



**Financial Intelligence Unit
of the Slovak Republic**

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PROLOGUE

Dear Readers,

annual report of activities of the Financial Intelligence Unit in 2011, prepared for you by the staff of our unit, is an attempt to summarize its most important activities and carried out measures. We are talking not only about successful, but also the less successful activities and actions that have been realized by Units staff in 2011. The year 2011 in my opinion was a significant or groundbreaking. Certainly will agree with me also other employees when I named this year as extremely difficult, especially in terms of the largest number so far received reports of unusual transaction at all, so far the largest number of processing proposals for law enforcement authorities, the depth and extent of the checks carried out by obliged entities, the amount of preventive action and measures as well as work that is not visible at first sight. The work, which does not appear in the statistics, work that is not for us an obligation under the law, but which helps us to establish where our Unit belongs, work through which we are today in the Slovak Republic apparently undisputed leader in the fight against money laundering and prevention against terrorist financing and respected partner of cooperating institutions at home and abroad. How our Unit works and which achievements and progress in the prevention and efficiency achieved in the previous period, you can read also in the report of MONEYVAL Committee of 4 evaluation visit. This report was adopted at the 36th MONEYVAL Committee plenary session in Strasbourg on September 26, 2011 and is published on our website in the Slovak language. In 2010 and 2011 we did everything we could and knew to be not only as a Financial Intelligence Unit, but as the Slovak Republic evaluated the best, and thus send a clear signal that the Slovak Republic thinks the fight against money laundering and terrorist financing seriously. It would be foolish and selfish to say that it is only our success, but our contribution to the evaluation was very high. Financial Intelligence Unit is not just a financial intelligence unit to perform only the tasks resulting from the prevention act of the Prevention of Legalization of Proceeds of Criminal Activity and Terrorist Financing, but is also the national authority to search the property that may be subject of the freezing order, seizure or confiscation in the course of criminal proceedings conducted at home, but also abroad. Just today, in a time of global economic turbulences and large budget deficits, we realize the importance of searching out the property derived from criminal activity or related to criminal activity, especially if in our view with regard of the value of the caused damage are the most frequently occurred primary crimes threatening our economy those tax crimes, where the victim is a state, and hence every one of its citizens. Therefore, we have participated on the concept how preventive act also in this area and how effectively detect such action and subsequent transformation and using of acquired assets. We have to remember that even in the strategy for the next four years, which we want to contribute to the overall recovery of the society, better law enforcement in the spirit of the thesis that crime may not reciprocate to the perpetrators. If we evaluate the year 2011, we have to also mention the effect of the new Act. No. 101/2010 Coll. On Proving the origin of property. This is a completely new type of procedure with which we have not had yet experience as our Unit as well the prosecutor, but where we were trying to solve the most important issues in the application of the Act in practice. Executor of phase of review under

the Act is financial police as a whole, not just the Financial Intelligence Unit, but also our colleagues from the Departments of Financial Police at the particular regional divisions of the Bureau of Combating Organized Crime. I can responsibly say that we have done everything we can to try to put the Act into practice in order to be effective, and that we will be able to fulfill his idea, which is undoubtedly a good and unique. Unfortunately, for the year 2011, we can not boast that we have participated on the withdrawal of illegally acquired assets. However, Financial Intelligence Unit in 2011, successfully participate to a number of cases relating to the operation and activities of criminal gangs, corruption, damaging the economic interests of the European Communities, we have provided valuable support and assistance to domestic law enforcement authorities and even colleagues from abroad.

How we will continue in the future in our movement? We prepare a number of projects and measures which I firmly believe will bring results and make life easier for our staff. With such a large amount of work, amount of daily responsibilities and the need to evaluate the enormous amount of information, we see the future in information technologies, which will allow us to automate data processing, so that we will improve the quality of our analytical work and we will provide to our colleagues police officers, investigators, prosecutors, financial management and foreign partners such information, which we will together know to use in a common effort to detect legalization and other criminal activities, and which will have a positive impact on public finances and whole society. Of course, none of what we were able to do and hopefully we will do in future, would not work without the cooperation of our partners, which I would like to thank the end.

My thanks therefore go to all police officers, investigators, prosecutors, staff in state administration, representatives of obliged entities and foreign partners who cooperate with us in 2011, and I strongly believe that we will develop our cooperation to the better also in the future, but especially to all my colleagues from Units, who by their work and often personal effort beyond the normal duties contributed to the achieved results.

I.

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 Financial Intelligence Unit (hereinafter referred to as "SJFP"). In the organization of the Police Force is SJFP incorporated into the financial police, which is from 01.01.2004 part of Bureau of Combating Organized Crime of Presidium of Police Force (hereinafter referred to as "BCOC") while SJFP has the status of a central unit of BCOC and departments of financial police are incorporated under each regional units of BCOC. SJFP currently consists of the following departments: Unusual Transactions' Department, Obligated Entities' Control Department, International Cooperation Department, Property Check-up Department and Analytical Department.

SJFP is a police type of Financial Intelligence Unit, which 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. Under AML/CFT Law SJFP receives, analyzes UTs from obliged entities and after checks, verifications and evaluation provides information from reports completed with own results to competent authorities of Police Force performing tasks under Act No. 171/1993 Coll. on Police Force (hereinafter referred to as “Act on Police Force”), to competent law enforcement authorities (hereinafter referred to as “LEA”) performing tasks under Act No. 301/2005 Coll. Code of Criminal Procedure, to tax administrator or to foreign FIUs. As well, SJFP performs control of compliance to obligations of obliged entities, cooperates with the respective authorities of the member States and international organizations.

AML/CFT Law fully implement the Directive of the European Parliament and the Council No. 2005/60/EC dated 26.10.2005 on Prevention of the use of the financial system for money laundering and terrorist financing and the Commission Directive No. 2006/70/EC dated 01.08.2006, introducing measures for Directive 2005/60/EC of the European Parliament and the Council regarding the definition of "politically exposed persons", the technical criteria for simplified customer due diligence and for exemption on grounds of financial activities carried out occasional or on very limited basis, and also reflects to the international standards for combating money laundering and terrorist financing as it is defined in 40 + 9 Special Recommendations of the Financial Action Task Force (Financial Action Task Force – hereinafter referred to as "FATF"). This specific preventive law, which introduced a number of significant changes regarding requirements on obliged entities or for example clear legal basis for reporting suspicions of terrorist financing has significantly increased the effectiveness of the protection against money laundering and terrorist financing, and thus in many areas ensure full or majority compliance with the standards of FATF.

SJFP activity follows also international conventions and agreements to which the Slovak Republic 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 01.05.2008 (Warsaw Convention), the UN Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances dated 1998 (the Vienna Convention), the UN Convention on Transnational Organized Crime dated 2000 (Palermo Convention). SJFP 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 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.

SJFP since 2008, fulfills the role of the National Authority for search property derived from criminal activity, i.e. Asset Recovery Office (hereinafter referred to as “ARO”) according 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.

As it stipulate from incorporated SJFP under the one of the services of Police Force (financial police), SJFP performs some of the task of the Police Force (hereinafter referred to as “PZ”) defined in Act on Police Force such as detection of criminal acts and identification of their perpetrators, cooperation in detection of tax evasions, money laundering and terrorist financing to which has SJFP powers defined in the Act on Police Force, mainly the power under Section 29a to: enter any place of business or business premises as well as conveyances used for business purposes, inspect record-keeping, accounting written documents, papers and other documents and 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 SJFP, is from 01.01.2010 tasks in accordance with Act No. 101/2010 Coll. on Proof of origin of the property, where except the law defined task SJFP act as a coordinator and methodological body for the Department of Financial Police at regional police units of BCOC. According this Act, the whole proceeding from receive a report until initiate report to the competent prosecutor office, is done by financial police service, which 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 that the person has assets of at least 1500-fold of the minimum wage higher than are verifiable incomes.

II.

Unusual transactions

The task of the Unusual Transactions’ Department is to receive, analyze, evaluate and process reports of unusual transactions (hereinafter referred to “UTRs”) which obliged entities in the prescribed manner and in required scope report to SJFP. UTRs are reported from the side of obliged entities on the form of UTRs, which were in past recommended by SJFP and obliged entities accepted these forms. Using the forms by obliged entities simplifies and efficient the processing of UTRs. Thereafter the UTRs are analyzed, evaluated and verified by SJFP so that in case of reasonable suspicion of committing of a criminal offence the information from UTRs added with information received by own activities to the competent law enforcement authorities. As the capacity of SJFP not allow to employer of UTRs department to perform detailed and extensive verification of information from reports, are these in cases of increased level of risk of money laundering or terrorist financing, forwarded to the financial police departments of regional units of BCOC, which using the powers defined in the Act on the Police Force ensure the evidences necessary to decide in the matter. This concerns cases when there is in the view of time aspect assumption of their extensive and long-term documentation and in case of detection the suspicion of criminal activity are consequently by form of the initiative of criminal prosecution disseminated to the competent LEA.

In previous cases of the verification of reports have been in almost every second case verified financial transactions with a link to abroad, whereby these transactions are 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 this regard SJFP also closely cooperates with foreign FIUs associated in an international organization Egmont Group in exchanging and verifying information necessary for the prevention and detection of money laundering and terrorist financing, where information from reports are the subject of requests required by SJFP or the information from reports are disseminated directly to the foreign financial intelligence unit (hereinafter referred to as "FIU").

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

Daily task of the Head of Department of UTRs is communication with representatives of the obliged entities during which are consult 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.

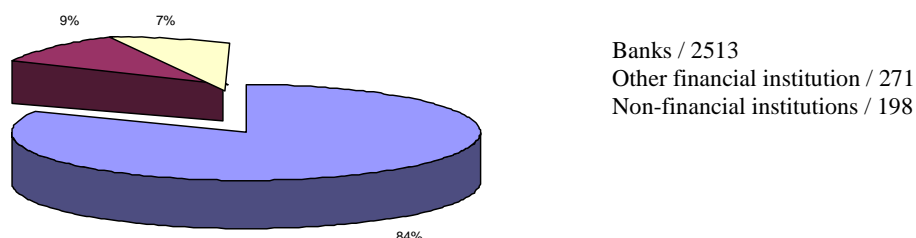
In 2011, SJFP noticed a continuing rise of "phishing" and "pharming" cases, where the proceeds of criminal activity committed abroad transferred to the bank accounts conducted with the commercial banks in the Slovak Republic, and these are consequently withdrawal in cash from the bank accounts and then are transferred via money transfer service to abroad. In 2011 was in the majority of cases hacked and injured subject owned the bank account conducted with the bank in Netherlands and was noticed also a change of the country to which the funds from criminal activity were transferred, when in 2010 it was mostly Ukraine and Russia and in 2011 it was almost in all cases only Turkey. Thanks to the increased cooperation of SJFP with individual banks and the related enlarged diligence of the banks in dealing with cases of "phishing" and "pharming" we noticed an increase in the number of cases where the directly obliged entity postpone the unusual transaction and this fact subsequently reports to SJFP by sending us the report of unusual transaction. Consequently after submitted the case to LEA the funds at the bank account were seized under the order of prosecutor, and thus was ensured the claim of the injured party to compensation of the damage in criminal proceedings.

