

Report 2



Western Balkans 6

Countering the Financing of Terrorism and
Organised Crime in the Western Balkans
Countries



Executive Summary

The aim of this report is to present an overview of Financial Intelligence Units (FIU) in the six countries of the Western Balkans. On the national level, threats of terrorism and the financing of terrorist organisations are examined. The main focus is placed on the international cooperation of FIUs as well as on examining the vulnerability of not-for-profit organisations (NPO). While at the end of each country chapter there are recommendations based on our research, this analysis also contains a discussion on serious organised crime and its links with terrorism. Succinctly, no direct links between organised crime and terrorism were identified.

The reasons for this are varied; however, the main finding of this analysis is that there are commonalities between the FIUs, which has had a notable effect. Namely, country memberships in the Egmont Group have certainly helped the whole region to make progress in the area of anti-money laundering and countering terrorist financing (CTF). There are still problems pertaining to the technology gap and human capacities, particularly in working with NPOs as well as their awareness of risks are rising. However, the role of FIUs should be in proactive outreach in relation to NPOs. Our desk research confirmed an annual regional FIU conference that could be an example of best practice. The closing of remaining gaps would also enable the work of FIUs.

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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 build stronger, more coordinated counter terrorist financing capacity across the EU and in its neighbourhood. This particular research is focusing on the capacities of Financial Intelligence Units –bodies that review suspicious transactions to combat terrorist financing and money laundering. Via a series of interviews and desk analysis, GLOBSEC is conducting needs analysis reports. While the first report was focused on the Visegrad Four (V4)¹, this one will zoom in on the Western Balkans countries (WB6)². After an introductory overview of organised crime in the region, the main focus is dedicated to a country-by-country review of the organisation of FIUs and the international cooperation between FIUs themselves. An integral part of this report is the analysis of the compliance of national AML / CFT systems with FATF Recommendations 1 and 8, which addresses the risk assessment to the NPO sector for the purposes of terrorist financing³.

The report's findings will have been presented in their drafted form to the FIU representatives at a regional workshop for feedback before finalising the writing. Simultaneously, as part of the feedback process, a discussion on common challenges and sharing of experiences between the two regions will take place. This also serves as a tool for feeding data into the research that aims to map the needs of each region's FIUs.

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

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

3 <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

Serious and Organised Crime

One of the main factors favouring the presence and development of serious and organised crime in the WB6 is the region's geographic position at the crossroads between Europe and the Middle East. Moreover, they are situated on the external borders of the Schengen zone and are partly surrounded by EU member-states. The transnational aspect of organised crime in the region is very developed: the Western Balkans is a centre for the trafficking of many illicit commodities and a geographical hub for the smuggling of migrants who are trying to enter Western Europe.⁴ According to David Binder, organised crime is not an exclusive Balkan speciality like, for instance, Shopska salad yet it is just as ubiquitous. In these times of widespread poverty, of physical and social ruin left by a series of civil wars and weak central governments, criminal activities have risen to become the largest industry in the region. It is regulated not by traditional power structures, but by multi-ethnic networks of bosses, transporters, dealers and enforcers. The ingredients of this Western Balkan version are mobile phones, big trucks, vans, buses, fast cars and boats while the oil for mixing all these components together is bribery. Organised crime depends on willing partners in the police, customs, border guards, judiciary and, ultimately, the political class.⁵

Other significant factors are a long process of transition and socioeconomic recovery, and the legacy of circumstances that prevailed during the conflicts in the territory of the former Yugoslavia, which resulted in the development of certain types of organised crime and reinforcement of their connections in the Western Balkans.

Organised crime constantly develops new manifestations and adjusts to new social conditions and circumstances. Certain types of organised crime are becoming increasingly complex as a result of greater regional and international linking between and among organised crime groups (OCGs), and they are becoming more and more characterised by a heterogeneous structure and a high level of flexibility.⁶ According to the North Macedonian authorities, modern information technologies and means of communication affect the maintenance

and creation of new interrelationships of members of organised crime groups. New information technologies, social media, telephone internet applications for communication will continue to be the main means of communication between organised crime groups, but also one of the main ways to recruit new members of organised crime groups. The use of social networks and other internet applications enables faster and more secure contact between members of criminal groups and thus adversely affects the provision of evidence. OCGs use online platforms to trade goods and services through the use of the darkweb.⁷

The structures of the criminal groups often depend on the prominent criminal activity in which they are engaged. Migrant smuggling groups are loosely connected with one boss or a simple hierarchy and sophisticated modes of cooperation between groups. Collaborators have specific roles such as guides, drivers, accommodation providers or money receivers. Drug trafficking groups are more flexible and less hierarchical in structure, with clusters specialised in certain services (e.g., wholesale, retail) and with limited links between them (generally via one contact person). Groups engaged in human trafficking are not cohesive networks, but chain-like, arranged with small clusters at both origin and destination locations, the latter being the location at which they engage in the exploitation of victims.⁸

The production and smuggling of drugs in the WB6 represent the most dominant and the most profitable type of organised crime, in which the largest number of OCGs are involved. As regards drug smuggling, the WB6 are transit countries. Certain quantities remain in their territories for the purpose of consumption or storage, and marijuana and synthetic drugs are illegally produced for the needs of the local market. The drug market is dynamic as a result of the fact that most of the routes used by the OCGs are also used for the smuggling of other types of products (excise goods, cigarettes, etc.). Western Balkans OCGs participate in the smuggling of cocaine from South America, and this identified trend will continue to grow while the methods of smuggling will constantly change and involve sophisticated methods of concealment and the use of modern information technologies in communication.⁹

4 Global Initiative Against Transnational Organised Crime, SPOT PRICES Analysing flows of people, drugs and money in the Western Balkans, May 2021, Available on: <https://globalinitiative.net/analysis/western-balkans-crime-hotspots-3/>.

5 David Binder spoke together with John F. Markey, Director of Law Enforcement Assistance Programs and Coordinator, SECI, U.S. Department of State, at an EES seminar titled "Combating Organised Crime in the Balkans" on January 22, 2002. The above is a summary of Mr Binder's presentation. Meeting Report #269., Available on: <https://www.wilsoncenter.org/publication/269-organized-crime-the-balkans>.

6 OSCE Mission in Serbia, REGIONAL SERIOUS AND ORGANISED CRIME THREAT ASSESSMENT Report, Developed within the project "Enhancing Capacities for Strategic Analysis and Strategic Assessment in the Criminal Investigation Directorates of the Serbian, Montenegrin and the former Yugoslav Republic of Macedonia Ministries of Interior". The project is funded by the Government of Switzerland within the Regional Police Cooperation Program (2012-2016), and it is implemented by the OSCE Mission to Serbia. Available on: <https://polis.osce.org/regional-serious-and-organized-crime-threat-assessment>.

7 Ministry of Interior, Serious and Organised Crime Threat Assessment, Mid-term Review 2019, Ministry of Interior, 2019, p. 12.

8 UNITED NATIONS OFFICE ON DRUGS AND CRIME, MEASURING ORGANISED CRIME IN THE WESTERN BALKANS, 2020, Available on: <https://www.unodc.org/unodc/en/frontpage/2020/December/unodc-launches-comprehensive-regional-report-on-organized-crime-in-the-western-balkans.html>

9 OSCE Mission in Serbia, REGIONAL SERIOUS AND ORGANISED CRIME THREAT ASSESSMENT Report <https://polis.osce.org/regional-serious-and-organized-crime-threat-assessment>

Regarding the Regional Serious and Organised Crime Threat Assessment (SOCTA) Report, illicit cannabis trafficking had been on the rise until the production in Albania was reduced, which resulted in an increase in prices as well as the number of illegal laboratories for the production of “natural” cannabis in traditional settings and modified cannabis under artificial conditions¹⁰ The other WB6 countries will remain the countries of transit for smugglers taking cannabis along the Balkan route to Central Europe.

Firearms trafficking in the Western Balkans is mostly intra-regional, although the high price of weapons in the markets outside of the region also triggers firearms trafficking from the Western Balkans to other parts of Europe, Western Asia and North America. Quite often organised criminal groups traffic firearms within the region to enforce discipline, intimidate rival groups or ensure the protection of a group’s activities and members.¹¹

Links to the Financing of Terrorism

Despite the loss of territory and fall of the so-called “Caliphate”(ISIS), the threat of terrorism is still present and conditioned by changes in the forms and methods of terrorist activity. Namely, the idea of survival of the Caliphate has been transformed from a territorial to a “Virtual Caliphate”, by inspiring and encouraging the execution of terrorist activities.

The WB6 region has not remained immune to the phenomena of terrorism and violent extremism that led to terrorist activities. The activities of extreme criminal and radical groups and individuals are documented in the region, as well as persons who have taken an active part in combat in crisis regions. At the moment, the biggest threats to the WB6 countries are the returnees from the crisis hotspots as well as other radicalised persons who on their own initiative or under the influence or instructions of foreign terrorist fighters or members of terrorist organisations may be involved in the planning or the logistics of terrorist activities in the region. Terrorists infiltrating migrant routes transiting through WB6 countries also pose a potential threat because of the possibility of establishing connections with individuals in the region who could use them to carry out terrorist activities or get involved with said logistics.

Given the above-mentioned threats, WB6 investigators have shown an understanding of these threats and through individual and joint efforts, several terrorist attacks have been identified and prevented in a timely manner. For example, the planned terrorist attack at the Albania-Israel football match could only be detected and prevented with the cooperation of counterpart authorities in Kosovo and North Macedonia (in this case, the organisers were arrested in Kosovo and thus the financing aspects are mainly investigated there).¹²In another case, as part of several consecutive actions by North Macedonian police, 11 members of a terrorist organisation were suppressed and a large number of weapons, ammunition and explosives were seized as part of this particular case. The organiser of this group created a terrorist-criminal organisation in which 10 other people were members, forming a terrorist-criminal organisation – in other words, a “cell” – which was based on the ideological foundations of the terrorist organisation ISIS.¹³

Overall, the rating for the WB6 region in the context of the risks and threats of terrorist financing ranges from low to medium. As part of investigations and national assessments, authorities found no links between organised crime groups operating in the region and those linked to terrorism. Based on the knowledge that terrorism is financed from legal and illegal sources, in the WB6 countries, several observations and assessments of the threat of terrorist financing have been made, and according to the prophylaxis of the manifestations of terrorist acts, it has been confirmed that there is real funding in which most from the identified persons provided the funds in cash from their own sources, or assisted by members of the group to which they belong and like-minded people from abroad while a smaller part of them was financed from funds obtained by committing crimes (theft, blackmail, racketeering, threats, illicit trade and smuggling). The transfers were made through the formal banking system and money remittance companies from people who mostly come from Western European countries as well as Middle Eastern countries.¹⁴

10 Ibid.

11 UNITED NATIONS OFFICE ON DRUGS AND CRIME, MEASURING ORGANISED CRIME IN THE WESTERN BALKANS, 2020, Available on: <https://www.unodc.org/unodc/en/frontpage/2020/December/unodc-launches-comprehensive-regional-report-on-organized-crime-in-the-western-balkans.html>.

12 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report July 2018, page 86.

13 Ministry of Interior, Annual Report 2020, Available on: https://mvr.gov.mk/Upload/Editor_Upload/%D0%93%D0%BE%D0%B4%D0%B8%D1%88%D0%B5%D0%BD%20%D0%B8%D0%B7%D0%B2%D0%B5%D1%88%D1%82%D0%B0%D1%98%202020.pdf

14 These findings are derived from WB6 countries’ national money laundering and terrorist financing risk assessments.



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 and volunteer sectors. They serve as a bridge between all entities obliged to report unusual transactions and law enforcement agencies within the anti-money laundering and combating the financing of terrorism (AML/CFT) framework. According to the Financial Action Task Force (FATF) Standards to which over 200 jurisdictions all over the world have committed to establishing an authority which functions as an FIU. The first financial intelligence units were established in the early 1990s, and over the next decade, their number grew significantly. In 1995, the Egmont Group¹⁵ of FIUs was established to enhance the exchange of financial intelligence between countries, ensuring that all the FIUs respect a number of key standards in order to enable maximum cooperation between them. The FIUs' importance is particularly reflected in their ability to cooperate with foreign counterparts, thus fostering international cooperation in AML/CFT.

