



*ALBANIAN
FINANCIAL
INTELLIGENCE
UNIT*

Annual Report

General Directorate for the
Prevention of Money Laundering

Year 2016

REPORT
XII



ALBANIAN
FINANCIAL
INTELLIGENCE
UNIT

GENERAL DIRECTORATE FOR THE PREVENTION OF MONEY LAUNDERING

ANNUAL REPORT 2016

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THE MESSAGE FROM THE GENERAL DIRECTOR

Dear Reader,

I have the pleasure through this publication, to introduce the activities of the General Directorate for the Prevention of Money Laundering during the year 2016. The publication of the Annual Report, apart from the legal obligation, is an important moment wherein GDPML shares with the public the key performance indicators of its activity.

Our country has made progress, while taking the proper measures which ensure a functional prevention and a striking system against economic crime, particularly money laundering and terrorism financing. We are aware that there is still much to be done, while every achievement increases our motivation and determination to become a success story in combating these phenomena.

The approval of the Justice Reform was the topmost and historical moment for our country. The role entrusted to GDPML within this reform is a sign of appreciation and trust to this institution, and it is worth mentioning. We have

continuously received a far-reaching support from the Government, from the Ministry of Finance and the Parliament bodies for the work performed and the challenges ahead.

During the year 2017, our primary focus will be the consolidation of compliance process on the risk basis, coordination of the work among supervisory authorities and meeting Albania's obligations arising from the review process of the MONEYVAL Committee of the Council of Europe.

In conclusion, I would like to congratulate the GDPML staff for their hard working and the high level of professionalism.

This report indicates the vision and the commitments for the year 2016 of the two GDPML previous directors, Mr. Genti Gazheli and Mr. Alket Hyseni; I take this opportunity to thank them for their contribution in the achievements bring in this report

I wish you pleasant reading!

“

We are aware that there is still much to be done, while every achievement increases our motivation and determination to become a success story in combating these phenomena. ”

ARLIND GJOKUTA



ACRONYMS

FSA - Financial Supervisory Authority

EU - European Union

GDC - General Directorate of Customs

GDPML - General Directorate for the Prevention of Money Laundering

GDSP - General Directorate of the State Police

GDT - General Directorate of Taxation

DSCI - Directorate for the Security of the Classified Information

EGMONT - Network of Financial Intelligence Units in the World

CPA - Certified Public Accountants

ESW- Egmont Secure Web

FATF - Financial Action Task Force

FIU - Financial Intelligence Unit

IMF - International Monetary Fund

CCFAML- Committee for the Coordination of the Fight Against Money Laundering

CE- Council of Europe

MONEYVAL - Committee of Experts for the Evaluation of Measures Against Money Laundering

JIU- Joint Investigation Unit for Investigation of Financial Crime and Corruption

OSCE - Organization for Security and Cooperation in Europe

PEP- Politically Exposed Persons.

ML/FT - Money Laundering / Financing of Terrorism

SAR - Suspicious Activity Report

CTR - Currency Transaction Report

SIS - State Information Service

IT - Information Technology

CORIP - Central Office for the Registration of Immovable Property

INTRODUCTION

The year 2016 showed positive dynamics, while the General Directorate for Prevention of Money Laundering has further consolidated the sustainable development and strengthened its position, as a key player in the fight against money laundering and terrorism financing.

The Justice Reform and Vetting as a key component of this reform, has shifted the role of GDPML to another level. This has validated the multiyear efforts to increase the confidence and to promote the professional skills of GDPML's staff.

Further strengthening of cooperation, both nationally and internationally, have led to an increase of the quality and rapidity of the financial information exchange.

The maintenance of the financial system integrity and the proper oversight of preventive measures for all subjects of the law, have attracted the primary attention of GDPML, expressed through workshops, training, on-site and off-site inspections, cooperation with supervisory and licensing authorities, distribution of typologies, etc.

IMPORTANT MILESTONES

- On May 2000, the Albanian Parliament, after the repeated requests of the Council of Europe and of the MONEYVAL Committee, approved the Law no. 8610, May 17, 2000 "On the prevention of money laundering";
- On August 2001, the Directorate for the Coordination of the Fight Against Money Laundering (DCFAML) within the Ministry of Finance is created for the first time;
- On June 2003, the Albanian Parliament, based on the demands of the second round of the evaluation of Albania from the MONEYVAL Committee, made some important amendments to the law "On the prevention of money laundering", by approving the Law no. 9084, June 19, 2003 "On some additions and amendments to the Law 8610, May 17, 2000 "On the prevention of money laundering"";
- On July 2003, the Finance Intelligence Unit of Albania became a member with full rights of the EGDMONT group, during the plenary session held in Australia;
- On August 2005, DCFAML was promoted to a General Directorate for the Prevention of the Money Laundering within the Ministry of Finance;
- On August 2006, DCFAML approved the National Program for the Control of Cash Transfers in the territory of the Republic of Albania;
- On November 2006, was the approval of the Law No. 9641, of 20.11.2006, "On the ratification of European Council Convention "For the prevention of terrorism" and the Law No. 9646, of 27.11.2006 "On the ratification of European Council Convention "On the search, seizure and confiscation of proceeds of crime and terrorism financing";
- On May 2008, the Albanian Parliament approved the Law No. 9917, May 19, 2008, "On the prevention of money laundering and financing of terrorism", which entered into force on September of the same year
- On October 2009, the Council of Ministers approved, by the Decision no.1077 of October 2009, the National Strategic Document "On the investigation of financial crime". GDPML had the leading role in the drafting of this document;
- On November 2010, was organised the on-site visit of the IMF team of experts in the framework of the fourth round of evaluation of measures undertaken by Albania in the area of prevention and combating of money laundering and financing terrorism;
- On March 2011, the Albanian Parliament amended the law "On the prevention of money laundering and financing of terrorism", through the enactment of the Law no. 10391 March 03, 2011;
- On April 2011, MONEYVAL Committee

- of the CoE adopted the 4th round report of Albania, reflecting the upgrade of the recommendation 26 of the FATF directly related to the activity of GDPML as a Financial Intelligence Unit;
- On June 2012, the Albanian Parliament approved the amendments of the Law No. 9917, dated May 19, 2008 "On the prevention of money laundering and financing of terrorism;
 - On October 2012, the National Assessment of the Risk of Money Laundering and Financing of Terrorism concluded and presented to CCFAML;
 - On October 2013, GDPML organized for the first time the regional conference of the FIU directors;
 - On October 2013, the Albanian Parliament approved the Law "On the measures against financing of terrorism";
 - On May 2015, Albania concluded the implementation process of the FATF recommendations, and it was removed from the public list of countries with imperfections in the area of money laundering and terrorism financing;
 - On June 2015 the review of the national risk ML/FT assessment was concluded, and it was submitted to the partner institutions and authorities;
 - On September 2015, the MONEYVAL committee of the European Council took into consideration Albania's progress vis a vis the recommendations of the fourth round of evaluations based on the measures undertaken by the authorities, deciding whereupon to end the compliance enhancing procedure;
 - On November 2016, the Council of Ministers, based on the internal procedures, approved the list of terrorist persons.

REPORTING ON THE FIGHT AGAINST MONEY LAUNDERING AND PREVENTIVE MEASURES AGAINST TERRORISM FINANCING

REPORTING ON THE FIGHT AGAINST MONEY LAUNDERING

In the framework of EU country's integration, the General Directorate for the Prevention of Money Laundering has been actively involved in the relevant working groups, providing its contribution on the activities within its scope of work.

GDPML is a member of inter-agency working groups for the Chapter 24 "Justice, Freedom and Security", the Chapter 31 of PKIE on "Foreign Policy, Security and Defence", and for the Chapter 4 on "Free Movement of Capital". The GDPML is also a member of the working group for five EU priorities assessment and was particularly involved in the Priority 4 "Fight against Organized Crime".

It is worth mentioning that all measures in the work plan and the established goals of these commitments have been fulfilled within the proposed deadlines.

MEASURES AGAINST TERRORISM FINANCING

Terrorism financing and terrorist acts constitute a worldwide challenge; thus the intelligence

units and the law enforcement authorities need to take the appropriate measures, and to respond quickly and efficiently.

GDPML in compliance with the Law no. 157/2013, date 10.10.2013 "On the measures against financing of terrorism" has paid considerable attention to the measures taken by the reporting subjects of the Law for PPP/FT, but also by other stakeholders involved in the fight against the terrorism financing.

It has repeatedly followed the changes that the list endured after the decree of the United Nations Security Council with the changes of the decree of the Council of Ministers no. 718, date 29.10.2004, "On the list of persons revealed as terrorism financiers", amendments approved by 15 decrees of the Council of Ministers.

In implementation of the Resolution 1373 (2001) of the United Nations Security Council and Article 15 of the Law No. 157/2013 "On the measures against financing of terrorism" it has been realized the designation of persons as terrorists with internal procedures on the proposal of GDPML based on the Decree No.589, dated 01.07.2015 of the Council of Ministers.

RAISING AWARENESS OF REPORTING ENTITY, PREVENTION MEASURES AND COMPLIANCE

RAISING AWARENESS OF REPORTING ENTITIES

In meeting the legal requirements, GDPML has been very active in raising the awareness and training of reporting entities; this by organizing meetings both with the subjects of the law and supervisory authorities.

