



**Financial Intelligence Unit
of the Slovak Republic**

TABLE OF CONTENTS

Foreword

1. Organizational structure of Financial Intelligence Unit, its tasks and rights

2. Unusual transactions

2.1.Number of received UTs

2.2.Types of recorded UTRs

2.3.Postponement of UT

2.4.Forms of reporting UTRs

2.5.Total statistics of efficiency of UTRs

3. Control activity of FSJ

4. International cooperation

4.1.Cooperation and exchange of information between FIUs

4.2.Cooperation with International Organizations

5. Financial and property verification

5.1.Identification of incomes and property derived from criminal activity

5.2.Proof of origin of property

6. Analytical activity of FSJ

7. Currency transportation

8. Methods of money laundering and terrorist financing recorded by FSJ

8.1.The most often used methods of money laundering and terrorist financing

8.2. Successful cases in 2012

9. Prognosis for the future

10. Cooperation with regulators and others institutions

11. Summary of statistical indicators related to crime of legalization of proceeds of crime

Conclusion

Contact data

FOREWORD

Combating money laundering and terrorist financing is one of the current social problems that need to be actively solved. Also in 2012 Financial Intelligence Unit of National Criminal Agency of Presidium of Police Force (hereinafter referred to as "FSJ") tried to assist by its actions and activities at national and international levels with the greatest possible contribution to the fight against this acute problem.

At the beginning of 2012 was upon the initiative of FSJ developed a strategic plan to combat money laundering and terrorist financing for the years 2012-2016, which represents a comprehensive legislative and institutional framework in this area.

The results, which were achieved by employees of particular department of FSJ by its activity in 2012, are summarized in the following sections of this annual report. Behind the numbers and graphs that show increasing trend of efficiency of FSJ year by year stand people - individual employee, who through their daily work contribute to the achievement of these results.

First of all, for all the successes achieved in 2012, many thanks belong to all the employees of FSJ, as well as to other police officers, investigators, prosecutors, employees of civil service, representatives of obliged entities and foreign partners, who actively cooperate with FSJ in 2012.

1. Organizational structure of Financial Intelligence Unit, its tasks and rights

The establishment of the Financial Intelligence Unit of the Slovak Republic is dated to the day 01.11.1996, when at the office of the Financial Police of the Ministry of Interior of the Slovak Republic was established Financial Intelligence Department which is a direct predecessor of the FSJ.

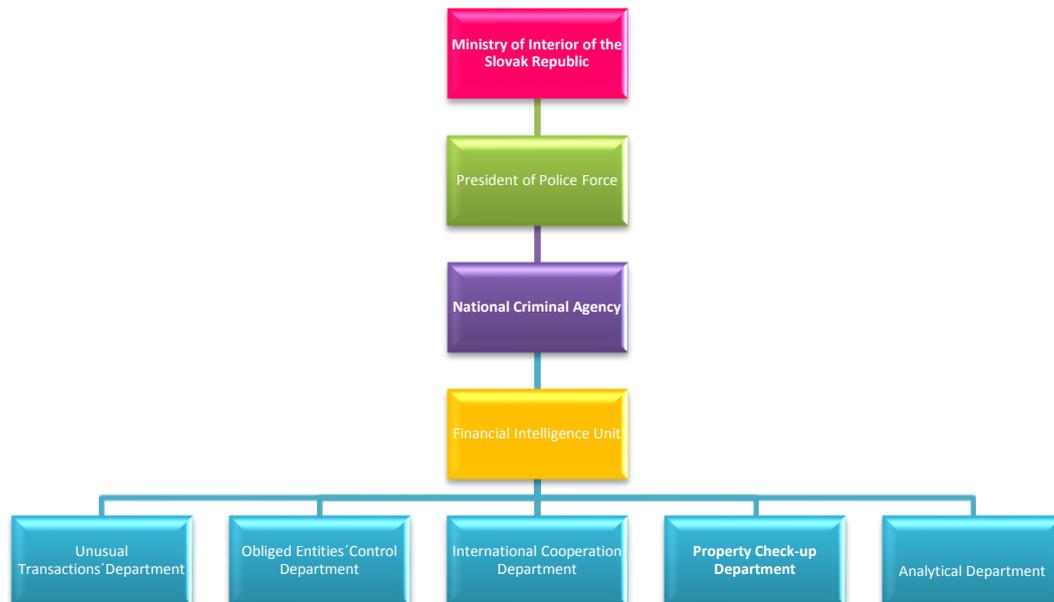
In the organization of the Police Force is FSJ was incorporated into the service of the Financial Police together with National Unit of the Financial Police.

In the period from 01.01.2004 until 01.12.2012 financial police was incorporated into the Bureau of Combating Organized Crime of Presidium of Police Force (hereinafter referred to as "BCOC") while FSJ had the status of a central unit of BCOC and departments of financial police were incorporated under every regional units of BCOC.

On 01.12.2012 important reorganization was performed within the structure of Presidium of Police Force based on proposal of the President of Police Force and in accordance with the proclamation of Government of the Slovak Republic by which was inter alia BCOC incorporated with Bureau of Combating Corruption of Presidium of Police Force into newly created National Criminal Agency of Presidium of Police Force (hereinafter referred to as "NAKA"), which is directly governed by President of Police Force.

The name of Financial Intelligence Unit has the status of independent unit of NAKA as well as National Unit of Financial Police which became successor of departments of financial police of regional units of BCOC.

FSJ consists of Unusual Transactions' Department, Obligated Entities' Control Department, International Cooperation Department, Property Check-up Department and Analytical Department.



FSJ serves as a central national unit for the area of the prevention and detection of money laundering and terrorist financing as defined in the provisions 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 (hereinafter referred to as “AML/CFT Law”) which came into force on 01.09.2008 as a basic preventive legislation adjusting powers and obligations specified in the law of legal persons and natural persons in the prevention and detection of money laundering and terrorist financing.

According to the decision of the Council of the European Union No. 2007/845/JHA dated 06.12.2007 on Cooperation between Asset Recovery Offices of the Member States in the field of searching and identification of proceeds of criminal activity or other property related to criminal activity, FSJ since 2008 fulfills the role of the National Authority for identification of assets derived from criminal activity, ie. Asset Recovery Office (hereinafter referred to as “ARO”).

FSJ performs also some of the tasks of the Police Force defined in Act on Police Force such as detection of criminal acts and identification of their perpetrators, cooperation in detection of tax evasions and illegal financial transactions, money laundering and terrorist financing to which has FSJ powers defined in the Act on Police Force, mainly the power under Section 29a in terms of which is police officer of Financial Police lawful during the detection of tax evasions and illegal financial transactions or money laundering with presumptive substantial damage or large-scale damage enter to any place of business or business premises as well as conveyances used for business purposes. He is also lawful to inspect record-keeping, accounting written documents, papers and other documents, files and records on technical medium, do the extracts, notes and copies as well as demand the hand-over of these things or seize them under Section 21. During the detection of tax evasions or illegal financial transactions or money laundering and related criminal acts and their perpetrators has police officer of Financial Police the power to request in writing from banks and foreign bank branches the reports on their clients matters or foreign bank branches even if being subject to bank secrecy.

The specific role of financial police service, and hence FSJ, has been from 01.01.2010 tasks in accordance with Act No. 101/2010 Coll. on Proof of origin of the property (hereinafter referred to as “Act No. 101/2010 Coll.”). According to the received report or of their own accord, financial police service verify incomes, the value of the property and manner of obtaining the property of the person against whom the report is directed, procure material, demands explanation, finding out and ensures the evidences needed to the initiation

of proceeding to the competent prosecutor that the person has assets of at least 1500-fold of the minimum wage higher than are verifiable incomes.

FSJ activity follows besides internal legal documents also international conventions and agreements to which the Slovak Republic (hereinafter referred to as "SR") joined, respectively has committed itself to fulfilling them, namely: the Council Convention No. 198/2008 on Laundering, Search, Seizure and Confiscation of the Proceeds of Criminal Activity and Terrorist Financing dated 2008 (Warsaw Convention), the UN Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances dated 1998 (the Vienna Convention) or the UN Convention on Transnational Organized Crime dated 2000 (Palermo Convention).

FSJ in the view of its inclusion in the structure of the Presidium of the Police Force within cooperation with the Police Forces of other countries refer to the bilateral agreements concluded at the Ministry of Interior of SR level, respectively at the Presidium of the Police Force level, which generally set out the cooperation in the fight against crime, but also contain a section on cooperation and exchange of information by dealing the cases of money laundering or terrorist financing.

2. Unusual transactions

Unusual transaction (hereinafter referred to as "UTR") shall mean a legal act or other act which indicates that its execution may enable legalization of proceeds from criminal activity or terrorist financing.

To receive, register, analyze, evaluate and process reports of UTR which obliged entities in the prescribed manner and in required scope report to FSJ is the task of the Unusual Transactions' Department. Reports are reported from the side of obliged entities on the form of UTRs, which were in past accepted by obliged entities upon the recommendation of FSJ.

Thereafter the UTRs are analyzed, evaluated and verified by FSJ so that in case of reasonable suspicion of committing of a criminal offence, FSJ forwarded the information from UTRs added with information received by own activities to the competent law enforcement authorities.

In cases where within verification of report was found out facts that are necessary for commencement of tax proceedings or are essential for ongoing tax proceedings, FSJ forwarded the information from UTR added with information received from own activities to the tax administrator.

As the capacity of FSJ not allow to employees of UTRs department to perform detailed and extensive verification of information from reports of UTRs, are these in cases of increased level of risk of money laundering or terrorist financing, forwarded to the competent departments of National Unit of Financial Police of NAKA, which using the powers defined in the Act on the Police Force evaluate, verify and decide in the matter.

In previous cases of the verification of reports of UTRs have been in almost every second case verified financial transactions with a link to abroad, whereby these transactions were realized in both directions, so as to beneficiary of the bank accounts conducted with Slovak banks, as well as from the Slovak Republic to bank accounts abroad

In cases where within verification of report wasn't found out any facts that would be necessary to be forwarded to any units of the Police Force, the tax administrator, or to foreign FIU, these information is insert into an electronic database FSJ for its possible further use. In many cases, the information stored in the database FSJ was used later within the verification of other cases.

For more effective activity is necessary communication of the Head of Department of UTRs with representatives of the obliged entities focused on consultation of individual cases,

questionable indicators of unusual, as well as solving the cases whether a given transaction evaluated and subsequently reported as unusual. Individually is solved each case of postponement of transaction, thus taking the necessary measures by the obliged entities to ensure the postponement of transaction in the future.

2.1. Number of received UTRs

In 2012, FSJ received in total 3650 UTRs which could be in regard to character of obliged entity statistically divided into three groups. The first group contains reports of UTRs received from banks, which were received in 2012 in total 2989. The second group consists of reports of UTRs received from other financial institutions which were received in 2012 in total 410 and the third group contains reports of UTRs received from non-financial institutions, which were received in 2012 in total 251.

Graph No. 1: Total number of UTRs received in 2012

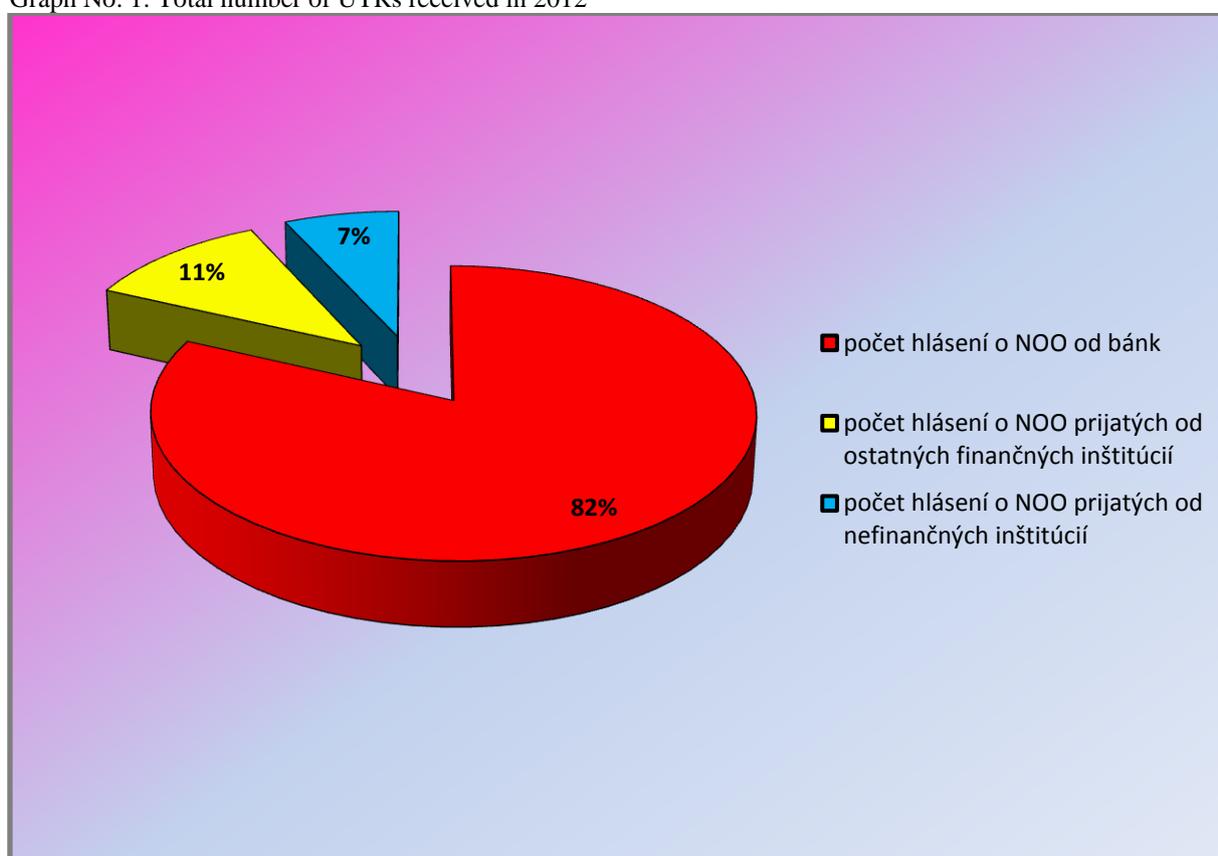


Chart No. 1: Number of UTRs received from banks in 2012

BANKS	
OBLIGED ENTITY	NUMBER
The National Bank of Slovakia	175
Bank seated at the territory of Slovakia	2688
Branch of foreign bank	126
TOTAL	2989