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, this being Administrative, Law Enforcement, Judicial and Hybrid. In the WB6, there are two of the mentioned types being used; however, it is important to note no two FIUs are alike as their powers and function depend on the legislature of the given country. Bosnia and Herzegovina and Montenegro use the law enforcement model while the other four countries (Albania, Serbia, Kosovo and North Macedonia) shaped their FIUs in an administrative capacity and usually reside within the Ministry of Finance. The idea being the unit acts as a buffer between law enforcement and reporting entities). According to the IMF publication, this model's advantage was supposed to solve the issue that some reporting entities do not possess a

lot of hard evidence in their Suspicious Transaction Reports (STRs) and are reluctant to forward it to law enforcement to avoid being seen as false accusers.¹⁶

According to the national AML/CFT laws, the FIUs are independent in exercising their powers when performing activities stipulated in the law and independent in decision-making related to: (i) the reception, gathering, keeping, analysing and delivering of data, notifications, information and documentation, and (ii) the sharing of strategic and operational analysis of STR to the competent authorities and foreign FIUs. The national AML/CFT laws empower FIUs to request all state authorities and institutions and other public bodies to provide information, data and documentation needed to discharge their duties. In addition, the FIUs have direct access to several closed and publicly available databases. The national AML/CFT laws permit the FIUs to request additional information from reporting entities regardless of whether an STR has been filed. On the basis of this provision, when the FIU suspects money laundering or terrorist financing activities, it may send a written request to a reporting entity and ask for information from the records kept by this entity on the Compliance and Due Diligence (CDD) measures applied, information on account ownership and bank transactions of the person, as well as other information, data and documentation, necessary for carrying out the tasks of the FIU according to the AML/CFT law.

Such findings are noted in the evaluation reports of the national AML/CFT systems conducted by experts from the MONEYVAL Committee of the Council of Europe, i.e., experts from the Council of Europe. Although Kosovo is not a member of MONEYVAL, the PECK II project conducted an evaluation of the national AML/CFT system in Kosovo as well.

¹⁵ <https://egmontgroup.org/en>

¹⁶ International Monetary Fund and World Bank, "Financial Intelligence Units: An Overview," 2004, <https://www.imf.org/external/pubs/ft/FIU/fiu.pdf>, p.1

Table 1: Technical Compliance Ratings – Recommendation 29 (Financial Intelligence Units)

Country	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Rating ¹⁷	LC	LC	LC	LC	LC	LC

¹⁷ The categories of ratings are NC – Non-Compliant (there are major shortcomings), PC – Partially Compliant (there are moderate shortcomings), LC – Largely Compliant (there are only minor shortcomings) C – Compliant

West Balkan 6

Analyses

The following needs analyses for the region used existing literature¹⁸ and Mutual Evaluation Reports performed by the Council of Europe’s MONEYVAL Committee.¹⁹

Table 2: 5th Round Mutual Evaluation Report by MONEYVAL Committee Experts

Country	Albania	Bosnia and Herzegovina	Kosovo ²⁰	Montenegro	North Macedonia	Serbia
Mutual Evaluation Report	2018 (5 th Round MER)	2015 (4 th Round MER)	/	2015 4 th Round MER)	2014 (4 th Round MER)	2016 (5 th Round MER)

Pertaining to the interest of this report are mostly Recommendations 1, 5, 6, 7, 8, 29, 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 WB6 countries in the area of NPOs; additionally, this report will help to design a workshop for the FIUs organised by GLOBSEC.²¹

Due to their geographical position between the Middle East and Western Europe, it is believed that the countries in the Western Balkans region face threats of terrorism and terrorist financing. Although hundreds of people from the Western Balkans went to join the so-called Islamic State’s brutal armed campaign to create a “caliphate” in the Middle East, and around 100 of them were convicted of terrorism for going to fight abroad, only five people have so far been found guilty of charges of financing terrorism. So far, four people have been convicted of financing terrorism in Serbia – the so-called Islamic

State sympathisers Sead Plojovic, Tefik Mujovic, Rejhan Plojovic and Izudin Crnovrsanin. The court in Serbia found that, in 2013 and 2014, the men collected money to send recruits to join Islamic State in Syria and misused religious believers’ donations to help fund their illegal scheme. Money was also sent to help the families of Islamic State fighters and to help fighters who had been imprisoned.²² From 2015 to 2020, only one person was convicted in Albania of financing terrorism, according to the Albanian General Prosecution. Meanwhile, a total of 23 people were found guilty of other terrorism-related charges in the country in the past ten years, the majority of them convicted of recruiting people to fight for Islamic State and of inciting violence.²³

However, MONEYVAL argues that the successful prosecutions of people involved in terrorist financing are vital to counter-terrorism efforts. Terrorist organisations rely on a variety of revenue streams, from donations to

18 Laws, National ML/TF Risk Assessment and National AML/CFT Strategies.

19 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.

20 Kosovo is not member of MONEYVAL Committee. Country did the MER within the Project against Economic Crime (PECK II), funded by European Union and Council of Europe and implemented by Council of Europe.

21 The mentioned recommendations are on these areas: Recommendation 1 – Risk Based Approach, 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.

22 Haris Rovcanin, Fatjona Mejdini, Samir Kajosevic, Bojan Stojkovski and Milica Stojanovic, Balkan States Under Pressure to Prosecute Financiers of Terrorism, BIRN, March 15, 2021, Available on: <https://balkaninsight.com/2021/03/15/balkan-states-under-pressure-to-prosecute-financiers-of-terrorism/>

23 Ibid.

drug trafficking, and cutting off their access to funds is seen as critical for limiting their ability to operate.²⁴

The states have not identified links to OCGs operating on the Balkan Peninsula with terrorism according to the National Risk Assessment (NRA) Reports. Funds used for financing terrorism are partially derived from the proceeds of crime (petty crime), though some amount of terrorist financing comes through otherwise legitimate fundraising and donations. There are no recorded cases of connection of organised criminal groups with terrorists, terrorist groups and terrorist cells or with foreign terrorist fighters. In general, the threat of terrorist financing ranges from low to medium.

The migration movements across the region are an additional reason for concern in terms of potential terrorist abuse of NPOs. Identified cases of actual terrorist abuse of NPOs seem to be extremely rare (one example is an NPO in Serbia which received money to cover the travelling expenses of persons joining as a foreign fighter in Syria); however, preventive mechanisms should be in place to avoid any risks related to terrorism support and terrorist financing through NPOs.²⁵

As part of the strengthening of regional cooperation, an annual meeting of FIU representatives from the region is held every year. The main purpose of these regional meetings is to develop discussions and exchange experiences regarding regional trends and typologies for ML/TF, country experiences regarding the assessments made by the Council of Europe's MONEYVAL Committee, the implementation of the EU ML/TF directives and the participation in the meetings of the FIU Egmont group, etc.

Following the FATF Recommendation 8, some of the West Balkan countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organisations are particularly vulnerable, and all countries should ensure that they cannot be misused: (a) by terrorist organisations posing as legitimate entities; (b) to exploit legitimate entities as conduits for terrorist financing, including to escape asset-freezing measures; or (c) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

The desk analysis has shown that North Macedonia (in 2020), Serbia (in 2013, 2018 and 2021) and Kosovo (in 2020) have conducted a risk assessment of NPO abuse for the purposes of terrorist financing. Albania has conducted a second round of revision of the National Risk Assessment (NRA) assessment of ML and TF, which included a general risk assessment of

the vulnerabilities and threats of NPOs (i.e., addressing the deficiencies in relation to identifying the nature of the threats posed by terrorist entities to the NPOs and adequacy of the measures applied to NPO sector).²⁶

Measures applied to NPOs were identified as an area for improvement that is common for WB6 countries, based on the Mutual Evaluation Reports (MER) conducted by MONEYVAL's evaluators (See table 2). Research has shown that the countries' authorities undertake a comprehensive assessment of the characteristics and activities of the NPO sector to identify the subset of NPOs which are at the highest risk of abuse for terrorist financing (TF). NPOs are likely to be targets of abuse if the entities themselves do not have a full understanding of the threat or their own vulnerability. This could create a vulnerability in the national systems of TF prevention.

24 Ibid.

25 Milka Ivanovska Hadzievska, FATF RECOMMENDATION 8 ON NON-PROFIT ORGANISATIONS: Mapping Key Findings and Recommendations for Countries in the Western Balkans, October 2017, p.13.

26 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania 1st Enhanced Follow-up Report, December 2019, p.6-7.

Table 3: Technical Compliance Ratings – Recommendation 8 (Non-profit Organisations)

Country	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Rating	LC	NC	PC	PC	PC	LC

Open Balkan Initiative

The launch of the Open Balkan initiative in the summer of 2021 which in the short term saw three Western Balkans countries²⁷ sign a memorandum that will ensure mutual assistance in times of natural disasters, free access to labour markets and free movement of goods. The long-term plan is for all Western Balkans countries to join this initiative that would eventually see the creation of a mini-Schengen area. This is not without its risks.²⁸The countries of the Western Balkans are facing the phenomenon of foreign terrorist fighters recently returned from battlefields in Iraq and Syria. The countries have shared a lot of information about these returnees; however, experts believe that the opening of borders and the free flow of people without registering and controlling, can lead to vulnerabilities and omissions, especially in the area of identification as open borders will further limit their further tracking.

The Open Balkan Initiative will contribute to the establishment of regional institutions whose responsibility will be the fight against organised crime and terrorism (similar to Europol) which will need to include liaison officers, joint investigation teams, strategic, tactical and operational teams, analysis, etc. In addition, it is suggested to have a common intelligence database with institutions in the region to ensure interoperability and exchange of information. The implementation of this initiative will deepen the cooperation and exchange of information between FIUs. Therefore, FIUs should consider what models of bilateral or regional cooperation will need to be developed in order to speed up the exchange of information, joint teams, etc.

27 Albania, North Macedonia and Serbia

28 <https://cep.org.rs/en/blogs/open-balkan-initiative/>

North Macedonia

Financial Intelligence Office

In North Macedonia, the Financial Intelligence Office (hereafter FIO) is established by force of Art. 64 of the AML/CFT law, which states that the FIO shall be established as an administrative type of FIU, within the Ministry of Finance.²⁹ The FIO is an authority of the state administration and shall implement its competences on the entire territory of the Republic of North Macedonia (RNM) having its seat in Skopje.

Art. 64 of the AML/CFT law describes the FIO competences, which broadly covers the core functions of an FIU: to seek, collect, process, analyse, keep and provide data obtained from the reporting entities; to collect financial, administrative and other data and information necessary in performing its duties; to prepare and submit reports to the competent state authorities whenever there are grounds for suspicion of commission of money laundering or financing terrorism; to issue written postponement orders; to submit orders for monitoring of the business related to the entity, to cooperate with relevant domestic and international bodies etc. In addition to the above, the FIO may: promote initiatives or provide opinions on laws and bylaws regarding AML/CFT matters; assist and participate in professional trainings of the employees of the reporting entities; establish lists of indicators for risk analysis and identification of suspicious transactions (in cooperation with the private sector and the supervisory bodies); plan and deliver trainings for capacity building of the employees of FIO, and provide explanations in the enforcement of the AML/CFT provisions.

According to Art. 115 of the AML/CFT law, when performing its competence, the FIO can request data and documents from all state bodies, financial institutions and reporting parties³⁰. The requested bodies, institutions and reporting parties are obliged to submit the required data to the FIO within 10 working days from the date of receipt of the application, electronically or where that is not possible, by “other written means”. The FIO has direct online access to the Central Register, the Employment Service Agency and

the Land Register. The rest of the databases available are accessible upon request or through the National Coordinative Centre within the Ministry of Interior.

In addition, Art. 118 of the AML/CFT law prescribes that whenever there are grounds to suspect a “committed criminal act of money laundering or financing of terrorism”, the FIO must immediately prepare and submit a report to the competent state authorities which shall decide on further action. The FIO report must contain data on the person and actions suspected to be connected with money laundering or financing of terrorism. In case of “grounds for a suspicion related to other criminal act”, the FIO must prepare and submit written notifications to the competent state administrative bodies. The AML/CFT law does not provide any indication regarding the competent authority to which the FIO cases should be disseminated.

Within the Ministry of Interior and by a decision of the government, a National Coordination Centre for Combating Organised Crime and Serious Crime (NCC) was established, which provides coordination and exchange of data and information between the Ministry of Interior, Public Revenue Office, FIO, Custom Office, Financial Police Office and the Basic Public Prosecutor’s Office.

A process of interoperability is in implementation that, if successful, will see 21 state institutions connected and able to exchange electronic data from their existing databases. At the time of writing, implementation was not yet concluded and no exchange was possible.

Financing of Terrorism Risk

In November 2018, the RNM began the update of the NRA, focusing on the period between January 2016 and December 2018. The aim was the continuation of the activities for realisation of the National AML/CFT Strategy and for the fulfilment of legal obligations, as well as for updating the risks of money laundering and financing

29 The Law on Prevention of Money laundering and Financing terrorism, (Official Gazette No.120/18, 275/19 and 317/20). See more at: <https://ufr.gov.mk/?p=394>.

30 Reporting parties: All Financial and non-financial institution that undertake measures and activities within national AML/CFT law.

of terrorism.³¹The risk and vulnerability assessment of the 2010-2015 assessed the risk of financing terrorism as INTERMEDIATE. In comparison, the assessment of the 2016-2018 period saw the risk of terrorism as LOW.

Police actions taken in the country and the region between 2016-2020, as well as the fall of the “territorial Caliphate” in Syria and Iraq, decreased the trend of people leaving for crisis regions. This also decreased the number of indoctrination and recruitment activities, as well as financing and other logistics for that purpose. However, given the high degree of religious radicalisation, military training and links to international terrorist organisations, the potential for extreme radicalisation, including acts of violence and terrorism remains.

