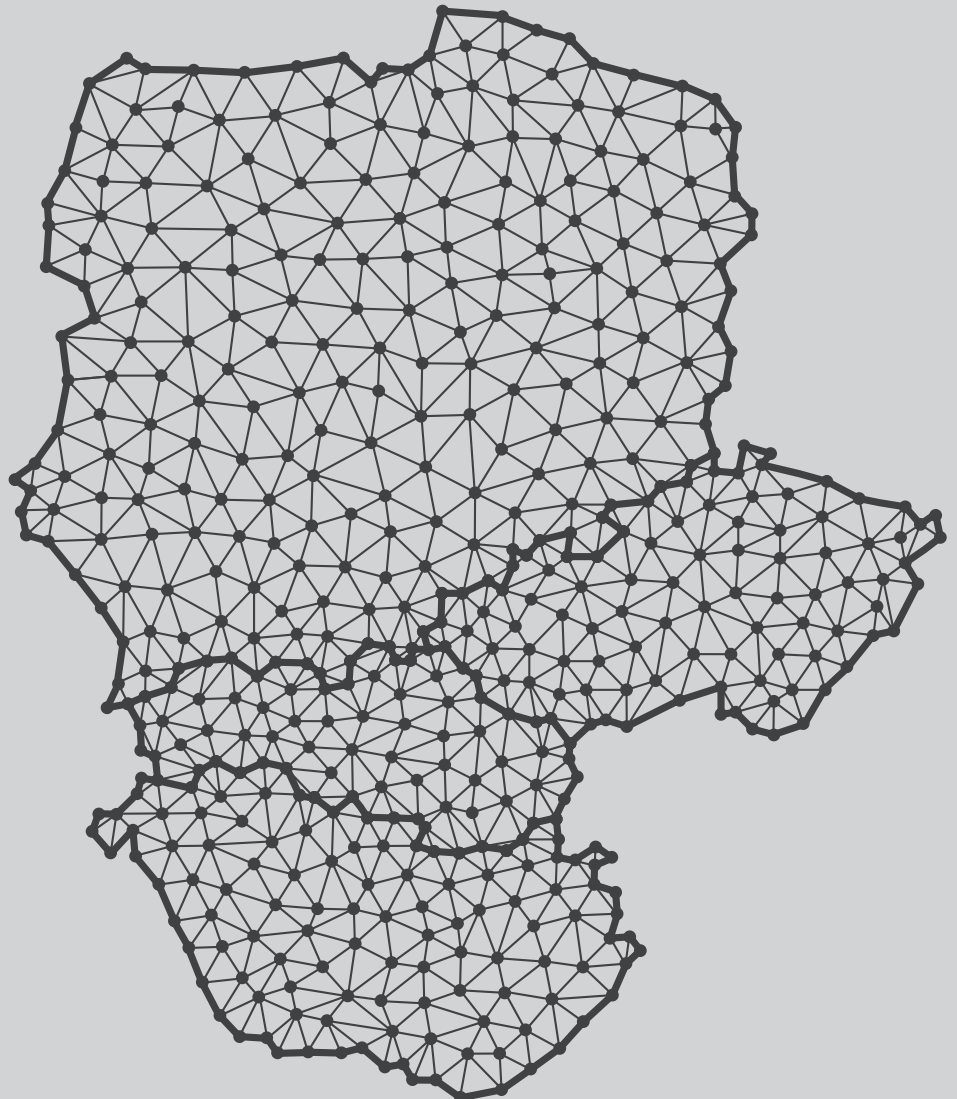




Report 1

Visegrad Four

Countering the financing
of terrorism while not directly
threatened by terrorism





This project was funded
by the European Union's
Internal Security Fund - Police

The content of this report represents the views of the author only and is his/her sole responsibility. The European Commission does not accept any responsibility for use that may be made of the information it contains.

Contents

Introduction	4
Financial Intelligence Units	5
Models of FIUs	5
V4 Analysis	6
Czechia	6
Hungary	7
Poland	8
Slovakia	9
International Cooperation in V4	11
Conclusion	12
Bibliography	13

Introduction

This report is part of a project funded by the European Union's International Security Fund-Police. The project CRAAFT is a research and community building initiative designed to develop and consolidate a stronger, more coordinated counter terrorist financing (CTF) capacity across the EU and in its neighbourhood. This particular research is focusing on the capacities of Financial Intelligence Units (FIUs) - analytical bodies that review suspicious transactions to combat terrorist financing and money laundering in the Visegrad Four region. Via a series of interviews and analytical research, GLOBSEC is conducting two needs analysis reports. This document is focusing on the Visegrad Four (V4)¹ region, while the second one will zoom in on the Western Balkans (WB)². A particular focus is dedicated to international cooperation between FIUs themselves and the synergy with the private and public sectors' actors operating in the two regions. The reports' findings will have been presented in their drafted form to the FIU representatives at two regional workshops for feedback before finalising the writing. Simultaneously, as part of the feedback process a discussion on common challenges and sharing of experience between the two regions should spark. This will also serve as a tool for feeding practical data into the research that aims to map the needs of each region's FIUs. The second half of the workshops will be devoted to practical training sessions led by researchers and practitioners. These will be tailored according to the findings that sum up common challenges in international cooperation that each region faces as a whole as opposed to the country-specific workshops mentioned in the previous section which are driven by a needs analysis of a given country.

