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EUROPEAN COMMITTEE ON CRIME PROBLEMS
(CDPC)

COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES
(MONEYVAL)

SLOVENIA

PROGRESS REPORT 2006[1]

[1] Adopted by MONEYVAL at its 20th Plenary meeting (12-15 September 2006).

1. General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

The third evaluation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of Slovenia took place from 30 January 2005 to 5 February 2005. The detailed assessment report described and analysed the AML/CFT measures in place in Slovenia at the date of the on-site visit, and provided recommendations on how certain aspects of the system could be strengthened.

After the adoption at the 17th MONEYVAL plenary meeting (30 May – 3 June 2005) the report on Slovenia was presented to the Government of the Republic of Slovenia, which at its governmental session of 3 November 2005 adopted a comprehensive action plan for implementation of recommendations made by the Selected Committee of Experts on the Evaluation of Anti-Money Laundering Measures (hereinafter: the Action Plan).

The Action Plan covers the main content of recommendations and defines:

(i) measures/tasks/actions planned to give effect to the recommendations,
(ii) (ii) task performers and
(iii) (iii) indicative deadlines for implementation.

As the Government has been aware of the importance of continuing the monitoring process on the implementation of the recommended actions for the improvement of Slovenia's AML/CFT system, the main task performers have had to report to the Government on the regular basis. The first report, in which the relevant authorities provided information on the measures they have taken to give effect to the MONEYVAL's recommendations, was presented to the Government on 27 July 2006.

General Situation of Money Laundering and Financing of Terrorism

In Slovenia, the money-laundering situation is currently more or less the same as at the time of the third evaluation. According to the police data for the year 2005 and the first half of the year 2006 an increase in numbers of certain criminal offences, especially thefts, robberies, extortion, smuggling and unlawful manufacture of and trade in weapons was recorded. Other criminal offences stayed more or less at the same level.

The numbers of economic offences against property and drugs offences are increasing and the Slovenian authorities recognise that, accordingly, the demand for money laundering will grow. In the last year and a half dirty money originated mainly from the predicate offences of business frauds, tax frauds and abuse of the position and rights.

RECORDED CRIMINAL OFFENCES (CO)

	2000	2001	2002	2003	2004	2005	First half of 2006
CO AGAINST PROPERTY							
Theft	19.408	24.165	23.980	24.695	27.801	28.331	19.403
Burglary	15.962	15.617	16.431	16.947	22.460	20.252	10.233
Fraud	2.546	2.816	2.273	2.167	2.769	3.136	1.158
Robbery	515	579	527	349	398	429	279
Theft of vehicles		691	815	615	704	873	131
Concealment		859	1.170	1.588	1.840	1.583	891
CO of ECONOMIC NATURE							
Business fraud		771	2.079	1.672	1.764	1.759	251
Issuing of an uncovered cheque, misuse of a credit card		1.865	2.516	2.687	1.465	2.158	112
Tax evasion		121	99	83	87	111	3
Forgery		448	520	477	581	512	280
Abuse of authority or rights		333	185	201	207	145	51
OTHER CO							
Production and trafficking with drugs	1.370	1.140	1.164	775	1.231	1.241	772
Illegal migration	871	720	548	406	389	463	186
Production and trafficking with arms	199	173	175	148	143	148	157
Falsification of money	2.171	1.857	1.857	1.177	1.772	1.439	958
Corruption	41	58	51	54	19	18	7
Extortion	321	377	474	327	328	383	208
Smuggling	25	10	3	4	5	31	5
TOTAL*	**67.618**	**74.794**	**77.218**	**76.643**	**78.202**	**76.659**	**48.132**

Source: Annual police reports for 2000, 2001, 2002, 2003, 2004, 2005 and police report for the first half of 2006

* The number includes also other CO which are not presented in the table

Banks are the most used financial intermediary for money laundering and make the most reports (both STRs and CTRs). Since the last evaluation the number of their reports significantly increased.

In 2005 the Office for Money Laundering Prevention (hereinafter: OMLP) sent 32 notifications on money laundering to the Criminal Police Directorate/State Prosecution and 14 written information in respect of other serious offences. In the first half of the year 2006 the OMLP sent to the Criminal Police Directorate/State Prosecution 14 notifications on money laundering and 13 information.

In the cases analysed by the OMLP and sent to the Criminal Police Directorate / State Prosecution the most common ways in which money is laundered are considered to be the following:

- misuse of domestic legal persons and off shore companies for money laundering deriving from criminal offences of tax evasion;

- misuse of non-resident accounts of off shore companies in Slovenia;
- misuse of domestic companies accounts in Slovenian banks for money laundering deriving from economic crime;
- misuse of natural persons accounts in Slovenian banks for money laundering deriving from economic crime;
- misuse of Western Union;
- structuring of transactions (smurfing);
- loans in cash given to individuals by legal persons;
- use of "straw men".

Since the last evaluation the Police have submitted to the State Prosecution 5 criminal offences in respect of money laundering based on predicate offences of fraud and abuse of economic power. Since 1995 there have been a total of 54 money laundering related criminal cases, which are presently at various stages of the proceedings. Most of the filed criminal charges are currently in the phase of investigation or a final indictment. Court proceedings are being currently conducted in 5 cases. Courts of first and second instance have by the end of August 2006 decided 8 cases in the following manner:

- in 5 cases proceedings were completed with judgments of acquittal,
- in 1 case with a conviction currently pending appellate procedure,
- 1 case had concluded with a first instance conviction followed by the defendant's death and subsequently appellate proceedings were ceased,
- only 1 of the money laundering cases was so far concluded with a final judgment of conviction in 2006.

The total amount of temporarily seized money substantially decreased due to courts' decisions and currently amounts to app. 3 million EUR. In one case the competent court acquitted the defendants and subsequently temporarily seized funds in a significant amount were released. In other two cases the court opted not to pursue the prolongation of the temporary seizure of funds. In the fourth case the relevant funds were temporarily seized on the basis of the Strasbourg Convention No. 141, while the foreign court ordered for the funds to be returned due to long-lasting court procedures in Slovenia. The Ministry of Justice of the RS proposed for the official supervision to be carried out over the court's work. In order to accelerate long-lasting court proceedings, the Criminal Procedure Act was amended in 2005. The Law on Amendments to the Criminal Procedure Act (ZKP-G; Official Gazette of the RS, No. 101/05) came into force in December 2005. This Law contains also amended provisions on temporary securing of a claim for the deprivation of property benefits, acquired through commission of a criminal offence or because of it (i.e. seizure). Amended Article 502 and new Articles 502.a to 502.d of the Criminal Procedure Act[2] (Official Gazette of the RS, No. 8/06 - Officially Consolidated Text 3) provide for more effective procedures of temporary seizure (in the pre-criminal phase and in the course of ongoing criminal proceedings) of property benefits and by means of a novel Article 502.č, which prescribes that the criminal procedures are to be considered a priority when entailing temporary seizure of property benefits, it is to be expected that proceedings will be more expedient in the future.

[2] For the text of stated Articles of the Criminal Procedure Act please see APPENDIX II.

As far as terrorist financing is concerned, Slovenia estimates its general vulnerability to international terrorism to be low in comparison to that of other countries of the European Union. The Slovenian authorities have, as yet, not encountered with the offence of financing of terrorism, which was made a separate criminal offence in March 2004, as no criminal charges or indictments have been filed in this respect. Also no freezing orders have been made under the relevant United Nations Security Council or European Union Resolutions.