In September 2020, a series of police actions prevented attempts to carry out terrorist attacks by members of a small terrorist cell comprised of foreign terrorist fighters (returnees). The suspects are all aged between 21 and 32, one had a previous conviction of participation in the Islamic State affiliated group outside of North Macedonia. The men have been charged with creating a terrorist organisation and face a prison sentence of up to 10 years if convicted. The other eight were arrested on suspicion of “creating a terrorist organisation, based on the ideological matrix of the terrorist organisation ISIS, for committing murders and destroying public buildings” with the aim of creating fear and insecurity among the public.³²

Terrorism is financed from legal and illegal sources in the RNM. Additional observations and assessments of the threats of terrorist financing have been made in accordance with the prophylaxis of the manifested forms of terrorist activity. It was confirmed that funding activities exist. Most of the identified persons provided the funds in cash from their own sources or assisted by members of like-minded people from abroad. A smaller part of was funds obtained by committing crimes (theft, blackmail, racketeering, threats, illicit trade and smuggling). The transfers were made through the formal banking system and the fast money transfer system using the services of Western Union, Money Gram and RIA, from people who mostly come from Western European countries as well as Middle Eastern countries. The National Risk Assessment, in its key conclusions, states that there is no discernibly significant link between organised crime groups and terrorism.³³

International Cooperation of the FIO

The FIO has been a member of the Egmont Group since 2004. The international information exchange of the FIO is regulated by five separate laws and subsidiary regulations: the AML/CFT law; the Internal Rulebook; the “Quality Procedure on the Delivery of Data and Information Request to the Financial Intelligence Units of other Countries and International Organisations” (for out-going requests) and the “Quality procedure on Acting upon Data and Information Requests of Financial Intelligence Units of other countries and international organisations” (for in-coming requests). The exchange of data and information (i.e., the receipt and delivery of data to EGMONT members) is done electronically in a secured manner through the Egmont Secure Website (ESW).

According to statistics, the exchange of data and information with other FIUs is linked to money laundering suspicions. Only a small part of the requests refers to cases of financing terrorism. According to the Annual Report, the exchange of data with the FIUs from the Western Balkans region takes place through the Egmont security channel for information exchange. Other forms of cooperation and exchange of data and information are not published in the official documents. At the same time, there is no data on cooperation in cases of terrorist financing with the FIU from the WB6 region. However, this does not mean that the FIU does not cooperate and exchange data on active cases of terrorist financing with FIUs from other countries.³⁴

NPOs in North Macedonia

The RNM was rated Partially Compliant on special Recommendation 8 due to the following deficiencies:

- ▶ No review of the adequacy of domestic laws and regulations that govern the NPO sector
- ▶ No mechanism was introduced for the periodic/systemic reassessment of the TF vulnerabilities of the NPO sector
- ▶ Lack of an adequate control mechanism to ensure the veracity and validity of data and documents registered
- ▶ No systematic/programmatic monitoring of the sector to detect potentially TF-related illicit activities;³⁵

31 Government of North Macedonia, National Strategy for Prevention of ML/FT (2021-2024), September 2021, Available on: <https://ufr.gov.mk/?p=2959>.

32 Euronews, Police in North Macedonia arrest eight members of 'terrorist organisation', 28/12/2020, available on: <https://www.euronews.com/2020/12/28/police-in-north-macedonia-arrest-eight-members-of-terrorist-organisation>.

33 Government of North Macedonia, National Risk Assessment on Anti Money Laundering and Financing of Terrorism 2020, available on: <https://ufr.gov.mk/?p=2187>.

34 Financial Intelligence Office, Annual Report 2020, available on: <https://ufr.gov.mk/?p=2825>.

35 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF “the former Yugoslav Republic of Macedonia”, EXIT FOLLOW-UP REPORT SUBMITTED TO MONEYVAL, WRITTEN ANALYSIS ON PROGRESS IN RESPECT OF THE CORE AND KEY RECOMMENDATIONS, 26 NOVEMBER 2018, p.24-25.

To ensure the implementation of Recommendation 8 and Immediate Outcome 10,³⁶ the RNM has conducted a risk assessment of the NPO sector abuse from terrorist financing. In the period between 2019-2021, the TF risk assessment for NPOs was prepared by a working group formed by representatives of state bodies responsible for the establishment, registration, operation and monitoring of NPOs, coordinated by the Financial Intelligence Unit, as well as by NPO representatives.³⁷

For the process of assessing the risk of financing terrorism for NPOs, the Greenacre Group Methodology³⁸ of assessing the risk of financing terrorism was used, as well as expert support and guidance from a representative of the Greenacre Group. Data was provided from various sources and analysed by the working group, which due to its heterogeneity provided extensive inter-ministerial consultation and a multidisciplinary approach to identifying potential risks and risk factors.

The analysis is presented in the official report, which consists of two parts, the *Assessment of the Threat of Terrorist Financing to Non-profit Organisations in the Republic of North Macedonia* and the *Assessment of Measures to Mitigate the Risk of Terrorist Financing to Non-profit Organisations*.

Following the best practices and guidelines for risk assessment of the NPO sector, the report identifies the subgroup of NPOs that fall within the FATF definition of NPOs, specifies the types of NPOs that – based on their activities or characteristics – are likely to be at risk from terrorist financing, identifies the nature of the threats and how NPOs can be abused and reviews the adequacy of measures, which includes laws and regulations relating to the subgroup of NPOs that may be abused by TF.

According to the analysis, no proven financing of terrorism through NPOs in the RNM has been determined. For most NPOs, the risk is small. The possibility for NPOs to be involved and abused for the purposes of TF exists in the performance of activities of social-humanitarian, cultural-educational and religious nature of NPOs in conjunction with the realisation of risk factors. In this context, the inherent risk of TF for these types of NPOs is LOW to MEDIUM.

The Manual on Exposure of the Non-Profit Sector from Terrorist Financing was prepared by the FIO. It is intended for the NGO sector, but also for the competent authorities and entities in charge of implementing measures and actions to prevent money laundering

and terrorist financing, to increase awareness and knowledge of the methods and risks of abuse of non-profit organisations for funding purposes of terrorism. The manual discusses the five methods of abuse of the non-profit sector according to the FATF methodology. Provides a series of examples of good practice of non-profit organisations and develops measures to identify and prevent the abuse of the non-profit sector to finance terrorist activities. This manual is publicly available on the official UFR website.³⁹

Concerning outreach to the NPO sector, the FIO has conducted two training sessions – in 2018 and 2019 – focusing on the potential misuse of NPOs for TF.

To prepare for the **5th round of AML/CFT evaluation process** (September/October 2022), the RNM is actively working on the harmonisation of Recommendation 8 and Immediate Outcome 10, through additional activities that were noted in the risk assessment report:

- ▶ Revision of the indicators for recognition of suspicious transactions related to terrorist financing intended for the NPO sector
- ▶ Trainings and forums for raising public awareness about the risks of abuse of the NPO sector for the purposes of TF
- ▶ Developing a platform for cross-sectoral dialogue between institutions, associations, and foundations as well as financial institutions
- ▶ Amendments to the Law on Prevention of Money Laundering and Terrorist Financing for its harmonisation with FATF Recommendation 8 and the findings of the NPO risk assessment
- ▶ Establishment of a special section of the UFR website dedicated specifically to NPOs. Request and provide access to the UFR website for timely provision of information and educational materials for raising public awareness and adequate risk management of terrorism financing.⁴⁰

36 FATF, METHODOLOGY FOR ASSESSING TECHNICAL COMPLIANCE WITH THE FATF RECOMMENDATIONS AND THE EFFECTIVENESS OF AML/CFT SYSTEMS ADOPTED IN FEBRUARY 2013 Updated November 2020, Available on: [https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf](https://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%202022%20Feb%202013.pdf).

37 <https://ufr.gov.mk/wp-content/uploads/2020/05/NGO.pdf>.

38 <http://greenacregroup.co.uk/greenacre-government/npo-risk-assessments/>.

39 <https://ufr.gov.mk/wp-content/uploads/2020/05/NGO.pdf>.

40 Government of North Macedonia, National Strategy for Prevention of ML/FT (2021-2024), September 2021, Available on: <https://ufr.gov.mk/?p=2959>.

Country recommendations:

- ▶ Establish a periodicity of risk assessment for the NPO sector to ensure that the changes in risk to NPOs are up to date.
- ▶ Prepare a comparative analysis of good practices from Europe and the region to improve the definition of organisational areas and/or activities of NPOs within the National Classification of Activities and NPO registration.
- ▶ Based on a comparative analysis of good practices, prepare a methodology for conducting targeted surveillance and monitoring, according to the risk-based approach, for those NGOs that according to their characteristics and activities have been identified as vulnerable to abuse of terrorist financing.
- ▶ Further promote, strengthen and analyse self-regulatory mechanisms within NPOs, which promote transparency, good governance, financial and project management and due diligence (verification of beneficiaries, partners and donors).
- ▶ Periodically update the risk assessment of money laundering and terrorist financing in accordance with the identified risks and threats.
- ▶ Establishing an interoperability system that will exchange electronic data and documents among competent authorities including FIO.⁴¹

41 Government of North Macedonia, National AML/CFT Strategy 2021-2024, August 2021, Available on: [Национална стратегија_Акционен_план-СППФТ.pdf](#) (ufr.gov.mk).

Kosovo⁴²

Financial Intelligence Unit

The Financial Intelligence Unit (FIU) was established in 2010, substituting the former Financial Intelligence Centre which had been set up pursuant to UNMIK Regulation 2004/2. The FIU is an administrative FIU and has a leading role relating to AML/CFT measures. Administratively, it is located under the Ministry of Finance and serves as a central independent national institution responsible for requesting, receiving, analysing and disseminating to the competent authorities, as well as disclosing any information which concerns potential money laundering and terrorist financing.

The Oversight Board of the Financial Intelligence Unit of the Republic of Kosovo was established by the Law No. 05/L-096 on the Prevention of Money Laundering and Combating Terrorist Financing and the members of the board ex officio are:

- ▶ Minister of Finance who serves as the Chair of the Board
- ▶ Minister of Internal Affairs
- ▶ the Chief Prosecutor of Kosovo
- ▶ the Director-General of the Kosovo Police
- ▶ the Director of the Tax Administration
- ▶ the Director-General of the Customs of Kosovo, and
- ▶ the Managing Director of the Central Bank of the Republic of Kosovo⁴³

The Board oversees and ensures the independence of the FIU, but it has no executive or enforcement powers vis a vis the FIU and no right to interfere in any way in FIU ongoing cases. The FIU conducts analysis based on a wide range of sources including STRs, Cash Transaction Reports (CTRs)⁴⁴ and declarations of monetary instruments at the borders, as well as additional information that could be gathered from any reporting entities. The FIU is authorised to gather additional information from all reporting entities (regardless of the entity that filed the report) whenever a case is opened for analysis.

The FIU has access to a number of databases of public institutions although certain limitations are observed either related to the procedural access to the information or the inadequacy of the information itself. The FIU has direct access to the databases of the Civil Registration Agency (Civil Status, Vehicle registration database, Family tree), Kosovo Customs (export/import of goods and services, declaration of monetary means at border points, non-declaration of monetary means), the Kosovo Registry of Business Organisations and Trade Names (within the Ministry of Trade and Industry) and the Department for Registration and Liaison with NGOs (DRNGO) within Ministry of Public Administration (MPA). This would also be the main source of beneficial ownership information.

As noted under Recommendation 24⁴⁵, there are a number of issues related to the availability of adequate information on the beneficial ownership in the register for each and every category of the entity. This would require the full use of the compliance and due diligence mechanisms as well as the obtaining of information through the reporting entities (mainly banks). Several other deficiencies of the Registry of Business Organisations have a detrimental effect on the ability of the competent Kosovo authorities to obtain and use information on the legal entities: the information is often outdated, there is a lack of information on shareholders, etc.

Despite the above-mentioned direct access to the DRLNGO database, the effective use of this information is negatively affected by deficiencies related to the registration and oversight of the NPOs; specifically, there are issues related to inaccuracies of the database, the absence of up-to-date information and the lack of proper identification of the activities, etc. It is also not clear whether full data allowing proper identification of all persons exercising management or control functions are available in the database. These deficiencies would be detrimental to the CTF effort of all competent authorities especially law enforcement agencies (LEA) and the Kosovo Intelligence Agency (KIA). The introduction in 2017 of a new database is

42 This designation is without prejudice to positions on status and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo declaration of independence.

43 <https://fiu.rks-gov.net/about/?lang=en>.

