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**NATIONAL RISK ASSESSMENT OF MONEY LAUNDERING  
AND FINANCING OF TERRORISM  
IN ALBANIA**

**PUBLIC VERSION**

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## FOREWORD

This document is a summary of the National Risk Assessment for Money Laundering (ML), Financing of Terrorism (FT) and Financing of Proliferation of Weapons of Mass Destruction, aiming to identify the most important threats, vulnerabilities and risks that our country faces.

The National Risk Assessment is one of the main tools used by countries to identify the risks they may face, develop a clear understanding of them and form the basis for taking clear measures and building strategies to address them.

For Albania, this is the fourth national risk assessment and it is based on the methodology of the Council of Europe, which we take the opportunity to thank for their support in all stages of the process.

Through the risk assessment document, it is intended to assess the level of exposure to ML/TF<sup>1</sup> at the national level, to determine the risk levels according to criminal offenses, subjects, sectors, products, internal and external factors that affect these risks .

Conducting this assessment is key for determining state policies in the area of ML/TF, as through the risks identified by this assessment, the detailed analysis of risk levels and its consequences in certain areas or in the economy of a country guide the authorities responsible for the use of appropriate legal instruments, awareness /training campaigns for the prevention and reduction of the risk from ML/TF.

The assessment serves as one of the guiding mechanisms for the major risks identified at the country level and, among other things, serves to guide the work of the reporting entities in fulfilling the obligation provided for in Article 11<sup>2</sup> of the AML/CFT law for the identification of other specific risks for clients, countries or geographic areas, products, services, transactions or distribution channels.

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<sup>1</sup>Money Laundering/Terrorism Financing.

<sup>2</sup>In accordance with this law and the by-laws issued pursuant to it, entities have the following obligations: **a/1**) to identify, assess and understand their money laundering and terrorist financing risks for clients, countries or areas geographic, products, services, transactions or distribution channels. For the realization of this forecast, it is required that the subjects: i) document their risk assessments; ii ) take into consideration all risk factors, before determining the overall level of risk, the level and type of mitigation measures to be implemented; iii) take into consideration national risk assessments, sectoral assessments, other similar data, as well as recommendations of the responsible authority and/or supervisory authorities; iv ) to keep up-to-date the evaluations carried out; v) to set up appropriate mechanisms to provide the risk assessments carried out to the responsible authorities, the supervisory authorities, as well as other bodies defined by law; **a/2**) take additional measures to manage and mitigate high risks when identified.

The document is an important resource that the public and private sector can use to understand the current illicit income environment and to consider in adopting and implementing their own risk mitigation policies.

In the drafting of this document at the country level, a number of institutions have been involved<sup>3</sup>, which have played a very important role to identify the risks of ML/TF that Albania must face.

In the framework of the implementation of the National Risk Assessment, inter-institutional meetings and consultations were held with law subjects, supervisory authorities or interest groups.

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<sup>3</sup>Financial Intelligence Agency, Bank of Albania, General Directorate of State Police, General Prosecutor's Office, Special Prosecutor's Office against Corruption and Organized Crime, Seized and Confiscated Assets Administration Agency, General Directorate of Customs, General Directorate of Taxes, Ministry of Justice, Ministry of Finance and Economy, Institute of State Statistics (INSTAT), Bank of Albania, Financial Supervision Authority, Gambling Supervision Authority, Public Supervision Board, National Business Center , as well as subjects of the law case by case.

## SUMMARY OF THE REPORT

This document was created in fulfillment of an obligation derived from Recommendation 1<sup>4</sup> of the FATF<sup>5</sup>, recommendations which are recognized as a unifying standard at the world level. Also, our country has undertaken the implementation of this obligation within the framework of the ratification of the Convention Warsaw<sup>6</sup>, as well as required by 'Directive no. 2015/849 of the European Parliament and the Council dated May 20, 2015 "On the prevention of the use of the financial system for the purposes of money laundering or financing of terrorism"<sup>7</sup>.

The fight against money laundering and the financing of terrorism continues to be of particular importance to our country and Albania remains committed to the prevention, detection and prosecution of ML and TF, establishing an appropriate legal and institutional framework to supervise, collect information and prosecute persons and entities involved in criminal activities.

At the same time, is understandable the need to improve the system for the prevention of money laundering and financing of terrorism to cope with the changing criminal environment. In this regard, updating the risk assessment is a necessary step to identify and assess the threats and weaknesses of money laundering and financing of terrorism for our country.

This risk assessment is the product of the joint efforts of law enforcement and intelligence agencies, supervisory institutions, other government authorities, as well as the private sector, reflecting the information and input provided by them. Information sources also include national and international public reports in relevant fields, including those published by Europol, FATF, the Moneyval Committee of the Council of Europe, as well as the European Commission's AML and CFT Risk Assessment. This document is a valuable tool for competent authorities within the country as well as the private sector, to better understand

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<sup>4</sup>Countries should identify, assess and understand the risks of money laundering and financing of terrorism to the country and should take measures, including designating an authority or mechanism to coordinate risk assessment actions and use resources, aimed at ensuring reducing risks effectively. Countries must also identify, assess and understand the risk of proliferation of weapons of mass destruction.

<sup>5</sup>The "Special Financial Action Task Force" is an intergovernmental body whose responsibility is to define standards and promote the effective implementation of legal, regulatory and operational measures for the fight against money laundering, financing of terrorism, financing of the proliferation of weapons of mass destruction. mass destruction and other threats related to the integrity of the international financial system.

<sup>6</sup>Law No. 9646, dated 27.11.2006 "On the Ratification of the Convention of the Council of Europe "On the Cleaning, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism", article 13 point 1 (Measures for the prevention of money laundering): 1 Each Party shall take such legislative and other measures as are necessary to establish a comprehensive domestic regulatory and supervisory regime to prevent money laundering and shall take due account of applicable international standards, including in particular the recommendations adopted by Financial Action Task Force on Money Laundering (FATF).