The focus of GDPML has been raising awareness and sharing the best practices in the fight against money laundering and terrorism financing, with the financial entities banking/ non-banking and designated non-financial businesses and professions.

Table 1 represents statistical data on the categories and the number of entities trained in the period 2014 – 2016:

Table 1. No. Entities trained during the period 2014 – 2016

Subject	No of entities trained		
	Year 2014	Year 2015	Year 2016
Second level banks	120	285	108
Exchange Offices	70	73	77
Non-Banking Financial Institutions	68	115	188
Games of Chance	12	0	6
Notary	237	73	127
Chartered Accountant	1	0	1
Life Insurance Company	0	35	1
Supervisory Authorities and Institutions (FSA, CORIP, GDSP, GDC, GDT)	139	58	108
Car dealers	14	0	3
Non profit organisations	0	45	0
Construction company	38	0	8
Private Pension Institutions	0	5	1
TOTAL	699	689	628

The data presented in the table above, clearly show that over the years GDPML has provided training to a large number of persons and a wide range of entities involved.

In addition to the participation in various training / awareness activities, the legal entities are particularly trained during the inspection process, providing them with the relevant recommendations to fulfil the legal obligations in preventing money laundering and financing terrorism.

In particular, for the deficiencies observed from the off-site monitoring, the subjects of law are guided electronically to improve the accuracy of their reporting.

Increased attention has been paid to the SARs, as a way of guidance towards the accuracy of the information provided.

COMPLIANCE ANALYSIS, ON-SITE AND OFF-SITE INSPECTIONS

The compliance assessment of reporting entities to the legal obligations for preventing money laundering and terrorism financing is one of the most important functions that

the General Directorate for the Prevention of Money Laundering performs.

The supervision of reporting entities has included both in the premises and off-site inspections, analysis of reports and information administered by both the reporting entities and supervisory authorities.

Based on the analysis of compliance risk, the supervision performed by GDPML has been focused in those sectors that are more exposed to the laundering of proceeds of criminal activity and terrorism financing, aiming to strengthen and to further consolidate the preventing system.

The off-site supervision is conducted through self-control reports which are submitted periodically to the subjects. The reports make available information on the level of implementation of legal obligations, quantity and quality of reporting, and the conducted trainings.

An important matter for GDPML during this year was the coordination with the licensing and supervisory authorities and the implementation of joint inspections of the financial institutions. To this end, the cooperation with the Bank of Albania and the Financial Supervisory Authority has been ensured.

Table 2. Inspections (on/off site) for the period 2014-2016

Nr.	Subjects inspected	Year 2014		Viti 2015		Viti 2016	
		On site	Off-site	On site	Off-site	On site	Off-site
1	Banks	7	-	6	7	9	-
2	Non-bank Financial Institutions	3	1	7	2	9	-
3	Exchange Office	19	8	22	6	12	1
4	Constructions company	18	-	15	7	8	14
5	Notary	4	67	13	1	21	28
6	Games of chance	3	-	-	8	6	-
7	Precious metals	3	-	-	-	-	-
8	Chartered Accountant	3	16	5	1	1	1
9	Real estate	2	-	-	-	4	-
10	Car dealers	8	1	-	-	3	1
11	Life insurance	1	-	2	-	1	-
12	Travel agency	1	-	-	-	-	-
13	Law firm	-	-	3	-	-	-
14	Transport company	-	-	1	-	-	-
15	Artworks	-	-	1	-	-	-
16	Securities management company	-	-	-	4	-	-
17	Savings and credit company	-	-	-	4	2	-
18	Pension fund	-	-	-	-	1	-
Amount		72	93	75	40	77	45
TOTAL		165		115		122	

Analysis of reporting entities compliance during 2016 shows that the main deficiencies encountered consist of:

- Not reporting cash transactions above the threshold ;
- Not customers identification and maintenance of documents in accordance with the legal provisions;
- Not performing analysis on complex transactions, with high amounts, uncommon and unjustified from an economic point of view;

- Not pursuing the measures of "Enhanced Vigilance" for customer categories deemed as high risk;

- Not implementing a centralized system responsible for the gathering and analysis of data, including the minimally required data;

To address these deficiencies, GDPML has continued the process of reviewing administrative infringement, it has provided recommendations for improvements and has informed the licensing and supervisory authorities on the matter.

ADMINISTRATIVE MEASURES

During the year 2016, a number of subjects not in compliance with the regulatory framework for PPP/ FT were identified, and the procedures of the taken administrative measures have been followed.

In addition have been evaluated the on-site inspections, self-control reports, or other findings from the remote monitoring of entities for the violation of the Law No. 9917, dated 19.05.2008 "On the prevention of money laundering and financing of terrorism", as amended.

From the review of on-site and off-site inspections, administrative infringements have

been identified and the relevant measures have been taken, imposing 33 administrative fines.

Administrative infringements by reporting entities, consist of:

- Obligation of clients' identification and retention of the required documentation;
- Obligation on enduring monitoring of the business relationship and data collection on the funds source;
- Obligation for establishing and operation of a centralized system for collecting and analyzing transactions;
- Obligation for reporting cash transactions.

Table No.3 represents the number and the amounts of fines categorised according to the reporting entities (2014-2016)

Subjects	Year 2014		Year 2015		Year 2016	
	No. of measures	The value of fines	No. of measures	The value of fines	No. of measures	The value of fines
Second level banks	5	4'430'000	2	6'000'000	5	10'700'000
Exchange offices	7	4'300'000	8	6'800'000	5	3'500'000
Notary	29	9'700'000	4	2'700'000	11	3'400'000
Non-banking institutions	2	800'000	3	2'200'000	2	1'000'000
Games of chance	3	2'500'000	-	-	4	3'600'000
Construction company	11	6'800'000	15	14'700'000	4	3'800'000
Travel agency	-	-	1	300'000	-	-
Life insurance company	-	-	1	2'000'000	-	-
Trading of motor vehicles	-	-	-	-	2	4'000'000
TOTAL	57	28'530'000	34	34'700'000	33	30'000'000

Value of fines in LEKE

The minimum and the maximum value of the imposed fine have been respectively 100,000

Lek and 300,000 Lek. During 2016, the total value of fines was 30,000,000 Lek

DATA ON COLLECTION FOR THE PERIOD OF 2014-2016

Throughout the year 2016, a total of 31'786'000 Lek has been collected, from which:

- 17'660'000 Lek are collections from administrative measures imposed during the year 2016 and
- 14'126'000 Lek are collections from the carried administrative measures imposed in the previous years.

information from the executive offices on the status and stage of obligatory execution. Undertaking that, the efficiency of executive offices in implementation of those measures has been improved.

GDPML has paid particular attention to the legal proceedings related to the administrative measures taken by the institution, from whose a total of 32 court cases were completed throughout this year, from which 24 rulings have been given by the Administrative Court of the First Instance and 8 rulings have been

Table 4 represents the detailed data on the fines and the amount collected for the period 2014-2016

Item	Year 2014	Year 2015	Year 2016
Decisions on fines	57	34	33
Total amount of the value of fines	28'530'000	34'700'000	30'100'000
Total value of collections in the current year	18'170'000	12'656'000	17'660'000
The amount of the collected amount to the carrying fines	16'065'705	5'000'000	14'126'000
Total collections	34'235'705	17'656'000	31'786'000

The value of fine is presented in LEKE

During this year, from the taken administrative measures, 19 have been collected, whilst the others have been appealed through the courts.

To increase the performance efficiency of administrative measures, GDPML has followed up on the execution stages and has requested

given the Administrative Appeals Court.

At the conclusion of proceedings, the practices aiming to improve and unify the administrative proceedings and the implementation of legislation on prevention of money laundering and terrorism financing, have been analyzed.

COLLECTION, ANALYSIS, DISSEMINATION OF FINANCIAL INFORMATION AND TEMPORARY MEASURES

The main function of the GDPML, as every financial intelligence unit of administrative type, continues to be the collection, analysis and dissemination of suspicious cases to relevant authorities. We already have a consolidated system as regards the timely and quality reporting of suspicious cases, which constitute the heart of functioning system.

Due to the nature and functions of this institution, SARs are the main product that serves as the initial basis for referral the

suspected cases (over 80% of them), followed by indications of sectorial analysis, reports from partners, reports of transactions above the threshold and other notifications.

SUSPICIOUS ACTIVITY REPORTS (SAR)

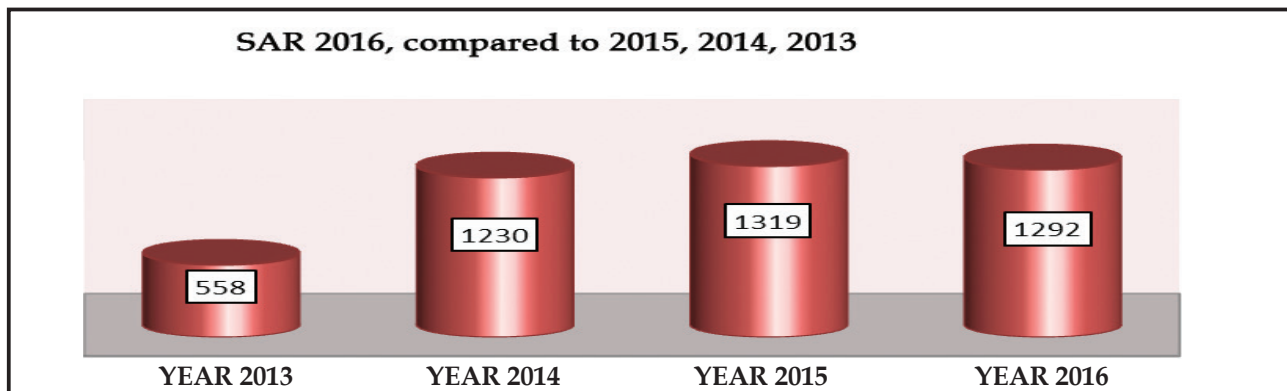
During 2016, SAR preserved the positive trend of qualitative growth and range of reporting entities, being thus the main and most important indicator on the cases referred by GDPML to law enforcement agencies.

