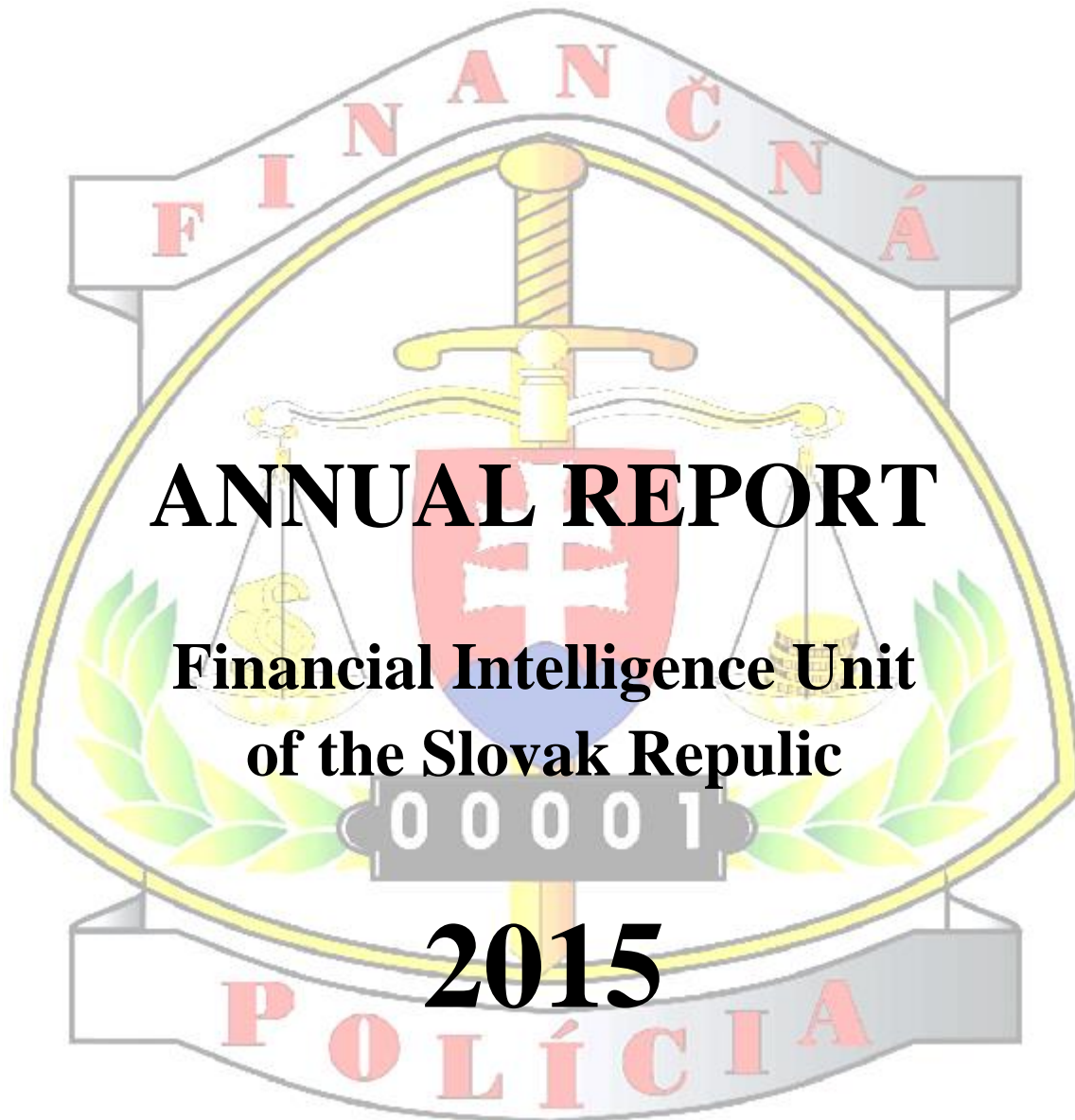




MINISTRY OF INTERIOR OF THE SLOVAK REPUBLIC  
POLICE FORCE PRESIDUM  
National Criminal Agency  
Financial Intelligence Unit

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## Introductory word

Just as the previous year the Financial Intelligence Unit of the National Criminal Agency of the Police Force Presidium (thereinafter referred to as “FSJ”) would like to introduce this annual report to the public in compliance with Section 27 subsection 1 of the Act No. 297/2008 Coll. on the Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing and on Amendments and Supplements to Certain Acts as amended by the further acts (thereinafter referred to as “AML/CFT Law”).

The main aim of the introduced annual report is to provide information related to the activities of FSJ acting as specialized unit of the Financial Police in the field of fulfilling tasks related to prevention and detection of money laundering and terrorist financing. By the annual report the last year’s activities of FSJ in the field of verification of UTRs, supervision, international cooperation, financial and property verification or analytical activities are evaluated. Texts and graphs present the statistical data which provide the overall review of activities of FSJ. Particular activities are elaborated in detail in separate parts of the annual report on the basis of the subject of fulfilled tasks.

During the assessed period FSJ participated on the preparation of the draft of amendment to the AML/CFT Law which is linked to transposition of the Directive (EU) 2015/849 of the European Parliament and of the Council of 20<sup>th</sup> May 2015 on the prevention of the use of the financial system or the purpose of money laundering or terrorist financing – the 4<sup>th</sup> AML Directive. Pursuant to this directive the Slovak Republic is obliged to carry out the national risk assessment of money laundering and terrorist financing (thereinafter referred to as “NRA”).

### **1. Characteristics, legislative framework and organizational structure of the Financial Intelligence Unit of the Slovak Republic**

The legislative framework regulating tasks and activities of FSJ mainly comprises of the Slovak AML/CFT Law, Act No. 171/1998 Coll. on the Police Force as amended by the further acts (thereinafter referred to as “Act on the Police Force”), Act No. 101/2010 Coll. on the proof of origin of property (thereinafter referred to as “Act on the proof of origin of property”), Act No. 199/2004 Coll. Custom Law and on amendments and supplements to certain acts as amended by the further acts (thereinafter referred to as “Customs Law”), enactments and decisions of the European Union (Regulation (EC) No. 1889/2005 of the European Parliament and of the Council on controls of cash entering or leaving the Community, Council framework decision 2006/960/JHA on simplifying the exchange of information and intelligence between law enforcement authorities of the Member States of the European Union (thereinafter referred to as “Decision No. 2006/960/JHA”), Council decision 2007/845/JHA concerning cooperation between Asset Recovery Offices of the Member States in the field of tracing and identification of proceeds from, or other property related to crime (thereinafter referred to as “decision No. 2007/845/JHA”), Council decision 200/642/JHA concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information (thereinafter referred to as “Decision No. 2000/642/JHA)) and international agreements to which the Slovak Republic joined (especially Vienna Convention, Warsaw Convention and Palermo Convention).

FSJ acting as the central national unit in the area of prevention and detection of money laundering and terrorist financing is a member of the world-wide created network of Financial Intelligence Units. Its main task is inter alia application of international standards developed by the Financial Action Task Force (the FATF Recommendations) to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

The main task of FSJ is receiving, recording, analysing, evaluating and processing UTRs, supervision of compliance to obligations of obliged entities laid down by the AML/CFT Law, as well as international cooperation with the relevant authorities of the member states and EU.

FSJ consists of 5 departments:

- Unusual Transactions' Department,
- Obligated Entities' Audit Department,
- Property Check-up Department,
- International Cooperation Department
- Analytical Department.

## **2. Unusual Transactions**

The Slovak AML/CFT Law defines the unusual transaction as a legal act or other act which indicate that its execution may enable money laundering and terrorist financing. The demonstrative list of UTs pursuant to the Section 4 of the AML/CFT Law includes the most frequent forms of UTs. This list has been developed on the basis of the systematic analyse of particular UTRs and on the basis of generalization of knowledge learned within evaluation of UTs. Evaluation of UTs is based on the KYC (Know Your Customer) principle.

If the facts contained in the particular UTRs indicate that a criminal offence has been committed or that its execution the criminal offence may be committed and there is a danger that its execution may hamper or substantially impede seizure of proceeds of criminal activity or the verified information could be linked with the already conducted criminal proceeding and this information is important for such proceeding FSJ is submitting this information to the relevant LEAs or to other Police units in order to fulfil tasks laid down by the Act on the Police Force. Within fulfilment of the official tasks and within cooperation related to exchange and verification of information necessary for the purpose of prevention and detection of money laundering and terrorist financing this information could be submitted to the foreign financial intelligence units as well (thereinafter referred to as "FIU"). If the case officer within verification of UTR finds out that the obliged entity does not fulfil or breaches obligations laid down by the AML/CFT Law or the information is relevant for the purpose of verification of the origin of property this information is submitted to the Obligated Entity's Control Department or to the Property Check-up Department.

In cases when within verification of UTR it was not found out that information is not necessary for further utilization of LEAs, relevant Police Units, Financial Directorate of the Slovak Republic or foreign FIUs this information is stored within the complex information system of FSJ for further utilization, particularly within verification of other cases.

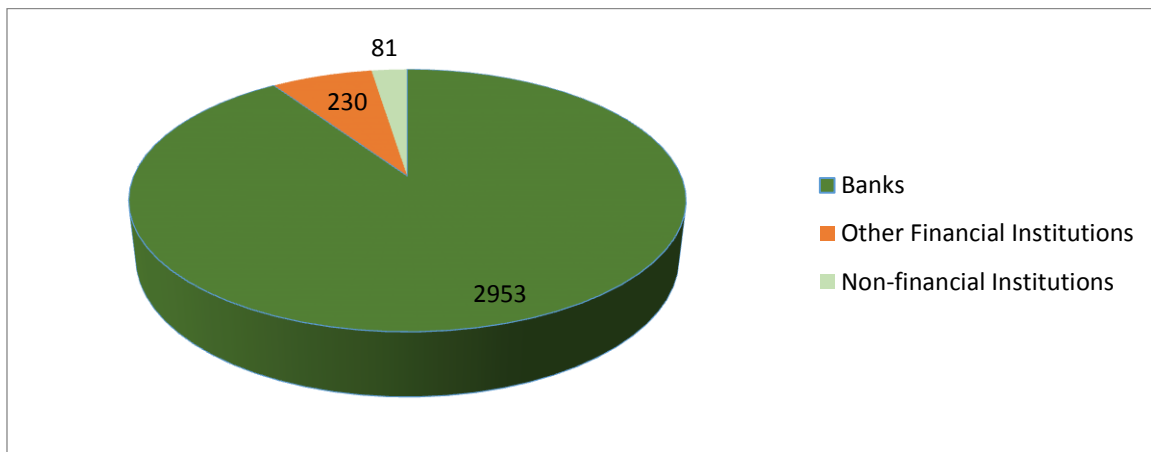
### **2.1 Composition of Obligated Entities and statistical data on UTRs**

In 2015 FSJ received 3264 UTRs in total amount of 1.640.126.537,- EUR from all Obligated Entities. Those UTRs were processed and evaluated by the Unusual Transactions' Department, as well as by members of other departments of FSJ: Obligated Entities Control' Department, Property Check-up Department and Analytical Department.

