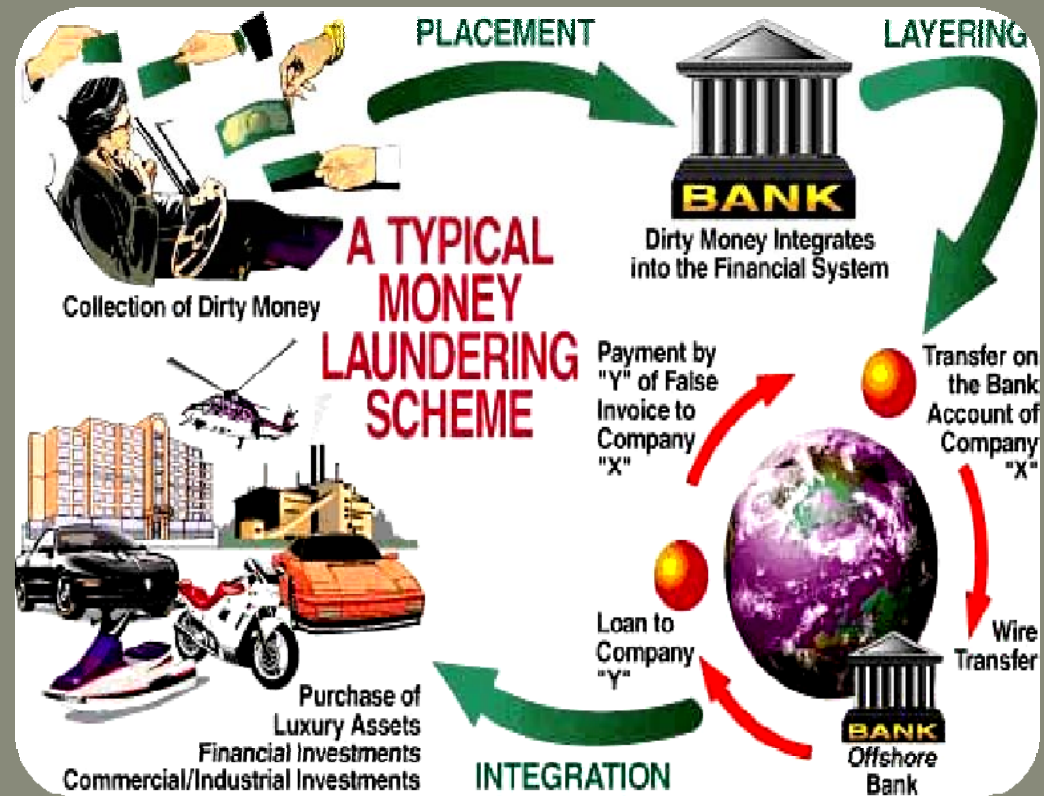
Approximate between US \$ 800 billion and U.S. \$ 2 trillion.

International Monetary Fund



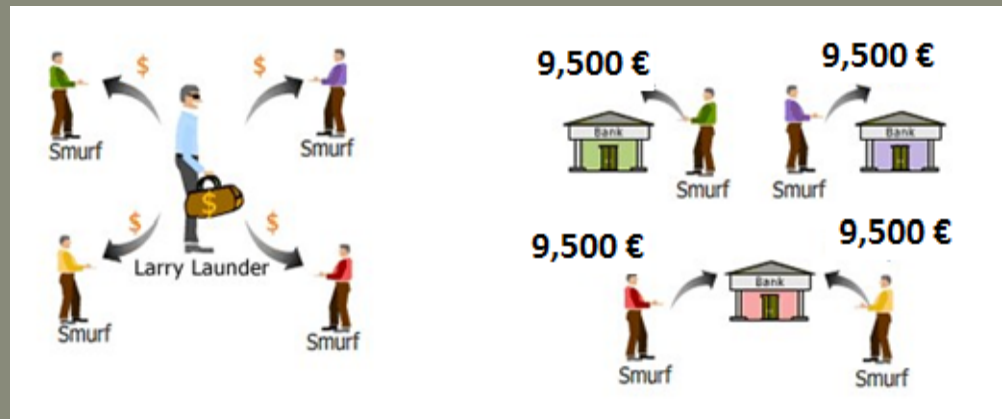
Money Laundering Process

- Placement
- Layering
- Integration



Money Laundering Methods

- Structuring deposits – **SMURFING**
- Bank transactions
- Cash smuggling
- Real estate
- The catering industry
- Investing in legitimate businesses
- Casinos
- Insurance market
- Acquisition of luxury goods, gold and diamond