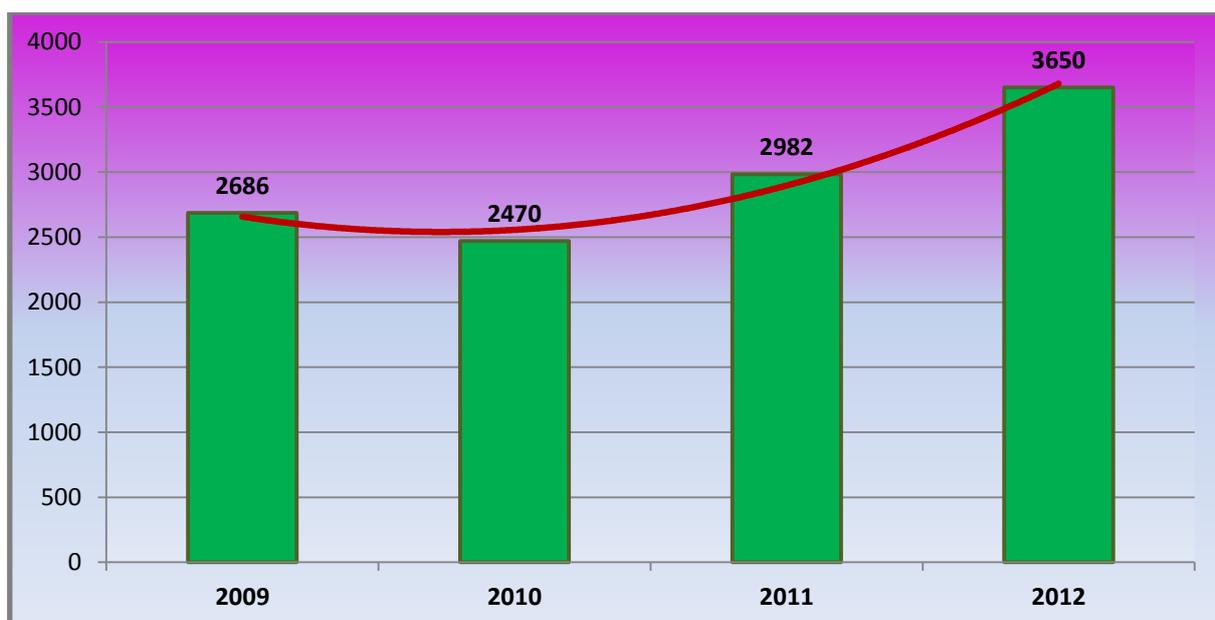
Charts No. 2: Number of UTRs received from other financial institution in 2012

OTHER FINANCIAL INSTITUTION	
OBLIGED ENTITY	NUMBER
Securities Sealer	7
Investment Company	1
Insurance Company	258
Administrator of investment funds	23
Exchange office	120
Legal entity or a natural person authorized of trade in receivables	1
TOTAL	410

Chart No. 3: Number of UTRs received from non-financial institution in 2012

NON-FINANCIAL INSTITUTION	
OBLIGED ENTITY	NUMBER
Gambling games	45
Postal undertaking	89
Auditor	4
Real Estate Agency	85
Advocate, notary	2
Others	26
TOTAL	251

Graph No. 2: Dynamic development of received UTRs in 2009 – 2012



2.2. Types of recorded UTRs

The most often recorded UTRs which are pursued, analyzed and evaluated by FSJ are mainly cash transactions, wire transfers, foreign wire transfers, phishing, pharming, transactions realized by subjects registered in off-shore zone, internet fraud, hazard and transactions related to continued transfers of funds.

From the view of money laundering and terrorism financing, high risk transactions are cash transactions and transactions realized by subjects registered in off-shore zone.

Chart No. 4: Statistical summary on types of recorded UTs in year 2012

TYPE OF RECORDED UT	NUMBER	AMOUNT (EUR)
Wire transfers	1804	716.969.350
Cash transactions	2127	434.703.365
Foreign wire transfers	1048	519.852.003
Transactions realized by subjects registered in off-shore zone	55	115.730.190
Phishing, Pharming	140	3.436.589
Internet fraud	54	311.511
Hazard	48	1.615.301

One of the most common recorded UTR in year 2012, which FSJ subsequently forwarded to the law enforcement authorities, were internet frauds and their various modifications (phishing, pharming, vishing, etc..).

A significant increase was recorded in particular cases called pharming, hence misuse of access to the bank accounts of bank clients who were convinced that their bank accounts carried on normal operations through internet, were tampering without their knowledge redirected from their home bank websites to fake bank websites which for the first impression showed no difference from the genuine domain. In this way, bank's clients unwillingly provided to unauthorized persons protective and security access keys to internet banking, by which perpetrators received free access to their bank accounts, which consequently were used for fraudulent withdrawal of funds. Thus obtained funds were subsequently transferred to the bank accounts of clients in the Slovak Republic who believed that the work carried out on the basis of an agreement concluded through the mail with an unknown person, respectively company, on instructions receiving mainly through electronic communications by unidentified persons allowed the perpetrators of abovementioned criminal activity to transfer fraudulently obtained funds to a bank account in the Slovak Republic and thus difficult to identify them. Then, as the funds were obtained as described above by criminal activity, they were transferred to the bank accounts of clients in the Slovak Republic, these were intended to conceal its origin in the crime and prevent them freezing for the purposes of criminal proceedings, the funds were immediately withdrawn in cash, and then in many cases passed to the third person who transferred funds through the companies operating transfer of money to abroad.

Due to early detection of suspected money laundering, in many cases, FSJ in cooperation with the obliged entities operating transfer of money to abroad (Western Union), managed to postpone the financial operation, but to prove that the funds transferred through

the company operating transfer of money to abroad related to the specific case of phishing or pharming was made impossible, because the accomplishment of crime of money laundering has been entrusted to a third party.

Bank accounts that have been attacked by abovementioned cases of phishing or pharming, were conducted mainly with banks in the Netherlands, Italy, or Spain, they were rarely bank accounts in Austria, Germany or outside Europe, for example in Canada or in USA. Funds opened by phishing and pharming were subsequently transferred mainly to persons of Polish, Romanian, Bulgarian, Ukrainian and Russian nationality to newly opened bank accounts in banks in the Slovak Republic. Obligated entities should pay more attention to these risk groups in the future and consider to open a bank account for people who have no obvious connection to the Slovak Republic (employment, education, family, etc..).

In all cases of detected phishing and pharming FSJ cooperated with foreign FIUs of concerned countries. However, in most cases hasn't been conducted the criminal proceeding, as foreign banks to avoid the potential risk of defamation in connection with the conducting of criminal proceeding, compensated their clients by themselves.

2.3. Postponement of UT

If obliged entity evaluates a transaction as unusual and there is danger that its execution may hamper or substantially impede seizure of proceeds of criminal activity or funds intended to finance terrorism, or if so requested by the FSJ in writing, obliged entities are obliged to postpone the transaction for at maximum 48 hours and inform FSJ immediately. FSJ has also the power to request obliged entity to postpone UT for at maximum 48 hours. During this time the police officers of FSJ verify the UT and in case of reasonable suspicion of commission of a criminal offence they provide the information completed with their own finding to law enforcement authorities. FSJ informs the obliged entity immediately that the case was submitted to law enforcement authority and orders obliged entity to postpone UT for at maximum another 24 hours. Total maximum time for postponement of UT is 72 hours. The aim of postponement of UT is to prevent from potential damages and allow time limit for LEA to commence criminal proceedings and seize things coming from criminal activity or funds on account for the purpose of criminal proceedings.

In 2012, 125 UTs were postponed by obliged entities and in 47 cases were the information submitted by FSJ to competent law enforcement authority for further proceedings performing under Code of Criminal Procedure.

Graph No. 3: Dynamic development of postponed UTs in 2009 – 2012

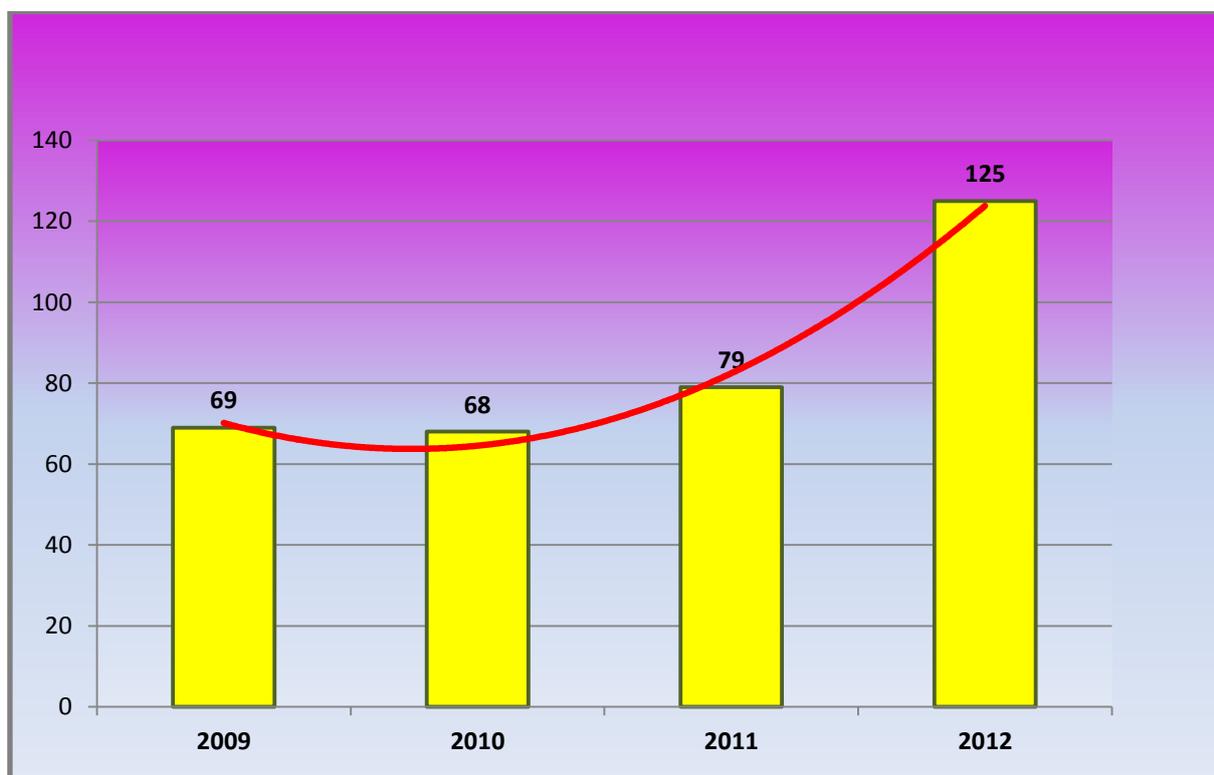


Chart No. 5: Statistical data of postponed UTs in 2012

Total number of postponed UTs	125
Postponement by obliged entity	122
Postponement on request by FSJ	3
Postponed UTs submitted to law enforcement authority	47
Total amount of funds postponed	48.002.982,- EUR

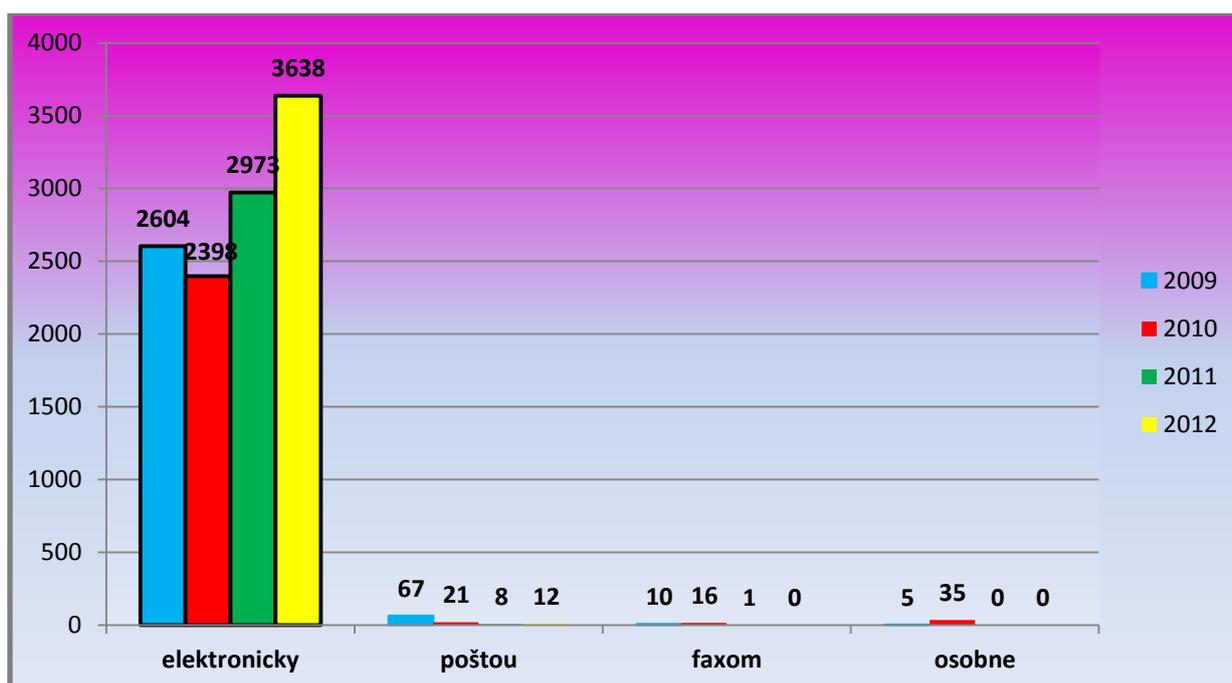
2.4. Forms of reporting UTs

Reporting duty of obliged entity in relation to FSJ in terms of AML/CFT Law shall be fulfilled at the moment of submission of an unusual transaction report in a manner ensuring that the information contained therein remain undisclosed to unauthorized person. Reporting duty shall be fulfilled by obliged entity in person, in writing, electronically or by phone if the matter brooks no delay. Such a report is necessary to file also in person, in writing or electronically within three days from receipt of the phone call by the FSJ. FSJ is interested in that the obliged entities reported UTRs electronically, because this form is the most effective.