On the basis of the legal characteristic of the Obligated Entities stipulated by the AML/CFT Law the particular UTRs could be split into 3 fundamental groups:

- the UTRs in total number of 2953 received from all the banks acting in the territory of the Slovak Republic, including the National Bank of Slovakia,
- the UTRs in total number of 230 received from financial institutions other than banks,
- the UTRs in total number of 81 received from non-financial institutions.

Graph No. 1: Total number of the received UTRs in 2015



Graph No. 2: Dynamic development of UTRs received between 2010 – 2015

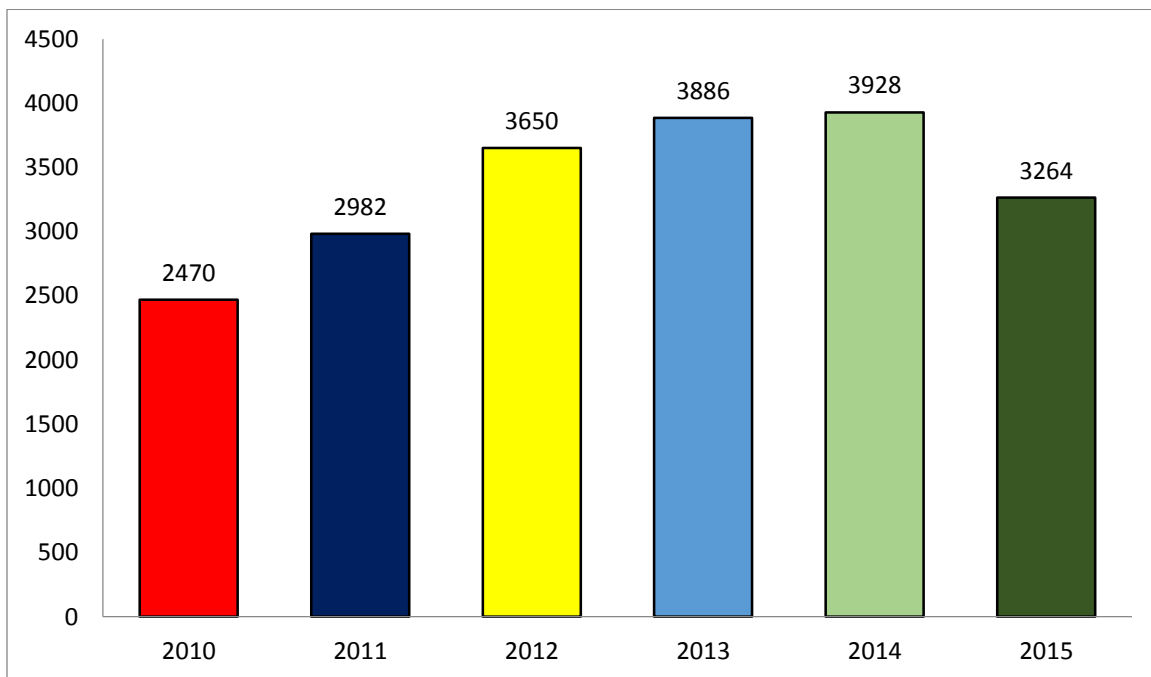


Chart No. 1: Number of UTRs sent by banks in 2015

Banks acting in the territory of the Slovak Republic	
Type of Obligated Entity	Number of UTRs
the National Bank of Slovakia	77
Commercial banks acting in the territory of the Slovak Republic	2876
<b>Total number</b>	<b>2953</b>

Chart No 2: Number of UTRs sent by other financial institutions in 2015

<b>Other Financial Institutions</b>	
Obligated Entity	Number of UTRs
Central Depository of securities	4
Asset Management Company and Depository	30
Insurance Company	112
Supplementary Pension Insurance Company	1
FX office	9
Legal entity of natural person authorized to trade in receivables	1
Legal entity of natural person authorized to carry out financial lease	20
Payment Institution	53
<b>Total</b>	<b>230</b>

Chart No. 3: Number of UTRs sent by non-financial institutions in 2015

<b>Non-financial Institutions</b>	
Obligated Entity	Number of UTRs
Gambling Game Operator	22
Postal Undertake	54
Court Distrainer	1
Lawyers and auditors	3
Legal entity and natural person authorized to provide forwarding services	1
<b>Total</b>	<b>81</b>

## 2.2 Postponement of the UTs

Postponement of UTs pursuant to the Section 16 of the AML/CFT Law realized by the Obligated Entity is a significant legal act in the fight against money laundering. It is used in case there is a danger that execution of unusual transaction may hamper or substantially impede seizure of proceeds of criminal activity or funds used to finance terrorism.

In 2015 there were 111 postponements of UTs in a total amount of 14.385.429,- EUR of the total number of the UTRs received by the FSJ. In 71 cases information from the respective UTRs were submitted to the relevant LEAs in order to conduct further proceedings pursuant to the Slovak Code of Criminal Procedure.

Chart No. 4: Summary of the postponed UTs in 2015

Total number of the postponed UTs	111
Number of UTs postponed by Obligated Entity	109
Number of UTs postponed on request of FSJ	1
Number of UTs postponed on request of the foreign FIU	1
Number of information submitted to the competent LEAs related to the postponed UTs	71
Total value of the postponed UTs	14.385.429,- EUR

### 2.3 Patterns of the UTs

In 2015 the most frequent patterns of the noticed UTs which have been registered, analysed and assessed by the FSJ were the following: wire transactions, cash transactions, foreign wire transactions, transactions realized by subjects registered in countries so called "tax heavens" (offshore transactions"), phishing, pharming, internet frauds and hazard.

Chart No. 5: Summary of the patterns of UTs in 2015

Patterns of UTs	Number of UTRs	Value of UTs in EUR
Wire transactions	1963	840.898.635,-
Cash transactions	1966	533.650.748,-
Foreign wire transactions	1186	760.486.462,-
Offshore transactions	95	86.296.272,-
Phishing, Pharming	84	3.343.409,-
insurance	69	7.379.484,-
Trades with real estates	67	12.525.329,-
Internet frauds	48	2.247.810,-
Counterfeited securities	16	47.183.617,-
Hazard	14	409.149,-

As it can be seen in the chart above, in terms of the fight against legalization of proceeds of criminal activity and terrorist financing, one of the most frequent UTRs, from which information has been submitted by FSJ to the Law Enforcement Authorities, were cases of phishing, Internet frauds and feigned wire transfers in which the remitter is in a sophisticated way misled regarding the beneficiary's bank account / partner of a business relationship ("hacking" of e-mail communication).

In the year 2015 the Unusual Transactions' Department registered a total of 84 cases of UTRs related to phishing or pharming, what is a decrease of 114 cases in comparison with the year 2014. The Unusual Transactions' Department registered 48 cases of UTRs related to Internet frauds, which is 15 cases less than in 2014, indicating that there was a significant decrease recorded in both forms of UTRs - phishing as well as pharming.

UTRs related to phishing, most frequently contained information about cases in which a personal computer, respectively a mobile phone of the owner of a bank account were intentionally attacked by a virus software via SMS message or fraudulent application for the purpose of subsequent unauthorized wire transfer of funds from the selected bank account without the knowledge and consent of the account holder. UTRs related to Internet fraud were mainly related to pretended sale of goods, particularly motor cars and various industrial equipment, mobile phones, with the mediation of employment abroad and the like. This pretended sale was bound to the advance payment or the full purchase price in advance to a bank account opened in most cases with a foreign bank established abroad, whereby there was no delivery of goods by the seller. In most cases the remitters transferred money to the bank accounts held in banks in Slovakia whose holders of the right of disposal were mostly citizens of Romania.

In 2015, the perpetrators increasingly used such a form of committing economic crime, which was based on the so-called „redirection of payments" in large volumes (millions of euros) within a standard business relation of business partners. A standard e-mail communication of business partners was attacked by hackers, whereby the standard payments were purposefully redirected onto the prepared accounts opened in a country other than the one in which the basic business relationship was conducted. The business party, paying for the goods, has been misinformed about a change in the payment system of its business partner by the perpetrator via a fraudulent e-mail. Immediately after the realization of the payment in good faith, that this is the standard payment for goods, there were cashless payments transferred to the prepared bank accounts belonging to the perpetrators, from which the funds were transferred to the final foreign bank accounts held in banks located in the known off-shore-areas such as Hong Kong and China, where the lower electivity of legislative measures against legalization of proceeds of criminal activity and lower efficiency of law enforcement are, respectively or the cash withdrawals were executed by frontmen. From the reported cases it was found out that the persons, who in such way performed the mentioned transactions, were citizens of Hungary in cooperation with other perpetrators of various nationalities and business companies seated in Hungary. In the position of damaged companies were mainly business companies seated in France.

In 2015, FSJ received many UTRs containing information on the use of the so-called box and shell companies in order to carry out carousel business operations and to obscure the flow of funds and consequently the movement of goods or services involving so-called „frontmen" within the so-called carousel frauds in order to claim VAT tax refunds or for the purpose of tax reduction and tax evasion respectively for the purposes of the so-called „optimization" of the tax base.

In 2015, FSJ did not record an increase in the number of UTRs related to business whereby the payments were realized by the virtual digital currency Bitcoin. However, there is an absence in legislation associated with the use of this digital currency in Slovakia, which is still more used between business partners in Slovakia, even if it concerns the virtual environment of its application. The usage of this currency is not under the supervision of the National Bank of Slovakia (thereinafter to as „NBS") and the European Central Bank, because the European legislation, including the Slovak national legislation, does not regulate and define the activities associated with this digital currency. FSJ received several UTRs related to this digital currency and in respect to the Bitcoin International Fair, within which it could lead to fraudulent behaviour in connection with the financial equalization of business partners. However, such a virtual business can still not be effectively verified through the available legislative means and it is not possible to obtain the relevant information for further consideration of such a UTR and to submit relevant information to the competent LEAs to be used in their procedures.