44 Article 26, Paragraph 1.2., "all single transactions in cash of ten thousand (10.000) euro or more or in equivalent value in foreign currency. Multiple transactions shall be treated as a single transaction if the reporting entity is aware that the transactions are conducted by or on behalf of one person or entity and reach the amount of ten thousand (10.000) Euros or more in one (1) single day "LAW No. 05/L-096 ON THE PREVENTION OF MONEY LAUNDERING AND COMBATING TERRORIST FINANCING, OFFICIAL GAZETTE OF THE REPUBLIC OF KOSOVA / No. 18 / 15 JUNE 2016, PRISTINA

45 <https://cfatf-gafic.org/index.php/documents/fatf-40r/390-fatf-recommendation-24-transparency-and-beneficial-ownership-of-legal-persons>

noteworthy. It resolves a number of issues, but the structural problems of the registration and oversight remain as noted under Immediate Outcome 10.

Moreover, the FIU uses public records available, including those of the Business Registration Agency, Anti-Corruption Agency (property declaration), TAK (taxpayers), Interpol (database of wanted persons) and the Privatisation Agency of Kosovo. These public records however are of limited use (lack of financial statements, identification data or complete information, etc.) and in practice require indirect access through request in many instances.⁴⁶

The FIU can also be considered a major contributor of information in order to establish the movements of funds under terrorism-related investigations. One of the examples was the Syria support case where the FIU to a large extent initiated the checks into the financial aspects. In this case, cooperation involved the FIU and Kosovo Customs (KC).⁴⁷

There is no confirmation of TF as a result of most recently investigated cases and no convictions for TF or TF-related ML. Significant involvement of the FIU in at least two alleged TF cases currently under formal investigation was discussed during an on-site visit by the experts of the Council of Europe. One of the cases was related to transactions from the zones around the Middle East conflict areas and the other involved alleged TF taking place from an EU country and related to a number of transactions through several countries and using various delivery channels. This is evidencing adequate action in a relatively complex case. TF cases are treated with the highest priority by the FIU and would generally receive the highest risk rating, thus resulting in quick dissemination despite the procedures generally carried out in regard to the ML STRs. Several targeted actions of the FIU were related to TF risks and resulted in those relevant cases being disseminated to the law enforcement agencies. Moreover, it is noted that in a number of cases freezing (postponement) of transactions/funds was undertaken although the suspicion was not confirmed.⁴⁸

Financing of Terrorism Risk

Kosovo has faced a major terrorism and terrorism financing threat, with large numbers of foreign terrorist fighters leaving for conflict zones, as well as incoming suspicious financing through the non-profit sector.⁴⁹ While the authorities have taken actions to curb the terrorist threat, its financing component largely remains unaddressed. The authorities demonstrated a proper understanding of the terrorism risks affecting Kosovo and the region; however, their awareness and focus on terrorist financing is uneven and has not as yet resulted in the development and implementation of a fully-fledged strategic risk mitigation mechanism for TF.

The legislative framework for prosecuting various aspects of the TF offence has deficiencies and needs to be clarified and strengthened.⁵⁰ Despite Kosovo investigating authorities demonstrating a capacity to probe into the financial aspects of terrorism-related cases, no prosecutions have been carried out in relation to TF offences. In numerous terrorism cases, there seems to be insufficient focus on stand-alone TF prosecution. The alternative measures applied when it is not possible to secure a conviction do not seem to ensure a sustainable result.

Terrorism and TF risks related to Kosovo have been noted by a number of studies.⁵¹ The repercussions of the conflicts in Syria and Iraq on radicalisation, violent extremism and the supply of foreign terrorist fighters are considerable concerns. Based on the 2013 NRA, funds used for the purposes of financing terrorism are partially derived from the proceeds of crime, though some amount of terrorist financing comes through otherwise legitimate fundraising and donations.

NPOs in Kosovo

One of the specific risks noted in the Kosovo NRA is the donation of the legitimate funds used for TF through NPOs, which may also include sources of funding outside of Kosovo. Some sources indicate that NPOs could be involved in up to a third of the TF cases.⁵² The role of NPOs in promoting radicalisation and recruitment has been noted in some reports, and foreign funding from certain state actors and private organisations

46 Council of Europe, Assessment Report on compliance of Kosovo with international anti-money laundering and combating the financing of terrorism standards, December 2018. Available on: <https://rm.coe.int/aml-cft-assessment-report-final-eng/1680997c54>.

47 ibid

48 ibid

49 ibid

50 Ibid.

51 US Department of State, Country Reports on Terrorism 2019: Kosovo, Available on: <https://www.state.gov/reports/country-reports-on-terrorism-2019/kosovo/>.

52 Radio Free Europe, Kosovo Authorities Charge Iranian NGO Leader With 'Financing Terrorism', 25 July 2016, Available on: <https://www.rferl.org/a/kosovar-officials-charge-iranian-ngo-leader-with-financing-terror/27879966.html>.

is considered to pose a substantial TF risk.⁵³ The DRLNGO is empowered to carry out the suspension⁵⁴

The Department for Non-Governmental Organisations at the Ministry of Public Administration suspended the activities of several non-governmental organisations.⁵⁵ Of those, a couple NPOs were suspected of promoting radical religious ideology and were, subsequently prosecuted and investigated for ML. It is not clear whether any further results were achieved. Two organisations were linked to (radical) nationalist movements and the rest were religious-oriented and suspected of spreading extremist religious ideology. Terrorism financing occurring within and through Kosovo has been reported to have links with cells or individuals operating in foreign countries, including Western Europe, some of them coming from Kosovo's extensive diaspora.⁵⁶ Funding in certain known cases of terrorism by Kosovo authorities to have originated from terrorist organisations situated in the Middle East.⁵⁷

Kosovo was rated "Partially Compliant" in the last assessment of the respective FATF Recommendation 8 due to a significant number of deficiencies. Kosovo authorities attempted to assess the risks related to NPOs, although these attempts were neither timely nor resulted in adequate identification of the specific subsector of NPOs carrying the most significant risk or in mitigating measures thereof, including oversight and awareness-raising.

Kosovo's system has not generated tangible results in terms of deprivation of assets related to terrorism or TF.⁵⁸ Kosovo authorities didn't assess the sub-sectors of NPOs at risk, including any unregulated and unmonitored activities. In order to implement a targeted approach, and further institutional measures for registration, monitoring or control. Furthermore, authorities didn't adopt and implement the actions envisaged in the plan for the NPO sectoral analysis specifically in relation to targeted sanctions, religious organisations or powers to suspend NPO activities.

Further to the supervision for AML/CFT purposes, Kosovo authorities also didn't consider additional measures and authority to ensure comprehensive and coordinated NPOs' supervision of registration and ongoing activities. All authorities responsible for registration and oversight should ensure outreach to the NPO sector is performed on a regular basis and covers the relevant NPO sub-sectors.⁵⁹ At the same time, it is noted that all NPOs continue to be reporting entities under the new AML/CFT Law, with even extended obligations compared to the previous legislation.⁶⁰ FIU Kosovo has not prepared special indicators for recognising suspicious transactions and activities related to the NPO sector.

International Cooperation

The FIU actively engages in international cooperation and information exchange based on its wide powers under the AML/CFT law. The Memorandum of Understanding (MoU) concluded with a number of countries and strictly observing the Egmont Group principles as a member of the organisation since 2017. The FIU does not need an MoU as a prerequisite for the exchange of information, but it has concluded 16 MoUs, including reviews and renewals of MoUs with some countries, demonstrating additional effort to pursue information exchange with its most important regional partners. Kosovo is not a member of MONEYVAL, but during PECK II project it did carry out necessary evaluations.⁶¹

The international information exchange of FIU is regulated by three internal Standard Operative Procedures (SOPs) on the use of goAML system, the international information exchange and the intelligence and analysis function of the FIU. There are no strict prioritisation rules included in these SOPs but there is a practice established by the FIU that takes into account the risk ratings used for the analytical function of the unit. Requests received are prioritised depending on the case and the type of request and in accordance with principles for the exchange of information. Additional criteria

53 Yilber Aliu and Nagip Skenderi, Face-To-Face with Terrorism: Experience of Kosovo, The 12th Edition of the International Conference "European Integration Realities and Perspectives", EIRP Proceedings, Vol 12 (2017) Universitatea DANIBIUS, Available on: <http://217.73.162.40/index.php/eirp/article/view/1788/1872> ; International Republican Institute, Understanding Local Drivers of Violent Extremism in Kosovo Spring 2017, Available on: https://www.iri.org/sites/default/files/2017-9-17_kosovo_vea_report.pdf.

Action in regard to the suspension of NPOs has been undertaken by Kosovo authorities pursuant to Article 16, paragraph 4 of Law No. 04/L-57 on Freedom of Association in Non-Governmental Organisations which provides for a prohibition to finance organisations whose activity is considered illegal in Kosovo and international law.

54 Pursuant to Article 18, paragraph 1 of Administrative Instruction QRK-No. 02/2014 on the Registration and Functioning of Non-Governmental Organisations upon written request and justification of authorised security agencies.

55 [Carlotta Gall](https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html), How Kosovo Was Turned Into Fertile Ground for ISIS, The New York Times, May 21, 2016, Available on: <https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html>.

56 Council of Europe, Assessment Report on compliance of Kosovo with international anti-money laundering and combating the financing of terrorism standards, December 2018. Available on: <https://rm.coe.int/aml-cft-assessment-report-final-eng/1680997c54>.

57 [Carlotta Gall](https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html), How Kosovo Was Turned Into Fertile Ground for ISIS, The New York Times, May 21, 2016, Available on: <https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html>.

58 Ibid.

59 Ibid.

60 LAW No. 05/L-096 ON THE PREVENTION OF MONEY LAUNDERING AND COMBATING TERRORIST FINANCING, OFFICIAL GAZETTE OF THE REPUBLIC OF KOSOVA / No. 18 / 15 JUNE 2016, PRISTINA

61 <https://kosovoprojects.eu/project/project-against-economic-crime-peck-ii/>.

have been drafted in two new SOPs proposed.⁶²Based on the Egmont Group criteria and principles, the FIUs around the world are obliged by international AML/CFT standards to exchange information and engage in international cooperation. The statistics didn't show the data exchange information by these FIUs. With the other WB6 countries, cooperation takes place continuously.

Country recommendations:

- ▶ Periodically update the risk assessment of money laundering and terrorist financing in accordance with the identified risks and threats.
- ▶ Improving the transparency of the FIU, by updating and publishing annual reports, guidelines, strategies, etc.
- ▶ Additional trainings, particularly for the judicial system, should focus specifically on the financial investigations and prosecution of the TF elements for all suspected terrorist activities including the funding of Foreign Terrorist Fighters and local persons joining paramilitary or terrorist groups in the conflict zones.
- ▶ Assess the sub-sectors of NPOs at risk, including any unregulated and unmonitored activities, in order to implement a targeted approach, and further institutional measures for registration, monitoring or control.
- ▶ All authorities competent for registration and oversight should ensure outreach to the NPO sector is performed on a regular basis and covers the **relevant** NPO sub-sectors.
- ▶ Considering further measures in cooperation with the NPOs to ensure self-regulatory mechanisms are in place to assess and manage TF risks.
- ▶ Given that there is no discernible procedure for ascribing priority to domestic and foreign requests it is recommended that a process and a methodology be set up to evaluate the prioritisation of requests.

Serbia

Administration for the Prevention of Money Laundering

The Administration for the Prevention of Money Laundering (APML) is established pursuant to Article 72 of the AML/CFT law within the Ministry of Finance, as an administrative body at the national level.⁶³ It is responsible for collecting, processing, analysing and disseminating all information, data and documentation obtained under the AML/CFT law (SARs, CTRs), as well as undertaking other tasks related to the prevention of ML and TF. The APML can also open ML/TF cases at the initiative of and exchange information based on a justified request of other authorities and foreign FIUs and can procedurally request additional information from obliged entities and various authorities. In addition to an FIU's core functions, the APML has the power to issue orders to suspend the execution of a transaction to 72+48 hours and to monitor a client's financial operations for up to 6 months. It can also use these powers at a justified request of a foreign FIU. In addition to detection, the APML has a key role in preventive activities, such as drafting AML/CFT-related legislation, public policy documents, ML/TF indicators, issuing opinions on the application of AML/CFT legislation and taking an active part in international organisations (e.g., MONEYVAL, EAG) as well as in national coordination mechanisms (e.g., National AML/CFT Coordination Body). Consequently, the APML is empowered to collect information and conduct analysis based on information if there are reasons for suspicion, and the APML has been a member of the Egmont Group since 2003.

Financing of Terrorism Risk

In 2021, Serbia revised and reassessed the risks assessed by the comprehensive 2018 ML/TF National Risk Assessment⁶⁴, using the World Bank methodology. The 2021 NRA reports (ML NRA, TF NRA, ML NRA in the area of Virtual Assets (VA) and Virtual Assets Service Providers (VASPs), NRA in the area of Financing of Proliferation of WMD)⁶⁵ were adopted by the Government of the Republic of Serbia on 30 September 2021.⁶⁶

Serbia completed the 5th round of Mutual evaluation by the MONEYVAL Committee in 2016⁶⁷. The fifth round Mutual Evaluation report was adopted in 2016. The 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating was adopted in 2018, and 3rd Enhanced Follow-up Report was adopted in December 2019 and the Fourth Enhanced Follow-up Report in December 2021⁶⁸.