Table 5: SAR for the period 2013-2016

Subject	Viti 2013	Viti 2014	Viti 2015	Viti 2016
Banks	420	822	585	619
Transfers company	45	74	79	209
GDC	36	48	45	47
GDT	10	50	7	3
CORIP	20	64	210	134
Attorney	15	122	303	205
Exchange Offices	8	16	17	14
Auditing company	1	0	0	1
Accounting expert	1	4	1	0
Microcredit financial institutions	0	2	0	2
Lawyer	1	2	0	0
Financial leasing company	0	4	7	15
Construction company	0	4	1	0
Car dealers	0	9	36	35
Travel agency	0	0	1	0
Savings and credit company	0	0	1	0
Delivery company	0	0	2	0
Electronic payments company	0	0	19	6
Other	1	9	5	2
Total	558	1230	1 319	1 292

From the SAR data in the above table, the growth of 6% of cases reported from banks and the growth of 165% of cases reported from transfer companies can be highlighted.

Graphic 1: SAR Progress for the period 2013-2016



GDPML continued to prioritize the SAR management in accordance with the classification, nature and description, the risk assessment conclusions and the experience of law enforcement agencies in case management.

Table 6. Main typologies of SAR for the period 2013-2016

	Year 2013	Year 2014	Year 2015	Year 2016
Suspicious transfer	189	282	351	387
Use of individual account for business purposes / tax evasion	44	407	52	14
Cash deposits in considerable amounts	96	112	105	143
Actions that fall out of the established profile of the customer	60	55	74	95
Inclusion of PEPs in transactions	0	10	4	4
Declaration/Non-declaration of marginal values in the border	23	48	21	48
Suspicious of terrorism financing	4	8	6	29
Sponsorships/gifts/loans to/from third parties	18	42	102	88
Buying of real estate/assets with an unknown source of funds	29	142	421	258
Buying of movable assets with an unknown source of funds	0	16	51	57
Non identification of the beneficiary owner	1	3	0	1
Transactions attempted	26	23	12	17
Transactions performed from non-profit organizations	4	5	11	7
Execution of fictive economic activity	5	2	1	1
Currency exchange in high amounts	0	10	17	16
Usage of banking instruments with anomalies/falsified (letter of credit/cheque etc.)	4	3	0	2
Suspicious use of banking loans	8	9	10	8
Scam / Fraud computer	4	13	5	12
Financial transactions from persons suspected of involvement in criminal activities	9	15	12	76
Suspicious concerning the activities of import/export of goods	13	0	32	0
Transactions performed from/to gambling companies	2	3	4	0
Other	19	22	28	29
Total	558	1 230	1 319	1 292

FINANCIAL ANALYSIS AND REFERRAL TO LAW ENFORCEMENT AGENCIES

DGDPML collects, analyzes and disseminates information to the law enforcement agencies on the suspicious activity in the area of money laundering and terrorism financing.

During 2016, the main focus of GDPML activity was the increase of prevention system efficiency, implemented in cooperation with reporting entities, other institutions, partner agencies and law enforcement agencies, to which the final work products is addressed.

The statistics above do not include the information that GDPML has provided

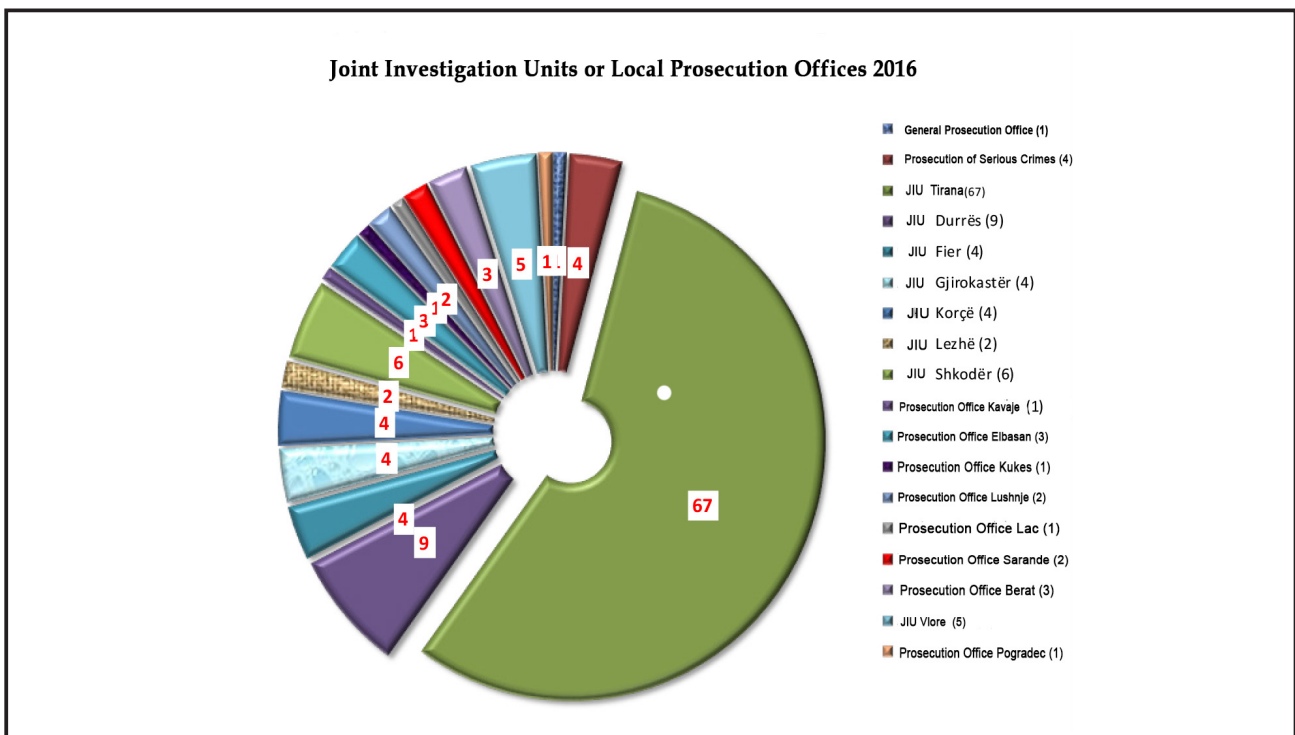
The statistics above do not include the information that GDPML has provided to the law enforcement agencies for the previous referred cases. Sometimes these data has served as a base for recommending the investigation and taking further steps from the Prosecution and / or Police.

Referrals have been made to the central level of the State Police; the latter performs the inspections as per the internal procedures. Referrals made to the Prosecution have been always accompanied with a notice for the State Police to take the relevant measures for the referred cases.

Table 7. Cases disseminated to law enforcement authorities for the period 2012-2016

	2012	2013	2014	2015	2016
Referimet ne Prokurori	34	35	148	120	120
Referimet ne Polici	171	248	314	281	291
Total	205	283	462	401	411

Graphic 2. Geographical distribution of referrals to the Prosecution



Overall, GDPML referrals have affected all regions of the country and this can be seen from the data on the cases distribution to the main prosecution offices, from which Tirana dominates due to extended jurisdiction.

Considering the incidents of cases referred in 2016 to the Police and Prosecution Office, the data appear as follows:

(with no investigation powers), based on the confidential information or public sources, it has managed to reveal the possible connection with the origin act for a portion of the referred cases. Although Table 9 indicates the prevalence of the cases for which the predicate offence could not be established, pursuant to the relevant financial analysis it has been concluded that:

Table 8. Referred cases to the Police and Prosecution Office during the Year 2016

	SAR	Sectorial Analysis	CTR	FIU partner	Announcement	Tot.
Referrals to the Police	251	19	10	5	6	291
Referrals in Attorney	110	1	2	3	4	120
Total	361	20	12	8	10	411

Table 9. Classification of the suspected predicate offence for the Year 2016

Classification of the predicate offence	Total	%
Trafficking / cultivation of narcotics	30	7
Trafficking / exploitation of human beings	7	2
Trafficking in arms and ammunition	2	1
Previous criminal precedents	10	2
Involvement in a criminal organization	6	2
Suspicion of involvement in terrorism financing	8	2
Fraud (financial fraud, computer fraud, fraudulent schemes, etc.)	17	2
Not declaring at the border (including suspicion of tax evasion)	11	2
Duty evasion	2	1
Passive corruption / abuse of authority	9	2
Counterfeit	2	1
Murder	1	1
Threat and illegal possession of weapons, theft	2	1
Links to other practices referred to, about the persons among them	2	1
Un known	302	73
Total	411	100%

The indication of dominant referrals from the taken SAR is one of quality indicators and on the other hand, the referred cases based on indications of sectorial analyzes confirm the concrete approach of FIU in this regard. This activity has served as a guidance for the reporting entities to increase the possible processes for detecting suspicious transactions

Even though GDPML is an administrative FIU

- Transacted funds don't have a legal source;
- Financial activities displayed obvious anomalies;
- The economic-legal purpose was dubious;
- Have shown well-known similarities to recognized international profiles

TEMPORARY MEASURES / FREEZING ORDERS

In fulfilment of its prevenative role GDPML, issues freezing orders in the cases where there are indications or sufficient information on laundering of products of criminal activities or terrorism financing.