1 In alphabetical order: Czechia, Hungary, Poland, Slovakia

2 In alphabetical order: Albania, Bosnia and Herzegovina, Kosovo, Monte Negro, North Macedonia, and Serbia.

Financial Intelligence Units

Financial Intelligence Units (FIU) are state authorities that deal with the receipt, analysis and transmission of suspicious reports identified and filed by the private sector. They serve as a bridge between all entities obliged to report unusual transactions and law enforcement agencies within the anti-money laundering/combatting the financing of terrorism (AML/CFT) framework.³ These responsibilities bestowed upon FIUs are listed in the Financial Action Task Force (FATF) Standards, which now include over 200 jurisdictions all over the world.

The first financial intelligence units were established in the early 1990s. Subsequently, over the course of the next decade, the number has grown significantly. In 1995, the Egmont Group of FIUs was established to enhance the exchange of financial intelligence between the countries. Another objective of this body is to ensure that all FIUs are respectful of a number of key CFT and AML-related as well as communication and transparency standards in order to enable maximum cooperation between them.⁴ The FIUs' ability to cooperate with foreign counterparts, points at their particular importance in CFT as it fosters international and in-depth going international cooperation in the field of AML/CFT.⁵

Models of FIUs

The establishment of FIUs in various countries led to the adoption of different models, depending on the range of powers they possessed as well as their position within the structures of various ministries. The International Monetary Fund has distinguished four models of FIUs in its 2004 publication. The four models take on the following forms: Administrative, Law Enforcement, Judicial, and Hybrid.⁶ In the Visegrad Four region, we can find two of the mentioned types, however, it is important to note that, even if belonging to the same category, no two FIUs are alike as their powers and functions depend on the legislature of the given country. Slovakia uses the law enforcement model, while the other three countries shape their FIUs in administrative capacity.

The law enforcement model used in Slovakia places the unit within the Ministry of Interior. Such structure is said to have a few advantages, especially in criminal procedures. These positive aspects have also been highlighted during

interviews conducted within the research process of this report. Amongst them were a quicker law enforcement action/response and a deeper knowledge of its analysts of criminality from a legal perspective. Challenges of the Slovak law enforcement model were, however, also mentioned. The main problems listed were an overall relatively weak role of this model in relation to the legal framework within which the FIU unit operates. This challenge was raised specifically when discussing access to information and information exchange networks such as Europol or Interpol. A few other disadvantages of this model that have been mentioned was the fact that the law enforcement FIU needs strive to build trust with the reporting entities (REs) due to their reluctance to provide data to a unit that cooperates with investigative agencies and is located strictly within law enforcement structure. It is worth noting, however, that the other 3 types of FIUs need to make similar effort in building trust between Res as all units cooperate with the police or prosecutors to a varying extent. The second model that is present in the V4 region is the Administrative type. This model set the FIU within the Ministry of Finance structure. The reasoning behind this location related to understanding that the FIU will act as a buffer between law enforcement and reporting entities. According to the IMF publication, this model's advantage is its ability to mitigate the relative reluctance of REs to forward their hard evidence related to the Unusual Transaction Reports (UTRs) findings. The REs lack of cooperation in this regard is explained by the fact that, as they do not benefit from a wide range of findings, they do not want to be seen as accusers.⁷ Some administrative FIUs such as the one operating in Hungary, are more independent than others (such as those functioning directly under the ministry such as is the case in the Czech Republic or in Poland).

The remaining 2 models of FIUs, which don't operate in V4 are the judicial model and the hybrid model. The FIUs which have espoused the judicial model work more closely with the public prosecutor's office, where reports of suspicious financial activities are being sent directly to directly. The office has the mandate to seize funds, freeze accounts, conduct interrogations and conduct searches of diverse nature and scope.⁸ The judicial model is one, which is usually preferred in countries with strong banking secrecy laws. The hybrid model combines the characteristics of all 4 types. It uses staff from various state agencies.⁹

3 International Monetary Fund and World Bank, "Financial Intelligence Units: An Overview," 2004, <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>, p.1

4 International Monetary Fund and World Bank, "Financial Intelligence Units: An Overview," 2004, <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>, p.1

5 International Monetary Fund and World Bank, "Financial Intelligence Units: An Overview," 2004, <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>, p.1

6 Louis Forget and Vida Šeme Hočevar, "Financial Intelligence Units: An Overview" (International Monetary Fund, 2004), p. 9.