Developments in respect of AML/CFT measures since the last evaluation

In the context of the third round mutual evaluation on Slovenia and after the adoption of new international AML/CFT instruments (the Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing [hereinafter: the third EU Directive] and the revised Council of Europe Convention on Laundering, Search Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism – CETS No. 198 [hereinafter: the revised Strasbourg Convention]) the internal Slovenian legislative agenda is directed towards harmonisation of domestic law with the provisions of these new instruments, and is determined to bring domestic legislation into line with the new standards on countering of the financing of terrorism. Therefore the main task undertaken in the past year has been the preparation of a new Law on Prevention of Money Laundering and Financing of Terrorism, which shall replace the Law on Prevention of Money Laundering (Official Gazette of the RS, Nos. 79/2001 and 59/2002; hereinafter: LPML) as currently in force and implement the latest, revised international standards.

The Ministry of Finance - the Office for Money Laundering Prevention, which is authorized and required to draft the act, has prepared an initial document with starting positions for the new AML/CFT law and in November 2005 a discussion on the presented issues began with the supervisory authorities, Ministry of Interior, Supreme Court, State Prosecution and various associations. Although at the EU level the process of adopting relevant implementing measures to the third EU Directive have not been completed yet, the Slovenian draft preventive law is well under preparation and scheduled to be submitted to the Government (for the governmental deliberations) by the end of 2006 at the latest. However, as this is the case, many activities undertaken to put recommendations into practice, especially concerning measures for combating financing of terrorism, have not been realised yet.

The procedure for the signature and ratification of the revised Strasbourg Convention [ETS No. 198] has been initiated and it is planned to be concluded by the beginning of 2007 at the latest.

Following the recommended action under SR III, the Ministry of Foreign Affairs drew up a new law on restrictive measures. The draft act that will replace the existing Law on

Restrictive Measures of 11 May 2001 (as amended on 21 June 2002) was sent to inter-ministerial coordination in May 2006 and it is scheduled to be adopted by the end of 2006.

Before taking further steps regarding the AML/CFT measures several reviews have been undertaken in the last months.

As required by SR VIII, a special study of non-profit organisations was completed in July 2006. A group of experts from different authorities and institutions has tried to assess potential threat to non-profit sector from the point of view of terrorist financing. On the basis of the results and group's proposals, several legislative changes will be prepared to improve transparency and oversight of non-profit organisations, and consequently to lower risks that non-profit organisations would be used for financing of terrorism.

In relation to R 3, the Ministry of Justice carried out an analysis of operative handling of seized objects and assets. On the basis of the findings and with the aim to produce results in terms of money laundering and terrorist financing related convictions and asset recovery, the *Decree on the procedure of handling of seized objects and assets* will be amended by the end of this year.

In the field of supervisory and sanctioning system several changes have taken place in the last year and a half, or are planned for the near future. A constructive debate, notably on creation of an effective system for monitoring and ensuring compliance with AML/CFT standards, continues among competent authorities. According to the valid preventive law, the majority of designated non-financial businesses and professions (DNFBF) are still subjected mainly to control of the OMLP, therefore supervisory powers will be shifted with the introduction of the new AML/CFT law. Supervision of this sector will most likely be shared among the OMLP, the Tax Authorities and the Market Inspectorate.

Although there is a basically sound sanctioning system in place in Slovenia, the speed of the application of sanctions by the courts in general has not improved since the last evaluation. However, with the new Minor Offences Act the sanctioning system has been altered in 2005. The OMPL and other competent supervisors became in charge of ruling on administrative offences under an expedited procedure. After the entry into force of additional amendments to the new Minor Offences Act in May 2006, the OMLP no longer launches a proposal for the initiation of administrative proceedings under the valid LPML but shall conduct the proceedings by itself. To perform this supplementary task one additional post was established and recently occupied, thus the OMLP had 16 staff members and two open positions as of 1 August 2006. Time will, however, show how effective the new sanctioning system can actually be in practice.

Tasks adopted as part of the action plan for implementation of the recommendations contained in the third round assessment report are also largely concerned with law enforcement and prosecution. The police and the the prosecution authorities recently reported that they had systematically increased efforts for further improvement of successful detection, investigation and prosecution of perpetrators of money laundering

criminal offences, which also resulted in the increased number of persons against whom State Prosecutors offices filed demands for investigation. However, although more money laundering cases were brought to court, for the time being, as noted earlier, there has been only one final conviction in the courts for the money laundering offence yet.

Some other tasks adopted and undertaken in order to meet recommendations made in the third round assessment report are presented as follows.

2. Key recommendations

Please indicate which improvements have been made in respect of the FATF Key Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Create case law by confronting the courts with as many ML prosecutions as possible and thus challenge the present jurisprudence on the evidential requirements. Ultimately consider legislative action to remedy the situation.*
Measures taken to implement the Recommendation of the Report	Following the adopted action plan the MONEYVAL recommendations were brought to attention of the Supreme Court and the State Prosecution Service, which were suggested to take appropriate steps to implement recommended actions. To that end the prosecution authorities systematically had increased efforts for improvement of successful detection and prosecution of perpetrators of money laundering criminal offences over the last year, which resulted also in the increased number of persons against whom State Prosecutors Offices submitted requests for investigation. At the same time State Prosecutor Service notes that there are still too few convictions at first instance and subsequently also insufficient decisions of the courts of appeal. Some activities undertaken by the State Prosecution Service also on the basis of the MONEYVAL recommendations are the following: • The State Prosecution Service continuously requested, in writing, from all District State Prosecutors to encourage investigation of money laundering criminal offences. • In the same manner the State Prosecution Service continuously encouraged District State Prosecutors to endeavor to achieve in courts most favorable treatment of indictments, particularly in order to definitively introduce and put into effect the »*all crime*« model. • Furthermore, the State Prosecution Service requested that District State Prosecutors endeavor for a consistent punishment policy in relation to perpetrators of predicate offences who usually have the highest interest in money laundering in order to conceal the origin of illegally acquired funds. • The State Prosecution Service also urged District State Prosecutors to pay special attention to those procedural institutes that enable confiscation of illegally acquired property benefits and thereby strive to reach such legal interpretation of the relevant legal institutes

