



ALBANIAN
FINANCIAL
INTELLIGENCE
UNIT

THE GENERAL DIRECTORATE
FOR MONEY LAUNDERING
PREVENTION

ANNUAL REPORT

2018



Annual Report 2018



ALBANIAN
FINANCIAL
INTELLIGENCE
UNIT

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MESAGGE FROM THE GENERAL DIRECTOR

Dear readers,

In pursuance of the obligation to inform the public, allow me to present to you the annual report of the GDPML's activity during 2018.

In its role as the Financial Intelligence Unit in the country, GDPML continued to consolidate and enhance its status and the role in the prevention and fighting of money laundering and terrorism financing, acting as a specialized centre in analysing and disseminating information to the law enforcement and intelligence authorities, as well as intensify the exchanging of data and information with partner FIUs.

The effectiveness of the GDPML's work has been noted by Moneyval Committee of CoE and is very encouraging, given the fact that it ranks our institution among the best performing FIUs in the region and beyond. Furthermore, the substantial effectiveness regarding preventive measures, where Albania appears as one of the two countries receiving such high rating among 50 countries assessed worldwide, is a clear demonstration of the performance of supervising authorities (BoA and FSA) and their close cooperation with GDPML.

In addition to these positive outcomes, numerous challenges remain to be addressed, particularly with respect to increasing the number of final convictions and confiscations in money laundering cases.

GDPML has aimed at enhancing cooperation and coordination with all authorities involved in the fight and prevention of ML/TF, while at the same time continued to promote cooperation with the private sector, with the intention to build a close partnership, raise their awareness and mitigating measures to cope with these negative phenomena, that have repercussions for the economy and the national security of our country.

The heretofore achievements and the challenges laying ahead of us, require an enhanced level of inter-institutional and international cooperation, but above all they demand the professional commitment, sacrifice and integrity of the GDPML staff, that constitute the most important and decisive factors for the overall performance of this institution.

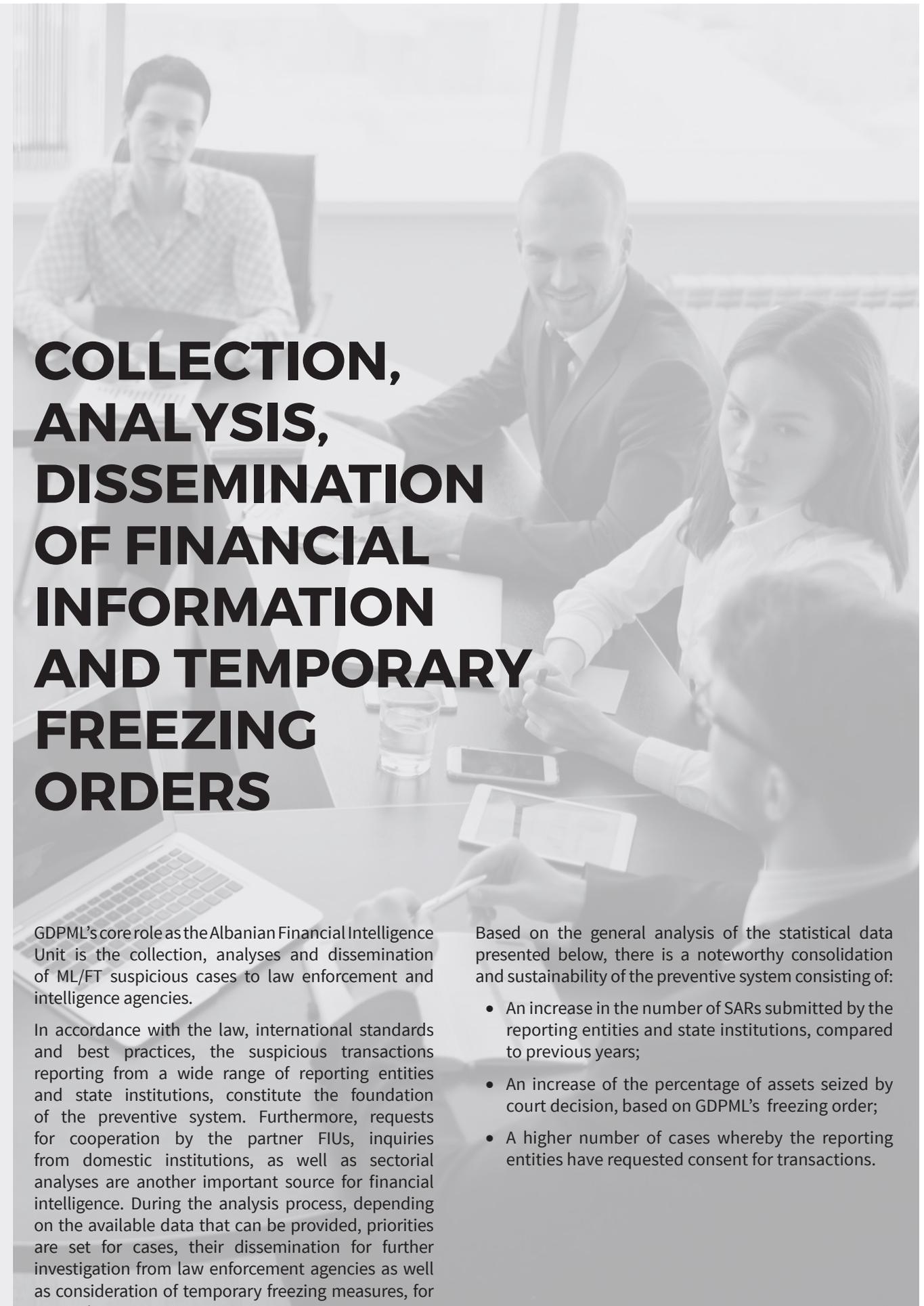
I invite you to read through this report and any constructive comments or suggestions are greatly welcomed.



ARLIND GJOKUTA

ABBREVIATIONS

ASP	- Albanian State Police
BoA	- Bank of Albania
CEO	- Currency Exchange Office
CoE	- Council of Europe
CORIP	- Central Office for the Registration of Immovable Properties
CTR	- Currency Transaction Report
DSCI	- Directorate for Security of Classified Information Security
Egmont Group	- Network of Financial Intelligence Units
EU	- European Union
FATF	- Financial Action Task Force
FIU	- Financial Intelligence Unit
FSA	- Financial Supervisory Authority
GDC	- General Directorate of Customs
GDPML	- General Directorate for the Prevention of Money Laundering
GDT	- General Directorate of Taxation
HIDAACI	- High Inspectorate for the Declaration and Audit of Assets and Conflict of Interest
IT	- Information Technology
Moneyval	- Committee of Experts for Assessing the Fight against Money Laundering
ML/FT	- Money Laundering and Financing of Terrorism
NBC	- National Business Centre
OSCE	- Organization for Security and Co-operation in Europe
SAR	- Suspicious Activity Report
UNODC	- United Nations Office on Drugs and Crime



COLLECTION, ANALYSIS, DISSEMINATION OF FINANCIAL INFORMATION AND TEMPORARY FREEZING ORDERS

GDPML's core role as the Albanian Financial Intelligence Unit is the collection, analyses and dissemination of ML/FT suspicious cases to law enforcement and intelligence agencies.

In accordance with the law, international standards and best practices, the suspicious transactions reporting from a wide range of reporting entities and state institutions, constitute the foundation of the preventive system. Furthermore, requests for cooperation by the partner FIUs, inquiries from domestic institutions, as well as sectorial analyses are another important source for financial intelligence. During the analysis process, depending on the available data that can be provided, priorities are set for cases, their dissemination for further investigation from law enforcement agencies as well as consideration of temporary freezing measures, for particular transactions.

Based on the general analysis of the statistical data presented below, there is a noteworthy consolidation and sustainability of the preventive system consisting of:

- An increase in the number of SARs submitted by the reporting entities and state institutions, compared to previous years;
- An increase of the percentage of assets seized by court decision, based on GDPML's freezing order;
- A higher number of cases whereby the reporting entities have requested consent for transactions.

Suspicious Activity Reports

SARs submitted to GDPML, constitute the basis for the daily operational analysis of the institution. During 2018, a total of 1,525 SARs were reported to GDPML, an increase of 10.2% compared to the previous year.

The number of SARs received this year marked the highest historical level, demonstrating an increase in the level of knowledge and awareness of the reporting entities, in fulfilment of their legal obligations. During this year we note a higher level of awareness from the reporting entities with regard to the undertaking of preventive measures.

SARs submitted by notaries and transfer companies have undergone a significant increase compared to the previous year, while those reported by banks, CEOs and car dealers have decreased.



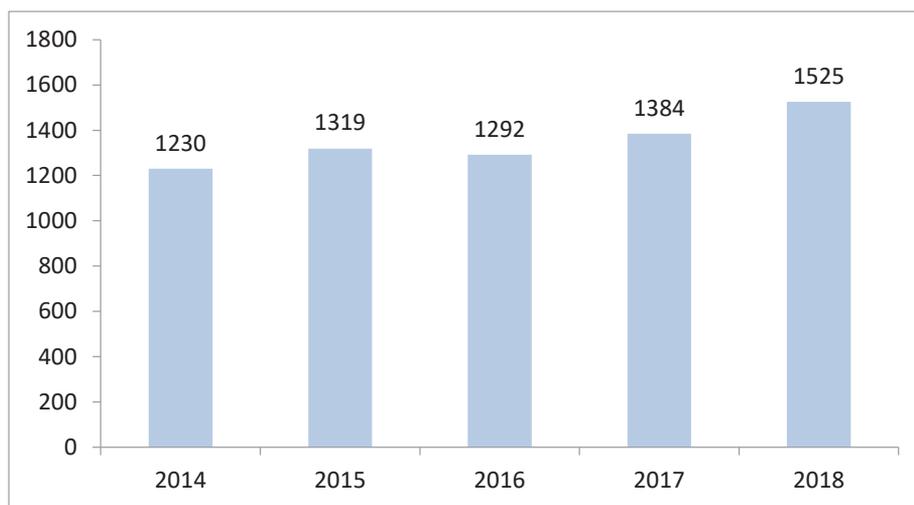
Table 1: SARs reported by the relevant reporting entities for the period 2014-2018:

Reporting entities	2014	2015	2016	2017	2018
Banks	822	585	619	686	563
Money Transfer companies	74	79	209	165	247
GDC	48	45	47	46	49
GDT	50	7	3	5	10
CORIP	64	210	134	83	164
Public Notaries	122	303	205	254	469
CEO	16	17	14	20	7
Accountants	0	0	1	0	0
Certified public experts	4	1	0	0	0
Non-Bank Financial Institutions	2	0	2	10	2
Lawyers	2	0	0	0	0
Financial leasing companies	4	7	15	5	2
Construction companies	4	1	0	5	0
Car dealers	9	36	35	101	6
Travel Agencies	0	1	0	0	0
Savings and Loan Associations	0	1	0	0	0
Transportation companies	0	2	0	0	0
E-payment companies	0	19	6	2	6
Others	9	5	2	2	0
Total	1,230	1,319	1,292	1,384	1,525

The increase of the number of reports by different categories is an important indicator of GDPML's cooperation and effectiveness, in terms of:

- Risk based supervision of entities;
- Continuous cooperation with reporting entities through feedback concerning the quantity and quality of reporting;
- Outreach to reporting entities about the ML/FT trends and typologies;
- Enhanced focus in the categories of reporting entities characterized by the complexity of indicators and therefore more opportunities for detecting suspicious cases;
- Cooperation and coordination with supervising authorities, based on cooperation agreements;
- Administrative sanctions imposed in order to ensure implementation of legal obligations by reporting entities.