II.1.

Number of UTs and structure of obliged entities

In 2011, SJFP received in total 2982 UTRs which are in following charts divided into three groups – banks, other financial institutions and non-financial institutions (graph No. 1) Out of total number 2982 of received UTRs 2513 UTRs were received from bank (Chart No. 1), 271

UTRs were received from other financial institutions (Chart No. 2) and 198 UTRs were received from non-financial institutions (Chart No. 3).



Banks / 2513
 Other financial institution / 271
 Non-financial institutions / 198

Graph No. 1: Total number of UTRs in 2011

| Banks | |
|--|-------------|
| Obligated entity | Number |
| The National Bank of Slovakia | 197 |
| Bank seated at the territory of Slovakia | 2262 |
| Branch of the foreign bank | 54 |
| TOTAL | 2513 |

Chart No. 1: Total number of UTRs received from banks in 2011

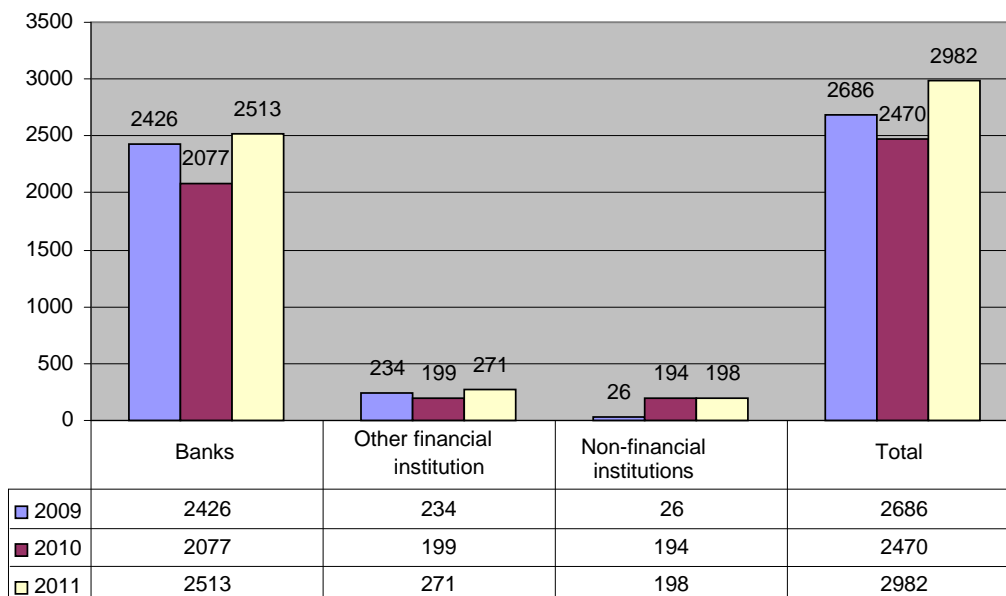
| Other financial institution | |
|---|------------|
| Obligated entity | Number |
| Central Securities Depository | 2 |
| Securities Dealer | 10 |
| Investment company | 1 |
| Insurance company | 80 |
| Administrator of investment funds | 23 |
| Supplementary pension insurance company | 2 |
| Exchange office | 1 |
| Provider of foreign exchange services | 71 |
| Legal entity or a natural person authorized to trade in receivables | 4 |
| Finance lease | 72 |
| Service provider of loan from own sources | 5 |
| TOTAL | 271 |

Chart No. 2: Number of UTRs received from other financial institution in 2011

| Non-financial institutions | |
|---|------------|
| Obligated Entity | Number |
| Betting company | 44 |
| Casino | 5 |
| Postal undertaking | 120 |
| Auditor | 1 |
| Accountant | 3 |
| Real Estate Agency | 1 |
| Advocate | 2 |
| Notary | 6 |
| Legal entity or a natural person authorized to trade in precious metals | 1 |
| Car dealers | 15 |
| TOTAL | 198 |

Chart No. 3: Number of UTRs received from non-financial institutions in 2011

In comparison, from 2009 to 2011 Graph No. 2 has shown dynamic development of received UTRs in the monitored period.



Graph No. 2: Comparison of number of received UTRs from 2009 to 2011.

II.2. 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, obliged entities are obliged to postpone the transaction for at maximum 48 hours and inform SJFP immediately. SJFP has also the power to request obliged entity to postpone UT for at maximum 48 hours. During this time (the period of postponement of the UT excludes Saturdays and days of rest) the police officers of SJFP 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 LEA. SJFP informs the obliged entity immediately that the case was submitted to LEA 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 2011, 79 UTs were postponed by obliged entities and in 51 cases were the information submitted by SJFP to competent LEA for further proceedings performing under Code of Criminal Procedure, see particulars in Chart No. 4

| Statistic data of postponed UTs | Number/Amount |
|--|----------------------|
| Total number of UTs postponed under Section 16 of AML/CFT Law | 79 |
| Postponement by obliged entity | 72 |
| Report of SJFP to submit for LEA | 51 |
| Postponement on request by SJFP | 7 |
| Total amount of funds postponed | 2.539.720 EUR |
| Number of cases where criminal proceedings was commence, Section 199 of Code of Criminal Procedure | 28 |
| Number of cases where indictment was imposed, Section 206 of Code of Criminal Procedure | 1 |
| Number of cases where indictment was refused, Section 197/1 d) of Code of Criminal Procedure | 2 |
| Number of cases where funds were seized, Section 95 of Code of Criminal Procedure | 22 |
| Total number of seized funds | 681.510 EUR |

Chart No. 4: Statistic data on postponement of UTs and seized funds in 2011

In comparison, from 2009 to 2011 Chart No. 5 has shown dynamic development of postponement UTs in the monitored period.

| Number/Amount | 2009 | 2010 | 2011 |
|--------------------------------------|-------------|-------------|-------------|
| Number of postponed UTs | 69 | 68 | 79 |
| Amount of postponed UTs (EUR) | 11.508.280 | 2.542.789 | 2.539.720 |
| Number of postponed UTs submitted to | 26 | 35 | 51 |

| | | | |
|-----|--|--|--|
| LEA | | | |
|-----|--|--|--|

Chart No. 4: Comparison of postponed UTs from 2009 to 2011.

II. 3. Efficiency of UTRs

SJFP Slovakia 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. Even though the period of providing obliged entities with information related to efficiency of UTRs is not listed in AML Law, SJFP Slovakia understands feedback as one of the most important indicator of risk based relation between client – obliged entity. Hence SJFP Slovakia submitted information to obliged entities in the following intervals: quarterly to banks, half yearly to other obliged entities. This feedback contains: identification details of UTR, name of authority which received feedback from SJFP Slovakia, legal capacity of act, status of proceeding according to Code of Criminal Procedure, since proceeding acted by Units of Police Force till status of proceeding acted before court. Providing information to the obliged entities how SJFP Slovakia exploited UTRs and the procedures for follow up to their adoption in the present range preceded by the system of mutual exchange of information between Units of Police Force adjusted in internal orders.

In 2011, SJFP Slovakia disseminated **1093** information received from obliged entities upon reporting obligations to the competent LEAs. Out of this number **738** information were submitted by SJFP Slovakia as proposal for further official exploitation to units of Police Force under Section 26 (2) (a) of AML/CFT Law to use these information within their activities for performance of Act on Police Force. Units of Police Force verified information submitted by SJFP Slovakia and consequently processed in 51 cases proposal to commence criminal proceeding, in which investigators or authorized police officers in 18 cases commenced criminal proceedings and in 1 case indictment against particular person were imposed. In 173 cases of total of 738 of information submitted by SJFP Slovakia, unit of Police Force verified this information under Act on Police Force with result, that suspicion of an offence in these cases was not confirmed. In 514 cases units of Police Force did not make decision yet, they perform acts under Act on Police Force in particular cases.

Out of total number 1093 information submitted to units of Police Force by SJFP Slovakia 355 information were submitted to investigators or authorized police officers under Section 26 (2) (b) of AML/CFT Law as proposal to commence criminal proceeding. LEA's subsequently realized acts under Code of Criminal Procedure are mentioned in chart No. 6.

| Acts realized by LEAs under Code of Criminal Procedure | Number of cases Amount (EUR) |
|--|-------------------------------------|
| Number of commenced criminal proceedings, Section 199 | 82 |
| Number of indictments, Section 206 | 8 |
| Number of refusal of commencement criminal proceeding, Section 197 (1) (d) | 12 |
| Number of seizures of financial assets performed by prosecutor, Section 95 | 26 |
| Total amount of financial assets seized by prosecutor | 740.363 eur |

| | |
|---|----------------|
| Seizure of securities performed by investigator of Police Force, Section 89 | 1 |
| Amount of seized securities | 42.500.000 eur |

Chart No. 6: Statistical data on efficiency of UTR information submitted to LEAs in 2011.

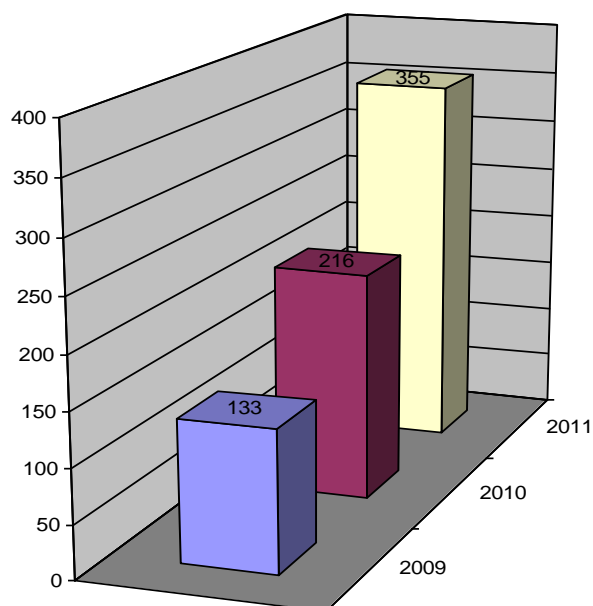
In 82 cases, when investigators of Police Force or authorized police officers of Police Force commenced criminal proceeding under Section 199 of Code of Criminal Procedure, in 22 cases were commenced for money laundering under Section 233 of Criminal Code and in connection with these cases the following predicate criminal offences were capacitated fraud, subsidy fraud, tax and insurance evasion, failure to pay tax and insurance, unlawful manufacturing and enjoyment of payment means, electronic money and other payment card, embezzlement, forgery, fraudulent alteration and illicit manufacturing of money and securities, theft. In 5 cases, out of total number 82, criminal proceeding commenced for sharing under Section 231 of Criminal Code.