The Unusual Transactions' Department also recorded an increase of UTRs, in which there has been misuse of player accounts, which were created through a web site without the physical presence of the customer in order to receive funds obtained probably through skimming of payment and credit



cards and to their subsequent wire transfers to other bank accounts established in advance, which were opened on false, respectively stolen personal documents, from which the funds were immediately either withdrawn in cash or transferred to other bank accounts prepared for this purpose. The misuse of player accounts and their anonymity were also caused by the fact that the identification of a customer - player at the opening of player accounts was realized only in the „virtual way“, whereby there was no identification or verification of the customer carried out by the operator of the gambling business activity under the respective provision of the AML/CFT Law.

In the monitored period the Unusual Transactions' Department also recorded an increase of UTRs related to the establishment of business and personal bank accounts by Hungarian citizens of Chinese nationality at the bank branches of Slovak banks situated in Southern Slovakia, not only for companies seated in Slovakia or Hungary but also in the off-shore-areas. There were many cash deposits and credit payments executed on those bank accounts and after the funds of high volumes were accumulated on those bank accounts, they were subsequently transferred to the bank accounts held in China or in the off-shore-areas. The purpose of the wire transfers of these funds was an effort to conceal their „Hungarian“ origin and to avoid taxation obligations in Hungary in this way. This information, especially pointing to committing tax criminal offences with an international element has been submitted to the Criminal Office of the Financial Administration or to the Financial Directorate of the Slovak Republic.

In the monitored period there were also UTRs, which were related to foreign payments in high volumes (reaching millions of euros), that were declared as purchase of precious metals, while the financial flow was organized and carried out mostly by Italian citizens in order to transfer funds from the bank accounts held in Switzerland to many bank accounts concentrated and opened in only a single Slovak bank at approximately the same time period, from which the funds were further transferred to bank accounts held either in the United Arab Emirates or back to the bank accounts held in banks located in Switzerland. Since in the case of Switzerland it concerns a country known as the off-shore-zone, it is likely that there might be stratification proceeds of crime pretending to be trade in precious metals.

## **2.4 Selected cases of processing of UTRs**

Of the UTRs received by FSJ may be mentioned an interesting case, which concerned two foreign incoming payments in a total amount of about 870.000,-EUR credited from France on the same day from two bank accounts (account No. 1 and account No. 2) held in a French bank, that have been transferred fraudulently in a way of the so-called „diverted payments“ to a bank account conducted with a Slovak bank - B for company - S1, which was a foreign company seated in Hungary.

One part of the funds resulting from the payment of the bank account No. 1 was transferred on the same day from the bank account of company - S1 further abroad to a bank account held in a bank located in the United Arab Emirates. These funds could not be postponed by the Slovak bank, because the information, that it is a fraudulent payment, the Slovak bank learned from a swift message sent by the French bank, which kept the bank account No. 1, when the funds have already been transferred from the Slovak bank account abroad.

On the same day, the remaining part of funds from the bank account of the company - S1 resulting from the payment of the bank account No. 2 was transferred to the bank account held in the Slovak bank - B in favour of a further foreign company - S2 seated in Hungary. Subsequently, two foreign wire transfers were executed from the bank account belonging to Hungarian company - S2 to a bank account held in the off-shore-zone - Hong Kong. At that time, the Slovak Bank - B learned from a French bank, which kept the bank accounts No. 1 and No. 2 the information, that it was a so-called

„fraudulent payment“ and for that reason the Slovak Bank - B postponed this UT and asked the foreign bank located in the off-shore-zone - Hong Kong to return the two mentioned payments. The Unusual Transactions' Department prolonged the period of postponement and it immediately submitted this information to the competent Slovak LEA.

On the basis of the measures taken by the Unusual Transactions' Department and the Bank – B, the foreign bank returned a substantial part of funds in the amount of about 370.000,-EUR, which originated from the fraudulent foreign payment from the bank account No. 2. These funds were subsequently postponed on the bank account of the company - S2 held with the Slovak bank - B and so they were in this way secured on the bank account for the purposes of criminal proceedings.

On both bank accounts held with the Slovak bank - B for foreign companies - S1 and S2 there were the same holders of disposal right originating in Argentina and Hungary. These natural persons were accused in this case because of commission of criminal offences fraud under Section 221 and legalization of proceeds of criminal activity and terrorist financing under Section 233 of the Criminal Code.

Another interesting case of fraud and the subsequent legalization of proceeds of criminal activity, which was verified by FSJ in 2015, concerned a Slovak legal person „A“, which acted on behalf of a Spanish citizen. On the business bank account of this company there were funds in a total amount of nearly 460.000,-EUR received in the form of three incoming payments from the bank account of a Slovak state organization. As it was later found out, these payments were performed by the mentioned Slovak state organization upon an e-mail information, in which their alleged business partner communicate changes of the number of bank account and asked them already to send the future payments for invoices to the new bank account. After this Slovak state organization transferred the above mentioned funds to a new bank account , it was found out, that the new bank account is not the bank account of their business partners, but it is held in one of the Slovak banks for a company „A“, which just pretended to be their business partner.

The whole transaction was executed by the company „A“ in a very sophisticated way and with a precise preparation preceded it, as evidenced by the number of bank accounts, that were prepared for this purpose in advance, so that the possible securing of the funds on the bank account would be maximally complicated. After receiving the funds from the bank account of the Slovak state organization, the company „A“ immediately transferred the funds in several smaller amounts to other already prepared bank accounts, namely to bank account of another Slovak company „B“, which was acted on behalf of the same Spanish citizen and thereafter the funds were transferred to three personal bank accounts of this Spanish citizen, which were for this purpose opened by him with banks located in the Czech Republic.

Thanks to a prompt FSJ cooperation with the Slovak bank, with which the bank accounts of companies „A“ and „B“ were held, as well as thanks cooperation with FIU of the Czech Republic it was possible to secure almost the whole part of the total amount of 460.000,-EUR on bank accounts held in Slovakia and the Czech Republic. FSJ used the institute of postponement of UT for 72 hours in accordance with Section 16 of the AML/CFT Law and asked the respective Slovak bank to postpone the UT and within that period FSJ submitted the case to the competent Slovak LEA. In the Czech Republic there were funds on three bank accounts postponed under the same legislative provisions and so nearly all the funds, which were transferred to bank account of company „B“, were later secured on this bank account for the purposes of criminal proceedings.

## 2.5 Efficiency of UTRs

Pursuant to Section 27 of the AML/CFT Law there was an obligation ordered to FSJ to keep aggregate statistical data and to define the minimum framework of the mandatory monitoring of statistical indicators.

Of the 3.264 UTRs received by the Unusual Transactions' Department in 2015, 1057 UTRs were stored in the comprehensive information system of FSJ for further utilization in the future. After a thorough analysis of the received UTRs, processing and subsequent evaluation and with regard to the facts, what information is or may be relevant to particular competent authorities, the FSJ has provided information as follows:

- 333 information to competent LEAs,
- 166 information to competent national units of the National Criminal Agency,
- 1391 information to Financial Directorate of the Slovak Republic,
- 5 information to Obligated Entities' Control Department,
- 2 information to Property Check-up Department,
- 429 information to relevant foreign FIUs,
- 83 information to Department for Combating Terrorism of Presidium of Police Force,
- 378 information to Regional and District Headquarters of Police Force,
- 11 information to Criminal Authority of the Financial Administration of the Slovak Republic.

According to the AML/CFT Law, FSJ informs the reporting entities on the efficiency of UTRs and on the various procedures that follow the receiving of UTRs. For this purpose, FSJ requires from the LEAs information („feedback“) regarding the results of verification of the information sent to LEAs and the other procedures that have been made in the matter. Chart No. 6 provides a comprehensive overview of the use of information submitted by FSJ to the LEAs for their further proceedings.

Chart No. 6: Further steps of LEAs after the information was submitted pursuant to Section 26 (2) (b) of the AML/CFT Law

<b>Procedures / further steps of LEAs after obtaining of information from FSJ</b>	<b>Number of cases (2015)</b>	<b>Number of cases (2014)</b>	<b>Number of cases (2013)</b>
Commencement of criminal proceeding, Section 199 of Code of Criminal Procedure – in all the cases	30	66	26
Commencement of criminal proceeding Section 199 of Code of Criminal Procedure - for Legalization of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code	14	44	6
Commencement of criminal proceeding Section 199 of Code of Criminal Procedure -for different crime	17	35	22
Indictments pursuant to Section 206 of Code of Criminal Procedure for Legalization of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code	2	1	0
Indictments pursuant to Section 206 of Code of Criminal Procedure for the others criminal offences	1	1	2
Dismiss of commencement of criminal proceeding pursuant to Section 197 (1) (d) of Code of Criminal Procedure	12	16	8
Seizure of the funds pursuant to Section 95 of Code of Criminal Procedure	22	50	7

For the purpose of removing the deficiency constituted in the absence of a coherent and unified statistical output for all the public authorities related to the number of cases of legalization of proceeds of criminal activity and terrorist financing committed by the identified, subsequently criminally prosecuted, indicted and convicted persons, the FSJ elaborated a coherent output (see the chart No. 8) from the statistics provided by services of Police Force, Criminal Authority of the Financial Administration of the Slovak Republic, the Criminal Department and International Cooperation Department of General Prosecutor's Office of the Slovak Republic and by the Ministry of Justice of the Slovak Republic. These data refer to the criminal offences of legalization of proceeds of criminal activity pursuant to Sections 233 and 234 of Criminal Code, by which is required the information about numbers of the motions for criminal prosecutions, commencement of criminal proceedings, indictments or information about the manner of ending criminal prosecutions or information about the number of persons criminally prosecuted, charged and then finally sentenced for these criminal offences in the year 2015.

From the basic documents provided by the above mentioned subjects it is clear that in 2015 there haven't been registered any cases of the motion for criminal prosecution, commencement of criminal proceeding, bringing a charge or indictment resulted in a conviction because of commission of the criminal offence of terrorism and some forms of involvement in terrorism pursuant to Section 419 of Criminal Code. In the mentioned year there hasn't been any indictment either.

By comparing the monitored data with the previous year 2014 there was a significant increase of cases recorded, when the indictment was brought (an increase of 30 cases) for the criminal offence of legalization of proceeds of criminal activity or eventually was approved the agreement on guilt and punishment (an increase of 2 cases). As it results from the statistics of the criminal offences of legalization of proceeds of criminal activity provided by the Ministry of Justice of the Slovak Republic, there was final judgment issued in the individual cases related to a total of 6 persons, who were also sentenced for such criminal offences in 2015.