7 *Ibid.*, p 10.

8 *Ibid.*, p 16.

9 *Ibid.*, p 17.

V4 Analysis

The following needs analysis for the region has used existing literature as well as the Mutual Evaluation Reports performed by Council of Europe's Moneyval.¹⁰ Pertaining to the interest of this report are mostly Recommendations 5, 6, 7, 8, 36, 37, 38, 39, and 40 on the technical compliance which have been chosen to narrow down the focus on terrorist financing, and more specifically the element of international cooperation as well as a common shortcoming in all V4 countries in another area, which will be the focal point of the workshop for the FIUs organised by GLOBSEC.¹¹ The representatives of Slovakia's and Hungary's FIUs have agreed to be interviewed for the purpose of this project in September and October 2020 respectively, hence their chapters include input from the staff, be it on the director level, unit leaders or analysts. As mentioned above, after reviewing the literature and conducting the interviews, the authors identified two particular areas that received closer attention and were all present during interviews with V4 FIUs' representatives: 1. International cooperation, and 2. Work with non-profit organisations (NPOs). The former was chosen due to the international nature of terrorism financing as well as due to the fact that it is an area that the V4 countries now have considerable experience in. As a result, their experience in relation to international cooperation may potentially serve as an example that the six Western Balkan countries to draw on.

The topic relating to FIU cooperation with NPOs was chosen as it had been identified as an area for improvement that is common in all Visegrad countries based on the Mutual Evaluation Reports (MER) conducted by Moneyval's experts. This area has also been highlighted as one with shortcomings in the comments provided by FIUs staff. The common challenges in this field were reflected in the V4 countries' ranking as being only partially compliant with FATF Recommendation number 8. Poland has not been as affected by the shortcomings stemming from problems with NPO cooperation as other V4 but the latest MER on the country has not yet been published, therefore no detailed information on its ranking is yet known.

The challenges that the V4 FIUs encounter in terms of cooperation with NPOs stems from the fact that these bodies are frequently abused by TF networks, which creates a vulnerability in the national systems, especially in the cases when NPOs do not have a full understanding of the threat or their own weaknesses.

What follows is a country-by-country analysis of V4 region's FIUs' work with NPOs, which is based on the inputs mentioned above. Second part of the report revolves around international cooperation.

Czechia

The threat level for FT in the Czech Republic has been labelled "medium" as the country has witnessed a small number of cases of home-grown Islamic radicalism until 2019. In one case, a Czech citizen attempted to join ISIS in Syria, and in another, a local imam allegedly supported a couple who joined ISIS.¹² The National Risk Assessment (NRA) notes the following key areas as risks still present in Czech Republic: transfer of funds for the purpose of FT through cash couriers; corruption in both the public and private sectors; insufficient criminalisation of the FT offence; insufficient awareness of risks by some non-financial businesses and professions (DNFBPs) in conjunction with insufficient supervision over their AML/CFT obligations; and insufficient transparency and risks of abuse of non-profit organizations (NPO) for FT.¹³

The non-profit sector in the Czech Republic includes foundations, associations, endowments, institutes, religious legal persons and public benefit companies. According to Czech legislation, the NPOs are obliged to provide an annual report and financial statements to the Register Court.¹⁴ However, the Court does not monitor the quality and accuracy of information submitted by the registered entities, but only confirms whether all required information is submitted.¹⁵ The NRA noted that despite the risk of NPO abuse to support and fund terrorism had been considered by authorities, it had not yet been fully determined.¹⁶ According to the NRA's analysis based

on hypothetical examples, the risk of NPO exposure to FT is high.¹⁷ The 5th MER recognised that despite a high risk of NPO abuse, the Czech authorities have not yet identified the subset of NPOs meeting the FATF definition or systematic identification of higher FT risk NPOs and related threats specific to the country are identified.¹⁸ In addition, while the NRA findings were disseminated to the supervisory authorities, communication with the NPOs remains insufficient. Not only have the findings not been discussed with the NPO, but the NPO representatives are unaware of the potential typologies of NPO's abuse and CFT measures in place.¹⁹

There have, however, been attempts to address the potential abuse of NPOs for FT by the Financial Analytical Unit (FAU). The FAU, serving as the Czech Republic's FIU and the coordinator of the NRA process, functions as the umbrella for the system of AML/CFT prevention in the country.²⁰ With respect to outreach to the NPO sector, the FAU has conducted two training sessions – in 2018 and 2019 – focusing on the potential misuse of NPOs for TF. Nonetheless, no other measures apart from the two training courses, including sharing guidance or best practices, have been taken to provide assistance to the NPO sector.²¹