For the cases for which a freezing order has been issued, special attention has been paid to the cooperation with the Prosecutor Office and the State Police GDSP, an action that has improved the funds sequestration process.

Table 10. Freezing orders and confiscation for the period 2012-2016

Year	Number of freezing orders	Freezing value	Confiscated value
2012	8	1,297,066	1,145,957
2013	15	881,670	213,500
2014	65	18,183,760	13,967,770
2015	47	16,278,080	11,266,941
2016	61	28,772,733	8,129,000

The value of freezing and confiscated funds is presented in Euro

TYOLOGY OF CASES REFFERED AT THE LAW IMPLEMENTING AGENICIES

Within the objective of further enhancement of the prevention capacities of the entities reporting entities, following are some typologies of money laundering/terrorism financing that were subject to the GDPML activities:

CASE 1 - Business transactions performed high cash amounts

Company "A" which has the bank account at one of the commercial banks in our country turns out to have committed transactions in high value cash withdrawals, justifying this action as payment for the obligations to third parties.

The verifications, carried out in all second level banks of this company, showed that the company "A" had carried out a series of transactions since its establishment in the bank 1 and 2, for nearly 10 years and continuously; while in the banks 3, 4 and 5, the company "A" had carried out only 4-5 transactions and latter on the accounts had "dormant" status.

The transactions and the discovered irregularities were of the same nature, even the bank operations were performed sequentially, as follows:

Bank 1:

- During 2015, for a two-month period, the company "A" has received three transfers amounting up to 15 million LEK, from two other companies (B and C) with the

description for payment the invoices.

- The amounts received at the bank account has been immediately cash drawn, justifying the action for "suppliers reimbursement".

Bank 2:

- During 2016, for a two-month period, the company "A" has received two transfers in the total amount of 150 000 EUR from two other companies (D and E) for payment the invoices;
- The amounts received has been immediately cash drawn, justifying the action for "suppliers reimbursement".

Bank 3:

- In March 2016, the Company has received two transfers from two other companies (M and N), totalling of 23 million LEK, with the justification for payment the invoices.
- Even in this case, the amount has been cash drawn, justifying the action as "suppliers reimbursement".

The verifications carried out from the National Business Center, showed that:

- Since its creation, the shareholding structure of the company "A" was changed several times. The founding partner of the company and its real beneficiary owner is the citizen, "X" that have sold the quotes several times to his family relatives. Finally, the Company

"A" had a sole partner a close relative of the citizen "X";

- Citizen "X" resulted involved in other construction businesses;
- Other verifications for the citizen "X", showed that seven years ago he was arrested and convicted for the crime of drug trafficking.

As per above, taking into account the suspicions that:

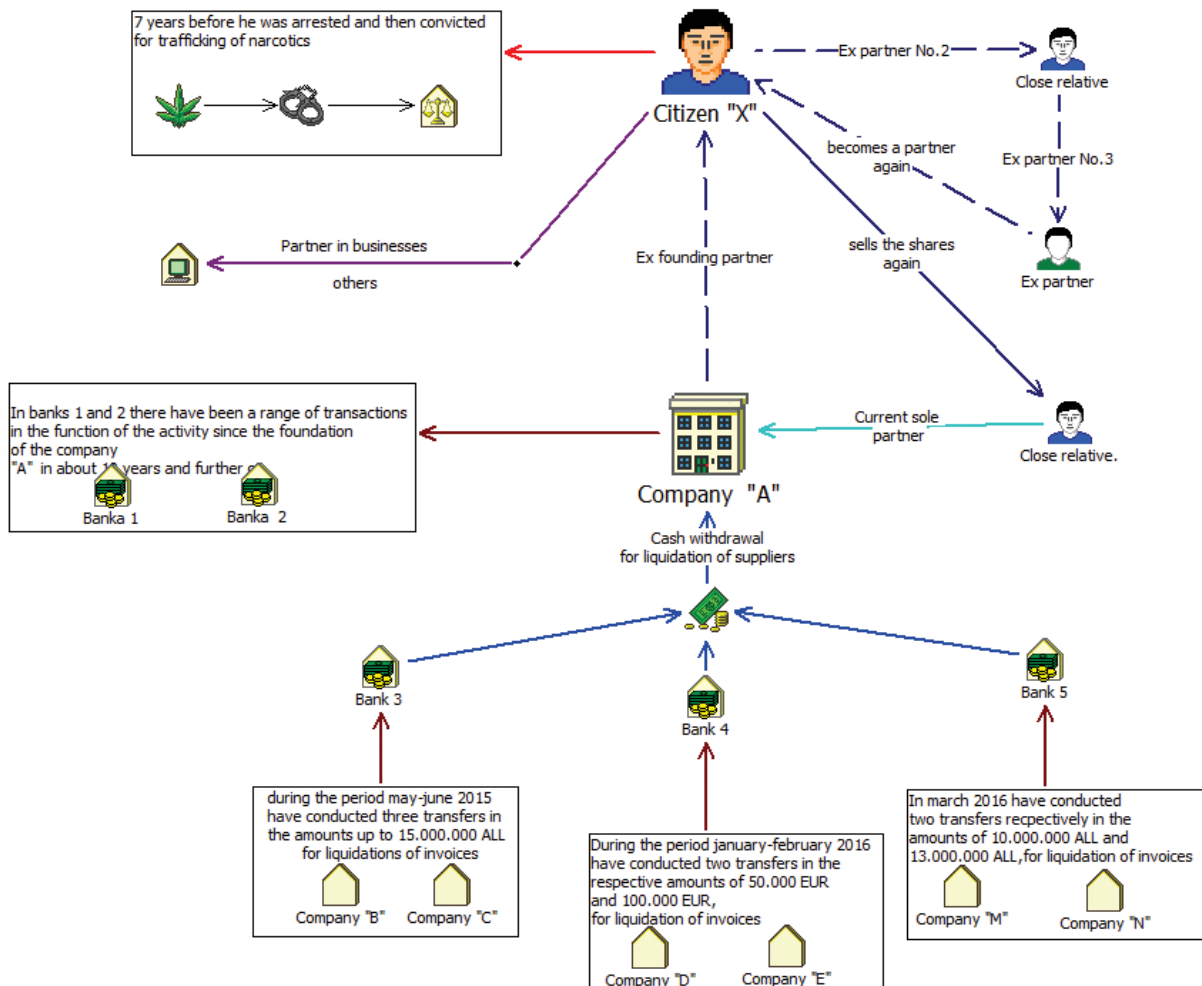
- The company has opened bank accounts in several commercial banks, one after

another, and appears that only 2-3 incoming transfers at high values have been performed, which are immediately cash drawn;

- Justifications that cash withdrawals are made for suppliers' reimbursement, while according to the tax legislation the payments of more than 150 000 LEKE is penalizing;
- Change of business partnership including close relatives, while the citizen "X" results in a criminal record for drug trafficking.

The case was referred to the law enforcement bodies.

Schema no. 1



CASE 2 - Participation in high amount transactions of persons connected with politically exposed persons (PEP)

During the year 2013, a young Albanian citizen "A" (26 years old), in a short period of time, has signed four loan contracts with four different Albanian citizens for a total amount of €110,000. The citizen "A" turns out to be a close relative of a politically exposed person (PEP).

Taking into account: the young age of the citizens "A", non-recognition of the successive loans purpose, the fact that the national "A" is a relative of a politically exposed person, we carried out further checks and revealed that:

In May 2011, the citizen "A" together with his brother citizen "B" , registered a commercial company called company "L" Ltd, with the objective " car renting";

- Few days after being registered, this company has signed a lease financing contract of €130,000 "for auto purchasing", of which €90,000 were financed by a leasing company and the rest was paid by the company itself (approximately €40,000) through a cash deposit, performed by one of the partners – the citizen "A";
- The company "L" Ltd, under the financing contract, has paid €40,000 for auto purchasing, while it was registered only few days prior to this transaction (the funding source is unknown);
- The remaining amount of €90,000, received from a leasing contract with the company "L" Ltd, is refunded within one-year period through cash deposits performed from the citizen "A" (its shareholder), but also from another citizen, employee of the company ,

from which the citizen "A" has received one of the aforementioned loans.

