



## HF – CONTRIBUTION TO THE PROGRESS REPORT 2017

### ACTION: HF 17 – “the former Yugoslav Republic of Macedonia” – Economic Crime

#### Part I – General Information

##### I - Report information

Project planned starting date:	24 May 2016
Project effective starting date:	24 May 2016
Reporting period:	24 May 2016 – 23 May 2017
Date of report:	30 May 2017
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#### Part II – Assessment of progress

##### I – Summary - overall assessment

The Action against Economic Crime in “the former Yugoslav Republic of Macedonia” aims to improve implementation of specific key recommendations of the Council of Europe’s Group of States against Corruption (GRECO) and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and to further strengthen institutional capacities to counter and prevent corruption; money laundering; and the financing of terrorism in accordance with Council of Europe, European Union and other international standards.

The political situation, and the general Elections that were organized on 11 December 2016 somewhat delayed the official start of the Action, however, the good cooperation with the beneficiary institutions and the flexibility built in the workplan allow for timely implementation of activities, in line with the foreseen workplan.

During the reporting period, the Action against economic crime has progressed in several directions as outlined below.

##### At the legislative level:

- the Action against Economic Crime, prepared an opinion, with recommendations for amendments to the “**Law on combating money laundering and financing of terrorism**”. The opinion analyses the compliance of the legislation against international standards, such as the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), the FATF Recommendations and the

4<sup>th</sup> EU AML directive and provides recommendations for legislative change based on the identified gaps and shortcomings.

At **policy level** the Action has supported the authorities in several direction, such as development of Strategic documents,

- In an advisory role, the Action provided guidance to members of the AML/CFT Council in the development of “National Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) Strategy”. The direct support of the Action resulted with the development of a draft strategy.
- The Action delivered an opinion with **comments and recommendations for improvement of the draft “National AML/CFT strategy”**, referred to above. The comments have been taken into account and will be part of the final version of the strategy which is to be presented to the Government for adoption.
- The Action has supported the Financial Intelligence Office (FIO) through the **development of new “Red flag indicators for Suspicious Transaction Reports (STRs) and based on ML/FT typologies”**. The FIO has already indicated that the list of indicators would be adopted as an internal document and would be sent to relevant institutions.
- The Action has developed a **“Roadmap for the Establishment of a Central Registry to obtain, records and verify Beneficial Ownership information”**. The roadmap sets out the international standards regarding Central registry of Beneficial Ownership (BO) and provides a step by step guide to the authorities on the measures that need to be undertaken in order to establish the Central Registry for BO in line with these standards.

At the **Institutional capacity building level**, the action provided capacity building to multiple institutions members of the AML/CFT Council as follows:

- The Action through its guidance in the process of the development of the “National Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) Strategy” has contributed to strengthening the capacities of the institutions members of the AML/CFT Council<sup>1</sup> in developing strategic documents on prevention of AML/CFT.
- The Action against Economic Crime contributed to the strengthening of the capacities of the FIO analysts on “Tactical and strategic analysis based on the newly developed ML and FT typologies and red flags indicators for STRs”.

The Action has established and maintained very good co-operation with all beneficiaries institutions, other stakeholders and the EUD delegation in “the former Yugoslav Republic of Macedonia. All stakeholders displayed strong commitment and readiness to cooperate and work together with the Council of Europe in achieving the Action’s expected results.

Finally, **Outputs and Outcomes** currently underway are directly linked to the shortcomings as identified by the latest MONEYVAL and GRECO evaluations and the EU Progress Report of “the former Yugoslav Republic of Macedonia” in 2016.

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<sup>1</sup> The AML/CFT Council members are: FIO, National Bank, Ministry of Interior, Financial Police, Public Prosecutor’s Office – Department for organised crime, Customs Office, Public Revenue Office, Securities and Exchange Commission, Agency for Insurance Supervision and the Agency for Supervision of Fully Funded Pension Insurance.