Out of total number 355 cases submitted by SJFP Slovakia as proposals of commence criminal proceeding to investigators of Police Force or authorized police officers of Police Force 115 cases were consequent submitted to units of Police Force performed their activities under Act of Police Force. In 28 cases suspicion was not confirmed. In remaining cases decision was not be made, yet.

The comparison of 2009 – 2011 related to dynamics of development of efficiency of UTRs submitted to Units of Police Force is shown in chart No. 7 and comparison related to statistical data on numbers of information submitted to LEAs is shown in graph No. 3.

| Number / amount | 2009 | 2010 | 2011 |
|--|-------------|-------------|-------------|
| Number of submitted information to units of Police Force which perform their activities under Act of Police Force, Section 26 (2) (a) of AML/CFT Law | 768 | 618 | 738 |
| Number of proposals to commence criminal proceeding submitted to LEAs, Section 26 (2) (b) of AML/CFT Law | 133 | 216 | 355 |
| Number of commenced criminal proceedings, Section 199 of Code of Criminal Procedure | 159 | 64 | 82 |
| Number of indictments, Section 206 of Code of Criminal Procedure | 71 | 5 | 8 |
| Number of seizures of financial assets performed by prosecutor, Section 95 of Code of Criminal Procedure | 14 | 10 | 26 |
| Total amount of seized financial assets (eur) | 2.211.260 | 294.704 | 740.363 |

Chart No. 7: Comparison of efficiency of UTRs submitted to units of Police Force between 2009 – 2011.

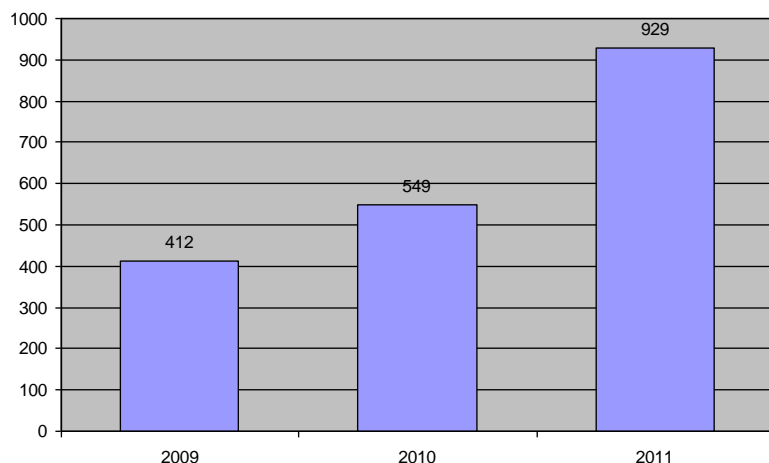


Graph No. 3: Comparison of numbers information submitted to LEAs between 2009 – 2011.

In 2011 SJFP Slovakia received 109 UTRs from banks, providers of payment services and securities dealers, which were classified as UTRs related to terrorism financing. Information, after analysis and verification, were submitted to Slovak Anti-terrorist Unit (thereinafter “ATU”) by SJFP Slovakia. In 2011 SJFP Slovakia sent to foreign FIUs 14 requests for information related to cases with possibility of terrorism financing. Because SJFP Slovakia received all 55 UTRs classified as report related to terrorism financing only from banks in 2010, during 2011 staff of SJFP Slovakia realized courses for obliged entities aimed at terrorism financing. After that SJFP Slovakia received 22 reports from other financial institutions as the banks, of total 103 received reports.

In 2011, SJFP Slovakia under Section 26 (2) (j) of AML/CFT Law provided tax authority with 929 information which were received from obliged entities upon their reporting obligations. Based on the provided information tax authorities performed 10 tax controls and 643 local verifications and 338 different actions under the Act No. 511/1992 Coll. on Administration of Taxes and Charges. There was in total 5 tax controls with findings in amount of 700.162 EUR

To comparison of 2009 – 2011 related to dynamics of development of information submitted to tax authority for the monitored period is shown in graph No. 4.



Graph No. 4: Comparison of numbers of information submitted to tax authority between 2009 – 2011.

II.4. Types of recorded UTRs and forms of reporting UTRs

In chart No. 8 are statistical data on types of recorded UTRs which are pursued, analyzed and evaluated by SJFP Slovakia. From the view of money laundering and terrorism financing, high risk transactions are cash transactions, transactions realized via off-shore centres, transactions in connection with PEPs, refused UTRs and transactions where the obliged entity within verification found out positive match with World-Check database.

| Type of recorded UT | Number of operations | Amount (EUR) |
|--|----------------------|--------------|
| Wire transfers | 1.522 | 706.891.350 |
| Cash | 1.815 | 391.862.220 |
| Foreign wire transfers | 746 | 397.638.290 |
| Off-shore | 103 | 47.057.077 |
| Refused UTs by obliged entity | 126 | 44.449.524 |
| Unrealized UTs | 13 | 557.728 |
| Match with World-Check database | 26 | 3.926.103 |
| Phishing | 127 | 5.637.179 |
| Internet fraud | 28 | 406.595 |
| Hazard / Gamble | 50 | 5.087.742 |
| Citizens of the Slovak Republic | 2091 | 862.953.640 |
| Citizens of the European Union (without citizens of the Slovak Republic) | 406 | 512.401.390 |
| Citizens of third countries | 165 | 29.817.206 |
| PEPs | 2 | 412.500 |

Chart No. 8: Statistical data on types of recorded UTs.

According to the AML Law obliged entities shall report UTRs to SJFP Slovakia by person, in writing, electronically, by telephone, but the last way of reporting have to be reported by person, in writing electronically within 3 days. SJFP Slovakia is interested in that the obliged entities reported UTRs electronically, because this form is the most effective form of exchange of information. Therefore staff of SJFP Slovakia started to prepare a project of new information system which on the one hand do the exchange of information more effective together with consistent protection of information and data. On the other hand provides to staff of SJFP Slovakia additional services which do analytical outputs provided to units of Police Force or tax authorities better and faster.

III. Control activity of SJFP Slovakia

This area is covered by Obligated Entities' Control Department and its main task is to control compliance to obligations of obliged entities stipulated by AML Law.

According to AML 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 (thereinafter „programme“). Programme of obliged entity must contains in detail and in concrete elaborate and stipulate 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 (existence of more branches, subdivisions, etc.). Programme must contains all, by the AML Law specified sections, which must be followed by obliged entities upon its creation. The contents of its particular parts must be conformed 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 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 performance of obligation of refusal of establishment of a business relationship, termination of a business relationship or refusal of carrying 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 SJFP 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. SJFP Slovakia may impose a fine or file an initiative to impose a fine to the competent authority or file initiative with the authority authorized to decide on the revocation of a license for the conduct of business or other independent profitable activity for failure to comply with obligations stipulated by AML Law. When determining the amount of fine, seriousness, duration and consequences of unlawful activity of obliged entity or repeated failure or breach to obligations stipulated by AML Law is considered. In legitimate cases also amount of the controlled transaction with

identified shortcomings (e.g. not evaluated, not reported, not postponed) or other facts resulting from the control findings are considered.

The Slovak FIU is authorized to impose fine for the following administrative offences under AML Law for breach of obligation to keep secret and for detected administrative offence resulting from breach of some of provisions or breach of obligation stipulated by AML Law. SJFP Slovakia may, according to AML 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 breaches obligations stipulated by AML Law for more than 12 consecutive months or 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 Penal Code. In case that a person vested with obligation resulting from his occupation, employment, position or function fails to report facts indicating that criminal offence of money laundering under Section 233 of Penal Code was committed or UT was performed, he might be liable to commit criminal offence of money laundering under 234 of Penal Code and in case of conviction there is threat of imprisonment of 2 to 8 years.

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 preset criteria are included into the yearly plan. These criteria are determined by outcomes of controls from the previous years, with the number of received reports on UTs from various categories of obliged entities as well as the intention of the Slovak FIU in relation to increase of awareness of obliged entities and elimination of the most frequent shortcomings in the activity of obliged entities. Based on initiatives from particular units of the financial police or other information obtained by means of operational or service activity, controls are performed also beyond the plan if such controls are legitimate and well-grounded with the particular obliged entity. As far as control findings suggest insufficient level of awareness of obliged entities, with exception of credit institutions, controls are aimed at detection of shortcomings, way of compliance to obligations of obliged entities and repression within imposing fines but also at elimination of shortcomings when performing on-site visits by means of advice, interpretation of law and looking for optimal solutions by means of control of problems identified, especially in relation to elaboration of programme of own activity and way of performance of client's diligence in line with AML Law.

Within cooperation with obliged entities and guidance given to them upon performance of their duties arisen from the AML Law, Obligated Entities' Control Department provides regulation and viewpoints on particular application problems. These viewpoints and regulations are published based on the request of obliged entity, 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. In 2011, there were 18 advice and positions provided, especially for some banks, also financial institutions, e.g. the Slovak Insurance Association, for the Central Securities Depository, securities dealer, lawyer's offices, insurance dealers, also based on request of the National Bank of Slovakia and Ministry of Finance of the Slovak Republic. Advice mostly related to ambiguous definitions in the law and opacity within the practical application of particular obligation of obliged entities. Head and staff of Obligated Entities' Control Department participated also in trainings of employees

of obliged entity or members of its professional organization in the form of presentation or discussion, details in Chart No. 9.

| Obligated entity | Number of courses | Theme of course |
|--|-------------------|---|
| Banks | 2 | new forms of ML / FT, indicators of UTRs, shortcomings in UTRs, shortcomings in programmes |
| Postal undertaking | 1 | new forms of ML / FT, indicators of UTRs, shortcomings in UTRs, shortcomings in programmes |
| Provision of foreign exchange services | 1 | new forms of ML / FT indicators of UTRs, shortcomings in UTRs |
| Betting offices | 2 | new forms of ML at obliged entities with subject of business – gambling game operator, shortcomings in UTRs |
| Slovak Insurance Association | 1 | new forms of ML, application comment of AML Law, shortcomings in UTRs |
| Slovak Association of Executors | 1 | new forms of ML, risk based indicators |
| Slovak Association of Auditors | 1 | new forms of ML, application comment of AML Law |
| National Association of Real Estates Offices of Slovakia | 1 | new forms of ML, application comment of AML Law |

Chart No. 9: Courses performed by SJFP Slovakia intended for obliged entities.

