

Money Laundering and Terrorism Financing on the Western Balkans Results relevant for the Law Enforcement



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about

The results produced in present presentation have been generated in the course of implementing a project financed by the European Union of the Internal Security Fund. The project has been decentrally administered by the competent authority Federal Criminal Police Germany.



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The project has been implemented by the Institute of Police and Security Research IPoS at the University for Public Administration (HfÖV) Bremen, Germany.

The project has been implemented from 10/2016 to 09/2017



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State of Play

The Western Balkan countries are aiming at joining the EU within the next 10 years.

Actors of the Organised Crime are already using liberties provided by the EU.

Terrorist groupings are active and/or present on the Western Balkans.



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Hypothesis

There is an interplay between the Organised Crime and Terrorist Groupings on the Western Balkans.

Both are using the same channels and means to achieve their economic aims, irrespective of their anticipated political, radical or (pseudo-) religious intentions.

The Western Balkan countries of main relevance in this sphere are Albania and Kosovo.

The activities concerned are mainly focusing on the European Union and its Member States.



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Project Results related to private consultants

The project has shown there are several aspects of relevance for private legal, tax, financial, business and security consultants:

1. Official documents are unreliable / forged
2. Origins of financial means are intransparent
3. Origins of goods are shrouded
4. Information is incomplete and/or misleading
5. Most of financial means transferred cross-border derive from illicit activities.
6. There is undue political influence.



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1. Official Documents

Official documents originating from Western Balkans countries are unusually often incorrect or forged.

The costs for officially registered fake passport/driving licences/birth certificate in Albania or Kosovo are around 200 to 500 euros.

Where such documents are forged in Italy - by mainly Moroccan citizens – the costs are around 800 euros.

Difference is: documents forged in Albania/Kosovo are officially registered, others are not.

Individuals from the Western Balkans in Europe are often using fake identities.



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1. Official Documents

Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing requires consultants to verify the identity of clients (art. 10 et seq.). There is no requirement to falsify documents produced by clients.

Consequently, it is highly likely that services are offered and provided to clients without disclosure of the true identity. For the courts, similar challenges are to be considered.

Recommendation: Enter a comment into the police data system you are using regarding the need to falsify the identity of charged individuals.



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2. Origin of Financial Means

Origins of financial means deriving in cash or via transfer from the Western Balkans or citizens of those countries are intransparent. There is a permanent threat to provide services for clients working with money deriving from drug, firearms or human trafficking.



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2. Origin of Financial Means

Art. 13(1)(c) of Directive 2015/849 requires to ,assess and, as appropriate, obtain information on the purpose and intended nature of the business relationship’.

To proof the origin and whereabouts of financial means to minimise the risk of supporting illicit activities is almost impossible for consultants.

Recommended: Apply domestic laws on seizure of assets on the spot, (e.g. Anti-Mafia laws in Italy or GWG in Germany)



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3. Origin of Goods

Places of origin of goods from the Western Balkan countries or transported via them are often shrouded.

In consequence, a significant number of goods must be classified as smuggled.

Such goods are often paid with money deriving from other illicit activities.



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3. Origin of Goods

Directive 2015/849 does not refer to scrutiny regarding goods involved in a transaction subject to services provided by consultants. This is subject to domestic customs laws and related acts.

Recommendations:

1. Request import/export-related documents from charged individuals.
2. Request additional data from the customs authorities incl. delegated companies such as S2 Rapiscan (OSI systems)



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4. Information

Data retrieved from official sources on the Western Balkans by consultants is unusually often incomplete and/or misleading. E.g the company registry in Albania (qkr.gov.al) is not providing reliable data on existing active companies, both with a view to persons controlling companies and financial information (annual statements).



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4. Information

Directive 2015/849 requires risk management measures where services are provided by consultants. According to that Directive the consultants shall use any reasonable means to gather further information on the clients.

Recommended: Even if data retrieved via EUROPOL is incorporated in investigations, do not fully rely on the validity of documents provided.



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5. Financial means from illicit activities

Most of financial means transferred cross-borderly from countries of the Western Balkans into the EU derive from illicit activities. The official income and wealth generated by legal economic means does not correspond to ,the money around‘.

In the south of Albania as well as in the north, marihuana is annually produced with a value of around 5 billion euros. In Kosovo, arms trafficking is a considerable source of illicit income.



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5. Financial means derive from illicit activities

Directive 2015/849 requires consultants to get hold of as much data as possible (and reasonable) when providing services to clients. However, it is practically impossible to fully comply with this requirement. A similar situation is prevalent for the judiciary.

Recommendation: Make extensive use of domestic laws on seizure of assets, (e.g. Anti-Mafia laws in Italy or GWG in Germany)



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6. Political influence

There is undue political influence in almost all larger businesses on the Western Balkans. This partially refers to corruption cases but also to informal participation in commercial assets.

Often, politically exposed persons (PEPs) are involved in illicit commercial activities as well as in formalised legal activities. This serves to cover-up the use of illicit money and provides options to launder assets.



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6. Political influence

Art. 20 of Directive 2015/849 sets out: With respect to transactions or business relationships with politically exposed persons, Member States shall, have in place appropriate risk management systems to determine the customer/beneficial owner is a PEP.

However, due to the informal market structures on the Western Balksn, there is almost no way to ensure full compliance with this requirement.

Recommendation: Refer to domestic laws incorporating the United Nations Convention against Corruption.



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Sample case

In 2011, Albino Prudentino and 6 supporters have been arrested in Albania in a joint operation with the Italian police; the detainees are members of the ‚Sacra Corona Unita‘.

Charge: Drug trafficking, money laundering, ransom in both Albania and Italy.

Prudentino is directly related with the former minister of European Integration and now member of the Committee of EU affairs in Albania.



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Sample case

In 2016, the Italian citizen *Alessandro Donadon* has been arrested by Albanian forces in Tirana. The charge: Money laundering.

Donadon tried to retrieve 640.000,00 euros in cash from a bank where he deposited 700.000,00 euros earlier. The money had been sent via a bank in San Marino. He produced forged invoices to prove the legality of the assets. He also claimed to have contracts with companies in Albania (mainly: dentists) in which he aims to invest. All contracts have been forged.



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Sample case

The ICIJ Offshore Leaks 2017 database shows, the companies OTM Tenedora de Marcas Sociedad Anónima, Oriental Industria Alimenticia OIA Sociedad Anónima are connected to Albania; the companies Albania Group Trading Limited, Albania Services Limited, Albania Group Holding Limited, Albania International Ltd. Are registered on the British Virgin Islands. The companies Albania Equity Holdings Ltd., Albania International Corp., Exxonmobil Exploration and Production Albania Limited as well as Exxonmobil Exploration and Production Albania (Onshore) Limited are registered on the Bahamas.



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Sample case

In 2016, a 20 y/o male attempted to fly via Munich/Germany to London. The regular passport control conducted by the Federal Police showed an Italian citizenship. The police officers had doubts and addressed the individual in Albanian – and he responded naturally in Albanian as well. An in-depth control of the passport showed it had been registered as lost and had physically been modified as well. Same accounts for an Italian driving licence and the health insurance card. Additionally, an Albanian passport had been found in possession of that individual.



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