

FINANCIAL INTELLIGENCE UNIT

ANNUAL REPORT

2021





Dear Readers,

Let us present to you this Annual Report of the Financial Intelligence Unit of the Presidium of the Police Force which summarises the year 2021.



The year 2021 was the second year of the COVID-19 pandemic, but despite the unfavourable situation in the society, the Financial Intelligence Unit continued to successfully fulfil its tasks and duties arising primarily from the Act No 297/2008 on the prevention of the legalisation of proceeds of crime and of the financing of terrorism. The Financial Intelligence Unit managed to quickly and efficiently adapt to the new situation and carried out the necessary exchange of information, work meetings and training activities online.

This Annual Report provides a qualitative and quantitative summary of the Financial Intelligence Unit's activities for the past year 2021 and information on the most recent developments in the anti-money laundering and counter-terrorist financing area in the Slovak Republic as well as forecasts for the upcoming periods. The Annual Report also includes supplementary statistical data and comparisons with the years 2019 and 2020.

The results for 2021, as presented and evaluated in this Annual Report, would not be achieved without a good cooperation with the whole spectrum of obliged persons, and those from the banking sector in particular, as well as cooperation with the customs and financial administration bodies which have significantly contributed to the achievements in the fields of anti-money laundering and counter-terrorist financing. Other important contributors to the high quality of our performance include cooperative relations with the departments of the Police Force and with foreign intelligence units, mainly in the field of individual investigations conducted at an international level.

As the head of the Financial Intelligence Unit, I wish to express my high appreciation and gratitude to the officers of the Financial Intelligence Unit for their professional work in the past year.

plk. Mgr. Francis Sailer
Director



FINANCIAL INTELLIGENCE UNIT PRESIDIUM OF THE POLICE FORCE

The Financial Intelligence Unit of the Presidium of the Police Force (hereinafter referred to as “FIU”) has been performing its function since 1996. The historical predecessors of the FIU were the Financial Intelligence Department of the Financial Police Bureau as a part of the Criminal and Financial Police Administration section of the Presidium of the Police Force (from 01 November 1996 to 31 December 2003) and the Intelligence Unit of the Financial Police of the Bureau of Combating Organised Crime under the Presidium of the Police Force (from 01 January 2004 to 30 November 2012). For the entire time of its existence, the FIU has been the central expert guarantor of measures aimed at preventing and detecting the legalisation of proceeds derived from criminal activity and the financing of terrorism. Being an organisational unit of the Presidium of the Police Force, the FIU can be categorised as a police-type financial intelligence unit. It is further divided internally into the

- Unusual Transactions Department
- Obligated Persons Control Department
- International Cooperation Department
- Research Department

The legal framework under which the FIU operates is provided mainly by the Act No 297/2008 on the prevention of the legalisation of proceeds of crime and of the financing of terrorism, and on amendments to certain laws, as amended (hereinafter referred to as “AML¹ Act”); Act of the National Council of the Slovak Republic No 171/1993 on the Police Force, as amended (hereinafter referred to as “Police Force Act”); Act No 199/2004 on the Customs Code and on amendments to certain laws, as amended (hereinafter referred to as “Customs Code”); and the relevant legal acts of the European Union, in particular Regulation (EU) 2018/1672 of the European Parliament and of the Council of 23 October 2018 on controls on cash entering or leaving the Union and repealing Regulation (EC) No 1889/2005.

¹ AML stands for anti-money laundering as a widely used reference to countering the legalisation of proceeds of crime.



Based on the above legislation, the FIU has primarily the position as the

- Recipient of unusual transaction reports from a wide range of obliged persons, as specified in the AML Act;
- Recipient of cash declarations²;
- Control and administrative body for obliged persons for matters concerned with money laundering and terrorist financing;
- Expert guarantor and coordinator of the National Risk Assessment of money laundering and terrorist financing;
- Expert guarantor and coordinator of the process of evaluation of the Slovak Republic by the MONEYVAL Committee;
- Body implementing international cooperation in the field of anti-money laundering and counter-terrorist financing within its scope of operation.



² The received cash declarations are subsequently analysed and evaluated and further measures based on the result are taken.





TABLE OF CONTENTS

1 Unusual Transactions	5
1.1 Financing of Terrorism	10
1.2 Money Laundering Trends and Development Forecasts	11
1.3 Cases from Practice	14
2 Transportation of Cash	16
3 Control and Legislative Activities	18
3.1 Legislative Activity	19
4 International Co-operation	21
4.1 Activities under International Cooperation Platforms	22
4.2 Assessment by the European Commission	24
4.2 Evaluation by the MONEYVAL Committee	24
4.4 TSI Project	25
5 National Co-operation	27
5.1 Educational Activities	28
5.2 National Risk Assessment	28
5.3 Activities of the National Expert Group on Anti-Money Laundering and Counter-Terrorist Financing	30
Overview of Selected Statistical Data	31
List of Abbreviations	32
Contact Details	33