Graph 1: Progress of SARs reporting during 2014 - 2018.



Although the relative weight of the banking sector to the total reporting has fallen year over year, as a result of the increase of awareness from other reporting entities, it continues to be the main actor with the predominant number of SARs, which is a clear indicator of their essential role in the ML/TF preventive system in our country. In 2018, banks submitted 563 SARs, about 18% less than in 2017 and 37% of the total SARs. The decline in number compared to the previous year was also affected from the specific developments of 2018 as a result of the process consolidation in the banking sector.

During 2018, 469 SARs were submitted by notaries, reaching a historical level, with an increase of 84.7%, compared to 2017. They make up 30.8%, of the total SARs ranking this category in second place among the reporting entities. The increased numbers of GDPML inspections and training provided for this category have contributed to the strengthening of the overall role of notaries in the country's preventive system.

The wire transfer companies have reported 247 SARs or 50% more in comparison to 2017. This category

continues to be of significant importance for GDPML and their reports constitute 16.2% of the total SARs.

CORIP has reported 164 SARs, or 10.8% of the total reports and almost double the amount reported in 2017.

The decrease and low number of SARs submitted by CEO are being analysed by GDPML and in cooperation with the supervising authority, will be further addressed during 2019. One of the factors of the decrease is the fact that part of SARs that are also related to both foreign exchange and wire transfers, were submitted to GDPML by wire transfer companies, while in these cases the CEO have acted as agents and are therefore categorized as SARs from wire transfer companies.

SARs typologies are consistent with the trends identified over the years. For 2018, predominate indicators and typologies related to suspicious transfers, acquisition of real property with unknown source of funds, use of individual accounts for business purposes and tax evasion, considerable amounts of cash deposits, as well as sponsoring, donations or informal lending.

Analysis and dissemination law enforcement agencies



The process of information analysis is based on GDPML’s valuable experience acquired over the years, as well as best international experience and practices. The enhancement of these practices has been ensured through active participation in various meetings held in a regional or international level that have in return positively impacted GDPML’s performance.

GDPML’s processing of data and information collected relies on two main pillars:

- Firstly, prioritizing reporting and information obtained on the basis of suspicious indicators as well as the need for assessment for taking measures of temporary freezing of transactions;

- Secondly, the interaction with reporting entities, in order to improve and enhance the quality of SARs, continuous communication with law enforcement agencies and coordination of activities to enable seizure and confiscation of assets and prosecution of persons involved in criminal activity;

The SARs submitted by the reporting entities, undergo a process of analysis by GDPML and for those cases where suspicious elements have been identified for laundering the proceeds of crime, terrorism financing or criminal activity in general, suspected as affiliated with funds and wealth with unknown or suspicious origin, the findings are disseminated to law enforcement agencies for further investigation.

Table 2: Cases disseminated to the law enforcement agencies during 2014 – 2018

Disseminations	2014	2015	2016	2017	2018
Prosecutor’s Office	148	120	120	131	33
ASP	314	281	291	270	343
Total	462	401	411	401	376

In addition to disseminations, GDPML seeks to complement this information with additional data or suspicious elements that have an added value for the activity of law enforcement institutions and have contributed to their proceedings.

During 2018, GDPML has disseminated 376 cases to law enforcement agencies (343 to ASP and 33 to the Prosecutor’s Office), averaging 1.5 cases per working day. From the cases that GDPML has disseminated to the ASP, 127 of them have served as indication for referrals that are made by ASP under Article 287 “Laundering of proceeds of crime and criminal activity” of the Criminal Code to the Prosecutor’s Office.

Analysis of statistical data indicates that there is a difference in the structure of disseminations to ASP and Prosecutor’s Office, compared to previous years, due to conclusions reached on the cases analysed, data collected, increased direct access in information etc. GDPML has aimed at deepening the analysis and supplementing it with additional data by law enforcement agencies, reporting entities within the country and partner FIUs.

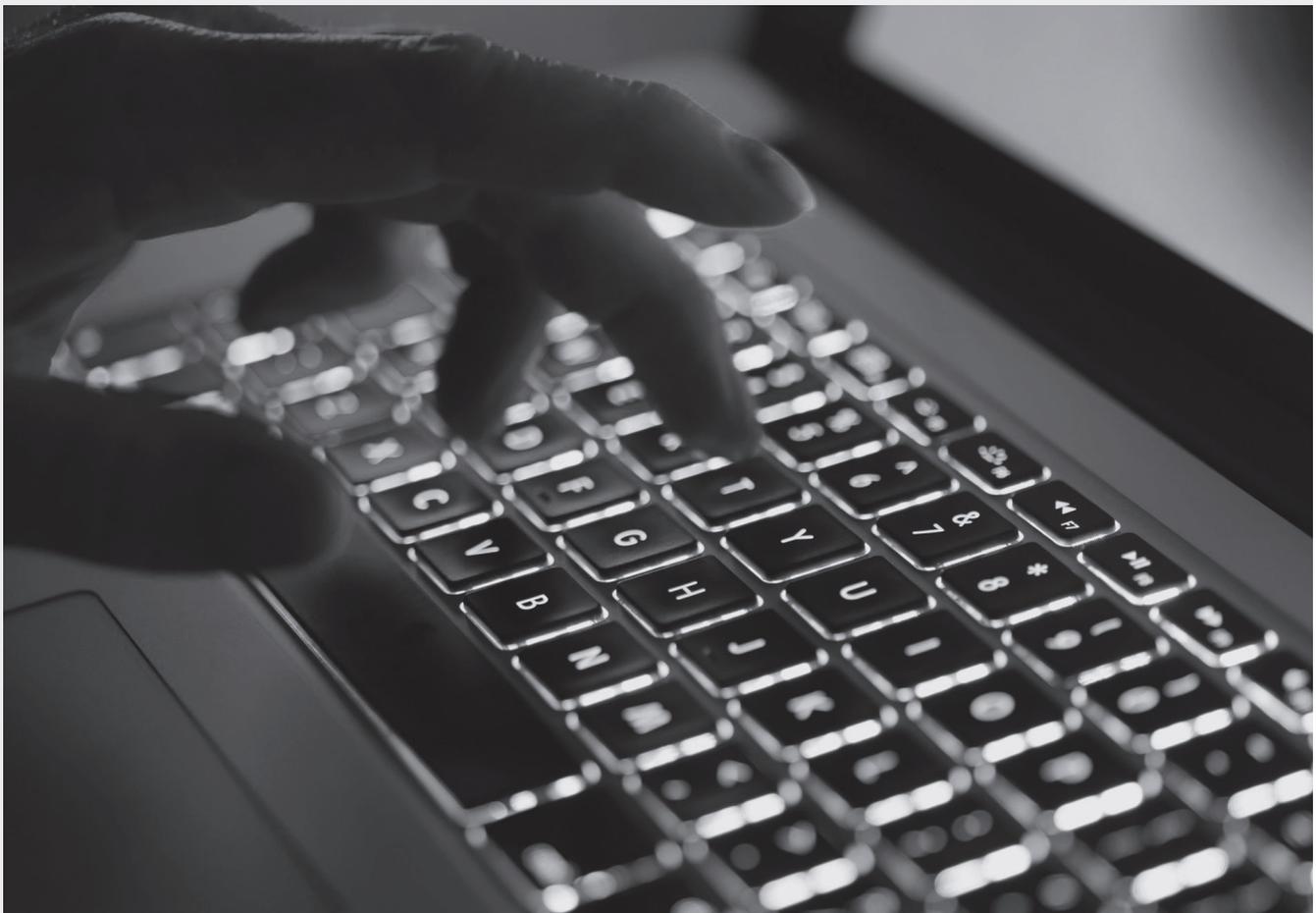
From the statistical data, there is an increase on the number of disseminations submitted to ASP, which is the competent law enforcement authority for investigations and collection of materials to be referred to the Prosecutor’s Office. GDPML is continuously informed about the outcomes of these investigations.

Regarding disseminations to the Prosecutor’s Office, there is a noteworthy decrease in number, due to the fact that, disseminations were made mainly in cases of regarding seizing or confiscation orders. In these cases, thanks to the interagency coordination, ASP is informed simultaneously. In line with the trend witnessed in previous years, the majority (65%) of cases in 2018 were disseminated to Tirana Prosecution Office.

About 90% of the disseminations to law enforcement agencies are based on SARs submitted by reporting entities.

Table 3: Indicators for disseminations in 2018

	SAR	Sectorial analysis	CTR	Partner IFUs	Notifications	Total
Prosecutor's Office	27	1	1	1	3	33
ASP	315	9	3	9	8	343
Total	342	10	4	10	11	376



Identification of mechanisms used to perform laundering of the proceeds of crime or terrorism financing, constitutes an important element in the process of analyses of suspicious cases. In this regard, the following typologies (indicators) have been observed over the years:

- suspicious transfers (incoming or outgoing) involving entities/foreign citizens and transfers which are not justified by the supporting documentation;
- high-income real estate investments with unknown origin of funds;
- considerable flows of funds unjustified by the financial profile of the entity;
- lending/borrowing or donations of considerable amounts among natural or legal persons;
- cash deposits or withdrawals of sizeable amounts;
- fraudulent activity;
- financial transactions carried out by individuals with past criminal records or their associates;
- cross border declaration (or non-declaration) of funds and valuable items etc.;
- non- identification of the final beneficial owner;
- suspicious transfers with countries considered at risk for ML/FT;
- Transactions between people without clear links or ambiguously declared relations etc.

In the course of an effective financial analysis, in addition to identifying mechanisms, identification of the source of criminal funds, assets and their links with illegal activities is also of particular importance.

Table 4: Data on classification of predicate offences during 2014-2018

Predicate offence	2014	2015	2016	2017	2018
Trafficking of narcotics	50	48	30	43	31
Trafficking of human beings, sexual exploitation	9	6	7	2	2
Previous criminal proceedings	15	20	12	17	19
Establishment or involvement in criminal organization	0	6	6	5	3
Financing of terrorism	3	2	8	5	2
Fraud, cybercrime	17	12	17	15	13
Forgery	3	8	2	5	2
Abuse of power and corruption	7	11	9	13	5
Non-declaration of cross border transportation of cash and valuables	4	14	2	1	1
Theft, robbery, coercion, murder consequence	12	8	3	7	6
Trafficking of motor vehicles, evasion of custom duties, smuggling	2	2	4	0	0
Suspicious for tax evasion	40	41	9	16	5
Unknown	300	224	302	272	287
Total	462	402	411	401	376

The table above presents the cases disseminated to law enforcement authorities, Prosecutor's Office and ASP, where the underlying predicate offence could be established. It should be noted that the assessment of the criminal offense is based on the assumptions of the reporting entities, GDPML's factual evaluation or additional information obtained. The predominant criminal activities during this year, are trafficking of narcotics, fraud, criminal antecedents, abuse of power, tax evasion etc.