## II – Outcome and Output assessment

**OUTCOME 1:** A comprehensive regulatory framework and guidance for whistleblower protection and reporting is reviewed and implemented

**Status:** *scheduled for forth quarter of 2018*

**Output 1.1.1** – Review the sub-legal acts, and other regulations and provide guidance for the implementation of whistleblower provisions

**Status** – *Scheduled for forth quarter of 2018*

**Output 1.2.1** – Capacity building and train the trainer programmes fin implementation of the regulatory framework

**Status** - *Scheduled for forth quarter of 2018*

**Output 1.2.2** – Capacity building for NGOs in monitoring effective implementation of the whistleblower provisions

**Status** - *Scheduled for forth quarter of 2018*

**OUTCOME 2** – The system for monitoring of political party and election campaign financing is improved

**Status:** *To be taken out of the work plan at the next Steering Committee meeting, as proposed by the EUD.*

**OUTCOME 3** – Improved legislation and anti-money laundering, countering terrorism financing (AML/CFT) national strategy

**Status:** **under way**

At the **legislative level**, the Action is supporting the authorities in the strengthening of the AML/CFT legislation. An assessment of the legal and regulatory framework of the country compared against international standards and taking into consideration the recommendations in the latest MONEYVAL Report has already taken place. A technical paper with recommednations for ammendments to the AML/CFT legislation is currently being finalized and will be presented to the authorities for consideration.

At the **policy level**, the Action against Economic Crime is supporting the authorities in the development of a “National AML/CFT strategy” based on the revised AML/CFT standards, as well as by taking into account the results of the national risk assessment. The Action delivered an opinion with **comments and recommendations for improvement of the draft “National AML/CFT strategy”**. The comments have been taken into account and will be part of the final version of the strategy which is to be presented to the Government for adoption.

At the **Institutional and capacity building level** the Action through practical guidance in the process of the development of the “National Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) Strategy” has contributed to strengthening the capacities of the instutions members of the AML/CFT Council in developing strategic documents on prevention of AML/CFT.

**Output 3.1.1** – Revision of specific legislation and identification of the deficiencies in the application of the international standards

**Status:** *under way*

At the legislative level, as outlined above the Action has undertaken a full range review the AML/CFT legal framework including the “Law on combating money laundering and financing of terrorism”, as well as articles from other laws that are closely connected to the fight against money laundering and combating financing of terrorism. An opinion with comments and recommendations for revising the Law on combating money laundering and the financing of terrorism will be presented to the authorities for consideration.

On the institutional and capacity building aspect, the Action organized working meetings with stakeholders, to discuss the current legislative framework. The discussions in the workshop provided a snapshot of identified gaps and explanations on the how to strengthening of the legal and regulatory framework of the country in line international standards. These activities directly contribute to increasing the capacities and better understanding of international standards by those participating in the activities.

Activities:

- 22-23 February 2017–Workshop - “Revision of specific legislation and identification of the deficiencies in the application of the international standards”;
- 28 March 2017 – Follow up Workshop on “Revision of specific legislation and identification of the deficiencies in the application of the international standards”

**Output 3.1.2** – Capacity building to facilitate the implementation of proposed legislative and regulatory amendments, including provision of necessary guidance to relevant institutions and private sector for the implementation of the proposed amendments

**Status:** *Scheduled for fourth quarter of 2017<sup>2</sup>*

**Output 3.2.1** – Assist the authorities in drafting and designing a new national strategy which incorporates the revised AML/CFT standards and the outcome of the national risk assessment

**Status:** *under way*

At the **policy level** the action has already undertaken measures towards assisting authorities in the drafting of a new “National AML/CFT Strategy”. In connection with the above the action has supported the establishment of a working group within the AML/CFT Council dedicated to the drafting of the “National AML/CFT Strategy”. The working group, under the guidance by the Action’s Long term Advisor is drafting a new AML/CFT National Strategy by taking into account the FATF Methodology<sup>3</sup>. The draft strategy takes into account the revised AML/CFT standards, as well as the results of the national risk assessment.

Subsequently the Action will provide comments and input for the finalization of the strategy.

Activities:

- 30 January 2017 – Assessment of the “Anti-money laundering and combating financing of terrorism mechanisms in the country”;

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<sup>2</sup> This activity has been postponed due to the political situation in the country. Once Government is formed and the new revised law is adopted by Parliament, the Action will proceed with this activity.

<sup>3</sup> [FATF Methodology](#)

- 31 January - 01 February 2017– Workshop on “Guidelines for drafting a new national AML/CFT Strategy”;
- 27 March 2017– Workshop on “Reviewing the draft national AML/CFT strategy”.

**Output 3.2.2** – Organise awareness raising seminars on the new AML/CFT strategy

**Status:** *Scheduled for fourth quarter of 2017<sup>4</sup>*

**Output 3.2.3** – Review the National Risk Assessment based on a provided methodology

**Status:** *Scheduled for fourth quarter of 2018*

**OUTCOME 4** – The FIO's legal powers, analytical capacity and inter-agency cooperation is strengthened

**Status:** *under way*

At the **capacity building level** the Action has undertaken steps towards strengthening analytical capacities of the Financial Intelligence Office, through revising the AML/CFT working methodologies of the FIO and implementing a new functional analytical module. In connection with the above the Action prepared a technical paper with revised red flag indicators for the FIO. Furthermore the Action is developing a training handbook for FIO analysts which will contribute to further strengthening of the capacities in tactical and strategic analysis relating to Money-Laundering typologies and red flag indicators. The handbook will be an important tool to ensure sustainable capacity building for the staff of the FIO, including training of new staff.