	that would be favorable from perspective of the prosecution. According to the Supreme State Prosecutor's Office of the RS, some positive results have already been attained in the mentioned context, especially in relation to the interpretation of Article 498.a of the Criminal Procedure Act, which encompasses confiscation of property benefits as the procedural legal institute based on the premises of Article 498 of the Criminal Procedure Act, which prescribes (compulsory) confiscation of property benefits in instances where the criminal procedure is not completed with a judgment of conviction. Taking into account above-stated activities of state prosecutors, we estimate that it is reasonable to wait for court decisions and analyze the new jurisprudence before taking any decisions on further amendments to the Article 252 of the Criminal Code (Official Gazette of the RS, No. 95/04 - Officially Consolidated Text 1) that defines the criminal offence of money laundering. The Ministry of Justice has (in co-operation with representatives of the OMLP, Supreme Court of the RS and Supreme State Prosecution Office of the RS) also studied the question whether it would be necessary to define the money laundering criminal cases as "urgent" by the provisions of the Courts Act as it applies to court proceedings. The Law on Amendments to the Criminal Procedure Act (ZKP-G; Official Gazette of the RS, No. 101/05) came into force in December 2005. This Law also contains amended provisions on temporary securing of a claim for the deprivation of proceeds arising from the criminal offence or because of it (i.e. seizure). New Article 502.č of the Criminal Procedure Act determines that the court must rapidly take a decision on the proposal for ordering, extension, amendment or abolition of temporary securing. If the temporary securing was ordered, the competent authorities in the pre-trial stage must proceed in a particularly rapid manner, whereas the criminal procedure shall be considered preferential. Since in most money laundering criminal cases the provisional securing (i.e. seizure) is in fact also ordered, stated provision means that the court will be deciding those cases preferentially, and above-mentioned amendment to the Law on Courts is no longer required.
(Other) changes since the last evaluation	The Law on Amendments and Supplements to the State Prosecutor Act (ZDT-C; Official Gazette of the RS, No. 17/06), which came into force in March 2006, amended provisions regulating the position and status of the *Group of State Prosecutors for Special Cases*. The amendments renamed the unit into the *Group of State Prosecutors for Prosecution of Organised Crime* and empowered it to prosecute organized crime, economic crime, terrorism, corruption matters and other criminal offences, investigation and prosecution of which require special organisation and skills. The revised act also defines the procedure of assigning a case to the Group and supplements the provisions regarding the appointment of members, arrangement and functioning of the Group. There are now 6 State Prosecutors in the Group who deal, in addition to district prosecutors, also with money laundering cases.

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Produce consistent guidance to ensure same ID standards apply across the financial market.*
Measures taken to implement the Recommendation of the Report	The problem of 'consistency' of applying same ID procedures across the whole financial sector will be sold by the adoption of the new AML/CFT law, therefore no further guidance has been issued so far. The OMLP and other supervisory bodies however have continued to provide the supervised entities, upon request, with written clarifications on how to interpret the ID provisions as currently in force. As regards the identification threshold for exchange offices, which was recommended to be reduced from general 3 million SIT, the Bank of Slovenia notes that this issue is regulated solely by the valid AML law, which falls within the domain of the Ministry of Finance or the OMLP respectively. The Bank of Slovenia as the supervisory authority for exchange offices does not find it necessary for the existing threshold to be lowered for exchange offices only. It would however be more advisable, according to the national bank, that the efforts to identify and report suspicious and unusual transactions are intensified across the sector. The Bank of Slovenia also reviewed the list of guidelines and indicators for recognising suspicious transactions for exchange offices and assessed (jointly with the OMLP) that no adjustments are indispensable so far. The amendments, if needed, will be made after the introduction of the new AML/CFT law.
Recommendation of the MONEYVAL Report	*Introduce the obligation to conduct CDD in case of financing of terrorism suspicion and bring in line threshold to conduct CDD in case of wire transfers (see SR.VII).*
Measures taken to implement the Recommendation of the Report	As mentioned, the new Law on Prevention of Money Laundering and Financing of Terrorism, which will transpose the latest international standards on the countering of the financing of terrorism into national legislation, is well under preparation. The draft law (as of July 2006) envisages a provision according to which entities, subject to the law, will be required to undertake CDD measures, apart from under some other circumstances listed, always when reasons for suspicion of money laundering or financing of terrorism exist in connection with a transaction or a client. The obligation of identification in the case of suspicion of money laundering or financing of terrorism will be a general requirement, which must be applied irrespective of whether the customer relationship is permanent or occasional, the amount, etc. Concerning CDD procedures in case of wire transfers, the current AML law does not impose any special requirements in that respect, but it covers this issue in the context of general identification requirements, which still provide for the threshold above the FATF de minimis threshold (but no threshold applies if a transaction is suspicious). However, due to the obligatory standard procedures, laid down by the banking supervisor in regard to payment systems, Slovenian banks must obtain from a customer a certain set of data (identification) when processing the outgoing payments, regardless of the threshold, otherwise the payment cannot be performed. On incoming payments side, the threshold is observed and the banks cannot process the transfers that exceed the threshold as determined by the valid AML law (3 million SIT) unless the sender is known. Under the new Slovenian AML/CFT law, ID procedures for wire transfers will apply at a threshold as set forth in the third EU Directive and

	the draft EU Regulation on Information on the Payer Accompanying Transfers of Funds, which is aimed to transpose SR VII uniformly throughout the EU.
(Other) changes since the last evaluation	
Recommendation 5 (Customer due diligence) II. Regarding DNFBP[3]	
Changes since the last evaluation	As already noted above, a new preventive law will bring Slovenian legislation in line with the latest international standards on the countering of the financing of terrorism. CDD obligations for the categories of DNFBP as covered by the draft law are the same as those for financial institutions. *See also the section on Recommendation 12.* Concerning the treatment of politically exposed persons, the obligation to undertake the enhanced CDD measures will apply after the introduction of the new preventive law. The enhanced requirements for PEPs will most likely apply only to those who reside outside Slovenia. *See also the section on Recommendation 6.*

Recommendation 10 (Record keeping) I. Regarding Financial Institutions	
Rating: Compliant	
Changes since the last evaluation	Under the Slovenian AML legislation record keeping requirements are determined in a more strict manner than recommended by international standards. The basic retention period is set at 10 years after the transaction is executed or the account is closed or the business contract is terminated. According to the third round evaluation report the recommendation 10 was assessed as compliant and there have been no changes regarding this issue since the last evaluation. With the new AML/CFT law new requirements will be introduced regarding storing of the information relating to the newly established obligations to undertake CDD measures in the case of suspicion of terrorist financing and to pay special attention to complex or unusually large transactions. In those cases institutions subjected to the new AML/CFT law will as well be obliged to keep records for ten years. As noted earlier, with regard to wire transfers there will be a requirement in the new preventive law that the transactions shall be at all stages accompanied by accurate and meaningful information about the sender, as set forth in a draft EU Regulation on Information on the Payer Accompanying Transfers of Funds. Unlike the EU regulation, which determines that payment service providers will have to keep records of any information on the sender or receiver respectively for five years, the new Slovenian AML/CFT law will most likely prescribe longer data retention periods (10 years) on the basis of the third EU Directive 2005/60/EC.

[3] i.e. part of Recommendation 12.

Recommendation 10 (Record keeping) II. Regarding DNFBP[4]	
Changes since the last evaluation	No changes concerning record keeping requirements have taken place since the last evaluation, they are, however, envisaged for the near future. As already explained under Recommendation 5, terrorist financing and PEPs will be covered by the new Law on Prevention of Money Laundering and Financing of Terrorism, which is still under preparation

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Changes since the last evaluation	Terrorist financing will be covered in suspicious transactions reporting after the introduction of the new preventive law, which is still under preparation. The new law will require that obliged entities report to the FIU when they suspects or have reasonable grounds for suspicion that funds are linked or related to, or to be used for terrorism, terrorist acts or by terrorist organisations or those who finance terrorism. The obligation to make a suspicious transaction report will also apply to attempted transactions. The forthcoming AML/CFT law will also introduce changes regarding "safe harbour" provisions that will clearly cover criminal liability.
Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[5]	
Changes since the last evaluation	As for financial institutions, the same applies to DNFBP. The draft Law on Prevention of Money Laundering and the Financing of Terrorism, which is still under preparation, provides for express provisions that will impose the obligation of reporting any transaction suspected of being related to either money laundering or the financing of terrorism. Terrorist financing will be covered in suspicious transactions reporting after the introduction of the new preventive law. Regarding the lack of reporting from DNFBP, several steps have been taken to assure a more effective system for monitoring and ensuring compliance with AML/CFT standards, which could promote greater awareness and competence of DNFBP to acknowledge potential threats of money laundering or financing of terrorism in the non-financial sector. A greater emphasis has been put lately on real estate agencies, particularly in respect of awareness raising and collecting information on developments in the sector in order to better assess trends and vulnerability to ML and FT. However, for the time being no concrete measures have been taken yet and no increase in STR reporting from DNFBP has been noticed. As mentioned above, changes regarding "safe harbour" provisions have been drafted as well.