In line with previous years, for the majority of cases the underlying predicate offence could not be established.

In those cases, financial analysis has concluded that:

- the funds involved did not have a legitimate source;
- financial activity was obviously abnormal;
- the economic or legal purpose has been convincingly suspicious;
- They have had strong similarities with internationally known typologies.



Freezing orders

In order to prevent conversion of proceeds of crime or their use for financing of terrorism, and when sufficient data is available to substantiate such activity, GDPML exercises the right to temporarily freeze transactions and assets for 72 hours.

During 2018, 24 temporary freezing orders were issued, mainly for bank accounts, in a total value of about 5.4 million Euros and 4.5 million Euros were thereafter seized pursuant to a court decision.

Based on indices submitted by GDPML to track the asset suspected of a criminal origin, and ASP reports, real estate assets with a value of 5 million Euros were seized, bringing the total value of assets seized with indices from GDPML to 9.5 million Euros.

Furthermore, preliminary data shows that during 2018, based on information provided by GDPML, tax authorities have recuperated from criminal investigations about 34.4 million Lek, and have in process 17 cases for tax assessment where the unreported value amounts to approximately 482 million Lek.

Table 5: Freezing and seizure orders during 2014-2018 (In Euros).

Years	No. of freezing orders	Total Frozen	Total seized	Percentage
2014	65	18,183,760	13,967,770	76.80%
2015	47	16,278,080	11,266,941	69.20%
2016	61	28,772,733	8,129,000	28.30%
2017	52	11,263,587	9,096,233	80.80%
2018	24	5,428,270	4,536,595 ¹	83.60%

¹ Considering also the amount of 5 million Euros in real estate the total amount is 9.5 million Eur.

TYOLOGIES OF CASES DISSEMINATED TO LAW ENFORCEMENT AGENCIES

Typology 1: 01

Transfers made by citizens with family connections with Albanian and foreign nationals and with countries categorized as risky.

Citizens X and Y (spouses) had made several transfers for a period of 4 years, varying from 20 to 1,200 Euros. The predominant transfers ranged from 200 to 600 Euro, having as beneficiary Albanian and foreign nationals in different countries.

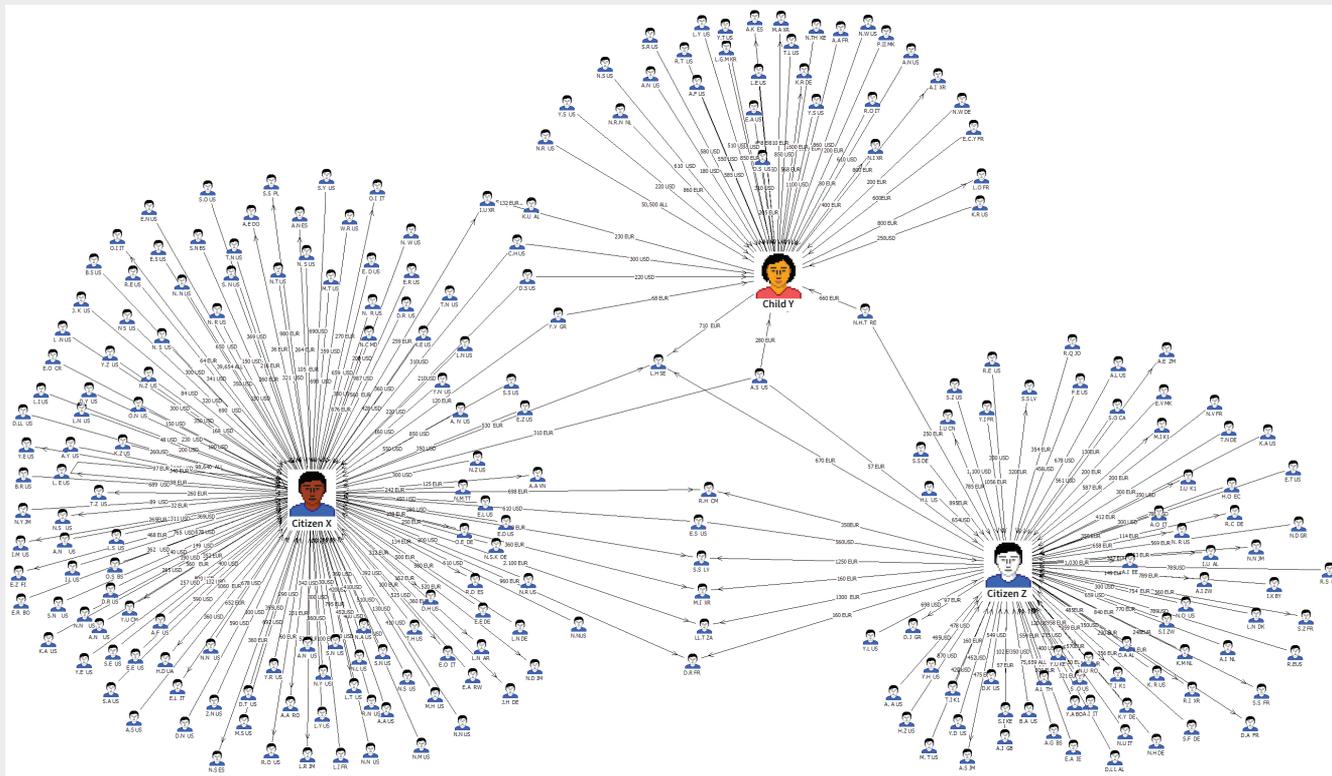
Citizen Z, during a two year period, had sent and received some transfers in the amount of 30 to 1,000 Euros. Further verifications have shown that citizen Z is involved in trading of virtual currencies and is related to the activity of the entity owned by Citizen X.

From the verifications, it resulted that citizens X and Y own two commercial entities and one of them was involved in virtual currencies. Later on, it was found out that citizen X was arrested for trafficking of narcotics.

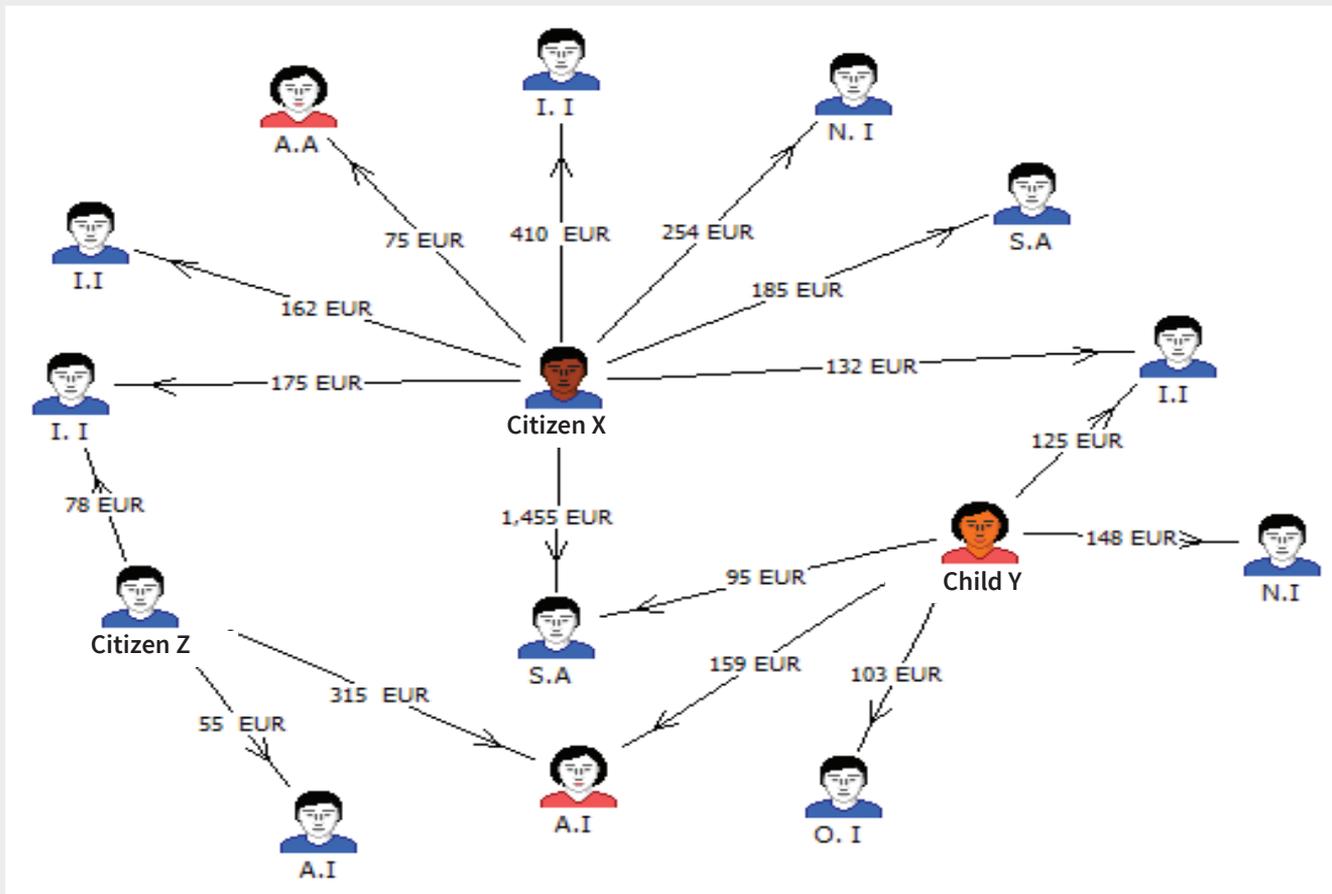
The analysed information has been disseminated to law enforcement agencies for further investigation, based on:

- numerous transfers made by citizens X, Y and Z, with mainly foreign nationals (and some Albanians) with unknown links;
- commercial activity of citizen X for the exchange of virtual currencies;
- involvement of citizen X in illegal activities.