Chart No. 6: Statistical data on forms of reporting UTRs to FSJ in 2009 – 2012

YEAR	ELECTRONICALLY	BY POST	BY FAX	IN PERSON
2009	2604	67	10	5
2010	2398	21	16	35
2011	2973	8	1	0
2012	3638	12	0	0

Graph No. 4: Dynamic development of forms of reporting UTRs to FSJ in 2009 – 2012



2.5. Total statistics of efficiency of UTRs

FSJ keeps exact statistical data of received UTRs, since reporting by obliged entity, evaluating by SJFP Slovakia and follow up providing to entitled entities, including course of decision-making till final court decision.

Collection and evaluation of objective statistical data is inter alia important to make a right analyse of client, realized by obliged entity upon risk based approach. Due to that, FSJ submitted information to obliged entities, quarterly to banks and half yearly to other obliged entities within the range: identification details of UTR, name of authority which received feedback from SJFP Slovakia, legal capacity of act and status of proceeding.

In 2012, FSJ disseminated together **1143** information received from obliged entities upon reporting obligations to the competent law enforcement authorities. Out of this number **774** information were submitted to competent police units under Section 26 (2) (a) of AML/CFT Law with reference to Section 2 (1) (b) of Act on Police Force and **369** information were submitted to competent law enforcement authority as proposal to commence criminal proceedings. Law enforcement authorities subsequently realized acts under Code of Criminal Procedure, which are mentioned in chart No. 7.

Graph No. 5: Comparison of numbers of information submitted to LEAs between 2009 – 2012

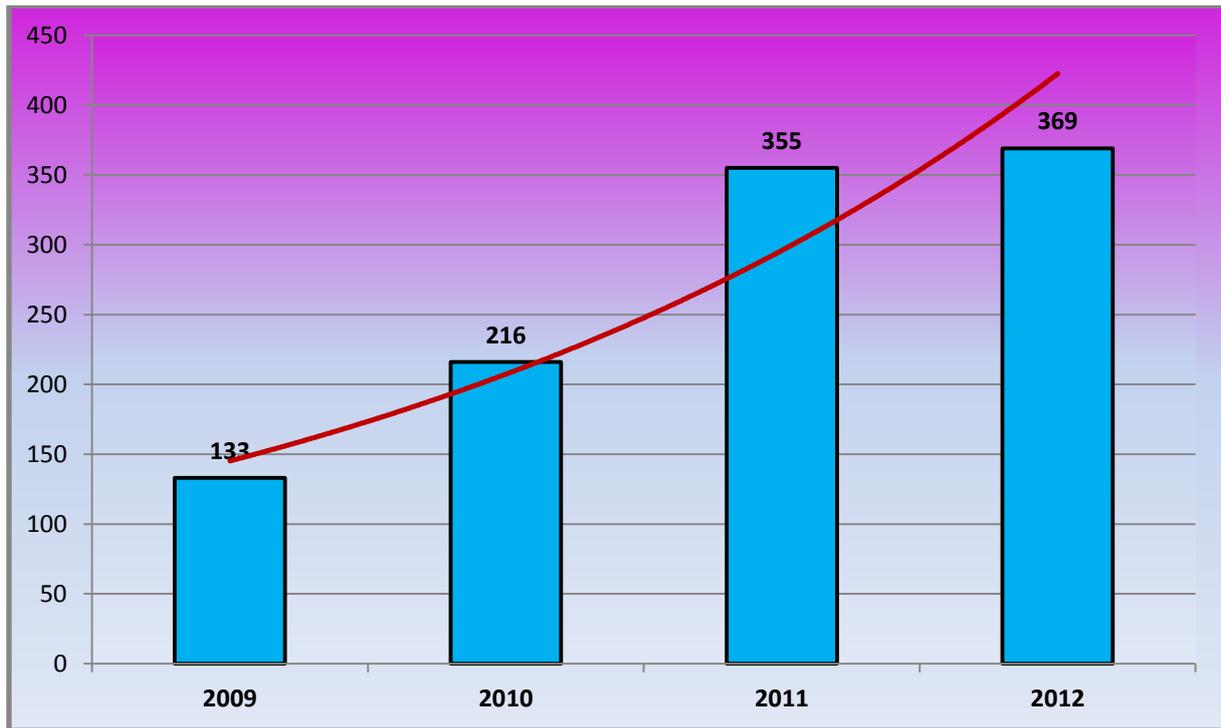


Chart No. 7: Further steps of LEAs after the information was submitted pursuant to Section 26 (2) (b) of AML Law in 2012

Further steps of LEAs	NUMBER / AMOUNT (EUR)
Commencement of criminal proceeding, Section 199 of Code of Criminal Procedure	17
Commencement of criminal proceeding for Legalisation of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code	11
Commencement of criminal proceeding for different crime	6
Indictments pursuant to Section 206 of Code of Criminal Procedure	4
Indictments for Legalisation of the Proceeds of Crime pursuant to Section 233, Section 234 of Criminal Code	2
Indictments for Credit Fraud pursuant to Section 222 of Criminal Code	2
Dismiss of commencement of criminal proceeding pursuant to Section 197 (1) (d) of Code of Criminal Procedure	3
Seizure of the funds pursuant to Section 95 of Code of Criminal Procedure	10
Total amount of seized funds	374.696.430

Within verification of UTRs received in 2012 it was found out that for further operative checking performed by organizational units of National Criminal Agency were submitted cases with suspicion of committing of tax related crimes, especially illicit excessive VAT deductions and consequent suspicion of legalisation of proceeds gathered by this way. It was concerned chain cases where the funds were transferred between business and personal bank accounts.

In many times these transfers of funds were performed from bank accounts conducted with banks abroad (e.g. in the Czech Republic, Hungary and Poland) in favour of bank accounts owned by Slovak tax subjects, or these funds were credited in favour of these bank accounts in cash, in currency EUR or in foreign currencies (CZK, HUF, PLN) by foreign citizens.

These funds were consequently chain transferred between legal entities registered in the territory of the Slovak Republic and then were withdrawn in cash, or transferred to foreign countries, in many cases in favour of bank accounts owned by the same subjects, which were remitters of payments transferred in favour of the bank accounts conducted with banks in the Slovak Republic in advance.

Slovak tax subjects declared these financial transactions as trades with various commodities (e.g. agricultural products, used motor vehicles, bio-energy, etc). In these transfers apparent economic purposes were missing. It was concerned transfers of funds in the same amounts, what indicates that these deals were not real (purchase and sale with profit). It were only docile transfers, which the main purpose was to cover the flow of the funds. Statutory bodies in Slovak tax subjects were often persons at who was obvious that they were frontmen. Within they realized financial transactions they did not know how to react on simple questions asked by staff of banks related to purpose of payments or business activities performed by the company which they represent. In many case these persons were accompanied by other unknown person who gave them advices when frontmen performed financial operations.

Upon the above mentioned financial transactions Slovak tax subjects claimed lawless excessive VAT deductions at relevant tax administrators. It can be assumed that the lawless excessive VAT deductions were claimed also in other countries, which were parts of carousel frauds, what was confirmed by number of requests which were sent from the Czech Republic. Within these cases the lawless excessive VAT deductions claimed by Czech tax subjects were verified, and were linked with the Slovak Republic via financial transactions.

Considering the fact that documentation of this kind of crimes needs much time, a bit of cases submitted by FSJ Slovakia in 2012 are still verifying. These verifications are performing by other units of NAKA or by other competent units of Police Force.

In 2012 FSJ Slovakia received 112 UTRs (108 from banks, 4 from other obliged entities), which were classified as UTRs related to terrorism financing. Information, after analysis and verification, were submitted to Slovak Anti-terrorist Unit of Police Force Presidium (until 01.12.2012 Slovak Anti-terrorist Unit, Bureau of Combating Organized Crime).

In 2012 FSJ Slovakia sent to foreign FIUS totally 8 information related to cases linked with terrorism financing.

In 2012 FSJ Slovakia under Section 26 (2) (j) of AML/CFT Law submitted to tax authority totally 1231 information which were received from obliged entities upon their reporting obligations.

3. Control activity of FSJ Slovakia

From among of main tasks of Obligated Entities' Control Department of FSJ Slovakia is performing of controls of compliance to obligations of obliged entities stipulated by AML/CFT Law.

According to AML/CFT Law obliged entities act preventively in the field of AML/CFT. Within mentioned protection obliged entities are obliged to prepare in writing its own activity programme aimed at prevention of money laundering and terrorist financing (hereinafter referred to as "programme"). Programme of obliged entity must contains in detail and in concrete elaborate and stipulated mean of performance of obligations governed by law with regard to its own conditions, especially with respect to its scope of business activity / activities (or based on license to carry out business activities) as well as with respect to organizational structure (existing of more branches, subdivisions, etc.). Program must contain all, by the AML/CFT Law specified sections. Contents of its particular parts must be modified to the above mentioned facts so that persons following the programme (designated employees and other designated responsible persons) are able to proceed in area of preventive protection in accordance with this programme on a daily basis.

When performing control, staff of the Obligated Entities' Control Department focus especially on the control of the programme, its elaboration and compliance of its particular parts with terms of AML/CFT Law as well as the way of its application within prevention of money laundering and terrorist financing, control of compliance to other obligations resulting from the act, especially the way of evaluation of transactions, application of risk based approach to clients and thereto related particular levels of customer due diligence. Control the compliance to obligations includes verification of refusal of establishment of a business relationship, termination of a business relationship or refusal of varying out transaction, postponement of unusual transaction, unusual transaction reporting, but also other obligations as obligation of keeping secrecy about a reported unusual transaction and data processing and record-keeping.

For the purpose of control activity, obliged entity is obliged to provide the FSJ Slovakia with all necessary cooperation, especially to provide documentation and information related to the controlled business relations and cases including information about persons participating in those businesses.

FSJ Slovakia is authorized to impose fine for the following administrative offences under AML/CFT Law for breach of obligations to keep secret and for detected administrative offence resulting from breach of some o provisions or breach of obligation stipulated by AML/CFT Law. FSJ Slovakia may, according to AML/CFT Law, file an initiative with the authority authorized to decide on the revocation of a license for the conduct of business or other independent profitable activity if detected that obliged entity does not comply with or breached obligations stipulated by AML/CFT Law for more than 12 consecutive months r repeatedly.

Except for the above mentioned sanctions for detected administrative offence in the field of prevention of money laundering and terrorist financing it is possible to consider conduct of particular persons also from the view of criminal liability under Section 234 of Penal Code.

Obligated Entities' Control Department performs its activity based on the yearly plan of controls. Based on the preceding analysis also categories of obliged entities specified on the pre-set criteria are included into the yearly plan. These criteria are determined by outcomes of controls from the previous years, with the number of received report on UTs from various categories of obliged entities as well as the intention of FSJ Slovakia in relation to increase of awareness of obliged entities and elimination of the most frequent shortcomings in the activity of obliged entities. Controls beyond the plan are performed on the base of initiatives from particular units of the financial police or other information obtained by means of operational or service activity.

In 2012 Obligated Entities' Control Department performed 22 controls. Results are shown in Chart No. 8. Column "paid-up in EUR" includes fines for detected administrative offences in 2011 and 2012. Column "number of filed appeals" includes number of decisions of FSJ Slovakia attacked by obliged entities, but these decisions were confirmed by appealing authority.

Chart No. 8: Statistical data on way of completion of controls performed in 2011 and 2012

YEAR	NUMBER OF CONTROLS	WAY OF COMPETION		AMOUNT OF SANCTIONS IN EUR	PAID-UP IN EUR	NUMBER OF FILED APPEALS
		WITHOUT SANCTION	SANCTION			
2012	22*	9	12	83.800	83.800	5

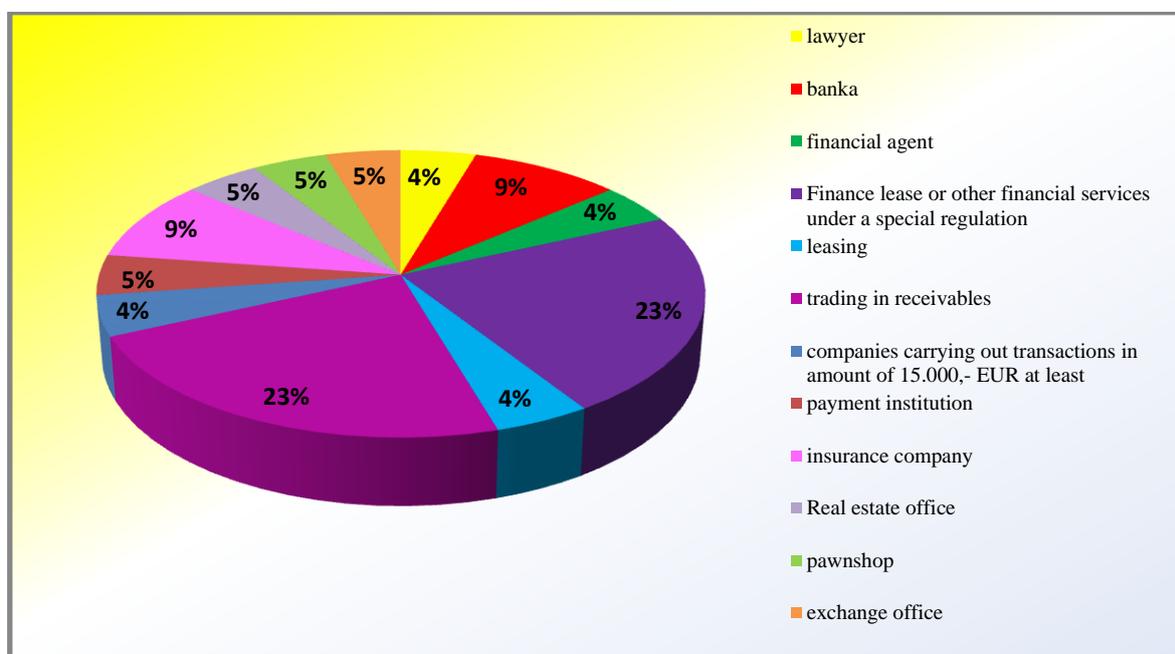
*in one case, administrative procedure is running

Chart No. 9: Control findings of staff of FSJ Slovakia resulting from control activities performed in 2012 at obliged entities divided according to their subject of business

OBLIGED ENTITY	NUMBER OF CONTROLS	CONTROL FINDINGS
Lawyer	1	- No shortcomings
Bank	2	- Break of obligation of identifying of beneficial owner - Break of obligation to report UTR
Financial Agent	1	- No shortcomings
Finance lease or other financial services under a special regulation	5	- No programme - Incomplete programme
Leasing	1	- Incomplete programme
Trading in receivables	5	- Break of obligations within

		appraisal of transactions - Incomplete programme - Shortcomings in CDD
Companies carrying out transactions in amount of 15.000,- EUR at least	1	- No programme
Payment Institution	1	- No shortcomings
Insurance Company	2	- Reporting of UTRs - Incomplete programme
Real Estate Office	1	- Incomplete programme
Pawnshop	1	- No shortcomings
Exchange Office	1	- No programme

Graph No. 6: Graphic presentation of obliged entities, where the control activities were performed by staff of FSJ Slovakia in 2012



Because control findings suggest insufficient level of awareness and legal conscience of obliged entities, controls performed by staff of Obligated Entities' Control Department have been specialized, besides punishment, at elimination of shortcomings when performing on-site visits by means of advice, and looking for optimal solutions by means of control of problems identified, especially in relation to elaboration of programme of own activity and was of performance of client's diligence in line with AML/CFT Law.