Money Laundering Effects

- Increases crime & increase in terrorism
- Revenues of the public sector
- Unfair competition & artificial increase in prices
- Threatens privatization
- Distorting economic statistics
- Reputation of the financial sector



Anti Money Laundering Organizations and Initiatives

- Financial Action Task Force
- International Monetary Fund
- World Bank
- Egmont Group
- FIU.NET
- European Union & European Council
- United Nations Office on Drugs and Crime



Money Laundering in Kosovo

- Cash-based economy
- UNMIK Regulation no. 2004/2 on deterrence of money laundering and related criminal offences
- Financial Intelligence Centre
- Commission of the European Communities' progress reports

Financial Intelligence Centre

Receive and analyze suspicious activity reports and cash transaction reports from:

- Financial institutions
- Lawyers & Auditors
- Business companies
- NGOs
- Political parties
- Movement of monetary into and out of Kosovo

European Commission progress reports for Kosovo

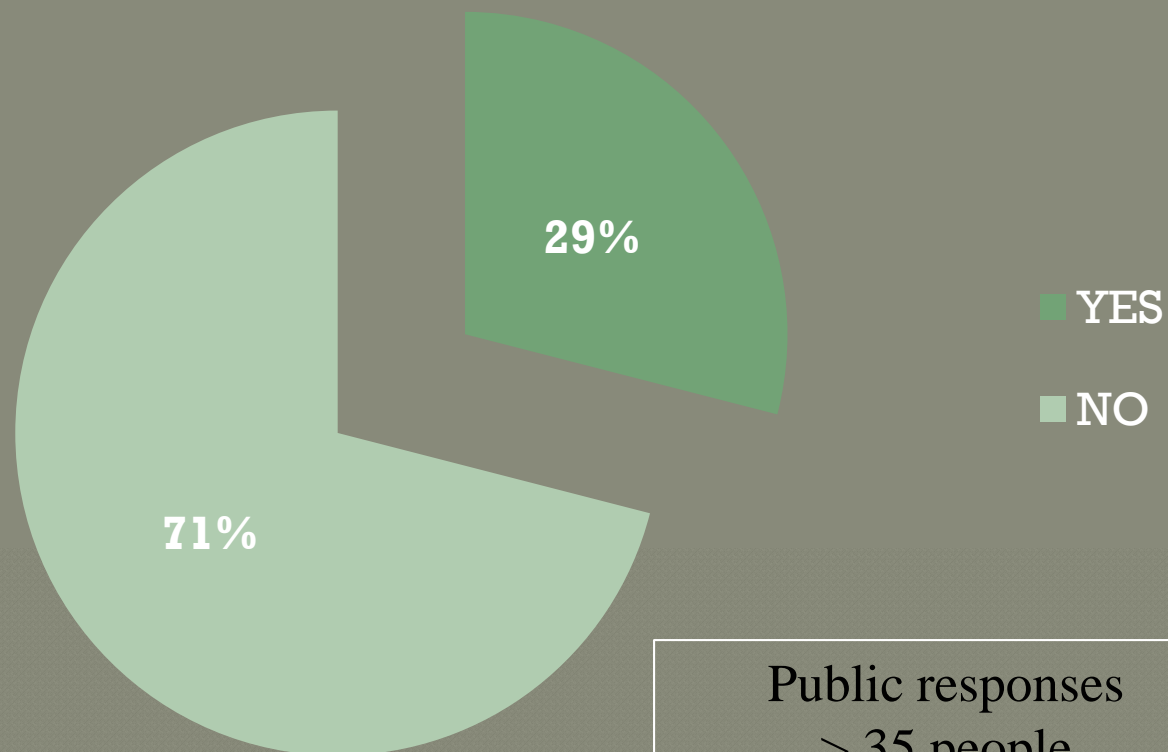
- **Report 2005:** profits made by Kosovar organized crime groups are invested and laundered in Kosovo through legitimate businesses that often belong to the heads of the biggest drug trafficking groups
- **Report 2007:** lack of specialized prosecutors to deal with money laundering and economic crimes.
- **Report 2008:** no progress took place concerning legislation on money laundering
- **Report 2009:** money laundering remains an issue of serious concern. Kosovo lacks adequate legislative provisions and operational structures to cope with this phenomenon.