<sup>7</sup>Article 7: Each Member State shall take appropriate steps to identify, assess, understand and mitigate the money laundering and financing of terrorism risks affecting it, as well as any data protection concerns in this regard. The rating needs to be updated.

the risks of ML/TF, support their risk assessments, conduct ongoing surveillance activities, identify, investigate and track ML/TF.

The National Risk Assessment is based on an analysis of ML risks based on the following components:

- Analysis of threats according to criminal offenses that serve as the main source for securing criminal income;
- Analysis of the categories of subjects (resident individual, non-resident individual, resident legal entity, non-resident legal entity, etc.) that are included in ML;
- Analysis of the most vulnerable economic sectors related to ML;
- Analysis of financial sectors and free professions, vulnerable to ML;
- Analysis of TF risks.

The analysis of the AML/TF legislation indicated that Albania has created a suitable legal framework for this field, in accordance with the FATF Recommendations or even the relevant European Directives, and no essential legal deficiencies were found that could constitute a vulnerability to be used for laundering of money and financing of terrorism.

Below is a summary list of the main ML risk events identified through this assessment:

1. Laundering the proceeds of a series of criminal offenses committed abroad (criminal offenses related to drug trafficking, or even criminal offenses committed by organized crime<sup>8</sup>, property theft) and criminal offenses committed within the country (production, cultivation, sale of narcotics, criminal offenses in the field of taxes and customs, criminal offenses committed by organized crime, corruption and/or abuse of office, forgery, fraud, theft of property);
2. Laundering the proceeds of fraud (including computer fraud and in the field of investments in unlicensed investment "platforms"), carried out abroad or in Albania by individuals or organized criminal groups through the use of the financial system with the consequent transfer of funds to other jurisdictions, withdrawal in cash;
3. Laundering the proceeds of crimes related to the tax field (hiding income and VAT fraud), using legal persons;
4. Laundering the proceeds of corruption proceeds through occasional use of third parties (individuals and legal persons) that serve to camouflage the mechanism, subsequent integration into financial instruments, real estate within the country, or businesses.

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<sup>8</sup>Mainly criminal offenses related to organized crime are drug trafficking, theft, fraud.

5. Money laundering using resident legal persons (mainly limited liability companies<sup>9</sup> and less often other legal forms) or third parties, individuals inside or outside the close circle of the person who is generating criminal income;
6. The possible involvement of professionals through the provision of advice in order to facilitate the process of money laundering.

The terrorist/terrorism financing risk events identified through this assessment are as follows:

1. The risk of extremism and radicalism which can potentially support or help terrorist/terrorist financing activities;
2. The possible threat from returnees from conflict zones through the spread of extremist ideologies, the use of war experience in indoctrination other people, the spread of social disturbances<sup>10</sup>.

### **Subjects:**

Resident individuals: In Albania, taking into consideration the materiality of the country, they continue to be the largest group of subjects involved in activities with potential money laundering.

The highest risk scenarios related to individuals are:

- Purchase of assets at high values with an unclear, unknown or unjustified source of funds;
- Benefiting from frequent and relatively small transfers from individuals without a clear connection between them;
- Cash amounts with an unclear, unknown or unjustified source;
- Financial actions (deposit/ transfer /investment in immovable/movable property) by persons suspected of being involved in criminal activity;
- The use of third parties for transactions and investments, without precedent and obvious criminal connections, in order to hide the origin of income.

Resident legal persons: They continue to represent the second largest number of subjects involved in the potential activity of the ML, mainly with a source of income from crimes in the tax field, fraud, organized crime, corruption where the main scenarios include:

- Placing funds in formalized commercial circulation, of unclear, unknown or unjustified origin;
- Investment in real estate on behalf of existing companies owned by persons suspected of being involved in criminal activity, at unjustified values with declared or legal sources;

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<sup>9</sup>This is due to the fact that this type of registration in our country is the most widespread form of registration of legal persons.

<sup>10</sup>Cross-Sector Strategy for Preventing Violent Extremism and Countering Terrorism and Action Plans.

- The benefit of large transfers to the business account of the person suspected of being involved in criminal activity from society without a clear connection between the service/goods offered and the payment;
- Involvement of a single individual in several entities, which have the same object of activity or the same address and carrying out transactions without a clear connection between the parties to the transaction;
- Suspicious transfers received on the account of commercial entities, which do not have genuine economic activity that can be proven with the number or profile of employees declared, as well as the presented business model;
- The use of legal persons for the circulation of transfers to/from abroad, benefited through fraudulent schemes.

Non-resident individuals: The main scenarios related to this category are:

- The establishment and registration of resident legal persons and the use of their bank accounts for receiving or sending transfers from/to different jurisdictions without a clear connection with the object of the company's activity with suspicions mainly related to fiscal evasion;
- Funding of mainly residential investments without a clear source of income.

Resident PEP<sup>11</sup>: Due to their function, suspicions about cases with PEP are related to "Abuse of power/Corruption", with main scenarios as follows:

- High-value investments in a post-employment business without a declared source of income or even the declaration of high immediate profits from a business owned, controlled by a former PEP affiliate;
- High turnover of funds in individual accounts from the PEP declared by the business, but not justified by the income of the business;
- Investments in real estate after the end of the duty with an unclear, unknown or unjustified source;
- Investments in assets by PEP with declared value below the market price;

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<sup>11</sup>According to article 2 point 10 of the PP/FT PEP law, the following will be considered: a) Individuals who are obliged to declare their assets in accordance with the legislation in force for the declaration and control of assets, financial obligations of elected officials and of some public servants, with the exception of mid-level or low-level management servants, regardless of whether they have the obligation to declare according to the legislation in force for the declaration and control of assets, of the financial obligations of elected officials and of some public servants;

b) Individuals, who have or had important functions both inside the country or abroad in a government and/or in a foreign country, such as: head of state and/or government, ministers, deputy ministers or similar positions with them, members of the Assembly or similar legislative bodies, senior politicians, members of the governing bodies of political parties, judges of high or constitutional courts, as well as any judge of a court whose decisions cannot be exercised by means of ordinary complaints, members of the governing bodies of central banks, ambassadors and chargé d'affaires, as well as officers with major rank in the Armed Forces, senior managers and/or members of the governing bodies of state-owned companies, as well as directors, deputy directors or board members or any other similar position in an international organization. The individuals defined in letters "a" and "b" of this point will be considered "politically exposed persons" up to 3 (three) years after leaving office.