Obligated Entities' Control Department also publishes guidelines and interpretation of law on the website of the Slovak FIU as a form of assistance for obliged entities. This kind of activity will be even intensified, based on self-initiative and also based on requirements of obliged entities.

In 2011 Obligated Entities Control Department performed 41 controls. See the below mentioned Chart No. 10 with results of these controls. In column "paid-up in EUR" the sum in amount of 60.100,- EUR includes fines for detected administrative offences in 2010 and 2011. In column "number of filed appeals" there are decisions of SJFP Slovakia attacked by obliged entities, but these decisions were confirmed by appeal authority.

| Year | Number of controls | Way of completion | | Amount of sanction in EUR | Paid-up in EUR | Number of filed appeals |
|------|--------------------|-------------------|----------|---------------------------|----------------|-------------------------|
| | | Without sanctions | Sanction | | | |
| 2011 | 41 | 13 | 18 | 76.100 | 60.100 | 12 |

Chart No. 10: Statistical data on way of completion of controls performed in 2011.

Chart No. 11 contains control findings of staff of SJFP Slovakia resulting from control activities performed during 2011 at obliged entities divided according to their subject of business.

| Obligated Entity | Number of controls | Control findings |
|---|---------------------------|--|
| Exchange offices | 1 | - Incomplete programme |
| Gambling game operator | 1 | - No programme |
| Leasing | 3 | - No programme - Incomplete programme |
| Trader in receivables | 3 | - No programme - Incomplete programme |
| Payment services | 1 | - Incomplete programme |
| Real Estate Office | 3 | - Incomplete programme - Shortcomings in CDD |
| Companies carrying out transaction in amount of 15,000 EUR at least | 4 | - No programme - Incomplete programme |
| Securities dealer | 1 | - no shortcomings |
| Providing of loans | 6 | - Incomplete programme |
| Accounting services | 2 | - No programme |
| Company service provider | 3 | - No programme, - Incomplete programme - |
| Advisor of organizational and economic services | 5 | - No programme, - Incomplete programme - Withhold of documents |
| Auditor | 1 | - Shortcomings in CDD |
| Trader in precious metal | 1 | - Incomplete programme |
| Forwarding firm | 1 | - no shortcomings |
| Lawyer | 2 | - Withhold of documents - Incomplete programme |
| Gambling game operator | 1 | - No programme |
| Courier services | 1 | - no shortcomings |
| Bank* | 1 | - Incomplete programme - Shortcomings in CDD - Break of obligations within appraisal of transactions |
| Spolu: | 41 | |

Note: * Control was planned and performed in cooperation with the National Bank of the Slovak Republic

Chart No. 11: Statistical data on controls performed in 2011

In 2011 SJFP Slovakia, within its out of departmental activities, aimed at improving of cooperation with stated bodies, which perform supervision over obliged entities with subject of business in gambling games. In the connection staff of SJFP Slovakia realized courses for designated employees of Ministry of Finance of the Slovak Republic and tax authorities related to application comment of AML Law, to identification of risk factors and indicators of

UTRs, to new forms of ML and to criminal activities connected to subject of business – keeping of gambling games.

IV. International cooperation

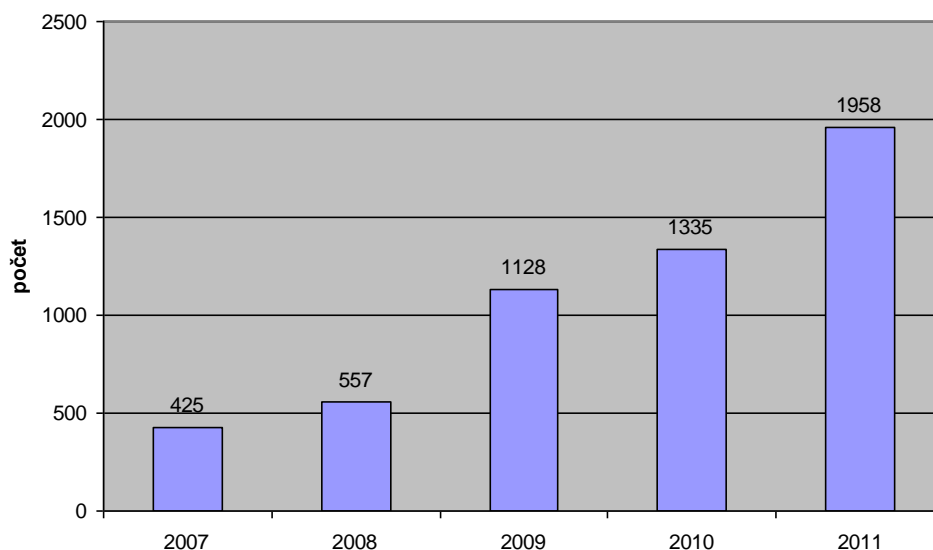
This area is covered by International Cooperation Department and its task is to make use of international cooperation in order to achieve effective information exchange, to represent SJFP Slovakia before foreign financial intelligence units (thereinafter “FIU”), relevant authorities of other member states, The European Commission, relevant authorities of 3rd countries and international organizations.

IV.1. Cooperation and exchange of information between FIUs

The necessary assumption within comprehensive and effective verification of ML / FT cases is fast and active international exchange of information. Its covered by staff of International Cooperation Department, who communicate with other FIUs from around the world. In the cases where results of verification of UTR indicate link with specific country SJFP Slovakia requests foreign FIU for information, or SJFP Slovakia shares information with foreign FIU. Information, which are subject of exchange, have intelligence nature and can be used for analytical purposes only, after prior consent disclosed by SJFP Slovakia. Provided information should not serve as evidence in any formal proceedings then an International Rogatory Letter is required through General Prosecutor’s Office.

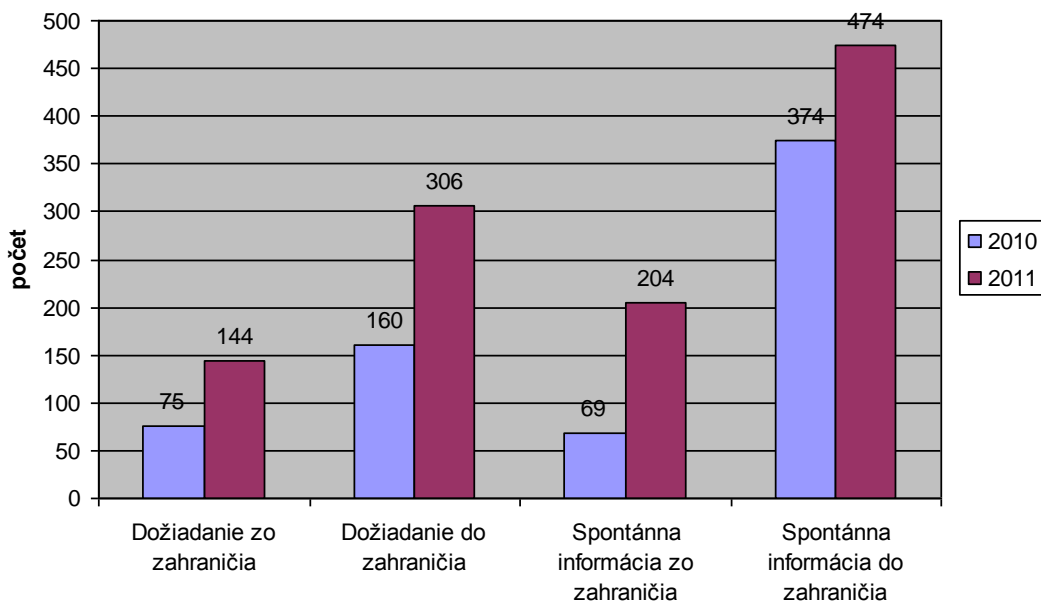
Exchange of information in connection with verified UTRs, as well as general communication with foreign FIUs is realized via encrypted electronic security network ESW (Egmont Secure Web) created for this purpose by the international organization Egmont Group which merges FIUs from around the world. The primary mission of Egmont Group is spreading of international network of FIUs and support of their mutual communication and exchange of information. 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 project 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.

Overall, in 2011, we exchanged information with 71 financial intelligence units in 1958 individual cases. This number represents an increase of more than 47% compared with the previous year. The number of international exchange of information continuously growing every year and this trend continued in 2011. While in the years 2004 to 2008 we observed an average increase in the number of cases in the past two years the increase was quite significant. Besides the normal department’s agenda consisting of the daily exchange of information related to the verified cases, this includes professional advice, interpretations, opinions on the laws, the processing of various questionnaires, participation in projects and so on.



Graph No. 6: Statistics on total number of cases of international cooperation and information exchange by FIUs.