The aforementioned conditions present significant shortcomings of the Czech system, thus the following recommendations are suggested:

- Conduct a new in-depth risk assessment to identify the NPOs at risk of FT abuse.
- Establish a periodicity of assessment for the sector to ensure that the changes in risk for the NPOs are up to date.
- Implement a coordinated and targeted oversight to the NPOs that are identified as higher risk, including outreach and awareness raising for both the NPOs and the donor community.
- Provide consistent training courses on possible misuse of the NPO sector for FT purposes to the NPO sector.

Hungary

Hungary's level of terrorist threat remains at "medium" (third level out of four) even after the recent attacks in Vienna, Austria. The country's FIU is located within the organisation of the Central Management of the National Tax and Customs Administration, under the Ministry of Finance. The research team has conducted an interview with the Hungarian FIU (HFIU) in October 2020 to understand their position on the issue of international cooperation as well as receive a general point of view. According to the interviewee, the current focus of the HFIU in counter terrorism financing is on preventative measures. Operationally, the work on CTF covers circa 15% of its work. Regarding international cooperation, its most frequent partner is mostly with the Slovak FIU, due to sharing a land border and the perpetrators on both sides of it misusing bank accounts or corporate vehicles. HFIU's work with the NPO sector has been evaluated as one in room for improvement, indicated by a score of technical compliance at Partially Compliant in 2017 and without a change in the recent years.

Regarding CTF there are three pillars: enforcing Targeted Financial Sanctions (TFS); Cooperation with the Hungarian counter terrorism center (TEK); and international information exchange, which becomes a top priority when there is request for information. In regard to cooperation with TEK, there is high exchange of information, which, however, is not indicative of a high threat as terrorism financing. This is due to the Hungarian FIU's belief that TEK needs all the information available to assess the threat adequately. In other words, the threshold for a suspicion of terrorism financing should be lower than for anti-money laundering cases even at the cost of Hungary FIU's higher dissemination of information to other bodies. Although reportedly there is not a constant flow of feedback from TEK on these suspicions, there are regular meetings in place to ensure the exchange of information.

The Hungarian FIU has been evaluated multiple times by Moneyval, the most recent being the MER report from 2016 and three consecutive follow up reports in 2017, 2018, and 2019. Throughout these years, there is a clear progress on technical compliance in more than a third of the FATF recommendations. One of the areas of interest to this report, i.e. work with NPOs remains to be improved as the country's rating on technical compliance remains to be Partially Compliant.²² One noteworthy development has been mentioned in the first follow up report and it is that Hungary introduced a new

¹⁰ The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism or Moneyval for short is a monitoring institution of the Council of Europe that evaluates the compliance of its member countries with international standards and suggests recommendations in the area of countering terrorism financing and money laundering.

¹¹ The mentioned recommendations are on these areas: Recommendation 5 - Terrorist financing offence, Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing, Recommendation 7 - Targeted financial sanctions related to proliferation, Recommendation 8 - Non-profit organisations, Recommendation 36 - International instruments, Recommendation 37 - Mutual legal assistance, Recommendation 38 - Mutual legal assistance: freezing and confiscation, Recommendation 39 - Extradition, Recommendation 40 - Other forms of international cooperation.

¹² Moneyval, "Anti-Money Laundering and Counter-Terrorist Financing Measures - Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 21.

¹³ Moneyval, "Anti-Money Laundering and Counter-Terrorist Financing Measures - Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 21.

¹⁴ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 33.

¹⁵ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 96.

¹⁶ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 33.

¹⁷ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 84.

¹⁸ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 84.

¹⁹ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 84.

²⁰ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 28.

²¹ Moneyval, "Czech Republic, Fifth Round Mutual Evaluation Report," December 2018, p. 95.

²² It is important to mention that the NPOs in the Hungarian context means both NGOs (associations, foundations and civil companies) and non-profit business companies.

obligation for all REs, including NPOs to regularly follow new designations of targeted financial sanctions released by the European Union and the United Nations Security Council Resolutions.²³ This, however, does not help them understand their vulnerability, mitigate the existing risks, or draw lessons learnt on how to protect themselves against a potential abuse. None of the follow up reports mention an improvement of the Criterion 8.2. meaning it seems that a specific outreach to the NPO sector on terrorist financing matters in all probability still does not exist. The interview conducted in October to some extent affirmed this claim when the staff mentioned one of the areas of improvement could be sharing valid and usable indicators for all REs, such as behavioural indicators for foreign terrorist fighters that moved throughout the country's territory for example. Specifically interesting is the desire to tailor the indicators to the region as opposed to the general ones coming from literature; the idea being the context in the Visegrad Four having its such as human trafficking, prostitution and sexual exploitation in comparison to some western countries from where a sizeable part of the literature originates. In the interview, the staff has also mentioned other areas of improvement, but for the sake of focus of this report, they will remain unmentioned.