Within cooperation with obliged entities Obligated Entities' Control Department provides regulations and viewpoints on particular application problems of AML/CFT Law. These regulations and viewpoints are issued based on the request of obliged entities, professional organizations and association of obliged entities or based on the own initiative when there are

shortcomings within the application of the law in practice and it is necessary to react on it by FSJ Slovakia.

In 2012 there were 27 viewpoints and interpretations of law were provided by FSJ Slovakia. Most of these viewpoints were related to interpretation of some of provisions mentioned in AML/CFT Law and ambiguous definitions in the law within the practical application of particular obligation of obliged entities. In 2012 FSJ Slovakia satisfied 29 requests and notifications sent by National bank of Slovakia (hereinafter referred to as “NBS”).

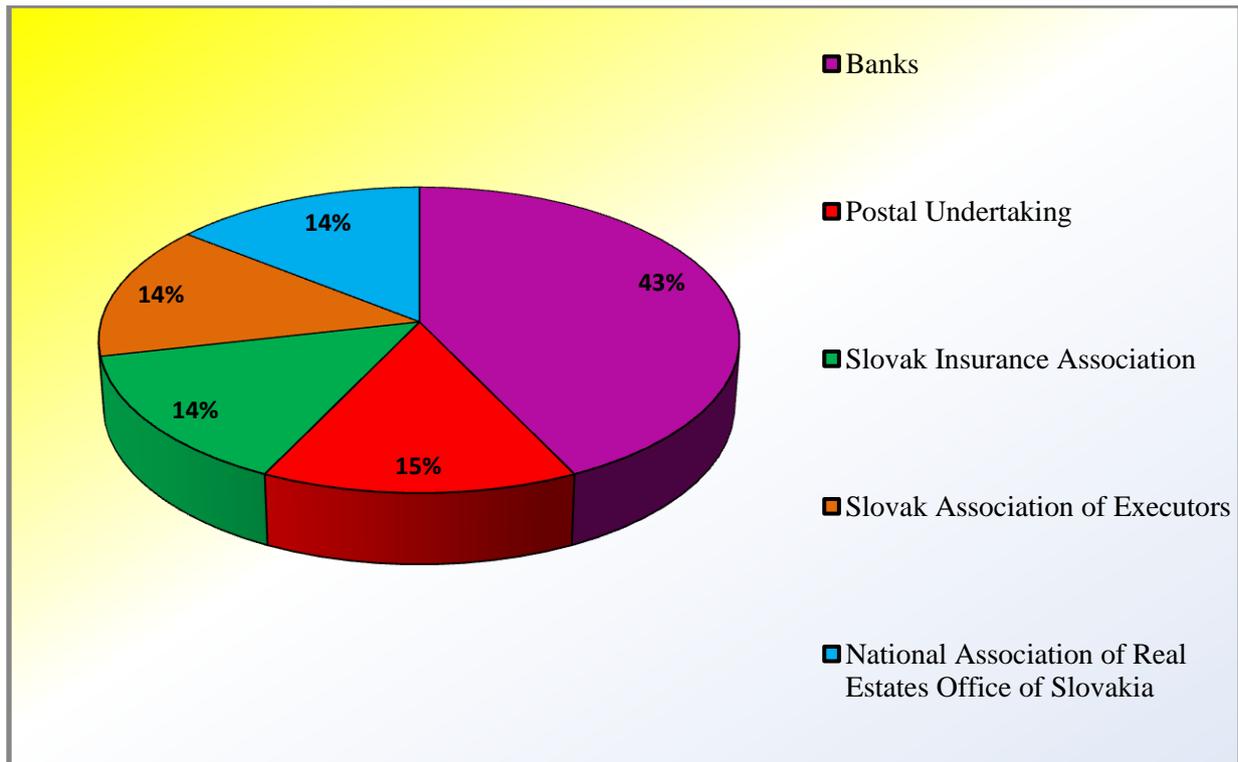
Obliged Entities’ Control Department publishes guidelines and interpretation of law on the website of FSJ Slovakia as a form of assistance of obliged entities. This kind of activity will be even intensified, based on self-initiative and also based on requirements of obliged entities.

Employees of Obliged Entities’ Control Department based on the invitation or requests sent by obliged entity, or professional organization are participated in training of employees of obliged entity or members of its professional organizations in the form of presentation or interpretations of AML/CFT Law.

Chart No. 10: Statistical data on courses performed by FSJ Slovakia intended for obliged entities in 2012

OBLIGED ENTITIES (PROFESSIONAL ORGANIZATIONS), WHERE COURSES WERE PERFORMED	NUMBER OF COURSES	THEME OF COURSE
Banks	3	application comment of AML Law, stressed on compliance to obligations, control activities aimed on obliged entities (methodology and targets)
Postal Undertaking	1	application comment of AML Law, stressed on compliance to obligations
Slovak Insurance Association	1	application comment of AML Law, stressed on compliance to obligations, control activities aimed on obliged entities (methodology and targets)
Slovak Association of Executors	1	application comment of AML Law, stressed on compliance to obligations, activities performed by Unusual Transactions’ Department
National Association of Real Estates Office of Slovakia	1	application comment of AML Law, stressed on compliance to obligations

Graph No. 7: Graphic presentation of obliged entities (professional organizations), where the courses were performed by staff of FSJ Slovakia in 2012



In 2012 Obligated Entities' Control Department according to its competences filed an initiative with District Bureau in Banská Bystrica, Department of Small Business, to interception of small business practicing according to Section 58 (2) (a) of Act No. 455/1991 Coll. on Small Business as amended. On the base of this initiative staff of District Bureau in Banská Bystrica, Department of Small Business performed control of this subject. It was found out that the controlled subject is not complying with obligations according to Section 2 (3) of Act No. 513/1993 Coll. on Commercial Code as amended (hereinafter referred to as "Commercial Code"). Department of Small Business of District Bureau in Banská Bystrica filed a submission for cancelling to Registration District Court in Banská Bystrica according to Section 68 (6) (g) of Commercial Code.

In 2012 FSJ Slovakia within its out departmental activities performed together with NBS 2 controls of obliged entities (bank and insurance company). Purpose of these common controls was evaluation of activities performed by controlled subjects. During these common controls staff of FSJ Slovakia was aimed on compliance to obligations of obliged entities stipulated in

AML/CFT Law and staff of NBS was aimed on performing of bank supervisory. The mentioned controls were finished by independent outcomes of FSJ Slovakia and NBS.

4. International cooperation

The main tasks of International Cooperation Department are cooperation with foreign FIUs, international organizations and institutions in the field of activities of FSJ and also exchange of information or processing of foreign requests. International Cooperation Department cooperates within international cooperation in the field of money laundering, detection of terrorism financing and in the area of the fight against white collar crimes. International Cooperation Department also represent FSJ Slovakia before relevant authorities of other member states, the European Commission, relevant authorities of 3rd countries and international organizations.

4.1 Cooperation and exchange of information between foreign FIUs

Comprehensive and effective verification of ML/FT cases will be impossible without fast and active international exchange of information, mainly in cases, where the link with foreign countries was found out during the verification of UTRs. Within FSJ Slovakia this area is covered by staff of International Cooperation Department, who communicates with other FIUs from around the world.

Exchange of information related to verified UTRs, as well as general communication with foreign FIUs is realized via encrypted electronic security network ESW (Egmont Secure Web) created for this purpose by the international organization Egmont Group which merges FIUs from around the world.

Since 2004 exchange of information in connection with cases of discovering and documentation ML/FT between European member states FIUs of is secured by encrypted network called FIU.NET. This pan-European is step by step the most preferable channel for exchange of information in connection with ML/FT used by 25 states which are connected to FIU.NET from total 27 member states of the EU.

Information obtained by the above mentioned ways are for intelligence purposes only and might be used only for analytical purposes, after the prior consent is given by FSJ Slovakia.

In 2012 FSJ Slovakia sent via FIU.NET requests to foreign FIUs related to 1042 subjects which were objects of verification. This result is very pretentious in comparison with frequency of cooperation of other FIUs performed via FIU.NET. In light of statistical results according to number of subjects sent to foreign FIUs for purpose of verification via FIU.NET in period of November 2011 – January 2013, the Slovak Republic is in 4th place in list of the most active countries after Belgium, the Netherlands and the United Kingdom¹.

Overall, in 2012, we exchanged information with 60 FIUs in 1989 individual cases. This number represents an increase of more than 7% compared with the previous year. The number of international exchange of information continuously growing every year and this trend continued in 2012.

¹ FIU.NET Bureau, report on 19. Meeting of the FIU Platform on 07.02.2013

Graph No. 8: Statistics on total number of cases of international cooperation and information Exchange by FIUs between 2007 – 2012

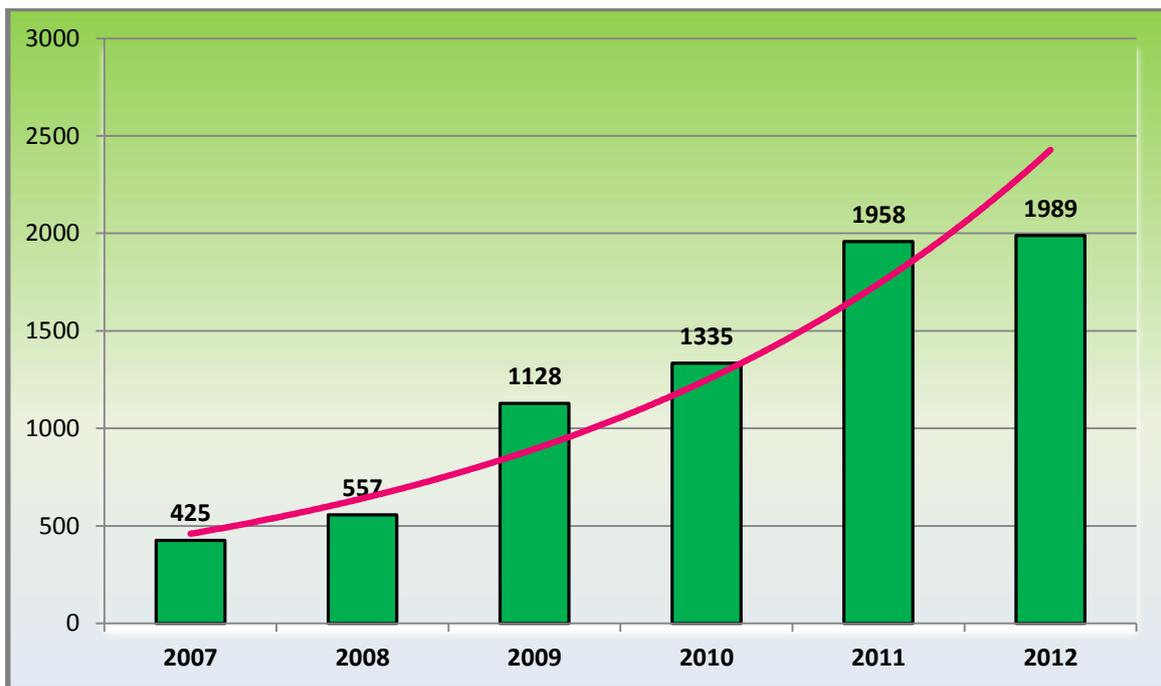


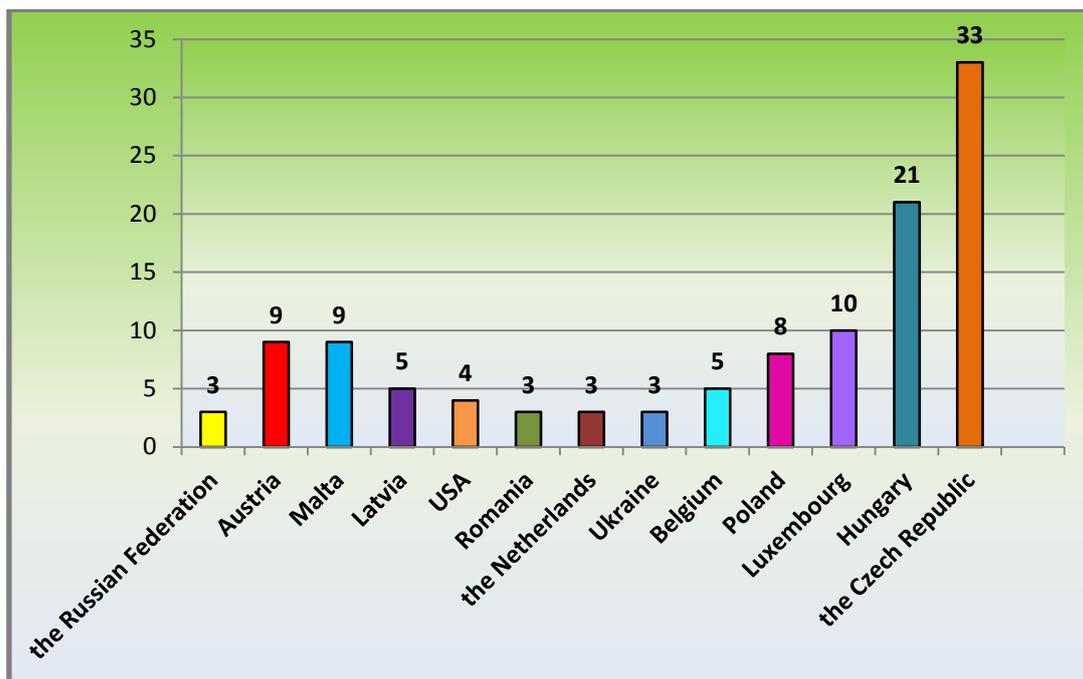
Chart No. 11: Summary of selected activities performed by International Cooperation Department between 2010 – 2012