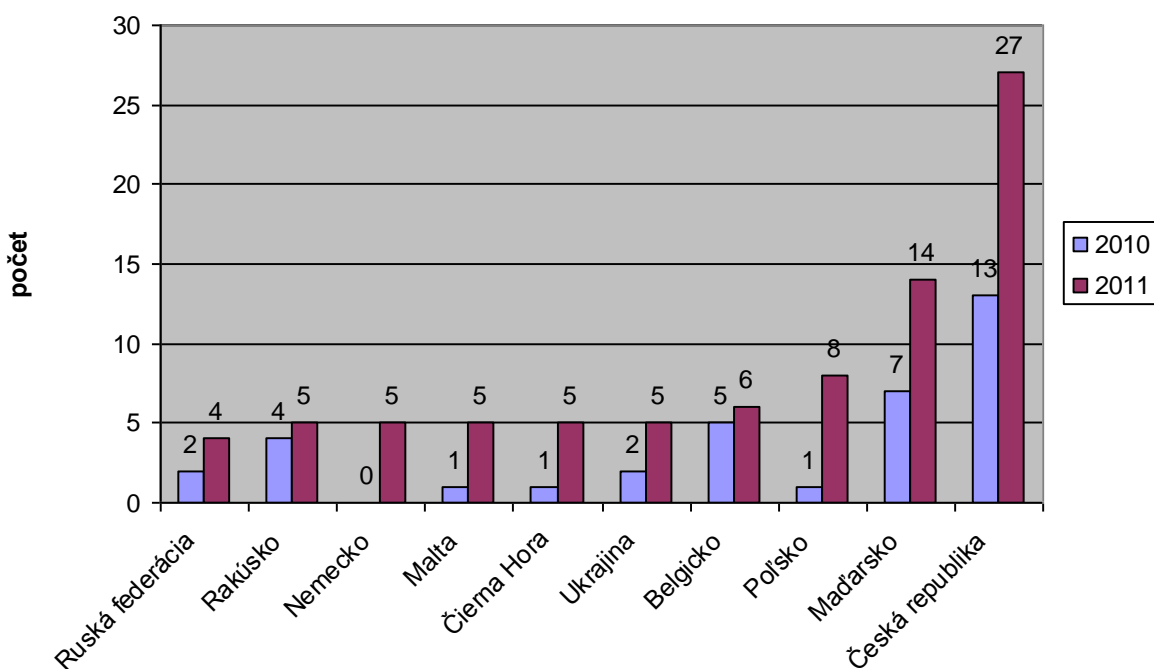
In 2011 there were 306 requests for information sent to foreign FIUs for analysis of unusual transactions in the framework of international cooperation, in 2010 it was 160 requests for information, what was an increase of 91%. For our partners abroad we responded 144 requests, in 2010 it was 75 requests for information, what was an increase of 92%. Furthermore there were also 474 triggers for their own analysis or further investigation, also known as spontaneous intelligence sharing or disclosure of information provided on the ground of our own decision. In 2010 there were 374 disclosures of intelligence, what was an increase of 27%. These were cases where there was no reason to continue examining by SJFP Slovakia and information could be useful for other FIU. Conversely, these spontaneous intelligence sharings for further verification, including information on Slovak subjects, last year we received 204, in 2010 it was 69, what was an increase of 195%. 137 information of them were saved into the own database for further use of SJFP Slovakia and 67 cases were submitted to another bodies of the Police Force, especially to financial police departments for further documentation of crime, particularly legalization of proceeds of crime and terrorist financing. Statistics on international cooperation and information exchange of information is given in the graph No. 7.



Graph No. 7: International information exchange

- Request from abroad,
- Request for providing with information (sent abroad),
- Spontaneous disclosure of information from abroad,
- Spontaneous information sharing (sent abroad).

Comparison of the number of requests received from abroad for the years 2010 and 2011, with breakdown of requests according to the individual countries is shown in the graph No. 8. This graph provides statistics on the 10 most active countries in 2010, which sent 36 of a total number 75 requests for information. In 2011 it was 84 requests for information of a total number of 144 requests received by SJFP Slovakia from abroad.



Graph No. 8: Comparison of total numbers of requests received from abroad in 2010 and 2011 (10 most active countries – 10 Top Countries).

In the framework of international cooperation among financial intelligence units associated in the Egmont Group SJFP Slovakia worked in the past year from a total of 128 member countries with 71 financial intelligence units. The most frequent co-operation was carried out as usual with the FIU of the Czech Republic, also Hungary, Belgium, Germany, Ukraine, Austria, Russian Federation, Great Britain and Poland.

Compared with the previous year, it can be concluded that with regard to the requests addressed to foreign countries, the requested countries remain more or less the same. That means, that SJFP Slovakia's focusing and need of obtaining information from abroad, we can designate within these 10 Top Countries with criteria, such as „phishing“, „transfer of criminal proceeds into the neighboring country“, „financial center“, „tax haven“ and the like.

IV.2. Cooperation with International Organizations

The most important and also most successful event in 2011 was from the perspective of international negotiation and approval of the Report on Fourth Assessment Visit of the Slovak Republic at the plenary meeting of the Committee of Experts of the Council of Europe MONEYVAL, held in September in Strasbourg. The text of this report is available at: [www.coe.int/dghl/monitoring/moneyval/Evaluations/round4/SVK4_MER_MONEYVAL\(2011\)21_en.pdf](http://www.coe.int/dghl/monitoring/moneyval/Evaluations/round4/SVK4_MER_MONEYVAL(2011)21_en.pdf).

Compared with the third round of mutual evaluation rating of the Slovak Republic increased in 16 cases by one degree, and 5 cases as much as two degrees. In 2 cases the rating fell by one degree and 1 case of two degrees. Compared with the third round of evaluation the Slovak Republic adopted a number of major legislative, and practical measures to ensure the removal of many shortcomings, especially in the area of prevention, for which the SJFP Slovakia is largely directly responsible. The most important change was the adoption of a new preventive Act on protection against legalization, where the SJFP Slovakia currently serves as a coordinator. Increased ratings are specifically related for example to introduction of criminal liability of legal persons, carrying out of customer due diligence by obliged entities and storage of documents, the issue of politically exposed persons, correspondent banking and related new technologies, monitoring and reporting of transactions (mainly relating to the financing of terrorism), the activities of non-financial institutions, feedback, regulation and supervision, international cooperation and the like.

MONEYVAL evaluators particularly appreciated the cooperation, professionalism and constructive approach of SJFP representatives throughout the whole evaluation process with the conclusion that the Slovak Republic has made since the last assessment undoubtedly great progress in developing an effective system of protection against the legalization of proceeds from crime and terrorist financing and that the Slovak Republic has achieved in several areas full compliance with European and international standards.

Other areas of action of SJFP 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 mainly through participation in various expert committees and working groups.

SJFP representative actively participated in the work of the Committee for the Prevention of Money Laundering and Terrorist Financing of the European Commission which meets regularly in Brussels. There attend representatives of all European Union Member States where they deal with the current issues relating to measures against money laundering and terrorist financing. In the autumn of last year the Committee began discussions on the revision of the third Directive on the prevention of abuse of the financial system for money laundering and terrorist financing. The mentioned Directive provides for Member States the minimum requirements in the area, which must be transposed into national legislation. This Directive appoints 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. Participants commented particularly on the measures, which have been interpreted inconsistently or in conflict with the FATF recommendations and they searched for the best recommendations for the European Commission.

In the year 2011 SJFP Slovakia participated in regular meetings of an informal platform for so called Asset Recovery Offices (hereinafter referred to as „ARO”) of the 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. The police officers of SJFP Slovakia are actively involved in projects and other requirements imposed on the ARO by the European Commission, which can deliver an improved cooperation. The result of such efforts is a directly connection of SJFP Slovakia to the communication channel of Europol - SIENA, which provides an encrypted and secure communication with other Member States.

A big benefit for SJFP Slovakia was also participation in the meetings of the FIU Platform bringing together financial intelligence units of the Member States, which is one of the subcommittees of the Brussels Committee, DG Justice, Freedom and Security. In the past year there was solved cooperation and sharing of intelligence between financial intelligence units of the Member States, which would be linked to the implementation of restrictive measures against Tunisia, Libya and other countries, respectively individuals and organizations to which they apply restrictive measures. It was also raised the issue of need for establishment of a central register of bank accounts and the need for an amendment to the Council Decision 2000/642/JHA on cooperation between financial intelligence units of the Member States to information exchange.

In terms of development and building a good cooperation with neighboring countries was very important a business meeting of financial intelligence units from neighboring countries negotiating about the possibilities of information exchange, hosted by the Austrian Intelligence Unit. The negotiations were attended by representatives of the Czech Republic, Hungary and Slovakia. This activity continued and a further meeting was held in May 2012 in Prague, with the participation of Poland, too.

V.

Financial Verification

The Property Check-up Department is one of the younger SJFP departments, which was founded in 2004 to support the needs of the criminal proceedings conducted at the level of the Police Force by law enforcement authorities in terms of financial investigation. The department was established to detect and identify incomes and property derived from crime or crime-related, which may be subject of seizure and subsequent confiscation. This task is a high priority and ambition of this department today. The Property Check-up Department detects and identifies incomes and property derived from crime or crime-related not only within the investigations conducted by the Police Force in Slovakia, but also within the investigations conducted by foreign partners.

V.1.

Identification of incomes and property derived from criminal activity

Since 2008 SJFP is designated as a national Asset Recovery Office („ARO”) by 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 detection and identification of proceeds of crime or other property related crime. The role of national AROs is to facilitate tracing and identification of proceeds of crime and other property related crime, which may be subject of an order issued by the competent judicial authority to freezing, seizure or confiscation such property within the criminal proceedings, or if it is possible under national law of the concerned Member State, within the civil proceedings. From the mentioned document follows the obligation for each member country of the European Union to establish or designate an ARO at the national level, so the Property Check-up Department has its strictly defined and established partners abroad. Cooperation and information exchange between national AROs is performed on the ground of the procedures and time limits mentioned in the Council Framework Decision of the European Union No. 2006/960/JHA on simplifying the exchange of intelligence information between EU Member States. Mutual cooperation is not limited to the territory of the European Union, the exchange of information is also carried out with third countries through an informal global network of practitioners and experts - CARIN (The Camden Asset Recovery Inter-Agency Network) and SJFP has been member of this network since its creation in 2004. The representatives of the individual national AROs and members of the CARIN network meet regularly on the platforms and annual meetings where they exchange experiences and knowledge in the field of identification, detection, seizure and confiscation of proceeds and property derived from criminal activity.

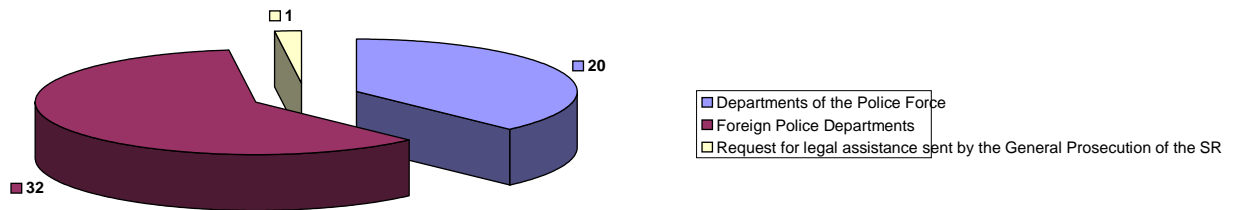
The Property Check-up Department uses its knowledge and experiences in identifying assets that can come from crime or can be connected with crime in order to ensure effective implementation of measures to combat crime. The philosophy of this department is based on the general knowledge that the most important motivation of offenders committing criminal offences is financial or material gain. It is therefore necessary to pay due attention

to the detection of such values which can be within the legislative options of criminal proceedings seized and confiscated and so to ensure deprivation of property which is derived from criminal activity and can also be marked for execution of punishment of property forfeiture excluding the charges and the recognition of an offender convicted of committing crime.