The 2021NRA exercise also included two new assessments, i.e., for VA and VASPs and an assessment for WMD proliferation financing. The World Bank methodology was adjusted by the authorities in certain segments to reflect the Serbian context. According to research, FIU Serbia has the highest transparency compared to other WB6 countries. The documents (laws, bylaws, national strategy, indicators, annual report, typology, national risk assessment report) published on the FIU website are available in English.

The overall assessment of TF risk in the Republic of Serbia is MEDIUM LOW, having in mind the following:

- ▶ TF threat posed by terrorists and terrorist organisations was assessed as LOW.
- ▶ TF threat at the national level was assessed as MEDIUM TO LOW.
- ▶ Sectoral TF risk was assessed as MEDIUM
- ▶ The country's TF vulnerability was assessed as LOW.

NPOs in Serbia

In its 5th round MER, Serbia was rated Partially Compliant with Recommendation 8 due to several deficiencies. These include:

- ▶ Review of the adequacy of the legal framework relevant to the NPO sector has not been conducted
- ▶ No formal review of the NPO sector has ever been undertaken with regard to its activities, size and vulnerabilities

63 Law on the Prevention of Money Laundering and the Financing of Terrorism, Official Gazette of Republic of Serbia, No 113 of 17 December 2017, 91 of 24 December 2019, 153 of 21 December 2020.

64 The first ML NRA was conducted in 2012, and TF NRA in 2014. According to the AML/CFT Law, NRAs are conducted once in three years.

65 <http://www.apml.gov.rs/uploads/useruploads/Documents/NRA2021.pdf>.

66 The 2018 ML/TF NRA Report was adopted on 31 May 2018 (2018 NRA). An Action Plan to address the risks identified in the 2018 NRA was adopted by the Republic of Serbia Government in July 2018 and it was published in the Official Gazette No 55 of 16 July 2018 (2018 NRA Action Plan). The 2020 National AML/CFT Strategy took into account the outstanding 2018 NRA AP items. Government of Serbia, RISK ASSESSMENT OF MONEY LAUNDERING AND RISK ASSESSMENT OF TERRORIST FINANCING, July 2018, p.5

67 The fifth-round mutual evaluation report on Serbia was adopted by the MONEYVAL Committee at its 50th Plenary Session (Strasbourg, 13 April 2016).

68 MONEYVAL upgraded all 2016 MER NC or PC technical compliance ratings to either C or LC.

- ▶ Reduced transparency due to insufficient updating of information on the composition of the internal bodies (management) of the NPO
- ▶ There are no controls in place to ensure that funds are spent in a manner that is consistent with the purpose and objectives of the NPOs
- ▶ There is no central, dedicated governmental body with responsibility for monitoring NPOs and identifying abuses
- ▶ There are no specific mechanisms to further promote cooperation, coordination and information sharing between these authorities.⁶⁹

In June 2016, Recommendation 8 and its Interpretive Note were significantly revised rendering the analysis of Recommendation 8 in Serbia's 5th round MER obsolete. The subset of NPOs that fall within the FATF definition of NPO has been identified as encompassing associations, foundations and endowments. The authorities have conducted a review of the NPO sector vulnerabilities to TF as part of the 2018 NRA. The document is based on data from authorities involved in the assessment, data held by the Serbian Business Registers Agency, independent sources, studies and research conducted by relevant organisations dealing with the phenomenon of terrorism and its links with the NPO sector. Part III of the document identifies vulnerabilities and gaps related to the NPO sector and Part IV identifies high-risk NPOs in Serbia.⁷⁰ It is also noted in the 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating adopted by the MONEYVAL Committee, Council of Europe.⁷¹ The 2021 NRA has also reviewed the NPO Sector Risks, and the review is publicly available in the 2021 NRA summary.⁷²

In preparation for the 2021 NRA, the APML has conducted in 2020 a strategic analysis with the aim of understanding segments of the NPO functioning which had not been covered by any previous analyses, e.g., the issues of beneficial owners, transparency, etc. This activity was seen by some NPOs as unduly targeting the whole NPO sector, which the authorities have denied on many occasions. In this context, the FIU director also spoke publicly about the NPOs that are assessed as high-risk will be subject to work under

the supervision of the Working Group for Inspection Supervision, and those reputable ones that bring a low risk of terrorist financing will be potential partners of the state in making national risk assessments.⁷³ This action provoked violent reactions in the public and some media as well as among international organisations, for which, according to experts, such reactions were unfounded.⁷⁴ However, the FATF has insisted on establishing a control system in terms of money laundering and terrorist financing risks globally. NPOs are not at risk for money laundering as lawyers or notaries, but they are, according to the FATF, at risk for terrorist financing. In this regard, the countries are required to conduct a risk assessment to identify sub-sectors within NPOs that may be at high risk of terrorist financing, forcing them to take a risk-based approach and strengthen control in the framework of their financial operations.⁷⁵

With respect to working with NPOs in developing and refining best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse, the AML/CFT Coordination Body initiated cooperation with major NPOs which resulted in a TF vulnerability self-evaluation questionnaire and a subsequent analysis of the replies. These however do not reflect on any best practices that address the TF risk and vulnerabilities and thus help to protect them from abuse.

To demonstrate effective supervision and monitoring that is able to address risk-based measures applied to NPOs at risk of terrorist financing abuse, the Working Group for supervisory inspection of the NPO sector (established by the Coordination Commission for Supervisory Inspection in 2018) developed a document called *'Procedures and Criteria for Supervising NPOs'*. These procedures introduce steps to prepare and develop a plan for consolidated supervision of NPOs, as well as exercising consolidated supervision and related reporting, based on a number of criteria for targeting NPOs. Some of the criteria that were made available contained TF risk-related elements. The other set of criteria remains confidential and thus could not be examined. **On that basis, Serbia is re-rated as Largely Compliant with Recommendation 8**⁷⁶

69 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Serbia Fifth Round Mutual Evaluation Report April 2016, p.160-163.

70 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Serbia 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating Follow-up report December 2018, p.17.

71 Ibid.

72 2021 National Risk Assessment, public summary, p. 186

73 Spisakpojedinaica I organizacijaUpravesprecavanjepranjenovcam-zloupotrebazakonailisamokontrola, objavljeno 28.07.2020, Available on: <https://insajder.net/sr/sajt/vazno/19774/>.

74 ФИЛИП РОДИЋ: Чемухистеријаокоистраге НВО сектора? Published on 02.08.2020, Available on: <https://iskra.co/srbija/filip-rodic-cemu-histerija-oko-istrage-nvo-sektora/>.

75 FATF, The international anti-money laundering and combatting the financing of terrorism and proliferation (AML/CFT) standards (2012), <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>.

76 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Serbia 3rd Enhanced Follow-up Report, December 2019, p.5-6.

International Cooperation

In accordance with the AML/CFT law, the APML can cooperate with foreign counterparts who have authority in the prevention or repression of ML or TF, as well as with non-counterpart authorities. The APML is empowered both to request and disseminate information internationally. It can either request information for its own analysis or on behalf of other national authorities, mainly the LEAs, to support its activities. In addition, it is empowered to freeze the execution of a transaction on the basis of a written and grounded request of a foreign counterpart. The APML does not have any specific mechanisms in place to select, prioritise and make requests for assistance. The database used for processing foreign requests is the Case and Document Management System which is the general case management database used by the APML. There are internal procedures adopted in 2012 and amended from time to time.

Foreign requests as a general rule, as well as TF cases regardless of provenance, have a priority. In this regard, the APML has adjusted its organisational structure by introducing a Counter-Terrorist Financing Team (in 2017), and it has two other key internal organisational units one in charge of complex analytics and the other to support LEAs (by responding to information requests) and foreign FIUs. An internal decision of the APML director has also designated specific staff for handling corruption cases, especially those involving PEPs (since 2018). The APML also has designated staff in charge of strategic analysis.

Internal processes are reviewed from time to time, and the APML is currently in the process of upgrading its internal processes, which will also include an upgrade to its Transaction Management Information System and Case and Document Management System.

During the on-site visit of the team of evaluators for the 5th round of evaluation, the APML has reported that they would usually give more attention to cases involving organised crime and predicate offences identified as higher risk in the NRA.⁷⁷ Prioritisation of foreign requests would also depend on the urgency specified by the foreign FIU. The average response time depends on the type of request. If the data requested can be obtained from the APML database or a database to which the APML has direct access, the response in the majority of cases is within one working day. This was stated by APML during the on-site visit of the team of evaluators from the MONEYVAL Committee.⁷⁸

If additional data is requested (from reporting entities or other LEAs), the APML would send data retrievable from its database immediately, and an additional response (containing all the requested data) would be sent in 20-30 days. Overall, the APML reported that its internal policy is to reply within 30 days, but that in practice the average number of days is approximately 15. As for incoming requests, the APML may refuse a request in cases when there are no reasons for suspicion of money laundering or terrorism financing or if the sending of such data would or could jeopardise the course of criminal proceedings in the Republic of Serbia. In that case, the APML is obliged to inform its foreign counterpart in writing of the refusal and reasoning behind such a decision.⁷⁹

Due to the problem of statehood recognition, Kosovo and Serbia have not established cooperation in the exchange of data and information. With the other WB6 countries, cooperation takes place continuously.

Country recommendations

- ▶ Strengthening the capacity (human as well as technical) of the Working Group for supervision of the NPO sector within the Coordination Commission for Inspection Oversight of the Government of the Republic of Serbia in order to reduce the vulnerability of the system to the financing of terrorism.
- ▶ Education and awareness-raising about the degree of threat to the system coming from money laundering and terrorist financing; the level of specific knowledge needed by the participants who are part of the system for combating money laundering and terrorist financing should be raised.
- ▶ The setting up of an interdepartmental working group to carry out an analysis of the provisions of the law on the Freezing of Assets with the Aim of Preventing Terrorism and Proliferation of Weapons of Mass Destruction (LFA⁸⁰) related to the taking over of the Consolidated List issued by the UN SC and other international organisations in which the Republic of Serbia is a member, and the supervisory role of the APML regarding the application of this law.
- ▶ Periodically update the risk assessment of money laundering and terrorist financing in accordance with the identified risks and threats.

77 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Serbia Fifth Round Mutual Evaluation Report April 2016, p.141

78 *ibid.*

79 *Ibid.*

80 LAW on the Prevention of Money Laundering and the Financing of Terrorism Official Gazette of Republic of Serbia, No 113 of 17 December 2017, 91 of 24 December 2019, 153 of 21 December 2020, <http://www.apml.gov.rs/english/freezing-of-assets>

Montenegro

Sector for Financial Intelligence

The Financial Intelligence Unit is organisationally positioned within the Police Directorate as the Sector for Financial Intelligence (SFOP). The FIU is operationally independent in the performance of its tasks and exercising its powers in performing the tasks is determined by the law on Prevention of Money Laundering and Terrorist Financing (LPMLTF). The FIU is independent in making decisions regarding the receipt, collection, storage, analysis and dissemination of data, notification, information and documentation and delivery of results of strategic and operational analyses of suspicious transactions to the competent authorities and foreign FIUs in order to prevent and detect money laundering and terrorism financing in accordance with the law.⁸¹The unit has four departments: Department for Prevention of Money Laundering and Financing of Terrorism, Department for Financial Intelligence, Department for IT and Legal Regulation and Department for International Cooperation.

On 17 December 2019, the Montenegrin Parliament adopted the amended LPMLTF (the aforementioned law), which defines the competencies, powers, affairs and organisation of the SFOP, including the protection of data and information kept by it.⁸²Taking into account the recent legislative developments and the initiatives taken by the SFOP to comply with the requirements of R.26, it can be concluded from this desk-based review that the level of compliance with Recommendation 26 remains “Largely Compliant”.⁸³

However, in light of the jurisdiction’s forthcoming 5th round mutual evaluation, Montenegro successfully concluded its application for membership of the Egmont Group and made all necessary changes to its legal framework in order to comply with the requirements of the 2012 FATF standards, particularly Recommendation 29.⁸⁴

During the Regional Conference of Financial Intelligence Units held in October 2021 in the RNM, the representative of the SFOP of Montenegro stressed that since the period when the Unit became part of the police, the contribution to the prevention of money laundering and terrorist financing significantly improved through the filing of 8 criminal charges against about 50 legal entities and individuals where the total damage amounted to about 5 million euros.⁸⁵

Terrorism Financing Risk

Bearing in mind the geographical position of Montenegro, external factors, global trends in terms of strengthening radicalism, violent extremism and terrorism – as well as the fact that Montenegro is on the so-called “Balkan route” for illegal migration, the smuggling of narcotics, weapons, excise and other goods – Montenegro authorities need to pay constant and comprehensive attention to this issue. Threats of terrorism in Montenegro are LOW but potentially present primarily due to the evident presence in the surrounding region, Europe and the world. Trends in the propagation of radicalism of all forms, the use of modern technological advances and social networks to propagate ideas and recruit members, and the use of sophisticated platforms for exchanging information and money, including virtual currencies, which can be used to finance terrorism are certainly present. Their spillover from state to state is a constant potential threat.