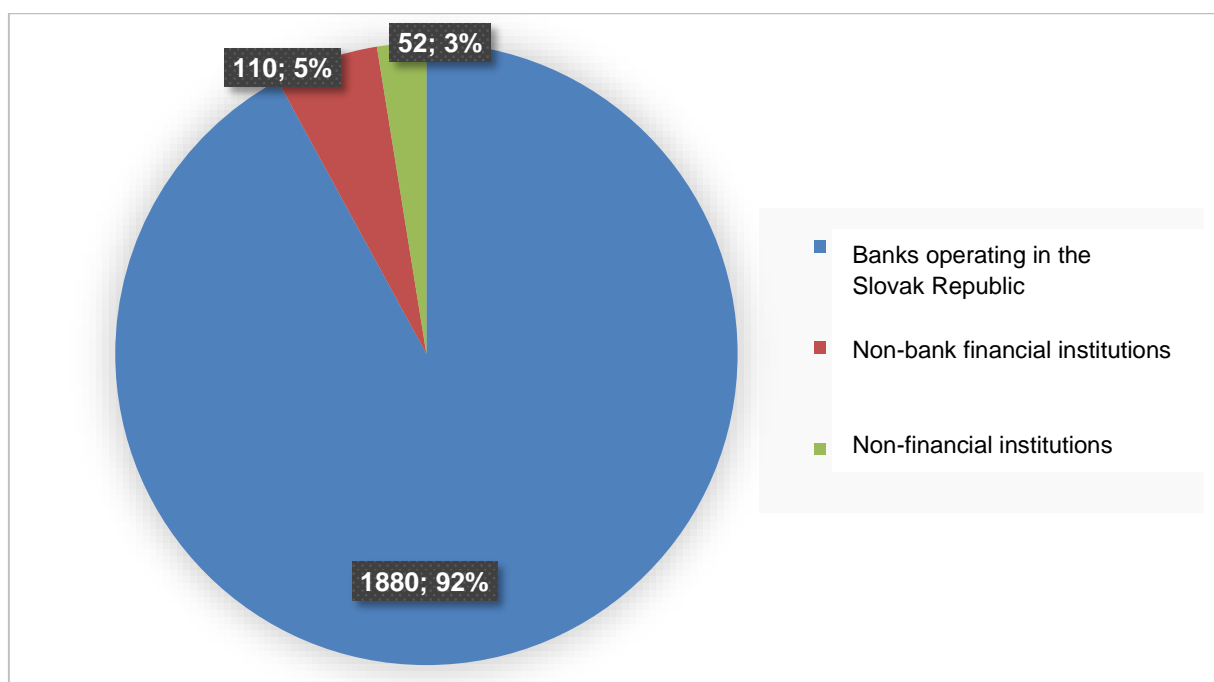
1 Unusual Transactions

The primary duty of the FIU arising from the AML Act is to analyse, assess and process received **unusual transaction reports** (hereinafter referred to as “UTRs”). Pursuant to the AML Act, the identification of a transaction as an unusual transaction is the responsibility of **the obliged person**.

During 2021, the FIU received a total of 2,042 UTRs from obliged persons. The total value of the transactions amounted to almost EUR 5.4 billion. Compared to the number of UTRs received in the previous year, this is an increase of approximately 1.7%.

Out of the total number of received UTRs, as many as 92.06% were provided by the banking sector; significantly lower amounts of UTRs were sent by other financial institutions (5.39%) and by non-financial institutions (2.55%). Compared to the previous year, the number of UTRs sent by the banking sector decreased slightly, by 0.6%, while the reporting of unusual transactions by both other financial institutions and non-financial institutions rose, namely by 43% and 30%, respectively.

*Graph 1:
Total number of UTRs received in 2021*





More detailed data on the numbers of UTRs sent by the different types of obliged person in 2021 are provided in Tables 1, 2 and 3.

Table 1
Number of UTRs received in 2021 from banks

BANKS OPERATING IN THE SLOVAK REPUBLIC	
Obligated person	Number of UTRs
NBS	19
Commercial banks operating in the Slovak Republic	1861
Total	1880

Table 2
Number of UTRs received in 2021 from other financial institutions

OTHER FINANCIAL INSTITUTIONS	
Obligated person	Number of UTRs
Central Securities Depository	1
Insurance/reinsurance companies	23
Securities dealers	12
Supplementary pension funds	1
Payment institutions, payment service agents and electronic money institutions	20
Financial lease companies	42
Asset management companies and depositories	4
Financial agents, financial advisers	1
Exchange offices and others	6
Total	110



Table 3
Number of UTRs received in 2021 from non-financial institutions

NON-FINANCIAL INSTITUTIONS	
Obligated person	Number of UTRs
VASPs ³	9
Lawyers, notaries	3
Asset management service or business service providers	1
Auditors, accountants, tax advisers	1
Postal undertakings	3
Gambling service providers	31
Receivables traders	1
Real estate	2
Building saving companies	1
Total	52

Upon receipt of an UTR, FIU officers carry out an operational analysis of the information obtained, using also additional information from all information sources and databases made available to the FIU and exercising the powers granted to police officers under the Police Force Act. The set of the UTR-related information compiled in this way is then utilised by the FIU to select the appropriate follow-up procedure pursuant to Article 26(2) and (3) and Article 28 of the AML Act. The selection of a procedure based on the information derived from the UTR depends on the seriousness of the findings and the factual circumstances in each case.

³VASP stands for Virtual Asset Service Provider



Based on the results of the operational analysis of the received UTRs, the FIU disseminates the information to bodies authorised to receive the dissemination (Table 4).

*Table 4
Number of disseminations for 2021*

Authorised body		Number
Law enforcement authorities ⁴		189
National Crime Agency of the Presidium of the Police Force ⁵	Total	116
	National Anti-Terrorist Unit	28
Regional Directorate of the Police Force and District Directorate of the Police Force		469
Financial Directorate of the Slovak Republic		715
International Financial Intelligence Units		393

445 disseminations were entered into the FIU Comprehensive Information System for further use in the FIU's other operations.

The Police Force units to which the FIU disseminates information **provide feedback under Article 27(2) of the AML Act**⁶. The FIU received 574 feedbacks in relation to a total of 813 disseminations sent to the Police Force units, which accounts for about 71% coverage.

An overview of the procedural steps taken by law enforcement authorities (hereinafter referred to as "LEAs") based on the FIU's disseminations is presented in Table 5 (the values published in the 2019 and 2020 Annual Reports are shown in parentheses)⁷.

⁴Information disseminated under Article 26(2)(b) of the AML Act.

⁵Information disseminated under Article 26(2)(l) of the AML Act.

⁶Information about screening or investigation results.

⁷The 2019 and 2020 Annual Reports reflect the data available as at the dates of their publication. Additional data were available and added to the statistics after those dates.