Within the developing information on the entity's assets we use access to the police databases, own SJFP database and on the ground of a request performed under powers of the Act on the Police Force we cooperate with banks, financial institutions and other institutions in Slovakia, which may have information about the property values of the entity concerned. If there is information on the possible location of assets abroad, we ensure the international cooperation with the foreign AROs or members of the CARIN network. Summary information creates a property profile of the concerned entity which is submitted to the Law Enforcement Authority. The position of the Property Check-up Department within the organizational structure of SJFP enables a close cooperation with the Unusual Transactions Department and usefulness of information obtained pursuant to the Act on protection against legalization.

SJFP ambition is that the detection and placement of proceeds of crime become an integral part of any investigation within the evidence procedure. SJFP has an interest in the possibility of using the Property Check-up Department to establish an effective and full property profile of an entity in order to use information obtained in criminal proceedings. This department has also an interest that most police departments know about this possibility. SJFP began to inform the specialized departments of the Presidium of Police Force which deal with the most serious cases of economic and organized crime. In the year 2011 within the common consultative meeting with prosecutors of the General Prosecutor's Office of the Slovak Republic and prosecutors of the Regional Prosecution Prešov and Regional Prosecution Košice the SJFP also conducted a training concerning seizure of funds of criminal offences committed abroad, followed by placing the proceeds of this crime in Slovakia.

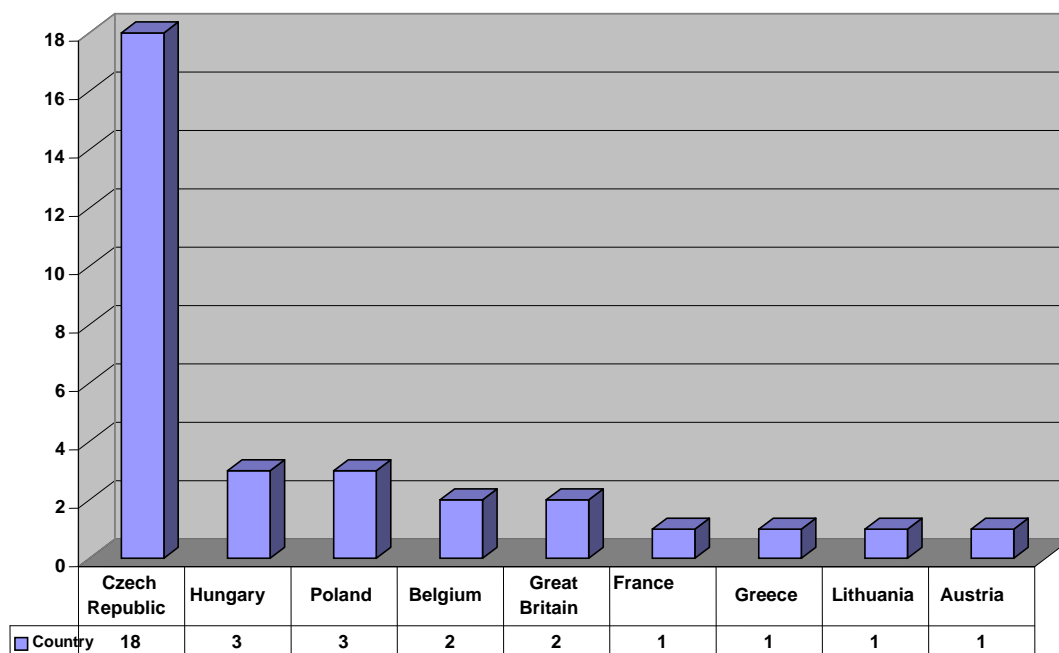
In 2011 the Property Check-up Department responded 20 requests for providing with property profile sent by different police departments in Slovakia, by which was also used foreign co-operation with almost all existing foreign AROs, 32 requests for information from foreign partners and one request for legal assistance sent by the General Prosecutor's Office of the Slovak Republic. The most intensive cooperation in 2011 was carried out with other departments of the Bureau of Combating Organized Crime. With regard to international cooperation we can confirm that the most frequent was the mutual cooperation with the ARO of the Czech Republic and AROs of the neighboring countries.



Graph No. 9: Number of property profiles elaborated on the ground of a request in 2011.

The most important cooperation in 2011 was the participation of the Property Check-up Department on a publicized case, which concerned a particularly serious crime of tax and insurance evasion under the provisions of Section 276 (1), (4) of the Criminal Code, failure to pay tax and insurance under the provisions of Section 277 (1), (4) of the Criminal Code with a large-scale damage and suspected legalization of proceeds of crime. That case concerned particularly the unauthorized apply for excessive VAT refunds which were received on the business bank accounts and subsequently withdrawn in cash, whereby the placement and potential use of funds are unknown. The Property Check-up Department received also valuable information from abroad concerning the existence of assets that could have been connected with the criminal offences committed.

The graph No. 10 provides a summary of foreign AROs, which sent requests for providing with information and for elaborating a property profile in 2011.



Graph No. 10: Summary of countries requesting the creating of property profile.

V.2.

Proof of Origin of Property

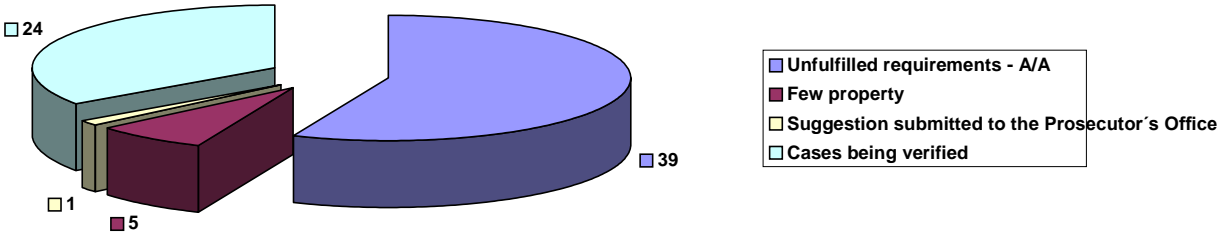
Another important area, where the Property Check-up Department acts as a coordinator and methodical authority, is examining the origin of property in accordance with the Act. No. 101/2010 Coll. on the Proof of Origin of Property (hereinafter referred to as „Act on the Proof of Origin of Property”), where the Financial Police Service is competent to act. The law was approved on 04.03.2010 and entered into force on 01.01.2011. The purpose of the Act is to regulate the conditions and procedures of public authorities within the deprivation of immovable as well as movable property, 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 in proceedings under this Act declared that they acquired property from proceeds of crime. Under this Act the entire procedure from receiving the notification until submission of suggestion to the competent Prosecutor’s Office is performed by Financial Police Service.

As Financial Police Service for the purposes of this Act was by an internal regulation determined the competency of police officers of the regional financial police departments of the Bureau of Combating Organized Crime - Financial Police Department Bratislava, Financial Police Department Western, Financial Police Department Central and Financial Police Department East. In order to establish a clear procedure for the police officers of financial police service in receiving, analyzing, evaluating and examining the actual notification under the Act on the Proof of Origin of Property the mentioned internal regulation methodically regulates the procedure of police officers who work in the field of proving

the origin of property. Clearly, it is necessary to continue to consolidate the financial police service practice within the proof of origin of property by maintenance of legality and usefulness of information sources.

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, existence of ownership of securities, ships, aeroplanes, motor vehicles and other property values are verified.

In the first year of the effectiveness of the Act on the Proof of Origin of Property SJFP received 60 notifications from natural persons and 9 own suggestions from the service of financial police. 44 cases of them were completed and in 5 cases of them was identified property less than 1500 times the minimum wage and 39 cases did not meet the mandatory requirements of the Act No. 101/2010 Coll. on the Proof of Origin of Property. There was either not confirmed the identity of the notifier or the notification was incomplete and on the ground of these facts the service of financial police disregarded them. In one case the regional financial police department presented a proposal to send a suggestion to the competent prosecutor’s office in order to initiate proceedings and to declare that the property of an entity was at least 1500 times the minimum wage higher than provable income. Other cases remained in verifying. The graph No. 11 provides an evaluation of method of processing of files documenting the proving the origin of property under the Act on the Proof of Origin of Property.



Graph No. 11: Procedures under the Act on the Proof of Origin of Property.

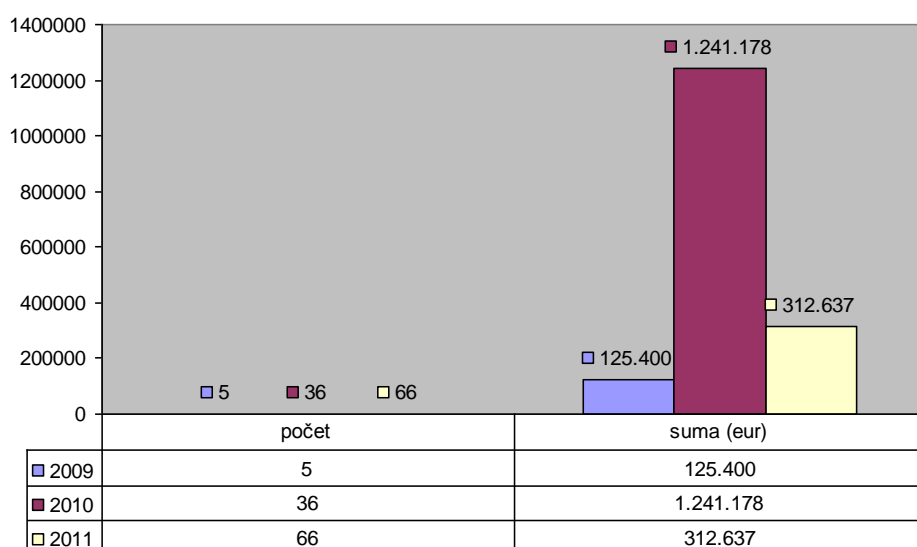
VI.

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 SJFP.