Money Laundering issues in Kosovo

- No Anti – Money Laundering Law
- Few number of suspicious report to FIC
- Lack of Public awareness
- The Kosovo Special Prosecution Office still lacks specialized prosecutors in money laundering
- The remittance systems is not under controlled

Public responses on money laundering

**Do you have any idea of the risk from
Money Laundering?**



International issues

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

UNMIK Regulation no. 2004/2 - gaps

- Insurance companies
- Casinos
- Real estate Agents
- Politically Exposed Persons



Money laundering & Insurance companies

- Paying a large “top-up” into an existing life insurance policy
- Purchasing a general insurance policy, then making a claim soon after
- Making over-payment on a policy, then asking for a refund
- Making a large investment, then asking for a refund after

Politically Exposes Persons

- Individuals who have or have had positions of public trust such as government officials, senior executives of government corporations, politicians, political party officials and/or their family members
- PEPs are a special category of customers
- Relationships with PEPs may represent increased risks due to the possibility that individuals holding such positions may misuse their power and influence other for personal gain and advantage

Recommendation for AML legislation

Anti Money Laundering law

- FATF 40+9 Recommendations
- 3rd EU Directive on Money laundering
- Vienna Convention and Palermo Convention

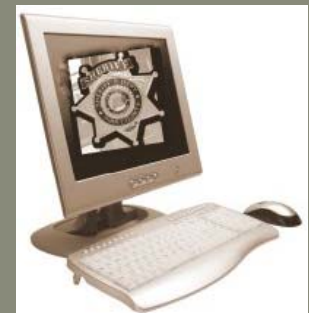
Add list to the Reporting Entities:

- Life Insurance companies, brokers and agents
- Casinos
- Real estate brokers or sales representatives
- Politically Exposed Persons list



Recommendation for Anti Money Laundering Online Reporting System

- Completely secure & guarantees data protection
- Available 24 hours a day, seven days a week
- Supported by help texts on every page
- Handle large volume of information and reports
- Enable the exchange, feedback of intelligence
information with law enforcement



Serious Organized Crime Agency's Online Reporting System (UK)

SAR Explorer

- SAR 205648: 233
- Main: matrix
- New SAR
- SAR List

step 1 HEADER	step 2 MAIN SUBJECT	step 3 ASSOCIATED SUBJECT	[step 4] TRANSACTION	step 5 REASON / SUBMIT
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What are the details of the Transaction?

Date: - -

Amount: Currency: *

Credit/Debit: * Type: *

Notes: (max 1000 characters)

What are the details of this subject's Account?

Account Holder:

Account Number:

Institution Name:

Sort Code:

Date Opened: - -

Account Balance:

Turnover Credit:

Turnover period:

Date Closed: - -

Balance Date: - -

Turnover Debit:

Debit Turnover within turnover period

Clear

What are the details of the 3rd Party Account?

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 Serious Organized Crime Agency.

Tony Stewart-Jones, Chief Compliance Officer and MLRO

Recommendation for training

- Financial Intelligence Centre
- Kosovo's Special Prosecution Office
- Kosovo Police
- Institutions covered by anti-money laundering law



Recommendation for AML guidelines

- Financial institutions
- Lawyers
- Auditors
- Casinos
- Insurance companies
- Public people



Recommendation for Public Awareness Campaign on money laundering

- Money laundering risks
- Anti-money laundering law
- Reporting requirements
- Money laundering indicators



Recommendation for Anti Money Laundering governmental committee

- Develop the national action plan
- Advise authorities in relation to the detection and prevention of money laundering
- Identify and recommend measures that are needed to remove barriers restraining exchange of information between authorities



Recommendation for Anti Money Laundering governmental committee

- Minister of the Ministry of Economy and Finance
- Minister of the Ministry of Justice
- Minister of the Ministry of Internal Affairs
- Governor of the Central Bank
- Director of the Kosovo Intelligence Agency
- Head of the Financial Intelligence Centre
- Director of the Customs
- Director of public prosecutions and
- Director of the Police



Questions?