**Output 4.1.1** – Develop ML and FT typologies and red flag indicators for STRs

**Status:** *achieved*

The Action developed a technical paper with “Red flag indicators for STRs and new AML/CFT typologies”. The Technical paper has been accepted by the FIO and is currently being distributed to the obliged entities. This will facilitate the work of the analysts of the Financial Intelligence Office, as well as improve the quality of reporting by obliged entities.

In addition to the above the new red flag indicators were presented to representatives of the obliged entities for reporting Suspicious Transaction Reports from the private sector in workshop which took place in march 2017.

Activities:

- 24 February 2017– Workshop to “Develop ML and FT typologies and red flag indicators for STRs”;
- 29 March 2017– Workshop on “New ML and FT typologies and red flag indicators for STRs”.

**Output 4.1.2** – Build full capacity of analysts in the areas of tactical and strategic analysis based on developed ML and FT typologies and red flag indicators for STRs

**Status:** *under way*

Twelve analysts from the FIO benefited from a three day training on tactical and strategic analysis based on the newly developed ML and FT typologies and red flags indicators for STRs (Suspicious

<sup>4</sup> This activity has been postponed due to the political situation in the country. Once Government is formed and the new strategy is adopted by the Government, the Action will proceed with this activity.

Transaction Reports) which took place in May 2017. This is the first of 3 trainings which aims to strengthen the capacities of the FIO analysts.

The FIO analysts had an opportunity to learn and discuss on high risk products in terms of money laundering and financing of terrorism, good practices and standards in tactical and strategic analysis of the ML typologies and red flag indicators. The training included practical exercises and real life scenarios, on the above mentioned topics thus enabling the participants to put into practice the knowledge they have obtained during the discussions and presentations by experts. Additionally, in line with this activity the Action is developing a handbook that will assist the analysts from the Financial Intelligence Office in tactical and strategic analysis of the ML typologies and red flag indicators.

Activities:

- 16-18 May 2017 – training – “Tactical and strategic analysis based on the newly developed ML and FT typologies and red flags indicators for STRs”

**Output 4.1.3** – Improve the inter-agency co-operation on anti-money laundering and asset tracing, including a roadmap for the establishment of a National Co-ordination Centre

**Status:** *under way*

A series of meetings with representatives of the Financial Intelligence Office, Financial Police, Ministry of Interior, Customs Office and the Public Prosecutor’s Office took place in February 2017, to discuss the modalities of the support for the establishment of the National Coordination Centre and strengthening of the Inter-agency Cooperation and information sharing.

The inter-agency cooperation is considered as one of the cross-cutting issues and will be handled within the project through specific activities foreseen under output 4.1.3 as well as within other outputs through the establishment of inter-agency working groups to tackle specific issues.

Activities:

- 2 February 2017 – Coordination meetings to discuss – “Establishment of the National Coordination Centre” and strengthening of the inter-agency cooperation.

**OUTCOME 5** – Capacity building for judiciary, prosecution and law enforcement agencies to fight ML and TF

**Status:** *Scheduled for third quarter of 2017*

**Output 5.1.1** – Review of the structures of the Public Prosecution Office (PPO), Financial Police (FP) and MoI related to financial investigations based on the revised Criminal Procedure Code to ensure a more effective investigation and prosecution of ML and corruption cases

**Status:** *Scheduled for third quarter of 2017*

**Output 5.1.2** – Provide specialised training to FIO, PPO, FP and MoI on financial investigations and forensic accounting techniques on how to utilise the ML offense to trace and investigate financial flows coming from abroad, either directly or through domestic legal entities

**Status:** *Scheduled for first quarter of 2018*

**Output 5.1.3** – Develop and deliver a training for trainers programme for judges on financial crimes

**Status:** *Scheduled for first quarter of 2018*

## OUTCOME 6 - Improved AML/CFT preventive system

**Status:** *under way*

At the **policy level** the action is supporting the authorities through the development of Guidelines for the private sector on transparency beneficial ownership". A working group, consisting of representatives from the Financial Intelligence Office and supervisory institutions, has been formed to support the process by discussing the first draft and providing feedback

Furthermore the Action is working on developing a "Roadmap for the establishment of a Central registry" which will take responsibility to collect, record and verify information regarding beneficial owners.