[4] i.e. part of Recommendation 12.
[5] i.e. part of Recommendation 16.

Special Recommendation II (Criminalise terrorist financing)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Bring Art. 388a PC fully in line with SRII and its IN by completing the list of terrorism related offences, expressly provide for funding of terrorist organisations and individuals, and express exclusion of a required link with specific terrorist acts.*
Measures taken to implement the Recommendation of the Report	The list of terrorism related offences, contained in Paragraph 1 of Article 388.a of the Criminal Code, is not definitive, since besides the listed articles from the Criminal Code any other criminal offence could also be terrorism related if its "… objective is to destroy the constitutional order of the Republic of Slovenia, cause serious disruption to public life or the economy, cause death or serious physical injury to persons not actively involved in armed conflict, to intimidate people or force the state or an international organisation to carry out an act or not to carry out an act …". Funding of terrorist organisations is criminalised through Article 297 of the Criminal Code, which determines the criminal offence of criminal association, in connection with the provisions of the General Part of the Criminal Code. Namely, the General Part of the Criminal Code determines forms of participation in a criminal offence (complicity, criminal solicitation and criminal support) and sets out conditions for criminal liability and punishability of accomplices. According to Article 27 of the Criminal Code any person who intentionally supports another person in the committing of a criminal offence is punished as if he himself had committed it or his sentence could be reduced, as the case may be. Support in the committing of a criminal offence is deemed to be constituted, in the main, by the following: counselling or instructing the perpetrator on how to carry out the offence; providing the perpetrator with instruments of crime; the removal of obstacles for the committing of crime; a priori promises to conceal the crime or any traces thereof; concealment of the perpetrator, instruments of crime or objects gained through the committing of crime. Irrespective of above-stated, the criminal offence of financing of terrorist activities, determined in Article 388.a of the Criminal Code, will be examined closely in the course of preparation of the Law on Amendments to the Criminal Code, which is scheduled to be finished by the year 2007. In deciding whether to amend Article 388.a the recommendations of the MONEYVAL experts will also be taken into consideration.
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Non-compliant	
Recommendation of the MONEYVAL Report	*Financing of terrorism needs covering in STR reporting.*
Measures taken to implement the Recommendation of the Report	Reporting of suspicious transactions in relation to financing of terrorism is not covered yet, but will be included in the forthcoming legislation. By the new preventive law, which is under preparation, financial institutions will be required to report to the FIU whenever they will

	suspect or have reasonable grounds for suspicion that funds are linked or related to, or to be used for terrorism, terrorist acts or by terrorist organisations or those who finance terrorism. After the enforcement of the new law, the supervisory authorities will, in cooperation with associations of obliged entities, compile indicators to identify suspicion of financing of terrorism and amend the existing lists of indicators for recognizing suspicious transactions. *See also the section on Recommendation 13.*
(Other) changes since the last evaluation	
Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*Financing of terrorism needs covering in STR reporting.*
Measures taken to implement the Recommendation of the Report	The above obligation to report suspicion of linkage with terrorism, terrorist acts, etc, will apply equally to DNFBP. *See also section on Recommendation 13.*
(Other) changes since the last evaluation	

3. Other Recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" NC (see also Appendix 1). Please, specify for each one which measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 6 (Politically exposed persons)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Issue guidance on PEPs.*
Measures taken to implement the Recommendation of the Report	No provisions implementing Recommendation 6 are in force at the time of the preparation of this progress report. Namely, regarding the subject of politically exposed persons (PEPs), Slovenia currently pursues the third EU Directive and recently adopted EU implementing measures to that Directive, which, besides other things, lay down the clarification of what should be understood by "politically exposed persons". Measures on enhanced customer due diligence (CDD) in respect of transactions or business relationships with PEPs residing abroad will be implemented by the forthcoming new Slovenian AML/CFT law. No final decision on extension of enhanced CDD requirements to PEPs that hold prominent public functions domestically has been taken yet. The OMPL is still considering a possibility to regulate PEPs in more detail by secondary legislation (a regulation or some other enforceable mean). Notwithstanding this decision, after the adoption of envisaged provisions within the new law, PEPs will be addressed in any case in guidelines that the OMLP and supervisory authorities are generally empowered to issue under their area of responsibility.
(Other) changes since the last evaluation	

Recommendation 8 (New technologies and face-to-face business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*During the last evaluation it was unclear how businesses issuing and performing operations with debit and credit cards are implementing preventive measures.*
Measures taken to implement the Recommendation of the Report	No particular clarifications can be provided on this issue. In Slovenia, banks and other legal entities issue and perform operations with debit and credit cards. Debit cards for withdrawal of money and purchase of products and services are based on the immediate debiting of the card owner's bank account and are issued only by banks, licensed and supervised by the Bank of Slovenia. Credit cards for purchase of products and services are issued also by other legal entities, mostly commercial ones (there were 8 domestic legal entities and 14 foreign operators in August 2006. Their cards are not used to withdraw cash and are based on a credit relationship. Pursuant to Slovenian legislation in force these legal entities are included in the AML system, too, and are subjected to AML requirements and to the control of the OMLP. In

	accordance to *Regulation on reporting on new payment instruments* (Official Gazette of the RS, No. 135/2003), businesses issuing and performing operations with payment cards have to report quarterly also to the Bank of Slovenia on the transactions performed with payment cards. In practice, however, no further guidelines (other than OMLP's written explanations on request) regarding business specific ID procedures, indicators for recognising suspicious transactions or other requirements have been delivered. In any case, the need for internal policies within financial institutions and other obliged entities to prevent the misuse of technological developments in money laundering or terrorist financing schemes remains to be addressed by the new AML/CFT provisions.
(Other) changes since the last evaluation	

Recommendation 12 (DNFBP – Rec. 5, 6, 8 – 11)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*PEPs needs covering in law, regulations or by other enforceable means.*
Measures taken to implement the Recommendation of the Report	Measures on enhanced customer due diligence (CDD) in respect of transactions or business relationships with PEPs residing abroad will be implemented by the forthcoming new AML/CFT law. *See also the section on Recommendation 6.* Provisions to perform enhanced CDD procedures in case of PEPs will apply to DNFBP as well. It is not clear yet if size of the obliged entity will be employed for supervisory assessment of effectiveness of enacted procedures for determination whether a (potential) customer is to be considered a PEP. For very small undertakings, there might be no requirement for written procedures.
Recommendation of the MONEYVAL Report	*FT needs covering in this context.*
Measures taken to implement the Recommendation of the Report	As noted earlier, the new AML/CFT law will cover the latest international standards on the countering of the financing of terrorism. According to that law, being drafted, also DNFBP will be required to undertake CDD measures when there will be a suspicion of money laundering or terrorist financing, regardless of any exemptions or thresholds. *See also the section on Recommendation 5.*
(Other) changes since the last evaluation	