Vulnerability to terrorist financing in Montenegro is also LOW. However, as a potential vulnerability, the mechanism of cooperation of state bodies in terms of preventing the use of financial resources by potential terrorist financiers and their blocking is insufficiently developed. In this regard, coordination and the rapid exchange of data between state bodies, including mutual access to data in databases, must be established at a higher level.

81 <https://foj.gov.me/uprava>.

82 ZAKON O SPRJEČAVANJU PRANJA NOVCA I FINANSIRANJA TERORIZMA (“Službeni list Crne Gore”, br. 033/14 od 04.08.2014, 044/18 od 06.07.2018, 073/19 od 27.12.2019, 070/21 od 25.06.2021)<https://zakoni.skupstina.me/zakoni/web/dokumenta/zakoni-i-drugi-akti/855/2150-12654-04-3-19-1.pdf>.

83 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF MONTENEGRO, REVISED EXIT FOLLOW-UP REPORT SUBMITTED TO MONEYVAL WRITTEN ANALYSIS ON PROGRESS IN RESPECT OF THE CORE AND KEY RECOMMENDATIONS, May 2020, p. 13.

84 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF MONTENEGRO, Revised exit follow-up report submitted to Moneyval, Written analysis on progress in respect of the core and key recommendations, May 2020, p.13.

85 Regional Conference with Financial Intelligence Offices from Western Balkan, Available on: <https://www.facebook.com/Demlab.org/videos/949971678922871>.

NPOs Sector in Montenegro

In its 4th round MER, Montenegro was rated “Partially Compliant” with Recommendation 8 due to a significant number of deficiencies. These include:

- ▶ No mechanism is in place for conducting comprehensive assessments and periodic reassessments of the NPO sector
- ▶ No outreach was undertaken to the NPO sector for raising awareness about the potential risk of terrorist abuse nor about the available measures to protect against such abuses or those accessible in helping promote transparency, accountability, integrity and public confidence in the administration and management of all NPOs.
- ▶ There is no supervision in place to sanction violations of the provisions of the LPMLTF law on NPOs
- ▶ No requirement to maintain records of domestic and international transactions; annual financial statements are not required to contain detailed breakdowns of the incomes and expenditures of the NPOs.⁸⁶

In Montenegro, no NPOs have been identified as intended or participating in the process of financing terrorist activity. On this basis, in the previous National Terrorist Financing Risk Assessment, but also in the reporting period, NGOs were not recognised as a threat from terrorist financing, which was the reason why they were not recognised as such in the legal framework.⁸⁷

However, taking into account modern methods of spreading radical ideas (current after the weakening of ISIS) through online media, Montenegro should pay attention to the analysis of NGOs in relation to their susceptibility to direct or indirect participation in terrorist financing (this especially refers to the spread of radical ideas), and the possibility that some may be used in the future for other activities for which their founding acts do not provide.

In this context, it is necessary to consider tightening the measures of the procedure for registration of NGOs in order to reduce the risk and also strengthening the supervision of the NPOs by the competent authorities if

they become suspicious in terms of suspicious money transfers, unidentified donors, abuse of donations, etc.⁸⁸ Also, it is noted in the 4th MER that the system is weakened by the absence of a mechanism for conducting periodic assessments of the sector’s vulnerabilities to terrorist activities and by the generally low knowledge of the authorities about the sector’s composition, structure, activities and size. No administrative body seems to be authorised to supervise the implementation and to sanction NGOs and their responsible persons for the breaches of the requirements of the law on NGOs. The absence of supervision not only renders the application of the sanctioning regime in this matter non-existent in practice and therefore ineffective, but above all the obligations under this law are not enforceable. This fact may, amongst others, prejudice the transparency of NGOs, as there is no mechanism to ensure that the information in the Register of NGOs is up to date.⁸⁹

Taking into account the available data, the NRA concluded that the level of risk in relation to NGOs is LOW, but due to the factors described above, there is a need to take steps to eliminate the identified gaps in the NPO sector and abuse for terrorist financing purposes.

International Cooperation

In its first regular follow-up report, Montenegro noted that the Agency for Prevention of Money Laundering and Financing of Terrorism (APMLTF) had ceased to exist, with its authority and powers being transferred to the Montenegro Police Administration (Decree on Organisation and Work of Public Administration, 31 December 2018) while awaiting new legislation to define the new organisational structure within this administration.⁹⁰ In light of the above changes, the APMLTF management was released from its duties on 17 February 2019. Nonetheless, the authorities noted that former APMLTF officers had continued to carry out their duties within the Police Administration without any interruption. Additionally, in a letter dating from 13 May 2019, the Chair of the Egmont Group of Financial Intelligence Units informed the MONEYVAL Secretariat that, in light of these developments and the fact that Egmont Group membership is linked to a particular unit (and may not automatically move to another body in case of changes to the

86 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Report on Fourth Assessment Visit, Anti-Money Laundering and Combating the Financing of Terrorism MONTENEGRO, 16 April 2015, p. 241.

87 VladaCrne Gore, NACIONALNA PROCJENA RIZIKA OD PRANJA NOVCA I FINANSIRANJA TERORIZMA SA AKCIONIM PLANOM, 2019

88 Ibid.

89 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Report on Fourth Assessment Visit, Anti-Money Laundering and Combating the Financing of Terrorism MONTENEGRO, 16 April 2015, p.239

90 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF MONTENEGRO, REVISED EXIT FOLLOW-UP REPORT SUBMITTED TO MONEYVAL WRITTEN ANALYSIS ON PROGRESS IN RESPECT OF THE CORE AND KEY RECOMMENDATIONS, May 2020, p. 13.

FIU system in a given jurisdiction), Montenegro was no longer a member of the Egmont Group.⁹¹

In accordance with the decision of the Chiefs of Financial Intelligence on 4 November 2020, SFOP is again a member of the world's largest network of financial intelligence units by the decision of EGMONT. The procedure for admitting SFOP to Egmont membership was completed in just 11 months from the date of application.⁹²

Based on the statistics published in the annual report, SFOP continuously exchanges data with the Western Balkan countries. Data exchange is based on the exchange of requests and responses as well as the delivery and receipt of spontaneous information. According to the data, the highest frequency for data exchange was recorded with the Financial Intelligence Unit of Serbia.⁹³

While SFOP did not become a member of the EGMONT Group until November 2020, it was possible to exchange operational, financial and intelligence data through the EGMONT Secure Communication Network (ESW) as part of the international cooperation was done through foreign police services through the Criminal Police Sector of the International Operations Department (INTERPOL-EUROPOL-SIRENE). In 2020, SFOP sent 249 requests through the Department for International Operational Cooperation. In the same period, the Department for International Operational Police Cooperation submitted to SFOP a total of 132 acts obtained through international police cooperation.⁹⁴

Country Recommendations

In order to prepare for the 5th round of evaluation (2022-2023), the Montenegro authorities need a detailed analysis of registered NPOs and capacity building through advanced specialist training of banking system officials and money transfer service providers.

From the point of view of obliged entities, the vulnerability is reflected in the control of NPOs in the part of the impossibility to determine the origin of money and the purpose for which it was obtained and for which it is used. Insufficient in-depth control of persons is evident when applying for NPO registration, as well as during NGP operations, from the aspect of checking the attached documentation, checking authorised persons, especially if they are persons from abroad, geographical position of the country they come from, checking cash flows and all other measures and actions required for preventive action when it comes to terrorist financing.

From the strategic level, it is evident that the Strategy for Prevention and Suppression of Money Laundering and Terrorist Financing 2020-2023 with the accompanying action plan has not yet been adopted by the Government of Montenegro.

Recommendations:

- ▶ Make periodic assessments of terrorist financing threats
- ▶ Assess the sub-sectors of NPOs at risk, including any unregulated and unmonitored activities, in order to implement a targeted approach, and further institutional measures for registration, monitoring or control.
- ▶ The authorities are encouraged to build on the experience of cooperation with representatives of NPOs on other topics, with the view to ensure comprehensive outreach to NPOs about TF risks, as well as about the AML/CFT framework.
- ▶ Conduct continuous training of NPO representatives regarding AML / CFT obligations related to typologies, risks and threats from the use of the NGO sector for the purposes of AML / CFT
- ▶ Improve supervision measures during the NPO registration procedure.

91 Ibid.

92 Financial Intelligence Office, Annual Report 2020, Available on: <https://foj.gov.me/biblioteka/izvjestaji>.

93 Ibid.

94 Ibid.

Albania

The General Directorate for the Prevention of Money Laundering

In Albania, the General Directorate for the Prevention of Money Laundering (GDPML) is established by force of Art. 21 of the AML/CFT law, which states that the GDPML shall be established as an administrative type of FIU, within the MoF.⁹⁵ The GDPML is an authority of the state administration and shall implement its competencies on the entire territory of Albania having its seat in Tirana.

Art. 22 of the AML/CFT law describes the GDPML competencies, which broadly cover the core functions of an administrative type of FIU.⁹⁶ The GDPML operates at the national level and is entrusted with the collection, analysis and distribution of information to the LEAs on possible ML/TF activity. One of GDPML's legally defined functions is the collection of Suspicious Activity Reports (SARs). In recent years, attention has been paid to the dissemination of a number of cases to the General Directorate of Taxes for further assessment from a fiscal point of view, with regard to suspicions of tax evasion or concealment of income.⁹⁷ Based on Article 23 of AML/CFT law, the Coordination Committee for the Fight against Money Laundering (led by the Prime Minister) is responsible for planning the directions of the general state policy in the area of prevention and the fight against money laundering and terrorism financing. The Coordination Committee is the body to which each authority report for the implementation in practice of the foreseen actions.

The General Director of the GDPML acts as a counsellor to the meetings of the high-level Coordination Committee for the Fight against ML (CCFML) and chair of the operational Inter-Institutional Technical Working Group (IITWG). The GDPML has the power to supervise the implementation of the AML/CFT law for all reporting entities. It receives SARs and cash transaction reports (CTRs) as well as requests from the Reporting Entities. It has the authority to develop financial intelligence, regardless of prior reporting by the Reporting Entities. The GDPML also has direct access to a number of databases kept by the state authorities, such as the driving license registry, vehicle registry, immovable property registry, notary registry, civil status registry, Total Information Management System (TIMS), register on convicted persons, cross-border declarations, tax

data on legal entities, National Bank Accounts Register, Beneficial Owner Register and other public registries. GDPML has a list of PEPs and family members but not an online database of assets. GDPML receives declarations from HIDACI through formal requests.

Within the national cooperation system, the GDPML also actively cooperates with the state authorities to obtain any other required information. Access is facilitated by the existing Memorandums of Understanding (MoU).

The financial intelligence and other relevant information disclosed by GDPML are widely used by the competent authorities to investigate ML and associated predicate offences. Based on the annual reports of the Prosecution Office, there were four criminal proceedings initiated for terrorist financing in 2018, three in 2019 and only two in 2020. From the same source, it is evidenced that none of these cases were sent to court.⁹⁸

Terrorism Financing Risk

In 2019 the Albanian Authorities have conducted the last NRA for ML/TF. The data used for the last assessment mainly covered the 2015-2018 period. The main objective of updating the NRA was to obtain a better understanding of the risks. Albania classifies its Terrorism Financing risks as LOW, justifying this by the low level of terrorism threats in the country. Referring to the NRA from 2019, some of the conclusions regarding TF were:

- ▶ No active terrorist groups have been identified in Albania.
- ▶ There is no evidence that there are activities in our country in favour of fund-raising or providing logistical means on behalf of terrorist networks in the region and beyond.
- ▶ There is evidence in our country of the existence of particular supporters of radical ideologies that may lead to TF or terrorism.
- ▶ There is no evidence that NPOs established in our country operate in conflict zones (terrorism-related) or their borders, NPOs involved in funding and recruitment of individuals in conflict zones.

95 LAW No.9917, May 19, 2008 "ON THE PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM" (Amended with law no. 10 391, dated 3.3.2011; law no. 66/2012, dated 7.6.2012; law no. 44/2017, dated 6.4.2017; law no. 33/2019, dated 17.6.2019), Available on: <http://fiu.gov.al/wp-content/uploads/2020/10/LAW-No.9917-19.05.2008-amended.pdf>.

96 Ibid.

97 GENERAL DIRECTORATE FOR THE PREVENTION OF MONEY LAUNDERING, Annual Report 2020, p. 6.

98 https://www.pp.gov.al/Dokumente/RAPORTE_T_PROKURORIT_T_P_RGJITHSH_M/.