	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
2010	160	75	374	69
2011	306	144	474	204
2012	436	147	363	93

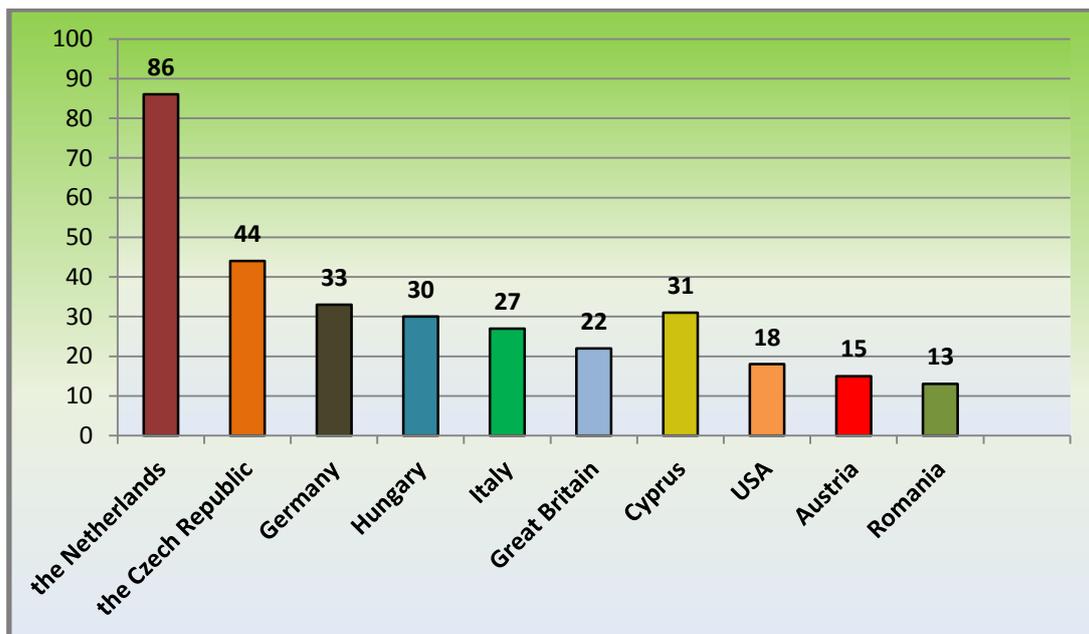
From the above mentioned statistical data shown in chart No. 11 and plot in graph No. 8 expressly results that FSJ Slovakia is very active in the light of international cooperation of FIUs, which participate in building of international cooperation in the field of AML/CFT.

The most frequent cooperation was carried out as usual with the FIU of the Czech Republic, Hungary, Germany, the Netherlands, Austria, Italy, Great Britain and Poland. Feedback to our spontaneous information sent by foreign FIUs justifies us to say that information exchange based on self-initiative was a good choice.

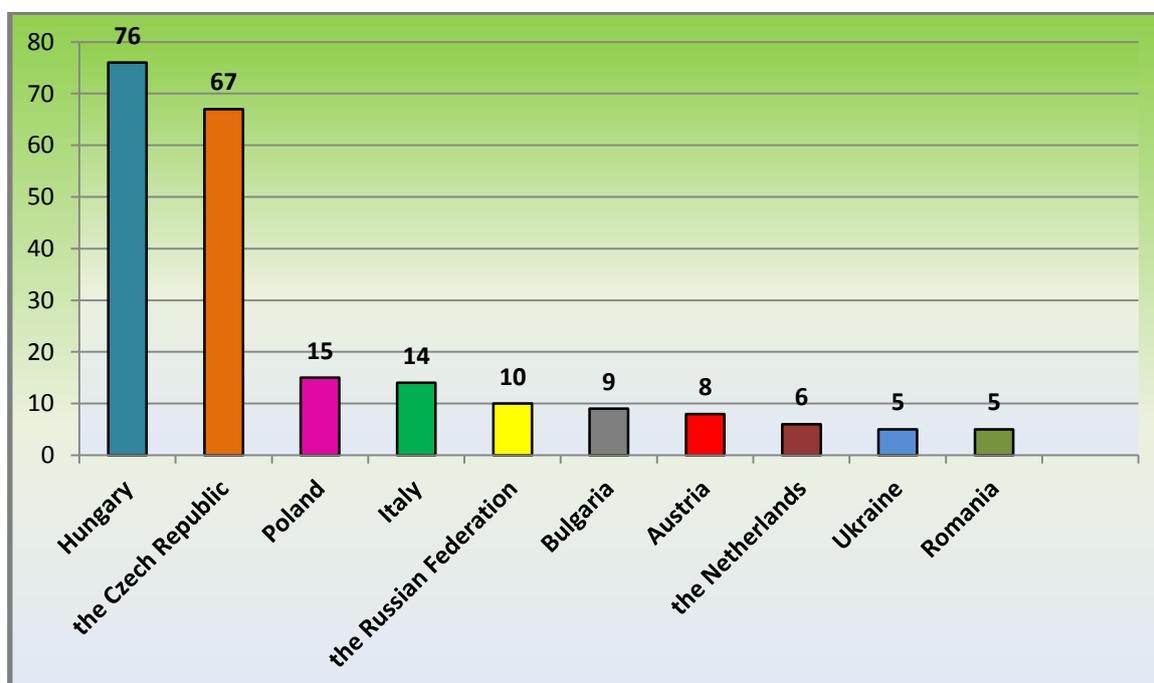
Graph No. 9: Graphic presentation of countries, which sent request for information in 2012 to FSJ Slovakia



Graph No. 10: Graphic presentation of countries, where FSJ Slovakia sent requests for information in 2012



Graph No. 11: Graphic presentation of countries, where FSJ Slovakia sent spontaneous information in 2012



In regard to the growing need of verification of information from UTRs abroad, in comparison with previous year the number of requests for information sent by FSJ Slovakia to foreign countries markedly increased in 2012. The most frequent cases which were grounds of requests for information sent to foreign countries were phishing, transfer of proceed of crimes

to neighbouring countries, to offshore countries, etc. In 2012 the downward trend of number of spontaneous information sent by FSJ Slovakia was noticed, as well as number of spontaneous information received from foreign FIUs what is in particular associated with consistent analysing of information from UTRs and considering of relevancy for other FIU.

4.2 Cooperation with International Organizations

Other areas of action of FSJ Slovakia, which also have a direct bearing on the issue of combating money laundering and terrorist financing, are the activities within the European Commission. Contact with the European Commission is assured by staff of International Cooperation Department, mainly through participation in various expert committees and working groups.

Also in 2012 FSJ Slovakia representative actively participated in the work of the Committee for the Prevention of Money Laundering and Terrorist Financing of the European Commission (thereinafter refer to as “committee”) which meets regularly in Brussels. There attend representatives of all European Union Member States where they deal with current issues relating to measures against money laundering and terrorist financing.

In 2011 committee started discussion related to revision of Directive of European Parliament and of the Council 2005/60/ES dated 26.10.2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (amended by European Commission Directive 2006/70/ES dated 01.08.2006 by which the implementary measures were established for Directive of European Parliament and of the Council 2005/60/ES related to term “politically exposed person”), also called as 3rd Directive of combating ML/FT (thereinafter refer to as “directive”). Directive established for member states of European Union minimum requirements in combating of ML/FT, which have to be transpose into national legislation. This Directive appoint for example a range of subjects covered by the duties in connection with the application of customer due diligence, reporting obligation to the central financial intelligence unit, as well as penalties for failure to comply. During the year 2012 representatives of the member states of European Union

A big benefit for FSJ Slovakia was also participation in the meetings of the FIU Platform which bringing together FIUs of the Member States, which is one of the subcommittees of the Brussels Committee, DG Justice, Freedom and Security. In 2012 the objects of meetings were exchange of intelligence between FIUs of particular Member States and transition of FIU.NET under the encrypted secure net SIENA managed by Europol.

In the year 2012 representatives of FSJ Slovakia participated in regular meetings of an informal platform for so called Asset recovery Offices (hereinafter referred to as “ARO”) of Member States, organized by the European Commission. Meetings are attended by representatives of the national police and judicial bodies. Subjects of discussions are cooperation, coordination and information exchange possibilities between the national ARO authorities concerning the identification and detection of assets from criminal activities and practices in applying the tools of criminal law within the confiscation and cross-border cooperation. ARO Platform meetings and “ad hoc” established working groups are giving assistance within issuing of various useful documents named as “Best practice”, which contains required practices to address current problems. In 2012 ad hoc working group was established which is aimed on addressing of national central registers of bank accounts. Result

of activities performed by this working group was the manual / instructions for creation, process and minimum requirements on the national central registers of bank accounts.

In 2012 FSJ Slovakia actively cooperated also with other foreign AROs via encrypted secure net SIENA. Since 2011 FSJ Slovakia has been connected to SIENA.

From the view of further developing and securing of superior cooperation with the neighbouring countries a big benefit for FSJ Slovakia were 2 regional working meetings of neighbouring Central European countries focused on possibilities of information exchange, which was hosted by the FIU Czech Republic in May 2012 and by FIU Hungary in November 2012. Representatives of the Slovak Republic, the Czech Republic, Austria, Hungary and Poland were participated on these meetings. This activity will continue also in 2013. Further, 4th regional meeting of FIUs will be held by FSJ Slovakia in the second half of 2013.

5. Financial and property verification

The Property Check-up Department was created in 2004 in response to the need to support the work of the Slovak Law Enforcement Authorities within their financial and property verification. The creation of the Property Check-up Department pursues the main objective - the detection and identification of incomes and property derived from crime or associated with crime, which could be subject of seizure and subsequent confiscation. This task is a high priority and ambition of this department even today, not only in relation to crime investigated in Slovakia, but also within the investigations conducted by foreign partners.

5.1. Identification of incomes and property derived from criminal activity

Following the decision of the Council of the European Union No. 2007/845/JHA of 06.12.2007 concerning cooperation between Asset Recovery Offices of the Member States in the field of tracing and identification of proceeds from crime, or other property related to crime, FSJ Slovakia fulfills the role of the national Asset Recovery Office (ARO) since 2008.

The role of national AROs is 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.

Cooperation and exchange of information between national AROs is done on the basis of the procedures and deadlines set out in the Framework Decision of the Council of the European Union No. 2006/960/JHA on simplifying the exchange of information and intelligence between the Law Enforcement Authorities of Member States of the European Union. The mutual cooperation is not only confined to the territory of the European Union, but the exchange of information is carried out also with third countries through an informal global network of professionals and experts in the field of cross-border identification, freezing, seizure and confiscation of proceeds of crime and other crime related property - Camden Assets Recovery Inter-Agency Network (CARIN), a member of which is also the FSJ Slovakia since its inception in 2004.

The Property Check-up Department uses its knowledge, experience and expertise in identifying assets that may originate in crime or be related to crime in order to ensure

effective implementation of measures to combat crime. The philosophy of this department is based on the general observation that the most important motivation of perpetrators in committing of crime is a financial or material profit. For these reasons, it is necessary to pay particular attention to search for those values that may be seized and confiscated within the legislative possibility of criminal proceedings, thus excluding charges and recognition of the offender guilty of the crime to ensure the involvement of assets derived from criminal activity within the penalty of property forfeiture, money penalty or penalty of forfeiture of a thing.

The Property Check-up Department uses in the preparation of information about the entity's assets access to police databases, as well as to its own database (database of the FSJ Slovakia). On the ground of official requests and according to the Act No. 171/1993 Coll. on Police Force the department cooperates also with banks and other financial institutions that may have information on the assets owned by the verified subject. In the event that there is information on the possible location of assets of the verified entity abroad, FSJ Slovakia through the Property Check-up Department covers also the detection of these assets outside the territory of the Slovak Republic, in the form of international cooperation with foreign AROs or members of the CARIN network. Summary of the obtained information creates a property profile of the concerned entity, which is submitted in the prescribed form to the competent Law Enforcement Authorities.

FSJ Slovakia is trying to ensure that the detection and information on placement of proceeds of crime become an integral part of every investigation. FSJ Slovakia is interested in using the possibility of the Property Check-up Department within an effective assets identification and in providing a complete property profile of a concerned subject to the competent Law Enforcement Authorities in order to take further steps in the investigation and that most police departments know the mentioned powers of the Property Check-up Department. The FSJ Slovakia started with awareness at the specialized departments of the Presidium of Police Force, which deal with the most serious cases of economic and organized crime and which have been incorporated into the organizational structure of the National Criminal Agency since 01.12.2012. At the same time the FSJ Slovakia conducted also trainings for police officers of operational police departments and investigators of the District Police Headquarters in Komárno, Dunajská Streda and Nové Zámky. The aim of trainings was to familiarize the educated police officers with the police organizational structure and position of the FSJ Slovakia, with its powers in the legislative field, as well as with the institutional and staffing possibilities that FSJ Slovakia uses in search for property of the suspected or accused persons. In 2012 there was also a training made for INTERPOL staff in the field of international cooperation in order to detect the crime related property and a training for prosecutors of the district prosecution offices in Prešov and Košice concerning the options to search property derived from crime for purposes of the ongoing criminal proceedings. At the same time the police officers were informed about the text of the Act No. 101/2010 Coll. and about the possibility how to use this law within own operations, in the cases, where there is suspicion that the property was acquired by persons of illegal income, and it was not possible to take sanctions under the Criminal Code.

In 2012 the Property Check-up Department received together 20 requests for providing with a complete property profile sent by various police departments in Slovakia, by which the international cooperation was also used with almost all existing foreign AROs. In the past year this department received 31 requests for information from foreign AROs.