Recommendation 22 (Foreign branches and subsidiaries)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*General requirement needed for financial institutions to ensure that their foreign branches observe AML/CFT measures consistent with home country requirements.*
Measures taken to implement the	According to the Action Plan, a general requirement for financial institutions to ensure that

Recommendation of the Report	their foreign branches and subsidiaries observe AML/CTF measures consistent with home country requirements will be introduced by the forthcoming new AML/CFT law. In the case of internationally active banks the Bank of Slovenia in practice already checks (also with the participation in on-site examinations conducted together with the host supervisory authorities) the compliance with that recommendation.
(Other) changes since the last evaluation	

Recommendation 27 (Law enforcement authorities)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*More law enforcement resources are required to focus on police-generated money laundering cases, or a reorientation of police investigations giving more priority to properly resourced asset detection and recovery.*
Measures taken to implement the Recommendation of the Report	The Police provided the following information on the measures it has taken to give effect to recommendations made in the third round assessment. • The Criminal Investigation Police Directorate (within the General Police Directorate) issued guidance for writing initiatives that are sent to the OMLP pursuant to Article 20 of the valid LPML and on the basis of which the OMLP may start investigating a case in which a transaction or a particular person raises a suspicion of money laundering. The purpose of a clear guidance is to facilitate preparation of substantiated written initiatives and to increase police-generated money laundering investigations in major proceeds-generating cases. • Furthermore, arrangements governing preferential treatment of money laundering offences within the Criminal Investigation Police provided by Article 252 of the Penal Code have been finalised in May 2006. Operational instructions for the Financial Crime Division, which is primarily responsible for conducting preliminary investigation in money laundering cases, as well as in other economic crimes, were also adopted recently. • In the most recent period the coordination and cooperation regarding investigations of money laundering cases between the Criminal Investigation Police and local Criminal Investigations Police Sections have improved. • Concerning the human resources available to relevant police units dealing with money laundering cases there has been no increase since the last evaluation. As of August 2006 the Financial Crime Division within the Criminal Investigation Police Directorate centrally had four officers in all. The Criminal Investigation Police at the General Police Directorate however envisages changes of the present Rules on Organisation and Systematisation of the Police already in 2006 and subsequently an appointment of one additional officer within the Criminal Investigation Police Directorate.
(Other) changes since the last evaluation	In March 2006 The Slovenian Parliament adopted the Resolution on Prevention and Suppression of Criminality. Pursuant to the Resolution the Government of the RS must prepare the National Programme on Prevention and Suppression of Criminality by January 2007. A working group, which was set up for this purpose, has already drafted the five-year programme that shall define concrete tasks and measures of state authorities and other institutions. The OMLP also takes part in the inter-ministerial coordination of the document

	as currently in progress. Some significant activities proposed in the draft are the following: • drawing up of a standardized methodology for recording criminality and establishment of a network among the Police, Prosecutors and Courts registers; • extension of responsibilities for investigation of economic criminality to other supervisory authorities; • setting up of joint investigation units, members of which shall be representatives of various institutions combating economic criminality; • establishment of an interdepartmental working group empowered to coordinate measures aimed at detection, temporary securing of proceeds and confiscation of illegally acquired property benefits.

Special Recommendation VIII (Non-profit organisations)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Urgent review of the risks in the NPO sector is required and consideration given to effective and proportional oversight.*
Measures taken to implement the Recommendation of the Report	As noted earlier, following the measures adopted in the Action Plan a comprehensive review of *non-profit sector* has been undertaken. The Ministry of Interior - Internal Administrative Affairs Directorate, in cooperation with the Criminal Investigation Police within the General Police Directorate, Slovenian Intelligence and Security Agency, Agency for Public Legal Records and Related Services, and OMLP, analysed the non-profit sector and on the basis of obtained information tried to assess potential threats to non-profit organisations (hereinafter: NPOs) from the point of view of terrorist financing. Members of an interdepartmental working group, which was set up for that purpose, included also Ministry of Finance, Ministry of Health, Ministry of Labour, Family and Social Affairs Ministry of the Environment and Spatial Planning, Ministry of Justice and Office of the Government of the RS for Religious Communities. In the context of the study the working group reviewed the adequacy of laws and regulations currently in force that regulate establishing, functioning and monitoring of non-profit sector. Furthermore, activities, size, types (e.g. legal personality) and other relevant features of NPOs that exist in Slovenia were analysed. Funding and financial management of NPOs were addressed as well. Finally, the group assessed the sector's potential vulnerabilities to terrorist activities. The findings show that non-profit sector in Slovenia has been regulated by numerous laws, some of which are rather outdated. Additionally, there is no adequate authority that would systematically deal with monitoring and regulating of such a huge field as it is the non-profit sector. It was noted, at the same time, that many relevant laws have been revised recently and amendments to those laws are under preparation or in adoption process. Updated acts are supposed to regulate non-profit organisations in a respective manner and first of all in the light of recent developments. Furthermore, the study reveals that the Slovenian prosecution authorities had over past years indeed detected reasons for suspicion of financing of terrorism, however, these reasons were never confirmed to the extent that they could be transformed into

	reasonable grounds for suspicion or even reasoned suspicion of committing the criminal offence of terrorist financing. Consequently, in Slovenia no terrorist financing linked criminal offence has been dealt with in the past decade. Notwithstanding that fact, the working group delivered certain opinions on the basis of the assessment and proposed further measures that can positively contribute to higher degree of transparency, accountability and integrity of NPOs and consequently protect the non-profit sector from terrorist abuse. The report on the study was presented to the Government within the framework of the Progress Report on the Action Plan Implementation in July 2006 and is available in Slovene language only.
(Other) changes since the last evaluation	

4. Specific Questions

In relation to FATF Recommendation 5, please describe whether criteria 5-7 of the methodology (which requires financial institutions to conduct ongoing due diligence on the business relationship) have been reflected in law or secondary legislation.
For the time being, procedures for ongoing due diligence are applied to foreign legal entities. According to the LPML currently in force, banks are obliged to perform afresh identification on a yearly basis in case of performing transactions over the limited threshold (3 million SIT). During afresh identification process banks need to get the data about a company (name of the company, address, unique ID number) and the data about the person who holds over than 20% of ownership or control function (name and surname, address, date and place of birth). During afresh identification banks also need to get a new authorization for a person who executes transactions. Procedures for ongoing due diligence on business relationships of other clients have not been prescribed. The Bank of Slovenia was involved in the process of preparing criteria for implementation of IT support for detecting suspicious activities. The Banking Association of Slovenia issued common criteria for implementation of IT support for detecting suspicious activities (criteria were issued in 2004 and revised in 2006). The basic idea lies in the bank's obligation to produce a list of transaction on a monthly basis considering adopted criteria. These lists should serve as a sort of indicator for recognising unusual activities and should represent a basis for further analysis in detecting suspicious activities. At the same time, the Bank of Slovenia constantly points out the importance that banks obtain the relevant data on the client's business activity and on the purpose for opening an account. With regard to this issue, Bank of Slovenia highlights the importance of comparing the data on the actual client's activity with the data on the client's activity as declared when opening an account. The Bank of Slovenia has also advised banks to segregate clients according to the assessed level of client's risk. Following such risk-based categorisation, a bank should perform the level of on-going due diligence in accordance with the risk attributed to a certain group of clients. This "non-formal" proposal will be also discussed with banks and the OMLP in the process of implementation of the third EU Directive.
Were there any changes made in relation to the administrative procedure for freezing terrorist related accounts? In particular, since the last evaluation visit, were there any guidance or instructions developed on procedures, as well as on the rights and obligations for account holding institutions under freezing mechanisms.
Following the special recommendation (SR III) on the implementation of freezing measures with regard to terrorism on the basis of relevant UNSC resolutions, the Ministry of Foreign Affairs, which is responsible for the legal regulation of restrictive measures in Slovenia, has drafted a new Restrictive Measures Act (RMA). The draft act regulates, *inter alia*, the