The case was further investigated and the following was concluded:

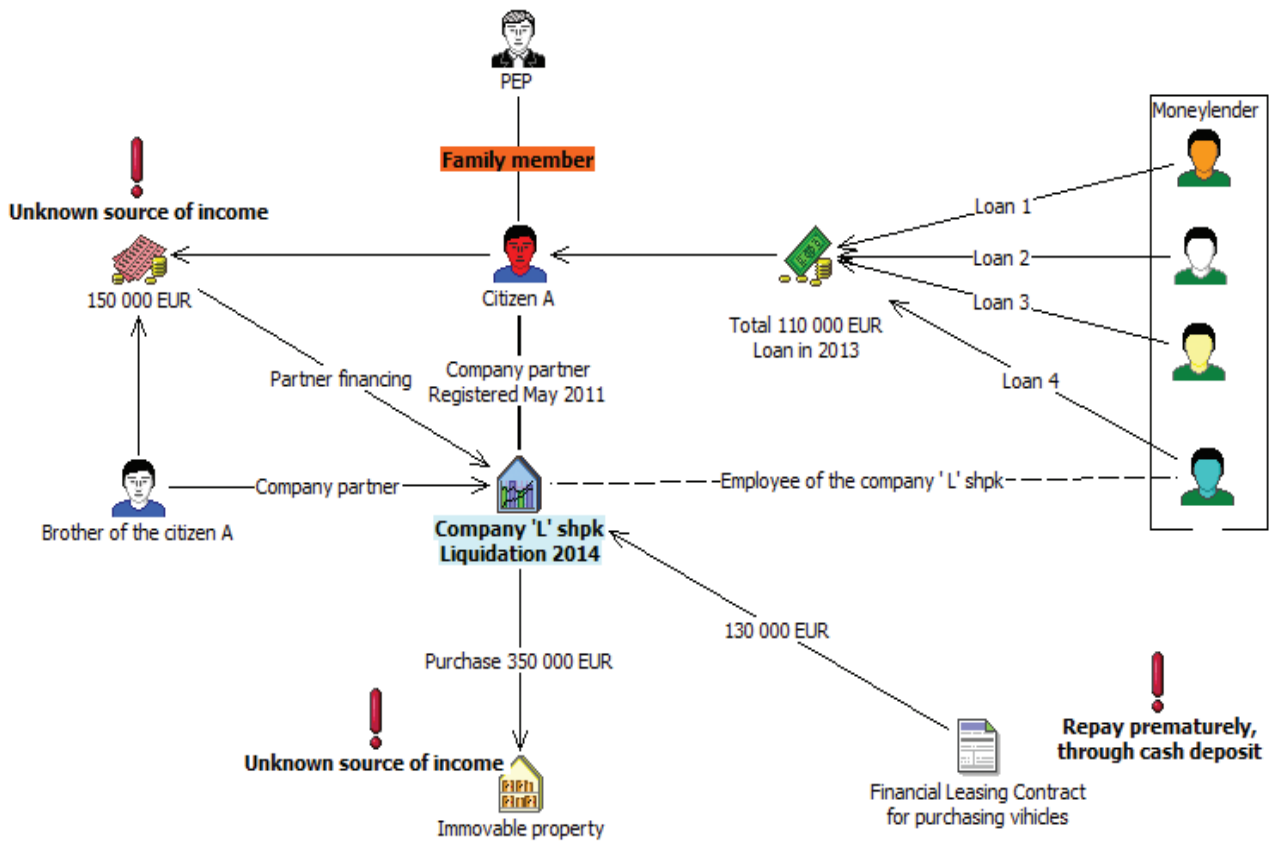
- In 2011 the partner has funded the company "L" Ltd for a high amount of €150,000;
- In 2013, there is a contract of €350,000 on behalf of the company "L" for purchasing real estate, from which initially is paid €105,000, while the funding source is declared the loan from the citizen "A";
- During the period 2011-2014, the company has declared to the tax authorities a small profit;
- At the end of 2014 the company "L" has changed the status into "company under liquidation".

Based on the suspicions that:

- Citizen "A", close family member of a politically exposed person, stated that he has borrowed a high amount of funds;
- Through his company, he has invested in real estate and movable property, while the amounts were cash deposited by him or other persons in relationship (the source is unknown);
- The beforehand settlements of the leasing contract was made through cash deposits
- High-value financing done by the partner in the favour of company "L" Ltd,
- Although the company has continuously made investments and has transacted high value amounts, it has declared small profits.

The case was referred to the law enforcement bodies.

Schema 2



CASE 3 - Buying high-value real estate through auction

In December 2015, a young Albanian citizen "A" of 29 years old, resulted winner of an auction for purchasing an apartment of €350,000. Taking into account the high amount of investment and the young age of the citizen, we carry out further investigations which revealed the following:

Few days before the citizen "A" won the auction; he has signed a borrowing contract with the citizen "R" of 28 years old, with a repayment period of two months. The borrowing contract was €350,000, the same amount he has paid for the apartment purchased through the auction.

The apartment purchase from the auction was pledged as guarantee for the borrowed funds. From further investigation it was resulted that citizen "R", who has lend the money to the citizen "A", has signed a borrowing contract of € 300,000 with his father, citizen "M".

It is evidenced that the total amount used for buying the apartment from the citizen "A" has been lend from the citizen "R", who has borrowed the major part of the amount (€ 300,000) from his father.

Further verifications for the citizen "A" and his family, revealed that on behalf of citizen A is

registered a commercial entity as a “physical person”. The declared profit of the citizen A at the tax authorities are insignificant values compared to the investment made.

As per above, taking into account the suspicions that:

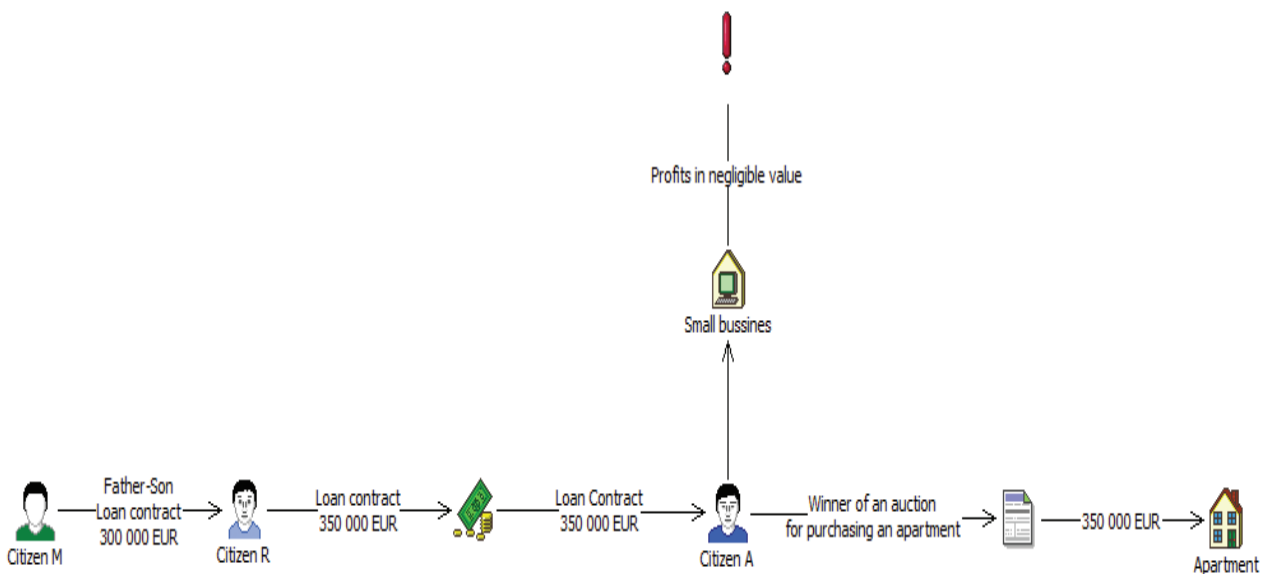
- Citizen “A” has bought, through the auction, a very high value apartment;
- The amount is borrowed from citizen “R”

for a short-term return;

- Citizen “R” has borrowed an amount of € 300,000 from his father,
- Citizen “A” has its own business with insignificant value of annual profit, which does not allow repayment of the loan.

The case was referred to the law enforcement bodies.

Schema 3



CASE 4 – Suspicious high amounts transactions in the banking system

During the period 2008-2015 an Albanian citizen “R” has transacted, through the commercial bank (Bank 1), a high amount of \$350,000. The bank history of that citizen consists mainly on funds depositing, drawing and investment in deposits.