In 2011 SJFP received from the Customs Directorate of the Slovak Republic 66 reports of transportation of currency in a total amount of 312.637 euros. In 3 cases the transportation of monetary instruments was realized through the Milan Rastislav Štefánik Airport in Bratislava, whereby in 2 cases the Slovak nationals imported cash into the EU and in one case a Slovak national exported cash from the EU. In 63 reported cases the currency transportation was realized by the EU land border between Slovakia and Ukraine, while in 61 cases the monetary instruments were imported into the EU by Ukrainian citizens and two citizens of Russia for the purpose of purchasing goods in Slovakia, the Czech Republic, Poland and Germany (mostly buying cars and trucks). There were no cases of illegal currency transportation detected within carrying out checks at external border of the Slovak Republic in 2011.

In 2011 SJFP received an information from a foreign financial intelligence unit related to Slovak citizens, who did not declare transportation of currency amounting to 100.000 euros on exit from the EU territory to a third country.



Graph No. 12: Comparison of total numbers of the received currency transportation reports and comparison of volumes of the currency transported from/to EU.

VII.

Methods of money laundering and terrorist financing recorded by SJFP

SJFP within carrying out its tasks obtained information on methods of money laundering and terrorist financing and related predicate offences, whereby SJFP recorded all the legalization phases starting from the placement, layering until the integration. The information obtained SJFP submitted to the competent local Law Enforcement Authorities organizationally incorporated under the Bureau of Combating Organized Crime, Bureau of Combating Corruption of the Presidium of Police Force, the Section of Control and Inspection Service of the Ministry of Interior of the Slovak Republic, Bureau of Border and Alien Police of the Presidium of Police Force and Departments of the Criminal Police organizationally incorporated under District Directorates of the Police Force.

VII.1.

The most often used methods

1. The artificial increase in turnover at companies using cash payments within their business activities. Income from criminal activities in the form of cash monetary instruments is mixed with income from legal activities, whereby the result of funds mixing is declared as a legal turnover. The presented method is mainly used within the legalization of proceeds from drug related crime.
2. The 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 difficult to identify the proceeds of crime and securing them difficult for purposes of criminal proceedings. There are also intermediaries, so called straw persons/ 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 combination of non-cash and cash transactions, exchange services and money transfer services used within all of these methods.

3. Tax havens and „offshore“ companies. Because of liberal laws, covert property, failure to provide cooperation in the investigation of crime, 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 legalization recorded by SJFP.
4. Reverse loan, most often with using foreign natural and legal persons, mostly seated in a off-shore zone.

5. Investments, often overpriced, in real estates and transactions with them.
6. Investments in securities.
7. Purchase of company shares.
8. Involvement of shell and fictitious companies in difficult business schemes and chains.
9. In connection with committing tax crime, particularly fraud on VAT, non-transparent flows of goods, services and funds and the parallel involvement of so called straw persons/ front persons and fictitious companies (carousel fraud).
10. Internet lotteries and gambling games, crediting of gambler's playing account and subsequent pay off to other account without providing of any hazard or just in inconsiderable number.
11. Abusing of account of advocates and notaries, while primary target is not to use service but creation of trustworthy source of finance.
12. Misusing of transport companies and cash couriers, while proceeds of criminal offense are used for company business, which is mostly used in trafficking in drugs, trafficking in human being and weapons and such companies fulfill logistic function.
13. Terrorist financing. Transfers of funds from countries with higher security risk of supporting terrorism declared as payment for goods, humanitarian help, and activities of foundation with subsequent stratification of the funds to number of other accounts.
14. Using of covering companies that are really owned by persons linked or sympathetic to international terrorism, while these don't provide real business activity.
15. Trafficking in weapons and hazardous material that is covered by fictive business conducted by companies seated in off-shore, while domestic accounts are only used for transfer and to make flow of the funds confused.
16. Concealment of proceeds from criminal activity at bank accounts and safe boxes in abroad with using of physical transport of funds in cash by cash couriers.
17. Depositing of proceeds of crime at accounts of life saving, in favour of whose are gradually deposited funds in cash in amounts below 15.000,- EUR and subsequent wire transferred funds in parts from accounts of life saving.
18. Creating of "sleeping" accounts in domestic and foreign banks and their active use later in process of stratification of funds between these accounts.
19. Corrupt behavior in connection with procurement of thing of general interest, in which person realizing discretion accepts bribe and who in process of legalization of his illegal proceeds and subsequent he invests in legal business conditions.
20. Thefts of vehicles in order to modify identification marks of the vehicle with aim to obtain proceeds from sales of such vehicles.

VII.2.

Documented successful cases

Misuse of POS terminal

During 2011, there was case of misusing of POS terminals recognized by SJFP. Through the terminals was illegally realized 1665 payments totally from various traders in USA during two days. It concerned unauthorized (offline transactions) declared as so-called "return of goods" through payment cards VISA and MASTER CARD, while the funds credited two bank account held by company seated in the Slovak Republic. Operations of the type (return of goods) are realized in cases, when customer returns goods, that was previously paid to trader via payment card and he reclaims the good subsequently. In this case there were realized no payments such as buying of goods in particular trader in USA. Subsequently, after the funds from abroad credited the bank account of the company was realized attempt to withdraw the funds in cash by holder of right of disposal to the bank account. As far as SJFP was that time in possession to similar activity of statutory body and his family members provided in past, the operation was postponed, and in case, after law enforcement authority forwarded the case to prosecutor, he seized the funds at the bank account.

This case was interesting from viewpoint of organization for criminal offense. Perpetrators have previously found homeless person or socially deprived person, who was intentionally installed to position of statutory body of the company and they established bank accounts for the company subsequently with aim to sent there proceeds obtained by criminal activity in abroad and to legalize it subsequently. The statutory body was only pretending real business activity, such as remittance payments from customers from abroad for services and goods. He should realize cash withdrawals of the funds subsequently and to thwart their seizure for purposes of criminal proceedings.

The bank account of the company was established shortly before the fraudulent payments were realized and for the mentioned period, there was no other transaction realized at the bank account, what only confirms fact, that it was pre-planned criminal activity. The statutory body couldn't give statement concerning origin of the funds to bank office staff, which credited the bank account of the company. There were realized 1665 payments in total amount of 317.000,- EUR via payment cards.

In the above mentioned case SJFP was in close cooperation with related banks, investigator and prosecutor. Investigator started criminal prosecution in accordance to § 199 (1) of Code of Criminal Procedure for special serious crime of fraud in stage of attend in accordance to § 14 to § 221 (1) (4) (a) of Criminal Code with threat of punishment of imprisonment up to 15 years.

Unlawful payment of state premiums related to building savings.

In one of the building societies seated in the Slovak Republic, consultant of building societies signed contract on commercial agent since 2004. Based on the contract, she provided activity for building societies concerning mediation of building saving and mediation of providing of credit. In 2010 building society stopped cooperation with the consultant without statement of reason. Subsequently in 2011 received building societies information which shows that the consultant leaves the saved funds from client accounts of building society paying in favour of her personal account conducted with one of the banks in the Slovak Republic.

Building Society pays the saved money based on request for termination of contract to bank account that is stated in the application for termination of contract. The request is made in present of consultant, who verifies identity of the customer. In this context it was found out that the applications in cases of 62 contracts were made in present of the above mentioned consultant.

Within provided investigation there were verified by Building Society all terminated contract in the mentioned period when the consultant worked for Building Society and it was found out that all of 62 terminated contracts on Building saving signed by the consultant and saved funds with state premium in total amount of 137.000,- EUR were paid at bank accounts of persons related by family to the consultant. Back control of the contracts showed that first premium to each contract was paid from bank accounts belonging to family members of the consultant. Despite of facts that contracts were valid only for short time, there was state premium paid and there wasn't enough funds accumulated for admission and paying of the premium.

The consultant got building society into error in question of filling conditions and claim for assignation and paid of state premium as far as the contracts were signed intentionally and client of building saving concerning above mentioned 62 contracts had probably no knowledge about signed contracts and assigned state premium in amount of approximately 15.000,- EUR filled criteria for claim of assignation in accordance to Act No. 310/1992 Coll. on Building saving as amended.

In the case, there was filled charge to the consultant in accordance to § 206 (1) of Code of Criminal Procedure by investigator because of criminal offence of Subsidy Fraud in accordance to § 225 (3) (4) (a) of Criminal Code with threat of punishment of imprisonment up to 10 years.

Unlawful application for exceed allowance of VAT

SJFP recorded 6 cases concerning activities of persons, who applied for exceed allowance of VAT via personally linked companies intentionally included into chain in period from 2008 to 2011. SJFP sent all the information to regional department of financial police that while realizing of tasks in accordance to Act on Police force, ensured evidences against organized crime group of persons who established personally linked companies or companies controlled by strawmen, in name of these persons they issued tax documents, submitted VAT tax return, conducted accountancy, they were changing partners, statutory bodies and seats of the companies intentionally and they applied for exceed allowance of VAT at place competent tax bureaus. Members of the group committed economical criminal activity in the Slovak Republic by planned and coordinated via intentionally established chain of linked companies declared investment property purchases, which cost was multiply increased while transferring to ownership many times purposefully and by fictive investment with aim to apply for exceed allowance of VAT via last company in the chain and they systematically caused damage of large-scale to state budget in representation of several tax office bureaus.

Based on initiative of regional department of financial police, there was filled charge to members of the organized group in accordance to § 206 (1) of Code of Criminal Procedure by investigator because of criminal offence of Failure to pay tax and insurance in accordance

§ 277 (1) (2) (a) (3) of Criminal Code with threat of punishment of imprisonment up to 10 years.

VII.3.

Prognosis for future periods.

1. Misusing of institute of payment institution, especially its lower organizational bodies and mediators providing its services, their establishment for purposes to obstruct flow of money and legalization.
2. Misusing of electronic money by using more sophisticated way of committing criminal activities with using faked identification document and strawmen with residence outside the European Union.
3. Expanding of foreign payment institutions in the Slovak Republic for purposes of creating their own controlled system of payment.
4. Creating of specialized companies and profiling of professionals conducting cover and placement proceeds of crime and legalization for order.
5. Investment of foreign subjects committing criminal offence in the Slovak Republic and vice versa.
6. Increasing of international organization of perpetrators of thefts of vehicles, altering of identification marks of vehicles and subsequent legalization such vehicles via faked documents in third country.
7. Expansion of using domestic and foreign online betting accounts.
8. Efforts to expand high hazard to territory of the Slovak Republic.
9. Gradual transition of trafficking in human being, drugs, weapons and vehicles from private persons to companies with intent to introduce proceeds for such activity into legal system as far as to facilitate system of payment.
10. Gradual, but also unconscious including of non-financial sector into process of legalization, particularly notaries, lawyers, auditors, tax consultants and real estate brokers.
11. Increasing numbers of established non-profit organization, non-investment funds and foundations while increasing numbers of foreign transactions realized by these organizations.
12. To continue ongoing effort to realize conversion of banknotes from former Slovak currency into EUR via strawmen, particularly in cases of illegal profits of corruption and organized crime.
13. Placing of proceeds of crime at accounts of life insurance and other alternative saving products out of banks.
14. Gradual increasing of numbers of transactions realized in favour of companies with seats in off-shore or companies register in EU countries but linked by property to off-shore.
15. In case of making legislative no stricter while unlawful claim for refund of VAT probably increase of proceeds of such criminal offence and related placement of the proceeds in legal business sector.