Scheme 1:



Scheme 2:



Typology 2:

02

Flows of suspicious amounts in the banking system

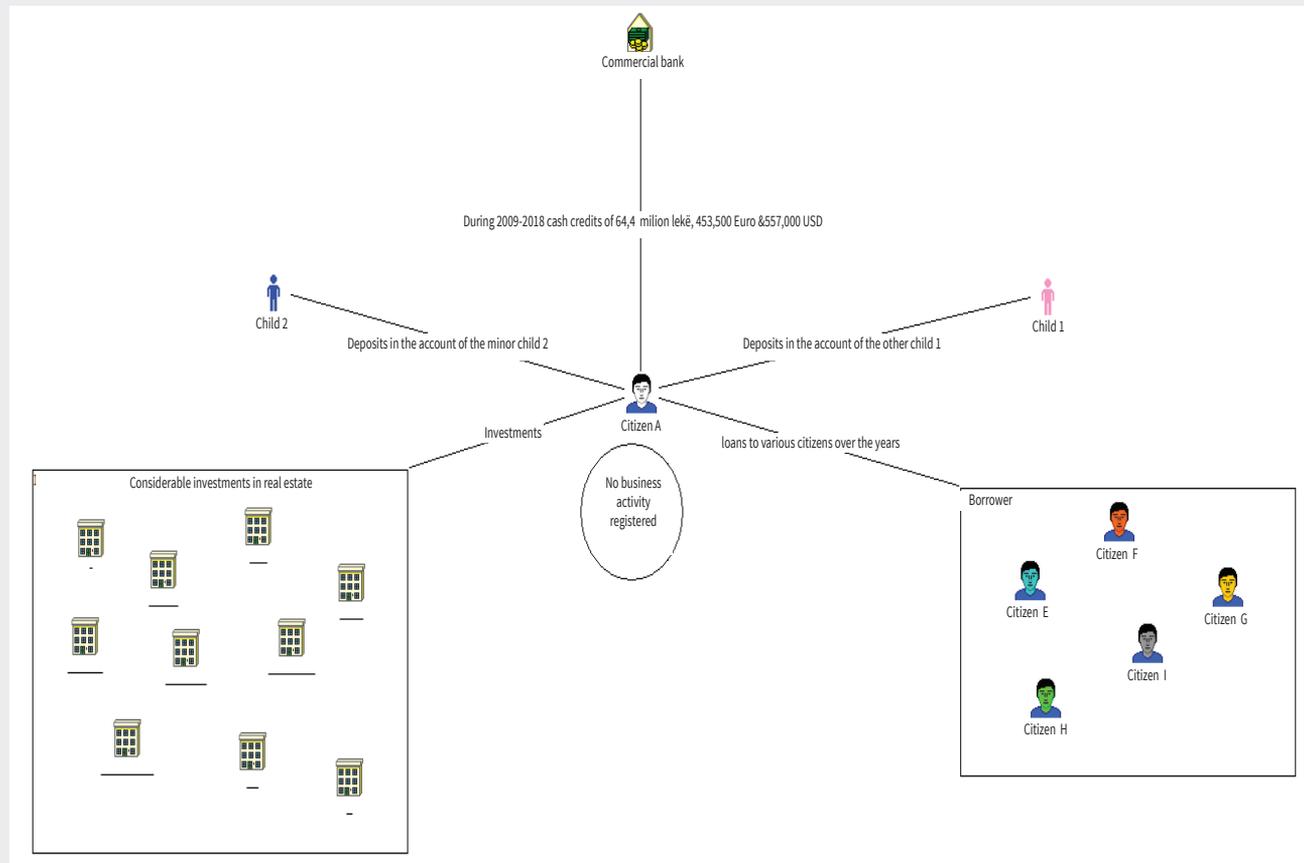
Citizen A owns several personal bank accounts, in various currencies. His accounts (included those opened in the name of his minor children) show a significant turnover.

Over a period of several years, he has made significant deposits in his accounts (amounting to over 1 million Euros). According to bank declarations, A practices a profession that does not justify the accumulation of these funds and further verifications indicated that:

- Citizen A turns out to have signed over the years, 45 notarial acts for the sale of immovable property, appearing mainly as a purchasing or ordering party;
- The total value of the immovable property purchased, was about 1.5 million Euros.
- Reports show contracts signed by A, for lending significant amounts of money;
- From NBC data, citizen A does not have a registered economic activity, but besides the declared profession, he is suspected of involvement in car dealerships and informal lending at high interest rates.

The information was sent for further investigation to law enforcement agencies.

Scheme 3:



Typology 3:

03

Suspicious source of income and significant real estate investments

Citizen G signed in 2018 a contract for the purchase of immovable property in the amount of 130,000 Euros. Due to his employment as a public official, the value of investment triggered a financial investigation regarding the source of income of citizen G.

Further verifications indicated that:

- Family members of this citizen have made two other investments in real estate and luxury goods, in the total amount of 205,000 Euros;
- Citizen G, had registered a business activity with negligible profits compared to investments made by him and his relatives;
- Verifications of his bank transactions showed that they are performed mostly in cash during an extended period of time;
- In addition to the above mentioned contract, it turned out that G had signed 6 other notarial contracts, indicating additional real estate investments and borrowing from some individuals (citizen P and his relatives). Funds borrowed were also used as pretence for the source of funds, since these individuals clearly lacked the necessary economic capacity to possess them.

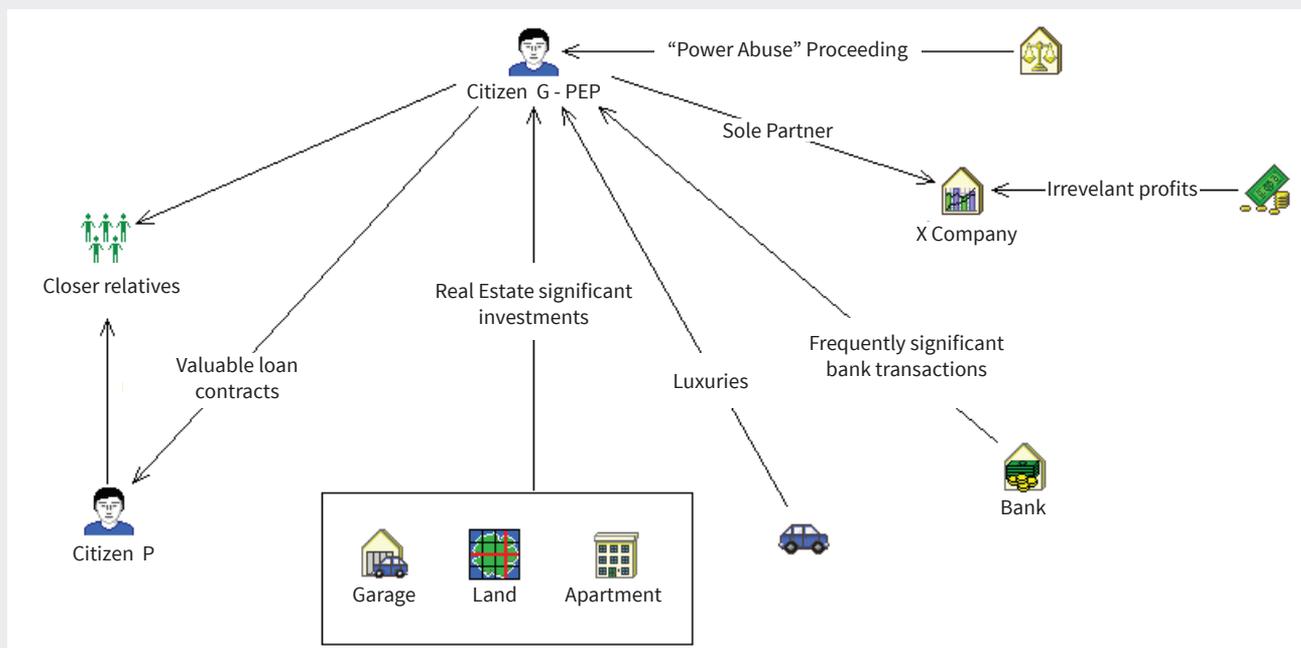
Verifications carried out for citizen P and his relatives, failed to substantiate any bank information regarding the alleged lending to citizen G. The information gathered for citizen G, showed that he was subject of a criminal case for the offense of “abuse of power”.

In conclusion of the analysis and taking into consideration that citizen G:

- Had made a number of significant real estate investments;
- Had invested in luxury goods;
- Had entered into several contracts (more than one contract signed within the same date);
- Allegedly borrowed considerable sums from members of a family, declaring these funds as the source of his investment.

The information was sent for further investigation to law enforcement agencies.

Scheme 4:



Typology 4:

04

Flows of suspicious amounts in the banking system

Company A with sole administrator and partner foreign citizen 1, was in 2017 the beneficiary of a wire transfer of three million Euros, from the foreign company B. In order to justify this transfer, company A had submitted a loan contract with company B, represented by foreign citizen 2.

Verifications that were carried out indicated that:

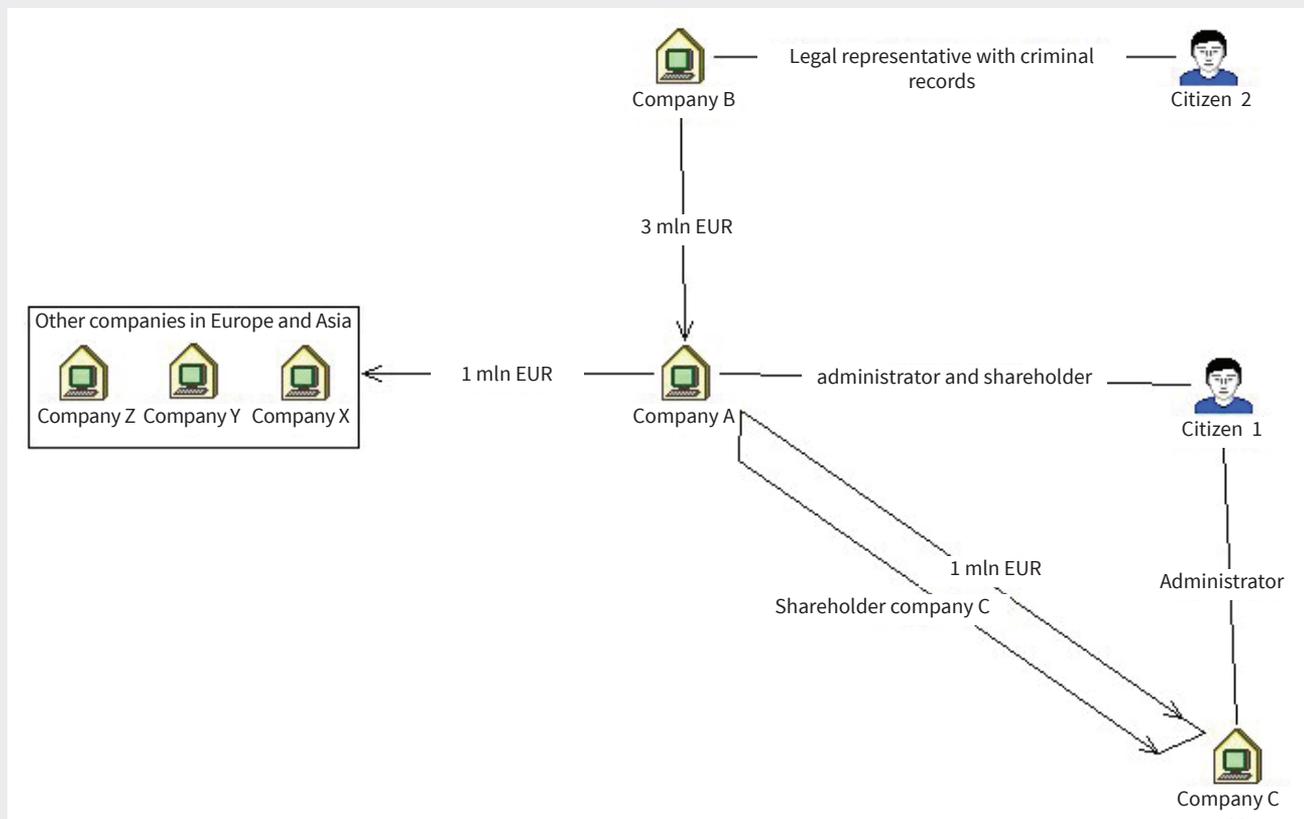
- Company A, in a short period of time had transferred a significant portion of funds received towards different foreign companies in Europe and Asia;
- It was documented that the highest amount (about 1 million Euros) was sent through sequential transactions to a foreign company C, operating in a European country;
- Company C, was wholly owned by company A and has as administrator the foreign citizen 1.
- Inquiries regarding citizen 2, indicated criminal record for involvement in fraudulent activity.