procedure to be followed when persons whose funds have been frozen seek access to those funds for the payment of basic expenses and for other legally permitted reasons under UNSC resolutions and/or EU regulations. In such cases general administrative procedure is to apply, with some modifications. The draft RMA thus provides for the authorities, competent for requests to unfreeze funds, sets the consultative role of the inter-institutional coordination group in the unfreezing procedure, and provides for shorter procedural time limits given the need for fast decision-making in cases of unfreezing funds, The draft RMA has already gone through government and public consultation and is expected to be adopted by the National Assembly by the end of 2006.

Have there been any changes to the resources needed for monitoring and ensuring compliance by DNFBP?

Several steps have been taken regarding monitoring and ensuring compliance by non-financial organisations and professions since the last evaluation.

Concerning human resources, the OMLP has strengthened its staff since beginning of 2005. The position open at the time of the evaluation was occupied in May 2005 and one additional person for conducting supervision and administrative proceedings of financial institutions and DNFBP was employed recently.

Given the high number of DNFBP subject to monitoring the application of AML measures and the resources available, the OMLP takes risk into account when conducting supervision and monitoring. As mentioned earlier, on the basis of risk assessment an emphasis has been put lately on real estate agencies, particularly in respect of awareness raising and collecting information on developments in the sector in order to better asses trends and vulnerability to ML and FT.

As it is not feasible to further strengthen the OMLP's resources in relation to the role in monitoring of obliged entities with no prudential supervisor, supervisory powers will be shifted with the introduction of the new AML/CFT law. The draft foresees two additional supervisors for DNFBP sector: traders in goods in value of over 15.000 EUR shall be controlled for AML/CFT purposes by tax authorities, and real estate agents and travel agencies shall be controlled by the Market Inspectorate. Monitoring of the professions remains an open issue.

It is perhaps worth mentioning at this point that Slovenia is seriously considering to introduce a provision that would prohibit retailers (traders in goods in value of over 15.000 EUR) from receiving cash payments over 15.000 EUR. After consulting several competent authorities it is considered appropriate to introduce such prohibition by the new AML and CFT law. No final decision on this issue has been taken yet.

Additional information

Recommendation 3 (Confiscation, freezing and seizing of proceeds of crime)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Increase the results of criminal asset recovery (by bringing as many money laundering prosecutions as possible to create a clear jurisprudential framework as recommended above [R.1 and R.2]). Law enforcement should give more priority to asset detection and asset recovery.*
Measures taken to implement the Recommendation of the Report	On the basis of Article 506.a of the Criminal Procedure Act the Government of the RS issued the Decree on the Procedure of Managing Seized Items, Property and Security Deposits in 2002, which was already submitted to the MONEYVAL during previous evaluations. In 2006 Ministry of Justice analysed the practical application of the Decree. To this end the statistical data and practical experience of the competent agencies were gathered as well as proposals for improvement of established system. The analyse shows as follows: a. generally there are no major problems in practical application of the Decree; b. proposals of competent agencies are mainly aimed at reducing the costs of managing seized property and rationalisation of procedures for keeping special categories of seized items (i. e. drugs, weapons …). Comparison of data on temporary seized property benefits in criminal procedure and data on finally confiscated property benefits shows that at the end of criminal procedures where seizure was ordered subsequent confiscation rarely followed. This situation is not linked with the provisions of the Decree, but with the provisions of the Criminal Procedure Act and circumstances of the concrete criminal procedures. Since the provisions of the Criminal Procedure Act on seizure of property benefits were amended in 2005 (please see explanations in "General Situation of Money Laundering and Financing of Terrorism", answer to Recommendation 1) and Appendix II) it is expected that proportion between seizure and confiscation will be more appropriate in the future.
(Other) changes since the last evaluation	

Special Recommendation VI (AML requirements for money/value transfer services) I. Regarding Financial Institutions	
Rating: Not applicable	
Changes since the last evaluation	Following the opinion of the evaluation team that special attention should be paid to money or value transfer services, as a potential source of vulnerability to money laundering, the Bank of Slovenia intensified its supervision in 2005 and 2006 in respect of the only two banks which perform those services under the contract as agents of Western Union. As a part of a full scope AML supervision, the Bank of Slovenia conducted on-site inspections and concerning money transfer services found out that: • Western Union is only used by natural persons. • According to its internal banking procedures a bank has to perform identification of the

	sender. A banking employee completes a prescribed form (the amount, name and surname and country of a receiver, the name, surname and address of the sender) and verifies the sender's identity with insight in his/her official personal identification document. • According to its internal banking procedures a bank also has to perform identification of the receiver. A banking employee completes a prescribed form (the name, surname and address of the receiver, the name, surname and country of the sender, the expected amount) and verifies the receiver's identity by insight in his/her official personal identification document or by using a test question in the case when the receiver does not have any official personal identification document. • In the case of Wire Transfer transactions it was evident that Western Union has been used for occasional transactions (for example: sending support) and that most of Western Union transfers were destined for to Serbia and Montenegro, Bosnia and Herzegovina, Kosovo and Ukraine.

5. *Statistics*

Please fill out - to the extent possible - the following tables:

a. Money Laundering and Financing of terrorism cases

2004 (for comparison purposes)												
	Investigations*		Prosecutions**		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	4	11	8	19	0	0	2	4.104.000	0	0	0	0
FT	0	0	0	0	0	0	0	0	0	0	0	0

2005												
	Investigations*		Prosecutions**		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	2	5	3	7	0	0	1	565.594	0	0	0	0
FT	0	0	0	0	0	0	0	0	0	0	0	0

* Number of cases, for the current year, submitted to the prosecutor's offices by the Police.

** Number of cases dealt with by the prosecutors (cases dismissed + cases for which a demand for investigation was filed + cases under investigation).

2006 (until 1.7.2006)												
	Investigations*		Prosecutions**		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	3	5	3	6	1	3	0	0	1	102.000	0	0
FT	0	0	0	0	0	0	0	0	0	0	0	0

b. STR/CTR

2004 (for comparison purposes)											
Statistical Information on reports received by the FIU								Judicial proceedings			
Monitoring entities, e.g.	transactions above threshold	suspicious		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments***		convictions	
		ML	FT	ML	FT	ML	FT	ML	FT	ML	FT
commercial banks	34.554	74		113		9		1 (0)	0	0	0
Poste office	935										
Notaries		1									
Currency exchange	904										
broker companies		3									
Gaming saloons	39										
Savings and credit houses	71										
Investment companies		1									
casinos	767	3									
Saving banks	217	1									

* Number of cases, for the current year, submitted to the prosecutor's offices by the Police.