Hence, the recommendations for the HFIU would be the following:

- Provide valid and usable behavioural indicators of raising funds for FTFs.
- Develop with other V4 FIUs specific indicators for the region's challenges such as human trafficking, prostitution and sexual exploitation, etc.
- Exchange experience with V4 and other EU's FIUs on methods of communication with NPOs in a network of FIU representatives.
- Together with other V4 FIUs develop best practices on trainings of NPOs in TF.

Poland

The Polish FIU "The General Inspector of Financial Information – GIFI" is located in the Ministry of Finance, with the main authority for combating money laundering and financing terrorism.²⁴ While the terrorist threat level is assessed as low in Poland, it is necessary for Polish authorities to devote significant resources to ensure that the threat level does not rise.²⁵ In this vein, the lack of effective and proportionate oversight of the NPO sector in regard to TF has been identified as an area in need for improvement.

The Polish non-profit organisation sector (NPO) comprises a variety of organisations, including foundations and associations, religious organisations and unions, and also local authority unions.²⁶ As a result of significant outreach efforts by the GIFI and the Polish Financial Supervision Authority (PFSA), financial institutions in Poland are at large aware of the customer due diligence (CDD) requirements. The outreach has mainly taken the form of training programmes and notes on GIFI and PFSA websites. GIFI has also published the "Counteracting money laundering and terrorism financing" guide to assist financial institutions and other reporting entities in the practical application of the AML/CFT requirements, which is not publicly available but sent directly to the entities.²⁷

NPOs, like other obligated institutions, are required to apply CDD measures: they must apply financial security measures, which are based on a risk assessment for money laundering and terrorist financing, as outlined in Article 8(b) of the AML/CFT Act.²⁸ The risk assessment is based on a thorough analysis taking into consideration the type of client, products, transactions and economic relationships. Furthermore, NPOs must comply with reporting obligations, including forwarding registered transactions to the GIFI²⁹ and registering suspicious transactions^{30,31}.

In regard to TF, there are no formal investigations into the adequacy of the laws and regulations relating to non-profit organisations in Poland. An interagency meeting took place in 2011 to discuss addressing the risk of terrorist financing within the NPO sector, but there have been no indications whether a formal Review was conducted. Following the meeting, an IT system

with information on the NPOs was established, and additional steps to enhance transparency, such as for NPO participation in government tenders, were taken. Moreover, according to the latest MONEYVAL evaluation, there are very limited measures to prevent terrorist organizations from posing as legitimate NPOs.³² Similarly, the measures limiting funds or assets collected and/or transferred through the NPO sector from being used to support terrorist individuals or organisations are equally lacking.³³

To protect the NPO Sector from Terrorist Financing abuse, GIFI has employed multiple outreach efforts. GIFI provides an e-learning platform to raise awareness of obligated institutions on the preventative measures in AML/CFT. Between 2009 and 2012, GIFI has trained a total of 448 NPO employees – 327 persons from foundations and 121 from associations³⁴ – in the AML/CFT area via the e-learning platform.³⁵

Despite GIFI's outreach efforts, a significant lack of effective and proportionate oversight over the NPO sector remains. There has been a limited review of the risks in the NPO sector, and the existing steps taken to enhance transparency and reporting structures have not been deemed effective. The MER suggests tackling these three deficiencies to develop a better insight into the vulnerabilities of the NPO sector and thus effective and efficient strategies to ensure AML/CFT efforts within the sector.³⁶

Slovakia

Slovakia's FIU is the only one in the region placed in the Ministry of Interior. The level of terrorist threat remains "increased" (second out of 4 levels). According to the interview conducted in September 2020, the Slovak FIU's workload is mostly concentrated on AML activities and CTF represents roughly 15%, similar to their Hungarian counterparts. The MER of Slovakia published in September 2020, evaluating the unit's work the previous year mentions that it filters some 20% of the TF UTRs, while the rest they disseminate to law enforcement agencies.³⁷ Such workload can also be represented through the number of investigations into terrorism financing, which has been three so far, highlighting the low threat the country faces. In two of them it appeared

that Slovak financial institutions have been used, underlying that the threat can be present in the financial sector, as opposed to charities, foundations or NPOs in general.

Amongst the potential risks for the country that the last MER report has found are: poor control of cash movements across the country and money remittances, the use of fictitious corporate structures; non-dissuasive nature of sanctions in relation to undeclared/falsely declared movement of cash,³⁸ the outstanding issue that was mentioned the most – both in the official documents as well as in the interviews was the challenge in relation to working with the NPOs.