Based on these verifications and taking into consideration:

- The considerable amount of the incoming wire transfer;
- The transfer of funds received within a short time to various foreign companies;
- Transactions carried out by non-resident nationals in a different country from that of their origin;
- Information on the involvement of the foreign citizen 2, in criminal activity.

The information was disseminated to law enforcement agencies for further investigation.

Scheme 5:



Typology 5:

05

Suspicious transfers from offshore entities received by companies operating as “Call Centres”.

Company A, was registered with the NCB in 2015 and operated in delivering marketing services on the internet (call centre, tele selling).

- Company A, was established by Albanian citizen X and the foreign citizen Y;
- In 2016, foreign citizen Y had sold his shares to his partner X, who became the sole owner of company A;
- In 2017, the sole owner X sold his shares to citizen G and during the same year company’s status appeared as “suspended”.

In 2018 company A-1 was established, by citizen F (son of citizen G and close relative of citizen X).

- During this year, A-1 received several transfers of considerable amounts (approximately 160,000 Euros) from company B, headquartered in country M known as a tax heaven;
- Subsequently, administrators of companies A and A-1, made considerable amounts of cash withdrawals;
- Verifications revealed links of citizens involved in these transactions and companies, with entities that GDPML had previously alerted law enforcement agencies, due to suspicions of engagement in a money laundering offence.



Searches for company A revealed the following results:

- Settlement of payables in favour of a number of newly-established businesses (sole proprietors) by various individuals with unknown relationship with the company or its shareholder;
- The recipients of funds (i.e. service providers) had been registered in the NCB in the same period of time (some of them even on the very same day) and with the same line of business activity ‘online services’.

Verifications regarding tax declarations of these entities yielded the following results:

- Their invoices are issued only for services rendered in favour of company A;
- Invoices in some cases of some natural persons are monthly invoices all in successive ordinal numbers, in favour of society B (in low amounts);
- Sole proprietors registered in 2017, have all their first invoices issued for services in favour of company B (in considerable amounts).

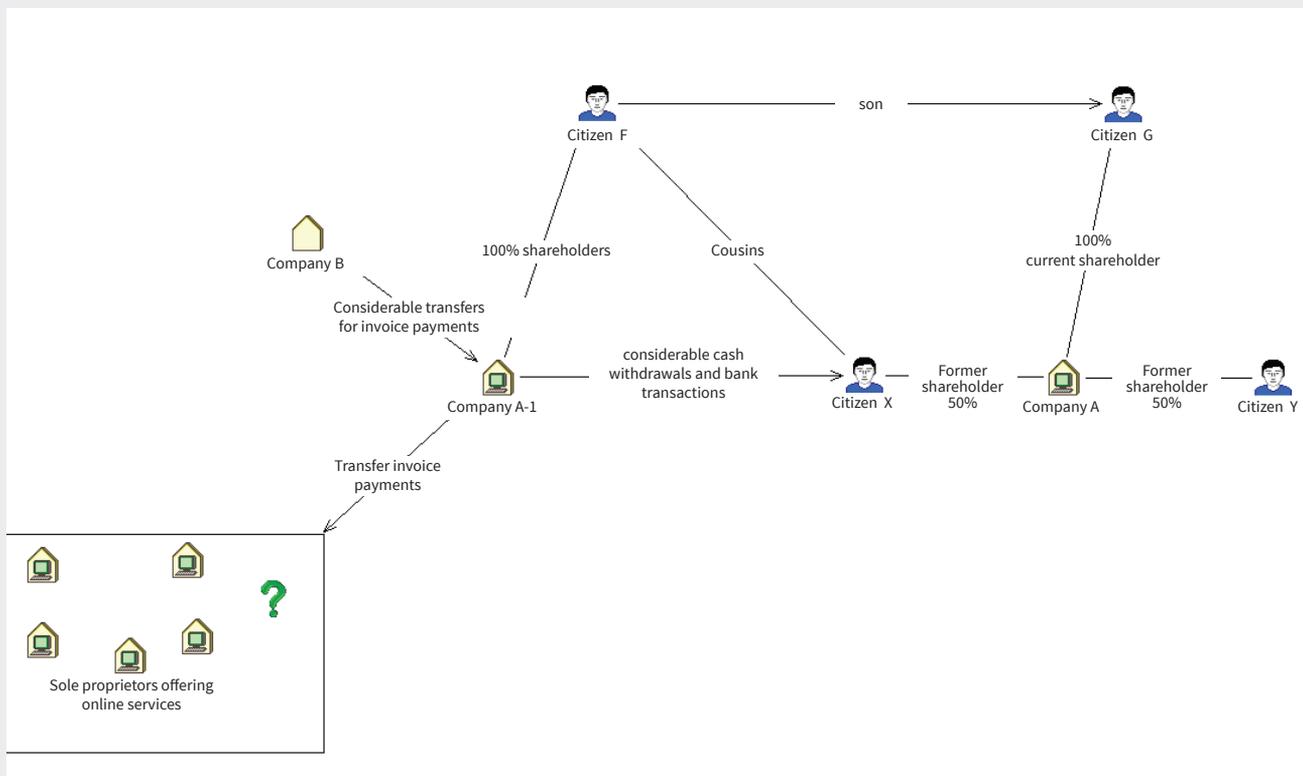
Funds generated from these entities from billing, were accounted as expenditures and were subsequently withdrawn in cash.

Taking into consideration the following findings:

- Ordering transfers from company A in favour of certain “sole proprietor” businesses that are created in the same period and with the same business activity (apparently fictitious);
- Significant amounts of funds transferred to companies A and A-1 from a company operating in a country known as a tax haven;
- The opaque nature concerning the line of business (marketing and consultancy services) declared by the aforementioned companies;
- Considerable amounts of cash withdrawals, allegedly for business purposes;
- Early involvement of the relatives of A-1’s administrator in the call centre business and relevant information disseminated to law enforcement authorities, due to suspicions on source of funds used by them.

The information was disseminated for further investigation to law enforcement agencies.

Scheme 6:



AWARENESS RAISING OF REPORTING ENTITIES AND COMPLIANCE ANALYSIS

Awareness raising of reporting entities

In order to effectively fulfil its legal obligations, GDPML has continuously paid attention to the awareness raising and training of reporting entities. In this regard, during 2018, a series of meetings and training sessions were held with them concerning issues related to the implementation of the customer “due diligence” and “enhanced due diligence” measures, the profile and the categorization of customers with high ML/TF risk, analysis and reporting of complex transactions, monitoring of cash transactions as an added element of risk, typologies and indicators of terrorism financing, implementation of international sanctions for the designated persons pursuant to the United Nations Security Council’s resolutions, national risk assessment indicators, etc.

In addition to organizing individual training sessions, GDPML has continued the cooperation with supervisory authorities in order to present institution’s preventative experience and to assess the level of compliance of the entities with ML/TF legislation.

Through these training activities, we have aimed to extend their impact to a broader range of entities, especially those that are categorized with a medium or high risk.

The following table presents the comparative data regarding the number of persons trained for the relevant reporting entities.

Table 6. Number of persons trained for the period 2014 – 2018.

Subject	2014	2015	2016	2017	2018
Banks	120	285	108	364	203
CEO	70	73	77	35	73
Non-bank financial institutions	68	115	188	115	126
Brokerage companies	0	0	0	0	3
Gaming companies	12	0	6	3	1
Notaries	237	73	127	30	221
Accountants	1	0	1	3	2
Insurance companies	0	35	1	1	2
Supervising authorities and institutions (FSA, CORIP, ASP, GDC, GDT)	139	58	108	27	24
Car dealers	14	0	3	3	0
Non-profit organizations	0	45	0	0	0
Construction companies	38	0	8	14	18
Private pension institutes	0	5	1	1	0
Real estate agents					29
Total	699	689	628	596	702



During 2018, the number of trained persons has been predominantly from financial institutions and notaries. The main topics discussed in these trainings were:

- Intensifying the analysis of transactions and the activity of high-risk customers;
- Increasing attention to cash transactions and those that do not fit the economic profile of the customer;
- Measures against the financing of terrorism, international sanctions for designated persons;
- Drafting and reviewing risk assessment by reporting entities and measures to mitigate the risks identified in the National Risk Assessment;
- Continuous updating of knowledge based on regional typologies and beyond;
- Further focus on capability enhancement of financial entities, regarding detecting of suspicious cases and specialization of local structures.

Special attention has been paid in these meetings, to supervising authorities of the reporting entities, by informing them on areas of concern in order to enhance their awareness of their role and the need for cooperation aimed at strengthening the preventive system in the country.

GDPML's on-site inspection of reporting entities play an important role, because in addition to examining the implementation of legal obligations, they also provide an opportunity to offer assistance to the representatives of the entities in terms of compliance with the law and clarifications accompanied with practical cases regarding their activity.

Apart from meetings, training sessions or on-site inspections, GDPML's communication with the entities, has also relied on the extended use of electronic means, to provide guidance or present ML/TF typologies.

Besides meetings, trainings and inspections, the GDMLP extensively used electronics introducing ML/TF categorized typologies.

Compliance Analysis

The compliance of the reporting entities with the requirements of the legal acts and regulations for the prevention of ML/TF remains one of the main goals for GDPML.

To ensure an increasing level of effectiveness for the supervising process, our efforts are focused on those categories of entities, which represent a medium or high level of ML/FT risk.

During 2018, GDPML has continued its endeavours to direct the preventive work of reporting entities, particularly for financial institutions towards individual ML/FT risk assessment, by emphasizing factors that pertain to the customer risk, services and products provided, geographic risk and indicators of terrorist financing, aimed at strengthening and further consolidating their preventive structures.

Coordination and cooperation with supervising authorities has been one of the main pillars of our work and to this end a series of joint inspections have been carried in financial institutions in cooperation with BoA and life insurance companies, agent-brokers and the depositaries of investment funds in cooperation with FSA.

The following table shows the data for on-site and off-site inspections during 2018 compared to the previous years.

Table 7. Inspections performed in 2015-2018.