## **Economic sectors:**

This assessment identified several economic sectors, which are most often used for ML activities at different stages. The economic sectors most sensitive to ML are: Real Estate Sector, Construction, Trade, Telematics Services Sector ( Call Center )<sup>12</sup>, Consulting in the economic and legal field. Case-by-case schemes also include international elements, intentionally created or even involving existing businesses, elements which aim to hinder the identification, tracing of the source and the final purpose of the use of criminal proceeds.

## **Use of the financial and non-financial system:**

Regarding the use as a channel for suspected cases of money laundering, this assessment identified that the most used channels are the banking system and categories of designated non-financial businesses and professions.

This result is based on several aspects, such as the nature of the economy in our country, which includes categories of traditional entities and mainly concentrated in the banking sector, while other financial entities are still barely developed compared to banks.

The use of the banking system is generally inevitable in one or more stages of money laundering (placement, layering, integration), due to the inherent nature of the banking operation, its dominant development in our country compared to other financial entities, its size and importance, as well as due to the large number of clients or transactions carried out on their behalf. While the banking sector in principle has a high exposure to money laundering risks, it is estimated that it has good awareness and adequate tools to detect them. This has been confirmed not only by international evaluations of the field, but also by a high level of SAR reporting over the years, not only numerically but also in terms of their quality. Thus, in more than 90% of cases, SAR sent by the banking sector served as evidence for the information sent by FIA to the law enforcement bodies.

The notary profession has been perceived and has also resulted from the data as being among the most vulnerable compared to other subjects/professions because the notary in Albania has a central role, as well as performs a wide range of legal actions (loans, credit contracts, inheritance drawn up, etc.), for most of which it is the only possibility for actions, including real estate transactions.

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<sup>12</sup>In the framework of this document, risk refers to entities that mainly carry out investment activities on unlicensed platforms (fictitious stock exchanges, cryptocurrencies etc.).

**Most used products:**

Analyzing the available data within this evaluation showed that the products the most used as the laundered proceeds of the criminal offense based on the analysis are: incoming/outgoing transfers to and from abroad, withdrawal/deposit of funds, transfer of funds within the country.

Regarding the use of bank transfers, among the characteristics that make them attractive for money laundering cases are: the difficulty to monitor or control electronic transfers, at the same level as other banking products due to the volume of transactions; funds may be transferred through different jurisdictions, so as to lose track of the source of the funds, or transfers may be made from a large number of bank accounts to deposits that are designed to lose track of the main account often located abroad.

Regarding the use of cash, among the characteristics that make it attractive for money laundering cases are: hiding the origin of income and the difficulty in tracking this income.

## **I. RISK ASSESSMENT OF MONEY LAUNDERING ACCORDING TO CRIMINAL OFFENSES**

From the intersection of the data of the relevant institutions, it results that the crime committed abroad prevails over the domestic one in terms of the criminal proceeds. From the intersection of the information of the FIA sent to the Police and the Prosecutor, the referrals of the State Police to the Prosecutor, the criminal proceedings registered by the Prosecutor's Office, the evaluations of law enforcement institutions, supervisory institutions and the private sector, it was found that 7 groups of the main crimes of generating criminal proceeds, are:

- Production, Cultivation, Trafficking of narcotic substances;
- Criminal offenses in the field of taxes and customs;
- Organized crime;
- Corruption and/or Abuse of power;
- Forgery;
- Fraud;
- Theft of property.<sup>13</sup>

## **II. MONEY LAUNDERING RISK ASSESSMENT BY SUBJECTS**

Considering that Albania is not a financial center neither regional nor wider, in the group of clients 'legal persons' are dominated almost entirely by resident clients. The non-resident element (individuals and non-resident legal persons) does not represent significant materiality, this is also reflected by the data on the structure of customers in the subjects of the law, in which it turns out that it is dominated by resident customers<sup>14</sup>.

In this context, the cases reported as SAR, analyzed, investigated and court decisions, mostly involve resident persons, whether they are legal persons or individuals.

### **2.1 Legal Persons (LP) and domestic legal arrangements<sup>15</sup>**

Referring to the legal framework for the registration and operation of legal persons, typologies, suspicious cases, it was found that the risk according to the type/legal form of the legal entity was assessed as the same, considering that:

- There are no legal provisions for the registration of legal persons in Albania, with simplified requirements compared to others;

<sup>13</sup> This criminal offense, despite having the highest number of proceedings registered by the prosecution, is not necessarily in all cases a generative offense for cleaning the products of the criminal offense.

<sup>14</sup> For example, in banks, the number of non-resident individuals who own at least one bank account make up 1.6% of the total number of customers of the banking sector, the number of non-resident legal persons who own at least one bank account in Albania make up 0.01% of the total number of banking sector clients, audit firms report that 5% of clients are non-resident and accountants report that 4% are non-resident).

<sup>15</sup> Albanian legislation does not recognize trusts and there is no system for registering trusts and other legal organizations. Also, Albania has not acceded to The Hague Convention on Trusts.

- There are no facilities or distinctive legal gaps in relation to the organization and operation of legal persons, established in Albania, so that one type of legal entity is more vulnerable compared to another;
- None of the legal forms of legal persons established in Albania show specific/special features that allow anonymity of the beneficial owner.

Furthermore, the analysis of the legal framework for the registration and operation of legal persons and the statistics available at the country level (SAR, information dissemination, referrals, reports), the analysis of the information resulting from the sectorial analysis, the analysis of typologies, of measures in the country, showed that:

- The number of legal persons registered in Albania is relatively unproblematic in numerical terms, as there are around 45,000 active legal persons;
- Albanian legislation does not recognize 'trusts' (or other similar bodies) and there is no system for their registration. Also, Albania has not acceded to The Hague Convention on 'Trusts';
- Albanian legislation does not provide for the possibility of issuing and registering 'bearer's shares';
- In the vast majority of cases, essential data for legal persons are published and can be accessed by anyone on the official website of the NBC;
- The establishment, operation and population of the register for the beneficial owner as required by the EU directives, affects the increase in the transparency of the ownership of legal persons.