** Number of cases dealt with by the prosecutors (cases dismissed + cases for which a demand for investigation was filed + cases under investigation).

*** Number of final judgments of conviction, while the data in brackets applies to final convictions in cases, instituted by the FIU.

Notaries		1									
Foreign FIU		9									
State agencies		18									
tourist agencies		1									
Exclude by UPPD from Cash		1									
Total	**37.487**	**113**									

2005											
Statistical Information on reports received by the FIU								**Judicial proceedings**			
Monitoring entities, e.g.	**transactions above threshold**	**suspicious**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments*** **		**convictions**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**	**ML**	**FT**
commercial banks	38.621	75									
Poste office	1.282										
Currency exchange	849										
Inssurance companies		1									
broker companies		2									
Gaming saloons	85										
Savings and credit houses	9			116		32		1 (1)	0	0	0
leasing companies		2									
casinos	1.107										
Saving banks	216	1									
State agencies		14									
Foreign FIU		11									
Exclude by UPPD from Cash		10									
Total	**42.169**	**116**									

*** Number of final judgments of conviction, while the data in brackets applies to final convictions in cases, instituted by the FIU.

2006 (until 1.7.2006)											
Statistical Information on reports received by the FIU								Judicial proceedings			
Monitoring entities, e.g.	transactions above threshold	suspicious		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments***		convictions	
		ML	FT	ML	FT	ML	FT	ML	FT	ML	FT
commercial banks	21.751	62		74		14		2 (0)	0	1	0
Poste office	826										
Currency exchange	381										
Inssurance companies	5										
Gaming saloons	34										
Savings and credit houses	1										
casinos	515										
Companies trading precious metals and precious stones	6										
Saving banks	156										
Foreign FIU		2									
State agencies		8									
Exclude by UPPD from Cash		2									
Total		**74**									

APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	No text required.
2. Legal System and Related Institutional Measures	
Criminalisation of Money Laundering (R.1 & 2)	Create case law by confronting the courts with as many money ML prosecutions as possible and thus challenge the present jurisprudence on the evidential requirements. Ultimately consider legislative action to remedy the situation.
Criminalisation of Terrorist Financing (SR.II)	Bring art. 388a PC fully in line with SRII and its IN by completing the list of terrorism related offences, expressly provide for funding of terrorist organisations and individuals, and express exclusion of a required link with specific terrorist acts.
Confiscation, freezing and seizing of proceeds of crime (R.3)	Increase the results of criminal asset recovery (by bringing as many money laundering prosecutions as possible to create a clear jurisprudential framework as recommended above [R.1 and R.2]). Law enforcement should give more priority to asset detection and asset recovery.
Freezing of funds used for terrorist financing (SR.III)	The administrative procedure of freezing suspected terrorism related accounts as a result of the relevant UN Resolutions should be fully elaborated, including rules regarding unfreezing and the rights and obligations of the financial institutions and the account holders.
The Financial Intelligence Unit and its functions (R.26, 30 & 32)	The FIU needs to be empowered to receive financing of terrorism disclosures More resources required for supervision and analysis of CTRs .
Law enforcement, prosecution and other competent authorities (R.27, 28, 30 & 32)	- More law enforcement resources are required to focus on police-generated money laundering cases, or a reorientation of police investigations giving more priority to properly resourced asset

	detection and recovery. - Prosecutors should be more willing to test the law and bring ML prosecutions. The numbers of sufficiently trained prosecutors to deal with the new focus on asset recovery (and ML) should be reviewed. - Consideration should be given to more judicial training in financial crime and judicial specialisation. - Serious efforts needed to speed up the judicial process in ML cases.
3. Preventive Measures – Financial Institutions	
Risk of money laundering or terrorist financing	- Risk of financing of terrorism needs addressing in legislation.
Customer due diligence, including enhanced or reduced measures (R.5 to 8)	- Produce consistent guidance to ensure same ID standards apply across the financial market. - Issue guidance on PEPs. - Introduce the obligation to conduct CDD in case of financing of terrorism suspicion and bring in line threshold to conduct CDD in case of wire transfers (see SR.VII).
Third parties and introduced business (R.9)	No recommendations.
Financial institution secrecy or confidentiality (R.4)	No recommendations.
Record keeping and wire transfer rules (R.10 & SR.VII)	ID procedures in wire transfers need to comply with the relevant thresholds in the international standards.
Monitoring of transactions and relationships (R.11 & 21)	Recommendation 11 should be covered in law.
Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	- Financing of terrorism needs covering in STR reporting. - "Safe harbour" provisions should clearly cover criminal liability.
Internal controls, compliance, audit and foreign branches (R.15 & 22)	- Specific provisions on employee screening and more clarification of the compliance officer's powers and roles required.

	- General requirement needed for financial institutions to ensure that their foreign branches observe AML/CFT measures consistent with home country requirements.
Shell banks (R.18)	Undertake, as necessary, a review of existing correspondent relationships to ensure non are with shell banks, including a review on respondent foreign financial institutions as to whether respondent foreign financial institutions do not allow their accounts to be used by shell banks.
The supervisory and oversight system - competent authorities and SROs (R. 17, 23, 29 & 30).	- Even greater focus on supervision to address under-reporting in non-banking financial sector and DNFBP. - Speed and effectiveness of administrative sanctioning regime should be reviewed, and, as necessary, changes made.
Financial institutions - market entry and ownership/control (R.23)	No specific action required.
AML/CFT Guidelines (R.25)	The production of more targeted sector specific AML guidelines and indicators and the production across the board of indicators on FT.
Ongoing supervision and monitoring (R.23, 29 & 32)	- Perceptions of the risk of ML still need further strengthening across the whole financial sector. - Clearer specification of the precise statistical data required for publication would assist.
Money value transfer services (SR.VI)	No specific action required.
4. Preventive Measures – Non-Financial Businesses and Professions	
Customer due diligence and record-keeping (R.12)	- PEPs needs covering in law, regulations or by other enforceable means. - FT needs covering in this context.
Monitoring of transactions and relationships (R.12 & 16)	- Terrorist financing and PEPs need covering. - More emphasis on identifying complex and unusual transactions.
Suspicious transaction reporting (R.16)	- FT needs covering. - "Safe harbour" provisions need to clearly provide for criminal activity.
Internal controls, compliance &	Greater clarification of the role of compliance

audit (R.16)	officers and the width of the exemptions from organising internal control.
Regulation, supervision and monitoring (R.17, 24-25)	Further assessment of the risks in this sector required and more resources needed to ensure an effective system monitoring compliance with AML/CFT standards.
Other designated non-financial businesses and professions (R.20)	No further action recommended.
5. Legal Persons and Arrangements & Non-Profit Organisations	
Legal Persons – Access to beneficial ownership and control information (R.33)	No recommendations.
Legal Arrangements – Access to beneficial ownership and control information (R.34)	No recommendations.
Non-profit organisations (SR.VIII)	Urgent review of the risks in the NPO sector is required and consideration given to effective and proportional oversight.
6. National and International Co-operation	
National co-operation and coordination (R.31)	No recommendations.
The Conventions and UN Special Resolutions (R.35 & SR.I)	No recommendations.
Mutual Legal Assistance (R.32, 36-38, SR.V)	-Ventilate statistics in criminal and civil cases, assistance granted or refused, ingoing or outgoing, nature of the offence, ML or TF related. - Start discussions on an asset forfeiture fund.
Extradition (R.32, 37 & 39, & SR.V)	More specification in statistics.
Other Forms of Co-operation (R.32 & 40, & SR.V)	Ensure that supervisors are engaging in international assistance and that meaningful annual statistics are kept showing requests granted, refused etc.
7. Other Issues	

Other relevant AML/CFT measures or issues	
General framework – structural issues	Basically everything is in place, certainly in terms of legal framework, to produce results in terms of convictions and asset recovery. The TF legal framework still needs to be tested, but should be effective once the text of the offence is fully compatible with SRII. The absence of real law enforcement results in nearly 10 years of implementation of the anti-money laundering regime is becoming alarming.