In January 2015 the citizen “R” asked to cash withdraws the amount of \$ 350,000. This

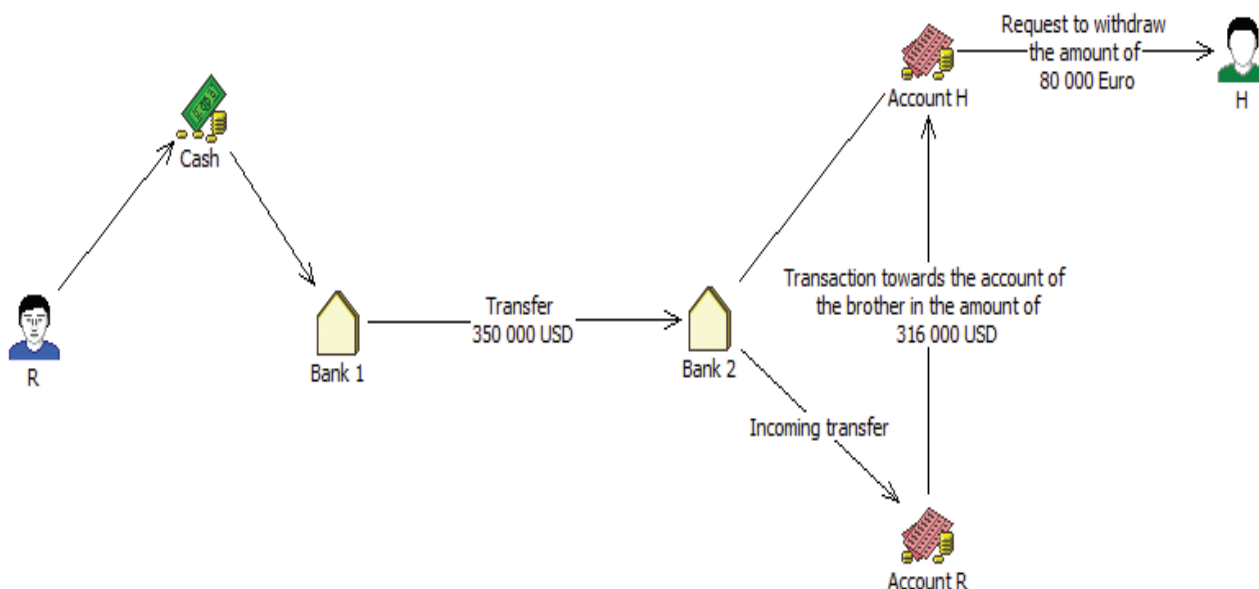
amount, which initially has been asked to cash withdrawn, in February 2015 has been transferred from his bank account to another commercial bank (Bank 2).

In April 2016, the citizen “R” has transferred to his brother, citizens “H”, the amount of \$316,000, while four days later, the citizen “H” asked the Bank 2 to cash withdraw of an amount of \$80 000.

The declared reason of the withdrawals was the purchase of a real estate, however the citizen did not submitted any supporting document. Taking into account the high amount of funds transacted

from banks and the lack of supporting documents to justify these transactions, the case is referred to the law enforcement authorities.

Schema 4



CASE 5 - High amounts transacted through bank transfers

In 2016, in a three months period, the account of company "X" has been credited from different entities located in Istanbul, Malta and London, for a total value ~ €1.2 mln. Part of funds, equal to €750,000, is debited from the account as outgoing transfers to companies situated in the state "M" (offshore site), as well as to the company "X" account situated in another country "P". These transfers were supposedly committed base on some agreements that the company "X" has signed with the mentioned companies.

Based on the data collected, GDPML has

conducted further investigations for the case which revealed that:

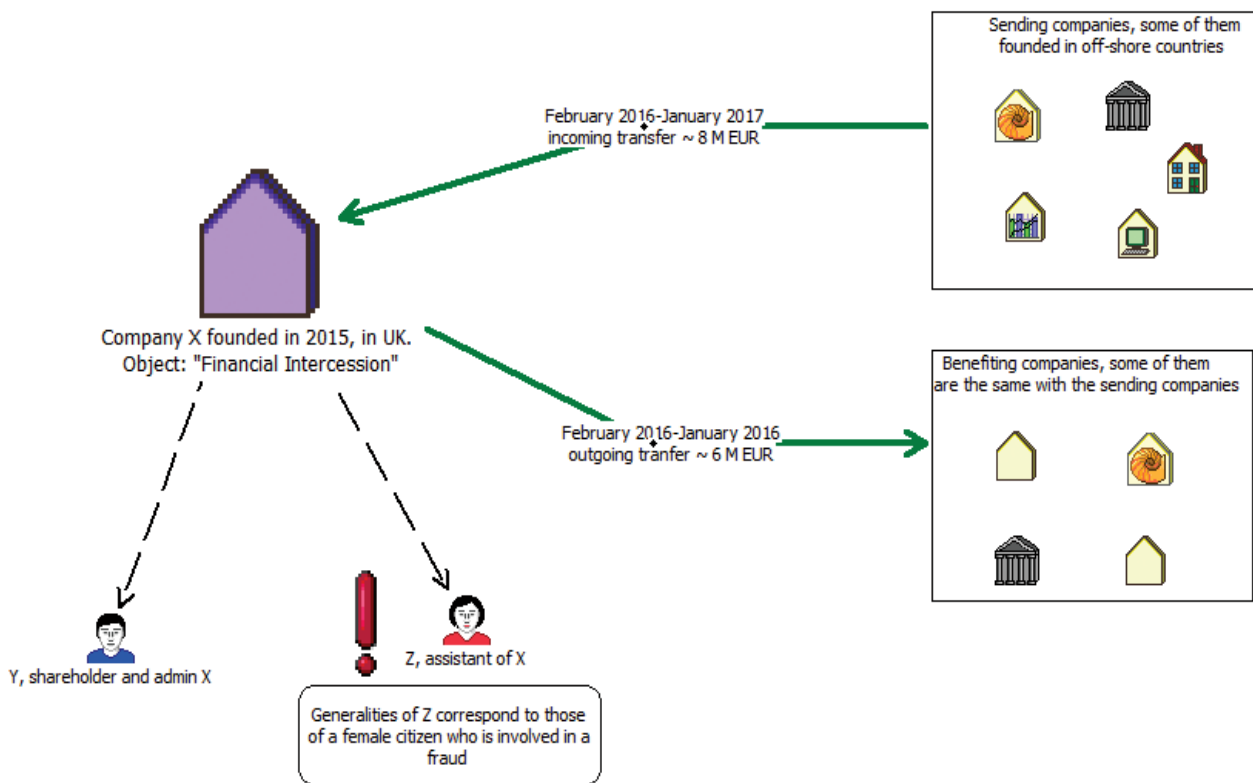
- The Company "X" was founded in London and operates in the area of financial intermediation, facilitating onli-nepayments. The sole shareholder of this company is citizen "Y" and the secretary of the company is the citizen is "Z".
- The application for opening the company's account is made from the citizen "Y" who entered Albania, for the first time, in the day of account opening and left the country the next day.

- Based on the available data, the generalities of the citizen "Z" correspond to the one who has been involved in a fraud scheme with credit cards in the USA.
- All agreements that company "X" has made with other mentioned companies, have almost the same shape. Some of the companies, that company "X" has made transactions, results to have been established in the countries known as offshore.
- The incoming and outgoing transfers to this account have continued, for example by the end of 2016 the account has been credited from incoming transfer for approx. €8 million.
- For this case, the cooperation with FIUs partners has been established.

As per above, the GDPML has informed the law enforcement bodies and continued to monitor the account of the company "X" which revealed that:

We have been informed from the law enforcement authorities that a criminal proceeding to the company "X" is registered and the confiscation of €1.87 million from his accounts already made. Further on, the proceeding for the penal act, as per Article 287 of the Criminal Code, is transferred to another state "K".

Schema 5



CASE 6 - Frequent transactions of high amounts in the banking system

Since 2010, an Albanian citizen "A" has opened several current accounts in one of the commercial banks in Albania. The transactions from these accounts are mainly salary transfers from company "X" Ltd, exchanges, deposits and transfers.

The data analysis revealed that:

- In the beginning of 2016, the citizen "A", has received three transfers from China, totalling at €180,000. The order was placed from a foreign citizen "B" and the justification for the transaction was "payment for electronic equipment". For these transfers, the citizen "A" has declared that his brother in law, citizen "Y" in the state "V", has a joint business with a Chinese citizen. The profit generated from this business, the Chinese partner transferred to the account of his brother in China - citizen "B" and the latter transferred at the account of the citizen "A", aiming to avoid taxation in the state "V".
- In July 2016, from incomes earned from these transfers, the citizen "A" transferred an amount of €10,000 to citizens "Y" situated in the state "V" with the description "personal transfers".
- Also the citizen "A" has asked to transfer the remaining amount at his brother-in-law account, citizens "Y" situated in the state "V" with the description "debt return".

The further analysis of the data for this case revealed that: on behalf of these citizens ("A" and "Y") are performed high value financial transactions and investments in real estate.

Subject "X" Ltd was registered in 2008, with the objective activity "wholesale and retail trade of various goods", where the sole woman-partner is the mother of citizens "A".

The records show that this subject has performed custom clearance, numerous high value banking transactions and some banking loan contracts.

The research from the open sources for the citizen "Y" and his wife, revealed that both citizens are debtors in the state "V" and they have a tax debt totalling over €280,000. Therefore as a legal pledge for the debt settlement is set a building owned by the spouse of citizen "Y".