VIII.

Cooperation with regulators and other institutions

SJFP considers the best platform to set up recommendations and intents in combating of legalization of proceeds of crime and terrorist financing cooperation with Interdepartmental expert coordination authority for combating criminality and Multidiscipline integrated group

of experts for combating legalization of proceeds of crime and terrorist financing (hereinafter "MISO"). In particular in working group MISO are presented and negotiated concrete steps and received concrete solutions of common problems in area of combating legalization of proceeds of crime and terrorist financing, particularly in level of legislative and institutions. Director of SJFP 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 Bureau of combating organized crime, Bureau of criminal police of Presidium of Police force and Slovak intelligence service.

In 2011 SJFP in cooperation with NBS began down to work of preparation of new methodical guideline on financial supervision by NBS on protection of bank and branch of foreign bank from money laundering and terrorist financing. This methodical guideline will be issued in 2012 and it will serve to bank employees as tool to assess of business operations. In 2011, there was new agreement on cooperation in area of protection against legalization of proceeds of crime and terrorist financing signed with NBS.

Because of prepared amendment of Act No. 126/2011 Coll. on realization of international sanctions, SJFP representatives attended several workshops with the participation of representatives of General prosecutor's office, NBS, Slovak intelligence service and Ministry of justice, finance, economic and foreign affairs. There was common procedure on identification of bank accounts and safe boxes of persons, who are subjects of international sanctions connected mostly with freezing of funds and property of former represents of Arabic regime (Egypt, Tunisia, Lybia) deled with General prosecutor's office. In connection with realizing of international sanctions connected with repressive measures against Iraq and Syria, SJFP closely cooperated with Ministry of finance while composing of system of granting permissions for transfers of funds above threshold of 40.000,- EUR from or to Iraq and Syria.

One of the most active partners of cooperation with SJFP is Financial Headquarter which is in accordance with Act on prevention of legalization 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 during 2011. 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. Not at last, there was agreed mutually acceptable exchange of information via electronic channel.

IX.

Summary statistics for the Slovak Republic.

Summary statistics mentioned in chapters VIII.1. and VIII.2. was provided by all state authorities in the Slovak Republic which have in this field have given duties. It concerns information which is obtained by activity of departments of the Police force in accordance to Act on Police force, LEA and courts in competence of Ministry of interior, Ministry of finance, General prosecutor's office and Ministry of justice. Summary statistics view of data is neatly sorted into two areas, that are: statistical indicators concerning procedure in accordance to Code on Penal Procedure for criminal offence of legalization of proceeds of crime a from such a criminal activity and statistical indicators concerning evidence in Criminal procedure in connection with seized property values.

IX.1.

Statistical indicators for the legalization of proceeds of crime.

As far as courts in 2011 decided in accordance to provisions of § 252 and 252a of Act No. 140/1961 Coll. Criminal Code as amended and also in accordance to provisions of § 233 and § 234 of Act No. 300/2005 Coll. as amended (entered into force since 01.01.2006), statistical data in part of Ministry of justice are shown together. In table No. 13, there are shown complete statistical data concerning criminal offence of legalization of proceeds of crime that SJFP received from state authorities of the Slovak Republic: Ministry of interior (MV), General prosecutor's office (GP) and Ministry of justice (MS).

| No. | Provision of Code of Criminal Procedure | Description | MI | | | GP | | MJ | | |
|-----|---|---|--------------|----------------|------------|--------------|----------------|--------------|----------------|--------|
| | | | No. of cases | No. of persons | Damage | No. of cases | No. of persons | No. of cases | No. of persons | Damage |
| 1. | | Suggestion for criminal criminal proceedings submitted by operative units of PF | 88 | 171 | 40.968.759 | | | | | |
| 2. | Section 199 | Commencement of criminal proceedings | 125 | | 4.672.046 | | | | | |
| 3. | Section 206 | Exhibit of charge | 23 | 69 | 5.524.011 | | | | | |
| 4. | Section 209 | Termination of investigation with proposal of accusation | 4 | 11 | 1.309.873 | | | | | |
| 5. | Section 215 | Discontinuation of criminal proceedings | 1 | 1 | | | | | | |
| 6. | Section 228 (1) | Suspension of criminal proceedings | 15 | 3 | 234.029 | | | | | |
| 7. | Section 216 | Conditional suspension of criminal proceedings by prosecutor | | | | | | | | |
| 8. | Section 228 (5) | Continuation of criminal proceedings | 5 | | 120.000 | | | | | |
| 9. | Section 234 | Indictment | | | | | 17 | | | |
| 10. | Section 284 | Judgement | | | | | | 16 | 10 | 28.719 |
| 11. | Section 331 | Agreement of guilt and punishment | | | | | | | | |

Table No. 12: Statistical data concerning criminal offence of legalization of proceeds of crime, value in EUR

IV.2.

Statistical data related to all criminal offences

As far as it is essential besides other in accordance to § 119 (1) (f) of Code of Criminal Procedure to prove proceeds from criminal activities and funds to commit criminal offence, its placement, character, status and price were ensured from LEA organizationally included under General prosecutor's office (§ 10 (7) of Code of Criminal Procedure), Ministry of interior (§ 10 (8)(a) and (c)) and Ministry of finance (§ 10 (8)(b)), statistical data concerning evidences in Criminal procedure in connection with seized assets. Statistical system of Ministry of justice of the Slovak Republic makes evidence of value of seized property, value of seized funds and value of confiscated property possible, but in praxes, these articles are filled in only in case, when they are quantified in charge, therefore in statistical system of Ministry of justice, these articles are unquantified.

| No. | Provisions of Code of Criminal Procedure | Description | Section 10 o(7), (8) (a), (b) and (c) of Code of Criminal Procedure | |
|-----|--|---|---|--------------|
| | | | Number of cases | Value in EUR |
| 1. | Section 89 | Obligation to surrender a thing | 4.969 | 7.524.033 |
| 2. | Section 91 | Dispossession of a thing | 169 | 235.384 |
| 3. | Section 92 | Takeover of a seized thing | 2.742 | 1.579.550 |
| 4. | Section 95 | Freezing of funds | 40 | 964.442 |
| 5. | Section 96 | Seizure of booked securities | 1 | 30 |
| 6. | Section 97 | Return of a thing | 3.776 | 2.008.011 |
| 7. | Section 550 | Surrender of a thing (international legal assistance) | 2 | 16.400 |
| 8. | Section 551 | Seizure of property (international legal assistance) | 7 | 136.928 |

Chart No. 16: Acts of criminal proceedings realized by authorities defined in § 10 (7), (8) (a), (b) and (c) of Code of Criminal Procedure

Conclusion

In 2011 SJFP processed complex analysis which passed in intrasection comment process under name Strategic Plan of Combating Legalization of Proceeds of Criminal Activity and Terrorist Financing for years 2012 to 2016. In each charter of this document, there is information on national and international legislative involved and briefly characterized authorities combating legalization of proceeds of crime and terrorist financing, there are also mentioned currently used methods for legalization and terrorist financing and prognosis for next periods. In the end of the strategy are necessary recommendations which SJFP as national leader in area of prevention of legalization and terrorist financing and central coordinating authority for other state bodies and institutions in exercise of common strategy and procedure in combating of this kind of criminal offence and make proposals to implement it into praxes a in that way to prevent legalization and terrorist financing effectively and identify it in each phase consistently, to detect and prosecute its offenders and to confiscate of their property.

The most appropriate platform for promoting of recommendation and intention in area of combating legalization and terrorist financing, SJFP recommended to present the Strategic Plan for comment to members of with Interdepartmental expert coordination authority for combating criminality and members of MISO in 2012. The aim was to determine competent authorities responsible for fulfill of accepted measures, to analyze and develop this measures and to work up schedule of material and time for fulfill of determined tasks.

In international area, the most important event in 2011 was to discuss and to pass Report from 4th assess visit of the Slovak Republic on plenary meeting of expert committee of Council of Europe MONEYVAL in Strasbourg and in compare with 3rd round of mutual evaluation, rating of the Slovak Republic increased in 16 cases for 1 degree and in 5 cases for 2 degrees. For this success of the Slovak Republic is in high extent responsible SJFP.

In year 2011, SJFP actively made its competence in area of identification property from criminal activity visible in form of schooling organized for investigators of the Police force and prosecutors in way to search and placement of proceeds of crime became integrated part of each investigation in argumentation. In 2012, SJFP is planning to return these scholars at lower levels of Police force and prosecutor's office.

In 2010 preparations for project of complex solution of receiving, analyzing and statistical process of information stated and in 2011 was prepared and accepted final version of project with subsequent realization in 2012, when after starting of testing operation, there will be necessary to test the system and to remove any deficiencies in that way, that since 01.01.2013, information system of SJFP will be in full production operation.

Basic idea project target of new information system is to make processes of processing data, to simplify exchange of information between SJFP, obliged persons and other cooperating subjects with present improved security of information and data and in that way to obtain time for application of highly sophisticated assessment and processing processes mostly in area of received unusual transaction reports, correct and fast using of derivate of process of assessment in combating of legalization of proceeds of crime and terrorist financing, organized crime, tax frauds and corruption. The aim of the project is to secure appropriate protection of data in whole information system.

In 2011 officers of SJFP were actively presented at preparation of review of 40+9 special recommendation of FATF which was publicized in February 2012. Review of 3rd direction of European Council is also preparing, which would be probably finished as 4th direction in the end of this year. Based on recommendation of 4th round of evaluation of

the Slovak Republic by European Council MONEYVAL, reviewed 40+9 special recommendations of FATF, reviewed 3rd direction and deficiencies found out in praxes on Act on prevention of legalization and considerate comments from obliged entities, SJFP will prepare amendment of Act on protection of legalization in way, that in 2013 would be proposal presented for comment for associations and professional association of obliged persons, state authorities which perform partial role in area of system of combatinf legalization and terrorist financing.

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