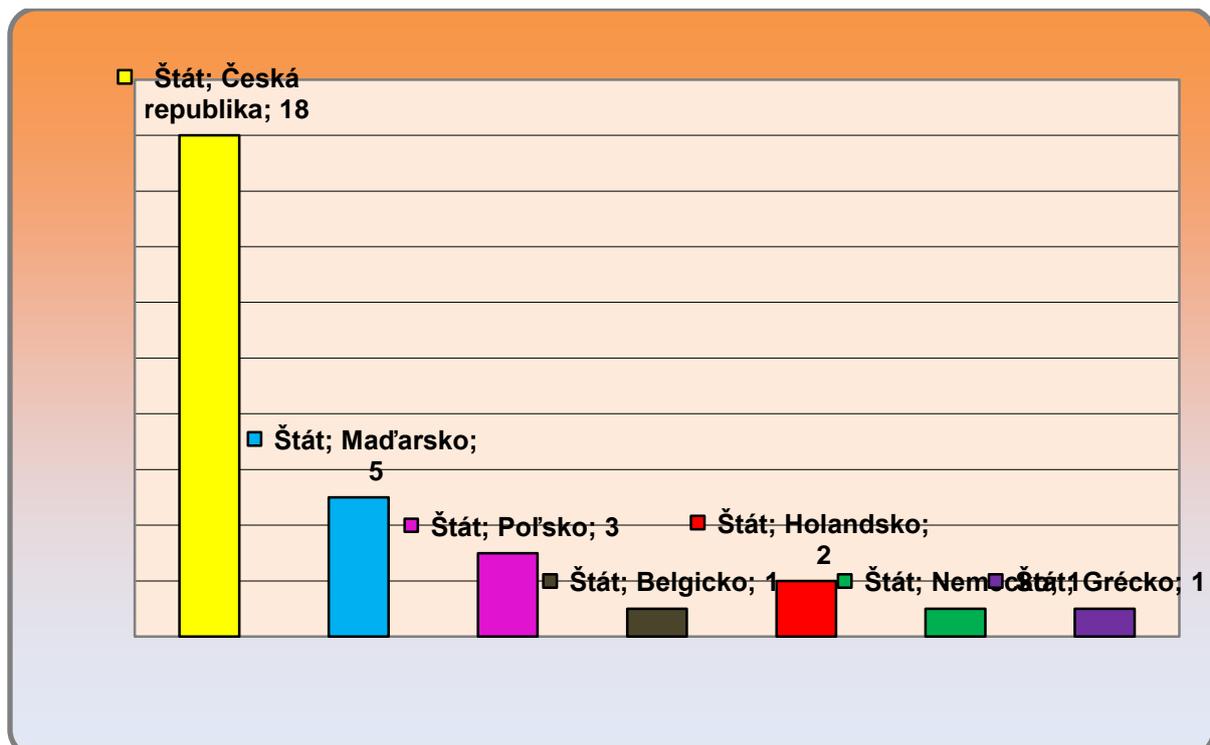
8 requests from the year 2011 remained in examining (5 requests from the Slovak police departments and 3 requests from abroad). The police officers of the Property Check-up Department received together 60 requests and they sent 19 complete property profiles for police departments in Slovakia and 21 replies to requests from foreign partners for the valuated period. To the date 31.12.2012 20 requests (requests from the Slovak police departments and 13 requests from abroad) remained in examining.

Chart No. 12: Number of property profiles elaborated by the Property Check-up Department in 2011 and 2012.

YEAR	REQUESTS FROM THE SLOVAK POLICE DEPARTMENTS	REQUESTS FROM THE FOREIGN POLICE DEPARTMENTS	REQUESTS FOR LEGAL ASSISTANCE SENT BY GENERAL PROSECUTOR'S OFFICE OF THE SLOVAK REPUBLIC
2011	20	32	1
2012	19	21	0

The most intensive cooperation in 2012 was carried out with other police departments, which have been incorporated into the organizational structure of the National Criminal Agency since 01.12.2012, with the National Unit of Financial Police, National Anti-Corruption Unit and National Anti-Crime Unit. With regard to international cooperation we can confirm that the most frequent was the mutual cooperation with the ARO of the Czech Republic and other AROs of the neighboring countries.

Graph No. 12: Summary of countries requesting the creating of property profile

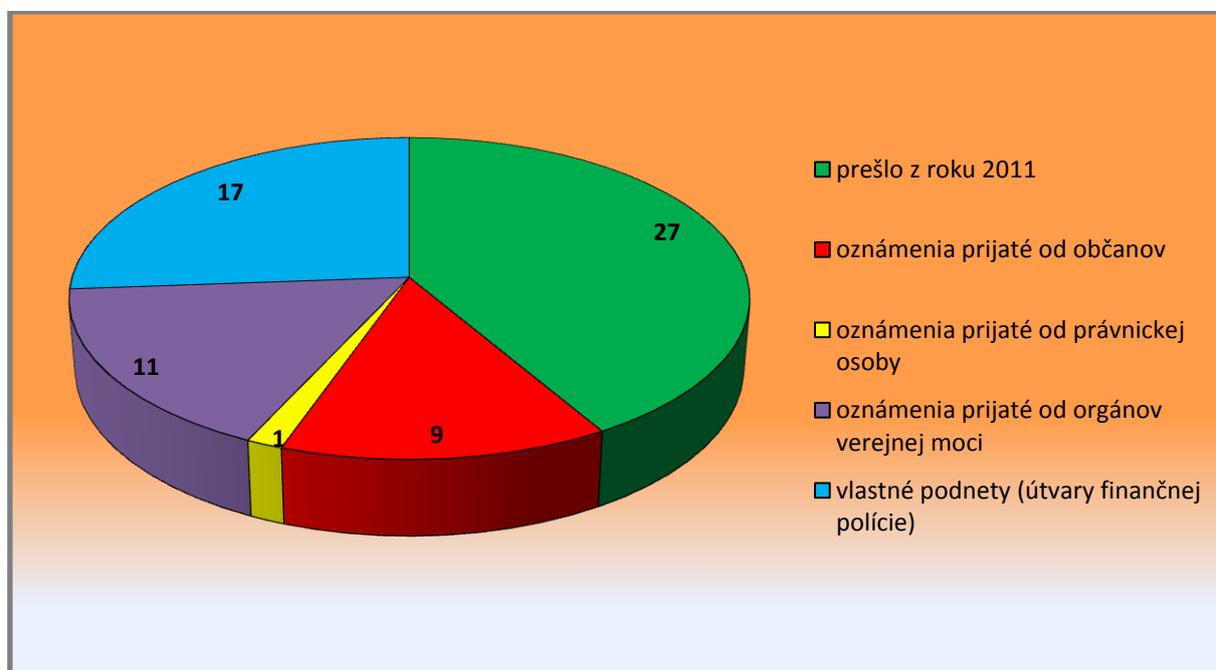


5.2. Proof of Origin of Property

Another important area, where the Property Check-up Department acts as a coordinator and methodical authority, is review of incomes, property value and the method of acquiring property (hereinafter referred to as „the Proof of Origin of Property”), in accordance with the Act No. 101/2010 Coll., which regulates the conditions and procedures of public authorities within the deprivation of immovable property as well as movable assets, flats and non-housing premises, other property rights and other property values, cash in euros and foreign currency, deposits in banks and branches of foreign banks in euros and foreign currency and deposits in banks located abroad belonging to natural persons and legal entities, about which the court declared in proceedings under this Act that they acquired the property from proceeds of crime.

The Act on the Proof of Origin of Property is a new type of procedure in the police examination in which the existence of property contractual relationships with banks and branches of foreign banks, insurance companies, building societies, asset management companies, as well as existence of ownership of securities, ships, aeroplanes, motor vehicles and other property values is verified.

Graph No. 13: Graphical representation of cases on Proof of Origin of Property in 2012



In 2012 there was a decrease of written notifications from natural persons (hereinafter referred to as „citizens“), as there were just 9 notifications received by FSJ Slovakia in the valuated period (in 2011 FSJ Slovakia received 60 notifications) from citizens, 1 notification was received from a legal person, 11 notifications from public authorities (including other departments of Presidium of Police Force besides the Financial Police). Of its own initiative,

the proceedings were initiated on the basis of 17 own initiatives (in 2011 there were 9 own suggestions). 27 cases remained in reviewing from the year 2011. It follows that, in 2012 the examining the origin of property in accordance with the Act No. 101/2010 Coll. remained in 65 cases. Of these, 14 cases were closed. Two suggestions were submitted to the prosecutor, in whose jurisdiction is the competent court for proceeding (of which 1 stimulus was still in 2011, but it was returned by prosecutor to supplement and resent to the prosecutor again) in order to initiate proceedings and to declare that the property of an entity was at least 1500 times the minimum wage higher than verifiable incomes (for 2012 this was 1500-fold by setting a minimum wage of 490.800-EUR). In 11 cases, the property was found out lower than 1500-fold of the minimum wage and 2 notifications did not meet the mandatory requirements of the Act No. 101/2010 Coll. (incomplete notification or unconfirmed identity of the notifying person). Other cases have remained at the stage of verification.

6. Analytical activity

The Analytical Department of FSJ Slovakia was established on 01.04.2009 due to the need to meet new legal obligations primarily defined in § 27 of AML/CFT Law, under which the FSJ Slovakia keeps summary statistical data covering the number of unusual transaction reports received, the particular ways of processing unusual transaction reports and their number including the number of cases submitted to law enforcement authorities or tax administrators for a calendar year and the number of persons prosecuted, the number of persons convicted of legalization of proceeds from criminal activity and the value of seized property, confiscated property or forfeited property and once a year shall publish a summary review of that statistical data in an annual report of FSJ Slovakia.

The Analytical Department within the needs of obliged entities, which report the unusual transactions to the Financial Intelligence Unit (FSJ Slovakia), is responsible for submitting of statistical information on the effectiveness of unusual transaction reports so that the obliged entities have a particular view of their individual reports and their subsequent utilization.

To the additional tasks of the Analytical Department belongs also the proposing of modifications and changes of the relevant legislation, where appropriate, the related relevant legislation of the National Criminal Agency, concentration of documents, information processing and other materials for coordination and cooperation with the Law Enforcement Authorities, the Ministry of Finance of the Slovak republic, the National Bank of Slovakia, with banks or with other foreign FIUs. The Analytical Department manages the registration, monitoring, implementation and evaluation of tasks resulting for FSJ Slovakia from resolutions of the National Council of the Slovak Republic, the Government of the Slovak Republic, the annual plan of the Presidium of Police Force, as well as from other documents. The Analytical Department in cooperation with other departments of FSJ Slovakia disseminates also information on the forms and methods of legalization of proceeds of criminal activity and terrorist financing and on the methods of recognition of unusual transactions.

In 2012 the works on creating a new complex information system for FSJ Slovakia (hereinafter referred to as „system KIS“) were completed. This system represents a new dimension of recording, processing, archiving and analyzing of information related to all the areas of the activity of FSJ Slovakia. However, the biggest benefit of system KIS is a high level of safety and protection of embedded information and data that meets all the standards

in the given field. The system KIS was completed and ready to be put into practice to the date of 01.01.2013.

7. Currency Transportation

According to the Customs Act No. 199/2004 Coll. (hereinafter referred to as „Customs Act”) the currency entering the Slovak Republic from a third country or leaving the territory of the Slovak Republic in a third country is subject of customs supervision. Reporting obligation arises for any natural persons who transport currency or monetary instruments of at least 10.000 euros and who are bound to declare this fact to the customs officers through a Currency Declaration Form filled out there where the transport of currency takes place. The Customs Authority is under the Customs Act obliged to send the completed Reporting Obligation Forms (Currency Transportation Report), as well as notifications of violation of customs regulations to the FSJ Slovakia until the fifth day of the calendar month following the month in which these facts occurred.

In 2012 the FSJ Slovakia received from the Customs Directorate of the Slovak Republic **63** reports of transportation of currency in a total amount of **1.649.419,38** euros. In 9 cases the transportation of monetary instruments was realized through the Milan Rastislav Štefánik Airport in Bratislava and through the Airport in Sliač, whereby in 2 cases the Slovak nationals and in 7 cases the foreigners imported or exported cash to/from the EU.

In 2012 the FSJ Slovakia received 55 reports of currency transportations which were realized by the EU land border between Slovakia and Ukraine, while in 48 cases the monetary instruments were imported into the EU by Ukrainian citizens, by two citizens of Russia, in 2 cases by German nationals, in one case by an Italian national, Belorussian national and Hungarian national. In most of these cases the funds were designed for the purchase of goods (mostly cars and trucks) in Slovakia, the Czech Republic, Poland or Germany, but also for deposit to a bank account conducted in Slovakia, for business purposes or for personal use.

There were no cases of illegal currency transportation detected within carrying out checks at external border of the Slovak Republic in 2012.

Graph No. 14: Total numbers of the currency transportation from/to EU reported to FSJ Slovakia in 2009 - 2012.