A statistical summary was elaborated by FSJ (see the chart No. 7) which serves as an overview of the scope of application of selected securing institutes of the Code of Criminal Procedure in criminal proceedings in 2015 about all the criminal offences and separately for the criminal offences of legalization of proceeds of criminal activity. From the mentioned chart it can also be observed that the ratio of securing institutes of the Code of Criminal Procedure used while uncovering the realization of criminal offences of legalization of proceeds of criminal activity in the overall application of these institutes used within the criminal proceedings is only minimal.

Chart No. 7: Comparison of statistical data on selected regulations of Code of Criminal Procedure in criminal proceedings in the year 2015 between all criminal offences and criminal offences commenced for Legalization of Proceeds of Crime under Section 233 and 234 of Criminal Code.

	Regulations of Code of Criminal Procedure	All criminal offences		Criminal offences of Legalization of the Proceeds of Crime under Section 233 and 234 of Criminal Code	
		Number of cases	Total value in EUR	Number of cases	Total value in EUR
1	Section 89 - Duty to Surrender a Thing, Section 91 - Withdrawal of a Thing, Section 92 - Taking over of a Seized Thing	6300	3 281 079	311	626 116
2	Section 95 - Placing the Account on Hold	70*	3 900 615**	28	3 039 684**
3	Section 96 - Suspension of the Right to Dispose of Registered Securities	15	1 390	1	**

4	Section 97 – Restituting the Thing	3709	1 725 753	43	213 730
5	Section 550 - Surrender of Things (International Rogatory Letter)	53	1 962	7	51 000
6	Section 551 - Seizure of Property (International Rogatory Letter)	4	682 171	3	50 612

\* Ministry of Justice of the Slovak Republic did not statistically monitor the number of cases; it just statistically presented application of the institute of placing the account on hold related to the number of persons. In the year 2015, they secured the funds of 8 persons in a total amount of 8.634,-EUR (that weren't criminal offences under Sections 233 or 234 of Criminal Code)

\*\* The values in euros are not statistically monitored by the Criminal Department of the General Prosecutor's Office of the Slovak Republic.

Chart No. 8: Comparison of statistical data on selected regulations of Code of Criminal Procedure in criminal proceedings in the year 2014 between all criminal offences and criminal offences commenced for Legalization of the Proceeds of Crime under Section 233 and 234 of Criminal Code.

	Regulations of Code of Criminal Procedure	Ministry of Interior of the Slovak Republic									General Prosecutor's Office						Ministry of Justice of the Slovak Republic										
		year 2013			year 2014			year 2015			year 2013		year 2014		year 2015		year 2013			year 2014			year 2015				
		Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons	Number of cases	Number of persons	Number of cases	Number of persons	Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons	Extent of damage in EUR	Number of cases	Number of persons
1.	Inducement for criminal prosecution	65	48	6.054.246	26	38	980.546	29	41	29 881 971	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.	Section 199 Commencement of criminal prosecution	97	-	11.538.015	81	-	30.708.363	82	x	35 166 279	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Section 206 File charges	35	35	816.656	30	48	10.658.606	12	22	1 405 627	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Section 209 Completion of investigation and of summary investigation with the proposal to charge	17	32	3.047.526	19	22	1.690.113	12	45	18 383 879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Section 215 Stay of criminal prosecution	8	2	26.604	3	3	8.011.851	2	1	22.700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Section 228 (1), (2) Suspension of criminal prosecution	47	11	914.594	42	5	1.125.264	47	15	1.604.438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Section 228 (5) Resumption of criminal prosecution	21	5	-	16	7	448.171	13	10	958.593	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Section 233,234 Indictment	-	-	-	-	-	-	-	-	-	-	35	8	-	36	7	-	66	9	-	-	-	-	-	-	-	-
9.	Section 284 Final judgement	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	12	41 895	-	23	1 429	-	6	484 741	-	-	-

### 3. Control activity

FSJ ensures the fulfilment of obligations and compliance with obligations of obliged entities according to the Section 26 and 29 of the AML/CFT Law, namely through Obligated Entities' Audit Department. In relation to the obliged entities (Section 5 of the AML/CFT Law) FSJ is in the scope stipulated in Section 32 and 33 of the AML/CFT Law also an administrative authority, which during the imposing of sanctions for the detected breach of duties resulted of the AML/CFT Law, acts according to the Act No. 71/1967 Coll. on Administrative Procedure, as amended, as well as according to the Act No.: 372/1990 Coll. on Misdemeanours, as amended, namely in the cases, when the misdemeanour was committed in relation with the breach of duty to maintain a confidentiality.

In the year 2015 during of control activity FSJ is carried out primarily on the basis of an annual plan of control activities, which was designed on the basis of knowledge from a concrete development in an area of Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing, as well as the information obtained by previous audits of obliged entities (Unusual Transactions' Department and Obligated Entities' Audit Department). Beyond of the annual plan of control activities there were the controls executed on the basis of the reports received from other sections of Police Force, Finance Ministry of the Slovak Republic (further as „MF SR“) and the National Bank of the Slovak Republic (NBS).

During the year 2015 the Obligated Entities' Audit Department of FSJ performed total of 16 audits, whereas the most audited subjects were the obliged entities of financial sector, what represented approximately 63%, the rest of audited subjects represented the obliged persons of nonfinancial sector. Within administrative punishment from total number FSJ has begun the administrative procedure in 13 cases, there was a sanction - a fine imposed in amount of 37.800,-EUR, 3 audits have been completed without incurring penalties (see Charts No. 9,10). Except these audits the Obligated Entities' Audit Department completed 10 audits in the year 2015, which were from the year 2014 and there was the administrative procedure in 4 cases begun by the FSJ which imposed a sanction – a fine in total amount of 21.700,-EUR. In the rating time period FSJ filed a motion for the suspension of business licence according to the Section 34 of the AML/CFT Law.

Chart No. 9: Statistical data on the controls of obliged entities for the years 2013 - 2015 divided according to their subject of business activity

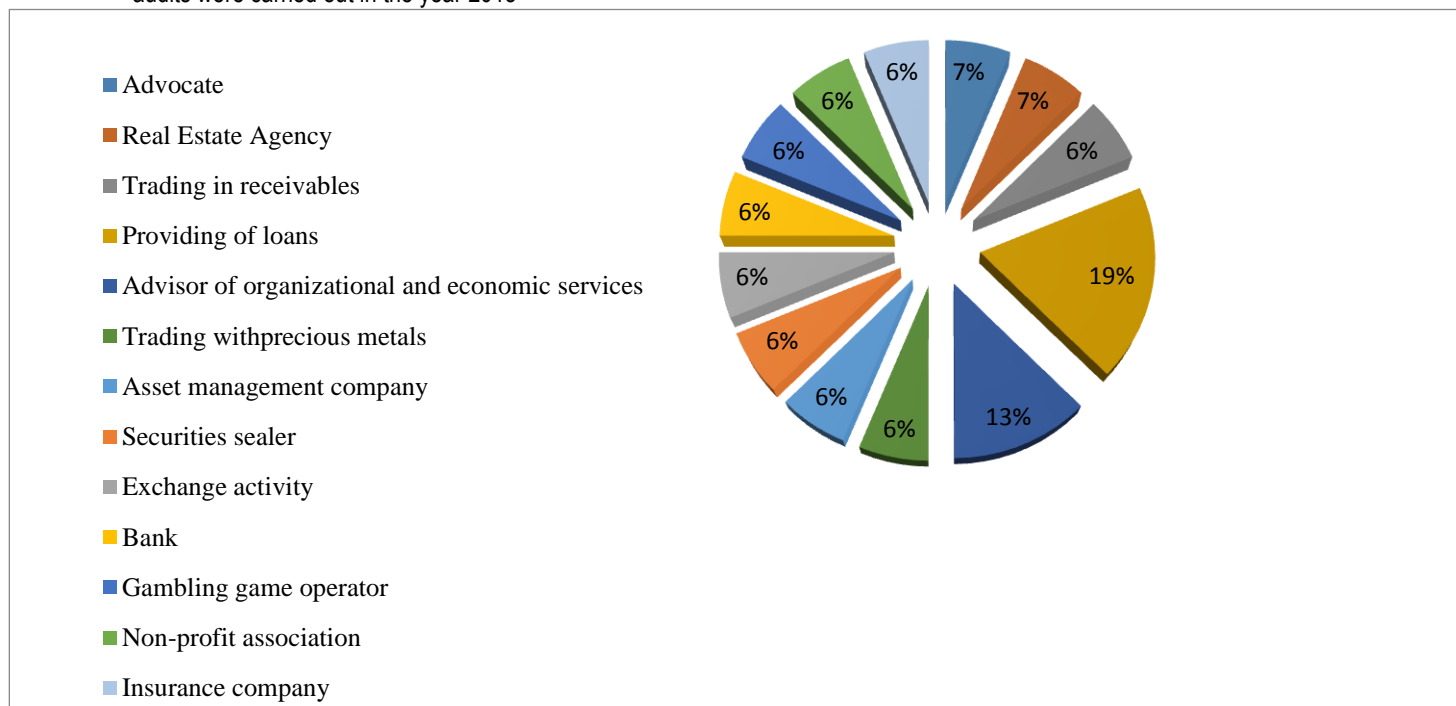
Obligated entity – business activity	Number of controls		
	2013	2014	2015
Exchange office	1	1	1
Real Estate Agency	0	1	1
Providing of loans	3	3	3
Financial leasing	1	3	0
Property corporation	0	1	0
Advocate	0	2	1
Trading in receivables	0	1	1
Bank	4	1	1
Insurance company	1	0	1
Asset management companies	0	0	1
Pawnshop	0	2	0
Notary	0	1	0
Advisor of organizational and economic services	1	1	2
Financial services	0	1	0
Accountant, Tax adviser, Auditor	0	1	0

Gambling game operator	0	1	1
Securities sealer	0	1	1
Property management	0	1	0
Dealer in precious metals, stones	1	0	1
Forwarding agency, Courier services	1	0	0
Foundation, Non-profit association	1	0	1
<b>Altogether</b>	<b>14</b>	<b>22</b>	<b>16</b>

Chart No. 10: Statistical data on the controls of obliged entities, a number of imposed sanctions – fines, the amount of imposed and paid sanctions in the time period of years 2013 – 2015

Year	Number of controls	The way of termination of controls		The amount of sanctions in ,- EUR currency
		Without sanction	Sanction	
2013	14	6	8	32 500
2014	22	4	18	36 100
2015	16	3	13	37 800

Graph No. 3: Graphical representation of the obliged entities divided according to their subject of business activity, where the audits were carried out in the year 2015



The most frequent audit findings that were ascertained during the performance of the audits of compliance to obligations of the obliged entities were mainly related to incomplete or insufficiently elaborated program of own activity to the extent stipulated by the AML/CFT Law (in Section 20 article 1 and 2 of Law), failure to perform basic diligence on the customer according to Section 10 of the AML/CFT Law (failure to carry out the identification as well as verification of the customer according to the extent stipulated in the Section 7 and 8 of the AML/CFT Law, failure to establish the purpose and intended nature of the business relationship neither is it, if the client acts in his own name in dependence on a risk of legalization, breach the obligation to determine the ultimate beneficial owner and a origin of the funds), further failure to perform a heightened diligence on customer according to the Section 12 of the AML/CFT Law, failure to assess the businesses according to Section 14 article 2 of the AML/CFT Law, not refuse the conclusion of the business relationship or a business according to



Section 15 of the AML/CFT Law, as well as failure to provide necessary cooperation and failure to exclude any action that could frustrate the conduct of the audit according to Section 30 this mentioned Act.