There has been a limited number of successful counter-terrorism prosecutions and convictions, which include indictments in foreign fighting cases linked to the Syrian conflict since 2014. However, no prosecutions and convictions of TF offences have occurred either as a stand-alone prosecution or as a part of a counter-terrorism prosecution. Evaluators found that there is no systematic approach to identifying and investigating financing aspects of terrorism-related offences and therefore there is a threat that financial aspects of terrorism-related offences that may have occurred are not always properly investigated. In addition, the perception and understanding of TF related risks do not seem to adequately address the characteristics of potential TF activities in the country and the region.⁹⁹ Albania is on the list of monitored jurisdictions by ICRG/FATF, but the action plan does not include any measure related to IO.9, or TF investigation confirming that the progress made was considered sufficient. Nowadays, there is a systematic approach to identifying and investigating financing aspects of terrorism-related offences.

Representatives of the public and private sectors participated in the initial workshop to discuss the updating of the Anti-Money Laundering/Counter Financing of terrorism National Risk Assessment (NRA) of Albania which took place on 24 April 2019 in Tirana. The workshop was organised within the framework of the EU/CoE Horizontal Facility Action against Economic Crime in Albania (AEC-AL). At the time of this research, no data have been found on a revised version of the national risk assessment of money laundering and terrorist financing in Albania.¹⁰⁰

The main allegations and cases of terrorism in Albania in the past were related to associations owned or controlled by foreigners, including designated persons, and characterised by domestic and cross-border financial flows. There have been indictments in foreign fighting cases linked to the Syrian conflict since 2014 but no TF charges have been filed.¹⁰¹

During the five years of 2015 to 2019, there were 21 cases in which the GDPML has raised suspicions that the financing of terrorism might be involved, mainly related to bank transactions. The majority of these cases didn't turn out to be related to the financing of terrorism, the director of GDPML, Elvis Koci, told BIRN. From 2015 to 2020, only one person was convicted in Albania of financing terrorism, according to the Albanian General Prosecution. Meanwhile, a total of 23 people were found guilty of other terrorism charges in the country in the past ten years, the majority of them convicted of recruiting people to fight for Islamic State and of inciting violence.¹⁰² According to the authorities, the relatively low numbers of terrorism-related criminal offences, as well as the characteristics of the potential financing activities, are the main reason for the absence of TF prosecutions. In 2018, the Antiterrorism Directorate (State Police) created a specific sector for analysing the financing of terrorism cases. By applying this measure, TF cases from 2018 are investigated within the same structure in the ASP that investigates also terrorism and other related offences.

Religious extremist groups or movements, to the extent they are present in Albania, are considered to be funded by relatively small amounts of money either transported from abroad by cash couriers and/or collected from believers as almsgiving. Such forms of financing are difficult to detect while, on the other hand, they appear to be sufficient to fund the terrorism-related activities that occur in Albania and the region. The recruitment and sending of foreign terrorist fighters (FTFs) to Syria are an example of such activities. This action does not require significant financial support from the organisers or donors since it involves the procurement of passports, the purchasing of travel tickets and in some cases providing financial support to the families of FTFs. However, the authorities have provided explanations that some of the individuals travelled on their own expenses and the organisers typically omit their promise to provide financial support to FTFs families.¹⁰³ The number of these fighters leaving Albania to participate in the conflict in Syria and Iraq dropped to zero at the end of 2015; Albania has achieved

99 Ibid.

100 Council of Europe, Economic Crime and Cooperation Division, Albanian authorities make progress in updating its AML/CFT National Risk Assessment, 24 April 2019, Available on: <https://www.coe.int/en/web/corruption/-/albania-begins-updating-the-national-aml-cft-risk-assessment>.

101 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report July 2018, p.17

102 Haris Rovcanin, Fatjona Mejdini, Samir Kajosevic, Bojan Stojkovski and Milica Stojanovic Balkan States Under Pressure to Prosecute Financiers of Terrorism, BIRN, 15 March 2021, Available on: <https://balkaninsight.com/2021/03/15/balkan-states-under-pressure-to-prosecute-financiers-of-terrorism/#:~:text=Since%20hundreds%20of%20Balkan%20extremists,on%20the%20financing%20of%20terrorism>.

103 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report July 2018, p.84.

a low level of effectiveness with Immediate Outcome 9 (IO9)¹⁰⁴. One of the most important measures related to the effectiveness of IO9 was addressed in 2018 with the creation of a Unit within the Antiterrorism Directorate devoted specifically to the investigation of terrorist cases. By applying this measure, TF cases from 2018 are investigated within the same structure in the ASP that investigates terrorism and other related offences.

Organised criminal groups (OCGs) of individuals of Albanian ethnicity are engaged in a range of criminal activities in different countries, focused mainly on the trafficking of drugs, human trafficking and sexual exploitation and crimes against property. Albanian authorities did not identify links between OCGs and terrorism or terrorism financing.

NPOs in Albania

Albanian authorities have attempted to assess risks related to NPOs operating in the country. In 2012, the GDPML issued a document titled the “Assessment of Non-Profit Sector in Albania”, and in 2015, limited analysis of the NPO sector risk was conducted within the scope of the NRA. Neither of these two analyses identifies the subset of organisations that fall within the FATF definition of NPO.¹⁰⁵ In 2019, the General Directorate of Taxation (GDT) in cooperation with the GDPML developed a methodology for the identification of NPOs with the risk of TF. At the end of 2021 and onwards, the GDT in cooperation with NPO ‘Partner Albania’ is drafting a new risk methodology according to the best international standards. The project is being financed by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Also in 2020, the GDPML drafted a document based on international typologies that illustrate cases of NPO involvement in activities related to terrorist financing and money laundering. The document is published on official website of the GDPML.¹⁰⁶

The General Directorate of Taxation is a designated supervisory authority which is conducting inspections of the NPOs only in relation to the collection of taxes and does not exercise targeted oversight of NPOs that are at risk of terrorist abuse. This is due to inadequate understanding of their duties, and the lack of dedicated

human resources. Since the last evaluation, NPOs have received only one training on TF matters. To overcome the above remark, the Regional Tax Directorates assign specialised and trained staff to review the financial statements of NPOs. This review included:

- ▶ sources of funding of NPOs
- ▶ the economic activity of NPOs if it conducts economic activity
- ▶ the use of funds and the manner of their circulation
- ▶ the assets of the NPO and the source of their creation.

For cases that pose a risk of money laundering or terrorist financing, they require the control structures in the Regional Tax Directorates to exercise in-depth operational control. The 5th Round of Mutual Evaluation Report revealed that in the GDT there is only one inspector appointed to supervise approximately 3,000 NPOs registered in Tirana, out of a total of 10,000 NPOs registered in Albania. No resources are allocated for the NPOs registered out of Tirana. These are serious resource constraints, which limit the ability of the GDT to supervise NPOs for AML/CFT purposes.¹⁰⁷ At the end of 2019 and the beginning of 2020, two trainings have been conducted for inspectors of the Regional Tax Directorate of Tirana (as the one with the largest number of NPOs) with international experts and the GDT.

In its 5th round MER, Albania was rated “Partially Compliant” with Recommendation 8, based on the following deficiencies:

- ▶ The analysis of the non-profit organisation sector did not identify the NPOs at risk of TF abuse nor the nature of threats posed
- ▶ A review of the legislation and measures from the perspective of TF had not been undertaken
- ▶ Existence of clear policies to promote accountability, integrity and public confidence in the administration and management of NPOs
- ▶ Limited outreach had been taken to the NPO sector and the donor community concerning TF issues
- ▶ The absence of a best-practice document developed by Albania with the involvement of NPOs

104 The FATF has identified 11 key goals that an effective AML/CFT framework should achieve. These key goals or ‘immediate outcomes’ are organised by thematic goal. During its mutual evaluations, the FATF will assess the effectiveness of a country’s efforts against each of these 11 immediate outcomes. The extent to which a country implements the technical requirements of each of the FATF Recommendations remains important, they are after all the building blocks for an effective framework to protect the financial system. But, adopting compliant laws and regulations is not sufficient. Each country must enforce these measures, and ensure that the operational, law enforcement and legal components of an AML/CFT system work together effectively to deliver results: the 11 immediate outcomes. During an assessment, the FATF will look for evidence that demonstrates how well all these components are working together in the context of the risks that the country is exposed to. Immediate outcome 9: “Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.”

105 Ibid.

106 <https://fiu.gov.al/wp-content/uploads/2020/12/Tipologji-te-PPP-FT-per-OJF.pdf>.

107 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report July 2018, p.84.

- ▶ Targeted risk-based supervision or monitoring of NPOs had not been taken
- ▶ The supervisory powers of the General Directorate of Taxation (GDT) were limited and did not cover appropriately the countering of the financing of terrorism (CFT) aspects

Meanwhile, some of these shortcomings have been overcome by the Albanian authorities. For instance, Albania has also adopted new Instructions “On Supervision of Non-Profit Organisations In Function Of Prevention Money Laundering And Financing Of Terrorism” (the Instructions) enhancing inter-institutional cooperation between the GDPML and GDT concerning the supervision of the NPOs, which foresee the publication of an annual report on issues identified with respect to supervised NPOs and periodical re-assessment of the NPO sector. The Instructions also provide for the measures for targeted risk-based supervision and monitoring of NPOs by the GDT.¹⁰⁸ With respect to the outreach to the NPO sector about the potential vulnerabilities of NPOs concerning TF issues, the GDT has conducted several meetings with representatives from the NPO sector to share and exchange relevant information on TF risks. However, Albania still needs to develop relevant best-practice documents with the involvement of the NPO sector.¹⁰⁹ Considering the progress made, Albania is re-rated as LC with R.8 The creation of the register of the beneficiary owner in our country (which also includes data for NPOs) increases the transparency of this category.

Also, in 2021 a new law for the registration of NPO has entered into force which among other things provides for the establishment of an electronic register (besides the beneficial owner register) of NPOs.

International Cooperation

The GDPML actively exchanges information on ML/TF with foreign counterparts both spontaneously and upon request, which is further facilitated by the 44 MoUs signed with foreign FIUs, but the lack of an MoU is not an impediment to the exchange. The GDPML is a member of the Egmont Group and exchanges information through the Egmont Secure Web. Regarding the non-members of the Egmont Group, the GDPML has exchanged information with the Financial Intelligence Centre of Kosovo (FIC Kosovo)

before it became a member of Egmont Group, and the exchange of information with FIC Kosovo was done using the GoAML platform which is encrypted. No undue limitations are in place for the provision of international cooperation. The open investigation itself is not an impediment to the provision of international cooperation and in such cases, the GDPML coordinates with prosecutors.¹¹⁰ According to publicly available documents, GDPML did not express any particular problems in the exchange of data with FIUs from the WB6 countries.

Recommendations

- ▶ Albanian authorities should adopt an updated version of the national terrorism financing risk assessment
- ▶ Conduct an in-depth risk assessment of the NPO sector to identify subsectors within NPOs that are at risk of the TF abuse
- ▶ Revise or develop new guidance for NPOs regarding applied CTF measures and identified trends.

108 INSTRUCTION Nr. 19, dated 9.7.2019 ON SUPERVISION OF NON-PROFIT ORGANISATIONS IN THE FUNCTION OF PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM “

Pursuant to point 4 of article 102 of the Constitution, paragraph 1, article 10, of law no. 9920, dated 19.5.2008 “On tax procedures in the Republic of Albania”, as amended, as well as article 41 of law no. 8788, dated 17.5.2001 “On non-profit organisations”, amended, Minister of Finance and Economy, Available on: <http://www.hatfinance.al/sq/te-reja-dhe-publikime/51-udhezim-nr-19-date-09-07-2019-per-mbikeqyrjen-e-organisatave-jofitimprurese-ne-funksion-te-parandalimit-te-pastrimit-te-parave-dhe-financimit-te-terrorizmit>.

109 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania 1st Enhanced Follow-up Report December 2019, p. 6-7.

110 Council of Europe, COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Anti-money laundering and counter-terrorist financing measures Albania Fifth Round Mutual Evaluation Report July 2018, p.141.

Bosnia and Herzegovina

Financial Intelligence Department

The Financial Intelligence Department (FID) is the Financial Intelligence Unit of Bosnia and Herzegovina (BiH) established within the State Investigation and Protection Agency (SIPA) and operates under its supervision. The SIPA is an administrative unit within the Ministry of Security of BiH with operational autonomy, established for the purpose of performing police tasks, headed by a director and financed from the “Budget of the Institutions of Bosnia and Herzegovina and International Obligations of Bosnia and Herzegovina”.¹¹¹ Article 55 of the Law on Prevention of Money Laundering and Terrorist Financing regulates the work of the Financial Intelligence Department (FID). FID investigates and disseminates the results of analyses and/or investigations (data, information and documentation) to competent prosecutor’s offices and/or other competent investigative bodies with the provisions of this law.¹¹² The FID is comprised of three subdivisions: the Analytics Section, the Investigation Section and Section for Legal Matters and International Cooperation.