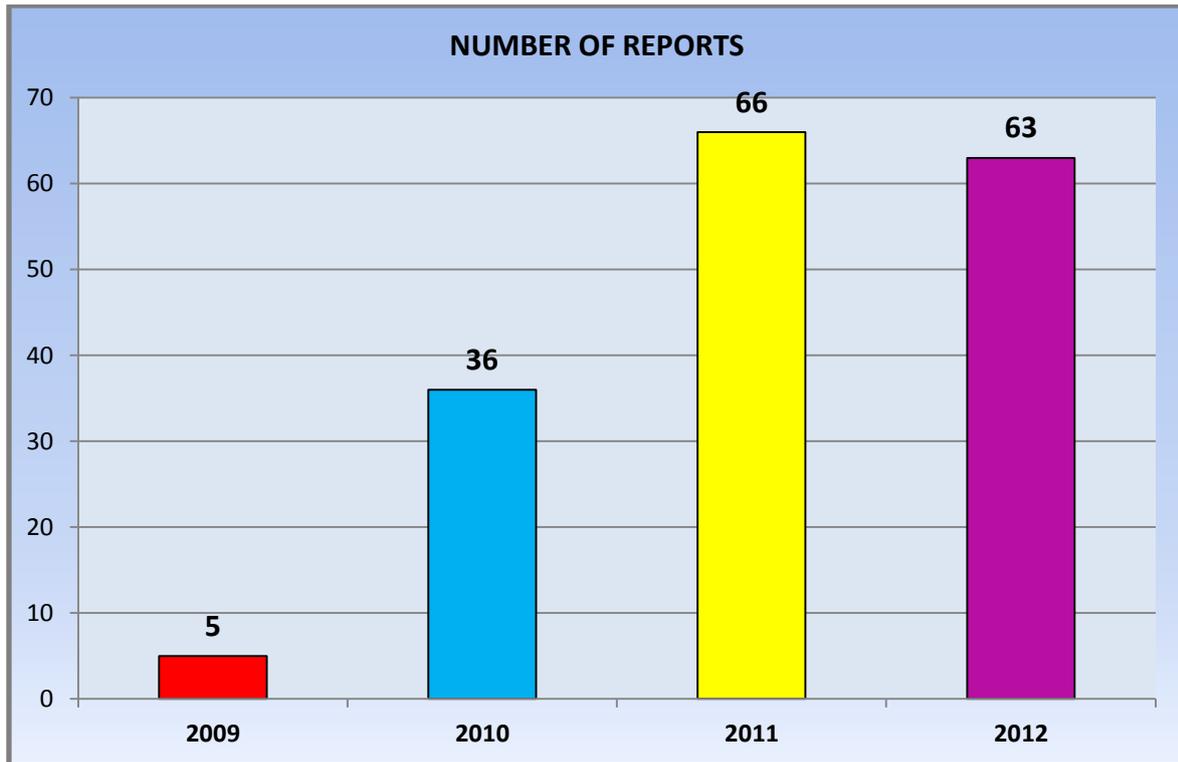
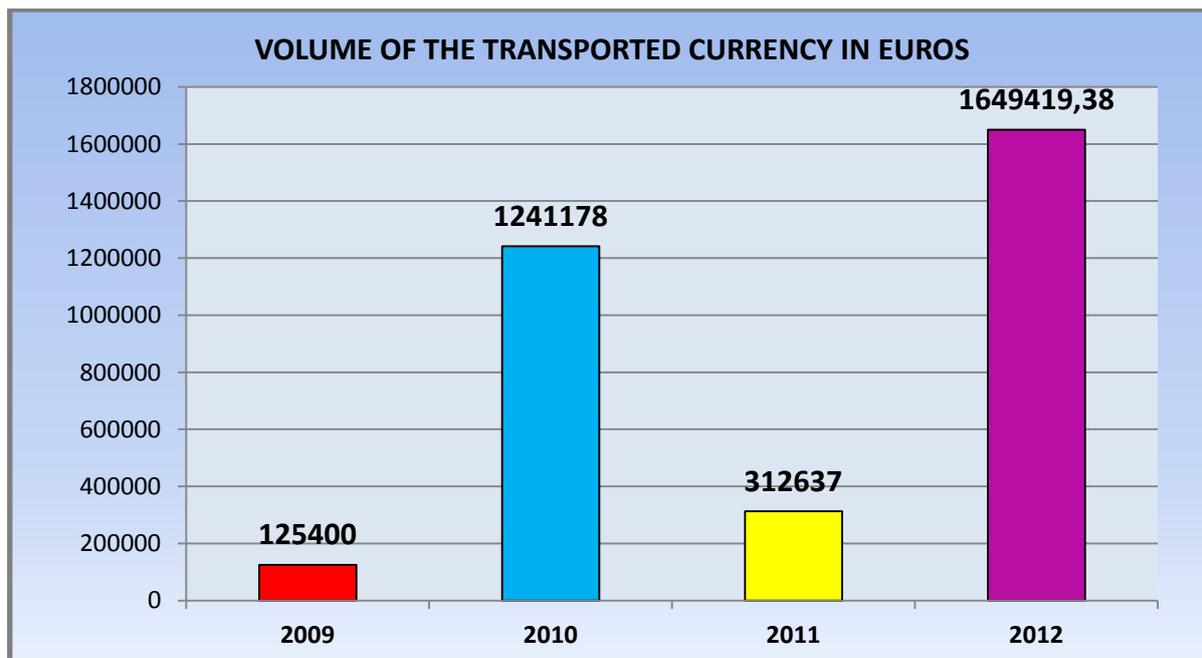


Chart No. 13: Comparison of total numbers of the currency transportation reports received by FSJ Slovakia and comparison of volumes of the currency transported from/to EU in 2009 - 2012.

YEAR	NUMBER OF THE RECEIVED REPORTS	VOLUME OF THE TRANSPORTED CURRENCY
2009	5	125.400 EUR
2010	36	1.241.178 EUR
2011	66	312.637 EUR
2012	63	1.649.419,38 EUR

Graph No. 15: Volume of the currency transported from/to EU in 2009 - 2012



8. Methods of money laundering and terrorist financing documented by FSJ Slovakia

FSJ Slovakia within carrying out its tasks obtains also among other things the information on methods of money laundering and terrorist financing and related predicate offences, whereby FSJ Slovakia recorded all the legalization phases starting from the placement and continuing through the layering to the integration of legalized proceeds of crime. The obtained information was submitted by FSJ Slovakia to the competent local Law Enforcement Authorities.

8.1. The most often used methods of legalization of proceeds of criminal activity and terrorist financing

- ✚ Crediting companies and firms involved in cash business (casinos, gambling houses, restaurants, bars, garages, etc.) with dirty money and subsequent numerous financial transactions with the intent to disguise the criminal origin of funds and at the same time to mix illegal money with legally gained funds. This method is used in money laundering related to violent, drug and tax crime.
- ✚ Smurfing – the method based on splitting of a large volume of illegally gained funds into smaller parts – funds in amount of 15,000 EUR which are deposited into bank accounts in various banks. Credits are performed by a group of people or an individual in time limits agreed in advance.
- ✚ Placement of proceeds of crime outside the country where the predicate criminal offence was committed and subsequent change of the character and manner of wire

transfers to another country. The aim of such transactions is to hamper identification of proceeds of crime or its seizure for the purposes of criminal prosecution. There are also intermediaries, so-called front persons - the involved natural and legal persons, often used within these methods. It concerns particularly the following cases:

- phishing, pharming, vishing, and combinations thereof,
- internet fraud,
- credit card fraud,
- fraud with payment terminals.

There are combinations of non-cash and cash transactions, exchange services and money transfer services used within all of these methods.

- + Opening accounts by Slovak nationals based on a web offer of an anonymous advertiser for the purpose of alleged wage. On this basis the person sends the advertiser his/her account number. Subsequently the account is used for transfer of funds obtained from criminal activity committed abroad. The funds are further transferred, based on the instruction from the advertiser. The transfers of such funds to other accounts are realized with the purpose to hamper identification of proceeds of crime as well as seizure of funds for the purpose of criminal prosecution. Combination of various transactions is used with this method.
- + Placement of proceeds of crime to bank accounts conducted in so-called “tax heavens”, or to accounts of companies registered in off-shore regions while the account may be conducted anywhere. Because of liberal laws enabling covert property, failure to provide cooperation in investigation of criminal activities, no, respectively limited control by state agencies, the storage of criminal proceeds to bank accounts in tax havens, respectively establishment of offshore companies and subsequent investment in the country of origin into the legitimate business is a widespread method of money laundering observed by FSJ Slovakia.
- + Reverse loan, most often with the use of accounts of foreign natural and legal persons, mostly seated in off-shore zone.
- + Investments, often overpriced, in real estates and transactions with them.
- + Investments into securities or other investment product.
- + Investment of proceeds of crime into life insurance and subsequent pay out.
- + Purchase of company shares.
- + Involvement of shell and fictitious companies in complex business schemes and chains, or the use of companies which were established or bought for the purpose of receiving payments for fictitious services and goods but which in fact do not run business, nor provide services. Their task is to launder proceeds of crime through fictitious invoices and adjusted false accountancy.
- + In connection with committing tax crime, particularly VAT fraud, non-transparent flows of goods, services and funds and the parallel involvement of so-called front persons and fictitious companies (carousel fraud).

- ✦ Internet lotteries and gambling games, crediting of gambler's playing account and subsequent pay off to another account without performing of any hazard or only in an inconsiderable volume.
- ✦ Misuse of accounts of advocates and notaries. The primary target is not provision of legal service but only creation of trustworthy source of funds.
- ✦ Misusing of transport companies and cash couriers where proceeds of crime are used. This method is mostly used in trafficking in drugs, human beings and weapons and such companies fulfill logistic function except for function of money launderer.
- ✦ Transfer of funds from countries with higher security risk of supporting terrorism declared as payment for goods, humanitarian help, and funds declared as support for foundations with subsequent layering into other accounts.
- ✦ Use of covering companies owned by persons linked with international terrorism while these don't provide real business activity.
- ✦ Fictitious business concealing trafficking in weapons and hazardous material. The business is conducted by companies seated in off-shore while domestic accounts are only used for transfer and disguise of financial flows.
- ✦ Concealment of proceeds of crime at bank accounts and safe deposit boxes abroad with the use of physical transport of funds in cash by cash couriers.
- ✦ Opening of „sleeping” accounts in domestic and foreign banks and their later active use in process of layering of funds.
- ✦ Payments performed by non-profit organizations, non-investment funds and foundations or on their behalf which do not correspond with the purpose of their establishment.
- ✦ Corrupt behavior in connection with procurement of a thing in general interest where a person having decision powers accepts bribe which is then mixed with his/her legal income and invested into legal business.
- ✦ Receipt of funds to accounts of natural persons in connection with payments for insurance based on fictitious insurance events in connection with vehicle insurance and their subsequent integration into legal business.

8.2. The successful cases documented by FSJ Slovakia in 2012

One of the cases that FSJ Slovakia was verifying in 2012, was **the case of suspicion of commission of criminal offence of fraud concerning the financial interests of the European Communities.**

A company registered in the Netherlands offered to the interested persons via the Internet option to realize deposits of funds in connection with investments in business in the field of exchange of foreign currencies, whereby this company received from anyone

interested in this kind of business the funds in amount of about 25 million USD, which were invested in accordance with the agreed conditions (but in order to disguise the origin of funds from crime and their seizure for the purposes of criminal proceedings) and transferred to the bank accounts conducted in Hungary. Thereafter the funds in amount of 8,5 million USD were transferred from Hungary to the bank accounts owned by companies seated in the off-shore zone conducted with the Slovak banks. Immediately after obtaining the above mentioned information from the Netherlands FSJ Slovakia acceded in accordance with § 16 of AML/CFT Law to the postponement of the transactions in amounts of 5,99 million USD and 0,9 million USD (in a total amount of 6,89 million USD) on two bank accounts owned by a company with one of the commercial banks in Slovakia. However, meanwhile the holder of disposal rights to the both bank accounts made cash withdrawals in a total amount of about 1,36 million USD. In the period of postponement of the transactions the Dutch police asked for securing of the funds on the bank accounts conducted in Slovakia through the mutual legal assistance.

Another successful case, that FSJ Slovakia has verified in 2012, was **the case of leasing fraud at the trial stage**

During 2012 a leasing company seated in Slovakia was contacted by a client over the phone, who expressed interest in financing the lease of a luxury vehicle at acquisition costs in amount of 250.000 euros, the contractor of which should have been a reputable car dealer in Slovakia. The documents for approval of this lease were sent to the leasing company via the post office. Within the verifying of the documents submitted to the leasing company it was found out, that the documents show signs of counterfeiting and falsification and the bank account number to which the funds in amount of 250.000 euros should have been transferred in case of approval of this lease, does not belong to the mentioned car dealer. On the ground of the mentioned facts the leasing company required from the client submitting of a preliminary invoice, which was subsequently submitted by the client. Within the verifying FSJ Slovakia found out that even the preliminary invoice is a fake, as confirmed by the car dealer, who stated that their company does not use such types of documents. Within the verifying of the vehicle identification data it was found out that the chassis number mentioned in the document does not exist and the vehicle is not registered.

The case was submitted by FSJ Slovakia to the Slovak local competent Law Enforcement Authority as a suspected criminal offence of fraud at the trial stage with an estimated damage amount of 250.000 euros.

During 2012 FSJ Slovakia also verified **a case of falsification of a cheque** for the sum of 15 million EUR, which was issued by a bank seated in Great Britain in favour of a Serbian company. The cheque was presented by a Slovak national to the bank in Slovakia. The cheque should serve as a guarantee for a loan for the construction of a solar park in Serbia. Within the verifying of the authenticity of the cheque the bank in Great

Britain, by which the cheques should have been issued, found out that it was forged.

The case was submitted by FSJ Slovakia to the competent Law Enforcement Authority as a suspected criminal offence of counterfeiting, alteration and unauthorized production of money and securities under § 270 of the Criminal Code. That case was interesting in terms of the amount for which the cheque was issued.

During 2012 FSJ Slovakia also successfully verified **a case related to the fraudulent activities of holders of payment cards** of MasterCard type issued by one of the banks seated in Great Britain, which is interesting in terms of the fact that it was not a classic fraud carried out by the credit cards without the knowledge of their owners (skimming, etc.), but a fraud with credit cards that implemented their real owners.

The perpetrators (3 persons of the Slovak and Czech nationality) opened bank accounts with one of the banks in England which provided them with one of their services - performance of implementing transactions of CASH ADVANCE type, what means cash-withdrawals by credit cards through imprinter at any bank branch offices abroad. In this type of transaction the funds are not reversed from the customer's account immediately, but only after receipt of a documentation about the executed transaction, which takes in some cases several weeks.

Subsequently the perpetrators carried out several repeated cash-withdrawals of all the funds from their bank accounts at various bank branch offices in Slovakia and the Czech Republic in the accounting period, whereby there are already no funds on their bank accounts at the time of withdrawals, and so they got into an unauthorized overdraft and thereby they caused damages in amount of 10.000 euros to the issuing bank in Great Britain.

The case was submitted by FSJ Slovakia to the competent Law Enforcement Authority as a suspected criminal offence of fraud under § 221 of the Criminal Code.

8.3. Development prognosis for the future

- ✚ Misuse of the Institute of payment institution, especially its lower organizational branches and intermediaries providing its services for the purposes of disguise of financial flows and money laundering activities
- ✚ Misuse of electronic money by using more sophisticated methods of committing crimes using false identification documents and front men residing outside the European Union.
- ✚ Expansion of foreign payment institutions in the territory of the Slovak Republic for the purpose of establishment of its own controlled system of payments.
- ✚ Creating of specialized companies and profiling of professionals conducting cover and placement of proceeds from crime and their legalization for order.