As the conclusion of the case, taking into account:

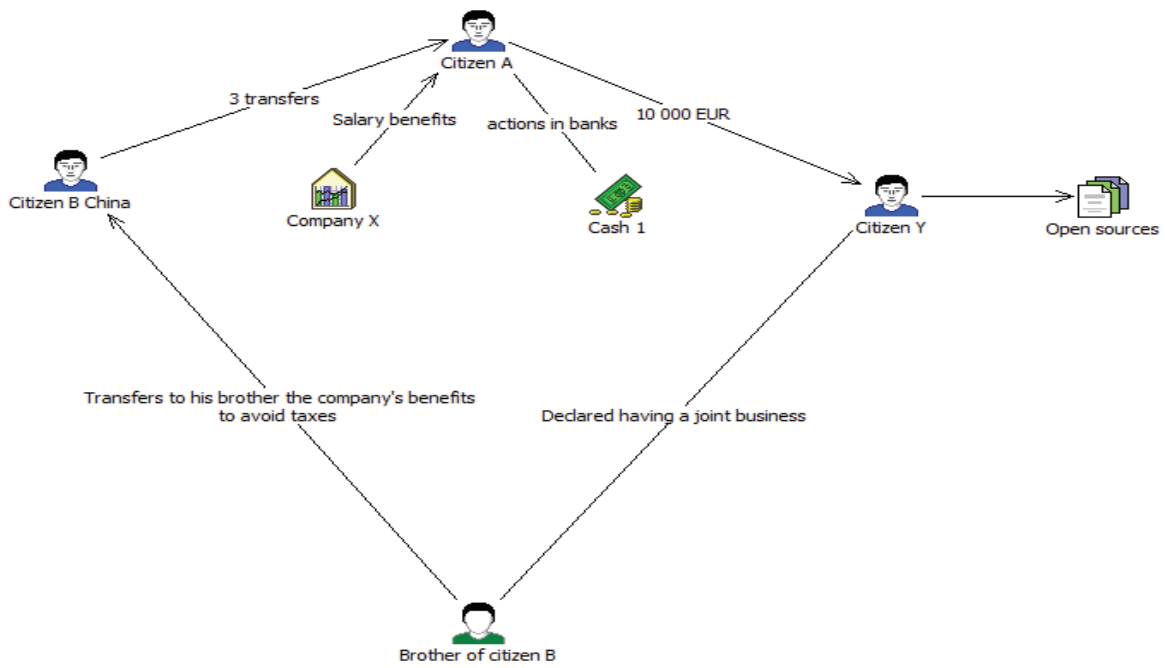
- The cyclical transactions of funds with the involvement of persons from different countries;
- His statement that the funds derived from state "V" will be sent back to the citizen "Y" (his brother in law) in the state "V".

Information obtained from open sources shows that citizen "Y" has not paid his tax obligations.

- High Investment in activities and real estate abroad (state "V") and in Albania.

The case was referred to the law enforcement agencies; the latter issued the confiscation order.

Schema 6



BUDGET, HUMAN RESOURCES AND TECHNOLOGICAL DEVELOPMENTS

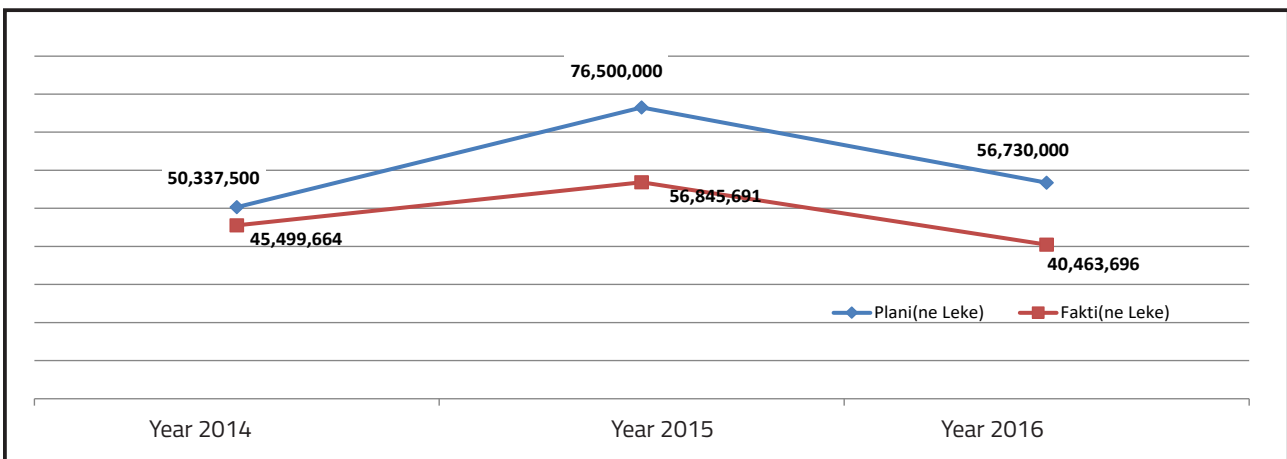
MANAGEMENT OF BUDGETARY RESOURCES

The budgetary funds allocated to GDPML, in compliance with the legislation in power, the normative framework and the institution’s requirements, are managed efficiently. The financial statements are developed and periodical reports on the implementation of public procurement and the set objectives are

made. During 2016, the allocated state budget funds are utilized as follows::

- Current expenditures amounting at 53’730’000 Lek, were implemented 71%;
- Capital expenditures amounting at 3’000’000 ALL were implemented 74%.

Graph 3. The use of budgetary funds



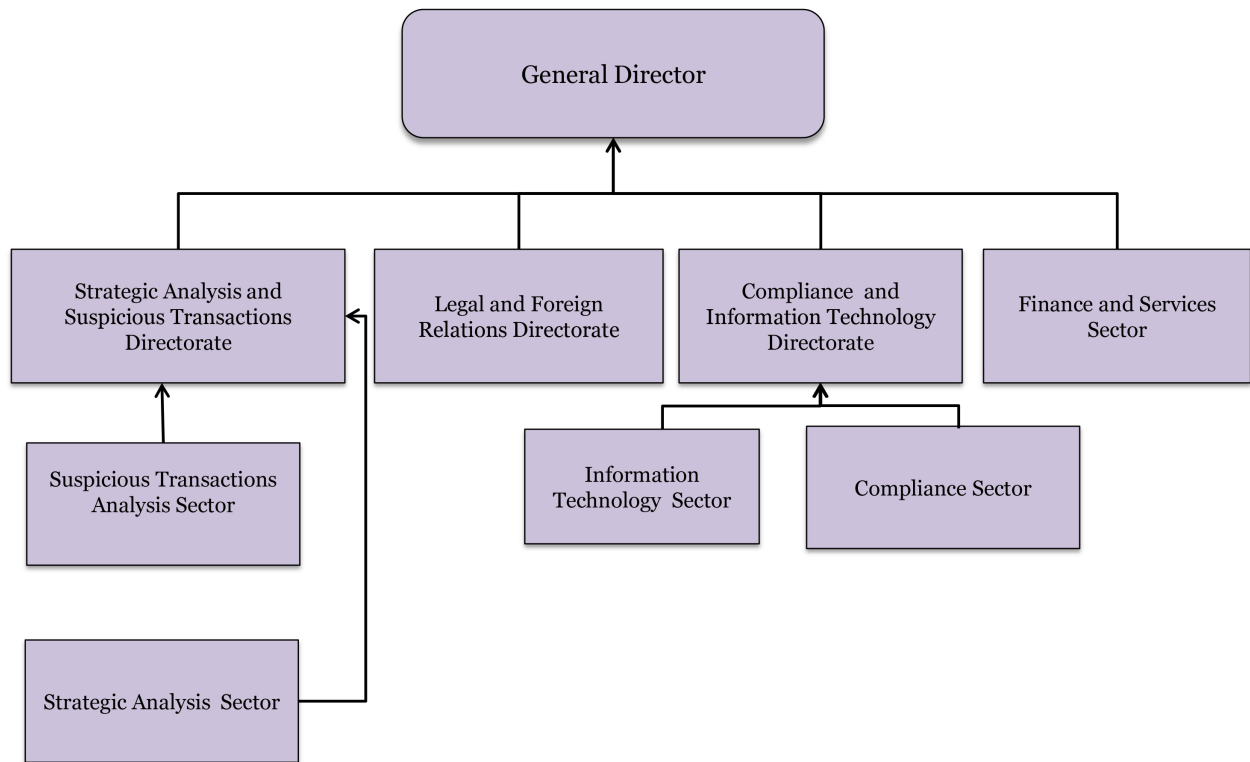
MANAGEMENT OF HUMAN RESOURCES

The management of human and budgetary resources is of particular importance, especially when they are limited. In this regard GDPML has paid particular importance to the efficient management of the available human, financial and logistical resources.

In this context, to enable the Institutional progress and to ensure the optimal performance, the

recruitment plan for 2016 has been presented. In cooperation with the Department of Public Administration, the competition procedures and the acceptance of employees in the civil service for five vacant positions, have been carried out. As result, the institution counts 26 civil servants, of whom 21 are confirmed civil servants, and five are on probation phase.

Schema 7. The structure of GDPML



**28 employees*

Throughout the year 2016, the Albanian Government has also allocated to GDPML additional five temporary contracted employees.

The increase and strengthening of human capacities is the key of success for any organization, therefore GDPML has made efforts to ensure the staff professional growth and acquiring of updated knowledge in the area of prevention of money laundering and terrorism financing. This has been implemented training provided both nationally and internationally, making available for the staff relevant documents and international typologies published by various international organizations, such as FATF, Egmont Group etc.

During 2016 the GDPML employees have participated in 30 different activities such as training, conferences, seminars, working groups,

etc. In the previous years these activities have been respectively 39 in 2015 and 10 in 2014.

During 2016, GDPML's security structure was established, in cooperation and continuous communication with the Department of Security of Classified Information at the Council of Ministers, procedures for issuing clearance certificates for all GDPML employees have been followed. According to the relevant classifications and established procedures, a special attention is given to the safety zones.