By analyzing the materiality, taking into consideration vulnerability, response measures, frequency and consequences, it results that resident legal persons present a high level of risk.

## **2.2 Resident Individual**

Based on the data analyzed within the framework of this evaluation, it was found that the predicate criminal offenses that resident individuals use more to generate the products of the criminal offense are:

- "Production, sale, trafficking of narcotic substances and psychotropic substances " and the area in which these products are laundered is "real estate";
- "Theft of property" and the area in which these products are laundered is "real estate";
- "Trafficking in human beings or exploitation of prostitution" and the area in which these products are laundered is "real estate".

Whereas, the financial products used more for the three acts are international/domestic incoming and outgoing transfers, cash deposits and cash withdrawals.

### **2.3 Politically Exposed Persons (Albanians/foreigners)**

The AML/CFT law requires entities to take additional steps to determine whether their client, or their client's beneficial owner, is a PEP and, if they are a PEP, to apply enhanced due diligence measures to mitigate the risk that they may come from the laundering of proceeds of a criminal nature, including corruption.<sup>13</sup>

FIA from time to time shares with the subjects, new typologies used by the latter for laundering the proceeds of the criminal offense.

By analyzing the materiality, taking into consideration vulnerability, response measures, frequency and consequences, it results that Politically Exposed Persons (PEP) present a high level of risk.

### **2.4 Non-resident persons (legal persons, individuals and foreign legal arrangements)**

According to the legal provisions, the entities must apply enhanced due diligence to business relations and transactions with non-resident clients, assessed as high risk. From the experience of inspection or administration of information within the analysis of cases, it results that the non-resident category is supervised with enhanced due diligence.

By analyzing the materiality, taking into consideration the vulnerability, response measures, frequency and consequences, it results that non-resident individuals present an average level of risk, while non-resident legal persons present a low level of risk.

The above classification does not mean that, on the part of the subjects of the law, the categories of clients of the above groups (resident individual, non-resident, resident legal entity, non-resident, PEP) are automatically classified, as this process is conducted on a case-by-case basis in the legal provisions in force, the internal procedures of each subject as well as the peculiarities or specifics presented by the client or the transactions conducted by him.

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<sup>13</sup>Article 8 points 1 and 2, of the law no. 9917, dated 19.5.2008 "On the prevention of money laundering and financing of terrorism" as amended.

### III: MONEY LAUNDERING RISK ASSESSMENT BY ECONOMIC SECTOR

In Albania, the sectors which have been estimated to have a higher contribution in GDP are 'Agriculture, forestry, fishing', followed by 'Trade', 'Industry', then 'Public administration, Education, Health & social work activities' and 'Construction'.

From the analysis of the materiality, taking into consideration the vulnerability, response measures, frequency and consequences, nature and characteristics of the investigated cases, it results that the sectors that present the highest risk of being used for money laundering are: the real estate sector, construction sector, trade, telematics services sector (call center) and economic and legal consulting services.

### IV: MONEY LAUNDERING RISK ASSESSMENT ACCORDING TO FINANCIAL SECTOR/PRODUCT

From the analysis of the financial and non-financial system, taking into consideration the nature of the services offered, vulnerability, response measures, frequency, consequences, nature and characteristics of the investigated cases, it is concluded that "Banking entities" and "Designated non-financial businesses and professions" represent a high risk level for money laundering.

#### 4.1 Banking sector

##### ▪ The materiality of the banking sector

The banking system in Albania has not had significant structural changes in recent years. In 2023, there are a total of 11 second-level banks and the highest density of these branches is in Tirana, Durrës and Fier. The geographical distribution of bank branches/agencies is related to the fact of the higher density of the population in these cities. The weight of the banking system in the economy, expressed through the ratio of assets to GDP, is at the level of 91% for the first 6 months of 2023.

##### ▪ Banking products

Banks in Albania offer a wide range of products and financial actions starting from loans, deposits, securities investments, cash transactions, transfers between accounts (*domestic/international*), *e-banking* services which have had an increasing trend in the last years in the amount of 29.7%<sup>14</sup>, the use of credit/debit cards, etc. The product with the largest weight in the banking system is loans, the value of which is 3.5 times higher than the value of the capital (184 billion ALL) of the banking system, followed by deposits,<sup>15</sup> the value of which is 46.2% of the value of the capital.

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<sup>14</sup> Comparison of 2021 and 2022

<sup>15</sup> Here we refer only to the new deposits of 2022.

- **Conclusions**

From the intersection of the data taken in the analysis within this evaluation, it results that the most vulnerable financial products to be used for money laundering, taking into consideration the frequency of use of the product, traceability, vulnerability, characteristics of the product itself (anonymity), etc. are: the transfer of funds (international/domestic) and cash operations (deposits/withdrawals), while loans is the product that has a high circulating value, but the data show that loans is not a widely used product for laundering of proceeds of the criminal offense. E- banking services show an increasing trend, but it still remains non-dominant compared to other products.

- **Vulnerability**

The banking sector, beyond the risks it presents, has a high level of awareness of ML/TF and taking measures to mitigate them. This sector has a constructive relationship with BoA and FIA.

It is estimated that this sector knows the risks from which it is exposed, taking into consideration the risk assessments at the country level, banking groups, as well as their internal risk assessments.

The Bank of Albania, as a supervisory institution, assesses that second-level banks generally pay attention to and have increased efforts for an appropriate management of ML/TF risk, compliance with legal, regulatory requirements and the internal regulatory framework in this area.

FIA, as the responsible institution for the prevention of money laundering, based on the SAR statistics sent by the reporting entities, assesses that the second level banks are among the most aware entities for the prevention of money laundering, this is also reflected by the high number of SAR from this category. The high number of SAR not only shows the awareness and effectiveness of preventive measures, but also their vulnerability as a used channel. However, as an element of the validity of suspicions evidenced in the SAR received, it is worth mentioning that in over 90% of the cases sent for further investigation by the FIA to the law enforcement agencies, there are indications from the SAR sent by the banking system.