Table 5
LEAs' action following the dissemination under Article 26(2)(b) of the AML Act

LEAs' action upon receipt of the FIU's disseminations		2019	2020	2021
Initiation of criminal prosecution under Article 199 of the Criminal Code	Total	39 (23)	26 (19)	32
	For the criminal offence of legalisation of proceeds of crime pursuant to Articles 233, 233a and 234 of the Criminal Code	19 (13)	18 (11)	12
	For another criminal offence	21 (10)	8 (8)	20
Bringing of the charge under Article 206 of the Criminal Code	Total	11 (2)	26 (1)	16
	For the criminal offence of legalisation of proceeds of crime pursuant to Articles 233, 233a and 234 of the Criminal Code	0 (0)	2 (0)	11
	For another criminal offence	11 (2)	24 (1)	5
Seizing of funds under Article 95 of the Criminal Code		15	14	18

If the **obliged person** deems a business transaction to be unusual and, at the same time, there is a threat that the execution of the unusual transaction may thwart or hinder the seizure of proceeds of crime or funds intended for the financing of terrorism, the obliged person must **hold back the unusual transaction** in accordance with Article 16 of the AML Act. The obliged person also has the **obligation to hold back an unusual transaction at the written request of the FIU**. An unusual transaction may be held back only for the period prescribed by law, which is no more than 120 hours, and no more than additional 72 hours if the case is referred to LEAs.

Table 6
Statistics on the holding back of unusual transactions in 2021

Total number of unusual transactions held back	63
Unusual transactions held back by the obliged person	58
Unusual transactions held back at the FIU's request	5



Unusual transactions held back and referred to the LEAs having the territorial and subject-matter jurisdiction	41
Total value of funds seized in relation to held back unusual transactions	EUR 14 031 131

Another way for an obliged person to combat money laundering and terrorist financing (hereinafter referred to as “ML/FT”)⁸ is to refuse to enter into, or terminate, the business relationship concerned, or refuse to carry out a particular transaction pursuant to Article 15 of the AML Act. Such preventive measures are a way to disable the disposal of funds derived from crime that may potentially be destined for financing terrorism. In 2021, obliged persons took action under that provision of the AML Act in 374 cases and the value of the transactions concerned was nearly EUR 17.3 million.

The FIU sends obliged persons **information on the effectiveness of the UTRs** submitted by them not only to meet the legal obligation arising from Article 26(2)(i) of the AML Act, but primarily with the aim to help them optimise their risk management, or redesign their processes for reporting unusual transactions, or adjust their internal procedures, where and as appropriate.

As a long-term measure, UTR effectiveness statements are presented to the banking sector on a quarterly basis and to other financial institutions on a semi-annual basis. After the end of a current year, all obliged persons receive an annual summary together with any updated information obtained during the current year that relate to UTRs received in previous years.

1.1 Financing of Terrorism

As a part of its activities in 2021, the FIU also cooperated with its partners in combating the financing of terrorism and the proliferation of weapons of mass destruction. One of the key aspects of the cooperation in this area was the early identification of suspicious activities and the exchange of information.

⁸ML and FT stand for “money laundering” and “financing of terrorism”, respectively.



From a global perspective, the sources **of terrorist financing** can vary significantly. The financing of terrorist organisations is different than the financing of terrorist attacks committed by small groups or lone actors. It is highly likely that the trend of lower-cost terrorist attacks will continue. Further, the use of cryptocurrencies to finance terrorism may come more to the fore.

The UTRs with a possible terrorist element received from obliged persons in 2021 were not confirmed after the initial examination by the FIU, but they were still disseminated to a specialised unit for preventive reasons.

The FIU also focused its attention on **proliferation financing** and on the identification of financial transactions subject to international sanctions.

One of the FIU's continuing priorities for the future is the improvement of the methods of detecting financial transactions related to the financing of terrorism and the financing of the proliferation of weapons of mass destruction. We understand the need for continued cooperation with intelligence services operating in this area and, given the dimension of the issue, cooperation at the international level, since deficiencies have been identified in this area that concern not only legislation, but also practical issues regarding the restriction of sanctioned persons' access to sources of funding and follow-up action against the illegal conduct of companies in the Slovak Republic suspected of violating international sanction regimes.

1.2 Money Laundering Trends and Development Forecasts

A conclusion can be made on the basis of the analysis of the available information obtained by the FIU during 2021 that a significant proportion of predicate offences was made up by various types of fraud involving misuse of the pandemic assistance and, in particular, subsidy fraud related to the provision of job retention assistance.

Investment scams have become a quite attractive type of fraud, especially those involving cryptocurrencies where the victims were people with a minimal experience in investing. The perpetrators swindled the victims out of money under the



pretext of purchasing a cryptocurrency, or they obtained direct control over the victims' bank accounts. Investment scams were characterised by a high degree of sophistication, including features of the so-called Ponzi scheme or employment of social engineering tools.

Other noteworthy types of predicate offences involving fraud include scam advertising portals; so-called romance scams; obtaining of unauthorised access to online banking through the so-called “vishing”, which is the fraudulent practice of perpetrators contacting the victims, mostly at night, and purporting to be bank employees or criminal police officers and requesting the provision of authorisation data for access to online banking under the pretext of the necessity of transferring the victim's funds quickly to a “safe account” for various crafty reasons; payment card misuse; etc. Tax crime was also recorded among predicate offences.

The use of transit accounts for ML purposes was also detected. A significant portion of such cases involved so-called “money mules”, i.e. persons who, either knowingly or unknowingly, directly in person or by providing login data to their account, made or allowed the making of transfers of funds derived from illegal activities to other accounts, for which they received a small portion of the transferred sums as a consideration.

Based on the previous experience, available information and observed trends, it can reasonably be assumed that the general course of events in the coming periods will be influenced by residual consequences of the economic restrictions introduced to limit the spread of COVID-19, as well as by the uncertainty resulting from the war in Ukraine and its socio-economic consequences, mainly the high rate of inflation, which will have a negative impact on the financial situation of a broad segment of the population. Such circumstances may lead a number of individuals to try to invest in virtual currencies, and it should be noted in this connection that there is a risk of the emergence of scam investment companies that present themselves as entities engaging in virtual currency business while they in fact operate on a fraudulent basis, also referred to as a Ponzi scheme.