- ✚ Investment of foreign subjects committing crimes in the territory of the Slovak Republic and vice versa. These include investments in real estates, securities, goods of high value and in the business shares of companies.
- ✚ Some risk also brings the private banking, which particularly offers comprehensive banking services to the wealthy clients, for example operations with securities issued by customer's bank.
- ✚ Higher level of organization and flexibility of perpetrators in placing of the illegally obtained funds coming mainly from online fraud and phishing. In cases of organized groups it often concerns the ethnic communities, while there is a presumption of mutual cooperation of several such groups with different nationalities.
- ✚ Increasing of international organization of perpetrators of thefts of vehicles, altering of identification marks of vehicles and subsequent legalization such stolen vehicles via faked documents in third countries.
- ✚ Expansion of using domestic and foreign online betting accounts.
- ✚ Efforts to expand high hazard to territory of the Slovak Republic.
- ✚ Gradual transition of trafficking in human being, drugs, weapons and stolen vehicles from private persons to business companies.
- ✚ Gradual including of non-financial sector (particularly notaries, lawyers, auditors, tax consultants, accountants and real estate brokers) into process of legalization.
- ✚ Active involvement of tax consultants and accountants in placement, mixing and integrating of the illegally obtained money into the legal economy.
- ✚ Increase of number of non-profit organizations, foundations and non-investment funds with the simultaneous increase of number of foreign financial transactions performed through these organizations.
- ✚ The ongoing effort to realize the conversion of banknotes from the former Slovak currency to the euros through front men, especially in cases of illegal profits from corruption and organized crime.
- ✚ Placing of proceeds from crime to the bank accounts of life insurance and other alternative saving products out of banks.
- ✚ Gradual increasing of numbers of transactions realized in favour of companies seated in off-shore zones or in favour of companies registered in EU countries, but which are property linked to the companies registered in off-shore zones.
- ✚ Unlawful claims for refund of value added tax (VAT) and subsequent placing of those proceeds in the legal business sector.

9. Cooperation with regulators and other institutions

The best platform to set up recommendations and intents in combating of legalization of proceeds of crime and terrorist financing constitutes Interdepartmental expert coordination

authority for combating criminality (hereinafter “MEKO”) and Multidiscipline integrated group of experts for combating legalization of proceeds of crime and terrorist financing (hereinafter “MISO”).

MEKO is the contact point for international cooperation, and also creates integrated multidisciplinary groups of experts for solving actual problems in the area of combating of crimes. One of such a group is MISO.

The activity of MISO is aimed not only at solving of the difficulties resulting from MEKO’s work for combating criminality, but also at another repressive and preventive tasks especially in the legislative and institutional area in purpose of elimination of legalization of proceeds of crime and terrorist financing. In the MISO working group there is submitted and discussed concrete steps and received concrete solutions of common actual problems in the area of legalization of proceeds of crime and terrorist financing.

Director of FSJ is responsible for activity of MISO, members are represents of National bank of Slovakia (hereinafter “NBS”), Ministry of Finance, Tax Headquarters of the Slovak Republic, General Prosecutor’s Office, Ministry of Justice, Custom Headquarters of the Slovak Republic, Division of Combating Terrorism of Presidium of Police Force, Anti-Drug Unit of National Criminal Agency, Bureau of Criminal Police of Presidium of Police Force and Slovak Intelligence Service.

In 2012 there were organized two meeting of MISO (on 14.2.2012 and 22.11.2012) and one special meeting of selected experts of MISO (on 12.12.2012).

The most important tasks which were discussed at the MISO’s meetings in 2012 were the further steps toward eliminate the negatives resulting from recommendations of 4th evaluation visit of experts in the Slovak Republic by the Committee of Council of Europe MONEYVAL. On the meeting of MISO which took place on 22.11.2012 was presented the summary of shortcomings identified by evaluators, or draft of measures necessary for filling of the recommendations concluded by the Committee for the Slovak Republic. This draft is also a draft for “action plan” recommended by evaluators based on the identified lacks followed by the report. It is necessary to designate the responsibility, term of acquittal and concrete measures to individual recommendations in writing to the date 31.12.2012 and send it to the experts of MISO, because such a task was not executed.

Due to the need of processing the written report of the status of implementation of recommendations of the 4th evaluation visit of the Slovak Republic by the Council of Europe MONEYVAL was on 12.12.2012 on extraordinary meeting of selected MISO’s experts defined the unit term of fulfilment of the tasks to individual recommendations so that this written report could be sent, resp. submit to the Secretary of MONEYVAL in May or June 2013.

Based on the fact that some of the tasks were not solved by MISO, templates for creation of planning document for year 2013 were sent do the MEKO Secretary, which is necessary to solve at the MEKO’s level.

In cooperation with FSJ was issued the methodical regulation No. 9/2012 of Department of Financial Supervision of National Bank of the Slovak Republic on the protection of bank and its foreign branch office against legalization of proceeds of crime and terrorist financing, which amended the methodical regulation No. 4/2009. This new methodical regulation

deliberates the knowledge from controls of oblige entities, comments from Slovak bank association, which were according to the FATF recommendations as well as the experiences from staff of FSJ.

In 2012 one of the most active partners of cooperation with FSJ is Financial Headquarter which is in accordance with AML/CFT Law one of the authorized authorities that was enabled to dispose of information received by SJFP while performing reporting obligation. Because of making cooperation more quality, were realized regular meetings of the representatives of FSJ and Financial Headquarter of SR during 2012. At the meetings, new main forms of committing tax criminal activities, new forms of committing legalization of proceeds of crime and indicators of recognize the risks of these criminal offences were discussed. That cooperation was at high level suggests also negotiated and mutually accepted electronic exchange of information.

Due to the tasks of the Government Resolution No. 235 on the draft action plan for combating against tax evasion/fraud for the years 2012 to 2016, mainly on the implementation of sectional measures on the establishment of a central register of accounts, there was in 2012 made intensive meetings between the representatives of FSJ and the representatives of the Ministry of Finance of the Slovak Republic. The task to set up a central register of accounts in 2012 was performed at the legislative level with the adoption of Act no. 352/2012 Coll. amending and supplementing Act no. 129/2010 Coll. on Consumer Credit and other credits and loans for consumers and amending certain acts as amended by Act no. 394/2011 Coll. and amending and supplementing certain acts, which amended the Act. 483/2011 Coll. on banks and on amendments to certain acts, as amended. In 2013 the technical work on the establishment of a central registry of accounts will continue.

In 2012 the cooperation between FSJ and prosecutors was realized especially in the field of cooperation's meeting with prosecutors of General Prosecutor Office of the Slovak Republic. The object of such meetings was to discuss contentious issues especially in the area of reinsurance funds within the period of delay under Section 16 (2) of AML/CFT Law, but also new forms and methods of committing the offense of legalization of proceeds of crime and the application of the Act on proof of origin of the property.

10. Overview of selected statistical indicators related to legalization of proceeds of crime in Slovakia

In order to eliminate some lack consisting in the absence of a coherent and unified statistical output for all public authorities to the number of cases of legalization of proceeds of crime and terrorist financing, identified, subsequently prosecuted, accused and convicted, which the Committee of the Council of Europe MONEYVAL mentioned in the report of the Fourth evaluation visit of the Slovak Republic, FSJ processed into a coherent output statistics (see table 14) provided by the Police, criminal office of Financial Headquarter of the Slovak Republic, General Prosecutor Office and Ministry of Justice, concerning the number of solved cases of legalization of proceeds of crime and the number of persons prosecuted, accused and subsequently convicted of this crime in 2012. Following the nature of the statistical outputs provided by the General Prosecutor Office and Ministry of Justice on behalf of the harmonization of these outputs with the collected statistical data by police will be necessary at the level of police also monitor the number of acts in individual realized cases in the next period.

From a statistical overview concerning the criminal sanction of legalization of proceeds of crime it is clear that compared years 2011 and 2012, there was a decrease in the number of cases of submitted suggestion for criminal proceedings by the criminal police about 5 things. Similarly, in other monitored indicators showed a slight decrease compared to 2011. Exemption was the number of persons against the prosecutor filed an indictment, which was an increase of 18 persons. It can be also observe an increase compared to 2011 in the number of accused whit which the prosecutor concluded an agreement of guilt and punishment (about 7 persons), while in the previous period was not recorded such a case. In 2012 finally 11 persons were sentenced for the offence of legalization of proceeds of crime under Section 233 of the Criminal Code (one person more than it was in the previous year). In 2012 there was not identified a case of terrorist financing.

In table No. 15 was elaborated the statistical overview for the purpose of overview of the scope of application of selected custodial institutes of Code of Criminal Procedure in 2012 for all crimes and for offences of legalization of proceeds of crime. The foundation for this summary were statistical indicators provided by all above mentioned subjects.

Comparing statistical overview of the scope of application of selected custodial institutions related to all crimes there was an increase of the number noticed in 2012 in number of cases as well as in the value of seized property, assets and funds only in the proceedings under Section 91 (Dispossession of a thing), Section 95 (Freezing of funds) and Section 96 (Seizure of booked securities) of the Code of Criminal Proceedings. In other monitored indicators under section 92 (Takeover of a seized thing) and Section 97 (Return of a thing) of Code of Criminal Proceedings was the decrease noticed.

Result from table No. 15 is also a fact, that there is a minimal share of the custodial institutes of Code of Criminal Procedure used in connection with the realization of criminal procedure related to legalization of proceeds of crime at the general application of such institutes for all crime stated in the Special Part of Criminal Code. Such a information was summarized for the first time by FSJ.

Table No. 15: Statistical overview of the scope of application of selected custodial institutes of Code of Criminal Procedure in criminal procedure in 2012 for all crimes and for offences of legalization of proceeds of crime under Section 233 and 234 of the Criminal Code

Provision	All crimes		Crime under section 233 and 234 of Criminal Code	
	Number	Total amount	Number	Total amount

		of cases	in EUR	of cases	in EUR
1.	Section 89 Obligation to surrender a thing	80.513	3.337.425	80	835.717
2.	Section 91 Dispossession of a thing	326	411.076	14	223.000
3.	Section 92 Takeover of a seized thing	1.034	1.558.936	14	379.318
4.	Section 95 Freezing of funds	45	2.029.716	15	1.982511
5.	Section 96 Seizure of booked securities	5	1.306.840	-	-
6.	Section 97 Return of a thing	3.069	1.898.073	39	565.184
7.	Section 550 Surrender of a thing (international legal assistance)	-	-	-	-
8.	Section 551 Seizure of property (international legal assistance)	-	-	-	-

Chart No.: 14: Statistical data concerning criminal offence of legalization of proceeds of crime under Section 233 and 234 of the Criminal Code

	Provision of Code of Criminal Procedure	MI SR						GP SR				MJ SR					
		Year 2011			year 2012			year 2011		year 2012		year 2011			year 2012		
		No. of cases	No. of persons	Damage in EUR	No. of cases	No. of persons	Damage in EUR	No. of cases	No. of persons	No. of cases	No. of persons	No. of cases	No. of persons	Damage in EUR	No. of cases	No. of persons	Damage in EUR
1.	Suggestion for criminal proceedings	88	171	40.968.759	83	61	2.096.290	-	-	-	-	-	-	-	-	-	-
2.	Section 199 Commencement of criminal proceedings	125	-	4.672.046	133	-	27.152.664	-	-	-	-	-	-	-	-	-	-
3.	Section 206 Exhibit of charge	23	69	5.524.011	18	33	6.574.252	-	-	-	-	-	-	-	-	-	-
4.	Section 209 Termination of investigation with proposal of accusation	4	11	1.309.873	7	9	171.259	-	-	-	-	-	-	-	-	-	-
5.	Section 215 Discontinuation of criminal proceedings	1	1	-	4	2	110.770	-	-	-	-	-	-	-	-	-	-
6.	Section 228 (1) (2) Suspension of criminal proceedings	15	3	234.029	27	6	546.114	-	-	-	-	-	-	-	-	-	-
7.	Section 228 (5) Continuation of criminal proceedings	5	-	120.000	5	3	68.650	-	-	-	-	-	-	-	-	-	-
8.	Section 234 Indictment	-	-	-	-	-	-	-	17	-	-	-	-	-	-	-	-
	Section 331 Agreement of guilt and punishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Section 284 Judgement	-	-	-	-	-	-	-	-	-	-	16	10	28.719	11	11	352.685

Conclusion

Year 2012 was for FSJ very successful and fruitful. Every single department of FSJ remarked greater or lesser progress, although priority areas remains the field of receiving, registration, analyzing, evaluating and processing of unusual transaction report, where was noticed the growing in each monitored area. In 2012 the tasks in the legislative and international area were filled.

Due to the tasks of the Government Resolution No. 235 of the draft action plan on combating tax evasion for the year 2012 and 2016, mainly on the implementation of sectional measures on the establishment of a central register of accounts, there was in 2012 made intensive meetings between the representatives of FSJ and the representatives of the Ministry of Finance of the Slovak Republic. The task to set up a central register of accounts in 2012 was performed at the legislative level also by the endeavor of FSJ. In 2013 the technical part should be solved.

Task being performed since 2010 was the completion of work of the new information system of FSJ so that it could be introduced into full operation on 1.1.2013.

In the following year 2013 FSJ would like to continue in the trends from the previous period with ambition to move forward.

As in 2013 the adoption of 4th European Parliament and Council Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing is await, it will be necessary based on the need of implementing this Directive to Slovak Law, to prepare the amendment on AML/CFT Law which also will reflect to the application's deficiencies flow from practice as well as to the remarks from obliged entities.

Contact details:

ADDRESS

Ministry of Interior of the Slovak Republic
Presidium of Police Force
National Criminal Agency
Financial Intelligence Unit
Pribinova 2
812 72 Bratislava

INTERNET

Web: www.minv.sk/?financna-policia

e-mail: sjfpsek@minv.sk

phone: +4219610/51402

fax: +4219610/59047

Contact details for obliged entities:

Personally - Račianska 45, 832 23 Bratislava

By post – Finančná spravodajská jednotka, Pribinova 2, 812 72 Bratislava

Electronically – sjfpnoo@minv.sk
Phone: 09610/51419
Fax: 0961059047