No.	Inspected entities	2015		2016		2017		2018	
		On-site	Off-site	On-site	Off-site	On-site	Off-site	On-site	Off-site
1	Banks	6	7	9		5	2	7	7
2	Non-bank financial institutions	7	2	9		5		7	
3	Brokerage companies					1		3	
4	CEO	22	6	12	1	18	27	19	20
5	Accountants	5	1	1	1	3	9	2	11
6	Construction companies	15	7	8	14	14	19	9	14
7	Car dealers			3	1		5		
8	Notaries	13	1	21	28	6	17	10	39
9	Gaming companies		8	6		3	3	1	
10	Life insurance	2		1		1		2	
11	Law firms	3					15	3	
12	Securities companies		4						
13	Savings and Loans		4	2		1			
14	Transportation companies	1							
15	Artwork	1							
16	Precious metals					1			
17	Real estate			4		3	5		19
18	Investment funds, pensions and custodians			1		1		1	
19	Travel agencies					1	6		8
	Amount	75	40	77	45	63	108	64	118
	TOTALI	115		122		171		182	



A total of 182 entities have been inspected in 2018, around 6% more compared to 2017. Off-site inspections constitute 65% of the total. About 73% of all inspections were concentrated in high risk entities such as banks, CEOs, gaming operators, construction companies, notaries etc.

Compliance analysis for 2018 shows a noticeable improvement in the compliance of reporting entities with legal obligations. Almost 1 in 10 inspections this year was concluded with an administrative sanction, compared to 1 in 7 during 2017 and 1 in 4 during 2013-2016. The main deficiencies identified were:

- Failure to report legally required threshold cash transactions, although such cases are sporadic and decreasing;
- Inadequate monitoring of the business relationship with their customers;
- Failure to maintain a centralized system for data collection and analysis;
- Insufficient in-depth analysis of complex, high value, unusual and economically unjustified transactions.

Based on these deficiencies, GDPML has continued the process of reviewing the identified violations has issued recommendations to the entities for improving their preventive capabilities and at the same time has informed the supervising authorities.

ADMINISTRATIVE SANCTIONS AND JUDICIAL PROCEEDINGS

Administrative sanctions

During 2018 there have been identified entities that have not accomplished an appropriate level of compliance with ML/FT law, that have been subject of administrative proceedings, examinations of cases and application of sanctions in accordance with relevant provisions.

This compliance assessment has included both the on-site inspections as well as the off-site inspections performed through questionnaires, or the indications of infringements of legal obligations resulting from the monitoring of the entities.

The fines imposed range from 300,000 to 4,000,000 Lek. The total amount of fines imposed in 2018 was 14,200,000 Lek.

Majority of administrative sanctions were imposed to construction companies (10) followed by 4 sanctions imposed on notaries amounting to 2.8 million Lek.

There is a decrease in the number of administrative sanctions compared to the overall inspections, a general indicator of the increase of preventing measures in the country, effectiveness of training provided to reporting entities as well as the timely and qualitative response towards common challenges.

Pursuant to assessment of examination reports a total of 18 administrative sanctions have been imposed on reporting entities in 2018.



The administrative infringements for sanctioned entities consist of:

- Failure to comply with the obligation to report threshold transactions;
- Failure to comply with the customer and enhanced due diligence measures.

Tabela 8: Number and value of sanctions applied to relevant entities during 2014- 2018 (in Lek).

Entities	2014		2015		2016		2017		2018	
	No	Amount								
Banks	5	4,430,000	2	6,000,000	5	10,700,000	5	17,000,000	0	0
CEOs	7	4,300,000	8	6,800,000	5	3,500,000	8	3,600,000	3	1,100,000
Notaries	29	9,700,000	4	2,700,000	11	3,400,000	2	1,000,000	4	2,800,000
Non-bank institutions	2	800,000	3	2,200,000	2	1,000,000	1	500,000	0	0
Gaming companies	3	2,500,000	0	-	4	3,600,000	1	500,000	0	0
Construction companies	11	6,800,000	15	14,700,000	4	3,800,000	9	6,000,000	10	9,800,000
Travel agencies	0	0	1	300,000	0	0	0	0	0	0
Life insurance companies	0	0	1	2,000,000	0	0	0	0	0	0
Car dealers	0	4,000,000	0	-	2	4,000,000	0	0	1	500,000
TOTAL	57	28,530,000	34	34,700,000	33	30,100,000	26	28,600,000	18	14,200,000



Execution of administrative sanctions and judicial proceedings

During 2018, the total amount of pecuniary sanctions collected was 22,590,643 Lek. From this amount 18,570,243 Lek belong to sanctions imposed in previous years and 4,020,400 Lek belong to 2018.

Table 9: Data regarding collections of sanctions during 2014-2018

Items	2014	2015	2016	2017	2018
Decisions	57	34	33	26	18
Total amount in Lek	28,530,000	34,700,000	30,100,000	28,600,000	14,200,000
Total amount deposited in Lek	34,235,705	17,656,000	31,786,000	27,788,000	22,590,643

Regarding the administrative sanctions that were imposed during this year seven of them have already been collected, while the remaining cases are currently undergoing a judicial process.

In order to improve the efficiency for the enforcement of administrative measures, GDPML has been very attentive during the execution stages conducted by bailiffs.

GDPML has diligently followed the judicial proceedings related to application of the administrative sanctions and the outcomes of the completed court cases are as follows:

- Administrative Court of the First Instance has already ruled for 19 cases,
- The court has predominantly upheld GDPML's decision (17 cases) and ruled against only in two cases;

Judicial files have been thoroughly assessed in order to further improve the administrative process and to harmonize the approach applied by the entities regarding the ML/TF legislation.

NATIONAL AND INTERNATIONAL COOPERATION

Inter-institutional national cooperation

Coordination and inter-institutional interaction constitutes an important and indispensable goal of the institutions involved in the fight against ML/TF. Considering GDPML's role as a national centre in this regard, cooperation with various authorities extends into many levels, both within the scope of oversight of reporting entities, information exchange with various institutions, access to databases and information, responding effectively to the freezing of suspicious assets of criminal background etc.

Cooperation with ASP as the main law enforcement body, as well as with the Prosecutor's Office, in the course of handling of GDPML's disseminations has continued unabated. During 2018, it is worth mentioning the special co-operation with the task force "Force of Law" that includes a permanent representative from GDPML. Thanks to its experts from the most specialized structures in the country, this task force has investigated a number of cases related to several criminal groups, focusing particularly on comprehensive financial investigations.

Cooperation with supervising authorities has continued with regard to joint training and supervising activities, to ensure an efficient use of resources as well as to facilitate the examination processes for the reporting entities.

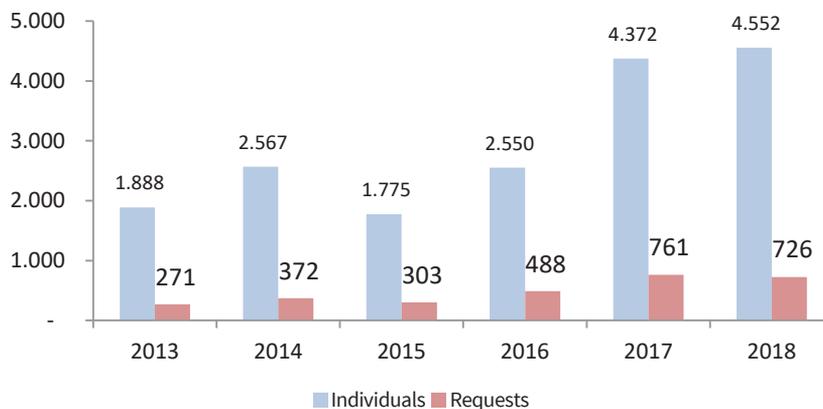
Responding to inquiries related to financial investigations from ASP and the Prosecutor's Office is an aspect of a particular importance in GDPML's overall annual activity. A significant increase has been recorded during this year vis a vis the number of inquiries and verifications conducted to this end.

During 2018, pursuant to law enforcement inquiries, GDPML provided relevant information about 4,552 individuals, compared to 4,372 for the previous year (without considering the vetting process). The number of verifications has increased considerably in the last two years. On average, during 2013-2016, annual verifications were conducted for 2,195 individuals. The highest number of verifications during 2018 was made on behalf of the ASP (2,800 individuals), while the rest for the Prosecution Office (1,111), Vetting Commission (353) as well as 288 individuals on behalf of the other authorities (HIDAACI, CISD, FSA, BoA).





Graph. 2: Number of verification requests and individuals involved (excluding the vetting process).



It is worth mentioning the cooperation with HIDAACI, in the framework of the exchange of cases of mutual interest for investigation as well as the responses to the information requests that HIDAACI submits to GDPML.

Cooperation with the State Intelligence Service continues to be a priority for GDMPL and has yielded tangible outcomes, in the framework of information exchange for relevant entities, with a main focus on fighting organized crime, extremism, radicalism and terrorism financing.

During 2018, there has been a continuous cooperation with GDT and GDC, accompanied with an increase in qualitative and quantitative terms, as well as identifying areas that require further analysis and cooperation.

International Co-operation

The evaluation process from the Moneyval Committee of CoE

During 2016-2018, GDPML has been actively engaged in steering and coordinating Albania's Vth round evaluation process from the Moneyval Committee. The process as a whole was complex and required the involvement and coordination of a number of public and independent institutions, as well as the involvement of the private sector.

It went through several stages that included.

Completion of questionnaires by relevant authorities, on-site visits from the evaluation team and meetings held with public and private actors responsible for ML/TF issues, face to face meetings with the group experts after the first draft of the report, provision of comments from authorities on the various draft reports, collecting comments from the international ML/FT network and preparing written arguments for their findings and then presentation and discussion of the report in the plenary session of the Moneyval Committee.

The evaluation report was approved at the 56th Plenary Session of the Moneyval Committee, held in Strasbourg in July 2018. The current methodology seeks to assess the legal and regulatory framework of the country on ML/TF issues and its compliance with the 40 FATF Recommendations, which are recognized worldwide as a binding standard. The parallel assessment of the effectiveness of the system in preventing and fighting ML/FT constitutes a novelty for this round of evaluation.

The assessment report notes that 28 Recommendations are compliant, 10 recommendations are partially compliant and 1 recommendation is not compliant. There is a significant technical improvement compared to previous assessment (2010), where 30 recommendations resulted to be partially compliant and 3 non-compliant,





As far as effectiveness is concerned, the result is in line with the average of the countries rated by Moneyval so far. Out of 11 Immediate Outcomes (IO): 2 of them are rated with Substantial Effectiveness, 7 with Moderate Effectiveness and 2 with Low Effectiveness.

The substantial effectiveness assessment for the performance of the Financial Intelligence Unit (GDPML) and the assessment of the effectiveness of the preventive measures are encouraging, while a number of challenges remain in important areas that need to be addressed by a wide range of authorities.

The Committee for the Coordination of the Fight against Money Laundering, adopted on 4th September 2018, an action plan to address the recommendations of the Moneyval Committee and currently all the stakeholders are actively engaged in their fulfilment.