Predicate crimes the perpetration of which is supposed to continue include

- tax crimes that involve a so-called missing trader, which is mostly a shell and fictitious company whose statutory body is either the so-called white horse or a citizen of another country without ties to the Slovak Republic and the company itself engages in complex transaction schemes between large companies established in the market and doing a real business;
- various types of fraud (subsidy fraud, so-called romance scam using various advertising portals, unauthorised obtaining of access to online banking under various pretexts).

For ML, the following illicit practices can be expected to be further encountered:

- Use of business and personal bank accounts of non-residents for the transit of funds derived from criminal activities committed abroad through the territory of the Slovak Republic to accounts maintained abroad;
- Continued, and possibly intensified, conversions of funds derived from criminal activities carried out in the Slovak Republic and abroad through accounts belonging to residents of the Slovak Republic into virtual currencies, either with the active participation of the account holders who act for a small consideration and are not aware of the illegal origin of the funds, or using the account holders' online banking access data provided by them to an unknown third party in exchange for a small consideration or a favourable loan;
- Employment of virtual currency purchases, electronic payment gateways and products of foreign fintech banks in order to hinder the tracing of the flows of funds derived from crime;
- Cash investments in domestic and foreign real estate and movable assets (motor vehicles).

For FT, given the emergence of new possibilities offered by online payment gateways or anonymised virtual currency conversion tools (conversions to private coins, use of mixers, etc.), we expect a downward trend in transactions carried out through current bank accounts.



1.3 Cases from Practice

Case: Personal bank accounts of Romanian nationals

The FIU's analytical activity led to the documentation of a group of 81 nationals of Romania who, in the period from December 2020 to March 2021, opened personal accounts with Slovak bank branches under the pretext of planned employment, which accounts were subsequently credited with large numbers of small payments coming from personal accounts maintained mainly in Germany. The accumulated funds were subsequently withdrawn in cash through ATMs located in Romania and Greece. Based on information additionally obtained, primarily through cooperation with partner foreign financial intelligence units (hereinafter referred to as "FIUs"), the suspicion was confirmed that this was the penultimate stage of a ML scheme for the commission of international phishing scams through false advertisements published on <https://www.e-bay.com>.

Pursuant to information received by the FIU from Europol and Eurojust at the end of 2021, an international investigation of the case was underway at that time.

Case: COVID-19 First Aid financial assistance scheme

In 2021, the FIU dealt with a case concerned with obtaining a financial grant under the "First Aid" scheme intended to cover a part of the wage costs of employers that retain jobs despite the interruption or restriction of their business operations at a time of an emergency situation, a state of distress or a state of emergency. Several ineligible companies received financial assistance under the "First Aid" scheme despite not meeting the conditions for the assistance through collaboration with some employees of the Labour, Social Affairs and Family Office (hereinafter referred to as "LSAFO") in Pezinok.

Based on a thorough analysis of the LSAFO's activities and after an in-depth processing of the information obtained, the FIU referred the case to LEAs and they now conduct criminal proceedings in this case, which qualifies as a particularly serious criminal offence of subsidy fraud, combined with a particularly serious criminal offence of money laundering involving a loss above EUR 14 million. Intensive cooperation between the FIU, LEAs and foreign FIUs was carried out in this case, thanks to which it was possible to seize a part of the illegally received funds, amounting to EUR 903,676.

Case: Transfer of access rights to an account

The FIU dealt with a case where a citizen of Slovakia met an unknown person through a social network. After several days of communication, this unknown person asked the Slovak citizen to open an account (if he had not have one until then) under the pretext that a single man, a US citizen had his accounts in the United States of America blocked and needed to transfer somewhere money from an alleged inheritance. The Slovak citizen transferred all online banking access rights to his account to that unknown person.



After that, the account of the Slovak citizen began being credited via online banking with sums coming from several countries, which were instantly forwarded to third countries. After some time, claims for the return of those payments back to the sender's account started to be made on the ground of a scam. The fraudulent transactions in our citizen's account were corrected over the Internet. The logins to the online banking were made from various countries (Italy, Japan, Great Britain and others). It is highly likely that the Slovak citizen's account was thus involved in a money laundering scheme. Based on the dissemination from us, LEAs initiated a criminal prosecution for a money laundering offence.

Case: Transfer accounts

The FIU received information regarding accounts of three Slovak companies that were used solely as so-called transfer accounts. Large amounts of funds were transferred to Slovakia from accounts of several dozen business entities from one European country in a relatively short time (4 months) without any real supply. The funds were then forwarded from Slovakia to China and Taiwan through express payments. The funds so transferred in the said period totalled EUR 19 million.

After realising the transfer pattern occurring in the Slovak companies' accounts, the Slovak banks concerned closed those accounts. After checking and analysing the information concerned, and combining it with information obtained from the partner foreign FIU (of the country from which the funds were coming to Slovakia), the FIU referred the case to the relevant police department for further action.



2 Transportation of Cash

A legislative change concerning the receipt of cash transport declarations was enacted in 2021. The global COVID-19 pandemic, which resulted in the closure of the external borders of the European Union, including airspace, contributed to a significant decrease in the numbers of received cash declarations. In 2021, the FIU received a total of 83 cash declarations in the total amount of EUR 2,812,308.74 from the Customs Directorate of *Michalovce* and the Customs Directorate of Bratislava.

Spot fines in the total amount of EUR 1,260 were imposed under the Customs Act in nine cases (6 cases from the *Michalovce* Customs Office, *Vyšné Nemecké* branch; and 3 cases from the Bratislava Customs Office, *M.R. Štefánik* Airport Branch) for failure to declare cash, amounting in aggregate to EUR 204,587.92. Spot fines in the total amount of EUR 380 were imposed in seven cases for missing or inaccurate details in the cash declaration.

As regards the proportions of incoming and outgoing cash declarations, there were only seven declarations submitted by the obliged person upon exit from the territory of the Slovak Republic.

In 17 cases, the declared mode of transport of the cash was by air; for the rest of the declarations, the cash was transported through the land border between the Slovak Republic and Ukraine. The persons transporting cash were mainly nationals of Ukraine (58).