According to Section 29 article 4 of AML/CFT Law the National Bank of Slovakia and the Ministry of Finance of the Slovak Republic (hereinafter referred to as "MoF") are obliged to notify to FSJ a carrying out of audit at the obliged entities falling under their supervision. In year 2015 MoF submitted 5 notifications of audits to FSJ, which were carried out at the obliged entities and regarding the NBS there were 15 notifications of the planned audits reported to FSJ, which were carried out by the staff of the Office of Financial Market Supervision of NBS and 2 announcements of the results of the individual audits.

On the ground of the mutual agreement according to Section 29 article 5 of AML/CFT Law FSJ can also carry out audits at the obliged entities focused on the compliance with obligations resulting from the AML/CFT Law together with NBS and MoF. In 2015 such a common audit was performed by cooperation with NBS in sector of Insurance.

The Obligated Entities's Audit Department within its activities organizes and participates in various trainings, consultations or negotiations related to many application problems, which concern the fulfilment of tasks resulting from the AML/CFT Law for the obliged entities. In 2015 FSJ participated at the several departmental labour meetings related to solution of questions in connection with the administrative procedure or legislation, as well as interdepartmental labour meetings with NBS, MoF, the Financial Directorate of the Slovak Republic (hereinafter referred to as "FR SR") in order to exchange the experiences and knowledge of performed audits. There were also labour meetings with the Slovak Bank Association and the Public Procurement Office.

The Obligated Entities's Audit Department in cooperation with the obliged entities issues statements and regulations to individual application problems mostly on the grounds of requests from obliged entities, labour organisations and corporations of obliged entities mainly. In 2015 there were 4 statements issued via this, which mainly concerned the performance of diligence of the obliged entities in relation to the customer, namely for credit and financial institutions. In most cases the statements referred to the ambiguous definitions mentioned in Law and obscurities regarding a practical application of individual duties of obliged entities. In cooperation with the Institute of Banking Education there was training for financial agents and for financial advisers in area of Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing performed.

In 2015 the Obligated Entities's Audit Department conducted an analysis and a fundamental evaluation of Directive of the European Parliament and of the Council (the European Union) 2015/849/ES from 20 of May 2015 on the prevention of use of financial system for the purposes of money laundering or terrorist financing (hereinafter referred to as „Directive 2015/849/ES“), an analysis and fundamental evaluation of the Regulation of the European Parliament and of the Council (the European Union) 2015/547 from 20 of May 2015 on data accompanying the transfers of funds and as well this Department participated in the preparation of a draft of a legislative change of the Law on the Prevention of Legalization in compliance with a requirement of transposition of the Directive to the intrastate Law Order.

FSJ in compliance with the obligation to carry out NRA (National Risk Assessment), which stems from the Directive 2015/849/ES to the Slovak Republic and is an obligatory requirement for the accession of the Slovak Republic to the 5th round of evaluation by the Committee of experts of Council of Europe for the evaluation of measures on the Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing MONEYVAL (hereinafter referred to as „Committee MONEYVAL“), it

instituted a process of national risks evaluation of Legalization and Terrorist Financing, in which the Obligated Entities's Audit Department is actively participating.

#### **4. International cooperation**

The elimination of committed crimes of the Legalization of Proceeds of Criminal Activity and Terrorist Financing had been long-term duty of the FSJ, to which fulfilment are not sufficient merely repressive measures, but also precautionary measures and intensive international cooperation. Due to the efforts and activities of the International Cooperation Department, the FSJ is a part of an effective fight and plays an indispensable role in the international area of combating Legalization of Proceeds of Criminal Activity and Terrorist Financing.

The FSJ cooperates with the foreign partnership FIUs on the base of Decision No. 2000/642/JHS as well as in terms of regulations for an exchange of information received within the international organisation Egmont Group according to the particular national law order.

Bilateral cooperation concentrates mainly on the area of information exchange: about business subjects and the object of its business activities, identification of natural persons, the bank accounts and a flow of funds, intelligence and criminal information about the subjects and a retrieval of further relevant information, which are necessary for the verification of legality of a particular subjects' activities.

The communication among the FIU's of particular countries is performed through two computer networks – through the encrypted electronic security network Egmont Secure Web (ESW) or through the computer network Financial Intelligence Unit Network (FIU. NET). ESW was made within the international organization Egmont Group. This network enables us to communicate with FIUs from all over the world. FIU.NET is the decentralized computer network which enables an information exchange between FIUs of the European Union. There was a sophisticated technology created within FIU.NET called Ma3tch, which allows the FIUs to compare their data matched with other FIUs data in an anonymous way. Very simplified, it converts FIU data into uniform anonymous filters without sensitive personal data. These filters can therefore safely be shared with and used by other FIUs. One of the big advantages of Ma3tch is the ability of detecting a subject of concern of the particular FIUs in other countries, even if FIU doesn't know, that verified subjects is connected to FIU's country. FIUs are able to work as a cohesive unit by using Ma3tch. Through FIU.NET as a virtual entity, FIUs are able to detect various hidden proceeds of criminal activity performed in other countries. Although criminals and terrorists can move freely within our open borders, due to the international cooperation among the FIUs, they are still able to trace their criminal activities whether it's within the area of the European Union or all over the world.

One of the primary assumptions of success in combating legalization of proceeds of criminal activity and terrorist financing is the ability of the FIU to gain, analyse and evaluate information about the financial activities of individuals or organized groups, prompt response to requests for information and the cooperation among domestic and foreign units. In an area of international cooperation FSJ belongs to the relatively active FIUs, it considerably participates in the development of an international cooperation in combating legalization of proceeds of criminal activity and terrorist financing. According to available statistical data gained from HQ of FIU.NET Bureau, which relate to the sent and received requests for information via computer network FIU.NET, FSJ is on the sixth place of 28 active connected FIUs. Though there is a mild decrease of position among the connected FIUs in comparison with last year, the amount of received requests evidently increased in comparison with the year 2014:

Chart No. 11: Summary of sent and received requests in 2014 – 2015 via FIU.NET

Year	Number of requests sent to foreign FIUs	Number of requests received from foreign FIUs	Position of FSJ
2014	1137	99	4-th place of 27 FIUs
2015	1125	681	6-th place of 28 FIUs

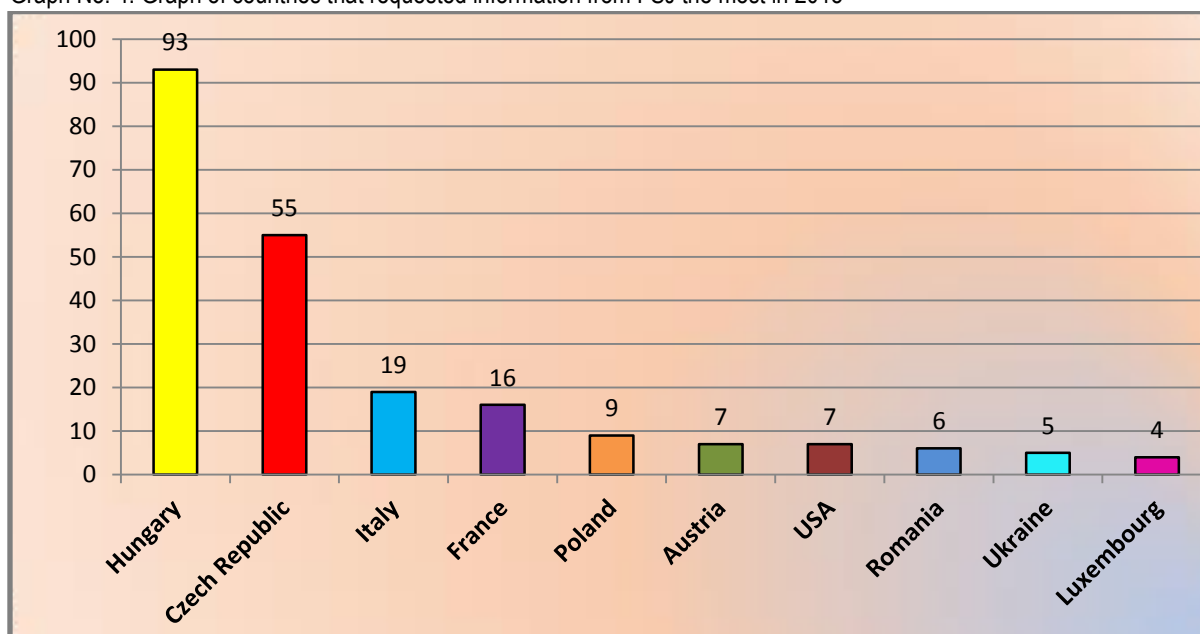
\*these data represent numbers of requested subjects (natural persons and legal entities)

In the process of information exchange during the year 2015, FSJ sent a total of 166 requests for information to foreign FIUs. FSJ processed 288 requests submitted by foreign FIUs. FSJ received 126 spontaneous information and 390 spontaneous information were sent by FSJ to the other FIUs.

