PROJECT AGAINST CORRUPTION IN ALBANIA (PACA)

TECHNICAL PAPER

REVIEW OF DRAFT GUIDELINES ON MONEY LAUNDERING TYPOLOGIES

Prepared by:

Mark van Thiel, Council of Europe
August 2010

ECD/30/2010

Table of Contents

Executive Summary

This opinion provides comments on and recommendations

The main findings/recommendations of this opinion are the following:

▪ The draft guideline on money laundering typologies reflects most of the indicators according to the international standards
▪ The structuring of the draft guideline can be enhanced allowing the reporting entities to better find and apply the indicators.
▪ It should be discussed by the FIU to include some additional indicators which have been named in documents made by other FIU.

1   INTRODUCTION

This technical paper deals with the draft guideline on money laundering typologies which has been developed by the Financial Intelligence Unit (FIU) of Albania.

The draft guideline has been analyzed and compared with international standards.

Recommendations are made where necessary.

2   INTERNATIONAL STANDARDS

The following three documents serve as a basis to compare the guideline.

- Money Laundering Indicators, issued by the Belgian Financial Intelligence Unit CTIF-CFI (see Annex 1)
- Indicators of Money Laundering, issued by the Swiss Financial Markets Supervisory Authority FINMA (see Annex 2 for an unofficial translation by KPMG)
- Indicators, issued by the Australian Transaction Reports and Analaysis Centre AUSTRAC (see Annex 3)

All thee authorities are either a FIU or a regulator from a FATF-member country. Consequently their indicators can be regarded as an international standard.

3   DRAFT GUIDELINE

3.1   Document

The basis for this analysis is the document "FIU's Indicators of Potential Money Laundering Terrorism Financing Activities". It is an 8 page document (see Annex 4).

It contains indicators for possible money laundering and/or terrorist financing activities.

The indicators are grouped by different types of reporting entities as follows:

- Banking Sector
- Insurance Companies
- Currency Exchange Bureaux
- Notaries, Attorney and Financial Experts
- Real Estate Agents

3.2   Overall impression

The content of the draft guideline seems to be substantially influenced by the indicators of the Belgian FIU. Most of the indicators of the Belgian FIU have been implemented in the draft guideline.

3.3   Structuring

3.3.1   Current structuring

The general structuring of the guideline by type of reporting entity makes sense. However the order within each chapter can be optimised. Currently there does not seem to be a logical order and there is no index yet.

3.3.2   Problem

The reporting entities must search the entire chapter of in order to find a matching indicator. This can be time consuming and is not efficient.

3.3.3   Recommendation

It would make sense to implement a more refined structure into each chapter, which will allow a faster application by the reporting entities. One possibility is to introduce subchapters based on the life cycle of a business relationship:

- Opening of the business relationship
- Transactions and client behaviour during the business relationship
- Termination of the business relationship

This approach is more natural and easier to understand and to apply for the reporting

entities.

3.4   Content

3.4.1   Current content

The content as suggested by the FIU is overall good and sensible. Some of the indicators have even not yet been included in the documents of the Belgian FIU, the Australian FIU and the Swiss regulator.

The indicators are grouped by reporting entity. It does not specify regarding individual products such as precious metals, securities, cheques etc.

3.4.2   Missing content

On the other hand some of indicators of these three organisations have not been included in the draft guideline and it would make sense to a least discuss, if it is worthwhile to include them. The missing indicators are amongst others:

-   Presenting falsified documents. This can be identification documents and/or documents allegedly providing background information on transactions.
-   Use of payable-through accounts
-   Exchange of old, worn banknotes in small denomination of foreign currencies. Currently there is a indicator for Exchange Bureaux
-   Use of couriers
-   The amounts involved are disproportionate to the client business
-   No economic justification for the transaction performed or they are incompatible with the type of transaction being performed
-   Use of offshore companies
-   Cancellation of an insurance contract without the client worrying about the involved costs
-   Repeated sale of property with unusual profits and/or losses
-   Advance cash payment of more than 10% of the real estate value

3.4.3   Recommendation

We suggest that the FIU of Albania consults the three documents in the annex. The FIU should evaluate if any of the indicators in those lists, which have not already been implemented into their own guideline, is useful for them and should be included into their guideline.

As a further recommendation we suggest that the FIU of Albania reviews the reports received by the reporting entities and looks for new indicators. Also a continuous information exchange with the prosecutors, law enforcement agencies and regulators is crucial to finding new indicators.