Within the NPO sector, it is the foundations, which are the most common and they dominate as far as its financial volume. A number of obligations is thus set for them, such as the requirement to prepare an annual report, which can be audited as well as the obligation to publish the document in a register and regularly file tax returns.³⁹ Interestingly, according to the FIU's annual report for 2019, the NPO sector has only issued 25 UTRs (less than 1 % of total).⁴⁰ The Slovak Intelligence Agency (SIS) monitors 2% of foundations in the country and regularly supervises "6-7 sensitive NPOs" while the Counter-Terrorism Unit (CTU – NAKA) estimates there are around 40 vulnerable non-profit organisations.⁴¹ Slovak FIUs noted that this is because, although the Reporting Entities (REs) from the financial sector try to send as many UTRs as possible, the emphasis is placed on quality of the information included in them rather than their sheer quantity. On the other hand, the non-financial businesses and professions (DNFBPs) are not well versed in this process, which is a systemic issue, but not one that is prioritised in Slovakia as it does not represent one of the country's immediate threats.

One popular and largely covered case of terrorist financing in the media came to light in 2020 when a self-proclaimed imam from the Czech Republic has been caught collecting money from unsuspecting members of the Muslim community, structured as a non-profit organisation, allegedly for humanitarian relief. In reality, the money was reportedly transferred to the terrorist group Al-Nusra Front in Syria.⁴² It seems that it would be useful to assess the threat in this field and to optimise the use of the FIUs' and LEAs' resources. This could result

23 Moneyval, "Anti-Money Laundering and Counter-Terrorist Financing Measures Hungary. 1st Enhanced Follow-up Report & Technical Compliance Re-Rating," 2017.

24 Moneyval, "Mutual Evaluations Report on Fourth Assessment Visit: Anti-Money Laundering and Combating the Financing of Terrorism - Poland," April 11, 2013, p. 10.

25 Moneyval, "Mutual Evaluations Report on Fourth Assessment Visit: Anti-Money Laundering and Combating the Financing of Terrorism - Poland," April 11, 2013, p. 29.

26 Moneyval, "Mutual Evaluations Report on Fourth Assessment Visit: Anti-Money Laundering and Combating the Financing of Terrorism - Poland," April 11, 2013, p. 209.

27 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 12.

28 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 212.

29 As prescribed in Article 11 of the AML/CFT Act.

30 As prescribed in Article 8(3) of the AML/CFT Act.

31 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 212.

32 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 216.

33 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 15-16.

34 2009 – 7 from foundations and 1 from associations; 2010 – 125 from foundations and 62 from associations; 2011 – 168 from foundations and 49 from associations; 2012 – 27 from foundations and 9 from associations.

35 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 213.

36 Moneyval, "Mutual Evaluations Report - Poland," 2013, p. 249.

37 Moneyval. "Mutual evaluation report." Financial Action Task Force "Mutual Evaluation Report—Anti-Money Laundering and Combating the Financing of Terrorism: Slovakia" September (2020). p.98

38 *Ibid.*

39 *Ibid.*, p 189.

40 Unit, Slovak Financial Intelligence, Annual report of the Financial Intelligence Unit for 2019.

41 Moneyval "Mutual evaluation report. Slovakia", p 107 and 108.

42 Dušan Mikušovič, "Slovenská Stopa Radikálneho Imáma: Ako u Nás Pražský Kazateľ Zverboval Bojovníka Do Sýrie," June 18, 2020, <https://dennikn.sk/1920343/slovenska-stopa-radikalneho-imama-ako-u-nas-prazsky-kazatel-zverboval-bojovnika-do-syrie/?ref=list>.

in better assessment regarding which NPOs are the most vulnerable. This is an issue the FIUs have already addressed and worked on including the research on risks related to financial and non-financial activities of the mentioned organisations, however, the MER goes further and suggests a” specific risk-ranking attributed to certain categories of NPOs.”⁴³ In other words, Slovak authorities should create a typology of the most at-risk organisations in the country.

In order to rectify the problem of a knowledge gap of Slovakia-based NPOs, the Slovakian FIU has published a brief article including information on NPOs’ responsibilities to the unit, common ways of abuse of such organisations, as well as general advice on how to mitigate the risks.⁴⁴ However, according to the MER, the impact of this effort was minimal.⁴⁵ In addition, the National Bank of Slovakia has also published information recommending NPOs not to conduct business with “problematic” entities and check the authorization of individual financial market entities on the NBS website”. In its report, MER concludes by stating that there are no guidelines for Slovakian NPOs to use regulated financial channels for transactions.⁴⁶ The lack of specific information and training has resulted in NPOs’ only general awareness of terrorist financing risks. Meanwhile, the list of best practices is still missing. Interestingly, some NPOs did institute a set of mitigation measures to protect themselves from possible terrorist financing abuse, and these have already been implemented thanks to the rules of their donors.⁴⁷ To assist in the systematic mapping of NPOs and its beneficial users, the Slovak authorities decided to create a Register of Non-Governmental Non-Profit Organizations that should be ready on 1st January 2021. Obviously, the benefits of this effort will have to be analysed in future work.