During 2018, GDPML was regularly engaged in activities of the Egmont Group, participating in various projects of cooperation, as well as the plenary session of this group, held in September 2019 in Sydney, Australia.

In November 2018, a working visit of GDPML's executive was held in the Italian FIU in order to discuss issues of bilateral cooperation in the framework of the fight against ML/TF.

During this year GDPML, continued chairing the Albanian delegation in the Moneyval Committee and attended the plenary sessions held in July and December 2018. The cooperation with Moneyval has been quite intensive due to the process of evaluation of Albania and the approval of the relevant report.

Regional cooperation

In the framework of strengthening regional cooperation, in December 2018 was held in Mostar, Bosnia and Herzegovina the annual meeting of regional FIU's that was attended by representatives of the FIUs from Albania, Bosnia and Herzegovina, Croatia, Montenegro, Macedonia, Serbia and Slovenia. During this meeting discussions were held and there was an exchange of experiences regarding regional typologies and trends, outcomes of countries Moneyval evaluations, implementation of ML/TF EU directives, participation in the Egmont group meetings etc.

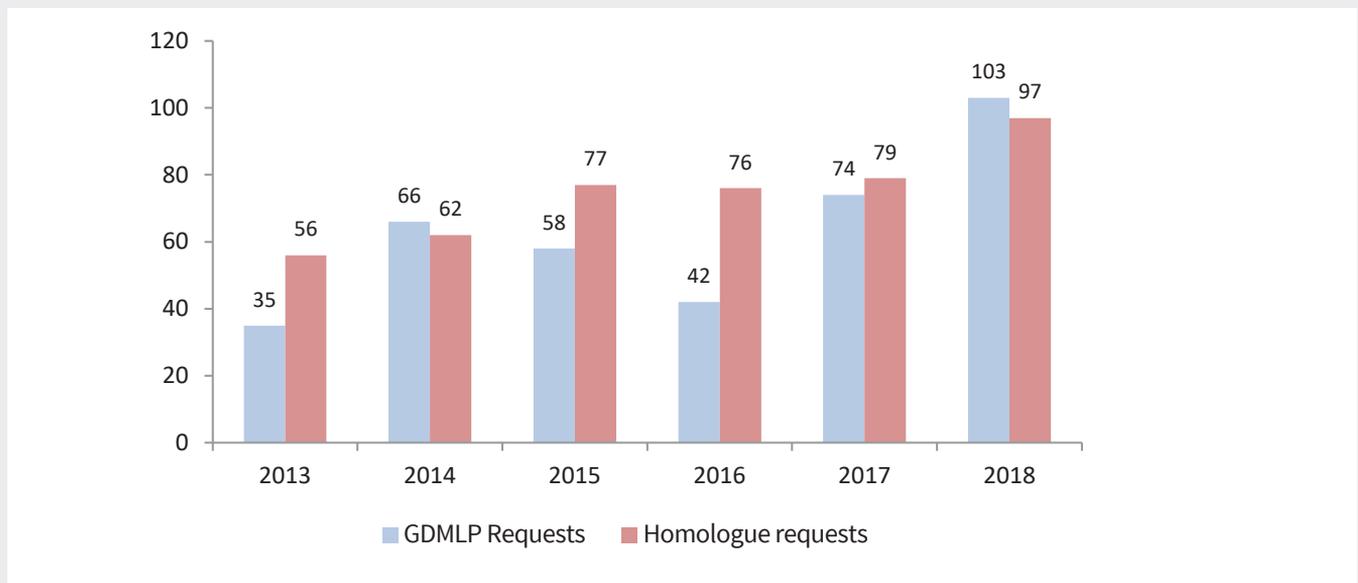
Exchange of information among FIUs

GDPML cooperates with the FIUs, members of the Egmont Group, in the framework of exchanging financial intelligence, which has increased continuously. There were 103 requests sent by GDPML in 2018 compared to 74 from the previous and the average of 55 requests sent annually during 2013-2017. There were 79 requests sent by FIUs in 2018, compared to 79 from the previous and the average of 70 requests sent annually during 2013-2017. It is worth noting that during 2018, there was an increase in the requests of the law enforcement agencies to GDPML, in order to obtain information from partner FIUs.

International co-operation with the FIUs is an important component of our activity, providing timely and valuable information that leads to actionable intelligence products.

The main FIUs with which GDPML has exchanged information during 2018, are the ones from Belgium, Germany, Greece, Kosovo, Italy, Montenegro, Netherlands, United Kingdom, U.S.A. etc.

Graph no. 3: Exchange of information with FIUs.



BUDGET, HUMAN RESOURCES AND IT

Budget and its management

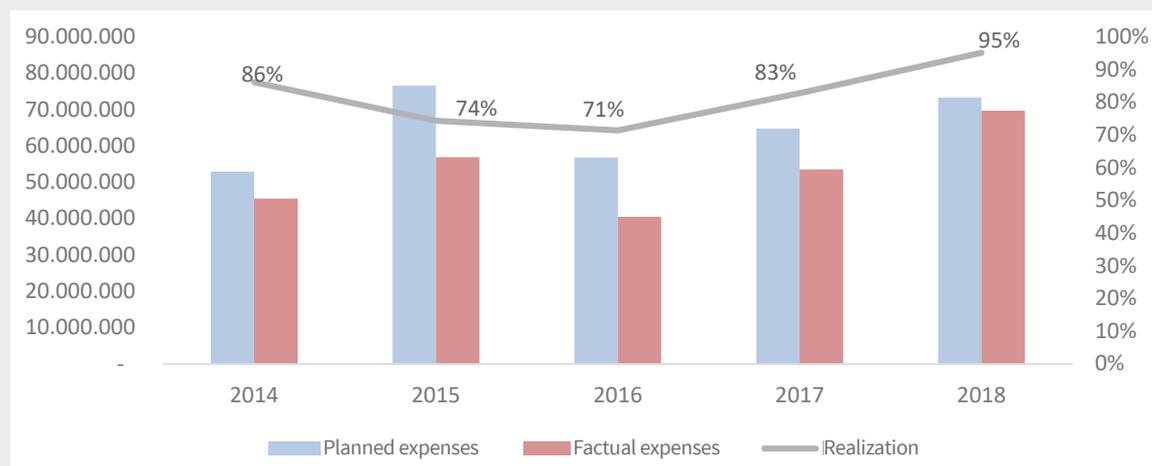
During 2018, GDPML spent a total of 69.6 million Lek or 30% more in comparison to 2017. Factual expenditures made up 95% of the planned allocations.

The total expenditures are categorised in current expenditures in the amount of 52.8 million Lek and capital expenditures in the amount 16.8 million Lek. The ratio of current and capital expenditures to total was respectively 76% and 24%. In 2017, the ratio of categorisation of expenditures was 95% current and 5% capital, clearly indicating an increase in the relative weight of capital expenditures in 2018, to the total as a result of significant investments mainly in IT infrastructure.

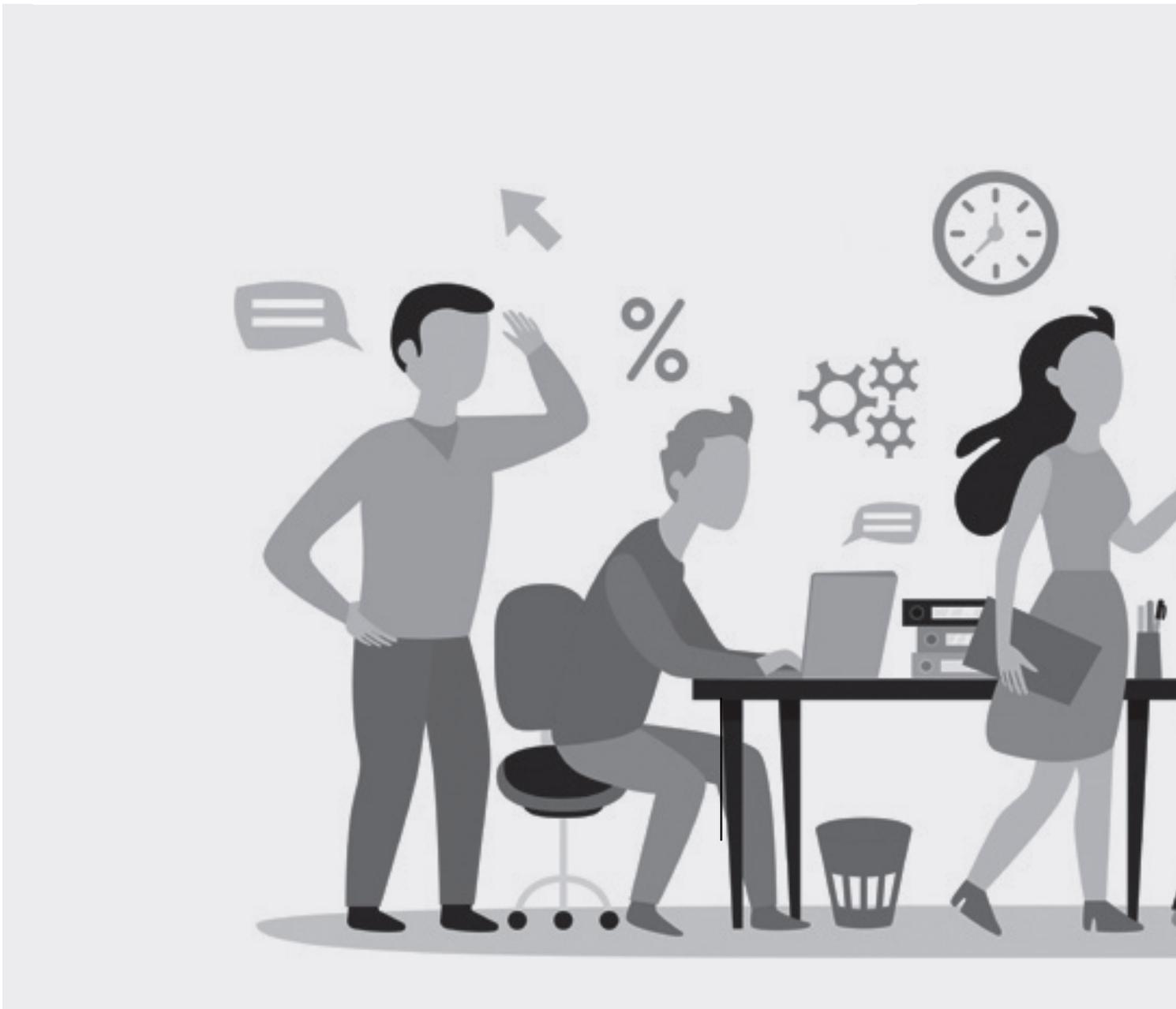
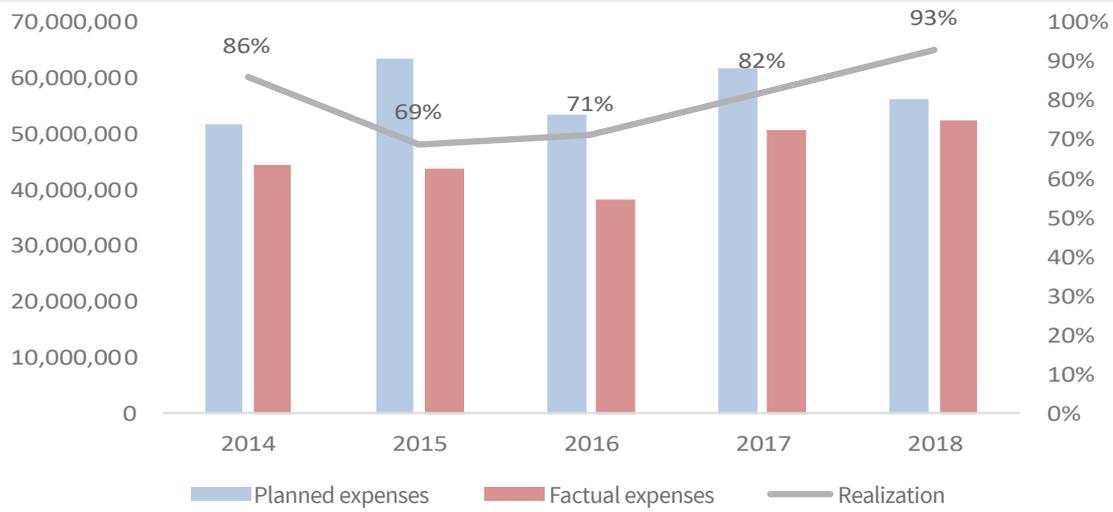
In 2018 current expenditures decreased by 9% compared to the previous year and at 93.7% were used as compared to the revised plan. The non-realization came as a result of the low performance of “Goods and other services” items, without affecting key services such as IT infrastructure maintenance and security services, which increased by 51% compared to 2017.