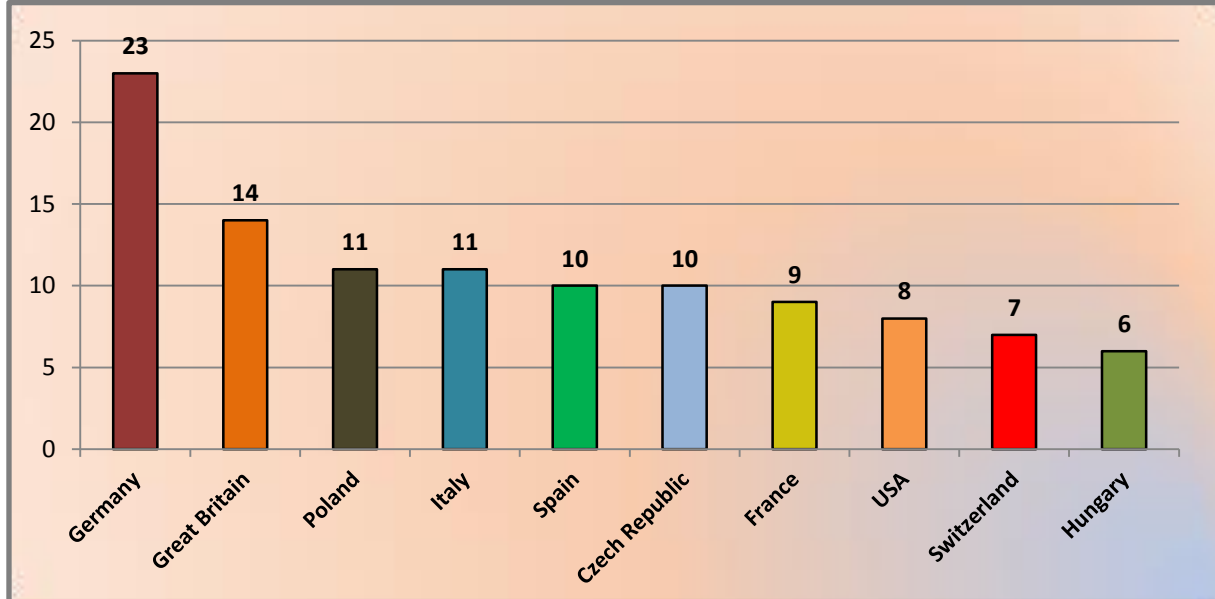
Chart No. 12: Summary of selected activities performed by the International Cooperation Department in 2014 – 2015

Year	Number of requests sent to foreign FIUs	Number of requests submitted by foreign FIUs	Number of spontaneous information sent to foreign FIUs	Number of information regarding Slovak subjects submitted by foreign FIUs
2014	333	301	430	70
2015	166	288	390	126

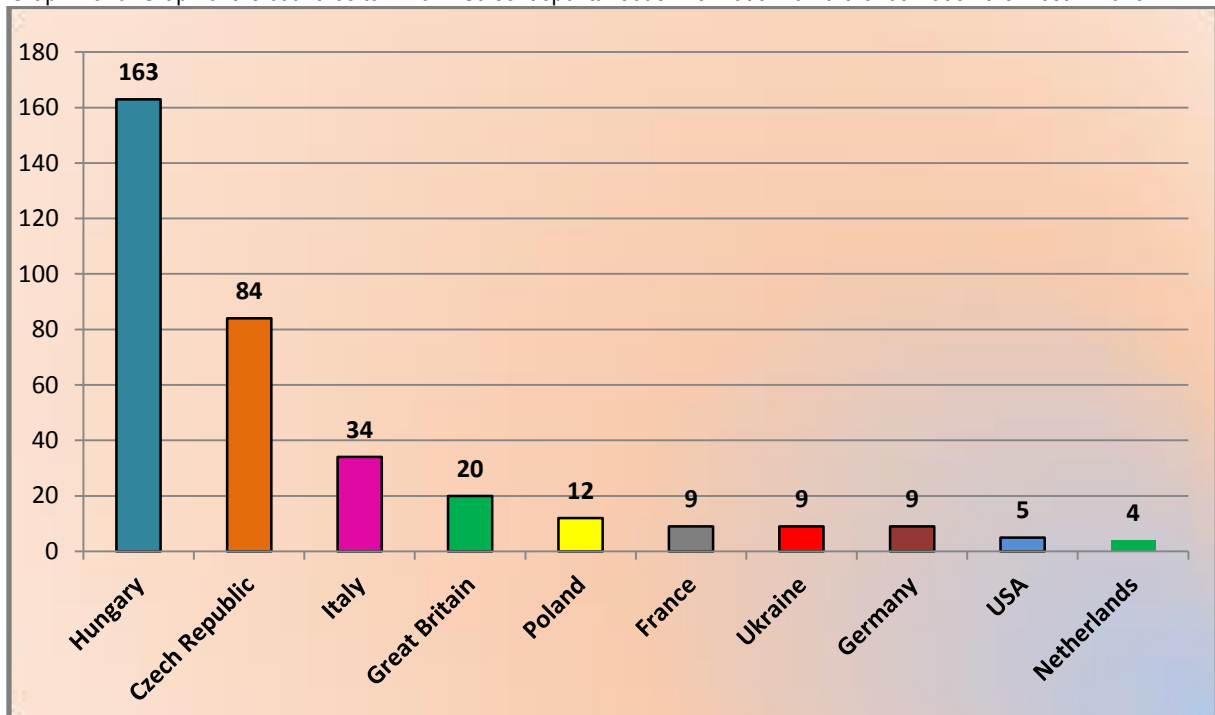
Graph No. 4: Graph of countries that requested information from FSJ the most in 2015



Graph No. 5: Graph of the countries to which FSJ sent requests for information the most in 2015



Graph No. 6: Graph of the countries to which FSJ sent spontaneous information for further utilization the most in 2015



FSJ had the most intensive cooperation with FIU Germany, FIU Hungary and FIU Czech Republic out of the total 28 countries connected to the electronic information exchange system FIU.NET.

Based on the a.m. statistics it is possible to say, that the number of the requests for information sent abroad or vice-versa sent from abroad to FSJ is still high. It can be explained by the fact, that an entirely nationally organized crime and legalization of proceeds of criminal activity is rather a rarity nowadays. Most perpetrators perform criminal activity in collaboration with their foreign partners in a way that can enable them to increase their ability to infiltrate into new financial markets, transfer profit from illicit activities across state borders and thus evade police investigation and criminal prosecution in their domestic country.

Cooperation with the Property Check-up Department in the execution of tasks of FSJ resulting from the decision of the European Union No.: 2007/845/SVV is also significant when assessing the activities of International Cooperation Department in 2015.

One of the other main activities of FSJ performed on an international level was the participation of International Cooperation Department's officers in sessions of working groups and committees of the European Committee, the Council of Europe, etc., mainly:

- Committee for the Prevention of Money Laundering and Terrorist Financing which is one of the subcommittees of the European Committee, DG Internal Market and Services;
- FIU Platform which brings together FIUs of the Member States and is one of the subcommittees of the European Committee, DG Justice, Freedom and Security;
- Meeting of the parties of Council of Europe Convention No 198/2005 on Money Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism;
- Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism – MONEYVAL.

In order to strengthen the quality of the international cooperation of partner neighboring FIUs (Austria, Czech Republic, Poland and the Slovak Republic), there are regional workshops held every year. Representatives of mentioned neighboring FIUs are regular attendants at these regional workshops. Based on the invitation from FIU Czech Republic there was a regional workshop held in the end of the year 2015. The following main topics of this session were presented by attendants: „Transposition of the Directive No. 2015/849/ES”, “National Risk Assessment” (NRA) and “tax frauds”.

With respect to the commission of the crime “legalization of proceeds obtained from criminal activity” on the supranational level mainly in our neighboring countries, FSJ considers the development of relationships and efficient cooperation with partner FIUs on bilateral level as a very important issue. FSJ also considers the update of its own knowledge in the field of money laundering and terrorist financing as very significant. This update should involve information and experiences of FSJ's partners, because immediate cooperation between particular participants engaged in this fight and prompt coordination of work is the basis of efficient fight in this field. In this regard, FSJ initiated a bilateral meeting held in Bratislava in 2015. The meeting lasted two days and it was attended by directors and heads of departments of FSJ and FIU Czech Republic. Many important issues related to the work of mentioned FIUs were discussed there. Namely, the main topics were as follows: increase of mutual cooperation efficiency within the information exchange regime, exchange of the best methods and techniques in the field of money laundering and terrorist financing.

## **5. Financial and property verification**

According to the internal act of the National Criminal Agency of Police Force Presidium (hereinafter referred to as „NAKA P PZ“) the Property Check-up Department fulfills tasks in the field of financial and property verification.

### **5.1 Financial verification, tracing of assets and development of the Property profile**

According to the Section 1 of the Decision of the Council of the European Union No. 2007/845/JHA it was necessary to establish, or designate the national body of every member state for the purpose to facilitate the tracing and identification of proceeds of crime and other property related to crime, which may be involved in criminal proceedings and by order of the competent judicial authority frozen, seized or confiscated.

FSJ fulfills the role of the national Asset Recovery Office (ARO) in the field of tracing assets since 2008. The tracing of assets is performed by the Property Check-up Department (previous title was „Property Check-up Department of the Financial Intelligence Unit of Bureau of Organized Crime of Police Force Presidium” in 2008.)

This department is an executive and operative unit which fulfills tasks in accordance with the Decision of the Council of the European Union No. 2007/845/SVV. Mentioned tasks are fulfilled on the basis of procedures and deadlines appliance, which is set out in the Framework Decision of the Council of the European Union No. 2006/960/SVV, where rules are determined with the purpose to gain and provide particulars and information to global network members for their further utilization in the field of cross-border identification, freezing, seizure and confiscation of proceeds of crime and other crime related property.

According to the procedures set out in the Decision of the Council of the European Union No. 2006/960/SVV one of the essential tasks fulfilled by the Property Check-up Department is the cooperation and exchange of information and intelligence information among the partner AROs of the member states of the European Union. Providing of mentioned information is limited to information, which is considered as important and necessary for successful prevention and disclosure or investigation of criminal activity. Mutual communication is performed via secured electronic networks and the channel SIENA, which is highly protected from misuse or information leak. It is also possible to communicate via electronic mail [sjfpopm@minv.sk](mailto:sjfpopm@minv.sk).

Information exchange and the mutual cooperation with third countries is carried out through The Camden Assets Recovery Inter-Agency Network (CARIN), which is an informal global network of practitioners and experts with the intention of improving mutual knowledge on methodologies and techniques in the area of cross-border identification, freezing, seizure and confiscation of proceeds from crime and other crime related property.

The Property Check-up Department traces, collects, evaluates and utilizes economic and financial information within the framework of its activities. This information is important for the identification of proceeds of criminal activity. Property Check-up Department also seeks and gains information, which is utilized by law enforcement agency in further proceedings heading to property confiscation.