The most frequently declared intended purposes of use of the transported cash and the respective proportions of the total number of declarations received are summarised in Table 7.



Table 7
Intended use of cash

USE OF CASH	
Immovable property	33
Movable assets	20
Bank account deposit	11
Personal use	10

An overview of disseminations to competent authorities made on the basis of cash declarations in 2021 is presented in Table 8.

Table 8
Number of disseminations

ADDRESSEE	DISSEMINATION	NUMBER
Foreign FIUs	Spontaneous dissemination	12
Financial Directorate of the Slovak Republic	Dissemination for use in tax proceedings	3
Entry in the FIU's comprehensive information system	Dissemination for possible further official use	70



3 Control and Legislative Activities

The Obligated Persons Control Department of the FIU inspects and supervises the fulfilment of and compliance with the obligations of obliged persons arising from the AML Act. As in the previous years, the inspections of obliged persons were performed on the basis of an inspection plan for 2021, in which 15 inspections were scheduled. The inspection plan was developed on the basis of comprehensive ML/FT information obtained through the FIU's activity and the results of the National Risk Assessment of money laundering and terrorist financing, and with the application a risk-based approach to the individual sectors as well as specific products.

Despite the unfavourable situation prevailing in the Slovak Republic in connection with COVID-19, the FIU managed to fully carry out the inspection plan. The FIU's staff carried out 15 new inspections of obliged persons, e.g. of a gambling operator, a supplementary pension trust, a pension fund management company, an insurance company, a factoring and forfeiting company, a currency exchange operator, a real estate agency, an auction house, a payment institution, a bank and two notaries.

In 2021, a total of 7 decisions were issued and fines amounting in aggregate to EUR 1,597,000 were imposed. In one case, the sanction of publishing the final decision on the imposition of a sanction for an administrative offence on the FIU's website was imposed in addition to the fine.

*Table 9
Inspections of obliged persons in figures*

	2019	2020	2021
Number of new inspections	12	10	15
Number of issued decisions	5	5	7
Amount of imposed fines in EUR	18,300	65,500	1,597 000
Number of decisions published on the FIU's website	0	0	1

The countering of the legalisation of proceeds of crime and the financing of terrorism is an important social interest protected by law, imposing the obligation on obliged persons to watch and assess business transactions to detect possible unusual



transactions and fulfil all other relevant obligations arising from law. Only proper and comprehensive fulfilment of all those obligations can ensure the achievement of the purpose of the AML Act.

A specific case of sanctions imposed on an obliged person:

To support the general prevention objective, we would like to draw attention to a case where a fine in the amount of EUR 1.5 million combined with the sanction of publication of the final decision was imposed (https://www.minv.sk/swift_data/source/policia/fsj/kpo/FSJ_36_30.pdf).

The gravity of the violation of the AML Act in this case stemmed mainly from the obliged person's failure to perform enhanced customer due diligence and to exert special prudence in respect of high-risk transactions and assess them in accordance with the applicable provisions of its AML programme and establish the origin of the funds. As a result, the obliged person was not able to ensure the effective application of other preventive measures pursuant to the AML Act to reduce the level of risk of legalisation of proceeds of crime and financing of terrorism in accordance with the provisions of Article 17(1) (Reporting an unusual transactions) and Article 15 (Refusal to enter into a business relationship or termination of a business relationship or refusal to carry out a transaction) of the AML Act.

In this case, the FIU detected and documented a model example of the employment of so-called transit accounts (or "proxy networks") which can be considered both the most frequent and the gravest method of professional money laundering. In essence, it consists in creating a network of shell companies and their bank accounts through which funds are legalised in a complex way at an international scale and through several layers to reach the a predetermined final destination, which was in this case Asia. The gravity of this technique lies in the execution of transactions through bank accounts of shell companies. The purpose of the sequence of complex international transactions is to make it impossible to trace back the origin of the funds (which totalled in the given case over EUR 600 million EUR and over USD 70 million).

3.1 Legislative Activity

Legislative activity is also an important part of the FIU's tasks. In 2015, the FIU's representatives cooperated with the staff of the Security Legislation Section of the Ministry of Interior of the Slovak Republic in the legislative process regarding the Act on the Central Register of Accounts, which also included an amendment to the AML Act. At the end of 2021, the Act on the Central Register of Accounts was submitted for discussion by the Government of the Slovak Republic. The main purpose of this bill was the transposition of Article 32a of Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering



or terrorist financing,⁹ as well as the transposition of Directive (EU) 2019/1153 of the European Parliament and of the Council of 20 June 2019 laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA.

The amendment to the AML Act reflected the recommendations of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (hereinafter referred to as "MONEYVAL Committee")¹⁰ resulting from the Fifth Round Mutual Evaluation Report of the MONEYVAL Committee for the Slovak Republic.

⁹Referred to as "AML Directive V"

¹⁰More details: <https://www.coe.int/en/web/moneyval/home>



4 International Co-operation

An essential part of effective anti-ML/FT efforts is the mutual exchange of information at the international level. The FIU's unit responsible for this area is the International Cooperation Department whose goal is to develop and strengthen this global international cooperation with FIUs all over the world as the methods of committing money laundering and terrorist financing crimes often have a cross-border reach, develop rapidly and are all the more sophisticated. FIUs around the world are required by international anti-ML/FT standards to exchange information and engage in international cooperation. The legislation of the Slovak Republic allows the FIU to exchange information with the competent authorities of the Member States, but also with the authorities of third countries (to the extent and under the conditions established in the relevant international treaty by which the Slovak Republic is bound, or on the basis of the principle of non-contractual reciprocity), whether by way of requests or in form of spontaneous disseminations. International cooperation is not limited to the exchange of information in specific investigated cases, but it also includes the sharing of experience and best practices and participation in international working groups and organisations. This information sharing with partner FIUs takes place via the secure communication network FIU.net (EU Member States) and Egmont Secure Web (third countries and/or EU Member States). The numbers of requests for information sent abroad and received from abroad as well as the numbers of sent and received spontaneous disseminations are summarised in Table 10.