Capital expenditures, recorded the highest historical level, with a six-fold increase compared to 2017 and were fully used in accordance with the revised plan.

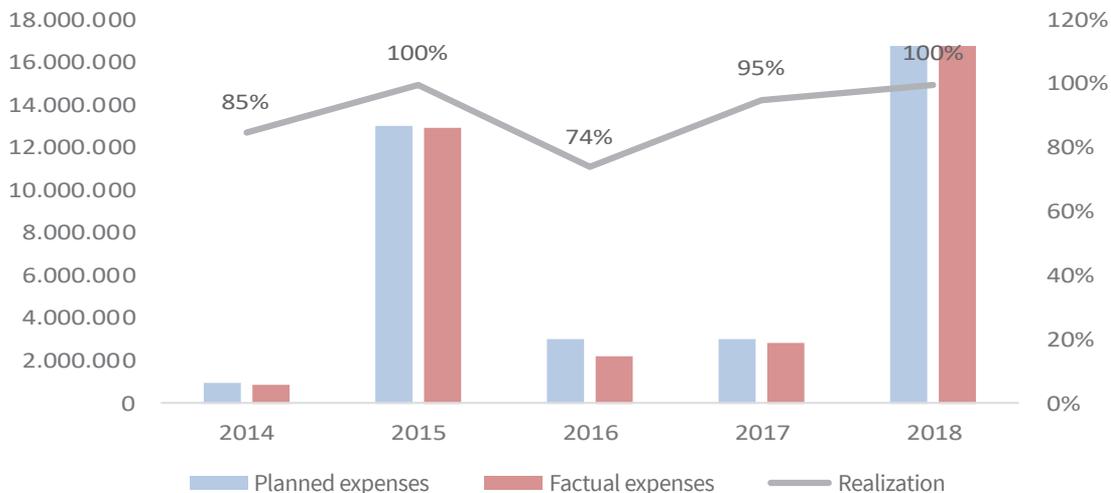
Graph no. 4: Budgetary funds available and their use over the years.



Graph no. 5: Current expenditures and their use over the years:



Graph no. 6: Available capital expenditures (investments) and their use over the years:



GDPML will continue to be engaged in active budget management, transparency and improvement of the planning process, aiming to increase the efficiency and effectiveness of the use of public funds allocated, in order to increase professional capacity and further development of the IT infrastructure, enabling implementation and achievement of institutional objectives in the fight against ML/TF.



Management of human resources

During 2018, the organizational structure of GDPML with a total of 39 employees had an average capacity performance of 89%. The GDPML for this period, in cooperation with the Department of Public Administration, has conducted 8 recruitment procedures to fill vacancies created during the year in accordance with Law no.152/2013 “On Civil Servant” and its secondary legislation. From these new recruitments 6 were for specialist’s positions and 2 of them were promotion procedures.



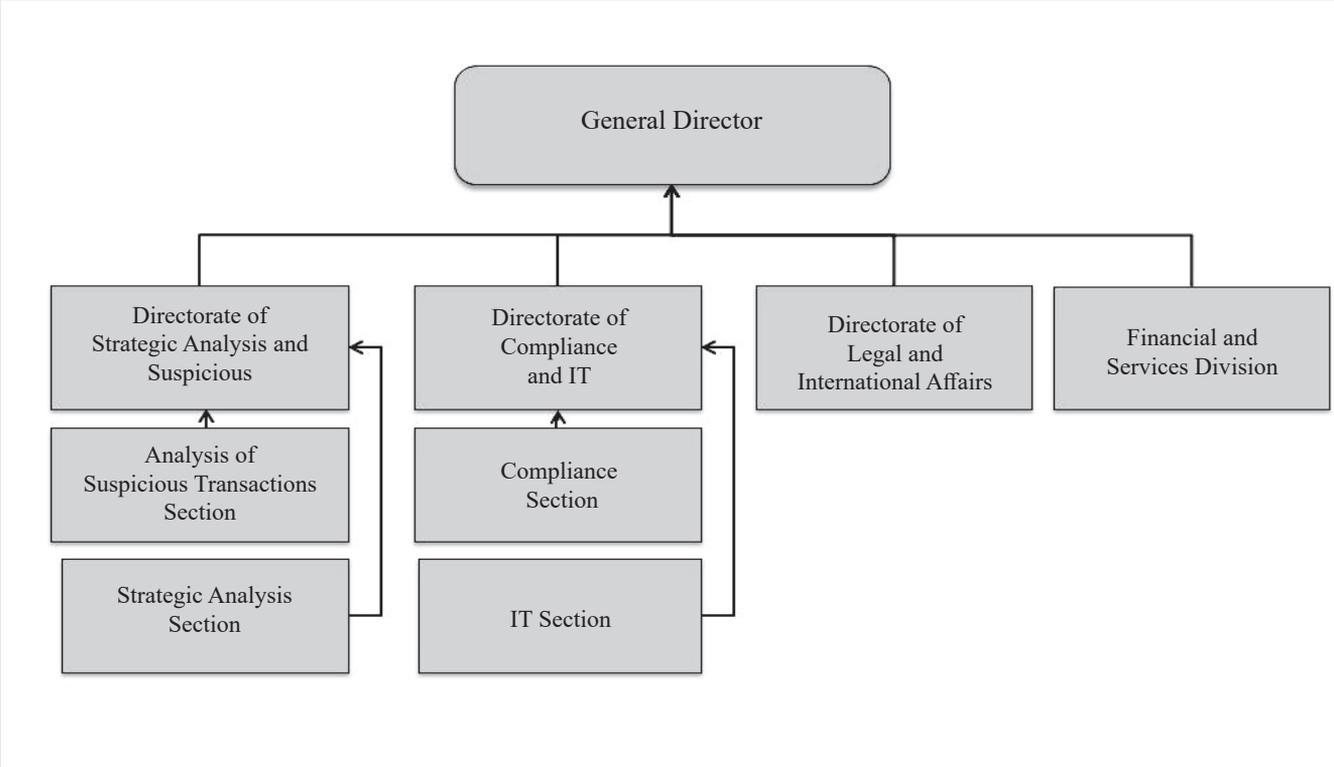
Through the responsible structure, human resources have been supervised and administered, in accordance with the principles and criteria of legislation in this area, as well as the process of assessing employee performance, in accordance with legal deadlines.

GDPML has ensured the professional growth of staff and the acquisition of new knowledge for prevention of ML/FT through various training activities within the country and internationally through support provided by CoE, UNODC and OSCE.

During 2018, 13 employees of the GDPML participated in 17 training activities covering areas of expertise related to ‘Financial Investigation Techniques’, ‘Asset Tracing, Seizure and Confiscation’, ‘Guidelines and Indicators for the Prevention of Cyber Crime’ ‘Analytical methods and techniques for ML/ FT investigation’, “Trafficking of human beings”, etc.

The GDPML, within the framework of international organizations’ recommendations for achieving the objectives in the fight against ML/FT, will continue to pursue priority policies to improve professional capacity of human resources, based not only on increasing organizational structure but also professional growth of staff through provision of opportunities and involvement in training..

GDPML Structure



Information Technology

Consolidation of IT capabilities has continued to be one of GDPML's priorities during 2018. Funds allocated to GDPML for investments, have been used to enhance IT infrastructure, improve the case management program used for analysing and managing the information as well as the complete reconstruction of the electrical and local area network.

Based on the mid-term planning and funding support from the Ministry of Finance and Economy, GDPML aims at further improving IT infrastructure (computer hardware and software), by achieving high standards with regard to system security and its processing capacity.

Collection, processing and storage of information was performed in ordinary manner thanks to a close collaboration of GDPML's IT specialists with their colleagues from National Agency of the Information Society, ASP, DSCI, GDC, GDT, CORIP, BoA, General Directorate of the Road Transportation Service, General Directorate of the Civil Status and private sector. Due to this cooperation, GDPML has managed to significantly increase access to databases that are queried in the context of the SAR's analysis.

Particular attention has been paid to the fulfilment of DSCI's recommendations on security issues, serving as the foundation for the ongoing planning of needs and training activities, regarding specific areas.

Data submitted by the reporting entities, constitute the majority of the information that is collected and processed by GDPML and to this end we have constantly ensured the proper functioning of the reporting modules, by providing continuous technical support to reporting entities as well as for users from public institutions.

GDPML's cooperation at the international level requires the adequate functioning of secure information exchange mechanisms with partner FIUs. The relevant platform has been subject of continuous monitoring in accordance with the existing standards and practices of the Egmont Group.

Building on our experience from previous years, electronic means of communication have been used to a large extent in outreach efforts for certain categories of the reporting entities, regarding ML/ TF matters considered to be of medium or high risk.



OBJECTIVES FOR 2019

The efforts and annual activity of 2018, will serve as a foundation for furthering the goals set in the fight and the prevention of ML/TF. GDPML remains committed to further improvements in the legal framework, regulations and procedures as well as work processes.

Despite the legal objectives of GDPML that are part of the functional responsibilities, heightened emphasis during 2019 will be directed towards:

- Implementation of action plan measures for recommendations of the Council of Europe Moneyval Committee and strategic documents defining specific measures for GDPML;
- Completion of the ML/FT National Risk Assessment document;
- Further improvement of GDPML's IT infrastructure;
- Further consolidation of supervision of the reporting entities, on the basis of ML/TF risk and cooperation with supervisory authorities;
- Continuous quality training of the reporting entities and GDPML's staff.



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