Property Profiles are elaborated for needs of law enforcement agency by the Property Check-up Department, with the purpose to exercise Art. 119 (1)(f) of the Criminal Procedure thoroughly. According to this provision, it is necessary to present the evidence concerning proceeds of criminal activity, means used in its commission, their location, character, state and price, as well as to present evidence for any other purposes set out in the Criminal Procedure (securing the imprisonment sentence, securing of the protective measure or securing the claim of the injured within the criminal proceedings).

In 2015 Property Check-up Department received total 78 requests for Property Profile elaboration sent from national LEA or requests to trace a property sent from foreign units. Each one request was received in connection with the fulfilling of tasks pursuant to the Decision No.: 2007/845/SVV. Seventeen of mentioned 78 requests for Property Profile elaboration were sent from the national LEA. International cooperation was applied in four of these 17 cases by contacting partner AROs.

Of the mentioned 17 requests for Property Profile elaborations (sent from units or departments of LEA, except FSJ departments) there were 11 requests received from LEA, specifically from units of NAKA P PZ (8 requests were received from National Anti-Crime Unit (hereinafter referred to as „NPZJ“),

3 requests were received from National Unit of Financial Police (hereinafter referred to as „NJFP“). Four requests were sent from Prosecutor’s Offices (one request from the General Prosecutor’s Office ((hereinafter referred to as „GPSR“), one request from the Regional Prosecutor’s Office in Košice and two requests from the District Prosecutor’s Office). One request was also received from District Police Headquarters of the Police Force ((hereinafter referred to as „ORPZ“). Moreover one request was sent from the Criminal Bureau of Financial Administration (hereinafter referred to as „KÚFS“).

Chart No. 13: Summary of requests for property profile elaboration sent from LEA to FSJ in 2015

<b>Requests for Property Profile elaboration sent from LEA in 2015</b>						
NAKA P PZ		Other LEA				
NJFP	NPZJ	GP SR	Regional Prosecutor’s Office	District Prosecutor’s Office	OR PZ	KÚFS
3	8	1	1	2	1	1

61 requests received by Property Check-up Department were sent from 16 foreign countries, or more precisely, from their authorities established for tracing property. These authorities requested a detection of the property owned by natural persons and by legal entities, and also an identification of bank accounts, real properties or vehicles. The most requests (17) were sent from Hungary, 14 requests were sent from the Czech Republic, 6 from Austria, , 5 from Poland, 4 from France, 3 from Germany, 2 from Italy and Russia (each country sent 2 requests), and 1 request was received from Belgium, Denmark, Estonia, the Netherlands, Lithuania, Moldova, Romania and Sweden.

Chart No. 14: Summary of requests sent to FSJ from foreign AROs in 2015

<b>Requests received from foreign AROs in 2015</b>								
Hungary	Czech Republic	Austria	Poland	France	Germany	Italy	Russia	Other countries
17	14	6	5	4	3	2	2	8

From the year 2014 remained in verification 21 requests (5 requests received from Slovak police departments and 16 requests from abroad). The police officers of the Property Check-up Department received a total of 99 requests during the evaluated period (year 2015). The mentioned police officers sent 19 elaborated property profiles to police departments in Slovakia and 71 replies to requests from foreign partners. Nine pending requests remained in verification (3 requests received from Slovak police departments and 6 requests from abroad) on the date 31.12.2015.

Chart No. 15: Summary of requests sent from LEA and from foreign AROs to FSJ in the time period from 2011 till 2015

<b>Year</b>	<b>Requests from LEA</b>	<b>Requests from foreign AROs</b>
2011	20	32
2012	19	21
2013	27	48
2014	14	78
<b>2015</b>	<b>17</b>	<b>61</b>

Chart No. 16: Comparison of the total number of the handled requests sent from LEA and from foreign AROs to FSJ in the years 2014 – 2015

<b>Statistical data on number of requests</b>	<b>2014</b>	<b>2015</b>	<b>Difference</b>
Number of requests remained in examination from the last year	17	21	+ 4
Number of received requests	92	78	- 14
Number of processed (and closed) cases (requests)	88	90	+ 2
Number of pending requests on the date 31.12.2015 (these cases remained in verification in 2016)	21	9	- 12

According to the data presented in the Charts No. 13 and No. 14, FSJ carried out the most intense cooperation with the National Anti-Crime Unit and the most intense mutual cooperation on the international level was performed with the ARO Hungary, ARO Czech Republic and with the ARO Austria

## **5.2 Verification of origin of property (property verification)**

The fulfilment of the tasks according to the Act on Proof of origin of the property is entrusted to the Financial Police, specifically to the organisational units of the National Criminal Agency of the Police Force Presidium, which are FSJ as well as the National Unit of Financial Police. The purpose of this act is to regulate the conditions and procedures of public authorities within forfeiture of movable and immovable assets, residential and non-residential spaces, other property rights and assets, funds in cash in EUR and foreign currency, deposits of funds in EUR and foreign currency, which were made in favour of natural and legal persons at foreign bank branches and at banks seated abroad, whose assets were acquired from illegal incomes pursuant to the court 's decision within the proceedings initiated according with the Act on Proof of origin of the property.

In accordance with the internal regulation, which determines the procedures of Financial Police within the fulfilment of tasks resulted from the Act on Proof of origin of the property, the position and the obligations of FSJ (the Property Check-up Department) in relation to the National Unit of Financial Police were defined. Pursuant to that act FSJ is the coordinator and methodical authority in relation to the National Unit of Financial Police.

The Property Check-up Department performs property verification on the basis of written notification from public authorities, on the basis of notifications from natural and legal persons or on the basis of its own initiative, i.e. written motion for performing property verification submitted by financial departments of Police Forces due to the fact that within their own activities the well-founded suspicion that person 's assets was acquired from illegal incomes was found out.

In 2015 Property Check-up Department executed the property verification in 44 cases. From the mentioned 44 cases there were 14 cases examined on the basis of the received notifications and on the own initiative of Property Check-up Department in 2015. From the mentioned 44 cases there were 28 cases of property verification, which remained in examination from 2014 and which examination continued in 2015. In remaining 2 cases, which were submitted in 2014 by the appropriate departments of Financial Police, the property verification was still examined in 2015 due to the fact that the submitted notifications were returned by the Prosecutor 's office for supplementation.



Of the mentioned 14 cases received in 2015 proceedings were initiated in 6 cases on the basis of the written notification from natural persons, in 3 cases on the basis of written notification from legal persons and in 5 cases on the own initiative of The Property Check-up Department. In 2015 there were no notifications from public authorities.

Of the mentioned 44 cases there were 29 cases closed in 2015. Of these, 3 initiatives were submitted to the appropriate Prosecutor's office pursuant to § 6 of Act on Proof of origin of the property in order to initiate proceedings and to declare that the property of an entity was at least 1500 times of the minimum wage higher than the verifiable incomes. Pursuant to the Regulation of the Government of the Slovak Republic No. 297/2014 Coll. there was defined the amount of the minimum wage for 2015, according to which 1500 times of the minimum wage was the sum 570.000,-EUR (for 2016 it constitutes the sum 607.500,- EUR).

In 17 cases the evaluated property was less than 1500 times of the minimum wage, i.e. the declared property was not in the amount higher than 1500 times of the minimum wage. From these 17 cases, 1 case was related to the evaluation of property after the repeatedly returned initiative by the Prosecutor's office and 4 cases were related to the evaluation of property after the returned notification by the Prosecutor's office due to the fact that the examined person "giving up the possession of the property" within the determined period, or due to the fact that the statements of the examined person and the evidence related to the legal manner of acquisition of property submitted by the examined person were proved. In other 9 closed cases, the notification was non-compliance with the legal requirements pursuant to the Act on Proof of origin of property. The remaining 15 cases are still being examined, including 4 cases, in which the notification was returned by the appropriate prosecutor for supplementation.

Chart No. 17: The proof of origin of property cases in 2015

Cases of property verification realized in 2015							
Remained in examination from 2014	Numbers of files received in 2015			Number of files closed in 2015			Examination continued in 2016
	Notifications from natural persons	Notifications from legal persons	Own initiative	Initiative proposed to the Prosecutor's Office	Non-compliance with legal requirements	Lack of property	
30	6	3	5	3	9	17	15

### 5.3 Cooperation with international counterparts, with the General Prosecutor's Office and with the Ministry of Justice of the Slovak Republic

In order to perform the tasks of ARO Slovakia, which is also member of CARIN group, an officer of the Property Check-up Department was appointed as the representative for the Slovak Republic. This officer regularly participates in various conferences (meetings), foreign workshops and trainings, regarding to which it is necessary to communicate with other representatives and to process various statistics and materials, which are requested at these sessions by the coordinator, only in English language.

In 2015 FSJ participated in three foreign conferences entitled “ARO Platform”, which were focused on exchange of information and experiences in tracing, identification, seizure and confiscation of proceeds from crime and other crime related property.

With an aim to reinforce international cooperation between neighbouring Asset Recovery Offices for tracing assets of member states of the European Union, in 2015 FSJ participated in operational meetings with other partner units that took place in Hungary.

The growing phenomenon in the area of organised crime is committing criminal activities in virtual environment. In 2015 FSJ participated in three foreign conferences entitled “ARO subgroup for virtual currencies”. In this context and based on increased cooperation between partner AROs related to the area of virtual currencies, in 2015 FSJ attended the informal meetings with officers from the International department of the General Prosecutor’s Office of the Slovak Republic, the purpose of which was to establish “guidelines for law enforcement authorities for the management with virtual currencies”, i.e. practical methodology for identification, tracing, seizure and confiscation of virtual currencies.

Within the cooperation on CARIN, in 2015 FSJ compiled the questionnaire that serves for the other CARIN member states for rapid orientation concerning the possibilities to obtain required information and concerning the information how to proceed in case of a request for mutual legal assistance related to tracing and identification of assets, which is addressed to the CARIN contact of the Slovak Republic, etc.

## **6. Analytical activities**

The fulfilment of the obligations of FSJ in accordance with § 27 of AML/CFT Law, especially to keep summary of statistical data covering the number of the received unusual transaction reports, the particular ways of processing of the unusual transaction reports and their number including the number of cases, which were submitted to the law enforcement authorities or tax administrators within a calendar year, the number of the prosecuted persons, the number of the persons convicted of the crime legalization of proceeds from criminal activity, the value of the seized property, confiscated property or forfeited property, is realized by the Analytical Department.