APPENDIX II

Criminal Procedure Act - articles regulating the temporary seizure of the property benefits:

"Article 502

(1) When the confiscation of proceeds is taken into consideration in the criminal procedure and there is a danger that the defendant alone or through other persons should use these proceeds for a further criminal activity or to conceal, alienate, destroy or otherwise dispose of it in order to prevent or render substantially difficult their confiscation after the completed criminal procedure, the court shall order on a proposal of the State Prosecutor a provisional securing of the claim for the confiscation of proceeds.

(2) The court may also order such provisional securing in the pre-trial procedure if there are reasonable grounds for suspicion that a criminal offence has been committed by means of which or for which the proceeds were acquired or such proceeds were acquired for another person or transferred to another person.

(3) The securing referred to in the previous paragraphs may be ordered against the defendant and/or suspect, against the recipient of the proceeds or against another person to whom they were transferred provided they could be confiscated as laid down in the provisions of the Criminal Code.

Article 502.a

(1) The provisional securing of the claim for the confiscation of the proceeds shall be ordered by a decision issued by the investigating judge in the pre-trial procedure and during the investigation. After filing the indictment, the decision out of the main trial shall be issued by the president of the penal whereas at the main trial by the penal.

(2) The decision referred to in the previous paragraph shall be served to the State Prosecutor, suspect and/or defendant and the person against whom the provisional securing was ordered (participants). The decision shall be submitted to the competent authority and/or person to implement it. The decision shall be submitted to the suspect and/or defendant and person against whom the provisional securing is ordered simultaneously with its enforcement or after it, however, without undue delay.

(3) The authority that issued the decision must enable the suspect and/or defendant and the person against whom the provisional securing was ordered to take note of all the records of case.

(4) If the provisional securing is not ordered, the decision shall only be served to the State Prosecutor who may lodge an appeal against the decision.

(5) The suspect and/or defendant or the person against whom the provisional securing is ordered may raise an objection against the decision referred to in the first paragraph of this Article within eight days from the date of service of the decision and shall propose that the court should hold a hearing. The court shall file the objection to other participants and shall fix a time limit for reply. The objection shall not withhold the execution of the decision.

(6) The court shall decide on the hearing with regard to the circumstances of the case taking into account the statements in the objection. If the court does not conduct a hearing, the court shall decide on the objection on the basis of the documents and other material submitted and shall state the reasons for its decision in the decision on the objection (eighth paragraph of this Article).

(7) In the objection and at the hearing, the objector and other participants should be rendered possible to make a statement about the proposed and ordered measures, to present their positions, statements and proposals for all the questions of provisional securing.

(8) When the participants of the hearing make a statement about all the issues and produce evidence if necessary to decide on the objection, the court shall decide on the objection. According to the decision on the objection issued, the court shall dismiss the objection by applying Article 375 mutatis mutandis, declare the objection admissible and repeal or amend the decision on ordering the provisional securing or reject the objection.

(9) The participants shall have a right to make an appeal against the decision under the above paragraph. The appeal shall not withhold the execution of the decision.

Article 502.b

(1) In the decision, by means of which a provisional securing is ordered, the court must specify the property which is the subject to the provisional securing, the manner of securing (first paragraph of Article 272 and first paragraph of Article 273 of the Execution of Judgements in Civil Matters and Insurances of Claims Act) and the duration of the measure. The decision shall include an explanation.

(2) In determining the term of duration of a measure, the court must consider the stage of criminal proceedings, type, nature and seriousness of the criminal offence, complexity of the case, and the volume and significance of the property being subject to the provisional securing.

(3) In the pre-trial procedure and after the issue of the decision on the introduction of the investigation, the provisional securing may take three months. After presenting the indictment, the duration of the provisional securing shall not be longer than six months.

(4) The term of duration referred to in the previous paragraph may be extended during the same time periods. The total duration of the provisional securing prior to introducing the investigation and/or if this one has not been introduced, prior to presenting the indictment, must not be longer than one year. In the investigation, the total duration of provisional securing shall not be longer than two years. After the presentation of the indictment until the pronunciation of the judgment by the court of first instance the total duration of provisional securing shall not exceed three years.

(5) Until the execution of the final court decision on the confiscation of the proceeds, the total provisional securing may not take longer than ten years.

Article 502.c

(1) The court may extend the provisional securing, ordered by a decision from the first paragraph of Article 502.a of this Act, with the decision on the explained proposal of the State Prosecutor, taking into consideration criteria from the first paragraph of Article 502 of this Act and the time limits referred to in the fourth and fifth paragraph of Article

502.b of this Act. Prior to its decision on the proposal the court shall submit the proposal to other participants to make a statement about it and set a reasonable deadline for reply.

(2) On a proposal of the State Prosecutor, the suspect and/or defendant or the person against whom a provisional securing was ordered and taking into consideration the criteria referred to in the first paragraph of Article 502 of this Act, the court may order a new manner of securing and repeal the former decision on the provisional securing. Prior to its decision the court shall submit a proposal to other participants to make a statement about it and set a reasonable deadline for reply. The decision repealing the measure shall be executed after the execution of the decision by which the new manner of provisional securing is ordered.

(3) The court shall abolish provisional securing on a proposal of participants. The court may abolish the provisional securing also ex officio due to the expiry of the deadline or if the State Prosecutor dismisses crime report and/or states that he will not institute the criminal prosecution or that he will abandon it. The State Prosecutor must notify the court of his decision.

(4) If the court considers that the provisional securing is not necessary any longer, it shall invite the State Prosecutor to make a statement about it within a specified time limit. If the State Prosecutor does not make a statement within the time limit or if he is not opposed to the abolition of provisional securing, the court shall abolish the provisional securing.

Article 502.č

The court must take a decision on the proposal for ordering, extension, amendment or abolition of provisional securing rapidly. If the provisional securing was ordered, the authorities in the pre-trial protection must proceed in a special rapid manner, whereas the criminal procedure shall be considered preferential.

Article 502.d

In the procedure for provisional securing of the confiscation of proceeds, the provisions of the Execution of Judgements in Civil Matters and Insurance of Claims Act concerning the method of securing (first paragraph of Article 272 and first paragraph of Article 273), exemptions and limitations of securing, proving of risk (second, third and fourth paragraph of Article 270 and second and third paragraph of Article 272), effects of the decision (article 268) and compensation of damage (Article 279) shall be applied mutatis mutandis.