Table 10
Exchange of information within the framework of the FIU's international cooperation in 2019-2021

	2019	2020	2021
Number of requests sent abroad	125	237	177
Number of executed request from abroad	263	250	231
Number of disseminations sent abroad ¹¹	502	417	391
Number of disseminations relevant to the Slovak Republic received from abroad	131	278	312

¹¹The number of disseminations referred to foreign FIUs includes the total number of all disseminations, not only disseminations based on UTRs (disseminations of information obtained through own activity, supplementary information, etc.).



In 2021, the FIU cooperated most intensively with the partner FIUs of the Czech Republic (211), Belgium (172), Hungary (126), Luxembourg (119) and Lithuania (77).¹²

A case of funds held back in Polish accounts

In April 2021, the FIU was requested by a LEA (Criminal Office of Financial Administration) to hold back a UTR in relation to two Polish bank accounts involved in a criminal case concerning four Slovak citizens accused of several criminal offences, including an offence of legalising proceeds of crime, where the loss amounted to several tens of millions of euros. The case concerned customs fraud committed in connection with the importation of Asian textiles. A mutual legal assistance request was issued within the framework of international cooperation with the Polish FIU based on which an amount of more than EUR 26,000 was held back in the account for seizing by LEAs.

4.1 Activities under International Cooperation Platforms

The FIU is an active **member of international committees, groups and working groups**, such as the MONEYVAL Committee, the Expert Group on Money Laundering and Terrorist Financing (hereinafter referred to as “EGMLTF”), EGMONT Group, EU FIUs' Platform (under the European Commission) and the Conference of the Parties to CETS 198 (Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, also referred to as Warsaw Convention). In 2021, the FIU’s representatives took part in regular meetings of the Expert Group on Money Laundering and Terrorist Financing (EGMLTF), meetings of working groups and committees of the European Commission as well as sessions of the EU FIUs' Platform, which is an informal grouping of FIUs of the countries of the European Union established by the European Commission in 2006. In 2021, the FIU’s representative also participated in the plenary and extraordinary session of CETS 198. Due to the situation resulting from the COVID-19 pandemic, the above meetings and sessions took place online.

The FIU also participated in the following international events:

- 7th Cryptocurrencies Conference organised by Europol EC3" (24 June 2021);

¹²The total numbers of exchanged disseminations are shown in parentheses.



- Financial workshop held under the auspices of UNODC - "Countries' Financing of Right-wing Violent Extremism Leading to Terrorism" (Vienna, 06 - 08 October 2021);
- Expert Working Group meeting in support of Pillar II of the Vienna Declaration: Detecting and blocking financial flows linked to illicit traffic in opiates originating in Afghanistan, organised by the UNODC Paris Pact Unit (Vienna, 07 - 08 October 2021(ONLINE));
- 5th Global Conference on Criminal Finances and Cryptocurrencies, a two-day online workshop organised under the joint initiative of the Basel Institute on Governance, INTERPOL and Europol (07 - 08 December 2021);
- 9th International Anti-Money Laundering and Compliance Conference: Fighting Financial Crime, a two-day online workshop held under the auspices of BACEE, with discussion topics including the new AML package; COVID-19 and its impact; international cooperation of financial intelligence units; and proliferation (09 - 10 December 2021);
- Anti-money Laundering and Financial Crimes + Cryptocurrencies: Rising Threats in Money Laundering, a two-day workshop held under the auspices of the International Security Alliance Secretariat, an alliance of the Ministries of Interior of France, the United Arab Emirates, Bahrain, Morocco, Italy, Senegal, Singapore, Slovakia and Spain aimed at combating organised and transnational crime (14 -15 December 2021);
- Expert Working Group meeting in support of Pillar I of the Vienna Declaration focused on criminal activity involving new forms of drug-related crime, organised by the UNODC Paris Pact Unit (Moscow, Russia, 15 - 16 December 2021 (ONLINE)).



4.2 Assessment by the European Commission

In November 2021, the European Commission carried out **an assessment of the concrete implementation and effective application of the AML Directive IV**.¹³ The process of the implementation assessment for the Slovak Republic was coordinated and managed by the FIU, but it was also actively participated by the National Bank of Slovakia, the Office for the Regulation of Gambling, the Ministry of Justice of the Slovak Republic, the General Prosecutor's Office of the Slovak Republic and various professional chambers, associations and societies. The assessment results as of 31 December 2021 have not been published yet.

4.2 Evaluation by the MONEYVAL Committee

As a member of the Council of Europe, the Slovak Republic is regularly evaluated by the MONEYVAL Committee for **compliance with the recommendations of the Financial Action Task Force (hereinafter referred to as “FATF”)**.¹⁴ The FATF's individual recommendations and immediate results are cross-cutting and their subjects undoubtedly have relevance to a number of Ministries and their bodies and public authorities. The ambiguous determination of responsibilities for the individual FATF recommendations was one of the significant slowing factors in the implementation of the recommendations that had emerged for the Slovak Republic from the 4th round of the mutual evaluation by the MONEYVAL Committee. Therefore, at the beginning of 2021, the FIU prepared a proposal for a systematic assignment of responsibilities for the individual FATF recommendations and immediate effectiveness evaluation results and the elimination of the deficiencies identified during the 5th round of mutual evaluation of the Slovak Republic by the MONEYVAL Committee to the Ministries and certain public authorities. The proposal was approved by the Government of the Slovak Republic as a non-legislative initiative material by the Resolution No 381 of 30 June 2021.

¹³ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

¹⁴ FATF stands for Financial Action Task Force. More details: <https://www.fatf-gafi.org/home/>



Based on the results of the 5th round of the mutual evaluation of the Slovak Republic, the MONEYVAL Committee decided that the Slovak Republic would be subjected in the next period to an enhanced follow-up of its action towards eliminating the deficiencies identified in the evaluation and be required to submit annual progress reports. In 2021, the FIU dedicated a significant part of its efforts to processing and collecting documents from the relevant Ministries and bodies in order to be able to demonstrate in the first follow-up evaluation the elimination of as many identified deficiencies as possible.