In short, the following steps are recommended to improve the resilience of the Slovak NPO sector:

- Create typologies of the most vulnerable NPOs in the country.
- Disseminate more precise information to the selected NPOs, explaining their vulnerabilities and examples of how they can become a target of TF abuse.
- Consolidate and evaluate the rules from donors with the aim of a wider distribution.
- Deliver trainings focused on the best practices and case studies of abuse.

43 *Ibid.*

44 FSJ, “Informácie Pre Zdrúženia Majetku (Neziskové Organizácie Poskytujúce Všeobecné Prospešné Služby, Nadácie, Neinvestičné Fondy,” accessed December 23, 2020, https://www.minv.sk/swift_data/source/policia/fsj/kpo/Zdruzenia%20majetku.pdf.

45 Moneyval, “Anti-Money Laundering and Counter-Terrorist Financing Measures: Slovak Republic - Fifth Round Mutual Evaluation Report,” September 2020, p. 108.

46 *Ibid.*

47 *Ibid.*



International Cooperation in V4

The principles that guide international information exchange between FIUs are laid out in the Egmont Group’s *Principles for Information Exchange Between Financial Intelligence Units for Money Laundering Cases*. There exist three types of international information exchange: spontaneous information – it takes place when a package of information from a foreign FIU arrives without having been scheduled to do so; in this exchange the reply to this information is voluntary and it is based on the recipient FIU’s necessity. The second exchange type is an official request of information by one FIU to another. In this case, the FIU is obliged to provide an answer.

Other bodies, such as intelligence agencies are, of course, also involved in the international cooperation process but the focus of this chapter is only on the exchange relating directly to FIUs.

As according to the conducted interviews, most of the Visegrad Four international cooperation amongst FIUs revolves around AML cases although not only, as there have been CTF cases that FIUs have decided to cooperate internationally on. As an example, according to the 2020 MER, Slovakia has so far cooperated with other FIUs on three CTF cases.

One of these international cases was investigated together with the Czech Republic, which started out as a cooperation of LEAs (not FIUs) on the already mentioned Samer Shehadeh’s alleged financing of Al-Nusra Front. The second was a more complex case, which resulted in involving multiple countries in a lengthy process caused by non-responsiveness of MLA counterparts. This challenge slowed down the work on a final report. The third one of the three international cooperation instances involving Slovakia related to crimes other than terrorism financing but ones where some aspects of TF might have been included, nonetheless.

In general, the V4 FIUs are ranking well on the international cooperation level. This is thanks to their speedy responses to foreign FIUs’ requests as well as prioritisation of these requested by the said V4 units. The Hungarian-Slovak cooperation has been praised by both sides and is highly valued among the staff of both countries’ units.

A similar assessment relating to international cooperation between the Czech and Polish counterparts is missing from this report as their representatives have not been able to participate in the interviews conducted within the framework of preparatory research for this report. It is thus recommended that following reports should include the Polish and Czech positions too, if possible.

Overall, it has been estimated that the information exchange in the region is quick enough and transferred through well-established channels, even though the interviewees did mention that some of the FIUs from outside of the V4 region are slow in responding to information requests, even those that have been marked as urgent.

As far as the quality of information sent in response to requests is concerned, FIUs are generally satisfied with the content although they have agreed that there is still room for improvement and the ongoing need for a common standard as well as more detailed information to be included in the reports. A difference between the region’s FIUs that was noted by the research team related to their cooperation under Mutual Legal Assistance (MLA) - a specific regime triggered when countries cooperate not only to find out certain information for analysis, but also in case there is an active criminal investigation underway.

Indeed, while Czech Republic has 44 bilateral treaties for MLA in place, including not only cooperation with its European neighbors but also countries around the globe⁴⁸ with Czech authorities’ receipt of positive feedback from all jurisdictions on the assistance provided,⁴⁹ receiving positive feedback from other jurisdictions on the assistance provided,⁵⁰ the cooperation of the Polish FIU under MLA has been brought to question due to a lack of statistics to conduct the evaluation. In other words, the information on money laundering and terrorist financing offences provided ahead of the 4th MONEYVAL mutual evaluation report (MER) indicates an extremely low number of incoming requests, which could point towards a possible systematic problem. Ultimately, this is still a hypothesis due to an insufficient sample.⁵¹

48 Moneyval, “Anti-Money Laundering and Counter-Terrorist Financing Measures - Czech Republic, Fifth Round Mutual Evaluation Report,” December 2018, p. 146.