## **4.2 Securities Market**

In the Securities Market for 2022, 11 investment funds with open participation with public offering, which are managed by five management companies, are active. The weight of the value of the assets of these entities in relation to GDP is 1.94%. The market of investment

funds with open participation with public offering is mainly dominated by investments in bonds and treasury bills of the Republic of Slovenia, which constitute about 75.93% of the assets of this market.

#### ▪ **Securities Market Risk**

Given that the securities market in Albania are still in the early stages of development, the cases reported with suspicion are simple. Mainly the elements of doubt have been about the source of funds of individuals/legal persons that have invested in these companies. So far, no complicated schemes involving products or entities that are traded in the securities markets have been identified.

#### **Vulnerability**

The securities market is estimated to present low risks, due to the very limited level of development in these sectors.

Albania does not have a functional stock exchange, many of the firms that perform mediation/brokerage services are either limited to Albanian government securities or are agents affiliated with another brokerage firm outside of Albania.

According to a publication of the International Monetary Fund (IMF) for our country,<sup>16</sup> securities are mainly exposed to the domestic sovereign bond market. Some funds that have recently launched invest in foreign bonds and corporate bonds, as well as foreign stocks, but they remain at small levels. The interconnection of funds within the financial sector mainly depends on the banks. According to an assessment made by the IMF, the relatively small size of this sector in our country, the low degree of its connection with the rest of the financial sector, the stable base of investors is important to mitigate the risk.

The securities sector and a significant part of the business (investment advice, mediation/brokerage, custody services) is carried out by banks. The banks that performed these services are aware of the risks of ML/TF and implement measures to mitigate these risks.

### **4.3 Insurance market**

In the insurance market during 2022, 12 Life and Non-Life insurance companies have practiced their activity. The weight of the value of assets of this market in relation to GDP is 2.04%.

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<sup>16</sup> Albania: Technical Assistance Report — Investment End and Interconnectedness Risks; IMF Country Report No. 23<sup>20</sup>  
As above.



Insurance companies in Albania are divided into three categories: Life Insurance, Non-Life Insurance and Reinsurance. Eight insurance companies operate in non-life insurance and four in Life insurance. One of the non-life companies is also licensed to exercise reinsurance activity. In addition to insurance companies, insurance brokers (insurance brokers and insurance agents) also operate in the insurance market.

#### ▪ **Insurance sector risk**

During the evaluation period, from the data of suspicious activity reports (SAR) reported to FIA, there are no cases reported by this sector.

Furthermore, no cases of money laundering related to this sector are reported by the law enforcement bodies.

The vulnerability of the insurance industry to money laundering remains low due to several factors, such as property, casualty, and health insurance policies typically do not provide specific features for the concealment and integration of money.

In principle, the main risks of money laundering are related to cases where the investor is different from the beneficiary of the insurance policy or payments are made from abroad on behalf of the client. While the types of products that potentially represent the main risks of ML/TF are the products with a short maturity period and those with the possibility of premature termination of the policy.

#### ▪ **Vulnerability**

The nature and materiality of this sector must be taken into consideration in the evaluation of vulnerabilities. So all actions for this sector are carried out through banks, which constitutes a mitigating element of vulnerability to ML risk. A significant part of the activity of this sector is compulsory insurance in the context of obtaining bank loans and compulsory insurance of employees of state and private institutions.

### **4.4 Non-banking financial sector**

Non-banking financial sector in Albania consists of 3 main subdivisions: non-banking financial entities, savings and credit societies and their unions and foreign exchange offices.

## ▪ **Products of the non-banking financial sector**

In Albania in 2022, 38 non-banking financial entities operate which are licensed to provide one or more services from the 8 financial products/activities allowed by the Bank of Albania. 29% of entities offer Financial Leasing, 24% Loan and E-Money, 21% Payment and money transfer service activities, 18% Microcredit and Factoring, 13% Foreign exchange services, etc. Out of 38 entities, 27 of them offer only one financial product/activity, 6 of them offer three financial products/activity, 3 of them offer two financial activities, 1 financial entity offers four and 1 financial entity offers five financial products/activity. The main activity of non-bank financial institutions is loans, followed by payments and transfers<sup>17</sup>.

## ▪ **Vulnerability**

Non-bank financial institutions are engaged in the activity of loans (loans, microcredit, financial leasing, invoice financing-factoring), transfers and payments and foreign exchange. The wide range of sector products and services offered by this sector lead to different types and levels of ML/TF risks.

Referring to the loans of these entities to their customers, it is worth mentioning that the majority of transactions are channeled through the banking system, which constitutes a mitigating element of vulnerability to ML risk.

Transfers (remittances) and foreign exchange activity are exposed to ML risk since we are dealing with cross-border transactions or actions that are mainly carried out in cash.

As far as foreign exchange offices are concerned, no specific risk has been identified, but the nature of the business related to the use of cash, but also the lack of understanding of the obligations and risks for AML/CFT can be considered as elements that increase vulnerability.

Within the non-banking financial sector, entities that offer money transfers present an increased risk for money laundering, for a number of reasons:

- Global services offered and fast movement of funds even in countries considered risky;
- The relatively high number of transfers made in small amounts, where this makes it difficult to detect activities related to ML/TF;
- The high number of agents offering the money transfer service, as well as the possibility of the agents themselves being involved in suspicious schemes;
- Lack of knowledge at the appropriate level in the field of AML/CFT of agents of companies that offer money transfer services, despite the training undertaken;

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<sup>17</sup>[https://www.bankofalbania.org/Botime/Botime\\_Periodike/Raporti\\_i\\_Stabilitet\\_Financiar/Reporti\\_i\\_Stabilitet\\_Financiar\\_per\\_six\\_months\\_of\\_the\\_second\\_year\\_2022.html](https://www.bankofalbania.org/Botime/Botime_Periodike/Raporti_i_Stabilitet_Financiar/Reporti_i_Stabilitet_Financiar_per_six_months_of_the_second_year_2022.html)

- Limited time for continuous monitoring for the development of the profile of customers where casuals dominate, while the number of transfers is relatively high;
- The wide geographic scope of the network of agents throughout the territory of the country;
- Relatively high number of transfers;
- Incorporation of transfers with foreign exchange.