Based on desk research, the FID does not publish reports on trends and typologies. Also, this conclusion is noted in the Exit Follow-up Report – Bosnia and Herzegovina.¹¹³ The major concern about the analysis is the lack of adequate IT solutions which will allow: direct electronic two-way communication with all obliged entities, including all the necessary attachments; access to external databases; “REPORT” function – providing results of checks of all databases for one entity by one click; visualisations of links between entities; exports to excel data needed for analyses and using the modern version of Oracle and Enterprise which offer direct connection of analyst notebook to programs such as is.¹¹⁴

Terrorism Financing Risk

By evaluating the overall parameters and statistics which the threat of terrorism, the threat of terrorism financing and vulnerability assessments were made, the authorities of Bosnia and Herzegovina assessed the Risk of Terrorist Financing at the MEDIUM level. One of the key findings is insufficient knowledge of the provisions of the law by the reporting entities, as well as non-compliance with the obligations arising from it.¹¹⁵ In this regard, the general recommendation of the Risk Assessment of Money Laundering and Terrorist Financing in Bosnia and Herzegovina could be defined as the need to provide expert assistance to all reporting entities in the field of ML/TF and to design and organise more education (training) in sectors identified as more vulnerable to money laundering and terrorist financing.

When assessing the threat of terrorism for the criminal offence of foreign terrorist fighters (FTFs), all criminal offences were described and assessed identically to the overall assessment, due to the very high similarity in the organisation of departures. The level of threat was assessed as MEDIUM/HIGH because foreign fighters – who returned to the country with their war experience and skills in armed activities, their radical and extreme attitudes, contact with extreme groups, beliefs and the like – can negatively affect the security situation in Bosnia and Herzegovina.

The average cost of the operating budget was assessed as medium with a pronounced average cost of the operation in the amount of about 1,000.00 KM (500 EUR). The main sources of income from the submitted reports on criminal offences of terrorism in connection with the criminal offences of foreign fighters are evident from own revenues and donations or loans in BiH, while the source

111 <http://www.sipa.gov.ba/en/about-us/structure/organisational-structure/financial-intelligence-department>.

112 Law on Prevention of Money Laundering and Terrorist Financing, (Official Gazette No 47/14 and 46/16)

113 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF Bosnia and Herzegovina 7 September 2020 EXIT FOLLOW-UP REPORT SUBMITTED TO MONEYVAL WRITTEN ANALYSIS ON PROGRESS IN RESPECT OF THE CORE AND KEY RECOMMENDATIONS, p. 21.

114 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Report on Fourth Assessment Visit Anti-Money Laundering and Combating the Financing of Terrorism BOSNIA and HERZEGOVINA 17 September 2015, p. 102; and COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), 4th ROUND MUTUAL EVALUATION OF Bosnia and Herzegovina 7 September 2020 EXIT FOLLOW-UP REPORT SUBMITTED TO MONEYVAL WRITTEN ANALYSIS ON PROGRESS IN RESPECT OF THE CORE AND KEY RECOMMENDATIONS, p. 21.

115 RISK ASSESSMENT OF MONEY LAUNDERING AND TERRORISM FINANCING IN BOSNIA AND HERZEGOVINA FOR THE PERIOD 2018-2022, p.6.

and direction of funds in these cases from abroad are evident from Austria, Canada and Arab countries. The most hazardous sectors for potential wrongdoing are banking, money transfer services and real estate.¹¹⁶The Bosnian government's own risk assessment on the financing of terrorism indicates that from 2012 to 2016, there were 11 police reports to prosecutors about suspected financing of terrorism, but the cases were later classified as other terrorism-related crimes.

NPOs in Bosnia and Herzegovina

In its 4th round MER, Bosnia and Herzegovina was rated "Non-compliant" with Special Recommendation 8 due to a significant number of deficiencies. This included:

- ▶ No review of the adequacy of the relevant laws to identify the risks and prevent the misuse of NPOs for terrorism financing purposes was undertaken
- ▶ No review of the size, characteristics and activities of the NPO sector
- ▶ Lack of outreach to the NPO sector
- ▶ Shortcomings of the framework with regard to registration and access to information on NPOs; Lack of clarity with regard to the supervisory competencies
- ▶ No particular mechanism established for responding to international requests regarding NPOs.¹¹⁷

The activity of NPOs in Bosnia and Herzegovina is largely related to the collection of material and financial resources through voluntary contributions of individuals and legal entities used for humanitarian assistance to the socially vulnerable population. Such types of activities can be risky from the aspect of suspicion of financial support to terrorism or financing of sending fighters to foreign battlefields, i.e., direct or indirect support to terrorist organisations; however, such risks affect every country. To reduce such possibilities, regular oversight of the competent institutions is necessary. The threat to NPOs was rated as MEDIUM HIGH in terms of its susceptibility to terrorist financing in Bosnia and Herzegovina.¹¹⁸

Although the authorities of Bosnia and Herzegovina conducted a risk assessment of money laundering and terrorist financing for the period 2018-2022, it still does not cover a comprehensive assessment of the size, characteristics and activities of the NPO sector

and evaluates this in the context of the potential ML and TF risks of the country, in order to formulate specific vulnerabilities of the sector or its individual components. Such assessments should be periodically repeated in order to ensure that new trends and developments are taken into consideration.

Furthermore, on the basis of this information, a review should be done by the authorities of the legislation governing NPOs in place, as well as of the entire institutional framework related to the activities of NPOs. At the same time, in order to increase public awareness of the risks of terrorist financing, the authorities of Bosnia and Herzegovina have not yet issued guidelines for protection against abuse of the NPO sector for the purposes of terrorist financing. Also, the authorities have not conducted training for the obligated entities and NPOs for easier detection of suspicious transactions and activities that lead to terrorism.

International cooperation

The international cooperation of the FID is regulated in articles 65 to 69 of the national AML CFT Law.¹¹⁹ Based on Article 66 of the AML/CFT law, the FID may submit data, information and documentation obtained in Bosnia and Herzegovina to foreign FIUs both spontaneously or on the basis of a prior request. Furthermore, Article 67 enables the FID to share information with foreign LEAs, on the basis of a suspicion where concrete links with money laundering and financing terrorist activities exist. Pursuant to Article 69, the FID may, upon an explained written proposal from a foreign FIU, issue a written order to a liable person to temporarily postpone a suspicious transaction(s).¹²⁰ The FID is in line with the Egmont Group's standard on the exchange of information through the Egmont Secure Web (ESW); specifically, there is one computer with a stand-alone connection that is used for communication through the ESW to which the staff member in charge has access.

During the Regional Conference of Financial Intelligence Units held in October 2021 in North Macedonia, the representative of the Financial Intelligence Unit of Bosnia and Herzegovina stressed that the exchange of data with the FIUs from the Western Balkans region takes place through the Egmont security channel for information exchange. At the same time, there is no data on cooperation in cases of terrorist financing with the FIUs from the WB6 region.¹²¹

116 Ibid.

117 COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL), Report on Fourth Assessment Visit Anti-Money Laundering and Combating the Financing of Terrorism BOSNIA and HERZEGOVINA 17 September 2015, p. 246

118 RISK ASSESSMENT OF MONEY LAUNDERING AND TERRORISM FINANCING IN BOSNIA AND HERZEGOVINA FOR THE PERIOD 2018-2022, p.63.

119 Law on Prevention of Money Laundering and Terrorist Financing, (Official Gazette No 47/14 and 46/16)

120 Ibid.

121 Regional Conference with Financial Intelligence Offices from Western Balkan, Available on: <https://www.facebook.com/Demlab.org/videos/949971678922871>.

Recommendations

- ▶ Bosnia and Herzegovina authorities should adopt an updated version of the national terrorism financing risk assessment
- ▶ Conduct an in-depth risk assessment of the NPO sector to identify subsectors within NPOs that are at risk of the TF abuse
- ▶ Revise or develop guidance for NPOs regarding applied CTF measures and identify trends
- ▶ The FID has the necessary IT tools to conduct in-depth analysis.



Conclusion

In conclusion, there are strong commonalities found across the Western Balkans region. Concerning common challenges, all six countries share geographical proximity to the conflict areas of Syria as well as experience with organised crime that uses the so-called Balkan route of migration and human trafficking. Also common among the WB6 is a serious risk of money laundering.

In terms of the threat of domestic terrorism, the situation is also specific as the countries have a history of citizens leaving as fighters in foreign conflicts. Returnees from these conflicts represent a degree of danger as they were already radicalised and have an experience with violence. The fight against the financing of terrorism is, therefore, more complex. Working with not-for-profit organisations in the region is very important since they do pose a possible target for abuse and terrorist financing; at the same time, the important role of civil society cannot be hampered by lengthy administrative investigations. Targeted and sectoral risk-based analysis carried out and updated on a regular basis, depending on the NPO typology, is a definite must. As are a host of regular training raising awareness and making the procedures clear to both the public as well as not-for-profit sectors, particularly law enforcement agencies and the judiciary. NPOs are missing a practical guide of best practices that could be incorporated into practice.

At the same time, regional cooperation has proven to be satisfactory. The awareness and membership of all FIUs in the EGMONT group are seen as crucial contributing factors. The challenges that were common across the region are connected with the need for greater regional interoperability and the ability to exchange information faster. The existing systems prove that FIUs can function effectively and foster much-needed regional cooperation. There is a space for improvement offered by new technologies and greater involvement with the private sector. The existence of a regular, in-person FIU conference is seen as a good practice example that should be continued on hand and perhaps involve or invite other FIUs to enrich the exchange of experiences. A regional list of best practices is also suggested. Therefore, this report makes the following regional recommendations:

- ▶ **Promote greater informational transparency** – With the exception of specific cases, it is recommended to create and maintain an online public presence of the FIUs through the publication of annual reports, regular updates to strategic documents and publishing guidelines aimed at organisations as well as good practice examples, in both languages (national and English). To build awareness of risks involved in CTF/AML and institutional trust-building.
- ▶ **Regular updates of National Risk Assessment** – particularly the risk of financing terrorism part. The terrorist financing risk should be assessed based on profiling of possible types of risks as well as by sector, particularly NPOs. These profiles could map all three stages of financing collection, movement and usage. A unified methodology would help states to address them and work out mitigation measures across the region.
- ▶ **Improve the supervision of NPOs** – there are no dedicated institutions that would be charged with supervising NPOs based on their risk profiles. To carry out the double role of checking that NPOs are not being abused as sources of terrorist financing and at the same time that AML/CTF legislation is not being used against civil society. Therefore, strengthened supervisory activities with technical as well as personnel capacities are advised. Similarly, it is recommended to increase outreach and educational capacities to help NPOs regulate themselves.
- ▶ **Improve strategic analysis** – Conducting strategic analysis based on data from analysed STs, foreign requirements, cash transactions, etc., in order to determine typologies, trends and phenomena. Done on a regional level this could have a good effect on preventative measures.
- ▶ **Final beneficiaries' registers** –regularly updated final beneficiaries registers, for private companies as well as NPOs are good practice for agencies working with AML/CTF investigations. Furthermore, if these are on mutually accessible or public platforms, it would greatly promote information exchange and transparency.

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List of Abbreviations

APML - Administration for the Prevention of Money Laundering (Serbia)

APMLTF - Agency for Prevention of Money Laundering and Financing of Terrorism (Montenegro)

AML/CFT – anti-money laundering / combating the financing of terrorism

ASP – Albanian State Police

BiH – Bosnia and Herzegovina

CDD – Compliance and due diligence

CoE – Council of Europe

CTR – Cash Transfer reports

CTF – Counter terrorism financing

CFT - countering of the financing of terrorism

DRNGO - Department for Registration and Liaison with NGOs (Kosovo)

ESW – Egmont Secure Website

FATF – Financial Action Task Force

FID – Financial Intelligence Department

FIO – Financial Intelligence Office

FIU – Financial Intelligence Unit

FTF – Foreign terrorist fighters

GDPML - General Directorate for the Prevention of Money Laundering (Albania)

GDT – General Directorate of Taxation (Albania)

IITWG – Inter Institutional technical working group (Albania)

ISIS – Islamic state of Iraq and Syria

KYC – Know your customer

LEA – Law enforcement agencies

LPMLTF – Law on prevention of money laundering and terrorist financing (Montenegro)

MER – Mutual evaluation report

ML – Money laundering

MLPA – Ministry of Public Administration (Kosovo)

NCC – National Coordination Centre (for Combating Organised Crime and Serious Crime)

MoU – memorandum of understanding

NGO – Non governmental organisation

NPO – Not for profit organisation

NRA – National risk assessment

OCG – Organised crime groups

RIA – RIA Money Transfer

RNM – Republic of North Macedonia

SAR – Suspicious activity report

SFOP – Sector for Financial Intelligence (Montenegro)

SOP – Standard operative procedure

STR – Suspicious transaction report

SOCTA - Serious and organised crime threat assessment

TF – terrorist financing

TIMS – Total Information system management

UNMIK – United Nations Mission in Kosovo

UN SC – United Nations Security Council

WMD – Weapons of mass destruction

WB6 – six west Balkan countries, Albania, Bosnia and Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia



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