49 According to the 2018 MER, incoming requests for MLA based on all offences have been received in increasing numbers. In 2014 – 2851 MLA requests were received, whereas 2817 requests were received in 2015. The following year, 2016, 3369 requests were received. For 2017, the MER held incomplete statistics, with 1829 received MLA requests.

50 Moneyval, “Anti-Money Laundering and Counter-Terrorist Financing Measures - Czech Republic, Fifth Round Mutual Evaluation Report,” December 2018, p. 15.

51 Moneyval, “Mutual Evaluations Report - Poland,” 2013, p. 225 – 229.

While there haven't been too many complaints relating to the general quality of the English language use in completing requests from abroad, it has been mentioned that challenges were encountered from time to time due to the differing terminology. The problem seemed to have been caused by divergent translations into the English language, especially in relation to terms such as withdrawals of financial assets from criminal activity, asset freezing or confiscations. It has been noted that sometimes work on joint analyses was tricky as not all of the essential staff was speaking English. This caused delays in responding to international requests.

Conclusion

In conclusion, strong commonalities have been found across the V4 region. These have related to FIUs' shared challenges, their manner of addressing issues and overall annual successes. The most common shared problem continues to be the work with Non-Profit Organizations (NPOs) due to NPOs vague understanding of TF risks. The whole NPO sector is therefore in need of a thorough risk-based assessment in every V4 country. Likewise, there is a general need for more trainings within NPOs, preferably specific to different levels of threat depending on the NPO's type of vulnerability and the country within which it operates. In addition, NPOs are missing a practical guide of best practices which should be incorporated into their everyday work. There is a window of opportunity for a more effective cooperation between the V4 countries regarding their collaboration with NPOs. Since some solutions amongst V4 countries might require similar approaches, pooling of knowledge could prove beneficial. Also, as international cooperation seems to be one of the strong suits of the region, cooperating with NPOs once they have been adequately trained does not seem like an impossible task. A list of best practices for the V4 FIUs, NPOs as well as the Western Balkan region's units should therefore be developed to work towards a common position on TF.

Another issue raised relating to cooperation was the international money trail. While following the trail domestically is not an issue because the FIU can simply ask the obliged entities to provide the requested information, internationally, the process goes place through the foreign FIUs which then send the request for that information to the local bank. Oftentimes, the request sent by foreign FIUs is not deemed as important as one submitted by domestic UTRs.

Bibliography

Forget, Louis, and Vida Šeme Hočevar. "Financial Intelligence Units: An Overview." International Monetary Fund, 2004.

FSJ. "Informácie Pre Združenia Majetku (Neziskové Organizácie Poskytujúce Všeobecne Prospešné Služby, Nadácie, Neinvestičné Fondy)." Accessed December 23, 2020. https://www.minv.sk/swift_data/source/policia/fsj/kpo/Zdruzenia%20majetku.pdf.

International Monetary Fund, and World Bank. "Financial Intelligence Units: An Overview," 2004. <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>.

Mikušovič, Dušan. "Slovenská Stopa Radikálneho Imáma: Ako u Nás Pražský Kazateľ Zverboval Bojovníka Do Sýrie," June 18, 2020. <https://dennikn.sk/1920343/slovenska-stopa-radikalneho-imama-ako-u-nas-prazsky-kazatel-zverboval-bojovnika-do-syrie/?ref=list>.

Moneyval. "Anti-Money Laundering and Counter-Terrorist Financing Measures - Czech Republic, Fifth Round Mutual Evaluation Report," December 2018.

Moneyval. "Anti-Money Laundering and Counter-Terrorist Financing Measures Hungary. 1st Enhanced Follow-up Report & Technical Compliance Re-Rating,," 2017.

Moneyval. "Anti-Money Laundering and Counter-Terrorist Financing Measures: Slovak Republic - Fifth Round Mutual Evaluation Report," September 2020. <https://rm.coe.int/moneyval-2020-21-5th-round-mer-slovakia/1680a02853>.

Moneyval. "Mutual Evaluations Report on Fourth Assessment Visit: Anti-Money Laundering and Combating the Financing of Terrorism - Poland," April 11, 2013.

Moneyval. "Poland - 1nd Compliance Report," December 5, 2017.

Moneyval. "Poland - 2nd Compliance Report," July 3, 2018.



▶ Polus Tower II
Vajnorská 100/B
831 04 Bratislava
Slovak Republic

▶ +421 2 321 378 00
▶ info@globsec.org
▶ www.globsec.org