#### **4.5 Virtual Asset and Electronic Money**

- **Virtual Asset**

In 2020, the Assembly of Albania adopted Law 66/2020 "On financial markets based on distributed ledger technology". The object of the law is the regulation of the issuance of digital tokens and/or virtual currencies, the licensing, monitoring and supervision of entities that exercise the activity of distribution, trading and storage of digital tokens and/or virtual currencies, the agent of digital tokens, the provider of innovative services and automated collective investment enterprise.

Following the approval of Law 66/2020, the supervisory authorities, namely the Financial Supervision Authority and the National Authority for the Information Society (NAIS) have drawn up and approved the by-laws in implementation of Law 66/2020, the regulations for the capital adequacy of these entities, for the voluntary and compulsory liquidation procedures, the relevant licensing and supervision fees as well as the maintenance of the registers of the licensed entities.

- **Data for the period 2019-2022**

Currently, in our country there are no entities licensed as providers of virtual asset, but in this context it is worth stating that:

- As a payment instrument, it is difficult to implement in our country. For example, if the purchase of real estate is intended and cryptocurrency is available, this must be exchanged in advance in FIAT as payments must be made in this type of instrument. Even casinos inside do not offer the possibility of using cryptocurrencies. Services from a variety of professionals are accepted with electronic payments through cards and bank accounts, i.e. in recognized currencies.
- There are infrequent cases of investment by clients of Albanian banks of their funds in virtual assets, through platforms abroad that offer this opportunity, but banks report that for virtual assets in the last year we have a decrease in requests for crypto transactions. this is due to the restrictive policies of the banks.

- **Measures taken**

In order to mitigate the risks in this area, several measures have been taken such as: Preparation of a legal framework, preparation and publication of international typologies by FIA, realization of basic trainings with participants from FIA, State Police, FSA and the banking sector, realization of trainings advanced with the participation of representatives of the FSA, FIA, State Police, measures also within the framework of identifying the unlicensed exercise of this activity.

- **Conclusion**

In the framework of the alignment with international standards and the strengthening of the AML/TF framework, legislative measures have been taken in Albania for virtual asset and virtual asset service providers, such as: the inclusion as a subject of this law of commercial and legal persons of service providers virtual means, the adoption of a legal framework for the regulation of this sector, which also contains obligations in the framework of the prevention of money laundering and the financing of terrorism. It is also noted that some measures have been taken by the authorities to highlight cases of unlicensed practice of the activity of the virtual asset service provider.

As mentioned above, from the data administered and analyzed, there were sporadic cases of the use of virtual asset (as a product) for money laundering. However, the potential vulnerability of the system is significant, as it results in a number of other countries due to the characteristics and trends of this sector at the international level.

➤ **Electronic money providers sector**

In Albania in 2022, 9 entities have been registered for the service of electronic money (E-Money), but 6 of them offer only this service.

The main services offered by electronic money entities are: Utility payments, Ticket payments and e-commerce services, microcredit installment payments, insurance payments, loans disbursement and national and international transfers. Loan settlement services and international transfers are provided by 2 entities.

- **Conclusion**

From the intersection of data, the electronic payments sector is a sector with money laundering risk considering the way of operation, but in Albania it is still under development and the risk of misuse for money laundering is low. However, this sector is estimated to be

the focus of the supervisory authorities regarding the applicability of measures within the framework of AML/CFT (continuous monitoring of customer transactions, identification, procedures and policies followed) through the distribution of typologies, specific instructions and on-site or remote inspections.

#### **4.6 Designated Non-Financial Business and Professions**

Designated Non-Financial Business and Professions sector consists of Notaries, Lawyers, Gambling/Casinos, Legal Auditors, Certified Accountants, Real Estate Brokers and Dealers in Precious Metals, Stones, or Jewels.

Also, the motor vehicle trading sector was analyzed.

##### **▪ Conclusion**

Taking into consideration vulnerability, tracking and controls, economic areas used for money laundering as well as available typologies, services provided, it is estimated that legal auditor, certified accountant, gambling/casino, motor vehicle trading sector, intermediaries of real estate, show an average risk level for ML, high level notaries and other categories mentioned above low.

In addition to what was quoted above, it is worth noting that the absence or limited SAR from a part of this category (Legal Auditor/Certified Accountant, Gambling/Casino, Real Estate Brokers), does not fade the progress in the collecting, maintenance and storage of documentation provided within the framework of appropriate/extended vigilance measures, these data are valid in cases of investigations and investigations.

##### **4.6.1 Trusts or Company Service Providers**

TCSP<sup>18</sup> are not recognized as a special type of business in Albania and there is no special licensing either. However, in the ML/TF law, article 3, letter "II", any natural or legal person, except for those specified above, who provide a customer with the following services, is provided as subjects:

- i. acts as a formation agent of legal persons;
- ii. acts or appoints someone else to act as a director or administrator of a legal entity, member of a partnership or a similar position in relation to other legal persons;

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<sup>18</sup> Trust or Company Service Provider.

- iii. provides a registered office, accommodation or business address, official or correspondence address for a commercial company, partnership, legal entity or legal organization;
- iv. acts or appoints someone else to act as a trustee of a legal organization or performs an equivalent function for another form of legal organization;
- v. acts or appoints someone else to act as a shareholder and/or partner of companies that have bearer shares for another person.

In practice, some of the services presented above are provided to some extent by lawyers and accountants.

## **V: RISK FROM THE FINANCING OF TERRORISM**

### **5.1 General description**

In parallel with the assessment of the money laundering risk, an assessment of the risk factors related to the financing of terrorism was made. Although there is no direct connection between these two factors, they present common elements such as. e.g. the financing of terrorism can be the result of criminal activities from the illegal benefit of the main money laundering offenses, such as the production/trafficking of narcotics, organized crime, etc.