It was announced at the 62nd plenary session of the MONEYVAL Committee held on 13 - 17 December 2021 that the Slovak Republic's 1st Progress Report would be discussed in December 2022 at the 64th plenary session of the MONEYVAL Committee.

4.4 TSI Project

Aiming to improve the effectiveness of the framework of anti-money laundering measures, the Slovak Republic, represented by the FIU, applied to the European Commission to join the Technical Support Instrument (hereinafter referred to as "TSI").¹⁵ It is a European Union programme that provides the Member States with technical expertise for designing and implementing reforms. This takes place namely under the **TSI 21SK13 Project: Enhancing the Effectiveness of the AML Framework in Slovakia**. The general goal of this project is to support the Slovak Republic in its efforts to strengthen the institutional and administrative capacities, both at the regional and local level, and effectively tackle the challenges arising from the recommendations for each country and implement the laws of the European Union. A thorough understanding of threats and vulnerabilities in the area of money laundering and terrorist financing is essential for the development of policies, strategies and measures to effectively address the risks of the legalisation of proceeds of crime and financing of terrorism. This is a part of the anti-ML/FT standards defined by the FATF and the requirements arising from the AML Directive IV. Understanding the risks allows countries to reallocate resources and attention to the areas where they are most

¹⁵ TSI stands for Technical Support Instrument. More details: [https://ec.europa.eu/info/funding-tenders/find-funding/eu-funding-programmes/technical-support-instrument/technical-support-instrument-tsi sk](https://ec.europa.eu/info/funding-tenders/find-funding/eu-funding-programmes/technical-support-instrument/technical-support-instrument-tsi_sk).



needed and thus enhance the effectiveness, as opposed to an equalised allocation that yields a minimal impact.

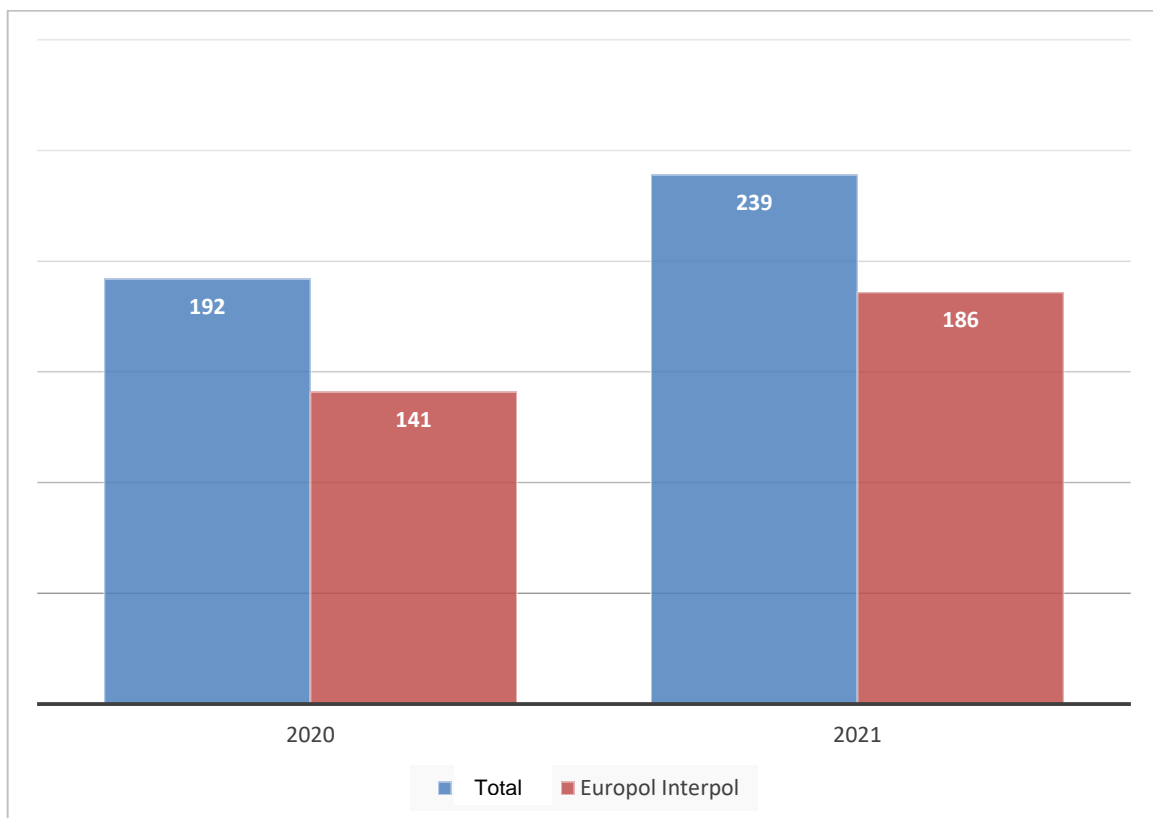
On 06 September 2021, the opening meeting of the TSI project was held with the participation of representatives of the Council of Europe and the European Commission, the President of the Police Force, the Director of the FIU and representatives of the Ministry of Finance of the Slovak Republic, the Ministry of Justice of the Slovak Republic and the National Bank of Slovakia. The result of the opening meeting was the setting up of working groups for the individual outputs and activities specified in the “Detailed Project Description of TSI Project” document and the nomination of experts for those groups by the relevant authorities of the Slovak Republic. On 21 October 2021, the TSI project activity plan for the next quarter was delivered to FIU. The TSI project includes activities concerned with the national risk assessment, ultimate beneficial owners, virtual assets, risk-based approach, operational and strategic analyses, financial investigation and confiscation.



5 National Co-operation

Having built up a wide database of information gathered in the course of its operation, the FIU has become an active partner and contributor in investigation and operational screening. In 2021, the FIU handled a total of 239 requests from departments of the Police Force, which amounts to an almost 24% increase compared to the previous year. The highest number of requests received by the FIU was from the Europol National Unit and the Interpol National Central Bureau, namely 186 requests, which is in line with the upward trend seen in the previous period.