**Output 6.1.1** – Review of the AML/CFT supervisory methodologies (both for on-site and off-site supervision) and provide proposals and amendments to improve supervision procedures of Securities and Exchange Commission, National Bank, Insurance Supervisory Authority and AML/CFT Supervision Commissions of the Chamber of Public Notaries and the Chamber of Bar Association, FIO, Public Revenue Office

**Status:** *Scheduled for third quarter of 2017*

**Output 6.1.2** – Provide trainings on the new methodologies for supervisory staff from the Securities and Exchange Commission, National Bank, Insurance Supervisory Authority and AML/CFT Supervision Commissions of the Chamber of Public Notaries and the Chamber of Bar Association, FIO, Public Revenue Office

**Status:** *Scheduled for first quarter of 2018*

**Output 6.1.3** – Provide advanced training for bank compliance officers on new ML trends, ML/TF risks posed by new technologies and compliance techniques

**Status:** *Scheduled for second quarter of 2018*

**Output 6.2.1** – Review and optimise the internal mechanisms of FIU's supervisory work, including on-site and off-site inspections procedures; and study the feasibility of introducing a risk-based approach (RBA) to supervision

**Status:** *Scheduled for first quarter of 2018*

**Output 6.2.2** – Provide AML/CFT training on: on-site inspections; high risk areas (including corporate entities and legal arrangements); non-resident customers (BO) for the supervisors of non-banking financial institutions and DNFBPs

**Status:** *Scheduled for second quarter of 2018*

**Output 6.3.1** – Develop guidance for the private sector to increase beneficial ownership transparency and understanding of ownership structure

**Status:** *under way*

The "Guidelines for the private sector on transparency of beneficial ownership" are currently being finalized. For the purpose of discussing the development of the guidelines the Action against Economic Crime has set up a working group consisting of representatives of the Financial Intelligence



Office, the National Bank, Public Revenue Office, MAPAS, Securities and Exchange Commission and the Insurance Supervision Agency. The final version of the guidelines will be presented to the beneficiaries during a workshop planned in June 2017.

Activities:

- 2 February 2017– Assessment of the needs for developing Guidelines for the private sector on how to increase beneficial ownership transparency and understanding of ownership structure;
- 27 April 2017 – Workshop –“Guidelines for the private sector to increase beneficial ownership transparency and understanding of ownership structure”.

**Output 6.3.2** – Analyse the possibility to launch a BO central register; develop a road-map for the Central Registry to obtain, record and verify BO information

**Status:** *under way*

The Action is currently drafting a Road map for the establishment of a Beneficial Ownership (BO) central register which will record and verify BO information. Prior to this, the Action organised a fact finding mission that included meetings of the CoE expert with representatives of the Financial Intelligence Office and the Central Register.

Activities:

- 3 February 2017– baseline assessment for the “Analysis of the possibility to launch a BO central register and develop a road-map for the Central Register to obtain, record and verify BO information”.

**OUTCOME 7** – Enhanced international cooperation capacities for law enforcement, FIO and supervisors

**Status:** *scheduled for fourth quarter of 2018*

**Output 7.1.1** – Develop MLA guidance to warrant effective and timely processing of incoming MLA requests

**Status:** *Scheduled for forth quarter of 2018*

**Output 7.1.2** – Provide specialised trainings for law enforcement, FIO and supervisors on non-MLA international information exchange channels and good practices

**Status:** *Scheduled for forth quarter of 2018*



### **III – Impact assessment**

#### **IMPACT: TO PREVENT AND FIGHT ECONOMIC CRIME IN "THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA"**

An impact assessment for technical assistance is more appropriate to be undertaken after the finalisation of a project, as usually the process of legislative, policy and institutional change is not dynamic and usually it is not synchronised to project activities but rather to other country needs and processes.

While it is too early in the implementation phase (9 months of implementation) to make an assessment of the impact of the Action against Economic Crime in “the former Yugoslav Republic of Macedonia”, it can be said that the progresses is in line with the work plan with no major delays or obstacles in the implementation.

The political situation in the country has not directly affected the Action’s implementation so far, though a stable political environment will be essential for securing its results in the future, especially in terms of implementation of recommendations derived through technical papers.

The level of commitment by the beneficiary institutions and their participation in the activities already organized within the Action are a good sign and indicator of positive impact by the Action in the legislative, policy and institutional reform, however this remains to be assessed in full at a later stage.