Simultaneously, the process of job performance and evaluation for each employee has been rigorously pursued; special attention has been paid to avoiding the conflicts of interest and the implementation of legal obligations for assets declaration.

TECHNOLOGICAL DEVELOPMENTS

Information Technology is one of the most important elements that ensures the successful progress of the GDPML, given that the amount of information reported and processed has experienced continuous growth.

A special importance is given to the electronic reporting (on-line) from the reporting entities, which was enabled due to the improvement

of the user modules, assistance and training provided; the latter have contributed to the facilitation concerning the transmission of information without affecting the security elements and meeting the deadlines.

During 2016, the improvement of IT infrastructure has been an important aspect of GDPML's activities which has contributed to further increase the effectiveness of the collected and analyzed information.

NATIONAL AND INTERNATIONAL COOPERATION

INTER-INSTITUTIONAL COOPERATION

Inter-institutional coordination and cooperation remain of primary importance to all institutions engaged in the fight against money laundering and terrorism financing.

For GDPML as a national center, the strengthening of cooperation in the frame of supervision of the reporting entities, information exchanging with various institutions, access to the public or private data bases, as well as the communication on freezing of the suspected assets and investigation of the suspected cases of claudering the proceeds of crime, is vital.

The intensive cooperation of GDPML with the State Police and the Prosecutor's Office in handling the referred cases has continued. However, there are still issues that concern the approach of case investigation, which have been addressed in different meetings with the Prosecutor's Office and other important stakeholders of this process.

The cooperation with the licensing and supervisory authorities on joint outreach and supervi-

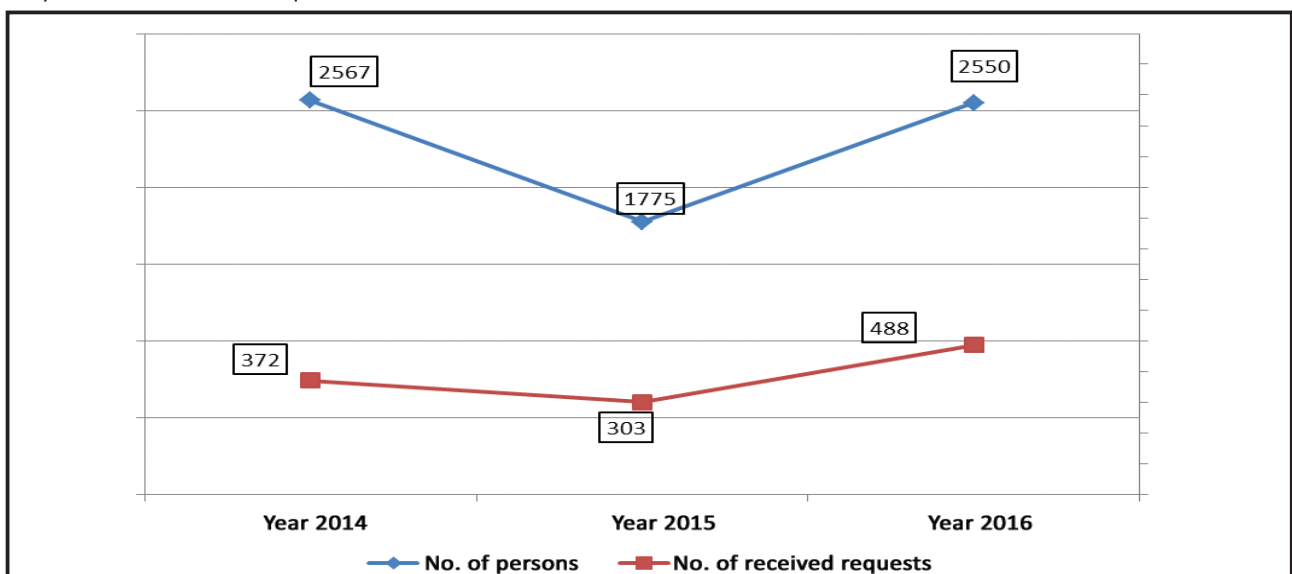
sory activities to enable the efficient use of resources, and the facilitation of law subjects' auditing processes, has been continued.

However, there is still work to be done for several databases that concern the access of real-time information, which will increase the efficiency of the GDPML performance. GDPML will remain committed to further expand these databases and to address the issues to the relevant agencies.

The treatment of the police and prosecution authority's requirements on financial investigations is of a particular importance for the GDPML activities. The year 2016, has showed an increase in the number of requests and persons for whom data has been processed and delivered.

During 2016, was paid a special attention to the cooperation with GDT, both in handling of suspicious cases originated in the fiscal area and the supervision of non-profit organization activities; this is an important process in the prevention of radicalization and terrorism financing.

Graph 4. Information requests from the Police and Prosecution (2014-2016)



INTERNATIONAL COOPERATION

COOPERATION WITHIN THE EGMONT GROUP

During 2016, GDPML has continued its active engagement in the events of EGMONT Group of Financial Intelligence Units, as is further elaborated hereunder.

Heightened attention was paid to the participation in the Membership, Support and Compliance Working Group meetings. The progress of FIU Kosovo's membership in the Egmont Group, and the measures taken by the Republic of Kosovo on the approximation of legislation were discussed among other matters in these meeting.

GDPML's representative have attended the Egmont Group meeting that was in Monaco, in February 2016.

Matters concerning the budget and auditing of the Egmont Group Secretariat, information on working group's reorganization, the progress on the implementation of strategic plan and the definition of FIU priorities in the fight against the terrorism financing, were some of the topics of discussion .

GDPML's representative has also participated in the meeting of the Egmont Group Committee that was held in Paris, in October 2016. The meeting was focus on the election of the group executive secretary and the presentation of his vision on leading the secretariat, cooperation with FATF, technological developments, the implementation of the group's strategic objectives etc.

COOPERATION WITH THE MONEYVAL COMMITTEE OF THE CE

The General Director of GDPML has continued to lead the Albanian delegation and to actively participate in the plenary sessions of the MONEYVAL Committee of the Council of Europe held in the months of April, September and December of 2016.

In this context, an important part of the Directorate's activity has been the continuous coordination with the Bank of Albania, the Financial Supervision Authority, the General Prosecutor's , the Ministry of Justice, and the Ministry of Foreign Affairs and with the GDSP.

During 2016, a series of assessments for the member countries, based on the recommendations and methodology of the FATF, has been carried out by MONEYVAL Committee, underlining the effectiveness of prevention measures, tackling of criminal activity related to the laundering of proceeds of crime and terrorism financing activities.

In 2017 Albania will undergo assessment by this committee, therefore in October 2016 a training session with representatives of all Albanian institutions involved in the fight against money laundering and terrorism financing. The activity contributed to further enhancing the human capacities at the institutional level as well as to the implementation of the obligations of the international recommendations.

REGIONAL COOPERATION

In December 2016, the annual meeting of regional FIU, with the support of OSCE, was held in Budva, Montenegro.

The meeting was attended by FIU representatives of Albania, Bosnia - Herzegovina, Croatia, Montenegro, Macedonia, Serbia, and Slovenia in which the following matters were discussed:

- Implementation of international FATF recommendations on PEPs and the exchange of experience between countries of the region;
- Methodology, FATF recommendations and the challenges in fulfilling the obligations on risk assessment of money laundering and terrorism financing;
- The current mechanisms possessed by the region to implement the resolutions of the Security Council of the United Nations and the listing procedures for the persons designated terrorists or terrorism financing;
- The terrorism financing and mechanisms of the regional cooperation;
- Anti-corruption measures and the role of the FIU as part of the preventive system.

GDPML representatives discussed on Kosovo FIU membership, considering that as a step that would have an impact in the growth and strengthening of the regional cooperation.

INFORMATION EXCHANGE WITH FIUS

In the context of financial intelligence exchange, GDPML cooperates with partner units, member of the Egmont Group.

International cooperation with counterparts is an important component of the General Directorate for Prevention of Money Laundering's activity. The information submitted by counterparts has been valuable, leading in many cases into productive analysis. This growing cooperation has been intensified particularly with the FIUs of Belgium, France, Germany, Great Britain, Italy, Macedonia Montenegro, and USA.

Responses to counterparts' requests are delivered on time, and no obstacles in communication or in the cases progress were observed. Also, the counterparts have provided in time any information required by the Albanian FIU.

Table 11. Information exchange with counterparts

Years	Requests		Replies	
	Sent from GDPML	Received from counterparts	Sent from GDPML	Received from counterparts
2016	42	76	42	33
2015	58	77	63	50
2014	66	62	48	47

OBJECTIVES FOR THE YEAR 2017

The endeavours and work done in 2016 will serve as a starting point for furthering the objectives in the fight against money laundering and terrorism financing.

We remain committed to further improve the legal framework, regulations and procedures as well as the GDPML's work processes.

In addition to the FIU statutory objectives, which are part of the functional tasks of the institution, during in 2017, special attention will be paid to:

- Consolidate the compliance process on the risk basis and to coordinate the work among supervisory authorities;
- Strengthen the capacities in the area of information technology;
- Track and coordinate the evaluation process by Albania MONEYVAL Committee of the Council of Europe and fulfilling the obligations derived from this assessment.



Annual Report

General Directorate for the Prevention
of Money Laundering

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