*Graph 2:
Overview of executed requests for 2020 and 2021*



The requests received in the reported year mainly concerned criminal offences of the legalisation of proceeds of crime and the related predicate criminal activity, especially various types of fraud and tax crime.



5.1 Educational Activities

Effective prevention as a part of the ML/FT countering efforts requires close cooperation between all stakeholders and their powers and obligations are determined by the AML Act. In 2021, the FIU's representatives continued to organise educational activities and conduct consultations. A total of 11 training events were held (banks – 6; building saving company – 1; VASP area – 1; Gambling Association – 1). Because of the restrictive anti-pandemic measures, a vast majority of the events took place online. The training activities were focused on the proper execution of customer due diligence procedures by obliged persons, the assessment (determination) of whether an intended or executed transaction is unusual as well as the fulfilment of the reporting obligation.

Guidelines were prepared for natural persons and legal entities that provide virtual wallet and virtual currency exchange services regarding the fulfilment of their obligations under the AML Act.

As a part of the FIU's methodological activity in the reported year, the FIU rendered 24 opinions on the application of the AML Act to specific obliged persons at their qualified request.

5.2 National Risk Assessment

The **National Risk Assessment of Money Laundering and Terrorist Financing** (hereinafter referred to as "NRA") is provided for in Article 26a of the AML Act. The NRA process was participated by representatives of a number of bodies, namely the Ministry of Finance of the Slovak Republic, the Ministry of Justice of the Slovak Republic, the Ministry of Defence of the Slovak Republic, the Ministry of Economy of the Slovak Republic, the National Bank of Slovakia, the General Prosecutor's Office of the Slovak Republic and relevant units of the Presidium of the Police Force. The outcome of the second NRA was a final report presenting a comprehensive picture of the ML/FT threats and vulnerabilities of the financial system in the Slovak Republic.



Based on the conclusions of the NRA report, an **Action Plan to combat the legalisation of proceeds of crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction with a view to 2024** (hereinafter referred to as “Action Plan”) was drawn up in the course of 2021, which proposes measures to eliminate the identified deficiencies and mitigate ML/FT risks. The proposed measures are assigned to specific departments and designated bodies according to their specific areas of operation.

The NRA project and the subsequent Action Plan are important tools for improving the efficiency of ML/FT countering measures and, also, instruments by which the Slovak Republic declares the adoption of measures to eliminate the deficiencies identified during the 5th round of the mutual evaluation of the Slovak Republic by the MONEYVAL Committee. This process is an integral part of the risk-oriented approach which, based on the identification and understanding of risks, contributes not only to the adoption of effective measures to mitigate risks, but also to the effective allocation of human and financial resources across the whole system of anti-ML/FT action.

Strengthened inter-ministerial cooperation and cooperation between public and private institutions, enhanced awareness of the measures aimed at combating ML/FT and an ambitious approach based on prevention, education and effective enforcement of regulatory measures are supposed to reduce vulnerabilities in the system of anti-ML/FT measures. The implementation of appropriate measures to eliminate or mitigate risks, as identified in the Action Plan, is an important part of the anti-ML/FT system, which should be understood by every stakeholder from the public and private sectors.

The whole NRA process was completed at the end of 2021 by the submission of the Action Plan for approval by the Government of the Slovak Republic.



5.3 Activities of the National Expert Group on Anti-Money Laundering and Counter-Terrorist Financing

In 2021, the FIU organised eight meetings of the National Expert Group on Anti-Money Laundering and Counter-Terrorist Financing (hereinafter referred to as “NES-LP Group”), established by the Expert Coordination Body on Combating Crime.¹⁶ The position of the Head of NES-LP is held by the Director of FIU. The operation of the NES-LP Group in 2021 was focused on activities aimed at eliminating the deficiencies identified in the report from the Fifth Round Mutual Evaluation Report of the MONEYVAL Committee. Because of the continuation of measures related to the COVID-19 pandemic, the NES-LP Group’s meetings were held in a virtual form, or a hybrid (combined face-to-face and virtual) form.

A significant portion of the NES-LP Group’s activities was focused on new technologies, especially virtual assets and virtual asset service providers, activities leading to the identification and evaluation of the risks associated with them as well as ways to establish compliance with the FATF Recommendation 15 – New technologies.

Also, there has been an intensive cooperation of all members of the NES-LP Group in connection with the preparation of the Slovak Republic’s first progress report, which will present the advance in eliminating the deficiencies identified during the 5th round of mutual evaluation of the Slovak Republic by the MONEYVAL Committee.

¹⁶More details: https://www.minv.sk/?NES_LP



Overview of Selected Statistical Data

Table 11
Overview of selected statistical data for the period 2017 - 2021

	2017	2018	2019	2020	2021
Number of UTRs received	2636	2509	2576	2008	2042
Number of UTRs disseminated to LEAs	354	252	219	177	189
Number of postponed UTRs disseminated to LEAs	87	44	43	71	63
Number of disseminations to the Financial Directorate of the Slovak Republic	1138	980	829	702	715
Number of incoming requests (from abroad)	265	240	236	250	231
Number of outgoing requests (abroad)	89	85	125	417	391
Number of incoming spontaneous disseminations (from abroad)	211	420	131	278	612
Number of outgoing spontaneous disseminations (abroad)	657	5555	502	417	391
Number of inspections	5	10	12	10	15
Processed requests	157	149	179	192	239
Number of cash transport declarations	152	230	264	123	83
Transported cash amount (in EUR thousand)	5261 (+registered bond)	8132	19625	4010	2812



List of Abbreviations

AML Anti-money laundering

EGMLTF Expert Group on Money Laundering and Terrorist Financing

EU European Union

FATF Financial Action Task Force

FIU Financial Intelligence Unit

FT Financing of Terrorism

ML Money Laundering (legalisation of proceeds of crime)

NRA National Risk Assessment

NES-LP National Expert Group on Anti-Money Laundering and Counter-Terrorist
Financing

UTR Unusual Transaction Report

LEA Law Enforcement Authority

TSI Technical Support Instrument

LSAFO Labour, Social Affairs and Family Office

VASP Virtual Asset Service Provider



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