### **IV – Challenges encountered and measures taken to overcome problems**

Due to the parliamentary election in December 2017 and the current political situation, some of the activities of the Action have been postponed.

One of the activities that has been postponed is the launching event of the project that was initially planned for October 2016. The launching event was held on the 27th of February 2017 in Skopje.

The 2<sup>nd</sup> Steering Committee meeting has also been postponed due to the incidents that took place on the 27 April 2017 in the Parliament of “the former Yugoslav Republic of Macedonia”.

There was a risk that the political crisis in the country could impact the timelines for delivering the assistance, however to date this has had little influence on the activities of the Action. It is expected that the adoption of the AML/CFT legislation and the National AML/CFT strategy by parliament and government may be slightly delayed but would remain within the timeframes planned within the project.

All beneficiaries show strong commitment to the Action's activities. The Action does not face any problems in the planning and delivering activities, nor in communication and feedback from beneficiaries.

### **V - Sustainability and stakeholders’ ownership**

The sustainability of the Action is dependent on the involvement and participation of the beneficiary institutions in the actions activities. In order to ensure the sustainability of the deliverables the action against economic crime has invited in the Steering Committee of the Action, the National AML/CFT Council. The National AML/CFT Council consists of professionals, representatives from institutions responsible for the fight against economic crime in the country. The participation of representatives of the National AML/CFT Council as well as the FIO in project activities has been at the desired level, thus indicating commitment towards the achievement of the results. Furthermore with the aim of

ensuring ownership over the deliverables and results of the Action, all technical and advisory papers produced within the Action are discussed with stakeholders in specific workshops, during which relevant input from the participants is taken into account and included in the recommendations for reform.

## VI - Coordination and complementarity

Members of the Action's team have had meetings with representatives of the EUD Skopje office on several occasions before the official start of the implementation of the activities of the work plan of the action. During those meetings the work plan has been discussed and agreed. Since the implementation of activities has started, the Local Senior Project Officer has had a number of meetings with EUD task managers responsible for the Action. The Local Senior Project Officer sends monthly briefs to the task managers from the EUD Skopje office. The Action's team sends regular reports to the EU as agreed in the contract for the Horizontal Facility.

Currently there is one an ongoing EU funded project *"Strengthening the national capacities for fight against organized crime and corruption"* which could potentially overlap with the HF Action against Economic Crime in "the former Yugoslav Republic of Macedonia". The Action's local project officer met with the team of the project in order to discuss any potential overlaps.

All Actions implemented under the Horizontal Facility in "former Yugoslav Republic of Macedonia" have organised its mutual 1<sup>st</sup> Annual Steering Committee meeting in order to present the progress of the Action and to discuss the opportunities the Horizontal Facility offers.

The **added value of the Council of Europe** to the project is visible in the organisation of workshops and seminars, quality assurance of papers and documents as well as providing a network of contacts. Results and lessons learned from previous engagement in such cooperation have enriched the Council of Europe's expertise with solid tools and "know how" facilities in supporting important reforms in member states. Council of Europe presence, partnership and approach when involved in those reforms and cooperation modalities offers to the countries: access to experience and knowledge in mainstreaming their legislation in line with European *acquis*; sharing tools to effectively implement international standards; using the Council's monitoring methodologies to address concerns in neighbouring regions; coordinating, supporting and hosting professional networks which promote better international co-operation in criminal matters (European Union/Council of Europe member States and other countries).

## VII – Communication and visibility

The HF Communication Guidelines were followed to ensure the Action's visibility. The information on the activities was published regularly on home page of the website of the Economic Crime and Cooperation Division, [www.coe.int/corruption](http://www.coe.int/corruption) and the project specific web-site of the <http://www.coe.int/hf-aec>. News on project activities is also published on the Horizontal Facility Programme page <http://pjp-eu.coe.int/en/web/horizontal-facility/news>.

The Action's visibility materials were disseminated at all activities. The HF logo and visibility item were systematically used during the activities and the Action's correspondence.

The Launching Conference of the Action took place on 27 February 2017; the event was opened by the Minister of Finance the Head of the Financial Intelligence Office, the Head of Operations of the Council of Europe Programme Office in Skopje and the Head of Operations at the EUD in Skopje. The launching event of the Action was attended by high level officials, including the State Public

Prosecutor, the head of the Customs Office, the head of the Academy for Judges and Prosecutors, high level officials from the Ministry of External Affairs, Public Prosecutors from the Public Prosecution for organised crime, high level representatives from the Ministry of Interior, the Ministry of Finance and the members of the national AML/CFT Council, representatives from international organizations present in the country, as well as representatives from embassies in the country.

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