This risk assessment takes into account a number of elements such as: Homogeneity of the population, geographical position, the Albanian economy, the size of the financial and non-financial sector in the country, access to financial services, informality in Albania, the number of terrorist acts in the country, the situation in the region, requests received and sent, SAR sent to FIA, known methods of financing terrorism, etc.

### **5.2 Sector of non-profit organizations (NPO)**

The sector of non-profit organizations (NPO) plays an important role at the international level, including in the field of providing services to individuals or social groups in need. This contribution is provided through donations offered at the national and international level, and a special activity is the trust they create in the respective communities. A part of NPO, due to the very nature of their work, in addition to collecting funds for charitable, cultural, educational, social purposes, or for performing other types of 'good works', are also engaged in the distribution of funds or financing, for certain social strata or groups, processes that may constitute a potential risk of exposure to abuse or misuse for the purposes of money laundering or terrorist financing.

The abuse or misuse of non-profit organizations for terrorist purposes can take many forms, including setting up a seemingly legitimate non-profit organization with illegitimate objectives, abusing a legitimate non-profit organization to finance terrorism, or even diverting aid money from legitimate projects.

#### **▪ Data on NPO in Albania**

Non-profit organizations are registered with the tax administration, having previously completed the registration, in accordance with the legislation of the field. (Establishment, Registration in Court and in GDT). By the end of 2023, 5,903 organizations were registered in the General Directorate of Taxes (GDT), of which only 2,474 had an active status.

### 5.3 Measures to mitigate risks in the NPO sector in our country

- In general, the legal and regulatory framework for NPO in Albania is considered adequate to mitigate the risk of FT in this sector. The legal framework of the field is presented as follows:
  - Instruction of the Ministry of Finance no. 19/2019 "On the supervision of non-profit organizations in order to prevent money laundering and terrorist financing";
  - Approval of the amendment to the law "On tax procedures" (year 2019) related to the mandatory requirement that NPO have at least 1 (one) bank account and that each NPO bank account held in Albania or abroad must be declared to the tax authorities;
  - Approval of law no. 80/2021 "On the registration of non-profit organizations" which provides for the creation of an electronic registry of NPO, with all detailed and updated data about them such as the identity of the founders, decision-making bodies, legal representatives and other financial information of NPO. The register will be administered by the Court of Tirana;
  - Approval of law no. 112/2020 "For the register of the beneficial owner" and CMLA no. 1088, dated 24.12.2020 'On determining the manner and procedures of registration and publication of data on beneficial owners', according to which every existing reporting entity, non-profit organization, registered with the Court and tax authorities and identified with NUIS, must register the beneficial owner/s in the Register of Beneficial Owners;
  - Approval of law no. 154/2020 "On the central register of bank accounts" according to which the register of bank accounts in which the data related to the bank account number and the IBAN code of the account is registered and stored is set up and functions as a state database in cases where it is a bank account, the name of the financial institution that holds the bank account or the security deposit, the name, surname, date of birth, nationality and permanent address of any individual who has a benefit in the account and/or who is a person related to the holder account, etc.;
- Drafting of a risk methodology for NPO in cooperation with civil society and its consideration by GDT as one of the elements/documents in the function of NPO supervision;
- The registration and information requirements for NPO are largely in line with the requirements of FATF recommendation 8, assessed as largely fulfilled in 2019;
- Measures for obtaining and sharing information, investigations and intelligence are appropriate. However, the authorities responsible for NPO registration and supervision (tax authorities and the NPO Registry) may have limited, dedicated or specialized human resources for NPO supervision or registration.



## ▪ **Vulnerability assessment**

Factors that affect the vulnerability (weaknesses) of the system and can be used or can facilitate the activity of the NPO:

- It is estimated that there are no key factors that prove the connection with TF risks, but a potential risk factor may be the location where these NPO operate;
- Regarding the supervision by the tax authorities, improvements have been found in this aspect, but the need for further progress is assessed by specializing the personnel for their supervision and inspection;
- The need for continuous training and updates regarding terrorist financing risks for this category in the public and private sector;
- Need for further training and/or guidance for NPO awareness regarding potential risks of abuse or misuse related to terrorist financing.

### **5.4 Conclusions on the risk of abuse/misuse of NPOs for terrorism financing**

The assessment and analysis of the legal framework, the general security situation, the threat scenarios for the financing of terrorism as a whole but also in relation to the NPO sector has revealed that there is no data for:

- NPO established in our country that operate in conflict areas (related to terrorism) or their border areas;
- NPO involved in financing and recruiting individuals in conflict areas;
- Suspicious cases involving the abuse or misuse of NPO that are registered or operate in Albania, to collect funds for the financing of terrorism.

In terms of mitigating the risks for this sector, several initiatives have been undertaken related to the creation of a register in function of the transparency of their activity, the establishment of the obligation to have a bank account, the declaration of such an account in the tax administration, the design and implementation of a risk methodology for their supervision, the creation of the register of the beneficial owner, etc. The analyzed data indicate a low risk of terrorist financing related to the abuse or misuse of NPO.

### **5.5 The general vulnerability of the system within the risks of terrorism and financing of terrorism**

From the totality of the data analyzed above, it results that the following measures have been taken:

- The National Strategy against Terrorism has been conducted and implemented, involving a number of institutions, which also includes the strategy inter-sectoral for the Prevention of Violent Extremism and the Fight against Terrorism, as and relevant action plans;
- Albania has signed and is implementing several cooperation agreements with countries in the region, Europe and the USA, in the field of security and information exchange for verification and the fight against terrorism;
- There is an awareness at the appropriate level of the reporting entities about the risk from the financing of terrorism and mainly the banking system is equipped with specific platforms in which the lists of announced persons are included, based on which they implement vigilance and transaction monitoring programs;
- Within the framework of the inspections carried out by the supervisors of the subjects of the law, one of the points of the program is exactly the measures within the financing of terrorism, by performing controls for access to the lists of announced persons, keeping them updated, etc.;
- Anti-terrorist structures in the State Police already have the operational capacities, the necessary logistics to carry out special operations that help to prevent and attack criminal offenses of a terrorist nature. At the same time, we are constantly working on the further improvement of these capacities in cooperation with the police missions that have been operating for years in our country, such as PAMECA V and ICITAP. Within the above structure, a special sector has been established only for the financial investigation of acts related to terrorism;
- For the criminalization and punishment of terrorism, the specialized structures of the fight against terrorism have continuously dealt with and followed the phenomenon of foreign terrorist fighters and investigations have been conducted on individuals who organize, finance and participate in conflicts abroad;
- Conducting financial investigations for any criminal offense related to terrorism;
- Border controls by the State Police to identify illegal migrants are considered appropriate, a process which, for some points on the land border line, is also supported by Frontex.