The regular activities of the Analytical Department include providing the written summary of information to the obliged entities about the effectiveness of the provided unusual transactions reports in order to inform the obliged entities about the provided unusual transaction reports and about the further utilization of these reports.

To the additional tasks of the Analytical Department belongs the proposition of modifications and changes of the relevant legislation and related internal regulations, collection of the materials necessary for evaluation of the statement to the generally binding legal regulations and related internal regulations which were submitted to commenting process, record keeping and monitoring of the fulfilment and evaluation of the tasks, which for FSJ resulted from resolutions of the Government of the Slovak Republic, from the annual plan of the Police Force Presidium, as well as from other planning documents. On the basis of the initiatives from other departments of FSJ, the Analytical Department disclosed the information on the forms and methods of legalization of proceeds from criminal activity and terrorist financing and on the methods of recognition of unusual transaction.

To the most important and most exacting tasks fulfilled by the Analytical Department belongs the everyday maintenance of the complex Information System of FSJ, which has to be continuously fully operational.

The Analytical Department has the exclusive competence for receiving, processing, analysing and evaluating the fulfilment of the reporting obligation in accordance with Section 4 (4) of the Customs Act.

### **6.1 Transportation of funds in cash (Cross-border reporting)**

In 2015 FSJ received 72 reports on transportation of currency in the total amount of 2.885.240,69 EUR from the Customs Directorate of the Slovak Republic pursuant to Section 4 (4) of the Customs Act. From the total number of the reports on transportation of currency in cash, there were 63 reports received from the road border crossing-point Vyšné Nemecké. From mentioned number, 61 reports were related to entry into the territory of the Slovak Republic and 2 reports were related to the exit from the territory of the Slovak Republic. FSJ received 3 reports from the road border crossing-point Veľké Slemence and all of them were related to entry into the territory of the Slovak Republic. FSJ received 5 reports from the Customs Office in Košice, department of Customs Office the Airport Košice, which were all related to entry into the territory of the Slovak Republic. FSJ received 1 report from the Customs Office in Banská Bystrica, department Zvolen Lieskovec NC (the Airport Sliač, which was related to the exit from the territory of the Slovak Republic.

The obliged entities, who submitted the mentioned reports on transportation of currency pursuant to §4 (2) of the Customs Act, were mostly the citizens of Ukraine and Hungary.

The most stated purposes of use of the transported currency in cash was the purchase of a motor vehicle (in 27 cases) in the Slovak Republic, in Italy, in Germany and in Netherlands, the deposit to bank accounts conducted with a bank seated in the Slovak Republic (in 24 cases) and in 16 cases the stated purpose of use of the transported currency in cash was the purchase of real estate, mostly in the territory of the Slovak Republic. The obliged entities stated as the reason of the transportation of currency in cash the purchase of items for personal use.

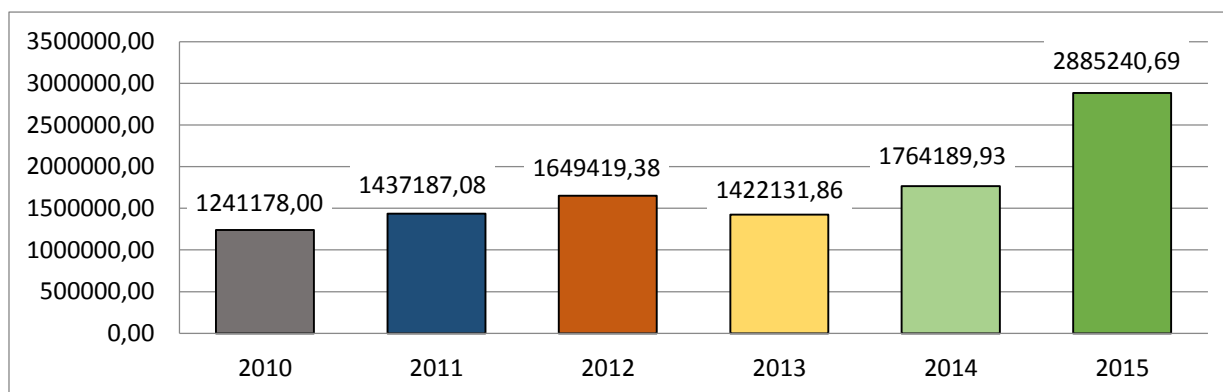
Information from the received reports on transportation of currency were after the examination via the available information systems of the Police Force, including the information system of FSJ and the open sources, inserted into the complex information system of FSJ for further utilization (in number 64). In 3 cases the information was spontaneously forwarded for further utilization to FIU Ukraine. In 4 cases the information was spontaneously forwarded for further utilization to FIU Czech Republic. In 5 cases the information was forwarded for further utilization to the Financial Directorate of the Slovak Republic.

Chart No. 18: Comparison of the total numbers of currency transportation reports received by FSJ and comparison of volumes of the currency transported from/to EU in the years 2010 – 2015

<b>Year</b>	<b>Number of the received reports</b>	<b>Volume of the transported currency in EUR</b>
2010	36	1 241 178
2011	66	312 637
2012	63	1 649 419,38

2013	58	1 422 131,86
2014	59	1 764 189,93
<b>2015</b>	<b>72</b>	<b>2 885 240,69</b>

Graph No. 7: Volume of the currency transported from/to EU reported to FSJ in the years 2010 – 2015



## 7. Prognosis of the future development in the field of legalisation of the proceeds of criminal activity and terrorist financing

On the basis of experience, systematic analytical verification of particular UTRs and on the basis of generalization of knowledge and information obtained in recent period, it is possible to predict specific future development of UTRs, which is presented in the following points:

- increase of unusual transactions reports, which were made in favour of companies seated in tax heavens, or companies incorporated in the European Union's countries with property interconnection with off shore companies,
- increase of unusual transaction reports related to violating tax regulations in connection with:
  - unlawful application for the refund of value added tax ("VAT"),
  - optimization of tax base made on purpose,
  - fictitious trades,
- the economic crimes, which are committed within the standard trading transactions between business partners and which consists of "elicitation of payments" in high extent (approx. million euros). The perpetrator commits this type of crime by hacking e-mail account of business partners, which is used for standard payment transactions between them, in order to redirect the transaction to the pre-established bank account. This bank account is usually conducted with bank located in other country than the business relationships are located. The perpetrator usually informs the payer (party in business relationship, which pays for the goods) about the change in the course of some trading transaction via fraudulent e-mail. Immediately after the payer made the transaction in favour of pre-established bank account of perpetrator, in the good faith that it was just ordinary payment for goods, the funds are generally transferred on via cashless transfers in favour of bank accounts conducted in offshore countries, i.e. countries, in which is difficult to enforce something and in which is low efficiency of law enforcement (e.g. Hong Kong, China, Delaware, British Virgin Islands, Cyprus and others).

- the persisting organisation of perpetrators at locating (on international level) of “dirty” money which originate mainly from computer fraud and phishing, i.e. frauds, which are committed by cooperative organized groups consisting of members of national minority communities.
- an involvement of accountants, tax advisors, notaries, advocates, auditors and estate agents in the process of legalization of proceeds of criminal activity,
- increase in the purchases of investment in gold, precious metals, other high-value materials

## **8. Evaluation of the cooperation with the national counterparts**

Participation and cooperation with our foreign and national partners has a certain share in the activity of particular FSJ’s departments, which are carried out on a national level as well as on international level. Among the mentioned partners are other police units, prosecutor’s offices, state or public administrations or representatives of obliges entities (mostly banks). As a form of this cooperation several meetings took place on national or on international level during 2015.

Based on the existence of problems with the applicability of the Act on Proof of origin of the property, pursuant to which the objective and the purpose of this act have not yet been fulfilled (i.e. the purpose, which should be the assets forfeiture from natural and legal persons made on the basis of court’s decision that these persons acquired the asset from illegal incomes), in 2015 the representatives of FSJ actively participated in workshop of prosecutors and police officers, who act in accordance with the Act on Proof of origin of the property. On this workshop were adopted conclusions, which harmonized the procedures of prosecutor’s offices as well as the procedures of Financial Police within the application of the Act on Proof of origin of the property and the challenges which need to be addressed have been also defined by the amending proposal of the mentioned Act.

Pursuant to the Resolution of the Government of the Slovak Republic No. 403 dated 8.July 2015 the Action Plan to strengthen rule of law in the Slovak Republic has been approved. From this plan resulted tasks for the Minister of Justice of the Slovak Republic related to the amendment of the Act on Proof of origin of the property. FSJ offered the Ministry of Justice its active cooperation within the preparation of this amendment. For this purpose, the representatives of Financial Police participated in workshop organised by the Ministry of Justice of the Slovak Republic, on which the further procedure was agreed.

On 15 and on 16 June 2015, an officer of the Property Check-up Department participated as a lector on the educational event *“Identification, seizure and confiscation of the proceeds from criminal activity – Slovak and international experiences”*. On this event the Property Check-up Department’s activities and facilities were presented.

Valuable contribution within the framework of enforcement of recommendations and requirements for combating the legalization of the proceeds of criminal activity and terrorist financing constitutes also the activity of the Interdepartmental expert coordinating authority on combating criminality (hereinafter referred to as “MEKO”), which has the status of a focal point for international cooperation. As the coordinating authority MEKO, on its own needs or on initiatives from Ministries and other public authorities, on requests and notifications from non-governmental and international authorities and organizations, establish the multidiscipline integrated groups of experts for the purpose of long-term monitoring and address the issues related to combating criminality.

One of these multidiscipline integrated groups of experts (hereinafter referred to as “MISO”) is group focused on combating the legalization of proceeds from criminal activity and terrorist financing (hereinafter referred to as “MISO LP”), which chairman is the Head of FSJ. Members of the respective groups are representatives of the National Bank of Slovakia, of the Ministry of Finance of the Slovak Republic, of the Financial Directorate of the Slovak Republic, of the General Prosecutor’s office of the Slovak Republic, of the Ministry of Justice of the Slovak Republic, of the Anti-Terrorism Unit of Police Force Presidium, of the National Anti-Drug Unit of the National Criminal Agency of Police Force Presidium, of the Bureau of Criminal Police of the Police Force Presidium and of the Slovak Information Service.

In 2015 five ordinary MISO LP’s meetings took place. The central topic of these meetings was the National Risk Assessment, to evaluate the implementation of measures, which resulted from the list of tasks and its deadlines established by the Strategic plan to combat legalization of proceeds from criminal activity and terrorist financing for years 2012 - 2016, the continuous removal of technical and legislative deficiencies, which were identified by MONEYVAL Committee and the preparation of the progress reports.

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