**Factors that affect the vulnerability (weaknesses) of the system and can be exploited or can facilitate the activity of terrorism/terrorist financing**

- Albania's geostrategic position can be used as a transit point not only for illegal traffic, but also as a transit channel for people who may be related to terrorism;
- The presence of cases, although rare, of individuals who support or promote violent extremism;
- The repatriation to Albania of family members of some FTF who joined the conflict in Syria years ago, apart from being a humanitarian aspect, could potentially have risks for these people to spread extremist ideology;

- Sporadic events (convictions for incitement, public calls and propaganda for committing acts with terrorist intent, extradition to foreign countries of individuals wanted for terrorist-related activities) can be indicators for the future as a risk element related to terrorism or financing of terrorism;
- Taking into consideration the special importance that this field represents, continuous training for law enforcement agencies, law subjects and supervisory bodies, remains objective.

## **5.6 Conclusions on the risk of terrorism and terrorism financing**

As evidenced above, Albania has not been affected by terrorist acts, but this does not make our country immune from the risk of terrorism or extremism/radicalism that leads to terrorism, taking into consideration the developments at the international level, the rapid spread of propaganda and extremism through social networks and potential dangers from returnees from conflict zones.

Albania is among the first countries listed in the anti-terrorism coalition, over the years it has improved the legislation and established new specialized capacities to address this phenomenon.

The analyzed data indicate a low to average risk of financing terrorism in the country.

## **VI: WEAPONS OF MASS DESTRUCTION**

In October 2020, the FATF revised Recommendation (R.1) and Interpretative Note R.1 of their global standards for combating financial crime. According to the amended recommendation, countries should identify, assess, understand and take measures to mitigate the risks associated with the proliferation of weapons of mass destruction.

In the framework of Recommendation 1, "The risk of financing the proliferation of weapons of mass destruction" directly refers only to the violation, non-implementation or possible avoidance of financial sanctions obligations provided for in Recommendation 7<sup>19</sup>.

The term "Weapons of Mass Destruction" according to the national strategy<sup>20</sup>, is defined as a weapon with a high destruction capacity that causes large-scale damage to people, infrastructure and other resources. They include chemical, biological, radiological and nuclear weapons.

While the term "Proliferation of Weapons of Mass Destruction" means all efforts by states or non-state actors to develop, purchase, produce, possess, transport, transfer or use weapons of mass destruction or delivery equipment and means, dual-use goods or related goods and technology.

### **6.1 Mitigation measures**

The measures taken in Albania are:

- Awareness through trainings of the private sector and publications of international typologies on the official website of the FIA, but also through the inspections carried out where among the verified measures are the compliance with the obligations within the framework of international sanctions by the subjects of the law. Thus, for the period 2020-2021, about 3,662 individuals/employees at the reporting entities were informed/trained about the measures related to financial sanctions;
- Realization of continuous trainings by representatives of the State Export Control Authority (SECA) for import-export licensing of dual-use goods;
- Approval of a National Strategy (mentioned above) with concrete measures;
- The existence of national mechanisms for preventing the financing of weapons of mass destruction;

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<sup>19</sup>Recommendation 7: Countries should implement specific financial sanctions in accordance with United Nations Security Council Resolutions related to preventing, countering, suppressing and deterring the proliferation of weapons of mass destruction and their financing. These resolutions require countries to freeze funds or other assets without delay and to ensure that no funds or other assets are available, directly or indirectly, to or for the benefit of any person or entity declared by, or under the authority of, United Nations Security Council based on Chapter VII of the United Nations Charter.

<sup>20</sup>CMLA No. 33, dated 22.1.2020 "On the approval of the National Strategy for the non-proliferation of weapons of mass destruction and the action plan for its implementation".

- Approval of a specific law (law no. 72/2019 "On International Restrictive Measures in the Republic of Albania");
- A positive step that also affects measures against weapons of mass destruction is the creation and operation of the register of beneficial owners, creating transparency for companies in terms of beneficial ownership, limiting the possibility of their misuse;
- Geographical distance, trade at minimal or non-existent levels, with the countries listed by the FATF that present serious concerns about the threat of proliferation of weapons of mass destruction<sup>21</sup> or even high-risk countries<sup>22</sup>;
- The restrictive policies of the financial system regarding possible transactions with these countries.

## **6.2 Residual risk and conclusions**

Albania does not possess or develop weapons of mass destruction programs and has no significant active chemical industry capacity, nor facilities for nuclear research or biological laboratories for testing extremely dangerous substances.

Albania has adopted extensive legislation aimed at preventing the spread and financing of the spread of weapons of mass destruction, which is in line with international standards and conventions. Regarding the implementation of international compulsory measures for proliferation, a special law "On International Compulsory Measures" has been approved, which aims to establish and implement international compulsory measures.

Large financial entities, mainly Banks, use systems for automatic monitoring of transactions and persons for whom financial restraint measures have been imposed.

Regarding the export, import, brokering and transit of dual-use goods and technologies, there is an extensive legal framework and it has also been established and operates under the Ministry of Interior SECA, which is the state structure responsible for international transfers of military goods, of dual-use items and technologies.

In the analyzed period, the subjects did not send any SAR for the financing of the proliferation of weapons of mass destruction, and the FIA in its analyzes did not identify cases and suspicions of the proliferation of financing of weapons of mass destruction.

Based on the analysis of the legal framework, available data and information, a low-level risk was found in terms of the risk of financing weapons of mass destruction in our country.

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<sup>21</sup>North Korea

<sup>22</sup>Iran